

YUKON LIQUOR CORPORATION

FINANCIAL STATEMENTS

March 31, 2018

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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 accompanying financial statements as at March 31, 2018 include amounts based on management's best estimates as determined through experience and judgment, are prepared in accordance with International Financial Reporting Standards. Other financial information included in the Annual Report is consistent with these financial statements.

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

Matt King
President

Susan Russell
A/Director, Finance & Information Management

June 28, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Minister responsible for the Yukon Liquor Corporation

Report on the Financial Statements

I have audited the accompanying financial statements of the Yukon Liquor Corporation, which comprise the statement of financial position as at 31 March 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

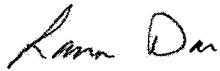
Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Yukon Liquor Corporation as at 31 March 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

As required by the *Liquor Act*, I report that, in my opinion, the accounting principles in International Financial Reporting Standards have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept by the Yukon Liquor Corporation and the financial statements are in agreement therewith. In addition, the transactions of the Yukon Liquor Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with the *Financial Administration Act* of Yukon and regulations, the *Liquor Act* and regulations, the *Liquor Tax Act* and regulations, and the by-laws of the Yukon Liquor Corporation.



Lana Dar, CPA, CA
Principal
for the Auditor General of Canada

28 June 2018
Vancouver, Canada

YUKON LIQUOR CORPORATION
STATEMENT OF FINANCIAL POSITION
as at March 31

ASSETS

	2018	2017
	(in thousands of Cdn \$)	
Current		
Cash	\$ 2,447	\$ 963
Inventories		
Beer	1,198	1,413
Spirits	1,122	1,241
Wine	932	1,059
Accounts receivable (Note 4)	72	204
Prepaid expenses	23	23
	5,794	4,903
 Property, plant and equipment (Notes 5, 8 and Schedule)	 2,077	 1,557
	\$ 7,871	\$ 6,460

LIABILITIES & EQUITY

Current		
Accounts payable and accrued liabilities (Notes 4 and 6)	\$ 2,079	\$ 2,588
Due to the Government of Yukon (Notes 4 and 7)	2,268	926
Deferred revenue	92	90
	4,439	3,604
 Non-pension benefit liability (Note 11)	 1,355	 1,299
	5,794	4,903
 Equity (Note 8)	 2,077	 1,557
	\$ 7,871	\$ 6,460
 Commitments (Note 13)		

Approved by Management and authorized for issue on June 28, 2018



President



A/Director, Finance & Information Management

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

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

	2018	2017
	(in thousands of Cdn \$)	
Revenue		
Beer	\$ 19,253	\$ 18,723
Spirits	11,744	11,186
Wine	8,420	8,031
	39,417	37,940
Cost of goods sold		
Beer	11,955	11,707
Spirits	5,330	5,044
Wine	4,072	3,756
	21,357	20,507
Gross profit	18,060	17,433
Expenses		
Salaries, wages and benefits	6,677	5,951
Rent, utilities and maintenance	1,078	1,033
Bank expenses	486	380
Professional services	430	122
Travel and communications	287	261
Other	264	360
Depreciation	207	107
General and office supplies	108	125
Shared corporate services costs (Note 10c)	-	247
	9,537	8,586
Operating profit	8,523	8,847
Other income		
Fees, permits and licences	148	131
Miscellaneous	25	31
	173	162
Profit before other comprehensive income	8,696	9,009
Other comprehensive income (loss)		
Amounts not to be reclassified subsequently to net income		
Actuarial gain (loss) (Note 11)	46	(190)
Comprehensive income	\$ 8,742	\$ 8,819

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

YUKON LIQUOR CORPORATION
 STATEMENT OF CHANGES IN EQUITY
 for the year ended March 31

