

Annual report

April 1, 2022 to March 31, 2023



Yukon Liquor Corporation







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Hon. Sandy Silver
Minister responsible for
Yukon Liquor Corporation

Minister's message

I am pleased to share with you the Yukon Liquor Corporation's 2022/23 annual report. As the Minister responsible for the Corporation, I am proud to report on the progress and achievements made in ensuring the responsible sale and consumption of liquor in the Yukon.

The Yukon Liquor Corporation plays a critical role in our community, distributing and selling liquor while prioritizing the safety and well-being of our citizens. The Corporation works closely with many areas of government and community partners to ensure that liquor is sold in a safe and responsible manner, and that customers are educated on the risks and responsibilities associated with consuming alcohol.

In the past year, the Corporation has made great strides in its efforts to prioritize education and awareness programs for responsible alcohol consumption. The Corporation has launched new initiatives, such as making the Be A Responsible Server Liquor (BARS-L) course available online, along with supporting interdepartmental social media campaigns to provide information and resources to customers and the community regarding the safer consumption of alcohol, and the dangers of impaired driving.

Additionally, the Corporation continues to raise awareness of responsible consumption, lower risk drinking behaviours, and supports programs that focus on reducing alcohol-related harms. In July 2022, the Corporation, in partnership with the Department of Health and Social Services, provided \$46,000 to the Fetal Alcohol Syndrome Society Yukon for a healing camp at Jackson Lake.

As we continue through 2023, we remain committed to our goal of promoting safe and responsible consumption and sale of liquor in the Yukon. The Corporation will continue to work with government and community partners to develop innovative solutions and implement best practices for liquor sales and education.

I would like to thank the dedicated staff of the Yukon Liquor Corporation for their hard work and commitment to our community. I would also like to thank the Yukon Liquor Board members for their ongoing work to support the safe consumption of alcohol in the territory.

Sincerely,

A handwritten signature in black ink, consisting of stylized initials 'SS'.

Hon. Sandy Silver
Minister responsible for Yukon Liquor Corporation

Letter of transmittal

On behalf of the Yukon Liquor Corporation, I am pleased to present the Corporation's 2022/23 annual report.

The Yukon Liquor Corporation is responsible for the distribution and sale of liquor in the Yukon. We look for efficiencies and reasonable costs for businesses and the public, for example by ensuring that distribution and shipping expenses are the same for all licensees, whether in Eagle Plains or Watson Lake.

We work closely with our government and community partners to ensure that liquor is sold in a responsible manner, and that our customers are educated on the risks and responsibilities associated with consuming alcohol. Through this dual approach, the Corporation ensures that local businesses can flourish while fostering a culture of responsible drinking and social responsibility in the territory.

In the past year, the Corporation has contributed to education and awareness programs regarding the responsible consumption of alcohol. This has included supporting Mothers Against Drunk Driving (MADD) Whitehorse chapter's Red Ribbon campaign to increase awareness of the effects of impaired driving and to relay the message of driving sober.

Additionally, the Corporation has provided Yukoners with updated information on Yukon.ca and social media regarding low-risk drinking guidelines, tips for responsible hosting, and resources on the safer consumption of alcohol. It is through these efforts that we remain committed to working with our government and community partners to ensure that liquor is sold and consumed responsibly in the Yukon.

The Yukon Liquor Board continued to fulfill its mandate for liquor licensing of private business. The board operates at arm's-length from the Corporation and is responsible for decisions related to issuing, cancelling and suspending liquor licences.

Within our head office and at Corporation liquor stores across the Yukon, Corporation staff continued to focus their work on education, monitoring, enforcement, and customer service excellence to ensure responsible service and compliance with the Yukon's liquor laws.

We thank the staff at the Corporation, board members and partners for their continued efforts throughout 2022/23 and for their dedication to serving all Yukoners.

Sincerely,



Dennis Berry
President of Yukon Liquor Corporation



Eva Bidrman
Chair, Yukon Liquor Board



Dennis Berry President,
Yukon Liquor Corporation



Eva Bidrman Chair,
Yukon Liquor Board

Vision, mission and strategic priorities

Vision

Service excellence that supports a healthy, vibrant and prosperous Yukon.

