



board of directors newfoundland  
ocean enterprises ltd

  
Newfoundland  
Labrador

Innovation, Business and Rural Development



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## MESSAGE FROM THE CHAIR

As Chair of the board of directors of Newfoundland Ocean Enterprises Limited, I am pleased to present the board's annual report for the fiscal year ending March 31, 2012.

Newfoundland Ocean Enterprises Limited is classified as a category three entity under the *Transparency and Accountability Act*. The board must prepare an annual report that clearly outlines the activities it has undertaken within its mandate and current budget 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,



Brent Meade  
Chair



## OVERVIEW

In October 2011, the Department of Innovation, Trade and Rural Development was part of the Provincial Government's restructuring of departments. A new department was created that included elements of the former Department of Business and the Department of Innovation, Trade and Rural Development and was re-named the Department of Innovation, Business and Rural Development (IBRD).

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.

NOEL is a shell corporation, which operates as an arms-length Crown Corporation with a board of directors reporting to the Minister of Innovation, Business and Rural Development. NOEL does not carry on active business; but, is maintained to provide closure to issues such as environmental remediation and any legal claims which may arise subsequent to the divestiture.

NOEL has a board of directors consisting of five senior public sector representatives, as follows:

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

The corporation does not have its own staff. The Department of Innovation, Business and Rural Development 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 the Provincial Government by handling outstanding issues that may arise subsequent to the divestiture of MSL's assets.





## Vision

The vision of the Department of Innovation, Business and Rural Development is of a vibrant, diverse, and sustainable economy with productive and prosperous regions throughout the province.

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

## Mission

The mission statement of the department identifies the priority focus area of the Minister of Innovation, Business and Rural Development. The mission spans over two planning cycles (2011-14 and 2014-17).

The mission of IBRD is as follows:

“By March 31, 2017, the Department of Innovation, Business 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 the Provincial Government and the mission of the Department of Innovation, Business and Rural Development by handling expeditiously, issues arising subsequent to the divestiture of MSL's assets.







## BOARD'S OBJECTIVES 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. In consideration of the Provincial Government's strategic directions as well as mandate, the following area has been identified as the board's key priority. The board reports on its activities on an annual basis.

### Objective

The board will have met to consider and approve annual audited financial statements.

### Measure

Audited financial statements

### Indicators

Approved audited financial statements

### Activities

The board did not meet during the 2011-12 fiscal year due to various changes in management. While no formal meetings were held in 2011-12, financial statements for the 2010-11 were reviewed and approved by board members. The corporation's audited financial statements for the year ending March 31, 2011, will be reviewed and approved at the next board meeting in 2012-13.



Consolidated Financial Statements

Newfoundland Ocean Enterprises Limited

March 31, 2012

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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

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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, 2012, March 31, 2011 and April 1, 2010 and the statements of operations and changes in accumulated surplus, statement of net financial assets and changes in cash flows for the years ended March 31, 2012 and March 31, 2011 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.



**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Newfoundland Ocean Enterprises Limited as at March 31, 2012, March 31, 2011 and April 1, 2010 and its financial performance, net financial assets and its cash flows for the years ended March 31, 2012 and March 31, 2011 in accordance with Canadian public sector accounting standards.



St. John's, Newfoundland and Labrador

June 15, 2012

Chartered Accountants

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Newfoundland Ocean Enterprises Limited  
Consolidated Statement of Financial Position

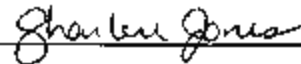
(Note 3)

March 31	2012	2011	April 1 2010
<b>Financial assets</b>			
Cash and cash equivalents	\$ 41,975	\$ 43,401	\$ 47,515
<b>Liabilities</b>			
Payables and accruals	15,104	12,143	12,616
<b>Net financial assets</b>	26,871	31,258	34,899
<b>Accumulated surplus</b>	\$ 26,871	\$ 31,258	\$ 34,899

On behalf of the Board



Director



Director

See accompanying notes to the consolidated financial statements.

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## Newfoundland Ocean Enterprises Limited

### Consolidated Statement of Operations

Year Ended March 31	Actual 2012	Budget 2012	Actual 2011
Revenue			
Interest income	\$ 254	\$ -	\$ 167
Expenses			
Bank charges	200	-	87
Professional fees	4,443	-	3,721
	4,643	-	3,808
Annual deficit	\$ (4,387)	\$ -	\$ (3,641)

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See accompanying notes to the consolidated financial statements.