	2018	2017
	(in thousands of Cdn \$)	
Equity, beginning of year	\$ 1,557	\$ 1,231
Profit before other comprehensive income	8,696	9,009
Other comprehensive income (loss)	46	(190)
Current year's profit to be remitted to the Government of Yukon (Note 10a)	(8,222)	(8,493)
Equity, end of year (Note 8)	\$ 2,077	\$ 1,557

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

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

	2018	2017
	(in thousands of Cdn \$)	
Cash flows from operating activities		
Cash receipts:		
Revenue - beer, spirits and wine	\$ 39,549	\$ 37,809
Fees, permits and licences	175	171
Cash disbursements:		
Purchases of inventories	(21,396)	(20,522)
Salaries, wages and benefits	(6,017)	(6,469)
General and administrative expenses	(2,360)	(1,924)
Shared corporate services costs (Note 10c)	-	(528)
Net cash generated by operating activities	9,951	8,537
Cash flows from investing activities		
Acquisition of property, plant and equipment (Schedule)	(625)	(450)
Disposal of property, plant and equipment (Schedule)	-	18
Net cash used in investing activities	(625)	(432)
Cash flows from financing activities		
Remittance of profit to the Government of Yukon (Note 10a)	(7,842)	(8,732)
Net cash used in financing activities	(7,842)	(8,732)
Increase (Decrease) in cash for the year	1,484	(627)
Cash, beginning of year	963	1,590
Cash, end of year	\$ 2,447	\$ 963

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

YUKON LIQUOR CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2018

1. Authority and operations

Yukon Liquor Corporation (the Corporation) was established in 1977 under the *Liquor Act* by the Government of Yukon in Canada. It is not a "corporation" under the *Business Corporations Act*, but a government entity and is significantly influenced by the Government of Yukon. As a government entity, the Corporation is exempt from income taxes under Section 149(1)(d) of the Canadian *Income Tax Act*.

The Corporation is responsible for the purchase, distribution and sale of liquor within the Yukon, controlling the sale of liquor through licensed outlets and enforcing all matters related to the *Liquor Act*. The Corporation operates a central warehouse and distribution centre in Whitehorse and six liquor stores. The rural liquor stores also provide specific government services on behalf of the Government of Yukon.

In accordance with the *Liquor Act*, the profit for the year, before depreciation, 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% (2017 - 12%) and is applied to selling prices of all liquor 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 Corporation's registered office is 9031 Quartz Road, Whitehorse, Yukon, Canada Y1A 4P9.

2. Basis of presentation

These financial statements have been prepared on a historical cost basis, in accordance with International Financial Reporting Standards (IFRS). The statements are presented in Canadian dollars and are rounded to the nearest thousand (\$000) where indicated.

3. Significant accounting policies

The significant accounting policies are as follows:

a) Inventories

Inventories are comprised of alcoholic beverages for resale and are valued at the lower of cost and net realizable value. Inventory costs are determined on a first-in, first-out basis. Cost is comprised of supplier-invoiced value and freight. Net realizable value represents the estimated selling price for inventories less the cost to sell.

b) Financial instruments

The Corporation's financial instruments consist of Cash, Accounts receivable, Accounts payable and accrued liabilities, and Due to the Government of Yukon. Accounts payable and accrued liabilities and Due to the Government of Yukon are due on demand and are non-interest bearing. These financial instruments are accounted for as follows:

YUKON LIQUOR CORPORATION
 NOTES TO THE FINANCIAL STATEMENTS
 for the year ended March 31, 2018

Loans and receivables

The Corporation has classified the following financial asset as loans and receivables: Accounts receivable. Accounts receivable are initially recognized at fair value, which is approximated by the instrument's initial cost in a transaction between knowledgeable, willing parties in an arm's length transaction. Loans and receivables are subsequently measured at their amortized cost, using the effective interest method. Gains and losses arising from changes in fair value are recognized in profit or loss when the loan or receivable is settled or upon impairment. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

