

YUKON LIQUOR CORPORATION

FINANCIAL STATEMENTS

March 31, 2009


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**YUKON LIQUOR CORPORATION
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS**

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.

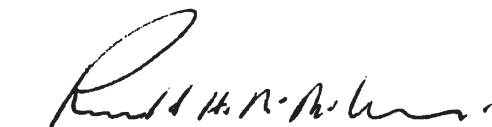
Management is also responsible for the integrity and objectivity of the financial statements of the Corporation. The financial statements as at March 31, 2009, which include amounts based on management's best estimates as determined through experience and judgment, are prepared in accordance with Canadian generally accepted accounting principles.

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



Susan Russell
A/Director, Finance, Systems and Admin

May 29, 2009
Date



Ron MacMillan
President

May 29, 2009
Date



AUDITOR'S REPORT

To the Minister responsible for the Yukon Liquor Corporation

I have audited the balance sheet of the Yukon Liquor Corporation as at March 31, 2009 and the statements of income, comprehensive income and equity 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, 2009 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, after giving retroactive effect to the change in the method of accounting for inventories as explained in Note 2 to the financial statements, 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.

Andrew Lennox, CGA, CMA
Assistant Auditor General
for the Auditor General of Canada

Vancouver, Canada
May 29, 2009

YUKON LIQUOR CORPORATION
BALANCE SHEET
As at March 31

<u>ASSETS</u>		<u>2009</u>	<u>2008</u>
		(in thousands)	
Current	Cash	\$ 2,944	\$ 3,104
	Accounts receivable	84	77
	Inventories	<u>2,415</u>	<u>2,651</u>
		<u>5,443</u>	<u>5,832</u>
	Property, plant and equipment (Note 5 and 7)	<u>1,571</u>	<u>1,822</u>
		<u>\$ 7,014</u>	<u>\$ 7,654</u>

<u>LIABILITIES & EQUITY</u>			
Current	Accounts payable and accrued liabilities	\$ 1,551	\$ 2,006
	Due to the Government of Yukon (Note 6)	2,932	3,016
	Deferred revenue	<u>74</u>	<u>76</u>
		4,557	5,098
	Non-pension benefit liability (Note 10)	<u>886</u>	<u>734</u>
		<u>5,443</u>	<u>5,832</u>
	Equity (Note 7)	<u>1,571</u>	<u>1,822</u>
		<u>\$ 7,014</u>	<u>\$ 7,654</u>

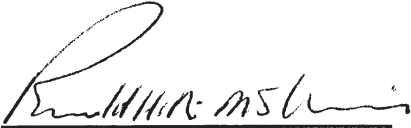
Commitments and contingencies (Note 11)

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

Approved by Management:



Director, Corporate Services, Finance, Systems & Admin



President

YUKON LIQUOR CORPORATION
STATEMENT OF INCOME, COMPREHENSIVE INCOME AND EQUITY
for the year ended March 31

	2009	2008
	(in thousands)	
Sales		
Beer	\$ 14,590	\$ 14,357
Spirits	8,904	8,497
Wine	5,074	4,721
	28,568	27,575
Cost of goods sold	14,349	14,026
Gross profit	14,219	13,549
Expenses		
Salaries and benefits	3,734	3,720
Rent, utilities and maintenance	1,638	1,612
Shared corporate services costs (note 9d)	1,064	978
Services provided to Government of Yukon without charge (note 9c)	499	474
Amortization	513	438
Bank expenses	292	272
Travel and communications	225	186
Other	184	178
General and office supplies	161	206
	8,310	8,064
Operating income	5,909	5,485
Other income		
Fees, permits and licences	114	112
Miscellaneous	8	7
Services received from Government of Yukon without charge (note 9c)	558	557
	680	676
Net income and comprehensive income	\$ 6,589	\$ 6,161
Equity, beginning of year as previously reported	\$ 1,822	\$ 2,051
Adoption of new accounting policies (note 2c)	\$ 189	
Equity, beginning of year as restated	\$ 2,011	\$ 2,051
Current year's income to be remitted to the Government of Yukon (note 9a)	(7,029)	(6,390)
Equity, end of year (note 7)	\$ 1,571	\$ 1,822