Mission

To offer legal access to a variety of liquor and cannabis products while considering the wellbeing and economic prosperity of the Yukon.

Strategic priorities

Serve the Yukon

- ▶ We sustain net profitability through responsible liquor and cannabis sales.
- ▶ We support initiatives targeting the responsible supply and consumption of our products.
- ▶ We work collaboratively with producers and licensees.

Advance the Corporation

- ▶ We invest in employees, empowering them to deliver increasingly excellent service to clients, customers and communities.
- ▶ We develop legislation, policies and processes that meet current and future needs.
- ▶ We ensure effective and on-going development and use of systems.

Work together

- ▶ We focus energy and actions on mutually agreed upon goals.
- ▶ We work as one, seeking to understand, appreciate and support the good of the Corporation, its branches and the team.
- ▶ We promptly address challenges with honesty and creativity.

Yukon Liquor Board

The Yukon Liquor Board operates at arm's length from the Yukon Liquor Corporation and has independent decision-making authority as a quasi-judicial body.

The board is responsible for making liquor licensing decisions including whether an application should be granted. The board is also responsible for suspensions, cancellations, hearing appeals, barring and permit refusals as per the *Liquor Act* and regulations. The board members meet monthly, with additional meetings scheduled as required.

The President of the Yukon Liquor Corporation provides updates to the board.



Eva Bidrman
Chair
from April 1, 2021
to March 31, 2024



David Hett
Vice-chair
from April 1, 2021
to March 31, 2024



Dr. Deborah Bartlette
Member
extended from
August 13, 2019
to August 12, 2025



David Luke S. Campbell
Member
from April 20, 2023
to April 21, 2026



Jean-Sébastien Blais
Member
from August 7, 2021
to August 6, 2024

Find out more about the Yukon Liquor Board members at:
yukon.ca/en/your-government/boards-and-committees/liquor-board-yukon

About the Yukon Liquor Corporation

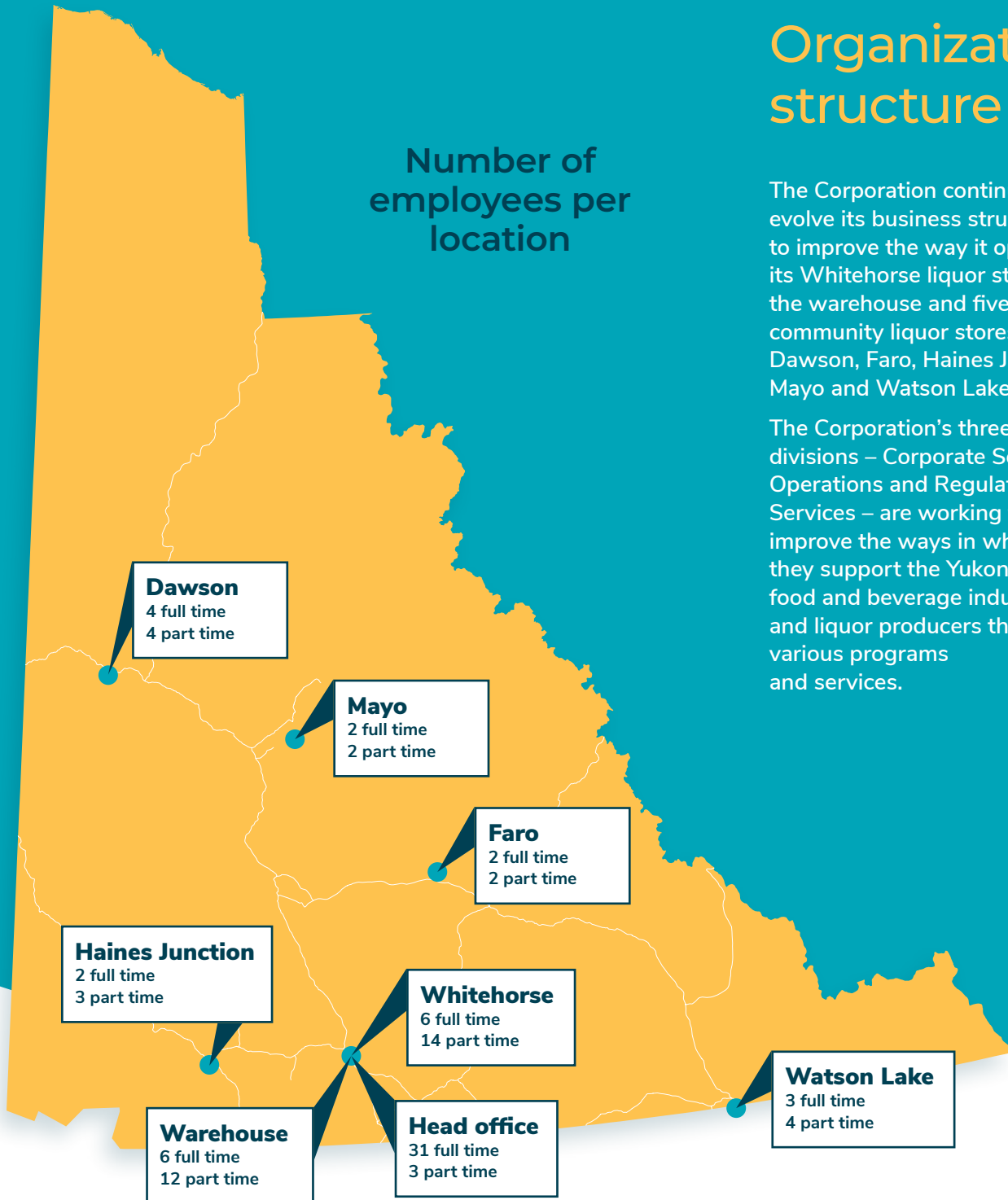
The Yukon Liquor Corporation is responsible for the purchase, distribution, and responsible sale of both liquor and cannabis products in the Yukon. The Corporation regulates liquor and cannabis products to be enjoyed in a safe, legal and socially responsible manner.