Other financial liabilities

The Corporation has classified the following financial liabilities as other financial liabilities: Accounts payable and accrued liabilities and Due to the Government of Yukon. Accounts payable and accrued liabilities and Due to the Government of Yukon are initially recognized at their fair value, which is approximated by the instrument's initial cost in a transaction between knowledgeable, willing parties in an arm's length transaction. Other financial liabilities are subsequently measured at their amortized cost, using the effective interest method. Financial liabilities are derecognized when they are extinguished, discharged, cancelled or expire.

c) Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Depreciation 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
Heavy equipment	15 years
Systems development	5 years
Systems equipment	5 years
Leasehold improvements	remaining term of lease

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'Other income - Miscellaneous' in the statement of comprehensive income.

Assets are assessed for indications of impairment at each reporting date. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units), which are based on the Corporation's individual stores basis.

At each reporting date, assets are assessed for indications that prior impairment losses should be reversed. An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized. This reversal would be recognized immediately in the statement of comprehensive income.

YUKON LIQUOR CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2018

d) Revenue recognition

Revenue represents the fair value of consideration received or receivable in exchange for goods and services provided to third parties. Revenue is recognized when the risks and rewards of ownership are substantially transferred. Revenue is presented net of price discounts and promotional discounts. Revenue also does not include container recycling fees which are immediately remitted to suppliers.

e) Expense

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

f) Employee benefits

Non-pension benefits

Under their conditions of employment, employees may qualify for and earn employment benefits for vacation, sick, and special leave, and severance benefits. The benefit obligation is determined on an actuarial basis. The costs of these benefits are accrued as employees render the services required to earn them and are calculated using the projected benefit method pro-rated on service. Actuarial gains and losses are recognized immediately in other comprehensive income. Extended health care and insurance plan employee future benefit liabilities are paid by and accrued in the consolidated financial statements of the Government of Yukon.

Pension benefits

Substantially all of the employees of the Corporation are covered by the public service pension plan (the Plan), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Corporation to cover current service cost. Pursuant to legislation currently in place, the Corporation has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total pension obligation of the Corporation.

g) Leases

The Corporation assesses all leases to determine their classification. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are treated as operating leases.

h) Use of estimates

The preparation of financial statements in accordance with IFRS requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Estimates are used when accounting for matters such as depreciation based on management's estimate of the useful lives of property, plant and equipment, and the non-pension benefit liability based on the actuary's valuation. Actual results could differ materially from these estimates.

YUKON LIQUOR CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2018

The estimates and underlying assumptions made by management may have a significant effect on the financial statements including determining the present value of the non-pension benefit liability on an actuarial basis using management's best estimates and assumptions. Any changes in these estimates and assumptions, which include the discount rate, will impact the carrying amount of the non-pension benefit liability. The discount rate used to determine the present value of the non-pension benefit liability is based on interest rates of high-quality corporate bonds of the same currency and with similar terms to maturity.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

i) Accounting standards issued but not yet effective

IFRS 9: Financial instruments

IFRS 9, as issued in July 2014, will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 addresses classification and measurement of financial instruments, impairment of financial assets, as well as hedge accounting, and is effective for annual periods beginning on or after January 1, 2018. Early adoption is permitted. IFRS 9 adopts a single approach to classification and measurement, which determines whether a financial asset is measured at amortized cost or fair value based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. IFRS 9 introduces an expected loss impairment model that requires more timely recognition of expected credit losses. Finally, IFRS 9 introduces a substantially reformed model for hedge accounting and enhanced disclosures about risk management activity. Management has performed an evaluation as to the effects of adopting IFRS 9, and has concluded that IFRS 9 is expected to be immaterial to the Corporation's financial statements. The Corporation will adopt IFRS 9 on a retrospective basis without restatement of prior periods.

