

YUKON LIQUOR CORPORATION

FINANCIAL STATEMENTS

March 31, 2002

(audited)

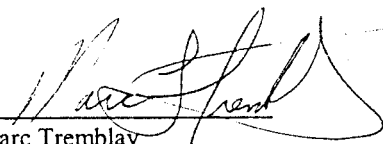
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The management of the Yukon Liquor Corporation is responsible for establishing and maintaining a system of books, records, internal controls and management practices designed to:

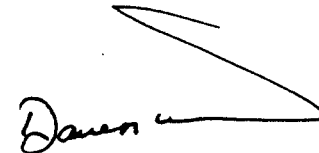
- provide reasonable assurance that reliable financial information is produced;
- safeguard and control the assets of the Corporation;
- ensure that the transactions of the Corporation are in accordance with relevant legislation, and by-laws of the Corporation;
- ensure that the resources of the Corporation are managed efficiently and economically; and,
- ensure that the operations of the Corporation are carried out effectively.

Management is also responsible for the integrity and objectivity of the financial statements of the Corporation. The accompanying financial statements, which include amounts based on management's best estimates as determined through experience and judgement, are in accordance with generally accepted accounting principles.

These financial statements have been independently audited by the Corporation's external auditor, the Auditor General of Canada, and her report is included in this report.



Marc Tremblay
President and Chief Executive Officer



David Steele
Director, Corporate Services

May 23, 2002



AUDITOR GENERAL OF CANADA

VÉRIFICATEUR GÉNÉRAL DU CANADA

AUDITOR'S REPORT

To the Executive Council Member responsible for the
Yukon Liquor Corporation

I have audited the balance sheet of the Yukon Liquor Corporation as at March 31, 2002 and the statements of income and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Liquor Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept and the financial statements are in agreement therewith, and the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with the *Liquor Act* and regulations, the *Liquor Tax Act*, the *Financial Administration Act* and regulations and the by-laws of the Corporation.

A handwritten signature in black ink, appearing to read "Ron Thompson".

Ronald C. Thompson, CA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 23, 2002

YUKON LIQUOR CORPORATION

Balance Sheet

as at March 31, 2002

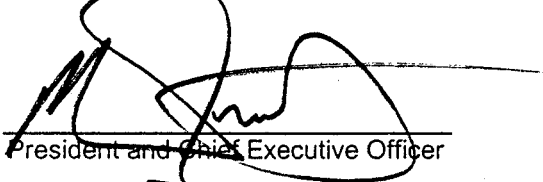
ASSETS

	<u>2002</u>	<u>2001</u>
	(thousands of dollars)	
Current		
Cash	\$ 579	\$ 126
Accounts receivable (Note 3)	142	128
Inventories	<u>1,817</u>	<u>1,887</u>
	2,538	2,141
Capital assets (Note 4)	<u>2,878</u>	<u>3,075</u>
	<u>\$ 5,416</u>	<u>\$ 5,216</u>

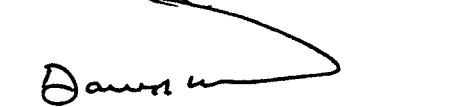
LIABILITIES & EQUITY

Current		
Accounts payable (Note 3)	\$ 1,366	\$ 817
Due to the Government of the Yukon (Note 5)	304	480
Deferred revenue	<u>93</u>	<u>92</u>
	1,763	1,389
Accrued employee future benefits	<u>775</u>	<u>752</u>
	2,538	2,141
Commitments (Note 9)		
Equity (Note 6)	<u>2,878</u>	<u>3,075</u>
	<u>\$ 5,416</u>	<u>\$ 5,216</u>

Approved by Management:



 President and Chief Executive Officer



 Director, Corporate Services

YUKON LIQUOR CORPORATION
Statement of Income
for the year ended March 31, 2002

	2002	2001
	(thousands of dollars)	
Sales		
Beer	\$ 10,411	\$ 10,192
Spirits	6,310	6,092
Wine	2,775	2,573
	19,496	18,857
Cost of goods sold	9,371	8,955
Gross profit	10,125	9,902
Expenses		
Salaries and benefits	3,715	3,421
Rent, utilities and maintenance	723	694
Amortization	305	318
Cartage	211	217
Professional services	142	173
Travel and communications	134	142
General and office supplies	134	113
Miscellaneous	129	93
Board expenses	19	34
	5,512	5,205
Operating income	4,613	4,697
Other income		
Fees, permits and licences	106	106
Miscellaneous	3	21
	109	127
Net Income	\$ 4,722	\$ 4,824