Organizational structure

The Corporation continues to evolve its business structure to improve the way it operates its Whitehorse liquor store, the warehouse and five rural community liquor stores in Dawson, Faro, Haines Junction, Mayo and Watson Lake.

The Corporation's three divisions – Corporate Services, Operations and Regulatory Services – are working to improve the ways in which they support the Yukon's food and beverage industry and liquor producers through various programs and services.

Number of employees per location



Corporate Services

The Corporate Services division sets the strategic direction for the Corporation and supports Operations in delivering on those strategic goals and managing frontline business. The President's office is accountable to the Minister responsible and Cabinet for the operation of the Corporation.

The President is responsible for:

- ▶ administering the *Liquor Act*;
- ▶ managing the daily operations of the Corporation in accordance with the Government of Yukon's legislation, regulations, policies and business plans; and
- ▶ coordinating work with other organizations and Government of Yukon departments.

Human Resources

Human Resources is responsible for talent management, including compensation and benefits, training and development, succession planning, employee relations and workplace diversity. It promotes a positive organizational culture and helps to develop and grow the Corporation's human resources.

Finance and Information Management

Finance prepares budget and financial reports, conducts accounting services and is the lead for the annual audit conducted by the Office of the Auditor General of Canada, as well as managing assets, procurement and risks. Information Management provides software and hardware solutions that meet operational needs. It also maintains records and public accountability when dealing with privacy matters.

Policy and Communications

Policy and Communications leads legislative development projects and provides policy and strategic planning support services to the Corporation. This team manages corporate communications and supports social responsibility initiatives in partnership with business and community organizations.



For more information regarding the Corporation's role in the Yukon's cannabis industry, please see the 2022/23 cannabis annual report.



Operations

The Operations division manages the Corporation's frontline business and day-to-day services.

Sourcing and supply services

Sourcing and supply services is responsible for the purchasing, pricing, and in-bound supply chain of product. The branch maintains relationships with Yukon Liquor Corporation vendors, customers and supply chain partners.

Warehouse operations

Warehouse operations manages the logistics of liquor distribution. It manages inventory through processing incoming shipments from suppliers and preparing orders for distribution to licensees and Corporation liquor stores throughout the Yukon.