IFRS 15: Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers which will supersede IAS 18 Revenue and related interpretations. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is required to be applied to annual reporting periods beginning on or after January 1, 2018. Early adoption is permitted. In April 2016, the IASB has issued narrow-scope amendments to the revenue standard to clarify some requirements and provide additional transitional relief for companies implementing the new standard. The amendments are effective for annual reporting periods beginning on or after January 1, 2018 with earlier application permitted. Management has performed an evaluation as to the effects of adopting IFRS 15, and has concluded that IFRS 15 is expected to be immaterial to the Corporation's financial statements. The Corporation will adopt IFRS 15 on a retrospective basis.

YUKON LIQUOR CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2018

IFRS 16: Leases

IFRS 16 Leases was issued on January 13, 2016 to replace IAS 17 Leases. The new standard increases the scope of which leases must be brought onto companies' balance sheets, increasing the visibility of their assets and liabilities. IFRS 16 removes the classification of leases as either operating leases or finance leases (for the lessee-the lease customer), treating all leases as finance leases. Short-term leases (less than 12 months) and leases of low-value assets (such as personal computers) will have an optional exemption from the requirements. The new standard is effective January 1, 2019. Early adoption is permitted (as long as the recently issued revenue Standard, IFRS 15 Revenue from Contracts with Customers is also adopted). Management has performed an evaluation as to the effects of adopting IFRS 16 and has concluded that all of the Corporation's operating leases will be classified as finance leases. As a result of this change the Corporation's property leases will be recognized on the statement of financial position, and the pattern of expense recognition will change from being consistent over the lease period to being greater in the initial period as compared to the end, given the finance charge on the leases are higher in the earlier periods. The impact of the initial application of IFRS 16 on the Corporation's financial statements cannot be reasonably estimated and is not expected to have a material impact.

4. Financial instruments

Risk

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 risk exposure.

The Corporation's Accounts receivable has a carrying value of \$72,000 as of March 31, 2018 (2017 - \$204,000). There is a 74.5% (2017 - 27%) concentration of Accounts receivable with one customer. As at March 31, 2018, approximately 4.8% (2017 - 1.1%) of Accounts receivable were over 90 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, 2018 (2017 - nil).

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

Liquidity

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 the 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 \$2,079,000 as at March 31, 2018 (2017 - \$2,588,000). As at March 31, 2018, approximately 6.3% (2017 - 3.5%) of Accounts payable were over 90 days past due. Due to the Government of Yukon had a carrying value of \$2,268,000 as of March 31, 2018 (2017 - \$926,000). As at March 31, 2018, approximately 33.7% (2017 - 0%) of Due to the Government of Yukon were over 90 days past due.

YUKON LIQUOR CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2018

5. Property, plant and equipment

Net book value of self insured property, plant and equipment purchased by the Corporation after March 31, 1990 is as follows:

	2018	2017
	(in thousands of Cdn \$)	
Land	\$ 202	\$ 202
Buildings	659	656
Furniture and office equipment	283	94
Operating equipment	59	27
Heavy equipment	468	318
Systems development	114	146
Systems equipment	287	108
Leasehold improvements	5	6
(Schedule)	<u>\$ 2,077</u>	<u>\$ 1,557</u>

6. Accounts payable and accrued liabilities

	2018	2017
	(in thousands of Cdn \$)	
Trade payables	\$ 1,380	\$ 1,894
Accrued liabilities	538	524
Non-pension benefit liability current portion (Note 11)	161	170
	<u>\$ 2,079</u>	<u>\$ 2,588</u>

7. Due to the Government of Yukon

	2018	2017
	(in thousands of Cdn \$)	
Reimbursements due for salaries to employees, and other costs paid on behalf of the Corporation	\$ 844	\$ 856
Remittances due to (from) the Government of Yukon pursuant to <i>Liquor Act</i> (Note 10a)	7	(373)
<i>Liquor Tax Act</i> (Note 10b)	613	327
Net remittances due to the Recycling Fund	804	116
Net due at the end of the year	<u>\$ 2,268</u>	<u>\$ 926</u>

8. Equity

This amount represents the sum of the net book value of property, plant and equipment purchased by the Corporation after March 31, 1990, of which \$2,077,000 (2017 - \$1,557,000) was purchased prior to remitting funds to the Government of Yukon (Note 1). The annual change in equity represents additions and disposals of property, plant and equipment less depreciation expense for the year.

