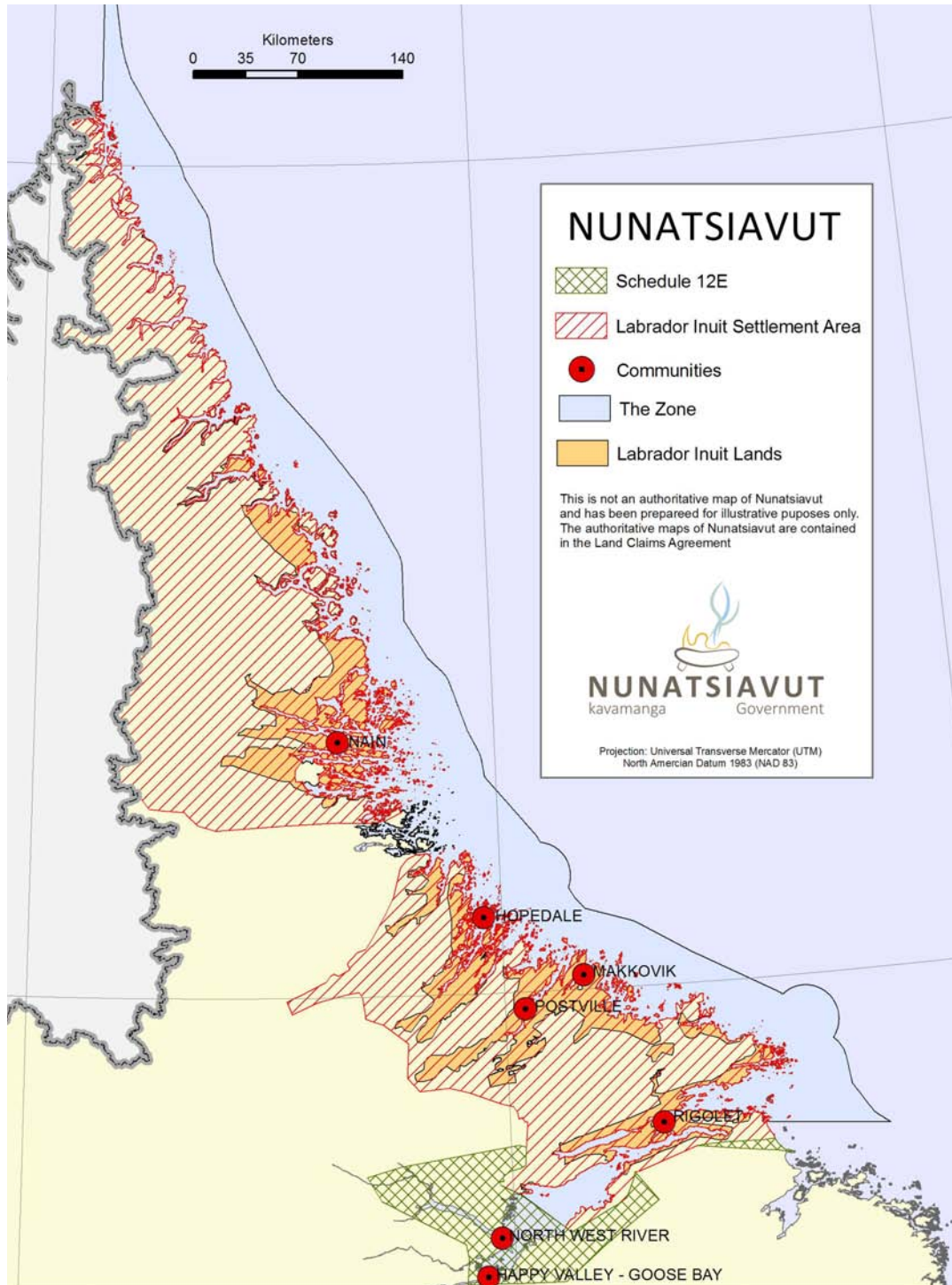


Labrador Inuit Capital Strategy Trust

# 2017 ANNUAL REPORT

Nuna  siavut  
Group of Companies





#### Nunatsiavut Group of Companies

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Photos: Cover photo ©Chris Sampson

Labrador Inuit Capital Strategy Trust

# 2017 ANNUAL REPORT

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Nuna  siavut  
Group of Companies

# TABLE OF CONTENTS

<b>CHAIR'S MESSAGE .....</b>	<b>6</b>
<b>PRESIDENT AND CEO'S MESSAGE .....</b>	<b>6</b>
<b>2017 FINANCIAL HIGHLIGHTS .....</b>	<b>8</b>
<b>NUNATSIAVUT MARINE INCORPORATED (NMI).....</b>	<b>10</b>
FREIGHT AND PASSENGER STATISTICS .....	10
INVESTMENT IN SAFETY .....	10
PROMOTING THE HIRING OF BENEFICIARIES .....	12
STEVEDORING PARTNERSHIP .....	12
CONTRACT EXTENDED .....	12
<b>NUNATSIAVUT CONSTRUCTION INC. (NCI).....</b>	<b>15</b>
ATLANTIC HOME WARRANTY PROGRAM .....	15
FULFILLING NGC'S VISION .....	15
PARTIAL LIST OF PROJECTS IN 2017 .....	16
INVESTMENT IN SAFETY .....	19
BUSINESS CLIMATE .....	20
LONG-TERM PLAN .....	20
<b>FISHING ENTERPRISES (FISH CO.).....</b>	<b>21</b>
<b>PAN ARCTIC INUIT LOGISTICS (PAIL).....</b>	<b>21</b>
<b>NGC NUNATSIAVUT SOLUTIONS INC. ....</b>	<b>23</b>
NAIN BANKING AGENCY .....	23

<b>TORNGAIT SERVICES INC. (TSI)</b>	<b>23</b>
<b>AIR BOREALIS</b>	<b>25</b>
<b>NILLIK CONSTRUCTION</b>	<b>27</b>
<b>NUNAK LAND CORPORATION</b>	<b>28</b>
<b>AIR LABRADOR</b>	<b>28</b>
<b>NGC NUNATSIAVUT MARINE INC.</b>	<b>28</b>
<b>CORPORATE SOCIAL RESPONSIBILITY</b>	<b>29</b>
STEWARDING A SENSITIVE ENVIRONMENT	29
PROTECTING HEALTH AND SAFETY	30
SUPPORTING EMPLOYMENT	31
SUPPORTING LOCAL ECONOMIES THROUGH PROFITABLE OPERATIONS	32
REFLECTING OUR INUIT CULTURE	33
ACTING ETHICALLY AND WITH TRANSPARENCY	33
<b>BENEFICIARY EMPLOYMENT AND WAGES</b>	<b>35</b>
<b>EXECUTIVE</b>	<b>36</b>
<b>TRUSTEES</b>	<b>38</b>
<b>AUDITED FINANCIAL STATEMENTS</b>	<b>42</b>



## CHAIR'S MESSAGE

I am happy to report that 2017 has shown some of the improvement that we have been working toward with the Nunatsiavut Group of Companies. We have embarked on a course that allows NGC to be a strong entity focused on what it does well.

We are into the second year of our five-year Strategic Plan. The plan sets NGC up for long-term success and to be an Inuit-led business leader in the North.

Our leaders see significant opportunity in pursuing partnerships with other Indigenous groups. This is an important development and it is a natural fit for our companies, as we seek business opportunities with like-minded Indigenous groups.

NGC has successfully come through some significant economic and structural challenges in the past several years. We are cautiously optimistic that there will be more progress in 2018. We are well positioned for success with a strong leadership team and dedicated and motivated employees.

**Clint Davis, Chair**

*Labrador Inuit Capital Strategy Trust*



## PRESIDENT AND CEO'S MESSAGE

The Nunatsiavut Group of Companies is entering a period of stability and growth. Many of our recent challenges are behind us. I am happy to report that we have had a better-than-expected financial performance in 2017, and that the prognosis for 2018 is better still.

Our strategic plan has guided us in the decision to divest NGC of activities that didn't align with our goals. NGC is committed to attracting the right talent and entertaining new partnerships, including renewed emphasis on conducting business with other Indigenous Groups. We want our companies to become the employer of choice for Inuit and to provide mentorship opportunities for young people and students. NGC is committed to investing in Nunatsiavut communities. We are on the way to becoming a modern, sustainable, and efficient organization.

Our 12 companies employ about 500 people, of whom 45% are Beneficiaries. NGC is committed to increasing Beneficiary employment and promoting Beneficiaries to leadership roles. In 2016, NGC appointed a Beneficiary as general manager of Nunatsiavut Construction and in early 2018, a Beneficiary became general manager of Torngait Services Inc. TSI is a significant employer of



Beneficiaries through their Vale site services contract at Voisey's Bay.

NGC is making a concentrated effort to do more business with Inuit development corporations across the Arctic. As we do that, our various companies are creating their own Indigenous partnerships, and in the process, creating new opportunities for Beneficiaries.

In 2017, Universal Helicopters began a successful partnership with Capital Helicopters, a certified Indigenous business operating out of the Yukon. Universal is exploring additional opportunities with Indigenous groups. Our companies are also helping build new capacity in our communities. Two-thirds of Nunatsiavut Construction's employees are Beneficiaries, and some of those employees are pursuing further training. Nunatsiavut Marine promotes marine training through Inuit Pathways.

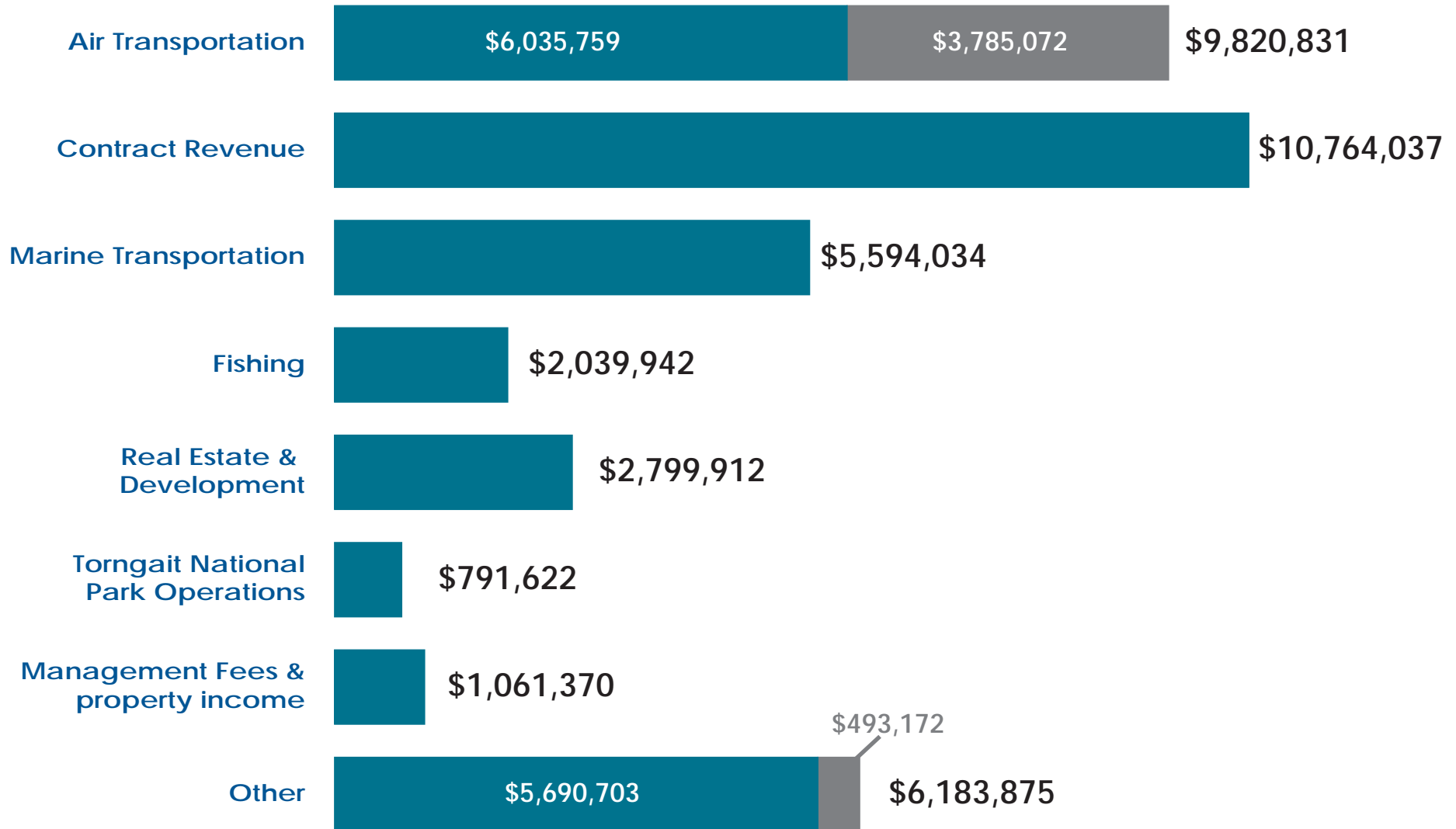
In 2017, we closed one chapter of our involvement with aviation by winding up the operations of Air Labrador. We opened another with our one-third ownership position in Air Borealis. We are determined to work toward providing exceptional service that meets the needs of our communities.

