

# *ANNUAL REPORT*

## *2007-2008*



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QIKIQTAALUK CORPORATION

*Approved By*  
*Qikiqtaaluk Corporation Board of Directors*  
*September 2008*

*Presented to*  
*Qikiqtani Inuit Association Board of Directors*  
*October 2008*

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### APPENDIX A:

DRAFT AUDITED CONSOLIDATED FINANCIAL STATEMENTS 2007-08

## **1. REPORT FROM THE CHAIR**

As we approach Qikiqtaaluk Corporation's 25<sup>th</sup> anniversary, 2007 2008 saw the substantial completion of the Qikiqtani General Hospital and several new challenges for Qikiqtaaluk Corporation (QC).

### **Qikiqtani General Hospital**

Over several years, Qikiqtaaluk Corporation was the developer of the \$60 million Qikiqtani General Hospital project. The Qikiqtani General Hospital is expected to be completed during the fall and winter of 2008 when several deficiencies are expected to be completed.

### **Mary River**

Qikiqtaaluk Corporation secured several contracts with Baffinland worth close to \$20 million dollars. However this was not without opposition from politicians, community based groups and organizations, and individuals. 2007 – 2008 was the first full year that saw the implementation of various contracts that Qikiqtaaluk Corporation secured. I am happy to announce today that similar to all the projects that QC have leaded, QC delivered on all of the requirements and once again significantly employed Inuit from all across the Qikiqtani Region and Nunavut.

### **Cape Christian**

Qikiqtaaluk Logistics was successfully in securing a 3-year clean-up project of Cape Christian through an open bidding process open to all Canadian companies. QC is extremely proud of this achievement and further demonstrates the capacity that QC has developed since the start of clean-up projects some 7 years ago.

## **2. REPORT FROM THE PRESIDENT**

2007-2008 was a banner year for Qikiqtaaluk Corporation in terms of generating revenues for the company.

Revenues on a consolidated basis were \$106 million compared to \$48.2million from the previous year. At the same time, expenses grew from \$46.6million to \$96 million while income from operations grew from \$1.5million to \$10.1million while net income grew from \$2.9million to \$6.8million to year end March 31, 2008.

The significant improvement in financial performance of Qikiqtaaluk Corporation was largely attributed to two major projects: the sale of the Qikiqtani General Hospital to the Government of Nunavut and securing numerous contract with the Mary River Project and as such, the financial statements for next year could be very different from this years.

QC is often criticized and very publically that it does not provide any real direct benefits to the Inuit of Nunavut. For period April 2007 to March 31, 2008, through its subsidiary company, Qikiqtaaluk Logistics, a total of 279 people were employed for the Mary River Project. Of the 279 people employed, 243, or 87 percent of the total, were Inuit from Nunavut. A total of \$6.1million dollars in gross wages was paid to the employees for this project.

### 3. HIGHLIGHTS 2007-08

- **Approximately \$6,869,554 in net income consolidated revenues of approximately \$106,239,170**
- **Larga Baffin signs a 20 year contract with Government of Nunavut** for the new boarding home and services in Ottawa, with QC and Nunasi
- **NEAS** with Transport Umialarik purchase a new vessel, **AVATAQ**
- QC continues **Camp Services and Clean Up Contracts** for FOX-C Dew Line Site
- **QC signs contracts worth close to \$20 million** with Baffinland Iron Mines Corp including
  - **Employment Services**
  - **Road Service**
  - **Training**
- **QC is awarded the Cape Christian clean up** from Indian and Northern Affairs Canada
- **Qikiqtaaluk Properties Expanded its portfolio** with the purchase of additional properties in Iqaluit

#### 4. THE COMPANY

Created November 2, 1983, Qikiqtaaluk Corporation (QC) is the Inuit Birthright Development Corporation owned by the Qikiqtani Inuit Association (QIA). QIA represents all the Inuit in the Qikiqtaaluk Region. The Qikiqtaaluk Region is that largest geographically and population in the three regions of Nunavut Territory.