The accompanying notes are an integral part of the financial statements

YUKON LIQUOR CORPORATION
Statement of Cash Flows
for the year ended March 31, 2002

	2002	2001
	(thousands of dollars)	
Cash provided by (used in):		
Operating activities:		
Net income for the year	\$ 4,722	\$ 4,824
Adjustment for non-cash items:		
Amortization	305	318
(Increase) decrease in accounts receivable	(14)	41
Decrease in inventories	70	29
Decrease in due to the Government of the Yukon	(176)	(529)
Increase (decrease) in accounts payable	549	(876)
Increase in deferred revenue	1	2
Increase (decrease) in accrued employee future benefits	23	(91)
	5,480	3,718
Investing activities:		
Acquisition of capital assets	(107)	(102)
Financing activities:		
Adjusted net income due to the Government of the Yukon	(4,920)	(5,040)
Repayment of advance from the Government of the Yukon	-	-
	(4,920)	(5,040)
Increase (decrease) in cash during the year	453	(1,424)
Cash at the beginning of the year	126	1,550
Cash at the end of the year	\$ 579	\$ 126

The accompanying notes are an integral part of the financial statements

YUKON LIQUOR CORPORATION

Notes to the Financial Statements

March 31, 2002

1. Authority and Operations

The Corporation, established in 1977, under the *Liquor Act*, is responsible for the purchase, distribution and sale of liquor within the Territory. It is responsible for controlling the sale of liquor through licensed outlets and enforcing all matters related to the *Act*.

In accordance with the *Liquor Act*, the net income for the year, before amortization, less amounts expended on capital assets, is remitted to the Government of the Yukon on a monthly basis.

The Corporation is required by the *Liquor Tax Act* to collect liquor taxes on behalf of the Government of the Yukon and to remit these taxes on a monthly basis. The current rate is 12%, and is applied on the amount the Corporation would otherwise charge for its products.

In accordance with the provisions of the Beverage Container Regulations under the *Environment Act*, the Corporation collects various beverage container deposits and recycling surcharges on the sale of its products. These amounts are remitted to the Recycling Fund on a monthly basis after deducting deposit refunds paid and fees earned under the program.

The employees of the Corporation are paid by the Government of the Yukon. The Corporation reimburses the Government on a monthly basis for salaries and benefits expenses paid.

2. Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The more significant accounting policies are as follows:

Inventories

Inventories are comprised of alcoholic beverages for resale and are valued at the lower of landed cost at Whitehorse, or market.

Amortization

Amortization of capital assets owned by the Corporation is calculated by the straight-line method over the estimated useful life of the assets as follows:

Buildings	20 years
Furniture and office equipment	5 years
Equipment	5 years
Systems equipment & software	3 years
Leasehold improvements	4 years or remaining term of lease

Employee future benefits

Under the conditions of employment, employees may qualify and earn employment benefits for vacation, sick, compensatory and personal leave, travel bonus, and severance benefits. The benefit obligation was determined on an actuarial basis. The key assumptions used were a liability discount rate of 6.5% and an annual rate of general salary escalation of 3%. The obligation for vacation leave, sick leave, and severance benefits were calculated using the projected benefit method pro-rated on service. The remainder was calculated assuming all employees would receive the benefits on valuation date.

YUKON LIQUOR CORPORATION

Notes to the Financial Statements

March 31, 2002

2. Accounting Policies (continued)

Services provided without charge

The Corporation does not record the value of services it receives or provides without charge. These services include the following:

- capital assets such as liquor store buildings, store and warehouse improvements, furniture and equipment acquired by the Government of the Yukon until March 31, 1990 for use by the Corporation, see (Note 4 b);
- services, primarily accommodation, provided by the Government of the Yukon;
- services provided by the Corporation to the Government in its capacity of Territorial Agent in localities outside of Whitehorse; and
- annual audit provided by the Office of the Auditor General of Canada.

3. Fair Values of Financial Instruments

Accounts receivable, accounts payable and the amount due to the Government of the Yukon are incurred in the normal course of business. All are due on demand and are non-interest bearing. The carrying amounts of each approximate fair values because of their short maturity.