In 2018, we will build on our plans. A stronger economy in the areas where we do business, and a more streamlined NGC, will help us achieve our goals of creating wealth in trust for Nunatsiavut Beneficiaries through the ownership of profitable, sustainable businesses, and in becoming an Inuit-led business leader in the North.


As President and CEO, I commend our employees for their commitment to their own health and safety, and to the well-being of the people who do business with our group. I would also like to thank them for their contribution to NGC's success through their hard work and commitment.

**Chris Webb, President and CEO**  
*Nunatsiavut Group of Companies*

# 2017 FINANCIAL HIGHLIGHTS - REVENUE



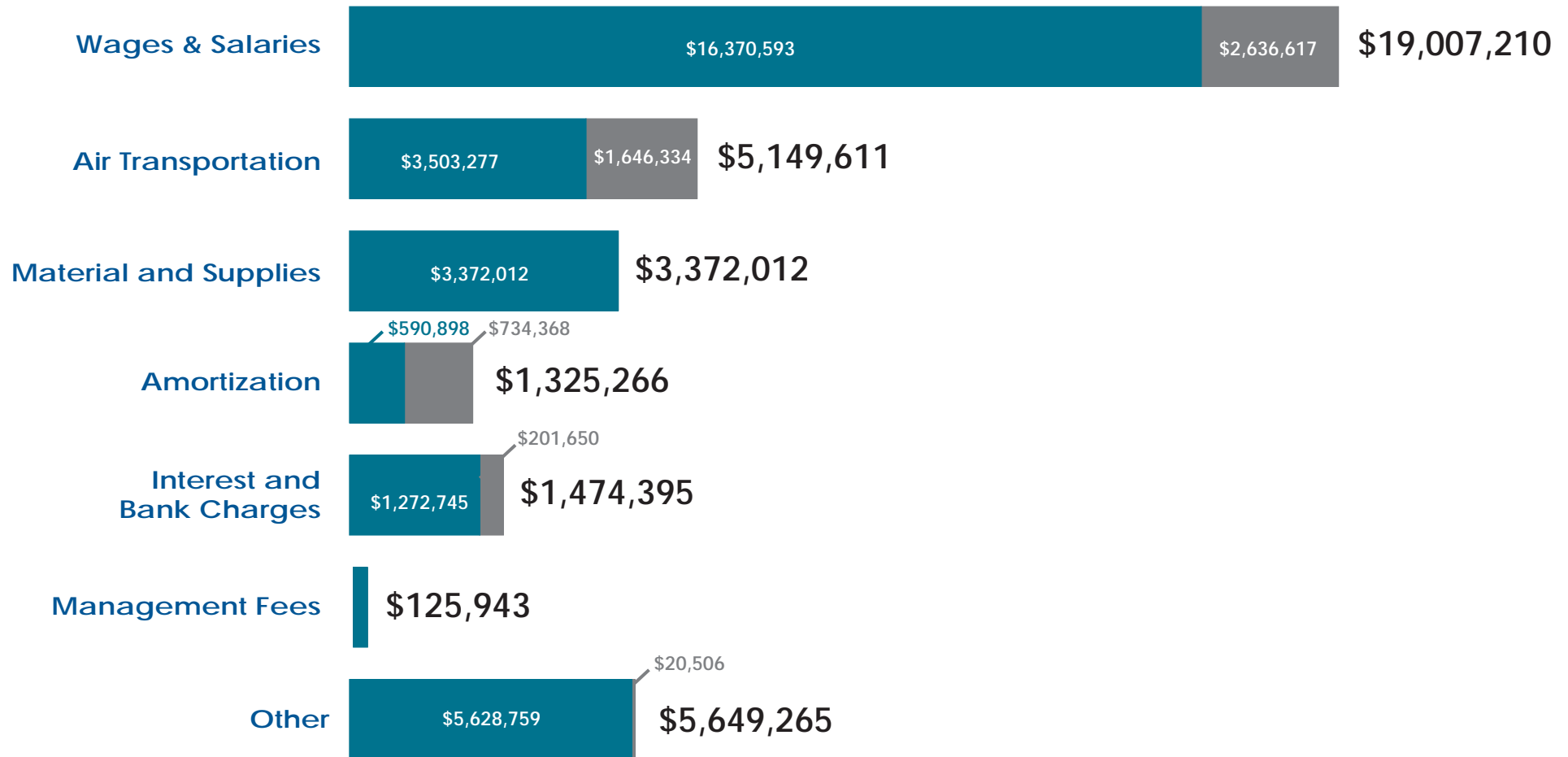
 LICST Consol \$34,777,379

 UHNL (40%) \$4,278,244

**\$39,055,623**



# 2017 FINANCIAL HIGHLIGHTS - EXPENSES



LICST Consol \$30,684,227
  UHNL (40%) \$5,239,475
 \$36,103,702

# NUNATSIAVUT MARINE INCORPORATED (NMI)

NMI operates the passenger and freight service to north and south coast Labrador communities under contract to the Government of Newfoundland and Labrador. Two vessels operate on the route, The *Northern Ranger*, which is a passenger and freight vessel, and the *Astron*, which is freight-only. Apart from weather-related delays, the *Northern Ranger* had a 99% on-time performance record in 2017.

## FREIGHT AND PASSENGER STATISTICS

NMI successfully delivered all guaranteed residential and commercial freight in 2017, with 12,122 tons of freight transported by the *Northern Ranger* and *Astron*. The *Northern Ranger* carried 6090 passengers, many of whom were tourists visiting Nunatsiavut communities. NMI accommodates tour groups or scheduled organized tours where possible, but the company's first priority is passenger and freight service for residents of the coast.

## INVESTMENT IN SAFETY

NMI further invested in safety in 2017 with the hiring of a Health, Safety, and Environmental (HSE) Superintendent. NMI is developing a robust safety culture that is focused on a proactive approach to preventing safety-related incidents. The new Superintendent has completed a review of NMI's Safety Management System, refined it where required, and is working on full implementation and training for the 2018 season. A vessel operations manual is also being developed, which lays out how NMI employees are expected to do their everyday activities, such as working in port, at sea, and anchoring. NMI will produce a health and safety manual to standardize its approach to matters such as fall protection and workplace violence. A major annual safety drill will be added to the weekly drills that are already carried out on the *Northern Ranger*.

The overarching goal at NMI is to continuously improve the company's safety culture, so that everyone has the same attitude, beliefs, and values about safety in the workplace. A key part of that approach is to work on preventing incidents and accidents.





In 2017, NMI's freight and passenger volume increased over the previous year.

## PROMOTING THE HIRING OF BENEFICIARIES

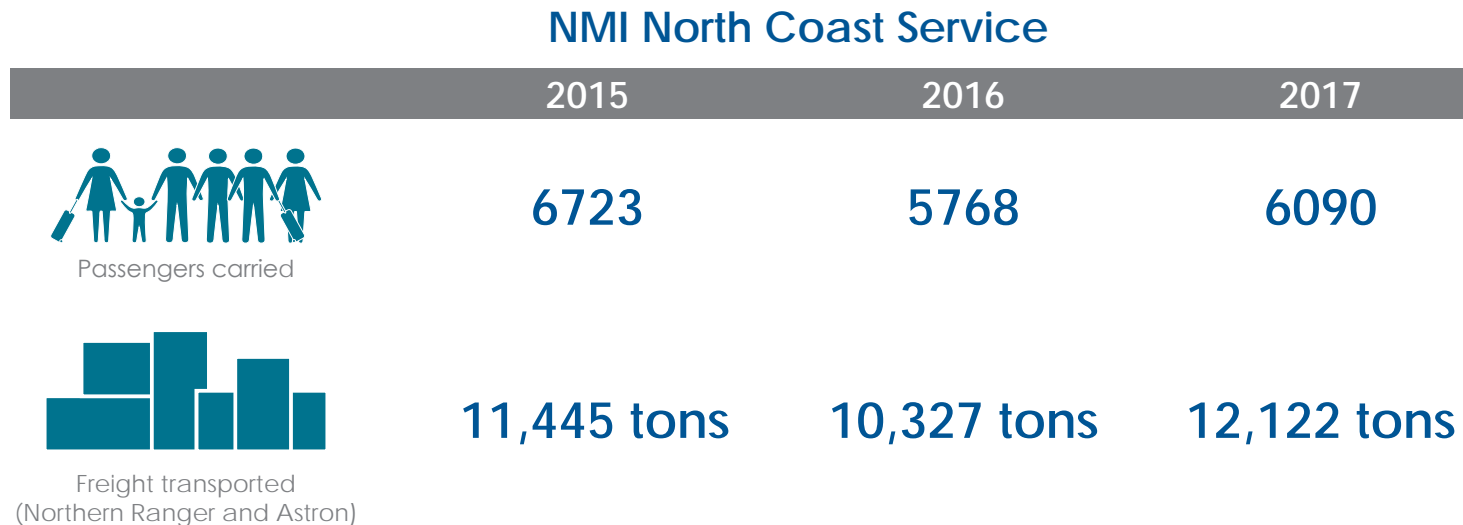
25% of NMI's employees are Beneficiaries, and the company is pursuing various strategies to increase that percentage. NMI works closely with Inuit Pathways and marine training institutions to train interested Beneficiaries to fill positions onboard as they become available. We have had some success in this regard, however, this process will take time. The marine industry is highly regulated and employees on passenger ships are required to have Certificates of Competency for many positions, as well as compulsory and regulatory training courses. Even entry level positions require training in Marine emergency duties, mariners' first aid, and passenger safety management.

