



board of directors
newfoundland hardwoods 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 Hardwoods Limited, I am pleased to present the board's annual report for the fiscal year ending March 31, 2012.

Newfoundland Hardwoods 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).

Newfoundland Hardwoods Limited 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 Newfoundland Hardwoods Limited 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.

While Newfoundland Hardwoods Limited is inactive as a crown corporation, there is a board of directors to deal with any outstanding issues that may arise subsequent to the sale. All outstanding issues have been addressed except the decommissioning of one storage tank. The tank is sealed and inspected regularly and poses no environmental threat at this time. Currently, there is no known facility in the province to dispose of the contents of this tank.

In exploring options to wind-up the corporation, the board sent out a Request for Proposals (RFP) dated January 20, 2011 regarding the assessment and provision of recommendations related to the contamination site at the Newfoundland Hardwoods facility in Clarenville. During the 2011-12 fiscal year, the external consultant's report was reviewed and analyzed. The department is currently considering the report and will put forward any recommendations to the board during the 2012-13 fiscal year.

Since Newfoundland Hardwoods Limited is inactive as a crown corporation, the board consists solely of provincial public sector employees which are as follows:

- Deputy Minister of Innovation, Business and Rural Development, Chair
- Assistant Deputy Minister, Innovation, Business and Rural Development (Business Analysis)
- Director, Business Analysis, Innovation, Business and Rural Development
- Manager, Enterprise Services, Innovation, Business and Rural Development

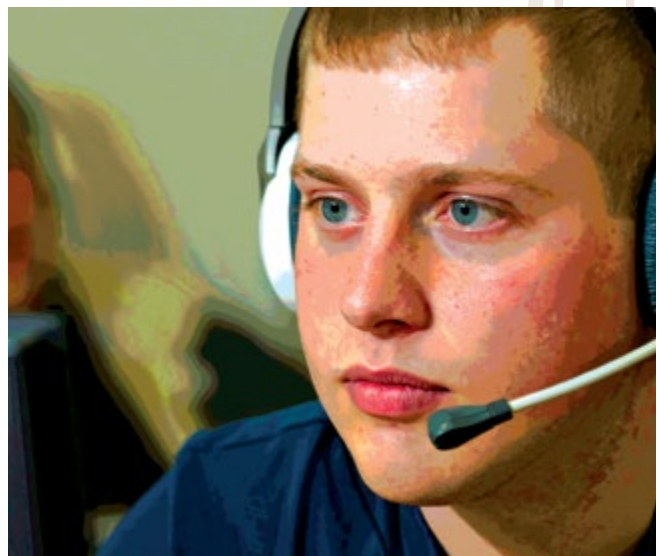
The corporation does not have its own staff. The Department of Innovation, Business and Rural Development provides administrative support to the board.

Mandate

The board of directors of Newfoundland 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.

Primary Clients

The board's primary responsibility is to the Provincial Government by handling outstanding issues that may arise subsequent to the sale of Newfoundland Hardwoods Limited 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 ensuring the prompt response to subsequent issues that may arise from the sale of the former corporation's assets.

Mission

The mission statement of the department identifies the priority focus area of the Minister of the Department 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 ensuring the prompt response to subsequent issues that may arise from the sale of the former corporation'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. The board reports on its activities on an annual basis. In consideration of Provincial Government's strategic directions as well as the mandate, the following area has been identified as the board's key priority that is reported on herein.

Objective

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

Measure

Audited financial statements

Indicators

Audited financial statements reviewed and approved.

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 in 2012-13.



NEWFOUNDLAND HARDWOODS LIMITED

Auditor's Report

Financial Statements

Year ended March 31, 2012

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, 2012 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, 2012 and its financial performance and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.


CHARTERED ACCOUNTANT

Clarenville, Newfoundland

June 12, 2012

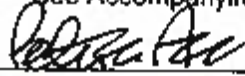
NEWFOUNDLAND HARDWOODS LIMITED

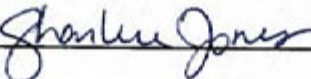
Statement of Financial Position

March 31, 2012

	March 31 2012	March 31 2011	April 01 2010
<u>Assets</u>			
Financial assets:			
Cash and term deposits	\$ <u>115,475</u>	<u>117,300</u>	<u>119,190</u>
<u>Liabilities and Shareholders' Equity</u>			
Liabilities:			
Payables and accruals	\$ <u>1,500</u>	<u>1,500</u>	<u>1,500</u>
Contingent losses (Note 4)	--	--	--
Commitments (Note 5)	--	--	--
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	25,300
Accumulated Surplus, per accompanying statement	<u>88,675</u>	<u>90,500</u>	<u>92,390</u>
Total shareholders' equity	<u>113,975</u>	<u>115,800</u>	<u>117,690</u>
	\$ <u>115,475</u>	<u>117,300</u>	<u>119,190</u>

See Accompanying Notes

Approved:  Director

 Director

NEWFOUNDLAND HARDWOODS LIMITED
Statement of Operations and Accumulated Surplus
Year ended March 31, 2012

	<u>2012</u>	<u>2011</u>
Revenue	\$ <u>—</u>	<u>—</u>
Administrative expenses:		
Bank charges	25	20
Professional and consulting fees	1,725	1,700
Licences and fees	<u>75</u>	<u>170</u>
	<u>1,825</u>	<u>1,890</u>
Net loss	(1,825)	(1,890)
Accumulated surplus, beginning of year	<u>90,500</u>	<u>92,390</u>
Accumulated surplus, end of year	<u>\$ 88,675</u>	<u>90,500</u>

See Accompanying Notes

NEWFOUNDLAND HARDWOODS LIMITED

Statement of Cash Flows
Year ended March 31, 2012

	<u>2012</u>	<u>2011</u>
Cash provided by operating activities:		
Net loss	\$ (1,825)	(1,890)
Decrease in cash	(1,825)	(1,890)
Cash, beginning of year	<u>117,300</u>	<u>119,190</u>
Cash, end of year	<u>\$ 115,475</u>	<u>117,300</u>

See Accompanying Notes

NEWFOUNDLAND HARDWOODS LIMITED

Notes to the Financial Statements

March 31, 2012

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. Conversion to Public Sector Accounting Standards:

Commencing with the 2012 fiscal year, Newfoundland Hardwoods Limited has adopted Canadian Public Sector Accounting ("PSA") Standards. These financial statements are the first financial statements for which the Corporation has applied Canadian Public Sector Accounting Standards.

The conversion to Canadian Public Sector Accounting Standards had no impact on the retained earnings at the date of transition and thus there was no need for retroactive restatement of prior periods.

3. 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.

4. 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.

5. 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.



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