



Yukon Liquor Corporation
9031 Quartz Rd., Whitehorse, Yukon Y1A 4P9

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, 2019 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.

A handwritten signature in black ink, appearing to read "Paul McConnell", written over a horizontal line.

Paul McConnell
President

A handwritten signature in black ink, appearing to read "Susan Russell", written over a horizontal line.

Susan Russell
A/Director, Finance & Information Management

July 31, 2019



INDEPENDENT AUDITOR'S REPORT

To the Minister responsible for the Yukon Liquor Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Yukon Liquor Corporation (the Corporation), which comprise the statement of financial position as at 31 March 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 March 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the financial statements, we have audited transactions of the Yukon Liquor Corporation coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are the *Financial Administration Act* of Yukon and regulations, the *Liquor Act* and regulations, the *Liquor Tax Act* and regulations, the *Cannabis Control and Regulation Act* and regulations, and the by-laws of the Yukon Liquor Corporation.

In our opinion, the transactions of the Yukon Liquor Corporation that came to our notice during the audit of the financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Liquor Act*, we report that, in our opinion, the accounting principles in IFRSs have been applied on a basis consistent with that of the preceding year. In addition, in our opinion, proper books of account have been kept by the Yukon Liquor Corporation and the financial statements are in agreement therewith.

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for the Yukon Liquor Corporation's compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable the Yukon Liquor Corporation to comply with the specified authorities.

Auditor's Responsibilities for the Audit of Compliance with Specified Authorities

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the financial statements are in compliance with the specified authorities referred to above.



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

Vancouver, Canada
31 July 2019

YUKON LIQUOR CORPORATION

STATEMENT OF FINANCIAL POSITION

as at March 31

(in thousands of Canadian dollars)

Assets	Note	2019	2018
Current			
Cash		\$ 4,102	\$ 2,447
Inventories	4	3,599	3,252
Accounts receivable	5	43	72
Prepaid expenses		-	23
Total Current Assets		7,744	5,794
Property, plant and equipment	Schedule A	2,361	2,077
Intangible assets	Schedule B	45	-
Total Assets		\$ 10,150	\$ 7,871
Liabilities and Equity			
Current			
Accounts payable and accrued liabilities	6	\$ 3,036	\$ 2,079
Due to the Government of Yukon	7	2,781	2,268
Deferred revenue		91	92
Deferred Government Grant	16	375	-
Total Current Liabilities		6,283	4,439
Non-pension benefit liability	14	956	1,355
Total Liabilities		7,239	5,794
Equity	8	2,911	2,077
Total Liabilities and Equity		\$ 10,150	\$ 7,871

Commitments (Note 9)

Approved by Management and authorized for issue on July 31, 2019



President



A/Director, Finance & Information Management

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

YUKON LIQUOR CORPORATION

STATEMENT OF COMPREHENSIVE INCOME

for the year ended March 31

		(in thousands of Canadian dollars)	
	Note	2019	2018
Revenue	10	\$ 42,068	\$ 39,417
Cost of goods sold	11	22,700	21,357
Gross Profit		19,368	18,060
Other income			
Government Grant	16	2,600	-
Fees, permits and licences		144	148
Miscellaneous		101	25
Total other income		2,845	173
Expenses			
Salaries, wages and benefits		7,717	6,677
Rent, utilities and maintenance		1,044	1,078
Depreciation – property, plant and equipment		855	207
Bank expenses		512	486
Professional services		408	430
Travel and communications		274	287
Other		209	264
General and office supplies		111	108
Amortization – intangible assets		22	-
Total expenses		11,152	9,537
Income from operations		11,061	8,696
Other comprehensive income, not to be reclassified subsequently to net income			
Actuarial gain	14	102	46
Comprehensive income		\$ 11,163	\$ 8,742

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

YUKON LIQUOR CORPORATION
STATEMENT OF CHANGES IN EQUITY

for the year ended March 31

		(in thousands of Canadian dollars)	
	Note	2019	2018
Equity, beginning of year		\$ 2,077	\$ 1,557
Profit before other comprehensive income		11,061	8,696
Other comprehensive income		102	46
Current year's profit to be remitted to the Government of Yukon		(10,329)	(8,222)
Equity, end of year	8	\$ 2,911	\$ 2,077