## STEVEDORING PARTNERSHIP

NMI continued its partnership with Integrated Logistics in a joint venture stevedoring operation at the Port of Happy Valley-Goose Bay. The number of foreign ship arrivals declined in 2017, as the partnership's primary client, the Muskrat Falls project, began to wind down. The partnership took advantage of an opportunity to train additional members of NMI's Goose Bay crew in stevedoring operations.

## CONTRACT EXTENDED

Arrangements were made with the Government of Newfoundland and Labrador to operate the coastal Labrador passenger and freight service for 2018.







NCI's focus is building construction and renovation. It has tripled gross revenue in the past four years.



NCI's certification under the Atlantic Home Warranty Program has spurred interest in new home construction.



## **NUNATSIAVUT CONSTRUCTION INC. (NCI)**

NCI was awarded a record amount of work in 2017, at more than \$6 million. The company continued to be an integral part of NGC's goal to build capacity in Nunatsiavut, both in the building and repair of infrastructure such as homes and civil works, and in the advancement of careers in the construction industry. NCI completed its first three contracts under the Atlantic Home Warranty Program, and substantially completed the Transition House in Nain. In late 2017, NCI was awarded a \$1.5 million contract to renovate 43 homes in Nunatsiavut. Work was progressing well at the end of 2017, and most of the renovations were on track to be completed by March 31, 2018.

### **ATLANTIC HOME WARRANTY PROGRAM**

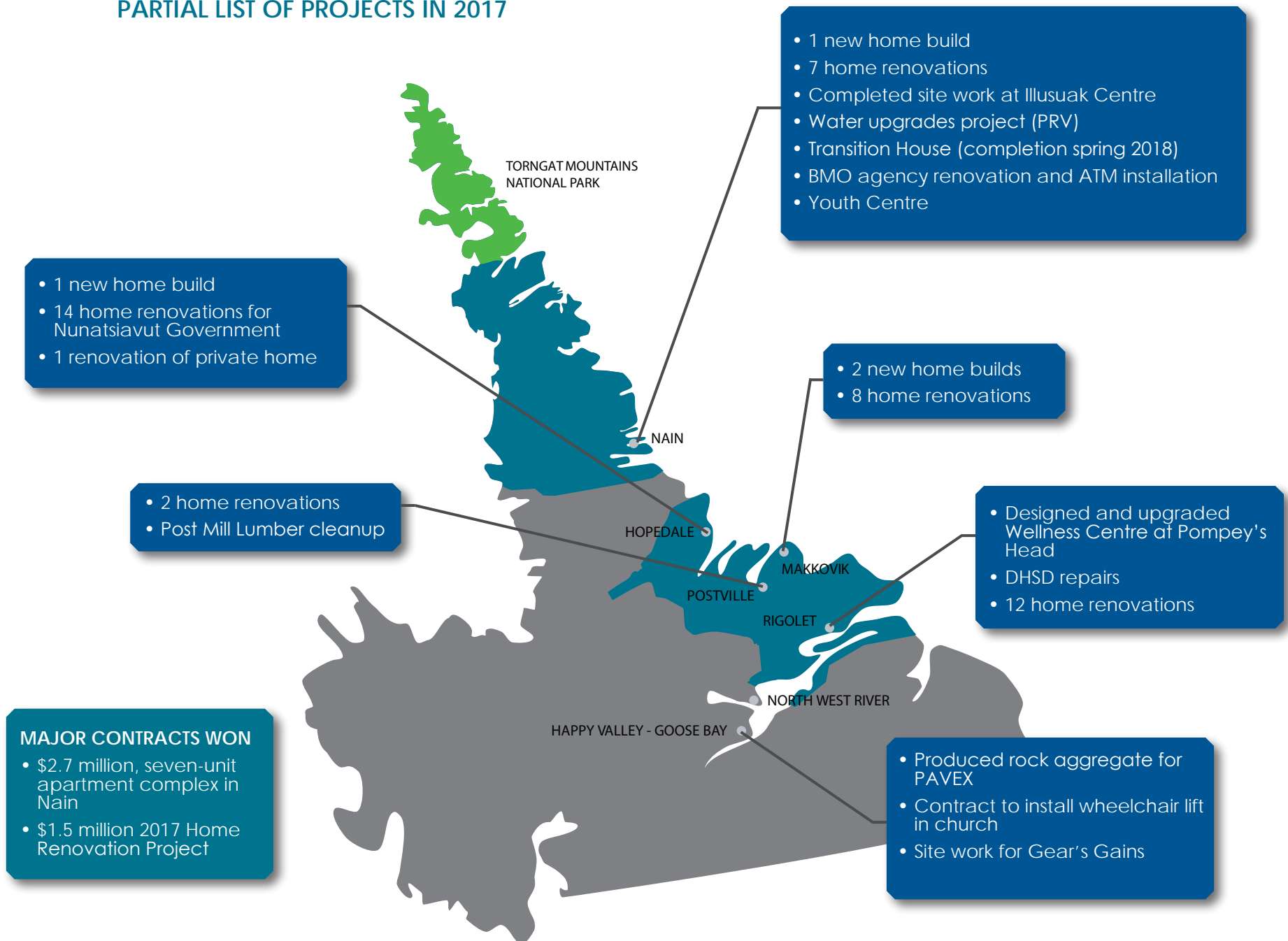
NCI acquired Atlantic Home Warranty Home Program certification in 2016. The program provides peace of mind to homeowners, and it is proving to be an important consideration for people considering the construction of a new home. NGC had several expressions of interest for 2018.

### **FULFILLING NGC'S VISION**

Nunatsiavut Construction Inc. is helping NGC fulfill its vision to become an Inuit-led business leader in the north. The position of general manager is now held by a Nunatsiavut Beneficiary. Beneficiaries accounted for 54% of total NCI salaries in 2017. Furthermore, Beneficiaries held 60 of 91 positions in the company, making up 66% of the workforce.



## PARTIAL LIST OF PROJECTS IN 2017





## GOOSE BAY CAPITAL CORPORATION (GBCC)

In 2017, GBCC acquired its second tenant for the Town Centre Project. The Wellness Centre, a project of the Town of Happy Valley-Goose Bay and the YMCA, will begin construction in 2018. The first phase of the Wellness Centre project will focus on fitness and aquatics, community rooms, and meeting space. GBCC's first tenant, Gear's Gains, is on track to open its fitness facility in early 2018.

GBCC is a 326-acre commercial and residential development. In early 2017, NGC was involved in the process of acquiring 100% of GBCC by buying out the minority shareholders. GBCC's goal is to attract a mix of clients that will result in long-term payoff for the Town of Happy Valley-Goose Bay and NGC.









## UNIVERSAL HELICOPTERS

Universal Helicopters found new opportunities in 2017, as the company continued to build on its strategy to increase growth and improve safety. On the growth side, the company leased a Bell 205A++ aircraft, which was sub-leased to a U.S. company. The aircraft fought forest fires in Washington and Oregon states, and assisted during the California forest fires. This contract is a step toward Universal developing a larger footprint in the United States.


In 2017, Universal leased one of its own aircraft to Capital Helicopters of the Yukon. The aircraft is being utilized in a mining project in northwestern British Columbia. Universal sees further opportunities in that area, as well as in the Yukon and Northwest Territories.

### INVESTMENT IN SAFETY

Universal's leadership believes a vital component of new growth is a robust safety culture. Clients will want to work with companies that have a demonstrated and auditable safety profile. In 2017, Universal made significant investments in its workforce and in a safety monitoring system called VORTEX, which records real-time records of incidents and occurrences and the company's response to them.

In late 2017, Universal's leaders, including management and supervisors, attended a weeklong safety workshop. The workshop was a prelude to the release of the company's Safety Management System (SMS), which is a comprehensive guide to the company's safety policies and procedures. The SMS covers all aspects of safe operations, including monitoring, reporting, and follow-up. The SMS environmental policy is based on the Minimal Impact Philosophy, which commits the company to operations which have the least possible impact on the environment.

Universal is finalizing the implementation of the Skytrac Electronic Flight Bag (EFB) Program, a project which began in 2016. The EFB automatically uploads data from an aircraft in the field, allowing information such as engine and aircraft running time, crew position, and customer invoicing to be readily available to maintenance and administrative staff at the base. This will enhance safety and provide for administrative efficiency.



Universal's Muskrat Falls power line contract was completed on time and under budget.

### **BUSINESS CLIMATE**

Universal Helicopters is cautiously optimistic that there are signs of recovery from the dampened business climate that began in 2013. There remains a surplus of aircraft for the available work in Newfoundland and Labrador, and in the rest of Canada. This continues to put downward pressure on rates. However, Universal believes there are additional growth opportunities like those we have successfully pursued in the United States and in Canada.

Closer to home, our attendance at mining shows and other industry events in 2017 pointed to signs that Canadian mining activity will pick up in 2018.

### **LONG-TERM PLAN**

A key part of Universal's long-term growth plan is to utilize its Indigenous ownership as part of NGC, to align with opportunities across Canada's north. The company is pursuing several promising leads that we hope will bring new opportunity in 2018.



## **FISHING ENTERPRISES (FISH CO.)**

NGC fish quotas again contributed substantial royalties to the organization in 2017. The quotas include shrimp, Greenland halibut (turbot), and Atlantic Halibut quotas. NGC's northern shrimp quota is fished by PiKalujak Fisheries, a partnership formed in March 1992 between Labrador Inuit Development Corporation (now NGC, with 50% ownership), Labrador Sea (2004) Inc. (LAB), and Ocean Prawns Canada Limited (OPC). LAB and OPC are owners of Harbour Grace Shrimp Company Limited. The shrimp partnership has shared more than \$25 million in net profits since it was established more than 25 years ago. For the past several years, it has contributed more than \$1 million annually to NGC.

NGC is a member of the Northern Shrimp Coalition, a federally incorporated non-profit organization representing the interests of northern regions and Indigenous groups, which are adjacent to, and have historic attachment to the shrimp resource.

NGC has a 70-ton Greenland halibut quota. This quota is annually put on the market for competitive bids. Dominion Trading, a company in which NGC has a one-third interest, has a license and various quotas that are also bid annually on a competitive basis.

NGC also has a crab quota in 2JS, which it allows the Nunatsiavut Government to allocate. The quota is fished by Nunatsiavut harvesters. This contribution from NGC contributes \$300,000 annually to the Nunatsiavut fishery.

Overall, fishing operations contributed more than \$2 million to NGC in 2017. NGC remains hopeful that despite anticipated declines in the quota for northern shrimp, it will continue to maximize the value from this important resource.

## **PAN ARCTIC INUIT LOGISTICS (PAIL)**

NGC owns 18 percent of PAIL, which is a partnership between Inuit Business Corporations from the four Inuit Regions and ATCO Structures (Nasittuq Corporation).

Nasittuq provides site support services, program management, and administrative support to the Canadian military at CFS Alert on the northeastern tip of Ellesmere Island. One of PAIL's major objectives is to encourage the training and hiring of Inuit in various jobs at the site.

The Business Corporations from the four Inuit regions have discussed other potential business opportunities for delivering services across the north, including providing broadband to communities and generation of power from renewable energy sources

TSI's training program at the Vale site is directed toward advancing career options for Beneficiaries and other Indigenous employees.





## **NGC NUNATSIAVUT SOLUTIONS INC.**

### **(THE TORNGATS AND NAIN BMO BANKING AGENCY)**

The Nunatsiavut Group of Companies, through NGC Solutions, again operated The Torngats for its partners, Parks Canada and the Nunatsiavut Government. The partners invested additional capital in base camp operations in 2017. And while NGC Solutions incurred a loss, it was less than the loss in recent years.