The sales and distribution unit processes orders and provides wholesale services to licensees and Corporation liquor stores. It is the main liaison for customer and client relations and helps coordinate outbound shipping within the Yukon.

Retail operations

Retail operations provides a wide range of product choices to meet customer preferences and local licensee needs. Staff in all six liquor stores offer their knowledge on products. The five community Corporation liquor stores provide wholesale ordering and distribution services for licensed businesses in their regions.

Territorial Agent services

Territorial Agents are located at the five community liquor stores in Dawson, Faro, Mayo, Haines Junction and Watson Lake. Store staff act as territorial agents on behalf of other Government of Yukon departments and administer services for drivers' licences, motor vehicle registration, property taxes, business licences, court fines and other services.



Joint health and safety committee

The joint health and safety committee meets monthly and is made up of staff from across the Corporation. This advisory body is committed to strengthening the health and safety culture of our workplace by identifying and recommending corrective actions, assisting with development of policies and procedures, investigating accidents and inspecting the workplace.

Regulatory Services

Regulatory Services facilitates cannabis and liquor licensee education, licensed premises inspection and compliance monitoring throughout the Yukon. This division prepares analyses of applications for the review of the Yukon Liquor Board. They also administer all aspects of licensing and permitting services, and enforce the *Liquor Act* and associated regulations.

Regulatory Services works in coordination with the Royal Canadian Mounted Police and other enforcement agencies throughout the Yukon.



Social responsibility

We are a partner in the promotion of moderate consumption, wellness and responsible sales and service. The Yukon Liquor Corporation works through strategic partnerships with Government of Yukon departments, other governments, non-governmental organizations and licensees to help reduce alcohol and cannabis-related harms and to encourage only the responsible consumption of alcohol.

Social responsibility initiatives in 2022/23

Tips on how to stay safe



Safer alcohol consumption,
Government of Yukon

- ▶ Updated Be A Responsible Server – Liquor (BARS-L) training to include the latest information on low-risk drinking guidelines from the Canadian Centre on Substance Use and Addictions.
- ▶ Transitioned the BARS-L training online to make it more accessible to licensees. Since BARS-L was offered online in November 2022, 82 people have completed the training.
- ▶ Updated the Low-Risk Drinking Guidelines on Yukon.ca to reflect the latest guidance by the Canadian Centre for Substance Abuse.
- ▶ Continued to share safe alcohol consumption guidance on the Yukon Liquor Corporation's Facebook page as a resource to help Yukoners avoid over consumption.
- ▶ Utilized the Corporation's Whitehorse liquor store digital sign to display social responsibility messaging on standard drink size, winter safety and the risks of mixing alcohol and cannabis.
- ▶ Further supported Yukoners in accessing information on the health risks of alcohol by adding a web link to store receipts.



- ▶ Continued to rotate shopping cart messaging with Low-Risk Drinking Guidelines, standard drink messaging, Fetal Alcohol Spectrum Disorder (FASD) awareness and the risks of alcohol consumption during the pandemic in all Corporation liquor stores.
- ▶ Provided ongoing support to the Fetal Alcohol Syndrome Society Yukon (FASSY) for FASD awareness initiatives such as FASD month, week and day.
- ▶ Continued the messaging on standard drink sizes, Low-Risk Drinking Guidelines, social media posts and applying warning labels on avoiding drinking while pregnant.
- ▶ Supported the annual Mothers Against Drunk Driving (MADD) Project Red Ribbon campaign which promotes wearing a red ribbon in support of driving sober. Public donations are collected at Corporation liquor stores year-round.
- ▶ Continued to promote the Check 30 program all year. The Check 30 program encourages Yukon Liquor Corporation stores and licensees to check the identification of people who appear to be under the age of 30 to help curb underage drinking.
- ▶ Provided \$6,000 for twin bears distributed to Mothers Against Drunk Driving (MADD) Red Ribbon campaign, FASSY, Kaushee's Place, Whitehorse Firefighters Association, Emergency Services and Health and Social Services.
- ▶ Provided \$36,000 to FASSY to operate programming at the Jackson Lake Healing Camp.
- ▶ Supported the Whitehorse Aboriginal Women's Circle FASD day event by providing \$7,000 for event funding.
- ▶ Continued substance-free and Safe Grad events hosted by schools throughout the Yukon. The Yukon Liquor Corporation donated over \$5,000 to high schools across the territory to support substance-free graduations in 2022.