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

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

		(in thousands of Canadian dollars)	
	Note	2019	2018
Cash flows from operating activities			
Cash receipts:			
Sales		\$ 42,097	\$ 39,549
Government Grant	16	2,026	-
Fees, permits and licences and miscellaneous		244	175
Cash disbursements:			
Purchases of inventories		(22,525)	(21,396)
Salaries, wages and benefits		(7,421)	(6,017)
General and administrative expenses		(3,511)	(2,360)
Net cash generated by operating activities		10,910	9,951
Cash flows from investing activities			
Acquisition of property, plant and equipment	Schedule A	(1,116)	(625)
Government Grant	16	949	-
Acquisition of intangible assets	Schedule B	(67)	-
Net cash used in investing activities		(234)	(625)
Cash flows from financing activities			
Remittance of profit to the Government of Yukon	13 a)	(9,021)	(7,842)
Net cash used in financing activities		(9,021)	(7,842)
Increase in cash for the year		1,655	1,484
Cash, beginning of year		2,447	963
Cash, end of year *		\$ 4,102	\$ 2,447

* Cash, end of year is comprised of bank account balances maintained for liquor and for cannabis operations with end of year balances (in thousands of Canadian dollars) of \$2,666 and \$1,436 respectively.

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

YUKON LIQUOR CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2019

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 from liquor operations 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% (2018 - 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.

The Corporation is also responsible for the purchase, distribution and sale of cannabis within the Yukon through retail and licensees. The *Cannabis Control and Regulation Act* received assent on April 24, 2018 and governs the distribution, retail, consumption, personal cultivation and possession of non-medical cannabis in the Yukon. Through Order-in-Council 2018/107, the Corporation is designated as the distributor corporation, to act as the principal supplier of cannabis for sale in the Yukon.

In accordance with the *Cannabis Control and Regulation Act*, the profit from cannabis operations for the year, before depreciation, less amounts expended on property, plant and equipment, is remitted to the Government of Yukon.

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 (IFRSs). The statements are presented in Canadian dollars and are rounded to the nearest thousand (\$000) where indicated.

YUKON LIQUOR CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2019

3. Significant accounting policies

The significant accounting policies summarized below have been applied to all periods presented in these financial statements except for the accounting policy disclosure changes related to adoption of IFRS 9, *Financial Instruments* and IFRS 15, *Revenue from Contracts with Customers*, as described in note 3k):

a) Inventories

Inventories are comprised of alcoholic beverages and cannabis 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

Financial assets

The Corporation's financial assets include Cash and Accounts receivable and are initially measured at fair value.

After initial recognition, Cash is measured at amortized cost and Accounts receivable are measured at amortized cost using the effective interest method, less a provision for impairment when applicable. Accounts receivable are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. For Accounts receivable, the Corporation applies the simplified approach which requires expected lifetime losses to be recognized from initial recognition of the receivables. The Accounts receivable carrying amount is reduced through the use of an allowance account and the loss is recognized in the statement of comprehensive income.

A financial asset is derecognized when the contractual rights to the cash flows from the asset have expired, or when the asset and all substantial risks and rewards are transferred.

Financial liabilities

The Corporation's financial liabilities include Accounts payable and accrued liabilities, and Due to the Government of Yukon and are initially measured at fair value.

After initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. A financial liability is derecognized when the obligation is discharged, cancelled, or expires.

YUKON LIQUOR CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2019

3. Significant accounting policies (continued)

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:

Classification	Estimated useful life
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, estimated useful life and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

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.

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, 2019

3. Significant accounting policies (continued)

d) Intangible Assets

Intangible assets are comprised of internally developed software systems. They are carried at cost less accumulated amortization and impairment losses. Amortization is recognized on a straight-line basis over the estimated useful life of 3 years. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use. Gains or losses from de-recognition on an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized within 'Other income – Miscellaneous' in the statement of comprehensive income.

e) Revenue recognition

Revenue is generated from sales to customers through wholesale and retail stores for liquor products as well as through retail stores and e-commerce for cannabis products. Revenue is recognized when the customer obtains control of the asset which is when the Corporation's performance obligations are satisfied. For retail transactions, this is at the point of sale and for wholesale transactions, this is at the time of shipment. Revenue does not include beverage container recycling fees which are remitted to the Recycling Fund as per the Beverage Container Regulations. Revenue also excludes liquor tax which is remitted to the Department of Finance as per the *Liquor Tax Act*. Licence revenue is recorded as deferred revenue and recognized to revenue over the term of the related licence.