The existing operating contract expired at the end of 2017, and the partners issued a Request for Proposals to operate the Torngats for a five-year period, from 2018 to 2022. NGC submitted a bid and expected to be notified of the outcome of the RFP in the spring of 2018.

### **NAIN BANKING AGENCY**

In November 2017, NGC Nunatsiavut Solutions wound up its participation as a partner in the Nain Banking Agency (BMO). BMO has introduced electronic banking to Nain, allowing clients to withdraw cash, deposit cash and cheques, and to complete bank transfers. NCI was awarded the construction project to erect a new space for the ATMs, and also converted office space to a temporary banking site while construction was underway. Currently NGC's only involvement with BMO is as landlord for the ATMs.

## **TORNGAIT SERVICES INC. (TSI)**

TSI is a majority-owned NGC company (51%) in partnership with ATCO Structures and Logistics (49%). Through this partnership, TSI provides site services and remote camp catering support. TSI has supplied site services at the Voisey's Bay mine since its opening. The company hauls and loads concentrates, clears snow, and transports materials and personnel from the airport and the dock. Of the 73 TSI employees on the Vale site, two-thirds are Indigenous.

In 2017, TSI completed a three-year contract with Valard Construction to provide camp catering support for their remote work camps on the Muskrat Falls project. The company provided all necessary equipment and personnel to support the camp operations, including mobilization of camp and support equipment; set up support for kitchens and dorms; janitorial services, kitchen operations & re-supply of food; daily canteen services for larger camps; repairs, maintenance, de-commissioning, and demobilization of camp and support equipment.

TSI also supports a training program at the Vale mine to expand the skill sets of existing Indigenous staff. With the prospect of additional employment associated with underground mining, the program will assist Indigenous workers in enhancing their skills so that they can compete for new positions.

Air Borealis is one-third owned by NGC. The airline began operations in June 2017.



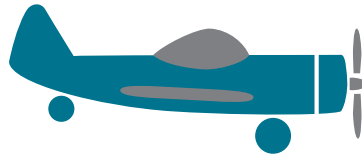




## AIR BOREALIS

Air Borealis LP began operations on June 18, 2017 as a joint undertaking of the Nunatsiavut Group of Companies (NGC), the Innu Development Limited Partnership (IDL), and PAL Airlines to establish a strong and viable airline serving the interests and needs of the people of northern Labrador. In the process, Air Borealis has strengthened regional transportation and economic infrastructure. Utilizing Goose Bay as a hub, Air Borealis provides scheduled passenger and cargo service to the Nunatsiavut communities of Nain, Hopedale, Makkovik, Postville and Rigolet, and to the Innu community of Natuashish. Air Borealis operates the second-largest Twin Otter fleet in Canada.

NGC, IDLP, and PAL Airlines have equal shares in Air Borealis and equal representation on the airline's board. Air Borealis is operated by PAL Airlines.



Fleet: 9 Twin Otter series 300 aircraft

## OPERATIONS FROM JUNE TO DECEMBER 2017



14,000 passengers



1.4 million  
pounds of cargo



394 air hours of medevac  
missions to Labrador communities



# NILLIK CONSTRUCTION

Nillik Construction is a joint venture owned 51 percent by NGC and 49 percent by Bird Construction. Nillik's focus is on contracts valued at \$10 million and above. The alliance with Bird Construction is intended to capitalize on this segment of the market. The joint venture's major current project is managing the development of the Illusuak Cultural Centre in Nain. The Centre will be a space to create, present, and appreciate the arts.

In 2017, Nillik progressed toward completing the interior of the Centre. The Illusuak Centre will open in late 2018.

In late 2016, Vale postponed development of the Voisey's Bay underground mine. Once Vale decides how to proceed, Nillik plans to bid on work related to that project.



## NUNAK LAND CORPORATION

Nunak Land Corporation is a land-holding and commercial real estate company that offers commercial office and warehouse leasing in the Upper Lake Melville area, as well as assets on the north coast at Nain, Hopedale, and Makkovik. NGC is landlord to a variety of clients, including the Nunatsiavut Government, which leases nearly half of the total space. Other tenants include the provincial and federal governments; public and private business services, such as banking and legal; dental care; environmental, transportation and construction services; and learning and research institutions.

One of Nunak's main clients in Nain, Parks Canada, rents space at the building on Sandbanks Road. In 2018, Parks Canada will move to the Illusuak Cultural Centre. NGC has been actively looking for new clients to occupy the vacated space.

## AIR LABRADOR

The Nunatsiavut Group of Companies wound down operations at Air Labrador in June 2017, and began a new partnership with Innu Development Limited Partnership and PAL Airlines to form Air Borealis. Many of Air Labrador's employees were hired by the new partnership. The financial section of the 2017 annual report shows a writedown of costs associated with winding down operations at Air Labrador.

## NGC NUNATSIAVUT MARINE INC.

In line with NGC's strategic plan to operate a mix of profitable businesses, NGC Nunatsiavut Marine Inc. is in the process of being wound down. Its 800hp tug, the *Kaliutik*, was sold in 2016. In 2017, the 500-ton barge *Sappatak* was sold. The company is actively looking for a buyer for 1000-ton barge *Kaligak*.

NGC Nunatsiavut Marine Inc.'s other asset, the tour boat *Inuttatik*, is likely to be retained and utilized as part of one of NGC's existing operations.



# CORPORATE SOCIAL RESPONSIBILITY

The Nunatsiavut Group of Companies, and its affiliated entities, donated hundreds of thousands of dollars in direct and indirect contributions to Beneficiaries and Nunatsiavut communities in 2017 through the Corporate Social Responsibility (CSR) program. The contributions align with the six values of NGC's CSR program.



Scrap steel and old equipment is loaded on a barge and removed from the Post Mill Lumber site in Postville.

## STEWARDING A SENSITIVE ENVIRONMENT

- Universal Helicopters has incorporated an environmental stewardship policy in its Safety Management System. Under this policy, Universal is committed to conducting itself in a responsible way that will foster environmental protection and ensure that safe operation does not adversely affect the environment.
- Nunatsiavut Marine has instituted an environmental stewardship program. At the heart of the program is a commitment to protect the ocean from pollution and waste.
- NCI commenced a cleanup of the Post Mill Lumber site in 2017, removing several pieces of heavy equipment, waste steel, and work shacks. Cleanup will continue in 2018.





NCI hosted safety seminars and sessions, and received several industry safety designations.

Universal helicopters leaders and supervisors participate in a safety workshop in November 2017.

## PROTECTING HEALTH AND SAFETY

- Universal Helicopters is implementing a Safety Management System, which is directed toward a continuous safety program for Universal's staff and its clients, as well as for the company's assets. The program exceeds Transport Canada's requirements and places Universal in an industry leadership position with respect to safety.
- NCI's zero harm health and safety policy gained momentum with continued education in several areas. Staff were recertified in safety training, COR status was maintained, and NCI's safety manuals were updated.
- NMI enhanced its health and safety protocols with improved reporting and training for staff:
  - the Safety Management System is being refined and full implementation is underway;
  - the Emergency Response Manual is being updated;
  - a Hazard Awareness Program is being introduced; and
  - Occupational Health and Safety training is being provided to additional shipboard crew.

## SUPPORTING EMPLOYMENT

- All NGC companies actively encourage the hiring of Beneficiaries. The wholly-owned NGC companies give preference to hiring qualified Beneficiaries.
- Nearly 49% of NGC's 263 employees in 2017 were Beneficiaries, including:
  - 75% Beneficiaries at TSI;
  - 66% at NCI; and
  - 45% at NGC
- 25% of NMI's employees are beneficiaries, and the company encourages Beneficiaries training in Marine studies to seek summer employment on the *Northern Ranger* through its cadet program.

NCI is building capacity in Nunatsiavut communities by employing and training Beneficiaries.







For the sixth consecutive year, NGC, NCI, and NMI provided \$40,000 worth of firewood free of charge to those in need in Hopedale and Nain.



Universal Helicopters reflects its NGC ownership.



Air Borealis and PAL Airlines contributed \$27,000 to the new Pumpkin House day care centre in Happy Valley-Goose Bay.

## SUPPORTING LOCAL ECONOMIES THROUGH PROFITABLE OPERATIONS

- NMI purchases local goods where possible, and where it makes economic sense.
- Air Borealis supported many community and regional events, including:
  - a contribution of more than \$27,000 to the Pumpkin House Child Care Centre in Happy Valley-Goose Bay;
  - travel for three Nunatsiavut students who took part in the Students on Ice Arctic expedition program;
  - partnered with Torngat Arts and Crafts to ship materials that artists use to create their projects;
  - partnered with Canadian Cancer Society to help offset the cost of travel outside the region for cancer care. Since the program's inception in 2015, Air Borealis and PAL Airlines have helped support 193 clients from all parts of Labrador; and
  - cash and in-kind donations to support winter carnivals, festivals, community fundraisers, projects, sports teams, and more.
- Torngait Services Inc. found a unique way to assist the Labrador Friendship Centre. TSI donated its remaining food supply to the Centre when it closed the Eagle 10 Camp, which supported crews who erected the Muskrat Falls towers.
- NCI's building division hires, promotes, and buys locally, whenever possible.
- Universal Helicopters provided \$9600 worth of helicopter time that community groups auctioned for fundraising. Staff donated more than \$4000 through bi-weekly pay deductions to the Janeway Foundation.
- For the sixth consecutive year, NGC provided firewood to Nain and Hopedale. The value of the 2017 contribution was \$40,000.



Ullugiagâtsuk Youth Choir in St. John's after their performance with the Shallaway Youth Choir.

## REFLECTING OUR INUIT CULTURE

- NGC assisted Ullugiagâtsuk, the Nain youth choir, with travel to St. John's to perform with the Shallaway Youth Choir.
- NGC donated \$30,000 to the Arctic Inspiration Prize, an organization that shared over \$2.4 million among eight teams that competed to develop and implement impactful and innovative projects that improve the lives of people in northern communities.



## ACTING ETHICALLY AND WITH TRANSPARENCY

NGC undertook several activities to communicate publicly on its operations:

- published an annual report and twice-a-year newsletter;
- reported on its business activities to a session of the Nunatsiavut Assembly;
- NGC's operations are audited and reported on publicly; and
- advanced planning for a website relaunch in early 2018 that will become an essential reference point for Beneficiaries.







# BENEFICIARY EMPLOYMENT AND WAGES

NGC is committed to accountability and transparency in all its dealings. This annual report and other communications, such as our newsletter, community meetings, and our annual report to the Nunatsiavut Assembly, are tangible examples of this commitment.

In the 2017 annual report, we have provided a detailed breakdown of Beneficiary employment and wages. Our goal is 100% Beneficiary employment, and we have made progress. But we know there is still much to do. All jobs that are advertised with NGC and its wholly-owned subsidiaries, give preference to qualified Beneficiaries. We want to become an employer of choice for Inuit, and our companies actively encourage Beneficiaries to come to work for us.

One example of this proactive approach to hiring Beneficiaries is NMI's cadet program. Each year, NMI provides summer work terms to a deckhand and engine room assistant from the Marine Institute. In the same way that NMI hires Beneficiaries preferentially, the company also hires Beneficiary cadets whenever possible.