QC's Mission Statement is: **To create meaningful economic, employment and career development opportunities for Inuit.**

This Mission Statement is built on the company's aspiration to own and operate 'good businesses' that build on the spirit of the Nunavut Land Claims Agreement and fulfill QC's intention to preserve, promote, and protect. To that end, QC envisions:

- Owning and operating sound businesses that generate profit for today and wealth for tomorrow;
- Developing people and creating employment and career opportunities;
- Contributing to community well-being and wealth generation;
- Upholding Inuit values and protecting the earth, air and water;
- Successfully participating in the emerging global economy;
- Fostering a strong sense of pride in our businesses and in our people.



QC's operations now include Environmental Management Services, Transportation Services, Offshore Fisheries, Property Assessment, Construction Development, Petroleum Distribution, Real Estate and Property Management, Information Technology, and Retail operations.

QC has five active wholly owned subsidiary companies and participates in a wide range of joint ventures. These are described in Sections 6 and 7 below.

## **Corporate Governance**

The parent organization, Qikiqtani Inuit Association (QIA) appoints a five-member Board of Directors for Qikiqtaaluk Corporation. The Directors of QC are appointed for staggered terms of one year, two year or three years.

The Chairperson of the Board of Directors, in addition to being a member, is appointed by the Executive Committee of QIA.

The Vice-Chairperson is appointed by the members of the QC Board of Directors

The officers of QC are the President, Vice President and the Secretary Treasurer, who coordinate operations of QC, its subsidiary companies, and joint ventures.

In addition to the Board of Directors, an Ad-Hoc Investment Advisory committee was formed with representatives from Qikiqtaaluk Corporation, Qikiqtani Inuit Association, Kakivak Association including accounting and legal professionals meet to discuss, review and make recommendations to the QC Board of Directors on potential investment opportunities.

Throughout the year, the QC Board regularly review reports, and provides direction to the company to fulfill its mandate to sustain and create economic well being for the beneficiaries and owner QIA. With the help of the Investment Advisory Committee and policies set in QC, the Board of Directors are able to guide and provide advice from their experience and knowledge they have which got them appointed to the QC Board.

## **5. SUBSIDIARIES REPORT**

### **A) QIKIQTANI GENERAL HOSPITAL (3379442 Canada Incorporated)**

Work on the Qikiqtani General Hospital by the general contractor SNC-Lavalin reached 90% completion by October 2008. Official opening ceremonies were held during the Spring of 2008. At the opening ceremonies, QC unveiled and donated an Inuit made, doll depicting a person fishing. The doll is displayed in the lobby of the new Hospital.

### **B) QIKIQTAAALUK PROPERTIES INC. (QPI)**

Qikiqtaaluk Properties Inc. is owned 100% by Qikiqtaaluk Corporation. The Company provides commercial leasing to tenants of the Parnaivik and Igluvut Buildings, the QPI warehouse (Building 2007), and several other smaller holdings in the City of Iqaluit.

Qikiqtaaluk Properties Inc. secured two buildings and lots in the core downtown area for potential future commercial building development.



### **C) BAFFIN GAS BAR LIMITED**

Baffin Gas Bar Ltd had another strong year, with annual sales increasing close to \$1 million compared to the previous year. Although overhead cost and increased competition have contributed to the profitability of the company, the Baffin Gas Bar continues to be profitable.

The Baffin Gas Bar has focussed on improving the product selection and look of the convenience store and now have completed renovations in and outside the store. Areas in which sales increased over the past year have included auto parts and cleaning supplies.

The Gas Bar is also bidding on more tenders from the government for re-supply than previously. Management is confident that these changes will help increase sales to offset any gasoline sales lost to the new competitor.

Although staff retention continues to be a problem, a steady crew of 18 employees – of which 16 are beneficiaries, operates the Baffin Gas Bar.

### **D) QIKIQTAAALUK INFORMATION TECHNOLOGY CORPORATION (QITC)**

Qikiqtaaluk Information Technology Corporation has had a turbulent year with staff changes and growing pains.

As expected, this company still needs another year to determine its profitability. System changes and more staff will be able to foresee in the new future a profit for the company.



Many strides have been made to secure contracts with the Government of Nunavut and have not yet been successful. We have been able to maintain our current customers and have expanded on some.