Sales of liquor and cannabis products include a right of return. A refund liability is recognized if it is expected that consideration will be refunded to customers. This liability is updated at the end of each reporting period for changes in circumstances. Revenue is stated net of estimated returns. Historically, the return rate for products sold is nominal.

f) Expense recognition

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

g) Employee benefits

Non-pension benefits

Under their conditions of employment, employees may qualify for and earn employment benefits for vacation, sick, and special leave, as well as severance benefits. The benefit obligation is determined on an actuarial basis. The cost 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. Other retirement benefits include extended health care and life insurance plan for retirees which are paid by and accrued in the consolidated financial statements of the Government of Yukon.

YUKON LIQUOR CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2019

3. Significant accounting policies (continued)

g) Employee benefits (continued)

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.

h) 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.

i) Use of estimates

The preparation of financial statements in accordance with IFRSs 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.

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.

j) Government Grants

Government grants received from the Government of Yukon to assist the Corporation in meeting its responsibilities are recognized in the period in which the funding is committed by the Government of Yukon and when the terms and eligibility of the expenses have been met. Grants received related to operating expenditures are presented as Other income in the statement of comprehensive income.

Grants received for the purpose of purchasing property, plant and equipment or intangible assets are recognized initially as Deferred Government Grant. Deferred Government Grant is then recognized straight-line over the estimated useful life of the related purchased asset.

YUKON LIQUOR CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2019

3. Significant accounting policies (continued)

k) Adoption of new and revised accounting standards

The Corporation initially adopted IFRS 9, *Financial Instruments* and IFRS 15, *Revenue from Contracts with Customers* beginning on April 1, 2018.

IFRS 9

The Corporation adopted IFRS 9 retrospectively on April 1, 2018 without restatement of comparative figures which are accounted for under IAS 39, *Financial Instruments: Recognition and Measurement*. The Corporation did not have any transitional adjustments upon adoption of IFRS 9.

The key changes to the Corporation's accounting policies from its adoption of IFRS 9 are summarized below.

(i) Classification and measurement of financial instruments

On adoption of IFRS 9, the Corporation reclassified the financial assets held at April 1, 2018 retrospectively, based on the new classification requirements and the characteristics of each financial instrument as at the transition date. For financial liabilities, IFRS 9 retains most of the IAS 39 requirements. The Corporation did not choose the option of designating any financial liabilities at fair value through profit or loss (FVTPL), and as such, the adoption of IFRS 9 did not impact the Corporation's accounting policy for financial liabilities.

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains three primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVTOCI), and FVTPL.

The following table shows the original classification under IAS 39 and the new classification under IFRS 9 for each class of the Corporation's financial assets and financial liabilities as at April 1, 2018. On adoption of IFRS 9, no changes in the carrying amounts of the financial assets or financial liabilities have been recorded.

	IAS 39	IFRS 9
Financial assets		
Cash	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Financial liabilities		
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Due to the Government of Yukon	Other financial liabilities	Amortized cost

(ii) Impairment of financial assets

Under IFRS 9, the Corporation recognizes impairment of its financial assets identified above using the simplified approach which requires expected lifetime losses to be recognized from initial recognition of the receivables as described in note 3b) and note 5. Under IAS 39 and

YUKON LIQUOR CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2019

3. Significant accounting policies (continued)

k) Adoption of new and revised accounting standards (continued)

the Corporation's previous accounting policy, a provision for impairment of accounts receivable was established when it was deemed that the collection was unlikely. The application of the expected credit loss model to determine the allowance for doubtful accounts, and the impacts of the classification changes noted in the table above, had no impact on the Corporation's balances at April 1, 2018 and March 31, 2019.

