

**YUKON LIQUOR CORPORATION**

**FINANCIAL STATEMENTS**

**March 31, 2004**

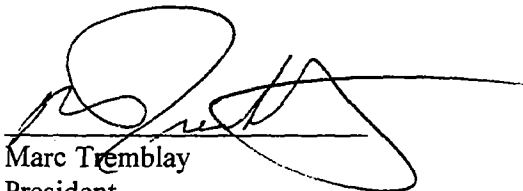
**(audited)**

## 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 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 financial statements as at March 31, 2004, 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



Temes Cherinet  
Director, Finance and Administration

June 10, 2004



## 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, 2004 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, 2004 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

Edmonton, Canada  
June 10, 2004

**YUKON LIQUOR CORPORATION**  
**Balance Sheet**  
as at March 31, 2004

		<u>ASSETS</u>	
		<u>2004</u>	<u>2003</u>
		(thousands of dollars)	
Current	Cash	\$ 1,361	\$ 1,323
	Accounts receivable (Note 3)	56	49
	Inventories	1,997	1,887
		<u>3,414</u>	<u>3,259</u>
	Property, plant and equipment (Note 4 and Note 6)	<u>2,613</u>	<u>2,958</u>
		<u>\$ 6,027</u>	<u>\$ 6,217</u>

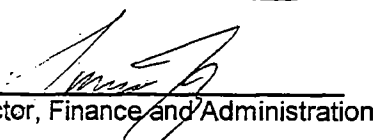
		<u>LIABILITIES &amp; EQUITY</u>	
Current	Accounts payable (Note 3)	\$ 1,612	\$ 1,507
	Due to the Government of the Yukon (Note 5)	1,031	865
	Deferred revenue	97	89
		<u>2,740</u>	<u>2,461</u>
	Employee severance benefits	<u>674</u>	<u>798</u>
		<u>3,414</u>	<u>3,259</u>
	Equity (Note 6 and Note 4)	<u>2,613</u>	<u>2,958</u>
		<u>\$ 6,027</u>	<u>\$ 6,217</u>

Commitments (Note 9)

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

Approved by Management:

  
\_\_\_\_\_  
President

  
\_\_\_\_\_  
Director, Finance and Administration

**YUKON LIQUOR CORPORATION**  
**Statement of Income**  
for the year ended March 31, 2004

	<b>2004</b>	<b>2003</b>
	(thousands of dollars)	
<b>Sales</b>		
Beer	\$ 11,422	\$ 10,804
Spirits	6,573	6,382
Wine	3,207	2,966
	21,202	20,152
 Cost of goods sold	 10,163	 9,654
 Gross profit	 11,039	 10,498
 <b>Expenses</b>		
Salaries and benefits	3,647	3,729
Rent, utilities and maintenance	786	757
Amortization	436	604
Cartage	265	230
Bank expenses	202	205
Travel and communications	135	121
Professional services	130	260
General and office supplies	109	206
Miscellaneous	29	24
Board expenses	19	19
	5,758	6,155
 Operating income	 5,281	 4,343
 <b>Other income</b>		
Fees, permits and licences	113	117
Miscellaneous	(23)	12
	90	129
 Net Income	 \$ 5,371	 \$ 4,472

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

**YUKON LIQUOR CORPORATION**  
**Statement of Cash Flows**  
for the year ended March 31, 2004

	<b>2004</b>	<b>2003</b>
	(thousands of dollars)	
Cash provided by (used in):		
Operating activities		
Net income for the year	\$ 5,371	\$ 4,472
Adjustment for non-cash items:		
Amortization of property, plant and equipment	436	604
(Increase) decrease in accounts receivable	(7)	93
(Increase) in inventories	(110)	(70)
Increase in due to the Government of the Yukon	166	561
Increase in accounts payable	105	141
Increase (decrease) in deferred revenue	8	(4)
(Decrease) increase in accrued employee severance benefits	(124)	23
	5,845	5,820
Investing activities:		
Acquisition of property, plant and equipment	(91)	(685)
Financing activities:		
Adjusted net income due to the Government of the Yukon	(5,716)	(4,391)
Increase in cash during the year	38	744
Cash at the beginning of the year	1,323	579
Cash at the end of the year	\$ 1,361	\$ 1,323