The company provides Internet services, is the payment agent for the Qiniq Network in Iqaluit, and general computer sales and services.

## **E) QIKIQTAAALUK LOGISTICS**

Qikiqtaaluk Logistics has been worked with Baffinland Iron Mines Corporation (BIMC), that is focused on the Mary River iron ore deposits located about 160 kilometers south of Pond Inlet. Qikiqtaaluk Logistics secured several BIMC contracts. These contracts are close to \$20 Million dollars, the contracts have provided employees to work on site under BIMC direction.

QC purchased and leased a significant amount of heavy equipment and transferred it by ship to Milne Inlet to be used to maintain the roads on site. This contract has a value of close to \$5 Million.

In May 2007, Qikiqtaaluk Corporation representatives Harry Flaherty, Peter Keenainak and Nikki Eegeesiak toured the communities of Clyde River and Pond Inlet to do community consultations and public meetings. This forum was to inform all community members of the intentions of QC and QL for both effected communities with Baffinland Iron Mines Corp. and other QC projects such as environmental clean-ups.

These consultations were successful in that the communities felt they understood more as to what QC and QL could provide and how each community could benefit from the Mary River Project and more.



Qikiqtaaluk Logistics was also able to provide Peregrine Diamonds contract to do expediting and Human Resources. This involved expediting, vehicle rental, camp mobilization/demobilization, Human resources, recruitment and warehousing services.



## **6. JOINT VENTURE PARTNERS REPORTS**

### **A) FISHERIES**

- **Qikiqtaaluk Fisheries Corporation**

Qikiqtaaluk Fisheries is a joint venture partnership with Nataaqnaq Fisheries and is majority owned by Qikiqtaaluk Corporation. The company purchased a 64 metre factory freezer trawler in 2005 to harvest QC's northern shrimp and groundfish quotas.

The company continues to face global market challenges with high oil prices, strong Canadian dollar, lower shrimp prices that contributes to the profitability of the company.

- **Unaaq Fisheries**

Unaaq Fisheries Inc. is held equally between Qikiqtaaluk Corporation and Makivik Corporation and holds a license to fish for shrimp in the Northern Shrimp Fishery in the Canadian waters.



### **B) SHIPPING**

- **Nunavut Umiaq Corporation**

During the year it was unanimously agreed to re-structure Nunavut Eastern Arctic group of companies with was the dissolution of Nunavut Umiaq and saw the that this company be dissolved. Sakku Investment Corporation, Makivik Corporation and QC now own 1/3 each of Nunavut Eastern Arctic Shipping, with equal shares in the two Vessels Transport companies Inukshuk and Transport Umialarik.

- **Nunavut Eastern Arctic Shipping Incorporated (NEAS)**

Nunavut Eastern Arctic Shipping (NEAS) is a partnership of three Inuit firms - QC, Sakku Investments Corp, and Makivik Corporation and Logistec Corporation of Montreal, and the North West Company NEAS cargoes reached cargo levels in 2006 that were even higher than the previous record levels in the 2007 shipping season.

This past sea lift season NEAS successfully transported cargo to Baffinland Iron Mines Corporation and is looking for a longer term commitment from them to secure cargo the future.

NEAS successfully booked more cargo than it could ship until they added another sailing in the last bit of the season.

## **C) ENVIRONMENTAL**

- **Qikiqtaaluk Environmental (QE)**

Qikiqtaaluk Environmental was established as a joint venture with Sinaani Inc., to take advantage of opportunities in environmental remediation of mines, DEW line sites, and other contaminated sites. Over the past year Qikiqtaaluk Environmental has conducted different successful environmental projects in Nunavut, but also elsewhere in Canada.

Contracts worth approximately \$1.1 million won by QE in 2007-2008 include:

- Power plant waste product disposal from 25 communities in Nunavut
- Disposal of PCB waste from the Maritimes – PWGSC Halifax
- Disposal of Hazardous Waste
- Development of instructional materials for various training programs

- **Pan Arctic Inuit Logistics Corporation (PAIL)**

PAIL is a joint venture between Nunasi Corporation, Makivik Corporation, Inuvialuit Development Corporation, Labrador Inuit Development Corporation, Kitikmeot Corporation, Sakku Investment Corporation and Qikiqtaaluk Corporation. The intent and purpose of PAIL is to monitor the contract for the operation and maintenance of the North Warning System on behalf of the Inuit owners.