IFRS 15

The Corporation adopted IFRS 15 retrospectively on April 1, 2018 without restatement of comparative figures which are accounted for under IAS 18, *Revenue*. The Corporation did not have any transitional adjustments upon adoption of IFRS 15.

IFRS 15 establishes a framework for revenue recognition based on transfer of control for determining when and the amount of revenue to be recognized, and includes expanded disclosure requirements for annual financial statements. Under IFRS 15, the Corporation recognizes a refund liability if it is expected that consideration will be refunded to customers as described in note 3e).

The Corporation has two revenue streams, which is the sale of alcoholic beverages and of cannabis products. The adoption and application of IFRS 15 did not result in changes in judgments, nor did it affect the determination of the amount or timing of revenue from contracts with customers.

l) Accounting standards issued but not yet effective

IFRS 16, *Leases*

IFRS 16 was issued in January 2016 to replace IAS 17, *Leases*. The new standard increases the scope of which leases must be brought into lessees' statement of financial position, 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 will have an optional statement of financial position recognition exemption from the requirements. The new standard is effective for the Corporation on April 1, 2019.

The Corporation plans to apply the modified retrospective adoption method in IFRS 16 and, therefore, will only recognize leases on the statement of financial position as at April 1, 2019, with no restatement of the comparative figures. Management has performed an evaluation as to the effects of adopting IFRS 16 and has concluded that the Corporation's property leases will be recognized on the statement of financial position. The pattern of expense recognition for these leases 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. Based on management's assessment, the adoption of the new standard is not expected to have a material impact on the Corporation's financial statements due to the short-term nature of the leases in force as at April 1, 2019, the date of transition to IFRS 16.

YUKON LIQUOR CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2019

4. Inventories

	(in thousands of Canadian dollars)	
	2019	2018
Inventories		
Beer	\$1,317	\$1,198
Spirits	857	1,122
Wine	920	932
Liquor sub-total	3,094	3,252
Flower	412	-
Oil	93	-
Cannabis sub-total	505	-
Total inventories	\$3,599	\$3,252

5. 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 or 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 risk on Cash is minimized as these assets are held with a Canadian chartered bank.

The Corporation's Accounts receivable has a carrying value of \$43,000 as of March 31, 2019 (2018 - \$72,000). There is a nil (2018 - 74.5%) concentration of Accounts receivable with one customer.

YUKON LIQUOR CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2019

5. Financial Instruments (continued)

The following table provides information about the exposure to credit risk for trade accounts receivable by days the receivable is outstanding:

	(in thousands of Canadian dollars)	
	2019	2018
Current	\$41	\$69
91 days or greater	2	3
Total trade accounts receivable	\$43	\$72

The Corporation measures the loss allowance at an amount equal to the lifetime Expected Credit Loss (ECL) for its Accounts receivable. For the years ended March 31, 2019 and 2018, the Corporation has estimated the ECL to be nominal.

Accounts written off could still be subject to enforcement activities. No accounts are written off directly to the provision for credit losses. As at March 31, 2019 and 2018, the loss allowance was nil.

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 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 \$3,036,000 as at March 31, 2019 (2018 - \$2,079,000). As at March 31, 2019, approximately 12.30 % (2018 - 6.3%) of Accounts payable were over 90 days past due. Due to the Government of Yukon had a carrying value of \$2,781,000 as of March 31, 2019 (2018 - \$2,268,000). As at March 31, 2019 approximately 0% (2018 - 33.7%) 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, 2019

6. Accounts payable and accrued liabilities

		(in thousands of Canadian dollars)	
	Note	2019	2018
Trade payable		\$1,997	\$1,380
Accrued liabilities		442	538
Non-pension benefit liability current portion	14	597	161
Total accounts payable and accrued liabilities		\$3,036	\$2,079

7. Due to the Government of Yukon

		(in thousands of Canadian dollars)	
	Note	2019	2018
Reimbursements due for salaries to employees, and other costs paid on behalf of the Corporation		\$948	\$844
Remittances due to the Government of Yukon pursuant to:			
<i>Liquor Act</i>	13 a)	841	7
<i>Cannabis Control and Regulation Act</i>	13 b)	474	-
<i>Liquor Tax Act</i>	13 c)	368	613
Beverage Container Regulations – <i>Environment Act</i>		150	804
Net due at the end of the year		\$2,781	\$2,268