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

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

	2009	2008
	(in thousands)	
Operating activities		
Cash receipts:		
Sales - spirits, wine and beer	\$ 28,569	\$ 27,575
Annual licence fees and other	114	110
Cash disbursements:		
Purchases	(13,925)	(14,539)
Salary, wages and benefits	(4,144)	(4,120)
General and administrative expenses	(3,132)	(1,329)
Net cash available from operating activities	7,482	7,697
Investing activities		
Cash disbursements:		
Acquisition of property, plant and equipment	(262)	(209)
Net cash used in investing activities	(262)	(209)
Financing activities		
Cash disbursements:		
Remittance of income to the Government of Yukon	(7,380)	(5,793)
Net cash used in financing activities	(7,380)	(5,793)
(Decrease) increase in cash for the year	(160)	1,695
Cash, beginning of year	3,104	1,409
Cash, end of year	\$ 2,944	\$ 3,104

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

YUKON LIQUOR CORPORATION

Notes to the Financial Statements

March 31, 2009

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 Yukon. 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 Yukon on a monthly basis.

The Corporation is required by the *Liquor Tax Act* to collect liquor taxes on behalf of the Government of Yukon and to remit these taxes on a monthly basis. The current rate is 12% (2008-12%), 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.

As a territorial corporation of the Government of Yukon, the Corporation is exempt from income taxes under Section 149(1)(d) of the *Canadian Income Tax Act*.

2. Change in Accounting Policy

a) Capital Disclosures

Effective April 1, 2008, the Corporation adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 1535, "Capital Disclosures". Section 1535 requires disclosure of the objectives, policies, and processes for managing capital information about what the Corporation regards as capital; whether the Corporation has complied with any external capital requirements; and the consequences of not complying with these capital requirements. This new section was applied prospectively. The additional disclosures are presented in Note 8.

b) Financial Instruments – Disclosure and presentation

Effective April 1, 2008, the Corporation adopted the new CICA handbook sections 3862, "Financial Instruments – Disclosures" and 3863, "Financial Instruments – Presentation". The standards require the disclosure of information with regards to the significance of financial instruments for the Corporation's financial position and operations, the nature and extent of risks arising from financial instruments to which the Corporation is exposed to during the period and at the balance sheet date, how the Corporation manages those risks. These standards replace CICA handbook section 3861 "Financial Instruments – Disclosure and Presentation". These new sections were applied prospectively. The additional disclosures required as a result of adopting these standards are included in Notes 3 and 4.

c) Inventories

Effective April 1, 2008, the Corporation adopted the new CICA Handbook Section 3031, Inventories, which is based on International Accounting Standards ("IAS") 2. The new section replaces the existing Section 3030, Inventories. Under the new section, inventories are required to be measured at the "lower of cost and net realizable value" which is different from the existing guidance of "lower of cost and market". Due to the changes in the section, the Corporation will include all costs incurred in bringing the inventories to their present location and condition including transport and handling costs. The significant effects of the change related to the opening inventory for the period were to adjust the 2009 Opening inventory and Opening equity of \$189,000 in accordance with the transitional provisions of CICA Handbook Section 3031.

YUKON LIQUOR CORPORATION

Notes to the Financial Statements

March 31, 2009

d) Future Accounting changes

International Financial Reporting Standards (IFRS)

The Canadian Accounting Standards Board has announced that all publicly-accountable Canadian reporting entities will adopt IFRS as Canadian Generally Accepted Accounting Principles (GAAP) for the years beginning on or after January 1, 2011. The Corporation is currently evaluating the impact of the adoption of these new standards.

3. 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 point of sale and net realizable value as per Section 3031 of the CICA handbook. Inventories are determined on a first-in, first-out basis. Cost is comprised of supplier invoiced value, freight, duties and taxes. Net realizable value represents the estimated selling price for inventories less the cost to sell.