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Newfoundland Ocean Enterprises Limited  
 Consolidated Statement of Changes in Accumulated Surplus

Year Ended March 31	(Note 3)		
	Actual 2012	Budget 2012	Actual 2011
Accumulated surplus, beginning of year	\$ 31,258	\$ -	\$ 34,899
Annual deficit	<u>(4,387)</u>	<u>-</u>	<u>(3,641)</u>
Accumulated surplus, end of year	<u>\$ 26,871</u>	<u>\$ -</u>	<u>\$ 31,258</u>

See accompanying notes to the consolidated financial statements.



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Newfoundland Ocean Enterprises Limited  
Consolidated Statement of Net Financial Assets

(Note 3)

Year Ended March 31	Actual 2012	Budget 2012	Actual 2011
Annual deficit	\$ (4,387)	\$ -	\$ (3,641)
Decrease in net financial assets	(4,387)	-	(3,641)
Net financial assets, beginning of year	<u>31,258</u>	<u>-</u>	<u>34,899</u>
Net financial assets, end of year	<u>\$ 26,871</u>	<u>\$ -</u>	<u>\$ 31,258</u>

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See accompanying notes to the consolidated financial statements.

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Newfoundland Ocean Enterprises Limited  
Consolidated Statement of Cash Flows

Year Ended March 31 2012 2011

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Increase (decrease) in cash and cash equivalents		
<b>Operating</b>		
Annual deficit	\$ (4,387)	\$ (3,641)
Change in non-cash items		
Payables and accruals	<u>2,961</u>	<u>(473)</u>
Cash used for operating transactions	<u>(1,426)</u>	<u>(4,114)</u>
Decrease in cash and cash equivalents	(1,426)	(4,114)
Cash and cash equivalents, beginning of year	<u>43,401</u>	<u>47,515</u>
Cash and cash equivalents, end of year	<u>\$ 41,975</u>	<u>\$ 43,401</u>

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See accompanying notes to the consolidated financial statements.

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# Newfoundland Ocean Enterprises Limited

## Notes to the Consolidated Financial Statements

March 31, 2012

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### 1. Operations

Newfoundland Ocean Enterprises Limited ceased active operations on January 1, 1998.

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### 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 Accountants and reflect the following significant accounting policies.

#### 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

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.
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# Newfoundland Ocean Enterprises Limited

## Notes to the Consolidated Financial Statements

March 31, 2012

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### 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 fair value 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.

#### Adoption of new accounting policies

During the year, the Corporation transitioned to PSAB standards, as part of this transition, the Corporation has also early adopted the new standards included in PS 3410 Government Transfers and PS 3450 Financial Instruments. The Public Standards Accounting Board encouraged early adoption of these standards in the year of transition to PSAB.

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### 3. Impact of the change in the basis of accounting

These consolidated financial statements are the first consolidated financial statements for which the Corporation has applied Canadian public sector accounting standards ("PSAB"). The consolidated financial statements for the year ended March 31, 2012 were prepared in accordance with PSAB. Comparative period information presented for the year ended March 31, 2011 was prepared in accordance with PSAB and the provisions set out in Section PS 2125 *First-time adoption by government organizations*.

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# Newfoundland Ocean Enterprises Limited

## Notes to the Consolidated Financial Statements

March 31, 2012

### 3. Impact of the change in the basis of accounting (cont'd.)

The date of transition to PSAB is April 1, 2010. The Corporation's transition from generally accepted accounting principles (previously "GAAP") to PSAB resulted in a restatement of opening accumulated surplus as at April 1, 2010. This change is as follows:

(a) Adjustment to the consolidated statement of financial position as at April 1, 2010:

	As previously reported	Effect of transition	As restated
<b>Shareholders' Equity</b>			
Capital stock	\$ 3,000	\$ (3,000)	\$ -
Contributed surplus	90,800,000	(90,800,000)	-
Deficit	<u>(90,768,101)</u>	<u>90,768,101</u>	<u>-</u>
<b>Accumulated surplus</b>	<b>\$ -</b>	<b>\$ (34,899)</b>	<b>\$ 34,899</b>

Upon transition, Canadian public sector accounting standards permits certain exemptions from full retrospective application. The Corporation has applied the mandatory exceptions and has not elected to apply any of the available optional exemptions.

### 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, 2012.

#### *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.



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