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 \$2,361,000 (2018 - \$2,077,000), and intangible assets \$45,000 (2018 – nil) was purchased prior to remitting funds to the Government of Yukon (Note 1). The annual change in equity represents net additions and disposals of property, plant and equipment and intangible assets less depreciation and amortization expense for the year. In addition, for 2019, it also includes the ending inventory balance for the first year of operations under Section 12.3(b) of the *Cannabis Control and Regulation Act* which reduces the remittance of profit for the current year to the Government of Yukon.

YUKON LIQUOR CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2019

9. 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, 2019 for future years ending on March 31, 2020 is \$1,054,616 (March 31, 2018 for 2019 - \$1,011,543). Included in these commitments is \$16,517 (2018 - \$90,629) for the acquisition of property, plant and equipment.

10. Revenue

	(in thousands of Canadian dollars)	
	2019	2018
Revenue		
Beer	\$18,369	\$19,253
Spirits	13,151	11,744
Wine	8,518	8,420
Total liquor sales	40,038	39,417
Flower	1,806	-
Oil	224	-
Total cannabis sales	2,030	-
Total revenue	\$42,068	\$39,417

YUKON LIQUOR CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
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11. Cost of Goods Sold

	(in thousands of Canadian dollars)	
	2019	2018
Cost of Goods Sold		
Beer	\$10,596	\$11,955
Spirits	7,284	5,330
Wine	3,533	4,072
Total liquor cost of goods sold	21,413	21,357
Flower	1,153	-
Oil	134	-
Total cannabis cost of goods sold	1,287	-
Total cost of goods sold	\$22,700	\$21,357

12. Capital Management

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

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*, the *Liquor Act*, and the *Cannabis Control and Regulation 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.

YUKON LIQUOR CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2019

13. 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 the Government of Yukon pursuant to the *Liquor Act*

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

	(in thousands of Canadian dollars)	
	2019	2018
Balance due to (from) the Government of Yukon at the beginning of the year	\$ 7	\$ (373)
Comprehensive income for the year – Liquor operations	9,806	8,742
Property, plant and equipment additions, net of disposals – attributable to Liquor operations	(256)	(727)
Depreciation – attributable to Liquor operations	305	207
Current year's profit to be remitted	9,855	8,222
Less: remitted during the year	(9,021)	(7,842)
Balance due to the Government of Yukon at the end of the year	\$ 841	\$ 7

YUKON LIQUOR CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2019

13. Related party transactions (continued)

b) Profit due to the Government of Yukon pursuant to the *Cannabis Control and Regulation Act*

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

		(in thousands of Canadian dollars)	
	Note	2019	2018
Balance due to the Government of Yukon at the beginning of the year		\$ -	\$ -
Income for the year – cannabis operations		1,356	-
Property, plant and equipment additions, net of disposals – attributable to cannabis operations		(882)	-
Intangible assets additions – attributable to cannabis operations		(67)	-
Depreciation and amortization – attributable to cannabis operations		572	-
Other asset – inventory – attributable to cannabis operations	8	(505)	-
Current year's profit to be remitted		474	-
Less: remitted during the year		-	-
Balance due to the Government of Yukon at the end of the year		\$ 474	\$ -

c) Liquor Tax

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

	(in thousands of Canadian dollars)	
	2019	2018
Balance due at the beginning of the year	\$ 613	\$ 327
Liquor tax collected during the year	4,766	4,710
Less: remitted during the year	(5,011)	(4,424)
Balance due at the end of the year	\$ 368	\$ 613

YUKON LIQUOR CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2019

13. Related party transactions (continued)

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 \$640,698 (2018 - \$526,950). The Corporation provides Territorial Agent services in rural community liquor stores on behalf of the Government of Yukon with an estimated value of \$456,282 (2018 - \$448,560).

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, one cannabis store and service level agreements for the three owned community liquor stores in the amount of \$266,000 (2018 - \$251,000) with the Government of Yukon.