## NUNATSIAVUT GROUP OF COMPANIES/AFFILIATES EMPLOYEE WAGES JANUARY-DECEMBER 2017

			NG Beneficiaries		Non NG Beneficiaries		# of Employees by Company		Wages(\$) by Company	
Company	Total # of Employees	Total Wages (\$)	# of Employees	Wages (\$)	# of Employees	Wages (\$)	NG Beneficiaries	Non-NG Beneficiaries	NG Beneficiaries	Non-NG Beneficiaries
NMI	114	3,082,224	28	402,308	86	2,679,916	24.6%	75.4%	13.1%	86.9%
NCI	91	1,801,451	60	977,208	31	824,243	65.9%	34.1%	54.2%	45.8%
NGC	22	1,010,548	10	387,418	12	623,130	45.5%	54.5%	38.3%	61.7%
NLC	7	92,033	7	92,033	-	-	100.0%	0.0%	100.0%	0.0%
NGC-NMI	1	145,144	-	-	1	145,144	0.0%	100%	0.0%	100.0%
NSI	28	344,603	23	259,108	5	85,495	82.1%	17.9%	75.2%	24.8%
<b>Total</b>	<b>263</b>	<b>6,476,003</b>	<b>128</b>	<b>2,118,075</b>	<b>135</b>	<b>4,357,928</b>	<b>48.7%</b>	<b>51.3%</b>	<b>32.7%</b>	<b>67.3%</b>



**CHRIS WEBB**

*President and CEO, Nunatsiavut Group of Companies*

Chris brings 15 years of business experience to his role, with more than 10 years at senior level positions. He has a Bachelor of Commerce Degree with a major in Human Resources Management and Industrial Relations from Saint Mary's University in Halifax, Nova Scotia. Chris has completed an Executive Development program offered jointly through Queens and Cornell Universities. Chris is also a full-time hockey dad and volunteer coach, currently residing in Happy Valley-Goose Bay, Labrador with his wife Robin and son Eric.



**ADAM BROWN**

*VP of Operations, Nunatsiavut Group of Companies*

Adam Brown's experience includes 15 years in the consulting industry, specializing in the design and construction of commercial and residential land development projects. Adam's responsibilities at NGC are focused on the north coast of Labrador, and include the Construction Division and the Torngats Base Camp operations. Adam is drawn to the uniqueness and beauty of Labrador and relishes the opportunity to build capacity and find efficiencies to better serve the people of Nunatsiavut. Adam completed his Engineering degree at the University of Alberta in 1999 and has recently completed his MBA. He has traveled extensively outside Canada, and has lived in both Asia and South America. His home is in Ottawa. In his spare time, he drives his kids around to their many activities and enjoys being the household handyperson.



**SHANE CYR**

*President and CEO, Universal Helicopters*

Shane has been working in helicopter aviation since 1996 and joined Universal Helicopters in 2015. He has worked throughout Canada, Taiwan, Peru, Brazil and Australia servicing clients in both onshore and the offshore helicopter services markets. He currently serves on the Board of Directors of Universal Helicopters and HAC (Helicopter Association of Canada). Starting out as a ground operations worker in the helicopter logging industry of British Columbia, Shane has worked through the ranks and held positions of increasing responsibility throughout his career with over 16 years of management experience. Shane holds a Bachelor's degree from Vancouver Island University and a Masters of Business Administration from the Sydney University in Australia.





### **SARAH LEO**

*VP of Corporate Development,  
Nunatsiavut Group of Companies*

As NGC's Vice President of Corporate Development, Sarah is responsible for creating and managing NGC's relationships with its key stakeholders, including Beneficiaries, all levels of government, and industry. Sarah is the immediate past President of Nunatsiavut. Through that role and her previous position as AnkqajukKuk (Mayor) of Nain Inuit Community Government, she is intimately familiar with the Labrador Inuit Land Claims Agreement. Sarah works with NGC's Executive Team to ensure that all of our businesses are aligned to leverage the opportunities presented through the Land Claims Agreement.



### **KEITH HARBIN**

*CFO, Nunatsiavut Group of  
Companies*

Keith Harbin, CPA, CGA is Nunatsiavut Group of Companies' Chief Financial Officer. He obtained his professional accounting designation in 2003 and has over twenty years of accounting/finance experience. Keith joined NGC in October 2016 and as a member of the Executive Team, looks forward to contributing to the organization's success.

In his role as CFO, Keith's responsibilities include overseeing the accounting and finance functions, financial monitoring, analysis and budgeting in support of operational requirements, as well as strategic planning

Prior to joining NGC, Keith held senior positions with a number of entities including operations manager of an airport authority, manager with a national public accounting firm, and chief financial officer of a First Nations government.

Keith moved to Labrador in 2005 and resides in Happy Valley-Goose Bay with his wife Rhonda.



### **GARY LATIMER**

*General Manager, Nunatsiavut  
Marine Incorporated*

As General Manager of Nunatsiavut Marine Incorporated (NMI), Gary oversees the north and south coast freight and passenger service. NMI operates the *Northern Ranger* passenger and freight service under contract with the Government of Newfoundland and Labrador, and it oversees the freight service provided by the *Astron*. Gary is a graduate of the Canadian Coast Guard College in Sydney, Nova Scotia. He joined NMI in 2014 as fleet manager, and previously worked with Irving Shipbuilding and Marine Atlantic.

# TRUSTEES



## **Clint Davis, Chair**

Clint grew up in Happy Valley-Goose Bay. He has a Bachelor of Business Administration from Acadia University, a Bachelor of Laws from Dalhousie University, and a Master's degree in Public Administration from Harvard University.

Clint is the Partner and Managing Director of Acasta Capital Indigenous, a subsidiary of Acasta Capital. Acasta Capital Indigenous is a merchant bank created to partner with Indigenous governments and economic development organizations to use their inherent competitive advantage to achieve growth and value.

Clint has a diverse professional background in Indigenous business development, including past President and CEO of the Canadian Association of Aboriginal Business, National Director of Banking for BMO, and most recently, VP, Indigenous Banking at TD.



## **Isabella Pain**

Isabella was born and raised in Nain, Nunatsiavut. She graduated from Memorial University with a Bachelor of Arts degree (Political Science), and a minor in Business.

In 2000, she was appointed as the co-chief negotiator of the Nunatsiavut land claims negotiation team. A year later, she became the chief negotiator of the Impact and Benefits Agreement (IBA) with Voisey's Bay Nickel Company (VBNC). Isabella became Aboriginal Affairs Superintendent for VBNC in 2004, and was part of the team responsible for ensuring that the Inuit and Innu IBAs were properly implemented.

Isabella began working for the Nunatsiavut Government in 2009. Her current roles are Deputy Minister of the Nunatsiavut Secretariat, Secretary of Executive Council, and senior negotiator.



## **Natan Obed**

Natan has a Bachelor of Arts in both English and American Studies from Tufts University.

Natan grew up in Nain. He is currently President and CEO of Inuit Tapiriit Kanatami, the organization which represents Canada's 60,000 Inuit. In his previous role, he was Director of Social and Cultural Development for Nunavut Tunngavik Incorporated in Iqaluit, where his work focused on issues such as health, education, language, justice, research, and suicide prevention.



### **Kristy Sheppard**

Kristy resides in Rigolet. She has a Bachelor of Arts in Sociology from Acadia University, and a Master of Arts in Tourism Management from Royal Roads University.

Kristy is a senior manager with the Nunatsiavut Government. Her career spans ten years and has been focused on community development. As Nunatsiavut's first Director of Tourism, she helped establish the region as a tourism destination. Kristy has recently transitioned into the role of Director of Economic Development. At the Governor General's Canadian Leadership Conference in June 2017, she was recognized as one of 250 up-and-coming leaders in Canada.

Kristy is an active member with industry organizations, including SmartICE and the Atlantic Aboriginal Economic Development Integrated Research Program.



### **James Igloliorte**

James is from Hopedale. He has a Bachelor of Laws from Dalhousie University and served as a Provincial Court judge. During most of his career on the bench, he operated the circuit court from Goose Bay.

James worked as a Commissioner for the Qikiqtani Truth Commission, and most recently as a Panel member on the Joint Review Panel for the proposed Lower Churchill Hydro-electric development. He is past chair of the Torngat Mountains National Park Co-Management Board.

James is currently employed by DIAND/CIRNA to facilitate Commemoration and Healing for former Newfoundland and Labrador Residential School Students.





The Nunatsiavut Group of Companies  
employs close to 500 people in its various entities.



# AUDITED FINANCIAL STATEMENTS

Independent Auditor's Report .....	43
Consolidated Statement Of Operations And Accumulated Surplus .....	44
Consolidated Statement Of Financial Position .....	45
Consolidated Statement Of Changes In Net Financial Assets .....	46
Consolidated Statement Of Cash Flow .....	47
Notes To The Consolidated Financial Statements.....	48
Consolidated Schedule Of Expenditures - Schedule 1 .....	58
Consolidated Schedule Of Related Party Transactions - Schedule 2 .....	59



# INDEPENDENT AUDITOR'S REPORT

## To the Trustees of the Labrador Inuit Capital Strategy Trust

We have audited the accompanying consolidated financial statements of Labrador Inuit Capital Strategy Trust (the "Trust"), which comprise the consolidated statement of financial position as at December 31, 2017 and the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The consolidated financial statements have been prepared by management based on the financial reporting provisions set forth by the Nunatsiavut Government.

## Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the financial reporting provisions set forth by the Nunatsiavut Government and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

## Basis for qualified opinion

The Trust's interests in controlled subsidiaries have been consolidated throughout these financial statements. As management has not accounted for these investments using the equity method this constitutes a departure from Canadian public sector accounting standards. The Trust's total net financial assets, accumulated surplus and annual surplus would be recorded at the same amounts using either equity accounting or a consolidation of the results of the controlled investments.

## Qualified opinion

In our opinion, except for the effect of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of Labrador Inuit Capital Strategy Trust as at December 31, 2017 and the results of its financial performance and its cash flows for the year then ended, in accordance the financial reporting provisions set forth by the Nunatsiavut Government.

## Basis of accounting

Without modifying our opinion, we draw attention to Note 2 of the consolidated financial statements which describes the basis of accounting. The consolidated financial statements are prepared to assist Labrador Inuit Capital Strategy Trust to meet the requirements set forth by the Nunatsiavut Government. As a result, the consolidated financial statements may not be suitable for another purpose.

Chartered Professional Accountants

August 28, 2018

### Labrador Inuit Capital Strategy Trust

Consolidated statement of operations and accumulated surplus  
year ended December 31, 2017

	*	2017	2016
		\$	\$
<b>Revenue</b>			
Sales		10,764,037	13,329,967
Marine operations		5,594,034	5,493,331
Aircraft operations	<sup>2</sup>	5,141,625	11,945,533
Other	<sup>2</sup>	4,845,521	1,098,887
Construction	<sup>2</sup>	2,307,943	2,879,777
Fish harvesting		1,436,994	1,151,413
Partnership income		894,134	—
Torngat National Park operations		791,622	932,783
Lease finance		605,781	686,897
Rental	<sup>2</sup>	491,969	470,135
Royalties from Northern Coalition		487,448	1,369,008
Crushed stone		470,768	447,572
Grants	<sup>2</sup>	364,881	439,661
Interest and investment income	<sup>2</sup>	307,589	304,988
Management fees	<sup>2</sup>	148,000	114,000
Royalties from turbot		115,500	106,862
Fuel		9,533	59,328
		<b>34,777,379</b>	<b>40,830,142</b>

### Labrador Inuit Capital Strategy Trust

Consolidated statement of operations and accumulated surplus  
year ended December 31, 2017

	*	2017	2016
		\$	\$
<b>Expenditures</b>	<sup>1</sup>	<b>30,106,535</b>	<b>42,757,498</b>
Annual surplus (deficit) before undernoted items		4,670,844	(1,927,356)
Amortization		(590,898)	(1,099,551)
Gain on disposal of tangible capital assets		1,741,466	52,467
Impairment of tangible capital assets		(956,500)	(5,079,337)
Gain on investment		359,444	—
Share of equity loss		(961,231)	(618,361)
Income tax expense		(166,794)	(235,928)
Annual surplus (deficit)		4,096,331	(8,908,066)
Accumulated surplus, beginning of year		19,214,464	28,664,155
Change in accumulated surplus as a result of amalgamation with Air Labrador Limited		(4,088,118)	—
Trust income allocation		(2,569,497)	(541,625)
Accumulated surplus, end of year		<b>16,653,180</b>	<b>19,214,464</b>

#### \* Schedules

The accompanying notes are an integral part of the consolidated financial statements.