YUKON LIQUOR CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2018

9. **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 the Government of Yukon realized from the sale and control of liquor.

The Corporation defines capital as net assets. It is subject to the financial management and accountability provisions of the *Financial Administration Act* of Yukon, 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 net assets 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 effectively. 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 the Government of Yukon to ensure that the Corporation effectively achieves its objectives whilst remaining a going concern.

The Corporation is not subject to external capital requirements. There has been no change to its capital management during the year.

10. **Related party transactions**

The Corporation is related to all departments and public agencies of the Government of Yukon. The Corporation enters transactions with these entities in the normal course of business.

(a) **Profit due to (from) the Government of Yukon pursuant to the *Liquor Act***

Calculation of adjusted profit due to (from) the Government of Yukon for the year (Note 1):

	2018	2017
	(in thousands of Cdn \$)	
Balance due from the Government of Yukon at the beginning of the year	\$ (373)	\$ (133)
Comprehensive income for the year	8,742	8,819
Property, plant and equipment additions, net of disposals	(727)	(434)
Depreciation (Schedule)	207	107
Current year's profit to be remitted	8,222	8,492
Less: remitted during the year	(7,842)	(8,732)
Balance due to (from) the Government of Yukon at the end of the year	<u>\$ 7</u>	<u>\$ (373)</u>

(b) **Liquor tax**

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

	2018	2017
	(in thousands of Cdn \$)	
Balance due at the beginning of the year	\$ 327	\$ 441
Liquor tax collected during the year	4,710	4,483
Less: remitted during the year	(4,424)	(4,597)
Balance due at the end of the year	<u>\$ 613</u>	<u>\$ 327</u>

YUKON LIQUOR CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2018

(c) **Shared services costs**

The Corporation had a shared services arrangement with Yukon Housing Corporation which consolidated functions such as the President's office, finance, systems and administration, policy and communications and human resource services. The amount charged by the Yukon Housing Corporation to the Corporation for shared services for the year was \$nil (2017 - \$244,000).

The shared services agreement was dissolved effective July 1, 2016. Several Corporate Services staff transferred to the Corporation to perform said functions.

(d) **Other transactions**

The Government of Yukon and the Corporation provide services to each other without compensation. These transactions are not recorded in the financial statements of the Corporation. The Government of Yukon provides rent-free occupation of several government buildings to the Corporation with an estimated value of \$526,950 (2017 - \$526,801). The Corporation provides Territorial Agent services in rural community liquor stores on behalf of the Government of Yukon with an estimated value of \$448,560 (2017 - \$487,759).

The Corporation reimburses the Government of Yukon on a monthly basis for salaries and benefits expense paid on its behalf by the Government of Yukon.

The Corporation has entered into lease agreements for two community liquor stores and service level agreements for the three owned community liquor stores in the amount of \$251,000 (2017 - \$247,000) with the Government of Yukon.

The Government of Yukon provides certain property management services to the Corporation. During 2018 the Corporation was charged \$14,400 (2017 - \$nil) for work done on its properties.

The Corporation has entered into service agreements with the Government of Yukon for the provision of information, communication and technology services. During the year the Corporation was charged \$310,000 (2017 - \$33,300) for these services provided.

(e) **Key management compensation**

As a result of the Corporation's re-organization in fiscal 2017 (see Note 10(c)), there were several changes to the key management personnel positions.

