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ANNUAL REPORT
10

**BOARD OF DIRECTORS
NEWFOUNDLAND OCEAN
ENTERPRISES LIMITED**



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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 2009-10.

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

Newfoundland Ocean Enterprises Limited

OVERVIEW

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 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, 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'S OBJECTIVE AND ACTIVITIES

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.

Objective 1: *The board will meet to review and approve annual audited financial statements.*

Measure

Audited financial statements.

Indicators

Audited financial statements reviewed and approved

Activities

The board met once in 2009-10 to consider a claim by Peter Kiewit Sons Co. Ltd under an Environmental Indemnity Agreement, conveyed to Peter Kiewit Sons Ltd pursuant to an assignment agreement dated March 27, 2002. The claim was considered by the board, funds were committed to hire the necessary Environmental consultants and the Provincial Government was advised of the claim pursuant to the Environmental Indemnity Agreement.

The board also reviewed and approved the corporation's audited financial statements for the year ended March 31, 2010 (copy attached).



Grant Thornton

Auditors' report

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To the Shareholders of

Newfoundland Ocean Enterprises Limited

We have audited the consolidated balance sheet of Newfoundland Ocean Enterprises Limited at March 31, 2010 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, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

St. John's, Newfoundland and Labrador

June 4, 2010

Grant Thornton LLP

Chartered Accountants

Audit • Tax • Advisory
Grant Thornton LLP, A Canadian Member of Grant Thornton International Ltd

Newfoundland Ocean Enterprises Limited
Consolidated Statements of Loss and Deficit

Year Ended March 31	2010	2009
Revenue		
Recoveries and sundry	\$ <u>17</u>	\$ <u>1,437</u>
Expenses		
Interest	61	83
Other costs	<u>17,924</u>	<u>5,345</u>
	<u>17,985</u>	<u>5,428</u>
Net loss	\$ <u>(17,968)</u>	\$ <u>(3,991)</u>
Deficit, beginning of year	\$ (90,750,133)	\$ (90,746,142)
Net loss	<u>(17,968)</u>	<u>(3,991)</u>
Deficit, end of year	\$ <u>(90,768,101)</u>	\$ <u>(90,750,133)</u>

Newfoundland Ocean Enterprises Limited
 Consolidated Balance Sheet

March 31 2010 2009

Assets

Current		
Cash and cash equivalents	\$ 47,515	\$ 67,783

Liabilities

Current		
Payables and accruals	\$ 12,616	\$ 14,916

Shareholders' Equity

Capital stock (Note 3)	3,000	3,000
Contributed surplus (Note 4)	90,800,000	90,800,000
Deficit	(90,768,101)	(90,750,133)
	34,899	52,867
	\$ 47,515	\$ 67,783

Contingency (Note 5)
 On behalf of the Board

 Director
  Director

Newfoundland Ocean Enterprises Limited

Consolidated Statement of Cash Flows

Year Ended March 31	2010	2009
Increase (decrease) in cash and cash equivalents		
Operating		
Net loss	\$ (17,968)	\$ (3,991)
Change in non-cash operating working capital	<u>(2,300)</u>	<u>(627)</u>
	<u>(20,268)</u>	<u>(4,618)</u>
Net decrease in cash and cash equivalents	(20,268)	(4,618)
Cash and cash equivalents		
Beginning of year	<u>67,783</u>	<u>72,401</u>
End of year	<u>\$ 47,515</u>	<u>\$ 67,783</u>

Newfoundland Ocean Enterprises Limited

Notes to the Consolidated Financial Statements

March 31, 2010

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.

3. Capital stock	<u>2010</u>	<u>2009</u>
Authorized		
An unlimited number of common shares of no par value		
Issued		
3 shares	<u>\$ 3,000</u>	<u>\$ 3,000</u>

Newfoundland Ocean Enterprises Limited

Notes to the Consolidated Financial Statements

March 31, 2010

4. 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.

5. Contingency

The Company is a party to an agreement dated March 27, 2002 assigning an Environmental Indemnity Agreement (the "Agreement") effective December 31, 1997 between the Government of Newfoundland and Labrador, Friede Goldman Marystown Limited and the Company to Peter Kiewitt Sons Co. Ltd.

On May 15, 2009 the Government of Newfoundland and Labrador received notice from Kiewitt Offshore Services of a potential claim under the Agreement concerning the shipyard facilities. The claim was amended by virtue of a second notice dated December 21, 2009.

The claim was considered by the Board in 2009. Funds were committed to hire the necessary Environmental Consultant and the Province was advised of the claim pursuant to the Environmental Indemnity Agreement. The Province has reviewed the Consultant's report and the recommendations with respect to remediation. Funding has been allocated in the Province's 2010/11 budget under the Department of Innovation Trade and Rural Development and direction has been provided to proceed with the remediation.

6. Financial instruments

Fair values of financial instruments are disclosed in the notes to the financial statements when they differ from the carrying amounts. Where amounts receivable and payable are subject to normal credit terms, their carrying amount is used as an approximation of their fair values.

NOTES