## Labrador Inuit Capital Strategy Trust

Consolidated statement of financial position  
as at December 31, 2017

	*	2017	2016
		\$	\$
<b>Financial Assets</b>			
Cash		4,900,126	4,584,688
Receivables		6,645,266	8,266,260
Due from Government of Newfoundland and Labrador	3	2,132,987	2,112,987
Net investment in finance lease	4	6,489,093	7,443,800
Loans receivable	5	2,500,000	2,500,000
Deposits		—	167,717
Investments, at equity	6	18,747,783	9,654,787
Portfolio investments	6	76,647	75,615
Inventory		3,808,333	2,748,492
Receivables from related parties, net	6	5,373,356	4,809,408
Tangible capital assets held for resale	7	1,195,490	—
Due from Philip Earle, non-interest bearing with no set terms of repayment, maturing June 2022		750,000	—
		52,619,081	42,363,754
<b>Liabilities</b>			
Bank indebtedness	8	1,403,701	3,528,762
Payables and accruals		3,742,897	6,656,201
Demand loans	9	38,232	97,688
Payable to Tasiujatsoak Trust	13	21,500,000	16,500,000

On behalf of the Trust:  
Trustee

Trustee

## Labrador Inuit Capital Strategy Trust

Consolidated statement of financial position  
as at December 31, 2017

	*	2017	2016
		\$	\$
Deferred revenue		463,156	658,115
Provision for loss on onerous contracts		189,226	—
Income tax payable		167,318	214,860
Due to Nunatsiavut Government, non-interest bearing, no set terms of repayment		4,684,416	2,114,919
Obligations under capital lease	11	23,343	38,007
Promissory note payable		—	306,000
Long-term debt	10	9,249,559	2,473,242
Preferred shares	12	510,000	510,000
		41,971,848	33,097,794
<b>Net financial assets</b>		10,647,233	9,265,960
<b>Non-financial assets</b>			
Tangible capital assets	7	5,014,654	6,741,020
Goodwill		783,448	1,432,003
Supplies inventory		—	1,543,987
Prepays		207,845	231,494
		6,005,947	9,948,504
<b>Accumulated surplus</b>	14	16,653,180	19,214,464

Commitments 16  
Business combination 18

\*Notes



## Labrador Inuit Capital Strategy Trust

Consolidated statement of changes in net financial assets  
year ended December 31, 2017

	2017	2016
	\$	\$
<b>Annual surplus (deficit)</b>	<b>4,096,331</b>	<b>(8,908,066)</b>
Trust income allocation	(2,569,497)	(541,625)
	<b>1,526,834</b>	<b>(9,449,691)</b>
<b>Change in tangible capital assets</b>		
Amortization of tangible capital assets	495,346	1,012,803
Impairment of tangible capital assets	956,500	5,079,337
Gain on disposal of tangible assets	(1,741,466)	(19,270)
Purchase of tangible capital assets	(537,221)	(848,024)
Proceeds from disposal of tangible capital assets	882,010	64,432
Reclass of tangible capital assets to tangible capital assets held for resale	1,195,490	—
	<b>1,250,659</b>	<b>5,289,278</b>
<b>Change in other non-financial assets</b>		
Net change in goodwill	648,555	88,860
Net change in supplies inventories	1,543,987	(229,412)
Net change in prepaid expenses	23,649	71,283
	<b>2,216,191</b>	<b>(69,269)</b>
Increase (decrease) in net financial assets	4,993,684	(4,229,682)
Net financial assets, beginning of year	9,265,960	13,495,642
Change in net financial assets as a result of amalgamation with Air Labrador Limited	(3,612,411)	—
<b>Net financial assets, end of year</b>	<b>10,647,233</b>	<b>9,265,960</b>

The accompanying notes are an integral part of the consolidated financial statements.

## Labrador Inuit Capital Strategy Trust

Consolidated Statement of Cash Flow  
year ended December 31, 2017

	2017	2016
	\$	\$
<b>Operating transactions</b>		
Annual surplus (deficit)	4,096,331	(8,908,066)
Adjustments for:		
Gain on disposal of tangible capital assets	(1,741,466)	(19,270)
Impairment of tangible capital assets	956,500	5,079,337
Amortization of tangible capital assets	495,346	1,012,803
Amortization of goodwill	95,552	88,860
Share of equity loss	961,231	740,257
Loss on onerous contracts	473,439	—
Trust income allocation	(2,569,497)	(541,625)
Change in other	(859,299)	1,979,208
	1,908,137	(568,496)
<b>Capital transactions</b>		
Purchase of tangible capital assets	(537,221)	(848,024)
Reclass of tangible capital assets to tangible capital assets held for resale	1,195,490	—
Proceeds from disposal of tangible capital assets	882,010	64,432
	1,540,279	(783,592)
<b>Financing transactions</b>		
Repayment of bank borrowings	(2,125,061)	(711,327)
Increase in payable to Tasiujatsoak Trust	5,000,000	—
Proceeds from demand loans	—	67,407
Repayment of demand loans	(59,456)	(245,309)

## Labrador Inuit Capital Strategy Trust

Consolidated Statement of Cash Flow  
year ended December 31, 2017

	2017	2016
	\$	\$
(Repayment of) proceeds from promissory note	(306,000)	306,000
Increase in due to Nunatsivaut Government	2,569,497	541,625
Proceeds from long-term debt	7,336,837	—
Repayment of long-term debt	(560,520)	(263,353)
Repayment of obligations under capital lease	(14,664)	(143,801)
	11,840,633	(448,758)
<b>Investing transactions</b>		
Change in net investment in finance lease	954,707	918,692
Change in equity investments	(10,054,227)	(121,896)
Change in portfolio investments	(1,032)	—
Change in goodwill	(744,107)	—
Decrease in due from director	—	134,544
Increase in due to Philip Earle	(750,000)	—
(Increase) decrease in receivables from related parties, net	(563,948)	1,049,378
Increase in receivable from Government of Newfoundland and Labrador	(20,000)	(20,000)
	(11,178,607)	1,960,718
Net change in cash	4,110,442	159,872
Cash, beginning of year	4,584,688	4,424,816
Change in cash flows as a result of amalgamation with Air Labrador Limited	(3,795,004)	—
<b>Cash, end of year</b>	<b>4,900,126</b>	<b>4,584,688</b>

The accompanying notes are an integral part of the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016

## 1. Nature of operations

The Labrador Inuit Capital Strategy Trust (the "Trust") was established on March 19, 2006 under the laws and regulations of the province of Newfoundland and Labrador and is controlled by the Nunatsiavut Government. The purpose of the Trust is to provide financial, management, economic and other assistance for the pursuit of economic and socio-economic strategies that establish, promote, assist, or otherwise foster employment, business and other relationships and undertakings which enable or are intended to enable Eligible Beneficiaries to gain or acquire experience, knowledge, skills, assets and property of any kind having economic value.

## 2. Summary of significant accounting policies

### *Basis of accounting*

The consolidated financial statements have been prepared for the purposes of meeting the financial reporting provisions set forth by the Nunatsiavut Government (the "Government"). The Government has mandated that the Trust follow Canadian public sector accounting standards. These consolidated financial statements reflect the following significant accounting policies:

### *Reporting entity and principles of financial reporting*

The consolidated Labrador Inuit Capital Strategy Trust reporting entity includes the Trust and all related entities which are accountable to and are either wholly-owned or controlled by the Trust. With the exception of the Trust's investments measured using the equity or cost method, transactions and balances with related parties are eliminated in these financial statements.

### *Consolidation method*

These consolidated financial statements consolidate the assets, liabilities and results of operations of the following government organizations:

- Labrador Inuit Capital Strategy Trust;
- Labrador Inuit Development Corporation;
- Capital Strategy Limited Partnership;
- Nunatsiavut Pharmacy Limited Partnership;
- 6494986 Canada Inc.;
- NGC Nunatsiavut Inc.;
- NGC Limited Partnership; and
- 10254550 Canada Inc.

All inter-organizational balances have been eliminated on consolidation.

### *Investments*

The following investments have been accounted for using the equity method:

- Universal Helicopters Newfoundland and Labrador LP – 40% owned
- 70703 Newfoundland and Labrador Inc. – 40% owned
- Air Borealis Limited Partnership – 33 1/3% owned

Under the equity method the Trust recognizes its pro-rata share of investee's net earnings (loss) in its investment account as well as its pro-rata share of capital transactions.

The following investments are valued at the lower of cost and net realizable value:

- Dominion Trading Limited – 33 1/3% owned
- Pan Arctic Inuit Logistics Corporation – 18% owned
- Nillik Construction Limited Partnership – 51% owned



- Innu-Inuit PDI Limited Partnership – 33% owned
- Innu-Inuit Toromont Limited Partnership – 33% owned
- Innu-Inuit Redpath Limited Partnership – 33% owned
- ACI Labrador Limited Partnership – 33% owned

#### *Revenue recognition*

The Trust recognizes revenue on sales of goods and delivery of services, including crushed stone, fuel, land, marine operations, aircraft operations, Torngait National Park operations and other, when persuasive evidence of an arrangement exists, services have been rendered, the price to the buyer is fixed or determined and collection is reasonably assured.

Construction revenue is accounted for under the percentage of completion method. Accordingly, revenue is recognized pro rata based on the degree of completion of the work. The Trust uses the efforts expended method whereby the degree of completion is calculated on the basis of actual cost of work performed as of the statement of financial position date compared with the total estimated cost of each project. Losses are accounted for as soon as they can be determined.

Rental revenue from leases is recognized on a straight-line basis over the term of the lease and when collection is reasonably assured.

Fish harvesting and royalties are recognized as earned upon the landing of the related fish, when the price to the buyer is fixed or determinable, and when collection is reasonably assured.

Government grants and transfers are recognized in the period in which events give rise to the transfer occurring, provided the transfers are authorized, any eligibility criteria has been met, including performance and return requirements, and reasonable estimates of the amount can be determined.

Management fee revenue is recognized on a monthly basis as earned and invoiced, and when collection is reasonably assured.

Interest and investment income and other income is recognized as earned provided persuasive evidence of an arrangement exists, the price to the buyer is fixed or determinable and collection is reasonably assured.

Lease finance revenue represents interest income on the lease. The Trust recognizes interest income as earned, provided collection is reasonably assured.

#### *Cash and cash equivalents*

Cash and cash equivalents include cash on hand and balances with banks. Bank borrowings are considered to be financing activities.