Enforcement activities

In 2022/23, one liquor licence suspension and no cancellations were issued.

The Corporation's liquor inspection team plays a key role in ensuring that alcohol is being served in a safe, responsible and legal manner in the Yukon. Inspectors work closely with licensees and their staff by providing support, resources and educational opportunities to increase compliance with the Yukon's liquor laws and Yukon Liquor Board policies.

To ensure compliance, inspectors outline the duties and responsibilities the licensee must follow, so they remain in good standing with the Yukon Liquor Board and the Corporation. For more information about licences granted and suspended, visit yukon.ca/en/find-out-about-liquor-licence-enforcement-actions.

Check 30

In the Yukon, you must be at least 19 years of age to purchase liquor products. The Check 30 initiative, along with regular inspections, discourage under-age drinking by encouraging licensee staff to check identification from anyone who looks under the age of 30.



Be A Responsible Server - Liquor (BARS-L)

Be A Responsible Server – Liquor (BARS-L) is an educational program designed for people who serve liquor in licensed establishments. BARS-L focuses on providing valuable information on how licensees, managers and serving staff can be responsible when serving liquor in licensed establishments or at special events. This year, the Yukon Liquor Corporation issued 46 self-study and 41 facilitated course certificates to people who completed BARS-L training. The Corporation also launched BARS-L training online and issued 82 certificates for completing the online course.

To learn more about other initiatives or access various resources and publications visit yukon.ca/en/doing-business/licensing/find-alcohol-social-responsibility-tools

Business overview



Over
1,500
products in regular
inventory.



More than
5,000
special orders were
processed for individual
customers and
licensees.



52
direct vendors, including
7 from the Yukon, 16 from
British Columbia, and
29 from Alberta supply
liquor products to
the Corporation.

The Yukon Liquor Corporation is mandated to return net profits to the Government of Yukon. The revenue generated from liquor sales supports the provision of a wide range of programs, services and initiatives that help build a healthy, vibrant and prosperous Yukon.

Structure and operations

During the 2022/23 fiscal year, liquor sales generated \$7.67 million in net profit and cannabis sales generated \$0.37 million in net profit, with an additional \$5.1 million in liquor taxes. The mark-up on products is used to cover operating expenses and to generate funds that support Government of Yukon programs and services to Yukoners.

In the 2022/23 fiscal year, the Corporation:

- ▶ served 150 liquor licensees located across 17 different Yukon communities;
- ▶ handled 3,600 different liquor products, 1,500 of which were warehoused as a regular product; and
- ▶ in collaboration with our business partners, brought a variety of new products in for different seasons such as Christmas and summer, and coordinated a selection of new wines during the fall.

The *Liquor Act* requires that the Yukon Liquor Corporation table its annual report each year in the Yukon Legislative Assembly. The annual report must contain an audited financial report of its revenues and expenditures (see page 28). This requirement supports the open, accountable and fiscally responsible operation of the Corporation.

Products and pricing

In the 2022/23 fiscal year, the Corporation:

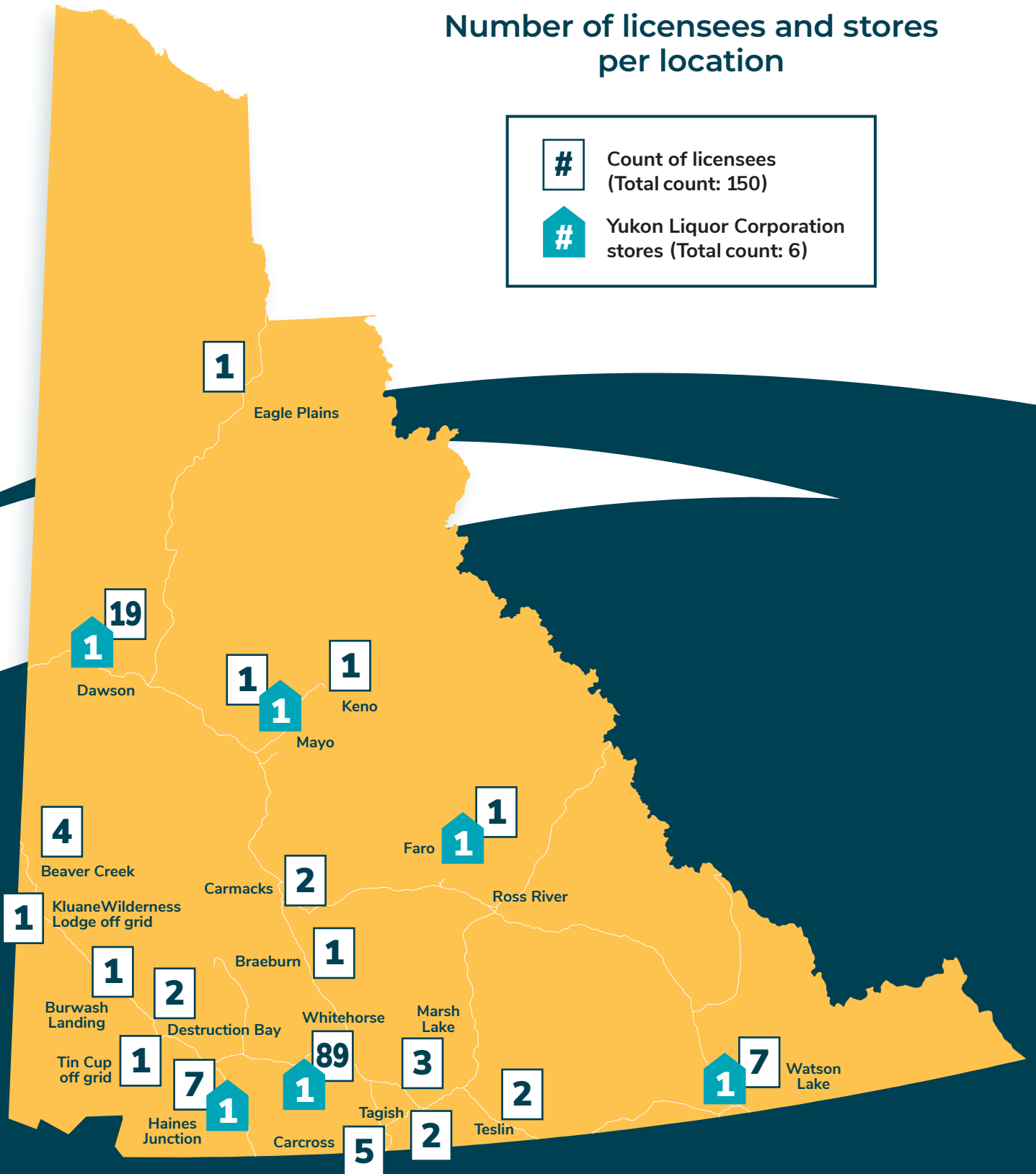
- ▶ offered over 3,600 different products to customers and licensees;
- ▶ sold over 240 locally produced products, representing approximately 12% of our regularly carried inventory;
- ▶ sold over 1,600 special order products to local licensees and retail consumers; and
- ▶ offered licensees and our five community liquor stores individual bottle picks from our selection of 1,500 regularly carried products.



Number of licensees and stores per location

Count of licensees
(Total count: 150)

Yukon Liquor Corporation stores
(Total count: 6)



Service excellence

- ▶ Supported the substance use emergency through a pilot service by providing take-home fentanyl testing strips and naloxone kits from the Mayo liquor store's Territorial Agent.
- ▶ Invested in Corporation liquor stores including new retail and Territorial Agent flooring in the Dawson store and improved lighting in several stores.
- ▶ Replaced the Corporation's warehouse keg cooler to improve holding capacity and efficiency in keg storage.
- ▶ Processed over 7,600 licensee orders, serving 150 licensees.
- ▶ Provided on-going training and development of staff for the provision of Territorial Agent services in community Corporation liquor stores.
- ▶ Produced social responsibility messaging for display on the digital sign in the Corporation's Whitehorse liquor store.

