

Newfoundland Ocean
Enterprises Limited

2015-2016 ANNUAL REPORT



Business, Tourism, Culture and
Rural Development

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MESSAGE FROM THE CHAIR

As Chair of the Board of Directors of Newfoundland Ocean Enterprises Limited (NOEL), I am pleased to present the Board's annual report for the fiscal year ending March 31, 2016.

Newfoundland Ocean Enterprises Limited is classified as a category three entity under the *Transparency and Accountability Act*. Therefore, the Board must prepare an annual report that clearly outlines the activities it has undertaken within its mandate for 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 reported herein.

Sincerely,



Ted Lomond
Chair

OVERVIEW

Background

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

NOEL operates as an arms-length crown corporation with a Board of Directors reporting to the Minister of Business, Tourism, Culture and Rural Development (BTCRD). NOEL does not carry on active business. It is maintained to provide closure to issues such as environmental remediation and any legal claims which may arise subsequent to the divestiture. The corporation does not have dedicated staff; BTCRD provides administrative support to it.

Mandate

The Board of Directors of NOEL 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.

Vision

The work of the Board supports the vision of BTCRD by handling expeditiously issues arising subsequent to the divestiture of MSL's assets. The vision of BTCRD is of a vibrant, diverse, and sustainable economy, with productive, prosperous and culturally-rich communities and regions, making Newfoundland and Labrador a business and tourism "destination of choice."

Mission

The work of the Board supports the mission of BTCRD by handling expeditiously issues arising subsequent to the divestiture of MSL's assets.

The mission of BTCRD is as follows:

By March 31, 2017, the Department of Business, Tourism, Culture and Rural Development will have stimulated economic, business and tourism development to foster regional and provincial prosperity, while preserving and promoting culture and heritage throughout the province.

Board of Directors

As of March 31, 2016, NOEL's Board of Directors consisted of five senior public sector representatives, as follows:

Chairperson Deputy Minister, BTCRD
Members Assistant Deputy Minister, BTCRD (Regional & Business Development)
Director, Business Analysis, BTCRD
Manager, Enterprise Services, BTCRD (vacant)
Assistant Deputy Minister, Royalties and Benefits, Department of Natural Resources

OBJECTIVE AND ACTIVITIES

In consideration of its mandate, the Board's primary 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 reports on the objective, measure and indicator below, through its annual reports, for each fiscal year of its three-year activity plan (2014-15, 2015-16 and 2016-17).

Objective

By March 31, 2016 the Board will have met to discuss any issues and to approve annual audited financial statements.

Measure

Issues discussed and audited financial statements approved.

Indicator

Audited financial statements reviewed and approved.

Activities

The Board met once in 2015-16 to consider and approve NOEL's audited financial statements. In addition, given that NOEL has been largely inactive for a number of years, direction was provided by the Board of Directors in June, 2015, to initiate the dissolution of the corporation. The Department of BTCRD is presently coordinating the dissolution of NOEL and its subsidiary corporation, Marystown Shipyard Limited (MSL). Work is ongoing and the Department anticipates that both entities will be fully dissolved during the 2016-17 fiscal year.

FINANCIAL STATEMENTS

The audited financial statements for the corporation are appended to this report.



Consolidated Financial Statements

Newfoundland Ocean Enterprises Limited

March 31, 2016

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Statement of responsibility

The accompanying consolidated financial statements are the responsibility of the management of the Newfoundland Ocean Enterprises Limited (the "Corporation") and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

Management has met with its external auditors to review a draft of the consolidated financial statements and to discuss any significant financial reporting or internal control matters prior to their approval of the finalized Consolidated Financial Statements.

Grant Thornton LLP as the Corporation's appointed external auditors, have audited the consolidated financial statements. The auditor's report is addressed to the Directors of the Corporation and appears on the following page. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the Consolidated Financial Statements are free of material misstatement and present fairly the financial position and results of the Corporation in accordance with Canadian public sector accounting standards.



Director



Director



Independent auditors' report

Grant Thornton LLP
Suite 300
15 International Place
St. John's, NL
A1A 0L4
T + 1 709 778 8800
F + 1 709 722 7892
www.GrantThornton.ca

To the Directors of

Newfoundland Ocean Enterprises Limited

We have audited the accompanying financial statements of Newfoundland Ocean Enterprises Limited, which comprise the statement of financial position as at March 31, 2016 and the statements of operations and changes in accumulated surplus, statement of net financial assets and changes in cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for qualified opinion

The Corporation has not prepared an annual budget as required in accordance with public sector accounting standards.

Qualified opinion

In our opinion, except for the matter described in the Basis of Qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Newfoundland Ocean Enterprises Limited as at March 31, 2016 and its financial performance, net financial assets and its cash flows for the years then ended in accordance with Canadian public sector accounting standards.

St. John's, Canada

June 3, 2016

Grant Thornton LLP

Chartered Professional Accountants

Newfoundland Ocean Enterprises Limited
Consolidated Statement of Financial Position

March 31	2016	2015
Financial assets		
Cash and cash equivalents	\$ 18,002	\$ 22,934
HST receivable	<u>6,902</u>	<u>6,380</u>
	<u>24,904</u>	<u>29,314</u>
Liabilities		
Payables and accruals	<u>8,635</u>	<u>5,443</u>
Net financial assets	<u>16,269</u>	<u>23,871</u>
Accumulated surplus	<u>\$ 16,269</u>	<u>\$ 23,871</u>

On behalf of the Board



Director



Director

See accompanying notes to the consolidated financial statements.

