

YUKON LIQUOR CORPORATION

FINANCIAL STATEMENTS

March 31, 2005

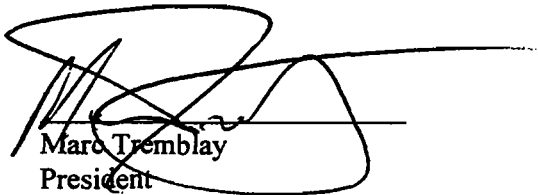
(audited)

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, 2005, 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, Shared Services, Finance, Systems & Admin

June 2, 2005



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, 2005 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, 2005 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, CA
Principal
for the Auditor General of Canada

Vancouver, Canada
June 2, 2005

YUKON LIQUOR CORPORATION
BALANCE SHEET
as at March 31

ASSETS

	2005	2004
	(in thousands)	
Current		
Cash	\$ 750	\$ 1 361
Accounts receivable (Note 3)	37	56
Remitted in advance to the Government of the Yukon (Note 7a)	1 115	148
Inventories	1 687	1 997
	3 589	3 562
Property, plant and equipment (Note 4 and Note 6)	2 364	2 613
	\$ 5 953	\$ 6 175

LIABILITIES & EQUITY

Current		
Accounts payable and accrued liabilities (Note 3)	\$ 1 282	\$ 1 733
Due to the Government of the Yukon (Note 5)	1 649	1 179
Deferred revenue	91	97
	3 022	3 009
Non-pension benefit liability (Note 8)	567	553
	3 589	3 562
Equity (Note 4 and Note 6)	2 364	2 613
	\$ 5 953	\$ 6 175

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

	<u>2005</u>	<u>2004</u>
	(in thousands)	
Sales		
Beer	\$ 12 073	\$ 11 422
Spirits	6 723	6 573
Wine	3 419	3 207
	<u>22 215</u>	<u>21 202</u>
 Cost of goods sold	 <u>10 865</u>	 <u>10 163</u>
 Gross profit	 <u>11 350</u>	 <u>11 039</u>
 Expenses		
Salaries and benefits	3 956	3 647
Rent, utilities and maintenance	781	786
Amortization	327	436
Cartage	263	265
Professional services	235	130
Bank expenses	219	202
Travel and communications	157	135
General and office supplies	148	109
Miscellaneous	31	29
Board expenses	31	19
	<u>6 148</u>	<u>5 758</u>
 Operating income	 <u>5 202</u>	 <u>5 281</u>
 Other income		
Fees, permits and licences	119	113
Miscellaneous	21	(23)
	<u>140</u>	<u>90</u>
 Net Income	 <u>\$ 5 342</u>	 <u>\$ 5 371</u>

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

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

	2005	2004
	(in thousands)	
Cash provided by (used in):		
Operating activities		
Net income for the year	\$ 5 342	\$ 5 371
Adjustment for non-cash items:		
Amortization of property, plant and equipment	327	436
Decrease (increase) in accounts receivable	19	(7)
Decrease (increase) in inventories	310	(110)
Increase in due to the Government of the Yukon	470	425
(Decrease) increase in accounts payable and accrued liabilities	(451)	226
(Decrease) increase in deferred revenue	(6)	8
Increase (decrease) in non-pension benefit liability	14	(245)
	<u>6 025</u>	<u>6 104</u>
Investing activities:		
Acquisition of property, plant and equipment	<u>(78)</u>	<u>(91)</u>
Financing activities:		
Remittance of income to the Government of the Yukon	<u>(6 558)</u>	<u>(5 975)</u>
(Decrease) increase in cash during the year	(611)	38
Cash at the beginning of the year	<u>1 361</u>	<u>1 323</u>
Cash at the end of the year	<u>\$ 750</u>	<u>\$ 1 361</u>

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

YUKON LIQUOR CORPORATION

Notes to the Financial Statements

March 31, 2005

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 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 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

