

Newfoundland Hardwoods Limited

Annual Report 2014-15



**Business, Tourism, Culture and
Rural Development**

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MESSAGE FROM THE CHAIR

As Chair of the Board of Directors of Newfoundland Hardwoods Limited (NHL), I am pleased to present the Board's annual report for the fiscal year ending March 31, 2015. Newfoundland Hardwoods 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. The report was prepared under the direction of the Board which is accountable for the results reported herein.

Sincerely,

A handwritten signature in black ink, appearing to read 'A O'Rielly', written in a cursive style.

Alastair O'Rielly
Chair

OVERVIEW

Background

Newfoundland Hardwoods Limited (NHL) was established as a crown corporation in 1950 under the *Corporations Act* for the purpose of manufacturing liquid asphalt and the sale of chemically treated poles and timber to supply the needs of provincial customers. In 1995, the Provincial Government privatized NHL with the sale of its asphalt operations to Irving Oil Limited and its pole and timber division to Wood Preservation Industries Limited of Quebec and provided environmental indemnities to both companies.

There is a Board of Directors in place to deal with any outstanding issues that may arise with NHL. All outstanding issues have been addressed except the decommissioning of one storage tank. This work began in 2011, and was advanced by the Board this year. Under Board approval, work proceeded on a structural assessment to determine the structural integrity of the tank. This was necessary given that the tank was in poor condition in 2011 when the initial assessment occurred, and has potentially deteriorated more since that time. The results of the assessment are being finalized for Board consideration and will inform a work plan to be developed by the consultant who performed the assessment as part of the work requested. After it is received, the Board will evaluate the work plan proposed in order to determine the appropriate course of action for the 2015-16 year.

Mandate

The Board of Directors of Newfoundland Hardwoods Limited does not have a formally defined mandate. It exists solely to deal with any outstanding issues that may arise subsequent to the sale of assets.

Vision

The work of the Board supports the vision of the Department of Business, Tourism, Culture, and Rural Development (BTCRD) by ensuring the prompt response to any issues upon the sale of the former corporation'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 strategic directions of the Provincial Government and the mission of BTCRD.

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

Since NHL is inactive as a crown corporation, the Board consists solely of provincial public sector employees which are as follows:

Chairperson	Deputy Minister, BTCRD
Members	Assistant Deputy Minister, BTCRD (Regional & Business Development) Director, Business Analysis, BTCRD Manager, Enterprise Services, BTCRD (Vacant)

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 intends to report on the objective below, through its annual reports, for each fiscal year of this plan (2014-15, 2015-16 and 2016-17).

Objective

By March 31, 2015 the Board will have met to discuss any issues and approve annual audited financial statements.

Measure

Issues discussed and audited financial statements approved.

Indicator

Discussed issues and audited financial statements reviewed and approved.

Activities

The Board met twice in 2014-15. One meeting was to consider and approve NHL's audited financial statements. Both meetings involved discussion of next steps for the wind-up of the corporation, specifically relating to the decommissioning of the storage tank in Clareville.

FINANCIAL STATEMENTS

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

NEWFOUNDLAND HARDWOODS LIMITED

Auditor's Report

Financial Statements

Year ended March 31, 2015

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Newfoundland Hardwoods Limited:

I have audited the accompanying financial statements of Newfoundland Hardwoods Limited, which comprise the statement of financial position as at March 31, 2015 and the statement of operations and accumulated surplus and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation and fair representation of these financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal controls as management determines necessary to enable the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

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

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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 entity'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 entity'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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Newfoundland Hardwoods Limited as at March 31, 2015 and its financial performance and its cash flows for the year then ended in accordance with the standards established by the Public Sector Accounting Board of The Canadian Institute of Chartered Professional Accountants.


CHARTERED PROFESSIONAL ACCOUNTANT

Clarenville, Newfoundland
May 20, 2015

NEWFOUNDLAND HARDWOODS LIMITED

Statement of Financial Position

March 31, 2015

	<u>2015</u>	<u>2014</u>
<u>Assets</u>		
Financial assets:		
Cash	\$ 107,275	111,606
Harmonized sales tax receivable	<u>266</u>	<u>—</u>
	<u>\$ 107,541</u>	<u>111,606</u>
<u>Liabilities and Shareholders' Equity</u>		
Liabilities:		
Payables and accruals	<u>\$ 1,500</u>	<u>1,500</u>
Contingent losses (Note 3)	--	--
Commitments (Note 4)	--	--
Shareholders' equity:		
Common shares of no par value:		
Authorized an unlimited number; issued and fully paid at stated value, 253 shares	25,300	25,300
Accumulated surplus, per accompanying statement	<u>80,741</u>	<u>84,806</u>
Total shareholders' equity	<u>106,041</u>	<u>110,106</u>
	<u>\$ 107,541</u>	<u>111,606</u>

See Accompanying Notes

Approved:  Director

 Director

NEWFOUNDLAND HARDWOODS LIMITED
Statement of Operations and Accumulated Surplus
Year ended March 31, 2015

	<u>2015</u>	<u>2014</u>
Revenue	\$ —	—
Administrative expenses:		
Bank charges	44	38
Professional and consulting fees	1,900	1,850
Licences and fees	75	85
Remediation costs	<u>2,046</u>	<u>—</u>
	<u>4,065</u>	<u>1,973</u>
Net loss	(4,065)	(1,973)
Accumulated surplus, beginning of year	<u>84,806</u>	<u>86,779</u>
Accumulated surplus, end of year	<u>\$ 80,741</u>	<u>84,806</u>

See Accompanying Notes

NEWFOUNDLAND HARDWOODS LIMITED

Statement of Cash Flows
Year ended March 31, 2015

	<u>2015</u>	<u>2014</u>
Cash provided by operating activities:		
Net loss	<u>\$ (4,065)</u>	<u>(1,973)</u>
Changes in non-cash working capital balances:		
Harmonized sales tax receivable	<u>(266)</u>	<u>--</u>
Decrease in cash	(4,331)	(1,973)
Cash, beginning of year	<u>111,606</u>	<u>113,579</u>
Cash, end of year	<u>\$ 107,275</u>	<u>111,606</u>

See Accompanying Notes

NEWFOUNDLAND HARDWOODS LIMITED

Notes to the Financial Statements

March 31, 2015

1. Nature of operations:

Newfoundland Hardwoods Limited is a Crown Corporation established in 1950 under the Corporations Act. Initially the Corporation was established for the purpose of manufacturing liquid asphalt and the sale of chemically treated poles and timber. The Corporation sold its property, equipment and inventory in 1996 and ceased active operations at that date. Since 1996 the Corporation has been dealing with any and all matters that may arise subsequent to the sale.

Newfoundland Hardwoods Limited is classified as a category three entity under the Transparency and Accounting Act.

Newfoundland Hardwoods Limited is exempt from income taxes under the Income Tax Act.

2. Summary of Significant Accounting Policy:

These financial statements are prepared by Management in accordance with Canadian Public Sector Accounting Standards for provincial reporting entities established by the Canadian Public Sector Accounting Board.

3. Contingent losses:

Environmental concerns:

The Government of Newfoundland and Labrador, through an environmental indemnity, has released the current owner of any and all present and future liabilities which may result from the presence, release, loss, discharge, leakage or spillage of hazardous material on, at or from the properties formerly owned and operated by Newfoundland Hardwoods Limited up to the date of the said agreements.

4. Commitments:

The company had committed to the dismantling and removal of five surplus storage tanks from the present location. As of the balance sheet date, four of these tanks have been removed and the costs of such have been reflected in these financial statements.