The Government of Yukon provides certain property management services to the Corporation. During 2019 the Corporation was charged \$nil (2018 - \$14,400) 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 \$334,000 (2018 - \$310,000) for these services.

e) Key management compensation

For fiscal 2019, key management personnel include the following positions: President; Director, Operations; Director, Licencing and Inspections; Director, Finance and Information Management; Manager, Social Responsibility, Policy and Planning; Manager, Accounting Services; Manager, Warehouse; Manager, Community Store Operations and Territorial Agent Services; Manager, Whitehorse Store; and Manager, Human Resources.

For fiscal 2018, key management personnel included 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.

	(in thousands of Canadian dollars)	
	2019	2018
Salaries and short-term employee benefits	\$1,275	\$963
Post-employment benefits	133	127
Other long-term employee benefits	18	19
Pre-retirement and severance benefits	90	66

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14. 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 (2018 - \$1.01) for every dollar contributed by the employee, and \$3.79 (2018 - \$3.20) for every dollar contributed by the employee for the portion of the employee's salary above \$169,300 (2018 - \$164,700). For new employees who are participating in the plan on or after January 1, 2013, the Corporation contributes \$1.00 (2018 - \$1.00) for every dollar contributed by the employee, and \$3.79 (2018 - \$3.20) for every dollar contributed by the employee for the portion of the employee's salary above \$169,300 (2018 - \$164,700). Total contributions of \$974,019 (2018 - \$874,507) 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 two 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 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.

The following table summarizes non-pension benefits by type:

Benefits by type	(in thousands of Canadian dollars)	
	2019	2018
Severance benefit	\$956	\$953
Vacation and special leave	354	323
Sick leave	243	240
Accrued benefit obligation, end of year	\$1,553	\$1,516

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NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2019

14. Employee benefits (continued)

The results measured at March 31 are summarized as follows:

	(in thousands of Canadian dollars)	
	2019	2018
Reconciliation of accrued benefit obligation		
Accrued benefit obligation, beginning of year	\$1,516	\$1,469
Components recognized in salaries, wages and benefits		
Current service cost	138	137
Past service cost	(24)	-
Interest cost on accrued benefit obligation	55	57
Actuarial gain recognized in Other comprehensive income	(102)	(46)
Benefits paid	(30)	(101)
Accrued benefit obligation, end of year	\$1,553	\$1,516
Classification of accrued benefit obligation		
Current portion	597	161
Non-current portion	956	1,355
Total accrued benefit classification	\$1,553	\$1,516

The reduction in the employee sick leave benefits liability over the next twelve months is expected to be \$149,000 (2018 – \$161,000).

	(in thousands of Canadian dollars)	
	2019	2018
Reconciliation of actuarial gains recognized in Other comprehensive income (OCI)		
Cumulative actuarial gain recognized in OCI, beginning of year	\$(214)	\$(168)
Actuarial gain from member experiences	(128)	(70)
Actuarial loss from economic assumption changes	26	24
Cumulative actuarial gain recognized in OCI, end of year	\$(316)	\$(214)

YUKON LIQUOR CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
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14. Employee benefits (continued)

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

	2019	2018
Discount rate	3.30%	3.50%
Salary escalation rate per annum	2.00%	2.00%

A quantitative sensitivity analysis as at March 31, 2019 shows the impact of the change in the significant actuarial assumptions on the non-pension defined liability obligation:

	(in thousands of Canadian dollars)	
	1% increase	1% decrease
Discount rate	(119)	135
Salary escalation rate per annum	177	(154)

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, 2019. The weighted average of the maturity plan as at March 31, 2019 is 7.9 years.