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

YUKON LIQUOR CORPORATION
Notes to the Financial Statements
 March 31, 2005

2. Accounting Policies (continued)

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:

	2005		2004	
	Cost	Accumulated Amortization	Net book Value	Net book Value
	(in thousands)			
Land	\$ 268	\$ -	\$ 268	\$ 268
Buildings	4,769	2,969	1,800	2,006
Furniture and office equipment	92	71	21	27
Equipment	404	360	44	53
Systems equipment and software	645	591	54	24
Leasehold improvements	395	218	177	235
	<u>\$ 6,573</u>	<u>\$ 4,209</u>	<u>\$ 2,364</u>	<u>\$ 2,613</u>

YUKON LIQUOR CORPORATION

Notes to the Financial Statements

March 31, 2005

5. Due to the Government of the Yukon

	<u>2005</u>	<u>2004</u>
	(in thousands)	
Reimbursements due for salaries to employees, shared services costs, and other costs paid on behalf of the Corporation	\$ 1,506	\$ 889
Liquor tax (Note 7b)	190	180
Net remittances due (remitted in advance) to the Recycling Fund	<u>(47)</u>	<u>110</u>
Net due at the end of the year	<u><u>\$ 1,649</u></u>	<u><u>\$ 1,179</u></u>

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, \$2,364,000 (2004 - \$2,613,000) 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):

	<u>2005</u>	<u>2004</u>
	(in thousands)	
Balance due (remitted in advance) at the beginning of the year	<u>\$ (148)</u>	<u>\$ 111</u>
Net income	5,342	5,371
Capital expenditures	(78)	(91)
Property, plant and equipment amortization	<u>327</u>	<u>436</u>
Adjusted net income due to the Government of the Yukon	<u>5,591</u>	<u>5,716</u>
Less: remitted during the year	<u>(6,558)</u>	<u>(5,975)</u>
Balance due (remitted in advance) at the end of the year	<u><u>\$ (1,115)</u></u>	<u><u>\$ (148)</u></u>

b) **Liquor tax**

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

	<u>2005</u>	<u>2004</u>
	(in thousands)	
Balance due at the beginning of the year	\$ 180	\$ 155
Liquor tax collected during the year	2,666	2,544
Less: remitted during the year	<u>(2,656)</u>	<u>(2,519)</u>
Balance due at the end of the year (Note 5)	<u><u>\$ 190</u></u>	<u><u>\$ 180</u></u>

YUKON LIQUOR CORPORATION

Notes to the Financial Statements

March 31, 2005

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 \$470,000 (2004 - \$565,000). The value of services provided without charge by the Corporation to the Government is estimated to be \$417,000 (2004 - \$471,000). 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. 2005 is the first full year of operations for the Shared Services group for Finance, Systems & Administration, and the second year of operations for Human Resources and Policy and Communications. The amount charged by the Government of the Yukon to the Corporation for shared services for the year was \$825,000 (2004 - \$262,000). 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:

	2005	2004
	(in thousands)	
Corporation's Contributions	\$218	\$235
Employees' Contributions	102	110

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:

	2005	2004
	(in thousands)	
Accrued benefit obligation, beginning of year	\$674	\$798
Cost for the year	74	(19)
Benefits paid during the year	<u>(57)</u>	<u>(105)</u>
Accrued benefit obligation, end of year	<u>\$691</u>	<u>\$674</u>
Short-term portion, included in accounts payable and accrued liabilities	\$124	\$121
Long-term portion	<u>567</u>	<u>553</u>
	<u>\$691</u>	<u>\$674</u>

YUKON LIQUOR CORPORATION

Notes to the Financial Statements

March 31, 2005

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>
2006	207,219	134,727
2007	17,228	134,727
2008	-	117,533
2009	-	-
2010	-	-

10. Reclassification of Comparative Figures

Certain 2004 comparative figures have been reclassified to conform to the presentation of the 2005 financial statements.