

YUKON LIQUOR CORPORATION

FINANCIAL STATEMENTS

March 31, 2006

(audited)

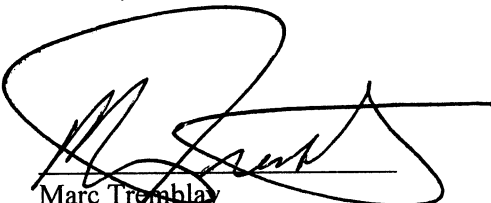
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## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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, 2006, 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



James Cherinet  
Director, Shared Services, Finance, Systems & Admin

July 6, 2006



## 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, 2006 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, 2006 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  
July 6, 2006

YUKON LIQUOR CORPORATION  
BALANCE SHEET  
as at March 31

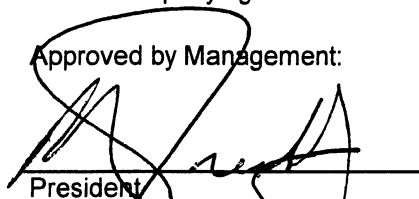
<u>ASSETS</u>		<u>2006</u>	<u>2005</u>
		(in thousands)	
Current			
Cash	\$	664	\$ 750
Accounts receivable (Note 3)		59	37
Remitted in advance to the Government of the Yukon (Note 7a)		-	1 115
Inventories		<u>2 327</u>	<u>1 687</u>
		<u>3 050</u>	<u>3 589</u>
Property, plant and equipment (Note 4)			
		<u>2 374</u>	<u>2 364</u>
	<u>\$</u>	<u>5 424</u>	<u>\$ 5 953</u>

<u>LIABILITIES &amp; EQUITY</u>			
Current			
Accounts payable and accrued liabilities (Note 3)	\$	1 186	\$ 1 282
Due to the Government of the Yukon (Note 5)		1 183	1 649
Deferred revenue		<u>89</u>	<u>91</u>
		2 458	3 022
Non-pension benefit liability (Note 8)			
		<u>592</u>	<u>567</u>
		<u>3 050</u>	<u>3 589</u>
Equity (Note 6)			
		<u>2 374</u>	<u>2 364</u>
	<u>\$</u>	<u>5 424</u>	<u>\$ 5 953</u>

Commitments (Note 9)

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

Approved by Management:

  
\_\_\_\_\_  
President

  
\_\_\_\_\_  
Director, Shared Services, Finance, Systems & Admin

YUKON LIQUOR CORPORATION  
STATEMENT OF INCOME  
for the year ended March 31

	2006	2005
	(in thousands)	
<b>Sales</b>		
Beer	\$ 12 334	\$ 12 073
Spirits	7 038	6 723
Wine	3 817	3 419
	23 189	22 215
 Cost of goods sold	 11 818	 11 128
 Gross profit	 11 371	 11 087
 <b>Expenses</b>		
Salaries and benefits	3 493	3 179
Shared corporate services costs	906	825
Rent, utilities and maintenance	889	781
Amortization	349	327
Bank expenses	226	219
Travel and communications	196	153
General and office supplies	115	148
Professional services	78	191
Board expenses	18	31
Miscellaneous	12	31
	6 282	5 885
 Operating income	 5 089	 5 202
 Other income		
Fees, permits and licences	109	119
Miscellaneous	20	21
	129	140
 Net Income	 \$ 5 218	 \$ 5 342

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

YUKON LIQUOR CORPORATION  
STATEMENT OF CASH FLOWS  
for the year ended March 31

	2006	2005
	(in thousands)	
Cash provided by (used in):		
Operating activities		
Net income for the year	\$ 5 218	\$ 5 342
Adjustment for non-cash items:		
Amortization of property, plant and equipment	349	327
(Increase) decrease in accounts receivable	(22)	19
(Increase) decrease in inventories	(640)	310
(Decrease) increase in due to the Government of the Yukon	(466)	470
(Decrease) in remitted in advance to the Government of the Yuko	(92)	-
Decrease in accounts payable and accrued liabilities	(96)	(451)
Decrease in deferred revenue	(2)	(6)
Increase in non-pension benefit liability	25	14
	4 274	6 025
Investing activities:		
Disposal of land	66	-
Acquisition of property, plant and equipment	(425)	(78)
	(359)	(78)
Financing activities:		
Remittance of income to the Government of the Yukon	(4 001)	(6 558)
	(86)	(611)
Decrease in cash during the year		
Cash at the beginning of the year	750	1 361
Cash at the end of the year	\$ 664	\$ 750

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

# YUKON LIQUOR CORPORATION

## Notes to the Financial Statements

March 31, 2006

### 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 to all selling prices.

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 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 on a straight-line basis and is based on the estimated useful lives of the assets as follows:

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

#### **Employee future 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 5.75% and an annual rate of general salary escalation of 3.0% on January 1, 2006 and 2.5% per annum thereafter. 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**