Revenue recognition

Revenue is recognized when the sale of products is made to customers.

Expense recognition

Expenses are recognized as incurred, on an accrual basis, in the period to which they relate.

Property, plant and equipment

Property, plant and equipment owned by the Corporation are recorded at cost. Only assets that meet the minimum threshold limit are capitalized on the balance sheet. Amortization is calculated on a straight-line basis and is based on the estimated useful lives of the assets as follows:

<u>Classification</u>	<u>Estimated Useful Life</u>
Land	Indefinite
Buildings	20 years
Furniture and office equipment	5 years
Operating equipment	5 years
Systems development	5 years
Systems equipment	5 years
Leasehold improvements	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 costs of these benefits are accrued as employees render the services required to earn them. 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. Actuarial gains and losses are deferred and amortized. Extended health care and insurance plan employee future benefit liabilities are paid by and accrued in the financial statement of the Government of Yukon.

YUKON LIQUOR CORPORATION

Notes to the Financial Statements

March 31, 2009

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 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 records in the Statement of Income, Comprehensive Income and Equity services it receives or provides without charge to the Government of Yukon in the normal course of operations, at their carrying amount. These services include the following:

- services, primarily accommodation, provided by the Government of Yukon;
- services provided by the Corporation to the Government in its capacity of Territorial Agent in localities outside of Whitehorse.

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. Estimates are used when accounting for matters such as amortization and non-pension benefit liability. Actual results could differ materially from these estimates.

Financial Instruments

The Corporation's financial instruments consist of Cash, Accounts receivable, Accounts payable and Due to the Government of Yukon. Accounts payable and Due to the Government of Yukon are due on demand and non-interest bearing. The carrying amounts of each approximate fair values because of their short maturity. These financial instruments are accounted for as follows:

Held-for-trading

The Corporation has designated the following financial asset on initial recognition as held-for-trading: Cash. This instrument is recognized at its fair value.

Loans and receivables

The Corporation has classified the following financial asset as loans and receivables: Accounts Receivable. This instrument is initially recognized at its fair value. Fair value is approximated by the instruments initial cost in a transaction between unrelated parties. Loans and receivables are subsequently measured at its amortized cost, using the effective interest method. Gains and losses arising from changes in fair value are recognized in net income when the loan or receivable is settled or upon impairment.

Other financial liabilities

The Corporation has classified the following financial liabilities as other financial liabilities: Accounts Payable and Due to the Government of Yukon. These instruments are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Other financial liabilities are subsequently measured at their amortized cost, using the effective interest method. Gains and losses arising from changes in fair value are recognized in net income when the liability has been settled or upon impairment.

YUKON LIQUOR CORPORATION

Notes to the Financial Statements

March 31, 2009

4. Financial Instruments

Risk Management

The Corporation, through its financial assets and liabilities, is exposed to the following risks from its use of financial instruments: credit risk, and liquidity risk. The Corporation manages these risk exposures on an ongoing basis. The Corporation has no significant exposure to interest rate risk and foreign exchange risk. The Corporation is not party to any derivative financial instruments.

Credit Risk

Credit risk on financial instruments arises from the possibility that the issuer of a financial instrument fails to meet its obligation.

The carrying amount of Cash and Accounts receivable represents the maximum credit exposure.

The Corporation's Accounts receivable has a carrying value of \$84,000 as of March 31, 2009 (2008 - \$77,000). There is no concentration of accounts receivable with any one customer. As at March 31, 2009, approximately 36.6% (2008 - 5.0%) of Accounts receivable were over 90 days past due, whereas 63.4% (2008 - 95.0%) were current or less than 30 days past due. Historically, the Corporation has not incurred any significant losses with respect to bad debts. The Corporation's allowance for doubtful accounts is nil at March 31, 2009 (2008 - nil).

The risk on cash is minimized as these assets are held with a Canadian chartered bank.

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation's objective is to have sufficient liquidity to meet these liabilities when due. The Corporation monitors its cash balances and cash flows generated from operations to meet its requirements by regularly checking bank balances and accounts payable reports.