#### *Inventories*

Inventory consists of inventory held for resale and inventory of supplies. Inventory held for resale consists of crushed stone, core boxes, blocks of anorthosite and land. Inventory of supplies consists of items to be used within the operations of the Trust. All inventory is valued at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis. Net realizable value is the estimated selling price less the estimated costs necessary to make the sale.

#### *Tangible capital assets*

Tangible capital assets are recorded at cost. Amortization is based on their useful lives using the declining balance method at the following rates:

Leasehold improvements	10 - 20%
Buildings and improvements	4 - 30%
Containers and other equipment	20 - 30%
Fuel tanks	30%
Equipment	20 - 30%
Furniture and fixtures	20 - 30%

Motor vehicles	20 - 30%
Vessels	5 - 30%
Computers	30 - 45%

### *Goodwill*

Goodwill represents the excess of the purchase price over the fair value of the net identifiable assets of acquired businesses Nunatsiavut Marine Inc. and Goose Bay Capital Corporation Inc., entities acquired through the Trust's subsidiary NGC Nunatsiavut Inc. Goodwill is tested for impairment whenever an event or circumstance occurs that indicates that goodwill might be impaired. When the carrying amount of a reporting unit, including goodwill, exceeds its fair value, a goodwill impairment loss is recognized in net earnings in an amount equal to the excess. Goodwill has been amortized over a period of 20 years.

### *Impairment of long-lived assets*

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds its fair value.

### *Severance pay*

Severance pay is accounted for on an accrual basis and is calculated based upon years of service and current salary levels. The right to be paid severance vests with employees with five or more years of service and accordingly no provision has been made in the accounts for employees with less than five years of continual service. The amount is payable when the employee ceases employment with the Trust. Due to a change in policy at the end of 2010, no new full-time employees are entitled to this benefit.

### *Income taxes*

The Trust follows the taxes payable method of accounting for income taxes. Under this method, only income taxes

payable or recoverable for the period, determined in accordance with the rules established by taxation authorities, are recognized as an expense or recovery.

### *Financial instruments*

#### *Financial assets and liabilities*

The carrying amount of the financial assets and liabilities of the Trust by measurement basis are summarized as follows:

- Cash and bank indebtedness, receivables, loans receivable, due from Government of Newfoundland and Labrador, net investment in finance lease, receivables from related parties, portfolio investments, deposits, and due from Philip Earle are measured at amortized cost.
- Payables and accruals, demand loans, payable to Tasiujatsoak Trust, due to the Nunatsiavut Government, promissory note payable and long-term debt are measured at amortized cost.

The Trust has determined that it does not have derivatives or embedded derivatives.

### *Use of estimates*

In preparing financial statements in conformity with Canadian public sector accounting standards, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenditures during the year. Key areas where management has made complex or subjective judgments include collectability of all receivable balances, valuation of inventory, residual value of tangible capital assets, useful lives of tangible capital assets, valuation of goodwill, valuation of portfolio and equity investments, accrued severance, accruals and income taxes. Actual results could materially differ from these estimates.

### **3. Due from Government of Newfoundland and Labrador**

As per the terms of the charter agreement between Nunatsiavut Marine Inc., a 100% owned subsidiary of the Trust through its ownership in NGC Nunatsiavut Inc., and the Department of Transportation and Works, on behalf of the Government of Newfoundland and Labrador, Nunatsiavut Marine Inc. was required to provide performance deposits of \$1,000,000 for each of the two charter contracts. These deposits bear interest at 1% per annum and will be repaid by the Government of Newfoundland and Labrador upon completion of the contracts. The total interest income receivable at December 31, 2017 included in the balance due from Government of Newfoundland and Labrador is \$132,987 (2016 - \$112,987).

### **4. Net investment in finance lease**

The Trust, through its subsidiary Capital Strategy Limited Partnership, has entered into a direct finance lease with Vale Inco for the lease of assets. The lease is over a 13 year period with monthly lease payments of principal and interest of \$205,786 maturing September, 2023. Financing income associated with the lease is recognized at a rate of 4.5% and is compounded semi-annually. Financing income on the lease not yet recognized as income is recorded as deferred revenue and is netted against the net investment in finance lease receivable.

As part of the above transaction, the Trust entered into a \$12 million note payable with the lessee. This note payable has been offset against the net investment in finance lease receivable based on the terms and conditions of the note payable. The note payable bears interest at 5.15% and is repayable in blended monthly instalments of \$103,703 over a 13 year period maturing August, 2023.

### **5. Loans receivable**

The Trust loaned amounts totalling \$2,500,000 to a third party. The loan bears interest at 10.5% and is repayable in increments of \$416,667 per annum on the commencement of each year of the second renewal term as defined in the Transportation Service Agreement dated May 28, 2006. The total balance of the loan receivable as at December 31, 2017 is \$2,500,000 (2016 - \$2,500,000).



## 6. Investments and receivables from related parties, net

	2017	2016
	\$	\$
<b>Investments</b>		
Universal Helicopters Newfoundland and Labrador LP	8,693,556	9,654,787
Air Borealis Limited Partnership	10,054,227	—
Investments, at equity	18,747,783	9,654,787
<b>Dominion Trading Limited - 33 common shares</b>	<b>75,613</b>	<b>75,613</b>
Innu-Inuit Toromont Limited Partnership - 100 common shares	333	—
Innu-Inuit Redpath Limited Partnership - 33 common shares	333	—
ACI Labrador Limited Partnership - 100 common shares	333	—
Innu-Inuit PDI GP Inc. - 33 common shares	33	—
Pan Arctic Inuit Logistics Corporation - 19,000 Class A common shares	1	1
Nillik Construction Limited Partnership	1	1
Portfolio investments	76,647	75,615
<b>Receivables from (to) related parties</b>		
Goose Bay Capital Corporation	4,653,795	4,252,615
Air Borealis Limited Partnership	366,174	—
Pan Arctic Inuit Logistics Corporation	336,603	445,045
Goose Bay Capital Realty Inc.	17,858	—
Air Labrador Limited	—	107,626
Universal Helicopters Newfoundland and Labrador LP	(1,074)	1,252
Torngait Services Limited Partnership	—	2,870
	5,373,356	4,809,408

The above receivables (payables) are non-interest bearing and have no set terms of repayment.

Management fees represent fees paid by Torngait Services Limited Partnership and Pikalujak Fisheries Limited Partnership to non-related parties. The Trust's ownership in each of these companies is 51% and 50% respectively through the Trust's ownership in NGC Nunatsiavut Inc. The Trust's ownership in Goose Bay Capital Corporation and Goose Bay Capital Realty Inc. is 51% through the Trust's ownership in NGC Nunatsiavut Inc.

## 7. Tangible capital assets

	2017		2016	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Land	363,027	—	363,027	341,027
Leasehold improvements	—	—	—	60,902
Buildings and improvements	5,072,180	1,783,662	3,288,518	4,382,398
Containers and other equipment	3,018,099	2,526,431	491,668	468,828
Fuel tanks	—	—	—	21,209
Equipment	5,838,599	5,138,077	700,522	1,045,499
Furniture and fixtures	73,367	58,955	14,412	26,018
Motor vehicles	396,695	274,654	122,041	152,243
Vessels	141,000	121,755	19,245	175,644
Computers	152,443	137,222	15,221	67,252
	15,055,410	10,040,756	5,014,654	6,741,020

Included in buildings is \$43,500 (2016 - \$1,000,000) of costs related to the construction of the Happy Valley-Goose Bay office complex. The office complex is not yet ready for use and therefore the costs are not subject to amortization.

Furthermore, during the year the Sappatak and Kaligak vessels, with a carrying value of \$1,195,490, were reclassified as held for sale. As such, no amortization was taken on these vessels for the year ended December 31, 2017.

## 8. Operating lines of credit

The Trust has an operating line of credit with the Bank of Montreal, which has an authorized limit of \$4,100,000 and bears interest at Bank's prime rate plus 0.75%. As security for the line of credit, the Trust has pledged a general security agreement with a floating charge against the assets of the Trust, guarantees of indebtedness in the amount of \$4,360,000 signed by various subsidiaries of the Trust, assignment of vessel insurance, and a marine mortgage registered in the first position over the Kaliuttik and Kaligak. The balance outstanding at year end was \$1,184,169 (2016 \$2,916,345).

The Trust, through its subsidiary NGC Nunatsiavut Inc., has an operating line of credit with the Bank of Montreal which has an authorized limit of \$283,000 and bears interest at the Bank's prime rate plus 2%. As security for the line of credit, the Trust has pledged a general security agreement with a fixed charge against a crusher, floating charges over all other assets of Nunatsiavut Construction Inc., and guarantees of indebtedness in the amount of \$363,000 signed by NGC Nunatsiavut Inc. The balance outstanding at year end was \$219,532 (2016 - \$Nil).

The Trust, through its subsidiary NGC Nunatsiavut Inc., has an operating line of credit with the Bank of Montreal, which has an authorized limit of \$800,000 and bears interest at Bank's prime rate plus 1.50%. As security for the line of credit, the Trust has pledged a general security agreement with a first charge on all fixed assets including receivables of Nunatsiavut Marine Inc., guarantees of indebtedness in the amount of \$3,300,000 signed by the Trust, formal assign-

ment of Government marine contracts for vessels and shore based operations, and a copy of the shareholders agreement. The balance outstanding at year end was \$Nil (\$89,551 in 2016).

## 9. Demand loan

	2017	2016
	\$	\$
Bank of Montreal demand loan, bearing interest a prime plus 1.5%, maturing March 2019, repayable in blended monthly instalments of \$2,620, secured by a general security agreement on all equipment, accounts receivable and other assets of the Corporation	38,232	67,407
Bank of Montreal demand loans, repaid during the year.	—	30,281
	38,232	97,688

Principal payments required over the next two years are:

	\$
2018	31,440
2019	6,792

## 10. Long-term debt

	2017	2016
	\$	\$
Provincial Aerospace Ltd. unsecured loan, bearing interest at the Bank's prime rate plus 0.9%, maturing in June 2022, repayable in five equal annual instalments	6,998,022	—
Business Development Bank of Canada ("BDC") term loan bearing interest at BDC's floating rate plus 1%, compounding monthly, matures in November 2032, repayable in monthly instalments of \$11,772 (iii)	1,068,680	1,151,413
Aivek Holdings mortgage, non-interest bearing, maturing October 2023, repayable in monthly payments of \$4,861 (i)	338,819	—
Bank of Montreal mortgage bearing interest at the Bank's prime rate plus 1%, maturing July 2028, repayable in blended monthly instalments of \$6,374. (ii)	333,610	359,110
Bank of Montreal mortgage bearing interest at the Bank's prime rate plus 0.5%, maturing April 2022, repayable in monthly instalments of \$4,167 plus interest. (i)	220,833	270,833
Bank of Montreal mortgage bearing interest at the Bank's prime rate plus 0.5%, maturing December 2022, repayable in monthly instalments of \$2,917 plus interest. (i)	177,916	212,917
Atlantic Canada Opportunities Agency unsecured, non-interest bearing loan, repayable in monthly principal instalments of \$4,800, maturing October 2018.	46,697	104,297
Bank of Montreal mortgage bearing interest at the Bank's prime rate plus 0.5%, maturing April 2022, repayable in blended monthly instalments of \$3,982. (i)	64,982	109,897
Atlantic Canada Opportunities Agency loan, repaid during the year	—	12,325
Loan due to Philip Earle	—	252,450
	<b>9,249,559</b>	<b>2,473,242</b>

The principal repayments to maturity required on all loans are as follows:

	\$
2018	1,733,786
2019	1,657,359
2020	1,642,877
2021	1,644,026
2022	1,611,889
Thereafter	959,622

### Security:

i) As security, the land and buildings of Nunak Land Corporation, a wholly-owned subsidiary of NGC Nunatsiavut Inc., with a net book value of \$2,892,831 are pledged as collateral for the respective mortgages along with an assignment of fire insurance.

ii) As security, the land and buildings of Goose Bay Capital Corporation Inc., a 51% owned subsidiary of NGC Nunatsiavut Inc., with a net book value of \$939,032 are pledged as collateral for the respective mortgages along with an assignment of fire insurance.

iii) As security, the first readvanceable mortgage on land located at Hamilton River Road has been pledged along with a postponement of due to NGC Nunatsiavut Inc. in the amount of \$5,120,314, a corporate guarantee of Nunak Land Corporation for 25% of the outstanding loan balance, and personal guarantees of \$200,000 from minority shareholders.