4. Capital Assets

a) Capital assets purchased by the Corporation after March 31, 1990 are as follows:

	2002			2001
	Cost	Accumulated Amortization	Net book Value	Net book Value
	(thousands of dollars)			
Land	\$ 268	\$ 0	\$ 268	\$ 268
Buildings	4,373	1,930	2,443	2,662
Equipment	345	285	60	82
Systems equipment and software	574	520	54	58
Leasehold improvements	97	51	46	0
Furniture and office equipment	63	56	7	5
	<u>\$ 5,720</u>	<u>\$ 2,842</u>	<u>\$ 2,878</u>	<u>\$ 3,075</u>

YUKON LIQUOR CORPORATION

Notes to the Financial Statements

March 31, 2002

4. Capital Assets (continued)

- b) The unamortized cost of capital assets acquired by the Government of the Yukon until March 31, 1990 and held by the Corporation is as follows:

	2002	2001
	(thousands of dollars)	
Liquor store buildings	\$ 978	\$ 978
Store and warehouse improvements	1,167	1,167
Equipment	375	375
Furniture and office equipment	104	104
	\$ 2,624	\$ 2,624

5. Due to the Government of the Yukon

	2002	2001
	(thousands of dollars)	
Adjusted net income due (Note 7a)	\$ (300)	\$ 20
Reimbursements for salaries paid to employees on behalf of the Corporation	418	390
Liquor tax (Note 7b)	142	31
Net remittances due to the Recycling Fund	44	40
Net due at the end of the year	\$ 304	\$ 481

6. Equity

This amount represents the sum of the net book value of capital assets purchased by the Corporation after March 31, 1990, \$2,878,000 (2001 - \$3,075,000) which the Government of the Yukon has provided to the Yukon Liquor Corporation on a cumulative basis.

7. Related party transactions

a) **Adjusted Net Income**

Calculation of adjusted net income due to the Government of the Yukon for the year (Note 1):

	2002	2001
	(thousands of dollars)	
Balance due at the beginning of the year	\$ 20	\$ 324
Net income	4,722	4,824
Capital expenditures	(107)	(102)
Capital asset amortization	305	318
Adjusted net income due to the Government of the Yukon	4,920	5,040
Less: remitted during the year	(5,240)	(5,344)
Balance due at the end of the year	\$ (300)	\$ 20

YUKON LIQUOR CORPORATION

Notes to the Financial Statements

March 31, 2002

7. Related party transactions (continued)

b) **Liquor tax**

Liquor tax collected and due to the Government of the Yukon for the year (Note 1):

	2002	2001
	(thousands of dollars)	
Balance due at the beginning of the year	\$ 31	\$ 177
Liquor tax collected during the year	2,340	2,263
Less: remitted during the year	(2,229)	(2,409)
Balance due at the end of the year	\$ 142	\$ 31

c) **Other transactions**

The value of services provided without charge by the Government of the Yukon to the Corporation is estimated to be \$553,000 (2001-\$552,842) the value of services provided without charge by the Corporation to the Government is estimated to be \$394,000 (2001 - \$385,000). These transactions were not included in the financial statements of the Corporation.

8. Pensions

The Corporation and its employees, who are deemed to be employees of the Government of the Yukon, make contributions to the Public Service Superannuation Account administered by the Government of Canada. These contributions represent the Corporation's total pension obligation and are recognized in the accounts on a current basis. The Corporation's contributions to the plan have been limited to an amount equal to the employee's contributions on account of current services. Effective April 1, 2000, the Corporation's contributions increased to an amount reflecting the full cost of the employer's contributions. As of April 1, 2000, the employer's contribution is 2.14 times the employees' contribution. The Corporation is not required to make any contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

	2002	2001
	(thousands of dollars)	
Employer Contribution	\$259	\$245
Employee Contribution	121	118
Total	\$380	\$363

9. Commitments

In March 2002, the Yukon Government announced that the Whitehorse Liquor Store would be moved from its present leased premises to the Corporation's headquarters and warehouse site. To facilitate this relocation the Corporation will renovate its existing warehouse at an estimated cost of \$750 thousand. It is planning to move the store by April 2003 and as a result, would only be paying rent for the coming year amounting to \$210,120. Afterwards, the Yukon Government will assume the lease.