

YUKON LIQUOR CORPORATION

FINANCIAL STATEMENTS

March 31, 2008

(audited)

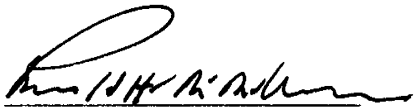
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**YUKON LIQUOR CORPORATION
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS**

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, 2008, 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.



Ron MacMillan
President



Christine Mahar
Director, Shared Services, Finance, Systems & Admin

June 4, 2008



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, 2008 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, 2008 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 financial instruments 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
June 4, 2008

YUKON LIQUOR CORPORATION
BALANCE SHEET
As at March 31


<u>ASSETS</u>		<u>2008</u>	<u>2007</u>
		(in thousands)	
Current			
	Cash	\$ 3 104	\$ 1 409
	Accounts receivable	77	80
	Inventories	<u>2 651</u>	<u>2 138</u>
		5 832	3 627
Property, plant and equipment (Note 4 and 6)		<u>1 822</u>	<u>2 051</u>
		<u>\$ 7 654</u>	<u>\$ 5 678</u>

<u>LIABILITIES & EQUITY</u>			
Current			
	Accounts payable and accrued liabilities	\$ 2 006	\$ 977
	Due to the Government of the Yukon (Note 5)	3 016	1 929
	Deferred revenue	<u>76</u>	<u>88</u>
		5 098	2 994
Non-pension benefit liability (Note 8)		<u>734</u>	<u>633</u>
		5 832	3 627
Equity (Note 6)		<u>1 822</u>	<u>2 051</u>
		<u>\$ 7 654</u>	<u>\$ 5 678</u>

Commitments and contingencies (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, COMPREHENSIVE INCOME AND EQUITY
for the year ended March 31

	2008	2007
	(in thousands)	
Sales		
Beer	\$ 14 357	\$ 13 234
Spirits	8 497	7 571
Wine	4 721	4 315
	27 575	25 120
Cost of goods sold	14 026	12 577
Gross profit	13 549	12 543
Expenses		
Salaries and benefits	3 720	3 364
Rent, utilities and maintenance	1 612	1 445
Shared corporate services costs (note 7d)	978	898
Services provided to Government of Yukon without charge (note 7c)	474	452
Amortization	438	394
Bank expenses	272	252
General and office supplies	206	160
Travel and communications	186	222
Other	178	110
	8 064	7 297
Operating income	5 485	5 246
Other income		
Fees, permits and licences	112	112
Miscellaneous	7	10
Services received from Government of Yukon without charge (note 7c)	557	551
	676	673
Net income and comprehensive income (note 4 and 6)	\$ 6 161	\$ 5 919
Equity, beginning of year	\$ 2 051	\$ 2 374
Funds repayable to Government of Yukon	(6 161)	(5 919)
Add: property, plant and equipment additions	209	71
Less: amortization	(438)	(394)
Equity, end of year (note 6)	\$ 1 822	\$ 2 051

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

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

	2008	2007
	(in thousands)	
Operating activities		
Cash receipts:		
Sales - spirits, wine and beer	\$ 27 575	\$ 25 119
Annual licence fees and other	110	98
Cash disbursements:		
Purchases	(14 539)	(12 387)
Salary, wages and benefits	(4 120)	(3 759)
General and administrative expenses	(1 329)	(3 214)
Net cash available from operating activities	7 697	5 857
Investing activities		
Cash disbursements:		
Acquisition of property, plant and equipment	(209)	(71)
Net cash used in investing activities	(209)	(71)
Financing activities		
Cash disbursements:		
Remittance of income to the Government of the Yukon	(5 793)	(5 041)
Net cash used in financing activities	(5 793)	(5 041)
Increase in cash for the year	1 695	745
Cash, beginning of year	1 409	664
Cash, end of year	\$ 3 104	\$ 1 409

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

YUKON LIQUOR CORPORATION

Notes to the Financial Statements

March 31, 2008

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 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.

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

2. Change in Accounting Policy

Effective April 1, 2007, the Corporation adopted the Canadian Institute of Chartered Accountants' new recommendations for the recognition and measurement of financial instruments, and amendments to the existing presentation and disclosure standards. CICA 3855 Financial Instruments – Recognition and Measurement established standards for recognizing and measuring financial assets, financial liabilities and derivatives. CICA 3861 Financial Instruments Disclosures and Presentation discusses the presentation and disclosure of these items. CICA 1530 Comprehensive Income introduces Comprehensive Income which consists of Net income and Other Comprehensive Income. Other comprehensive income represents the change in net assets during the period arising from transactions and other events with non-owner sources and includes unrealized gains and losses on financial assets classified as available-for-sale.

These sections were adopted prospectively without prior period restatement.

Upon adoption of Section 3855, the Corporation continues to measure its loans and receivables and other financial liabilities at their amortized costs. 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.

Fair Values of Financial Instruments

The Corporation's financial instruments consist of Cash, Accounts Receivable, Accounts Payable and Due to the Government of Yukon. In the prior year, these financial instruments were carried at cost. In the current year, with the adoption of the financial instruments reporting standards (Note 3) these financial instruments are account 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.

YUKON LIQUOR CORPORATION

Notes to the Financial Statements

March 31, 2008

2. Change in Accounting Policy (continued)

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.

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 Whitehorse, or market as per Section 3030 of the CICA handbook.

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.

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 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.

YUKON LIQUOR CORPORATION

Notes to the Financial Statements

March 31, 2008

3. Accounting Policies (continued)

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 carrying amount. 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.

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.

