

Newfoundland Hardwoods Limited

Annual Report 2017-18



Tourism, Culture, Industry and Innovation

TABLE OF CONTENTS

MESSAGE FROM THE CHAIR	2
OVERVIEW.....	3
Background	3
Mandate.....	3
Board of Directors.....	3
REPORT ON PERFORMANCE	4
FINANCIAL STATEMENTS	5

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, 2018. 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 blue ink, appearing to read "Ted Lomond".

Ted Lomond
Chair

OVERVIEW

Background

Newfoundland Hardwoods Limited (NHL) was established as a Crown corporation in 1950 under the 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 Tourism, Culture, Industry and Innovation (TCII) provides administrative support.

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.

Board of Directors

The Board of NHL consists of:

Chairperson Ted Lomond, Deputy Minister, TCII
Members Judith Hearn, Assistant Deputy Minister (Business), TCII
Liane Price, Director, Business Analysis, TCII

REPORT ON PERFORMANCE

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 and indicator below, through its annual reports, for each fiscal year of its three-year activity plan (2017-2018, 2018-2019 & 2019-2020).

Objective 2017-18

By March 31, 2018, the Board will meet to approve annual audited financial statements and discuss outstanding issues.

Indicator: Audited financial statements reviewed and approved and any outstanding issues discussed.

The Board of Directors met twice in 2017-18. The first meeting considered and approved NHL's audited financial statements. In addition, the Board discussed the ongoing effort to decommission the remaining storage tank in Clarendville (Tank 18). The consultant provided NHL a further evaluation of the structural integrity of Tank 18 (in particular the roof structure) and assessment of the impacted soils stored in Tank 18.

A further meeting included Board members and staff of the Department of Justice and Public Safety and the Department of Municipal Affairs and Environment, along with representatives from Stantec who agreed to proceed with obtaining a detailed costing and outline of next steps for the recommended remedial approach to address the impacted material identified inside Tank 18.

NEWFOUNDLAND HARDWOODS LIMITED

Auditor's Report

Financial Statements

Year ended March 31, 2018

INDEPENDENT AUDITOR'S REPORT

To the Directors 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, 2018 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's Responsibility for the Financial Statements

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.

Auditor's Responsibility

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.

Conclusion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Newfoundland Hardwoods Limited as at March 31, 2018 and its financial performance and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.



CHARTERED PROFESSIONAL ACCOUNTANT

Clarenville, Newfoundland
June 15, 2018

NEWFOUNDLAND HARDWOODS LIMITED

Statement of Financial Position

March 31, 2018

	<u>2018</u>	<u>2017</u>
<u>Assets</u>		
Financial assets:		
Cash	\$ 67,506	103,844
Receivable - Harmonized sales tax	<u>4,476</u>	<u>—</u>
Total assets	<u>\$ 71,982</u>	<u>103,844</u>
<u>Liabilities and Shareholders' Equity</u>		
Liabilities:		
Payables and accruals	\$ <u>1,500</u>	<u>1,500</u>
Total current liabilities	1,500	1,500
Contingent losses (Note 3)	—	—
Commitments (Note 4)	<u>—</u>	<u>—</u>
Total liabilities	<u>1,500</u>	<u>1,500</u>
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>45,182</u>	<u>77,044</u>
Total shareholders' equity	<u>70,482</u>	<u>104,344</u>
	<u>\$ 71,982</u>	<u>103,844</u>

The accompanying notes are an integral part of these financial statements.

Approved: Lois Poiré Director

Judith Hean Director

NEWFOUNDLAND HARDWOODS LIMITED
Statement of Operations and Accumulated Surplus
Year ended March 31, 2018

	<u>2018</u>	<u>2017</u>
Revenue	\$ <u>—</u>	<u>—</u>
Administrative expenses:		
Bank charges	48	48
Professional and consulting fees	1,775	1,775
Licences and fees	195	75
Remediation costs	<u>29,844</u>	<u>—</u>
	<u>31,862</u>	<u>1,898</u>
Net loss	(31,862)	(1,898)
Accumulated surplus, beginning of year	<u>77,044</u>	<u>78,942</u>
Accumulated surplus, end of year	<u>\$ 45,182</u>	<u>77,044</u>

The accompanying notes are an integral part of these financial statements.

NEWFOUNDLAND HARDWOODS LIMITED

Statement of Cash Flows
Year ended March 31, 2018

	<u>2018</u>	<u>2017</u>
Cash provided by operating activities:		
Net loss	<u>\$ (31,862)</u>	<u>(1,898)</u>
Changes in non-cash working capital balances:		
Harmonized sales tax receivable	<u>(4,476)</u>	<u>—</u>
Decrease in cash	<u>(36,338)</u>	<u>(1,898)</u>
Cash, beginning of year	<u>103,844</u>	<u>105,742</u>
Cash, end of year	<u>\$ 67,506</u>	<u>103,844</u>

The accompanying notes are an integral part of these financial statements.

NEWFOUNDLAND HARDWOODS LIMITED

Notes to the Financial Statements

March 31, 2018

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.

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