15. Operating lease arrangements

a) Leasing arrangements

Operating leases relate to leases of the Whitehorse, Haines Junction and Mayo liquor stores with lease terms up to 3 years and rental of retail space for the cannabis store from the Government of Yukon for approximately 12 months. The Corporation does not have an option to purchase the buildings at the expiry of the lease periods. Subsequent to year-end, the Corporation entered into a new contract for a five year lease extension to its Haines Junction liquor store location and a three year lease extension for the Whitehorse liquor store.

b) Payments recognized as an expense

	(in thousands of Canadian dollars)	
	2019	2018
Minimum lease payments	\$431	\$421

YUKON LIQUOR CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
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15. Operating lease arrangements (continued)

c) Non-cancellable operating lease commitments at March 31

	(in thousands of Canadian dollars)	
	2019	2018
Not later than 1 year	\$89	\$334
Later than 1 year and not later than 5 years	0	89
Total lease payments	\$89	\$423

16. Government Grant - Transfer Payment Agreement

On July 24, 2018, the Corporation entered into a Transfer Payment Agreement (the "TP Agreement") with the Government of Yukon to provide start-up funding for the Corporation's cannabis operations. During the year, in accordance with the TP Agreement, the Government of Yukon provided the Corporation with \$2,975,400, which was spent on eligible expenditures, including capital expenditures of \$949,452, and the balance on inventories and operating costs. At March 31, 2019, a portion, \$375,000, remains as a Deferred Government Grant.

17. Subsequent event

By the end of the calendar year, the Corporation intends to close its retail cannabis store and focus on being an online retailer, wholesale distributor and regulator. With the enactment of the Cannabis Licencing Regulation on February 20, 2019, and the coming into force of the complete *Cannabis Control and Regulation Act*, the Government of Yukon has moved forward with the establishment of a private retail sector for non-medical cannabis. The first private retail licence was issued April 17, 2019. An estimate of the financial effect of these events cannot be made.

18. Reclassification of Comparative Figures

In the current year statement of financial position, the Corporation has aggregated the types of Inventories and has provided the detailed breakdown in note 4. This change in presentation allows for information about liquor and cannabis inventories to be provided to readers in a tabular format in a single note to the financial statements. As a result, the prior year figures have also been reclassified. The effect on the statement of financial position as at March 31, 2018 is that Inventories has been aggregated and presented as a total of \$3,252,000.

In the current year statement of comprehensive income, the Corporation has aggregated the types of Revenue and Cost of goods sold and has provide the detailed breakdowns in notes 10 and 11. This change in presentation allows for information about liquor and cannabis revenues and cost of goods sold to be provided to readers in a tabular format in the notes to the financial statements. 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, 2018 is that Revenue has been aggregated and presented as a total of \$39,417,000 and Cost of goods sold has been aggregated and presented as a total of \$21,357,000.

YUKON LIQUOR CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
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SCHEDULE A

SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT
(in thousands of Canadian dollars)

	Land	Buildings	Leasehold improvements	Furniture and office equipment	Operating equipment	Heavy equipment	Systems development	Systems equipment	2019 Total	2018 Total
Cost of property, plant and equipment, opening	\$202	\$5,172	\$366	\$660	\$274	\$645	\$376	\$502	\$8,197	\$7,548
Acquisitions	-	161	658	187	55	-	44	33	1,138	727
Disposals	-	-	-	-	-	-	-	-	-	(78)
Cost of property, plant and equipment, closing	202	5,333	1,024	847	329	645	420	535	9,335	8,197
Accumulated depreciation, opening	-	4,514	361	377	215	176	261	215	6,119	5,991
Depreciation	-	48	523	95	27	42	41	79	855	207
Disposals	-	-	-	-	-	-	-	-	-	(78)
Accumulated depreciation, ending	-	4,562	884	472	242	218	302	294	6,974	6,120
Net book value	\$202	\$771	\$140	\$375	\$87	\$427	\$118	\$241	\$2,361	\$2,077

YUKON LIQUOR CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
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SCHEDULE B

SCHEDULE OF INTANGIBLE ASSETS

(in thousands of Canadian dollars)

	Website development	2019 Total	2018 Total
Cost of intangible assets, opening	-	-	-
Acquisitions	\$67	\$67	-
Disposals	-	-	-
Cost of intangible assets, opening	<u>67</u>	<u>67</u>	-
Accumulated amortization, opening	-	-	-
Amortization	22	22	-
Disposals	-	-	-
Accumulated amortization, ending	<u>22</u>	<u>22</u>	-
Net book value	<u>\$45</u>	<u>\$45</u>	-