All eligible employees participate in the Public Service Pension Plan administered by the Government of Canada. The Corporation's contribution to the Plan reflects the full cost of the employer contributions. This amount is currently based on a multiple of the employee's required contributions, and may change from time



# YUKON LIQUOR CORPORATION

## Notes to the Financial Statements

March 31, 2006

### 2. Accounting Policies (continued)

to time depending on the experience of the Plan. These contributions represent the total pension obligations of the Corporation and are expensed during the year in which the services are rendered. The Corporation is not currently required to make contributions with respect to any actuarial deficiencies of the Public Service Pension 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:

- 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 amounts of revenues and expenses during the reporting year. This mainly affects the non-pension benefit liability. Actual results could differ materially from these estimates.

### 3. Fair Values of Financial Instruments

Accounts receivable, accounts payable and accrued liabilities 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

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

	2006		2005	
	Cost	Accumulated Amortization	Net book Value	Net book Value
	(in thousands)			
Land	\$ 202	\$ -	\$ 202	\$ 268
Buildings	4,790	3,190	1,600	1,800
Furniture and office equipment	92	78	14	21
Equipment	359	332	27	44
Systems equipment and software	570	176	394	54
Leasehold improvements	357	220	137	177
	\$ 6,370	\$ 3,996	\$ 2,374	\$ 2,364

# YUKON LIQUOR CORPORATION

## Notes to the Financial Statements

March 31, 2006

5. Due to the Government of the Yukon

	2006	2005
	(in thousands)	
Reimbursements due for salaries to employees, shared services costs, and other costs paid on behalf of the Corporation	385	1,506
Adjusted net income (Note 7a)	92	-
Liquor tax (Note 7b)	23	190
Net remittances due (remitted in advance) to the Recycling Fund	683	(47)
Net due at the end of the year	\$ 1,183	\$ 1,649

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, \$2,374,000 (2005 - \$2,364,000) 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):

	2006	2005
	(in thousands)	
Balance due (remitted in advance) at the beginning of the year	\$ (1,115)	\$ (148)
Net income	5,218	5,342
Capital expenditures	(425)	(78)
Property, plant and equipment amortization	349	327
Disposal of land	66	-
Adjusted net income due to the Government of the Yukon	5,208	5,591
Less: remitted during the year	(4,001)	(6,558)
Balance due (remitted in advance) at the end of the year	\$ 92	\$ (1,115)

b) **Liquor tax**

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

	2006	2005
	(in thousands)	
Balance due at the beginning of the year	\$ 190	\$ 180
Liquor tax collected during the year	2,783	2,666
Less: remitted during the year	(2,950)	(2,656)
Balance due at the end of the year	\$ 23	\$ 190

# YUKON LIQUOR CORPORATION

## Notes to the Financial Statements

March 31, 2006

### 7. Related party transactions (continued)

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

The value of services provided without charge by the Government of the Yukon to the Corporation is estimated to be \$551,000 (2005 - \$470,000). The value of services provided without charge by the Corporation to the Government is estimated to be \$443,000 (2005 - \$417,000). These transactions were not included in the financial statements of the Corporation.

#### d) **Shared services costs**

The Corporation is part of a Shared Services arrangement with two other government organizations which consolidates functions such as finance and administration, policy and human resources services. The amount charged by the Government of the Yukon to the Corporation for shared services for the year was \$905,869 (2005 - \$825,357). These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

### 8. Employee future benefits

#### Pension Plan

The Corporation and all eligible employees contribute to the Public Service Pension Plan. This pension plan provides benefits based on years of service and average earnings at retirement. The benefits are fully indexed to the increase in the Consumer Price Index. Contributions during the year were as follows:

	2006	2005
	(in thousands)	
Corporation's Contributions	\$240	\$218
Employees' Contributions	117	102

#### Non-pension benefits

The Corporation provides non-pension benefits to its employees based on years of service and final salary. This benefit plan is not pre-funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation. Information about the plan, measured as at the balance sheet date, is as follows:

	2006	2005
	(in thousands)	
Accrued benefit obligation, beginning of year	\$691	\$674
Cost for the year	121	74
Benefits paid during the year	<u>(114)</u>	<u>(57)</u>
Accrued benefit obligation, end of year	<u>\$698</u>	<u>\$691</u>
Short-term portion	\$106	\$124
Long-term portion	<u>592</u>	<u>567</u>
	<u>\$698</u>	<u>\$691</u>

YUKON LIQUOR CORPORATION  
Notes to the Financial Statements  
March 31, 2006

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>
2007	211,865	134,727
2008	213,660	117,533
2009	213,660	-
2010	213,660	-
2011	213,660	-

10. Reclassification of Comparative Figures

Certain 2005 comparative figures have been reclassified to conform to the presentation of the 2006 financial statements.