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

# YUKON LIQUOR CORPORATION

## Notes to the Financial Statements

March 31, 2004

### 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 property, plant and equipment, 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 property, plant and equipment 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 and software	3 years
Leasehold improvements	4 years or remaining term of lease

#### **Employee severance 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 6% and an annual rate of general salary escalation of 2.5%. 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, 2004

### 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 Account.

#### **Services provided without charge**

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

- property, plant and equipment 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 4b);
- 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.

#### **Use of estimates**

The preparation of the financial statements in accordance with Canadian generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amount of revenues and expenses during the reporting year. This mainly affects employee severance benefits. Actual results could differ materially from these estimates. At the time of preparation of these statements, the Corporation believes the estimates and assumptions to be reasonable.

### 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. Property, Plant and Equipment

a) Property, plant and equipment purchased by the Corporation after March 31, 1990 are as follows:

	2004		2003	
Cost	Accumulated Amortization	Net book Value	Net book Value	
	(thousands of dollars)			
Land	\$ 268	\$ 0	\$ 268	\$ 268
Buildings	4,756	2,750	2,006	2,224
Equipment	389	336	53	78
Systems equipment and software	596	572	24	50
Leasehold improvements	395	160	235	322
Furniture and office equipment	92	65	27	16
	\$ 6,496	\$ 3,883	\$ 2,613	\$ 2,958



# YUKON LIQUOR CORPORATION

## Notes to the Financial Statements

March 31, 2004

### 4. Property, Plant and Equipment (continued)

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

	2004	2003
	(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

	2004	2003
	(thousands of dollars)	
Adjusted net income due (remitted in advance) (Note 7a)	\$ (148)	\$ 111
Reimbursements due for salaries paid to employees on behalf of the Corporation	889	547
Liquor tax (Note 7b)	180	155
Net remittances due to the Recycling Fund	110	52
Net due at the end of the year	\$ 1,031	\$ 865

### 6. Equity

This amount represents the sum of the net book value of property, plant and equipment purchased by the Corporation after March 31, 1990, \$2,613,000 (2003 - \$2,958,000) 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):

	2004	2003
	(thousands of dollars)	
Balance due at the beginning of the year	\$ 111	\$ (300)
Net income	5,371	4,472
Capital expenditures	(91)	(685)
Property, plant and equipment amortization	436	604
Adjusted net income due to the Government of the Yukon	5,716	4,391
Less: remitted during the year	(5,975)	(3,980)
Balance due (remitted in advance) at the end of the year (Note 5)	\$ (148)	\$ 111

# YUKON LIQUOR CORPORATION

## Notes to the Financial Statements

March 31, 2004

### 7. Related party transactions (continued)

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

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

	2004	2003
	(thousands of dollars)	
Balance due at the beginning of the year	\$ 155	\$ 142
Liquor tax collected during the year	2,544	2,418
Less: remitted during the year	(2,519)	(2,405)
Balance due at the end of the year	\$ 180	\$ 155

#### c) **Other transactions**

The value of services provided without charge by the Government of the Yukon to the Corporation is estimated to be \$565,000 (2003 - \$553,000). The value of services provided without charge by the Corporation to the Government is estimated to be \$471,000 (2003 - \$389,000). These transactions were not included in the financial statements of the Corporation.

### 8. Pensions

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

	2004	2003
	(thousands of dollars)	
Employer Contribution	\$235	\$244
Employees' Contribution	110	113
Total	\$345	\$357

### 9. Commitments

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

<u>Fiscal</u>	<u>Whitehorse Store</u>	<u>Other Retail Stores</u>
2005	207,219	131,587
2006	207,219	68,775
2007	17,268	68,775
2008	-	51,581
2009	-	-