The carrying amount of Accounts payable and accrued liabilities and Due to Government of Yukon represents the maximum exposure to liquidity risk.

The Corporation does not have long-term financial liabilities. The Corporation's Accounts payable and accrued liabilities had a carrying value of \$1,551,000 as at March 31, 2009 (2008 - 2,006,000). As at March 31, 2009, approximately \$25,000 or 1.6% (2008 - 0.4%) of Accounts payable were over 90 days past due, whereas 98.4% (2008 - 99.6%) were current, or less than 30 days past due. Due to Government of Yukon had a carrying value of \$ 2,932,000 as of March 31, 2009 (2008 - \$3,016,000).

YUKON LIQUOR CORPORATION

Notes to the Financial Statements

March 31, 2009

5. Property, Plant and Equipment

Property, plant and equipment purchased by the Corporation are as follows:

	2009		2008	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	(in thousands)			
Land	\$ 202	\$ -	\$ 202	\$ 202
Buildings	4,756	3,842	914	1,154
Furniture and office equipment	287	53	234	29
Operating equipment	309	255	54	53
Systems development	216	141	75	153
Systems equipment	223	131	92	208
Leasehold improvements	357	357	0	23
	<u>\$ 6,350</u>	<u>\$ 4,779</u>	<u>\$ 1,571</u>	<u>\$ 1,822</u>

6. Due to the Government of Yukon

	2009	2008
	(in thousands)	
Reimbursements due for salaries to employees, shared services costs, and other costs paid on behalf of the Corporation (Note 9d)	802	598
Income due to the Government of Yukon pursuant to the <i>Liquor Act</i> (Note 9a)	1,539	1,890
Liquor tax (Note 9b)	451	455
Net remittances due to the Recycling Fund	140	73
Net due at the end of the year	<u>\$ 2,932</u>	<u>\$ 3,016</u>

7. Equity

This amount represents the sum of the net book value of property, plant and equipment purchased by the Corporation after March 31, 1990, \$1,571,000 (2008 - \$1,822,000) which the Government of Yukon has provided to the Corporation. The annual change in equity represents additions and disposals of property, plant and equipment less amortization expense for the year.

8. Capital management

The Corporation manages its capital in order to purchase a range of liquor products and make them available to consumers, and to regulate the sale and consumption of liquor products, while optimizing the net proceeds to government realized from the sale and control of liquor.

YUKON LIQUOR CORPORATION

Notes to the Financial Statements

March 31, 2009

The Corporation defines capital as equity (see note 7) which is represented by net assets. It is subject to the financial management and accountability provisions of the *Financial Administration Act*, the *Corporate Governance Act*, and the *Liquor Act*, which specifies that net assets of the Corporation are the property of the Government of Yukon.

The Corporation manages its equity through its five year capital plan and as a by-product of managing revenues, expenses, assets, liabilities and general financial dealings to ensure that its objectives are achieved efficiently. The five year capital plan and revenue projections are approved annually by the Management Board of the Government of Yukon. The Corporation is required to provide regular variance reporting to Government of Yukon to ensure the Corporation effectively achieves its objectives whilst remaining a going concern.

The Corporation is not subject to external capital requirements.

9. Related party transactions

a) **Income due to the Government of Yukon pursuant to the *Liquor Act***

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

	2009	2008
	(in thousands)	
Balance due at the beginning of the year	\$ 1,890	\$ 1,293
Adoption of new accounting policy (note 2c)	189	-
Net income and comprehensive income	6,589	6,161
Property, plant and equipment additions	(262)	(209)
Amortization	513	438
Current year's income to be remitted to the Government of Yukon	7,029	6,390
Less: remitted during the year	(7,380)	(5,793)
Balance due at the end of the year	\$ 1,539	\$ 1,890

b) **Liquor tax**

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

	2009	2008
	(in thousands)	
Balance due at the beginning of the year	\$ 455	\$ 198
Liquor tax collected during the year	3,426	3,311
Less: remitted during the year	(3,430)	(3,054)
Balance due at the end of the year	\$ 451	\$ 455

YUKON LIQUOR CORPORATION

Notes to the Financial Statements

March 31, 2009

c) Other transactions

The value of services provided without charge by the Government of Yukon to the Corporation is estimated to be \$557,860 (2008 - \$557,464). The value of services provided without charge by the Corporation to the Government is estimated to be \$499,327 (2008 - \$474,454). These transactions are included in the financial statements of the Corporation.