Over the past two years PAIL, and its operating partner Atco Frontec, have been in negotiations with Public Works and Government Services Canada about extending and possibly renewing the North Warning contract.

## **D) CONSTRUCTION AND HEAVY EQUIPMENT**

- **NCC Investment Group, Inc.**

In 2006 the Nunavut Investment Group Inc changed its name to NCC Investment Group Inc. 'NCC' has always been the name most commonly used for the company, and the change recognizes the positive public perception of the NCC brand. Nunavut Construction Corporation (NCC) is the subsidiary of NCC Investment Group which came into being to develop and own the physical infrastructure of the Government of Nunavut.

Qikiqtaaluk Corporation, Sakku Investments Corporation, Kitikmeot Corporation and Nunasi Corporation are the owners of NCC Investment Group.

The main project now underway with NIG/NCC is the construction of the Inuksugait Plaza Phase I, II and III in Iqaluit.

- **Toromont Arctic Ltd.**

Toromont is a joint venture between Qikiqtaaluk Corporation, Sakku Investment Corporation, Kitikmeot Corporation and Toromont Cat, the Caterpillar Dealer for Nunavut, Manitoba, Ontario, Newfoundland and Eastern Labrador.

Toromont Arctic Ltd (originally Powell Arctic Ltd.) was set up to sell, rent, and provide customer support services for new and used equipment. Eastern Arctic sales for Toromont have been increasing annually for the past three years, led in the past year by QC's purchases and leases of equipment for Dew Line clean ups.

#### **E) FUEL DISTRIBUTION**

- **Nunavut Petroleum Corporation (NPC)**

NPC was established to supply and delivery of refined petroleum products in and around Iqaluit. This company is a joint venture with Nunasi Corporation.

- **Uqsuq Corporation**

Uqsuq Corporation is a joint venture between Nunavut Petroleum Corporation and Frontec Service Limited. Uqsuq was formed for the purpose of carrying on a business in the supply and delivery of refined petroleum products in and around Iqaluit. The contract between the Government of Nunavut and Uqsuq was renewed in February for another five years.

#### **F) PATIENT CARE**

- **Larga Baffin**

Larga Baffin provides boarding room and transportation for Nunavut patients to Ottawa Ontario. Larga Baffin is a joint venture between Larga Services Corporation and Qikiqtaaluk Corporation.

This past spring Larga, QC and Nunasi were able to finalize the new 20 year contract with the Government of Nunavut for a new Building to provide service as a boarding home for 80 patients in Ottawa.

Larga Baffin was able to secure a lot and finalize blueprint for the new facility in the Ottawa area. This new facility will be able to accommodate more people and help with the current overcrowding in the current houses we currently use on Russell road for the patients.

#### **G) RETAIL**

- **Frobuild (2006) Ltd.**

Frobuild (2006) Ltd. is a company that is owned 50/50 by Qikiqtaaluk Corporation and Nunasi Corporation for provide hardware, lumber and retail hardware to Nunavut. It is overseen by the Retail division of Qikiqtaaluk Corporation.

This company completed its first year of operation on December 2007.

The company was able to move the new store into the building that was called the woodshop and has a lot of positive feedback from customers. It brings a more retail feel of the business. As well as changing suppliers to Timbr-mart this would be able to provide customers with more product mix.

The senior management had some changes and the business is able to continue with business and is optimistic of the new future.

## **7. QC PROJECTS / INTERNAL BUSINESS OPERATIONS**

### **A) MARINE DEVELOPMENT**

QC has been involved in the fishing industry since 1983. It has held 1.5 offshore shrimp fishing licenses since they were issued by Fisheries and Oceans Canada (DFO) in 1987. QC also has an allocation through the Northern Coalition.