Future Accounting Policies – Financial Instrument Disclosures and Capital Disclosures

As of April 1, 2008, the Corporation will be required to adopt Section 1535, Capital Disclosures, Section 3862, Financial Instruments – disclosures, Section 3863, Financial Instruments – Presentation, and Section 3031, Inventories. For Section 1535, the Corporation will need to disclose information regarding its objectives, policies and processes for managing capital. For Sections 3862 and 3863, the Corporation is not expecting any significant impacts on its financial statement disclosure because it does not hold complex financial instruments. For Section 3031, the Corporation will need to disclose additional information on its inventories regarding accounting policies used, carrying amounts, amounts recognized as expenses, write-downs, and the amount of any reversal of any write-downs recognized as a reduction in expenses.

YUKON LIQUOR CORPORATION

Notes to the Financial Statements

March 31, 2008

4. Property, Plant and Equipment

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

	2008		2007	
	Cost	Accumulated Amortization	Net book Value	Net book Value
	(in thousands)			
Land	\$ 202	\$ -	\$ 202	\$ 202
Buildings	4,790	3,636	1,154	1,377
Furniture and office equipment	116	87	29	7
Equipment	375	322	53	44
Systems equipment and software	688	327	361	341
Leasehold improvements	357	334	23	80
	\$ 6,528	\$ 4,706	\$ 1,822	\$ 2,051

5. Due to the Government of the Yukon

	2008	2007
	(in thousands)	
Reimbursements due for salaries to employees, shared services costs, and other costs paid on behalf of the Corporation (Note 7d)	598	368
Adjusted net income (Note 7a)	1,890	1,293
Liquor tax (Note 7b)	455	198
Net remittances due to the Recycling Fund	73	70
Net due at the end of the year	\$ 3,016	\$ 1,929

In accordance with the provisions of the *Beverage Container Regulations* under the *Environmental 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 payable to the Government of Yukon on a monthly basis after deducting deposit refunds paid and fees earned under the program.

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, \$1,822,000 (2007 - \$2,051,000) which the Government of the Yukon has provided to the Yukon Liquor Corporation. The annual change in equity represents additions and disposals of property, plant and equipment less amortization expense for the year.

YUKON LIQUOR CORPORATION

Notes to the Financial Statements

March 31, 2008

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):

	2008	2007
	(in thousands)	
Balance due at the beginning of the year	\$ 1,293	\$ 92
Net income	6,161	5,919
Capital expenditures	(209)	(71)
Property, plant and equipment amortization	438	394
Disposal of land	-	-
Adjusted net income due to the Government of the Yukon	6,390	6,242
Less: remitted during the year	(5,793)	(5,041)
Balance due at the end of the year	\$ 1,890	\$ 1,293

b) **Liquor tax**

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

	2008	2007
	(in thousands)	
Balance due at the beginning of the year	\$ 198	\$ 23
Liquor tax collected during the year	3,311	3,022
Less: remitted during the year	(3,054)	(2,847)
Balance due at the end of the year	\$ 455	\$ 198

c) **Other transactions**

The value of services provided without charge by the Government of the Yukon to the Corporation is estimated to be \$557,464 (2007 - \$551,357). The value of services provided without charge by the Corporation to the Government is estimated to be \$474,454 (2007 - \$452,201). These transactions are included in the financial statements of the Corporation.

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.

The Corporation recognizes services received from and provided to the Government of Yukon at 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 2008 net operating results of the Corporation as a result of this policy. However, individual financial statement items are affected as follows:

YUKON LIQUOR CORPORATION

Notes to the Financial Statements

March 31, 2008

7. Related party transactions (continued)

	2008	2007
Other income – Government of Yukon – services provided without charge: increased	\$ (557,464)	\$ (551,357)
Other income – Less: services provided to Government of Yukon without charge: decreased	474,454	452,201
Expenses – Salaries and benefits: decreased	(416,419)	(394,414)
Expenses – Rent, utilities and maintenance: increased	488,616	483,079
Expenses – Travel and communications: decreased	(4,167)	(4,403)
Expenses – General and office supplies: increased	14,980	14,894
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 the Yukon to the Corporation for shared services for the year was \$977,892 (2007 - \$897,607). 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.

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:

	<u>2008</u>	<u>2007</u>
	(in thousands)	
Corporation's Contributions	\$304	\$264
Employees' Contributions	150	124

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. Extended health care and insurance plan employee future benefit liabilities are paid by and accrued in the financial statements of the Government of Yukon. The results measured at the balance sheet date are summarized as follows:

	<u>2008</u>	<u>2007</u>
	(in thousands)	
Accrued benefit obligation, beginning of year	\$773	\$698
Cost for the year	117	142
Benefits paid during the year	(9)	(67)
Accrued benefit obligation, end of year	<u>\$881</u>	<u>\$773</u>
Short-term portion (vacation)	\$147	\$139
Long-term portion	734	634
	<u>\$881</u>	<u>\$773</u>

YUKON LIQUOR CORPORATION

Notes to the Financial Statements

March 31, 2008

8. Employee future benefits (continued)

The significant actuarial assumptions were:

Discount rate	5.75%	5.75%
Salary escalation rate	1.20% June 1, 07	2.50%
	1.80% Jan 1, 08	
	1.20% June 1, 08	
	1.80% Jan 1, 09	
	1.20% June 1, 09	
	2.5% per annum thereafter	

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

9. 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>
2009	235,093	134,727	369,820
2010	235,093	134,727	369,820
2011	235,093	134,727	369,820
2012	19,591	68,775	88,366
2013		51,581	51,581
Total	\$ 724,870	\$ 524,537	\$ 1,249,407

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.