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

The Corporation recognizes services received from and provided to the Government of Yukon at their carrying amount. Recording the value of services provided without charge both by and to the Government recognizes and discloses the full cost of operations of the Corporation.

There is no effect on the 2009 net operating results of the Corporation as a result of this policy. However, individual financial statement items are affected as follows:

	<u>2009</u>	<u>2008</u>
Other income – Government of Yukon – services provided without charge: increased	\$ (557,860)	\$ (557,464)
Other income – Less: services provided to Government of Yukon without charge: decreased	499,327	474,454
Expenses – Salaries and benefits: decreased	(415,550)	(416,419)
Expenses – Rent, utilities and maintenance: increased	463,150	488,616
Expenses – Travel and communications: decreased	(4,317)	(4,167)
Expenses – General and office supplies: increased	15,250	14,980
Total	\$ 0	\$ 0

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 Yukon to the Corporation for shared services for the year was \$1,063,760 (2008 - \$977,892). These transactions are in the normal course of operations and are measured at the carrying amount, which is the amount of consideration established and agreed to by the related parties. The amount not paid by the Corporation at year-end is listed in Note 6.

10. Employee future benefits

Pension Plan

The Corporation and all eligible employees contribute to the Public Service Pension Plan administered by the Government of Canada. 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:

	<u>2009</u>	<u>2008</u>
	(in thousands)	
Corporation's Contributions	\$318	304
Employees' Contributions	159	150

YUKON LIQUOR CORPORATION

Notes to the Financial Statements

March 31, 2009

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. The results measured at March 31, 2009 are summarized as follows:

	<u>2009</u>	<u>2008</u>
	(in thousands)	
Accrued benefit obligation, beginning of year	\$881	\$773
Current Service Cost	71	70
Interest cost on accrued benefit obligation	55	48
Amortization of Net Actuarial Gains	(1)	(1)
Prior unrecognized net actuarial gain	<u>-</u>	<u>(9)</u>
Accrued benefit obligation, end of year	<u>\$1,006</u>	<u>\$881</u>
Short-term portion (vacation)	\$120	\$147
Long-term portion	<u>886</u>	<u>734</u>
	<u>\$1,006</u>	<u>\$881</u>
The significant actuarial assumptions were:		
Discount rate	5.75%	5.75%
Salary escalation rate	1.80% Jan 1, 09	1.80% Jan 1, 08
	1.20% June 1, 09	1.20% June 1, 08
	2.50% per annum thereafter	1.80% Jan 1, 09
		1.20% June 1, 09
		2.50% per annum thereafter

The most recent actuarial valuation made for this non-pension benefit plan was prepared as of April 1, 2007. The next required valuation would be as of March 31, 2010.

11. Commitments and contingencies

The Corporation has the following operating leases with commitments for annual rents of leased premises due as follows:

<u>Fiscal</u>	<u>Whitehorse Store</u>	<u>Other Retail Stores</u>	<u>Total</u>
2010	224,336	134,727	359,063
2011	224,336	134,727	359,063
2012	18,695	68,775	87,470
2013	-	51,581	51,581
Total	<u>\$ 467,367</u>	<u>\$ 389,810</u>	<u>\$ 857,177</u>

The Corporation's buildings are self insured with the Government of Yukon.

In the normal course of operations, the Corporation is subject to legal claims and possible claims and no provision for any claim is included in these financial statements.

YUKON LIQUOR CORPORATION
Notes to the Financial Statements
March 31, 2009

12. Comparative Figures

Certain prior year's figures have been reclassified to conform to the current year's presentation.