For fiscal 2017, prior to July 1, 2016, key management personnel included the following positions: Vice-President; Director - Retail Sales and Territorial Agent Services; Director - Purchasing and Distribution; and Director - Licensing and Inspections. The shared services (see Note 10(c)) staff considered to be key management personnel include the President and the Director - Finance, Systems and Administration, and their compensation is disclosed proportionately. Effective July 1, 2016, key management personnel include the following positions: President; Director - Operations; Director - Licensing and Inspections; Director - Corporate Services; Manager - Community Store Operations and Territorial Agent Services; Manager - Finance; and Manager - Human Resources.

For fiscal 2018, key management personnel include the following positions: President; Director - Operations; Director - Licensing and Inspections; Manager, Warehouse; Manager, Social Responsibility, Policy & Planning; Manager - Community Store Operations and Territorial Agent Services; Manager - Finance; and Manager - Human Resources.

YUKON LIQUOR CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2018

	2018	2017
	(in thousands of Cdn \$)	
Salaries and short-term employee benefits	\$ 963	\$ 818
Post-employment benefits	127	83
Other long-term employee benefits	19	23
Pre-retirement and severance benefits	66	198

11. Employee benefits

Pension plan

Substantially all of the employees of the Corporation are covered by the public service pension plan (the Plan), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Corporation. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The general contribution effective at year end was \$1.01 (2017 - \$1.00) for every dollar contributed by the employee, and \$3.20 (2017 - \$7.74) for every dollar contributed by the employee for the portion of the employee's salary above \$164,700 (2017 - \$163,100). And, for new employees who are participating in the plan on or after January 1, 2013, the Corporation contributes \$1.00 (2017 - \$1.00) for every dollar contributed by the employee, and \$3.20 (2017 - \$7.74) for every dollar contributed by the employee for the portion of the employee's salary above \$164,700 (2017 - \$163,100). Total contributions of \$874,507 (2017 - \$739,336) were recognized as expense in the current year.

The Government of Canada holds a statutory obligation for the payment of benefits relating to the Plan. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of 2 percent of pensionable service times the average of the best five consecutive years of earnings. The benefits are coordinated with Canada/Québec Pension Plan benefits and they are indexed to inflation.

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 are summarized as follows:

	2018	2017
	(in thousands of Cdn \$)	
Reconciliation of accrued benefit obligation		
Accrued benefit obligation, beginning of year	\$ 1,469	\$ 1,237
Components recognized in Salaries, wages and benefits		
Current service cost	137	109
Interest cost on accrued benefit obligation	57	51
Actuarial loss (gain) recognized in Other comprehensive income	(46)	477
Benefits paid	(101)	(405)
Accrued benefit obligation, end of year	<u>\$ 1,516</u>	<u>\$ 1,469</u>
Classification of accrued benefit obligation		
Current portion	\$ 161	\$ 170
Non-current portion	1,355	1,299
	<u>\$ 1,516</u>	<u>\$ 1,469</u>

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	2018	2017
	(in thousands of Cdn \$)	
Reconciliation of actuarial gains recognized in Other comprehensive income (OCI):		
Cumulative actuarial (gain) loss recognized in OCI, beginning of year	\$ (168)	\$ (358)
Actuarial loss (gain) from member experiences	(70)	477
Actuarial (gain) loss from economic assumption changes	24	-
Actuarial (gain) loss from reimbursement right	-	(287)
	\$ (214)	\$ (168)
Cumulative actuarial (gain) loss recognized in OCI, ending of year	\$ (214)	\$ (168)

A reimbursement right was recognized in OCI in relation to a reimbursement received from Yukon Housing Corporation and the Government of Yukon for the non-pension benefit liability attributable to employees transferred to the Corporation in the prior year.