Newfoundland Ocean Enterprises Limited
Consolidated Statement of Operations

Year Ended March 31	Actual 2016	Budget 2016	Actual 2015
Revenue			
Interest income	<u>\$ 82</u>	<u>\$ -</u>	<u>\$ 159</u>
Expenses			
Bank charges	481	-	316
Professional fees	<u>7,203</u>	<u>-</u>	<u>4,816</u>
	<u>7,684</u>	<u>-</u>	<u>5,132</u>
Other item			
Debt forgiveness (Note 3)	<u>-</u>	<u>-</u>	<u>14,347</u>
Annual (deficit) surplus	<u>\$ (7,602)</u>	<u>\$ -</u>	<u>\$ 9,374</u>

See accompanying notes to the consolidated financial statements.

Newfoundland Ocean Enterprises Limited
Consolidated Statement of Changes in Accumulated Surplus

Year Ended March 31	Actual 2016	Budget 2016	Actual 2015
Accumulated surplus, beginning of year	\$ 23,871	\$ -	\$ 14,497
Annual (deficit) surplus	<u>(7,602)</u>	<u>-</u>	<u>9,374</u>
Accumulated surplus, end of year	<u>\$ 16,269</u>	<u>\$ -</u>	<u>\$ 23,871</u>

See accompanying notes to the consolidated financial statements.

Newfoundland Ocean Enterprises Limited

Consolidated Statement of Net Financial Assets

Year Ended March 31	Actual 2016	Budget 2016	Actual 2015
Annual surplus (deficit)	\$ 23,871	\$ -	\$ 9,374
(Decrease) increase in net financial assets	(7,602)	-	9,374
Net financial assets, beginning of year	<u>23,871</u>	<u>-</u>	<u>14,497</u>
Net financial assets, end of year	<u>\$ 16,269</u>	<u>\$ -</u>	<u>\$ 23,871</u>

See accompanying notes to the consolidated financial statements.

Newfoundland Ocean Enterprises Limited

Consolidated Statement of Cash Flows

Year Ended March 31	2016	2015
Increase (decrease) in cash and cash equivalents		
Operating		
Annual (deficit) surplus	\$ (7,602)	\$ 9,374
Change in non-cash items		
HST receivable	(522)	(626)
Payables and accruals	<u>3,192</u>	<u>(14,348)</u>
Cash used for operating transactions	<u>(4,932)</u>	<u>(5,600)</u>
Decrease in cash and cash equivalents	(4,932)	(5,600)
Cash and cash equivalents, beginning of year	<u>22,934</u>	<u>28,534</u>
Cash and cash equivalents, end of year	<u>\$ 18,002</u>	<u>\$ 22,934</u>

See accompanying notes to the consolidated financial statements.

Newfoundland Ocean Enterprises Limited

Notes to the Consolidated Financial Statements

March 31, 2016

1. Operations

Newfoundland Ocean Enterprises Limited ceased active operations on January 1, 1998. Subsequent to March 31, 2016, this Company and its wholly owned subsidiary, Marystown Shipyard Limited will be dissolved.

2. Summary of significant accounting policies

Basis of presentation

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Professional Accountants and reflect the following significant accounting policies.

Principles of consolidation

The consolidated financial statements include the accounts of Newfoundland Ocean Enterprises Limited and its wholly owned subsidiary Marystown Shipyard Limited.

Use of estimates

In preparing the Corporation's consolidated financial statements in conformity with Canadian public sector accounting standards, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period.

Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from these estimates.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks, and short term deposits with original maturities of three months or less. Bank borrowings are considered to be financing activities.

Financial instruments

The Corporation considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The Corporation accounts for the following as financial instruments:

- cash and cash equivalents; and
 - payables and accruals.
-

Newfoundland Ocean Enterprises Limited

Notes to the Consolidated Financial Statements

March 31, 2016

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

A financial asset or liability is recognized when the Corporation becomes party to contractual provisions of the instrument.

The Corporation initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Corporation subsequently measures its financial assets and financial liabilities at cost or amortized cost, except for derivatives and equity securities quoted in an active market, which are subsequently measured at fair value. Changes in fair value are recognized in annual surplus.

Financial assets measured at amortized cost include cash and cash equivalents.

Financial liabilities measured at cost include payables and accruals.

The Corporation removes financial liabilities, or a portion of, when the obligation is discharged, cancelled or expires.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in net annual surplus.

3. Debt forgiveness

The debt forgiveness relates to the write off of the payable to the Department of Business, Tourism, Culture and Rural Development as approved by the Board.

4. Financial instruments

The Corporation's financial instruments consist of cash and cash equivalents and payables and accruals. The book value of cash and cash equivalents and payables and accruals approximate fair value due to their short term maturity date.

Risks and concentrations

The Corporation is exposed to various risks through its financial instruments. The following analysis provides a measure of the Corporation's risk exposure and concentrations at March 31, 2016.

Newfoundland Ocean Enterprises Limited
Notes to the Consolidated Financial Statements
March 31, 2016

4. Financial instruments (cont'd.)

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Corporation is exposed to this risk mainly in respect of its payables and accruals. The Corporation reduces its exposure to liquidity risk by monitoring its cash flows and ensuring that it has sufficient cash available to meet its obligations and liabilities. In the opinion of management the liquidity risk exposure to the Corporation is low and not material.