In early 2006 Qikiqtaaluk Corporation applied for and successfully secured an additional turbot quota in the NAFO OA turbot fishery. This is in addition to the quota that QC already has access to in the OB turbot fishery.

In 2005, Qikiqtaaluk Fisheries invested \$10.6 million to purchase a factory freezer stern trawler, *MV Saputi*. The vessel can harvest both shrimp and groundfish.

- **Baffin Fisheries Coalition (BFC)**

Qikiqtaaluk Corporation is a member organization of the Baffin Fisheries Coalition. The current members of the Baffin Fisheries Coalition include Hunters and Trappers Organizations of Pond Inlet, Clyde River Pangnirtung, Iqaluit and Kimmirut. The other non-HTO organizations are Pangnirtung Fisheries, Aqviq Marine, Kabva Marine, and Qikiqtaaluk Corporation.

The purpose of this organization is to develop the turbot fishery in Nunavut associated with exploratory fishing, development of inshore and offshore fisheries, recruitment and training, investment in fishing vessel, access for fishing quotas, and encouraging scientific research in the Nunavut fishery.

### **B) GN PROPERTY ASSESSMENT CONTRACT**

Qikiqtaaluk Corporation (QC) continues to provide property assessment services for the Government of Nunavut. The property assessment section is now providing a significant amount of historical and current property assessment information to Statistics Canada. This is now an annual requirement.

The assessment contract was renewed in December 2005, with a term that runs to March 31, 2011. This renewal provided recognition for the work QC had done under the first contract, which QC completed within budget and on schedule.



Over the 2007-08 fiscal year the assessment section worked in the Kitikmeot Region for assessments with the Government of Nunavut.

Over the course of the contract Qikiqtaaluk Corporation has contracted the service of GT Property Assessment & Tax, a company with a strong property assessment and taxation background with extensive knowledge and experience working throughout the Northwest Territories, Nunavut and Alberta.

### **C) QC PROPERTY MANAGEMENT AND STAFF HOUSING**

The Real Estate Department of QC is responsible for managing the residential units held by QC as well as commercial buildings owned by Qikiqtaaluk Properties Inc.

Real Estate continues to do the janitorial in the commercial buildings and to date tenants are still very satisfied with the level of cleanliness of the common areas.

During the course of the year Qikiqtaaluk Properties Inc. purchased two buildings in the downtown area and has leased them for future development.

The majority of the residential units were leased for the year. As each unit was vacated the apartments were installed with new laminate flooring and painted.



### **D) ENVIRONMENTAL SERVICES DEPARTMENT**

- **Qammartalik Ekalugad Fjord FOX-C Clean-up Project**

Qikiqtaaluk Corporation won the competitive tender for the Dew Line clean up contract as well as the camp services contract at FOX-C Ekalugad Fjord in 2005. These contracts are worth approximately \$17,000,000 over three years. The site is midway between Clyde River and Qikiqtarjuaq.

In the summer of 2007 45 employees worked at the Ekalugad Fjord site and 41 were beneficiaries. This season the main highlights were that the main site was blasted, upgraded the road on the upper site, demolition of buildings, packaging hazardous wastes and removal.

Camp services for the site was as well conducted by Qikiqtaaluk Environmental and 13 staff were hire of which 11 were beneficiaries. This service provided for 60 people while at Ekalugad Fjord.

This project is expected to be completed fall of 2009.

- **Cape Christian**

Cape Christine was approved and awarded to Qikiqtaaluk Logistics and is located 16 km northeast of Clyde River. This site was a US military 1954-1974. At this site there will be demolition as well as soil remediation, all equipment and supplies will be stored in Clyde River until mobilization for this fall 2008.





## **8. FINANCIAL REPORT**

The Qikiqtaaluk Corporation has just completed the most profitable year in its history. The period 2007-2008 will be a benchmark period that future years will be measured against. The success of this period comes mainly from the corporate environmental sector and the addition of mining industry support. This is also the year that the company did not receive or depend on dividends from subsidiaries to increase the “bottom line”. All profits came from operations.

Qikiqtaaluk Properties Incorporated continues to be a profitable venture. Each year should see the profits increase since loan interest continues to decline as mortgages get paid down. Barring any unforeseen circumstances the real estate division will continue to be a lucrative venture.

