

Newfoundland Hardwoods 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 Hardwoods Limited (NHL), I am pleased to present the Board's annual report for the fiscal year ending March 31, 2016. 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,



Ted Lomond
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 Newfoundland & Labrador Asphalt 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. In its present condition, the tank poses no known environmental threat, however given its deteriorating condition and contents, monitoring and consideration to remediation efforts has been ongoing under the direction of the Board. Work began in June, 2011 to consider viable options for the mitigation of environmental risks associated with the tank, and has been ongoing since that time.

The corporation does not have dedicated staff; the Department of Business, Tourism, Culture, and Rural Development (BTCRD) provides administrative support to it.

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 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 mission of BTCRD, 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. As of March 31, 2016, the Board composition was 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 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 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 once in 2015-16 to consider and approve NHL's audited financial statements. In addition, the meeting involved discussion of next steps for the wind-up of the corporation, specifically relating to the decommissioning of the storage tank in Clarendville.

During 2015, a visual site inspection of the tank was completed to ensure the stability of the tank. As a result, in January, 2016, an inspection and work plan report was provided to the Department outlining the results of the assessment. The report indicated that the tank poses the same significant corrosion and defects as reported in 2011. However, it was the consultant's opinion that the risk of any imminent structural failure of the tank is low. Due to the defects present, it was advised that it would not be economically feasible to repair the tank to a suitable standard to return to service. Collection and

testing of the tank's contents is necessary to inform remediation efforts. The next recommended course of action is to engage a third party inspector to review the roof plate and rafters of the structural integrity, to confirm that testing of the tank's contents can be successfully and safely completed. Once the structural integrity of the roof is confirmed then the proposed work plan can commence.

Work relating to the wind-up of the corporation was ongoing in 2015-16. This is expected to continue in the upcoming year, with consideration given to remediation efforts as they arise.

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, 2016

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, 2016 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, 2016 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 10, 2016



NEWFOUNDLAND HARDWOODS LIMITED

Statement of Financial Position

March 31, 2016

	<u>2016</u>	<u>2015</u>
<u>Assets</u>		
Financial assets:		
Cash	\$ 105,742	107,275
Harmonized sales tax receivable	<u> --</u>	<u> 266</u>
	<u>\$ 105,742</u>	<u>107,541</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>78,942</u>	<u>80,741</u>
Total shareholders' equity	<u>104,242</u>	<u>106,041</u>
	<u>\$ 105,742</u>	<u>107,541</u>

See Accompanying Notes

Approved:  Director
 Director

NEWFOUNDLAND HARDWOODS LIMITED
Statement of Operations and Accumulated Surplus
Year ended March 31, 2016

	<u>2016</u>	<u>2015</u>
Revenue	\$ <u>—</u>	<u>—</u>
Administrative expenses:		
Bank charges	49	44
Professional and consulting fees	1,750	1,900
Licences and fees	—	75
Remediation costs	<u>—</u>	<u>2,046</u>
	<u>1,779</u>	<u>4,065</u>
Net loss	(1,799)	(4,065)
Accumulated surplus, beginning of year	<u>80,741</u>	<u>84,806</u>
Accumulated surplus, end of year	<u>\$ 78,942</u>	<u>80,741</u>

See Accompanying Notes

NEWFOUNDLAND HARDWOODS LIMITED

Statement of Cash Flows
Year ended March 31, 2016

	<u>2016</u>	<u>2015</u>
Cash provided by operating activities:		
Net loss	\$ <u>(1,799)</u>	<u>(4,065)</u>
Changes in non-cash working capital balances:		
Harmonized sales tax receivable	<u>266</u>	<u>(266)</u>
Decrease in cash	(1,533)	(4,331)
Cash, beginning of year	<u>107,275</u>	<u>111,606</u>
Cash, end of year	<u>\$ 105,742</u>	<u>107,275</u>

See Accompanying Notes

NEWFOUNDLAND HARDWOODS LIMITED

Notes to the Financial Statements

March 31, 2016

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.