

YUKON LIQUOR CORPORATION

FINANCIAL STATEMENTS

March 31, 2003

(audited)

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

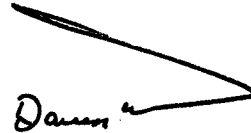
The management of the Yukon Liquor Corporation is responsible for establishing and maintaining a system of books, records, internal controls and management practices designed to provide reasonable assurance that reliable financial information is produced; the assets of the Corporation are safeguarded and controlled; the transactions of the Corporation are in accordance with the relevant legislation, regulations and by-laws of the Corporation; the resources of the Corporation are managed efficiently and economically; and 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 prepared in accordance with Canadian 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



David Steele  
Vice President

June 6, 2003



## 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, 2003 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, 2003 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.

Roger Simpson, FCA  
Principal  
for the Auditor General of Canada

Vancouver, Canada  
June 6, 2003

YUKON LIQUOR CORPORATION  
**Balance Sheet**  
as at March 31, 2003

ASSETS

	<u>2003</u>	<u>2002</u>
	(thousands of dollars)	
Current		
Cash	\$ 1,323	\$ 579
Accounts receivable (Note 3)	49	142
Inventories	1,887	1,817
	3,259	2,538
Capital assets (Note 4)	2,958	2,878
	\$ 6,217	\$ 5,416

LIABILITIES & EQUITY


Current		
Accounts payable (Note 3)	\$ 1,507	\$ 1,366
Due to the Government of the Yukon (Note 5)	865	304
Deferred revenue	89	93
	2,461	1,763
Employee termination benefits	798	775
	3,259	2,538
Equity (Note 6)	2,958	2,878
	\$ 6,217	\$ 5,416

Commitments (Note 9)

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

Approved by Management:

  
\_\_\_\_\_  
President

  
\_\_\_\_\_  
Vice President

YUKON LIQUOR CORPORATION  
**Statement of Income**  
for the year ended March 31, 2003

	2003	2002
	(thousands of dollars)	
Sales		
Beer	\$ 10,804	\$ 10,411
Spirits	6,382	6,310
Wine	2,966	2,775
	20,152	19,496
Cost of goods sold	9,654	9,371
Gross profit	10,498	10,125
Expenses		
Salaries and benefits	3,729	3,715
Rent, utilities and maintenance	757	723
Amortization	604	305
Professional services	260	142
Cartage	230	211
General and office supplies	206	134
Bank expenses	205	98
Travel and communications	121	134
Miscellaneous	24	31
Board expenses	19	19
	6,155	5,512
Operating income	4,343	4,613
Other income		
Fees, permits and licences	117	106
Miscellaneous	12	3
	129	109
Net Income	\$ 4,472	\$ 4,722

The accompanying notes are an integral part of the financial statements

YUKON LIQUOR CORPORATION  
**Statement of Cash Flows**  
for the year ended March 31, 2003

	<b>2003</b>	<b>2002</b>
	(thousands of dollars)	(thousands of dollars)
Cash provided by (used in):		
Operating activities		
Net income for the year	\$ 4,472	\$ 4,722
Adjustment for non-cash items:		
Amortization	604	305
Decrease (increase) in accounts receivable	93	(14)
(Increase) decrease in inventories	(70)	70
Increase (decrease) in due to the Government of the Yukon	561	(176)
Increase in accounts payable	141	549
(Decrease) increase in deferred revenue	(4)	1
Increase in accrued employee future benefits	23	23
	5,820	5,480
Investing activities:		
Acquisition of capital assets	(685)	(107)
Financing activities:		
Adjusted net income due to the Government of the Yukon	(4,391)	(4,920)
Increase in cash during the year	744	453
Cash at the beginning of the year	579	126
Cash at the end of the year	\$ 1,323	\$ 579

The accompanying notes are an integral part of the financial statements

# YUKON LIQUOR CORPORATION

## Notes to the Financial Statements

March 31, 2003

### 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 using 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 termination benefits**

##### **Non-pension 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 7% 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.

##### **Pension benefits**

Employees participate in the Public Service Superannuation Plan administered by the Government of Canada. The Corporation's contribution to the Plan reflects the full cost of the employer contribution. This amount is currently based on a multiple of the employee's required contributions, and may change from time to time depending on the experience of the Plan. These contributions represent the total pension

# YUKON LIQUOR CORPORATION

## Notes to the Financial Statements

March 31, 2003

### 2. Accounting Policies (continued)

obligations of the Corporation and are charged to operations on a current basis. The Corporation is not currently required to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Plan.

#### **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:

	2003			2002
	Cost	Accumulated Amortization	Net book Value	Net book Value
	(thousands of dollars)			
Land	\$ 268	\$ 0	\$ 268	\$ 268
Buildings	4,685	2,461	2,224	2,443
Equipment	389	311	78	60
Systems equipment and software	593	543	50	54
Leasehold improvements	395	73	322	46
Furniture and office equipment	75	59	16	7
	\$ 6,405	\$ 3,447	\$ 2,958	\$ 2,878



# YUKON LIQUOR CORPORATION

## Notes to the Financial Statements

March 31, 2003

### 4. Capital Assets (continued)

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

	2003	2002
	(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

	2003	2002
	(thousands of dollars)	
Adjusted net income due (Note 7a)	\$ 111	\$ (300)
Reimbursements due for salaries paid to employees on behalf of the Corporation	547	418
Liquor tax (Note 7b)	155	142
Net remittances due to the Recycling Fund	52	44
Net due at the end of the year	\$ 865	\$ 304

### 6. Equity

This amount represents the sum of the net book value of capital assets purchased by the Corporation after March 31, 1990, \$2,958,000 (2001 - \$2,878,000) 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):

	2003	2002
	(thousands of dollars)	
Balance due at the beginning of the year	\$ (300)	\$ 20
Net income	4,472	4,722
Capital expenditures	(685)	(107)
Capital asset amortization	604	305
Adjusted net income due to the Government of the Yukon	4,391	4,920
Less: remitted during the year	(3,980)	(5,240)
Balance due at the end of the year	\$ 111	\$ (300)

# YUKON LIQUOR CORPORATION

## Notes to the Financial Statements

March 31, 2003

### 7. Related Party Transactions (continued)

#### b) **Liquor tax**

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

	2003	2002
	(thousands of dollars)	
Balance due at the beginning of the year	\$ 142	\$ 31
Liquor tax collected during the year	2,419	2,340
Less: remitted during the year	(2,406)	(2,229)
Balance due at the end of the year	\$ 155	\$ 142

#### 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 (2002 - \$553,000). The value of services provided without charge by the Corporation to the Government is estimated to be \$389,000 (2002 - \$394,000). These transactions were not included in the financial statements of the Corporation.

### 8. Pensions

During the year, the Corporation is required to contribute 2.14 times the employees' contributions to the Public Service Superannuation Plan.

	2003	2002
	(thousands of dollars)	
Employer Contribution	\$244	\$259
Employees' Contribution	113	121
Total	\$357	\$380

### 9. Commitments

The Corporation has the following commitments for annual rentals of leased premises:

	Whitehorse Store	Haines Junction Store
2004	210,120	68,775
2005	210,120	68,775
2006	210,120	68,775
2007	17,510	68,775
2008	-	51,581

### 10. Comparative Amounts

Certain of the comparative amounts have been reclassified to conform with the current year's presentation.