The Baffin Gas Ltd. continues to operate without putting any strain on QC’s working capital, rather it complements the COB agreement we have with the Royal Bank allowing us access to further funds. It is also a presence of QC in the community and employs and trains many young Inuit in retail trade.

Qikiqtaaluk Logistics has become the chief producer of profits for the QC group barring all other ventures. Its success stems from good solid management.

The two new additions to the group, Qikiqtaaluk Information Technology Corporation and Frobuild (2006) Limited are in the early stages of development but we are confident that these will be a success in the near future.

Attached as Appendix A are the consolidated audited financial statements for Qikiqtaaluk Corporation.

## **9. BOARD AND STAFF LIST**

### **Board of Directors**

Chairperson	George Qulaut
Vice-Chairperson	Moses Appaqaq
Secretary Treasurer	Ludy Pudluk
Director	Blandina Tulugarjuk
Director	Joe Arlooktoo

### **Staff**

#### **EXECUTIVE**

President	Peter Keenainak
Vice President	Lynn Kilabuk
Corporate Secretary	Nikki Eegeesiak
Receptionist	Nala Sagiatuk

#### **FINANCE DEPARTMENT**

Director of Finance	John Baker
Comptroller	Greg Lindsay
Assistant Comptroller	Monica Cousins
Finance Officer	Nadine Wood
Finance Clerk	Harry Pearce

#### **REAL ESTATE DEPARTMENT**

Director, Real Estate	Johnny Kolola
Client Services Administrator	Bernice Neufeld
Property Administrator	Eva Akpalialuk
Property Maintenance	Mark Pitseolak
Property Maintenance	Mosessee Itorcheak

#### **PROPERTY ASSESSMENT DEPARTMENT**

Contract Property Assessor	Gerry Towns
Property Assessor	Jody Baldwin
Senior Property Assessment Technician	Roger Innualuk
Property Assessment Technician	Brenda Kilabuk

#### **ENVIRONMENTAL SERVICES DEPARTMENT**

Director of Projects	Harry Flaherty
Project Coordinator	Jeremiah Groves

**QIKIQTAAALUK LOGISTICS LTD.**

Rosemary Ipeelie  
Karen Flaherty  
Joetanie Davidee

Project Co-ordinator  
Office Administrator  
Expeditor

**MARINE DEVELOPMENT DIVISION**

Director of Fisheries

Peter Keenainak

**RETAIL OPERATIONS**

Manager of Retail Operations

Chris West

**QIKIQTANI GENERAL HOSPITAL PROJECT**

Hospital Project Manager

Yves-Andres Bureau

**INVESTMENT ADVISORY COMMITTEE**

Terry Audla  
John Baker  
Alain Dubuc  
Nikki Eegeesiak  
Peter Keenainak  
Lynn Kilabuk  
Greg Lindsay  
Gordon Miles  
Robert St-Eloi

**ADVISORS**

Legal Counsel

Alain Dubuc

Auditors

Mike Osland  
Mackay Landau

## APPENDIX "A"

### CONSOLIDATED STATEMENT OF INCOME FOR PERIOD ENDING MARCH 31

	<b>2008 DRAFT</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
REVENUE	106,239,170	48,260,635	45,760,170	41,424,130
EXPENSES	96,053,235	46,674,214	42,894,568	37,650,583
INCOME FROM OPERATIONS	10,185,935	1,586,421	2,865,602	3,773,547
OTHER INCOME	467,839	3,535,383	2,767,293	1,051,504
INCOME BEFORE OTHER ITEMS	10,653,774	5,121,804	5,632,895	4,825,051
INCOME TAXES	- 3,477,346	- 1,841,248	- 1,274,293	- 1,087,261
	7,176,428	3,280,556	4,358,248	3,737,790
MINORITY INTEREST	- 306,874	- 381,187	- 511,207	- 474,868
<b>NET INCOME</b>	<b>\$6,869,554</b>	<b>\$2,899,369</b>	<b>\$3,847,039</b>	<b>\$3,262,922</b>

