



**Board of Directors
Newfoundland Ocean Enterprises Limited**

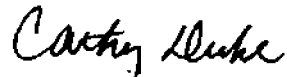
**Annual Report
2007-08**

Message from the Chair

As Chair of the Board of Directors of Newfoundland Ocean Enterprises Limited, I am pleased to present the Board's 2007-2008 Annual Report.

Newfoundland Ocean Enterprises Limited is classified as a category 3 entity under the *Transparency and Accountability Act*. This means the Board must prepare an annual report that clearly outlines the activities it has undertaken within its mandate and current budget, in the preceding fiscal year. In accordance with the *Transparency and Accountability Act*, this report was prepared under the direction of the Board, which is accountable for the results herein.

Sincerely,



Cathy Duke
Chair
Newfoundland Ocean Enterprises Limited

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Overview of the Board of Directors and Newfoundland Ocean Enterprises Limited

Marystown Shipyard Limited (MSL) was established in 1966 to secure the needs of the province's fishing industry for new vessel construction and repair. Newfoundland Ocean Enterprises Limited (NOEL) was established in 1988 under the *Corporations Act* as the parent corporation of MSL. All reporting activity is through this corporate entity.

In 1998, the MSL assets were sold to Friede Goldman Newfoundland Limited (FGNL) and, in 2002, were sold by FGNL to Peter Kiewit Sons Co. Limited (PKS). The Environmental Indemnification Agreement, which was originally entered into between government and FGNL, was transferred from FGNL to PKS.

Currently, NOEL operates as an arms-length Crown corporation with a Board of Directors reporting to the Minister of Innovation, Trade and Rural Development. The Corporation does not carry on active business at present. It is essentially a shell corporation maintained to provide closure to outstanding issues that may arise subsequent to the divestiture, such as environmental remediation work and any legal claims.

NOEL has a Board of Directors consisting of five senior public sector representatives, as follows:

- Deputy Minister of Innovation, Trade and Rural Development, Chairperson
- Assistant Deputy Minister, Innovation, Trade and Rural Development
- Director, Business Analysis, Innovation, Trade and Rural Development
- Manager, Enterprise Services, Business Analysis, Innovation, Trade and Rural Development
- Assistant Deputy Minister, Industrial Benefits, Natural Resources

The Corporation does not have its own staff. The Department of Innovation, Trade and Rural Development (INTRD) provides administrative support to the Board.

Mandate

The Board of Directors of Newfoundland Ocean Enterprises Limited does not have a formally defined mandate. It exists only to deal with any outstanding issues that may arise subsequent to the divestiture of MSL's assets.

Primary Clients

The Board's primary responsibility is to government by handling outstanding issues that may arise subsequent to the divestiture of MSL's assets.

Support of Vision of Department

The vision of the Department of Innovation, Trade and Rural Development is of "a diversified, competitive economy with productive and prosperous regions across the province".

The work of the Board supports the vision of the Department of Innovation, Trade and Rural Development by handling expeditiously, issues arising subsequent to the divestiture of MSL's assets.

Mission

The mission statement of the Department of Innovation, Trade and Rural Development identifies the priority focus area of the Minister over the current planning cycle. It represents the key longer-term result that the Minister and the Board will work towards to achieve the strategic directions of Government.

The mission of the Department of Innovation, Trade and Rural Development is as follows:

By 2011, the Department of Innovation, Trade and Rural Development will "have stimulated economic and business development to foster regional and provincial prosperity."

The work of the Board supports the strategic directions of government and the mission of the Department of Innovation, Trade and Rural Development by handling expeditiously, issues arising subsequent to the divestiture of MSL's assets.

Board Activities and Objectives

In consideration of its mandate, the Board's only required activity is an annual meeting to discuss any issues that may require the Board's attention as well as consider and approve the annual audited financial statements.

The Board met twice in 2007-08 to consider and approve the Corporation's audited financial statements for the year ended March 31, 2007 (copy attached) and to consider and approve the 2008-2011 activity plan.

Appendix A: Financial Statements



Grant Thornton

Auditors' report

Grant Thornton LLP
187 Kenmount Road
St. John's, NL
A1B 3P9

T (709) 722-5960
F (709) 722-7892
www.GrantThornton.ca

To the Shareholders of

Newfoundland Ocean Enterprises Limited

We have audited the consolidated balance sheet of Newfoundland Ocean Enterprises Limited at March 31, 2008 and the consolidated statements of loss and deficit and cash flows for the year then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

St. John's, Newfoundland and Labrador

June 2, 2008

Chartered Accountants

Newfoundland Ocean Enterprises Limited

Consolidated Statements of Loss and Deficit

Year Ended March 31	2008	2007
Revenue		
Recoveries and sundry	\$ 2,700	\$ 1,948
Service charge refund	<u>-</u>	<u>21,927</u>
	<u>2,700</u>	<u>23,875</u>
Expenses		
Interest	81	3,478
Other costs	<u>4,375</u>	<u>3,297</u>
	<u>4,456</u>	<u>6,775</u>
Net (loss) earnings	<u>\$ (1,756)</u>	<u>\$ 17,100</u>
Deficit, beginning of year	\$ (90,744,386)	\$ (90,761,486)
Net (loss) earnings	<u>(1,756)</u>	<u>17,100</u>
Deficit, end of year	<u>\$ (90,746,142)</u>	<u>\$ (90,744,386)</u>

See accompanying notes to the consolidated financial statements.