## 11. Obligations under capital lease

Future minimum annual repayments on the obligations under capital lease are as follows:

	\$
2018	16,153
2019	8,077
Total minimum lease payments	24,230
Interest included in minimum lease payment	887
Present value of future lease payments	23,343

## 12. Preferred shares

A 51% owned subsidiary of the Trust, has 1,000 Class "S" preferred shares issued and outstanding. These shares were issued during a prior period for a value of \$1,000,000. The shares are non voting, retractable and redeemable at the option of the holder.

## 13. Payable to Tasiujatsoak Trust

	2016	2015
	\$	\$
Tasiujatsoak Trust demand loan, non-revolving, annual interest at 6.5%, payable in quarterly instalments. (i) (ii) (iv)	2,500,000	2,500,000
Tasiujatsoak Trust demand loan, bearing interest at the Royal Bank of Canada's prime rate, payable in annual instalments. (i)	3,000,000	3,000,000
Tasiujatsoak Trust demand loan, bearing interest at 6%, payable in annual instalments. (i) (iii) (iv)	5,000,000	5,000,000
Tasiujatsoak Trust demand loan, bearing interest at 5.25%, payable in monthly instalments. (i)	5,000,000	—
Tasiujatsoak Trust demand loan, non-interest bearing. (i)	6,000,000	6,000,000
	21,500,000	16,500,000

Security:

- i) A general security agreement granting a continuing security interest in all of the Company's present and after acquired personal property.
- ii) A specific assignment of all Company's interest in the Umiak Limited Partnership.
- iii) A specific assignment of all Company's interest in Universal Helicopters Newfoundland and Labrador Limited Partnership.
- iv) Any other ancillary documentation that the lender or its counsel may reasonably require.

## 14. Accumulated surplus

	2017	2016
	\$	\$
Operations	15,871,902	18,433,186
Restricted - inshore fishery	781,278	781,278
	16,653,180	19,214,464

Funds relating to the inshore fishery are restricted to the development of the fishery for the Labrador Inuit.

Restricted funds in the amount of \$443,816 (2016 - \$443,816) are held in trust by Labrador Inuit Development Corporation for the development of the inshore fishery. A separate trust bank account has been established, however, there is a cash deficiency of \$443,816 (2016 - \$443,816) in this trust account. The remainder of restricted funds in the amount of \$337,462 (2016 - \$337,462) have been advanced to fisherman.

## 15. Financial instruments

### *Financial risk factors*

The Trust has exposure to credit risk, market risk and liquidity risk. The Trustees have overall responsibility for the oversight of these risks and review the Trust's policies on an ongoing basis to ensure that these risks are appropriately managed. The source of risk exposure and how each is managed is outlined below.

### *Credit risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligation. The Trust's credit risk is primarily attributable to receivables, due from Government of Newfoundland and Labrador, net investment in finance lease, loans receivable, receivables from related parties and due from Philip Earle. Management believes that the credit risk with respect to these receivables is not significant. As of December 31, 2017, the Trust maintained an allowance for doubtful accounts of \$205,854 (2016 - \$264,504).

### *Liquidity risk*

Liquidity risk is the risk that the Trust will not be able to meet its financial obligations as they become due. As of December 31, 2017, the Trust had cash of \$4,900,126 (2016 - \$4,584,688).

To the extent that the Trust does not believe it has sufficient liquidity to meet current obligations, consideration will be given to obtaining additional funds through third party funding, assuming these could be obtained.

### *Market risk*

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Trust's net earnings or loss or the value of its financial instruments. The Trust is not exposed to significant equity price risk.

### (i) Interest rate risk

The Trust's financial liabilities are exposed to fluctuations in interest rates with respect to its demand loans, long-term debt, operating line of credit and payable to the Tasiujatsoak Trust. The Trust is exposed to the following interest rates at December 31, 2017.

	%
Demand loans	4.70
Long-term debt	3.70-4.70
Lines of credit	3.95-5.20
Payable to the Tasiujatsoak Trust	3.20

The following table details the Trust's sensitivity analysis to an increase of interest rates by 1% on net earnings. The sensitivity includes floating rate financial liabilities and adjusts their effect at period end for a 1% increase in interest rates. A decrease of 1% would result in an equal and opposite effect on net earnings.

	Effect on net earnings
	\$
Demand loans	(528)
Long-term debt	(26,828)
Lines of credit	(8,667)
Payable to the Tasiujatsoak Trust	(30,000)
	(66,023)

### (ii) Foreign exchange risk

The Trust through its subsidiary NGC Nunatsiavut Inc. makes purchases in foreign denominations and is thus exposed to foreign exchange fluctuations. The Trust does not actively manage this risk.

### *Fair value*

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

For the year ended 2017, there are no financial instruments recorded at fair value.

### **16. Commitments**

The Trust, through its subsidiary NGC Nunatsiavut Inc., has provided a corporate guarantee to the Business Development Bank of Canada ("BDC") for 25% of the outstanding loan balance between the subsidiary and BDC.

### **17. Statement of remeasurement gains and losses**

No Statement of Remeasurement Gains and Losses has been included in these financial statements as there are no financial instruments which have fair values that differ from their carrying values.

### **18. Business combination**

On June 15, 2017, NGC Nunatsiavut Inc. purchased the remaining shares of Air Labrador Limited, an entity it previously controlled. Coinciding with this purchase, the entities

amalgamated. Upon amalgamation, all assets and liabilities of Air Labrador Limited were transferred to a new subsidiary in which NGC Nunatsiavut Inc. received interest in a new partnership being NGC Limited Partnership. Subsequent to this, ownership received in NGC Limited Partnership was transferred to the parent company, Labrador Inuit Capital Strategy Trust.

### **19. Comparative figures**

Certain comparative figures have been reclassified to conform to the current year's presentation. As a result, other revenue decreased by \$121,896, share of equity loss increased by \$121,896, income tax receivable decreased by \$58,333 and income taxable payable decreased by \$58,333. In addition, impairment of tangible capital assets, previously presented on the Consolidated schedule of expenditures – schedule 1, is now presented on the Consolidated statement of operations and accumulated surplus.



### Labrador Inuit Capital Strategy Trust

Consolidated Schedule of Expenditures - Schedule 1  
year ended December 31, 2017

	2017	2016
	\$	\$
Wages and benefits	16,370,593	19,996,169
Materials and supplies (Schedule 2)	3,372,012	3,503,765
Interest and bank charges	1,272,745	1,139,355
Professional fees (Schedule 2)	1,144,917	870,433
Rent and maintenance (Schedule 2)	1,475,302	1,405,096
Aircraft leases	842,250	1,836,482
Aviation fuel	752,214	1,938,670
Travel (Schedule 2)	624,006	754,606
Equipment rental	594,837	285,866
Fuel	486,321	259,261
Cost of goods sold	492,390	429,107
Loss on onerous contract	473,439	—
Insurance	424,629	559,792
Miscellaneous (Schedule 2)	339,992	368,793
Torngat National Park charters (Schedule 2)	332,423	411,037
Engine refits	323,866	1,035,324
Licenses and fees	216,328	197,570
Flight interruption	200,840	328,769
Telephone	191,611	232,662
Ground handling	174,529	517,632
Freight and transportation (Schedule 2)	157,091	121,728
Cafeteria	154,915	150,848
Municipal taxes	144,064	72,336
Utilities	132,234	221,994
Management fees	125,943	144,592
Landing fees	105,058	382,292
IT support (Schedule 2)	92,971	73,476

### Labrador Inuit Capital Strategy Trust

Consolidated Schedule of Expenditures - Schedule 1  
year ended December 31, 2017

	2017	2016
	\$	\$
Computerized reservation system expense	87,400	202,997
Waste disposal	81,213	101,177
Crew	57,858	178,589
Meals and entertainment	53,001	52,630
Agent	51,830	189,291
NAV Canada user fees	46,116	146,536
Advertising	29,169	166,679
Conference and meetings	19,750	25,333
Vehicle operating	14,383	71,071
Training programs	13,815	22,505
Damage claims	12,859	6,876
Firewood project	12,000	15,000
General administration	8,015	9,704
Storage and harbor fees	6,008	1,868
Foreign exchange	3,212	3,048
Uniforms	3,060	7,450
Inflight service	1,576	31,272
Dues	201	194
Impairment on inventory held for resale	—	1,900,990
Aircraft maintenance	—	791,484
Outside services	—	103,815
Bad debts (recovery) expense	(1,412,451)	1,491,334
	30,106,535	42,757,498

## Labrador Inuit Capital Strategy Trust

Consolidated schedule of related party transactions - Schedule 2  
year ended December 31, 2017

	Nunatsiavut Government	Goose Bay Capital Corporation Inc.	Goose Bay Capital	Air Borealis Limited Partnership	Air Labrador Limited Partnership	Universal Helicopters Newfoundland and Labrador LP	Dominion Trading Limited	2017 Total	2016 Total
<b>Revenues</b>									
Rental	187,685	—	—	—	—	—	—	187,685	—
Management fees	—	—	—	—	—	—	148,000	148,000	114,000
Other	—	7,822	—	—	—	—	—	7,822	12,329
Interest and investment income	—	—	—	—	—	—	—	—	33,957
Construction	1,889,943	659	6,263	—	8,761	—	—	1,905,626	35,093
Aircraft operations	—	—	—	—	—	—	—	—	173,647
Grants	341,902	—	—	—	—	—	—	341,902	6,585
Torngat National Park operations	46,380	—	—	—	—	—	—	46,380	—
	2,465,910	8,481	6,263	—	8,761	—	148,000	2,637,415	375,611
<b>Expenses</b>									
Torngat National Park charters	—	—	—	193,831	—	56,460	—	250,291	197,480
Professional fees	105	—	—	—	—	—	—	105	5,880
Travel	—	—	—	82,680	8,396	1,768	—	92,844	46,539
Freight and transportation	—	—	—	18,850	27,925	—	—	46,775	10,074
Materials and supplies	—	—	—	—	—	—	—	—	2,544
Equipment rentals	—	—	—	—	—	—	—	—	59
Fuel	—	—	—	—	—	—	—	—	11
Rent and maintenance	—	—	—	—	211	—	—	211	3,077
Interest and bank charges	2,000	—	—	—	—	—	—	2,000	2,123
	2,105	—	—	295,361	36,532	58,228	—	392,226	267,787

The accompanying notes are an integral part of the consolidated financial statements.