The significant assumptions used in the actuarial valuation of the obligation were as follows:

Discount rate	3.50%	3.70%
Salary escalation rate per annum	2.00%	2.00%

A quantitative sensitivity analysis as at March 31, 2018 shows the impact of the change in the significant actuarial assumptions on the non-pension defined liability obligation:

	1% increase	1% decrease
	(in thousands of Cdn \$)	
Discount rate	(111)	129
Salary escalation rate per annum	151	(132)

The most recent full actuarial valuation in respect of this non-pension post-employment benefits plan was prepared as of March 31, 2016 and extrapolated to March 31, 2018. The weighted average of the maturity plan as at March 31, 2018 is 7.8 years.

12. Operating lease arrangements

a) Leasing arrangements

Operating leases relate to leases of Whitehorse, Haines Junction and Mayo liquor stores with lease terms up to 3 years. The Corporation does not have an option to purchase the buildings at the expiry of the lease periods.

b) Payments recognized as an expense

	2018	2017
Minimum lease payments	\$ 421,115	\$ 422,134

c) Non-cancellable operating lease commitments at March 31

	2018	2017
Not later than 1 year	\$ 333,687	\$ 333,687
Later than 1 year and not later than 5 years	88,560	442,247
	\$ 422,247	\$ 775,934

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13. Commitments

In the normal course of operations, the Corporation enters into multi-year agreements for the provision of freight and other goods and services. The total of these commitments as at March 31, 2018 for future years ending on March 31, 2019 is \$1,011,543 (March 31, 2017 for 2018 - \$322,779). Included in these commitments is \$90,629 (2017 - \$249,579) for the acquisition of property, plant and equipment.

14. Subsequent Event

Yukon's *Cannabis Control and Regulation Act* (the Act) received assent on April 24, 2018. The Act complements the federal legal framework, and governs the distribution, retail, consumption, and personal cultivation and possession of non-medical cannabis in the Yukon. The Act designates the Corporation as the distributor corporation, to act as the principal supplier of cannabis for sale in the Yukon. The Act will not come into force until Bill C-45, the federal *Cannabis Act*, comes into force. An estimate of the financial impact of this legislation on the Corporation for fiscal 2019 cannot be made at this time.

15. Reclassification of Comparative Figures

In the current year statement of comprehensive income, the Corporation has disaggregated Other expenses as Other and Professional services. This additional level of detail on these two different types of expenses may be useful to readers in assessing expenses incurred by the Corporation. As a result, the prior year figures have also been reclassified. The effect on the statement of comprehensive income for the year ended March 31, 2017 is that Other expenses has been disaggregated and presented as Other of \$360,000 and Professional services of \$122,000.

YUKON LIQUOR CORPORATION
SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Leasehold improvements	Furniture and office equipment	Operating equipment	Heavy equipment	Systems development	Systems equipment	Total
	(in thousands of Cdn \$)								
March 31, 2016									
Cost	202	4,904	365	401	247	475	283	250	7,127
Accumulated depreciation	-	4,450	358	346	208	159	216	159	5,896
Net book value	202	454	7	55	39	316	67	91	1,231
March 31, 2017									
Additions	-	229	-	53	-	50	93	27	452
Disposals - cost	-	-	-	-	-	(30)	-	-	(30)
Disposals - accumulated depreciation	-	-	-	-	-	12	-	-	12
Depreciation	-	(27)	(1)	(14)	(12)	(30)	(13)	(10)	(107)
Cost	202	5,133	365	454	247	495	376	277	7,549
Accumulated depreciation	-	4,477	359	360	220	177	229	169	5,991
Net book value	202	656	6	94	27	318	146	108	1,557
March 31, 2018									
Additions	-	41	-	218	44	185	-	239	727
Disposals - cost	-	-	-	(12)	(17)	(35)	-	(14)	(78)
Disposals - accumulated depreciation	-	-	-	12	17	35	-	14	78
Depreciation	-	(38)	(1)	(29)	(12)	(35)	(32)	(60)	(207)
Cost	202	5,174	365	660	274	645	376	502	8,198
Accumulated depreciation	-	4,515	360	377	215	177	261	215	6,120
Net book value	202	659	5	283	59	468	114	287	2,077