Newfoundland Ocean Enterprises Limited

Consolidated Balance Sheet

March 31	2008	2007
Assets		
Current		
Cash and cash equivalents	<u>\$ 72,401</u>	<u>\$ 72,485</u>
Liabilities		
Current		
Payables and accruals	<u>\$ 15,543</u>	<u>\$ 13,871</u>
Shareholders' Equity		
Capital stock (Note 3)	3,000	3,000
Contributed surplus (Note 4)	90,800,000	90,800,000
Deficit	<u>(90,746,142)</u>	<u>(90,744,386)</u>
	<u>56,858</u>	<u>58,614</u>
	<u>\$ 72,401</u>	<u>\$ 72,485</u>

On behalf of the Board

Cathy Duke Director

 Director

See accompanying notes to the consolidated financial statements.

Newfoundland Ocean Enterprises Limited

Consolidated Statement of Cash Flows

Year Ended March 31

2008

2007

Increase (decrease) in cash and cash equivalents

Operating

Net (loss) earnings

\$ (1,756) \$ 17,100

Change in non-cash operating
working capital

1,672 (57)

(84) 17,043

Net (decrease) increase in cash and cash equivalents

(84) 17,043

Cash and cash equivalents

Beginning of year

72,485 55,442

End of year

\$ 72,401 \$ 72,485

See accompanying notes to the consolidated financial statements.

Newfoundland Ocean Enterprises Limited

Notes to the Consolidated Financial Statements

March 31, 2008

1. Operations

The Company ceased active operations on January 1, 1998.

2. Summary of significant accounting policies

Basis of presentation

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Significant accounting policies are set out below.

Principles of consolidation

The consolidated financial statements include the accounts of Newfoundland Ocean Enterprises Limited, its wholly owned subsidiaries Marystown Shipyard Limited and Vinland Industries Limited, and Vinland Industries, a Limited Partnership.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks, net of any overdrafts. Bank borrowings are considered to be financing activities.

Accounting standards and policies adopted during the year

(i) Accounting changes

In July 2006, the Canadian Institute of Chartered Accountants ("CICA") issued Section 1506 of the CICA Handbook, "Accounting Changes", which describes the criteria for changing accounting policies, along with the accounting and disclosure for changes in accounting policies, changes in accounting estimates and correction of errors. These changes came into effect as of January 1, 2007 and are applicable for the company's year ended March 31, 2008.

Newfoundland Ocean Enterprises Limited

Notes to the Consolidated Financial Statements

March 31, 2008

Summary of significant accounting policies (cont'd.)

Financial instruments - Recognition and Measurement

On April 1, 2007, the Company implemented the CICA Handbook Sections 3855, "Financial Instruments - Recognition and Measurement" and 3861, "Financial Instruments - Disclosure and Presentation".

CICA Section 3855, "Financial Instruments - Recognition and Measurement", requires the company to revalue all of its financial assets and liabilities at fair value on the initial date of implementation and at each subsequent financial reporting date.

This standard also requires the company to classify financial assets and liabilities according to their characteristics and management's choices and intentions related thereto for the purposes of ongoing measurements. Classification choices for financial assets include: a) held for trading - measured at fair value with changes in fair value recorded in net earnings; b) held to maturity - recorded at amortized cost with gains and losses recognized in net earnings in the period that the asset is no longer recognized or impaired; c) available-for-sale - measured at fair value with changes in fair value recognized in other comprehensive income for the current period until realized through disposal or impairment; and d) loans and receivables - recorded at amortized cost with gains and losses recognized in net earnings in the period that the asset is no longer recognized or impaired.

Classification choices for financial liabilities include: a) held for trading - measured at fair value with changes in fair value recorded in net earnings and b) other - measured at amortized cost with gains and losses recognized in net earnings in the period that the liability is no longer recognized. Subsequent measurement for these assets and liabilities are based on either fair value or amortized cost using the effective interest method, depending upon their classification. Any financial asset or liability can be classified as held for trading as long as its fair value is reliably determinable.

In accordance with the new standard, the company's financial assets and liabilities are classified and measured as follows:

Asset/Liability	Classification	Measurement
Cash and cash equivalents	Held for trading	Fair value
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

Newfoundland Ocean Enterprises Limited

Notes to the Consolidated Financial Statements

March 31, 2008

2. Summary of significant accounting policies (cont'd.)

The fair value of a financial instrument is the estimated amount that the company would receive or pay to terminate the instrument agreement at the reporting date. To estimate the fair value of each type of financial instrument various market value data were used as appropriate. The fair values of cash approximated its carrying value.

There were no adjustments to the financial statements required as a result of the adoption of the above noted financial instruments policies.

Future changes in accounting policies

(i) Financial Instruments - Disclosure and Presentation

CICA Section 3862 "Financial Instruments - Disclosure" and CICA Section 3863 "Financial Instruments - Presentation" replaces CICA Section 3861, "Financial Instruments - Disclosure and Presentation". CICA Section 3862 requires increased disclosures regarding the risks associated with financial instruments such as credit risk, liquidity risk and market risks and the techniques used to identify, monitor and manage these risks. CICA Section 3863 carries forward standards for presentation of financial instruments and non-financial derivatives and provides additional guidance for the classification of financial instruments, from the perspective of the issuer, between liabilities and equity. These standards are effective for financial statements relating to fiscal years beginning on or after October 1, 2007.

3. Capital stock	2008	2007
Authorized An unlimited number of common shares of no par value		
Issued 3 shares	\$ 3,000	\$ 3,000

Contributed surplus

In 2005, the Government of Newfoundland and Labrador advanced funds to the Company in the amount of \$5,400,000 to retire the operating loan.

In 1999, the Government of Newfoundland and Labrador advanced funds to the Company in the amount of \$85,400,000 to retire the bankers' acceptances and certain other debt.