Wholesale liquor pricing for licensees and manufacturers

To support licensees, retailers and consumers, the Yukon Liquor Corporation limits price updates to twice a year. The Corporation updated the liquor pricing structure in fall 2021 increasing the wholesale discount by 5%, which represents approximately \$1.1 million more revenue per year in licensee pockets over the past two years. Additionally, the Corporation introduced a 9% small producer rebate. The Corporation also lowered the small producer retail markup, providing greater market access for smaller producers.

Sourcing and supply

The Yukon Liquor Corporation continues to source products from both Alberta and British Columbia. By sourcing products from both provinces, the Corporation reduces the risk of a disruption in the supply chain and can offer more choices to consumers and licensees.

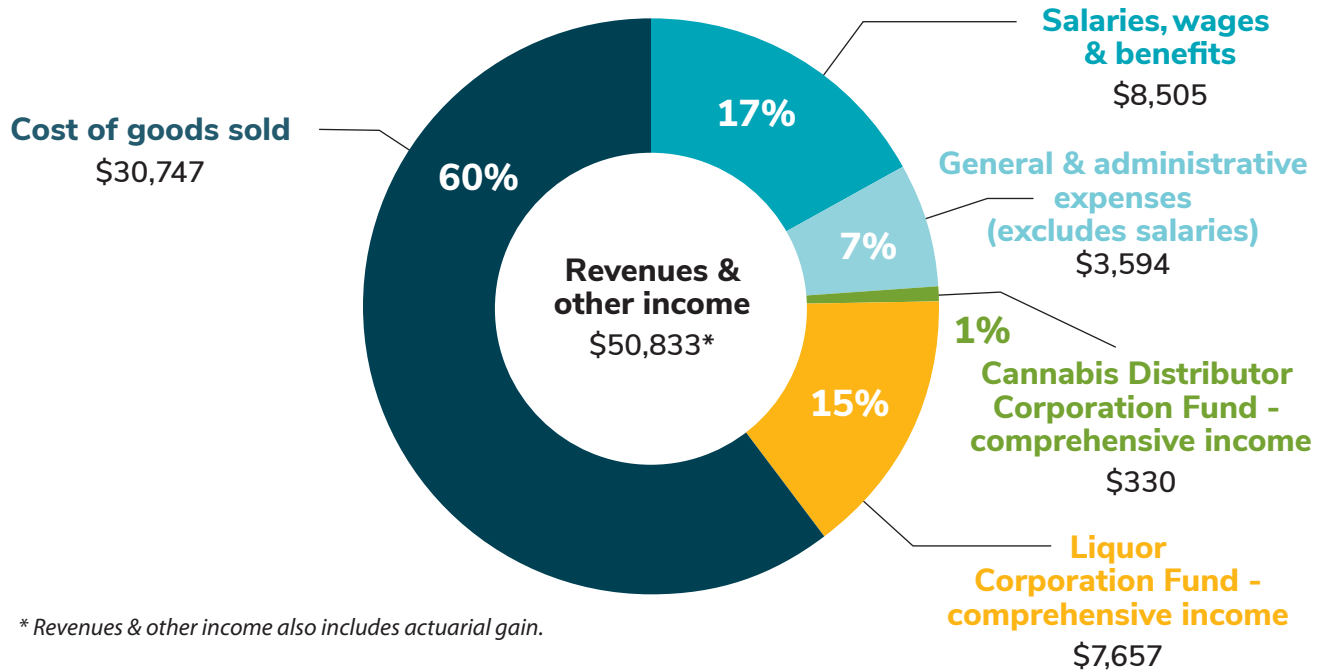
The Corporation participates in a national alcohol beverage working group, with other provinces and territories, to consider internal trade issues and to advocate for the best outcomes in support of Canadian liquor-related businesses. More information on liquor rules and regulations across the country can be found at alcohollaws.ca.



Revenue and sales overview

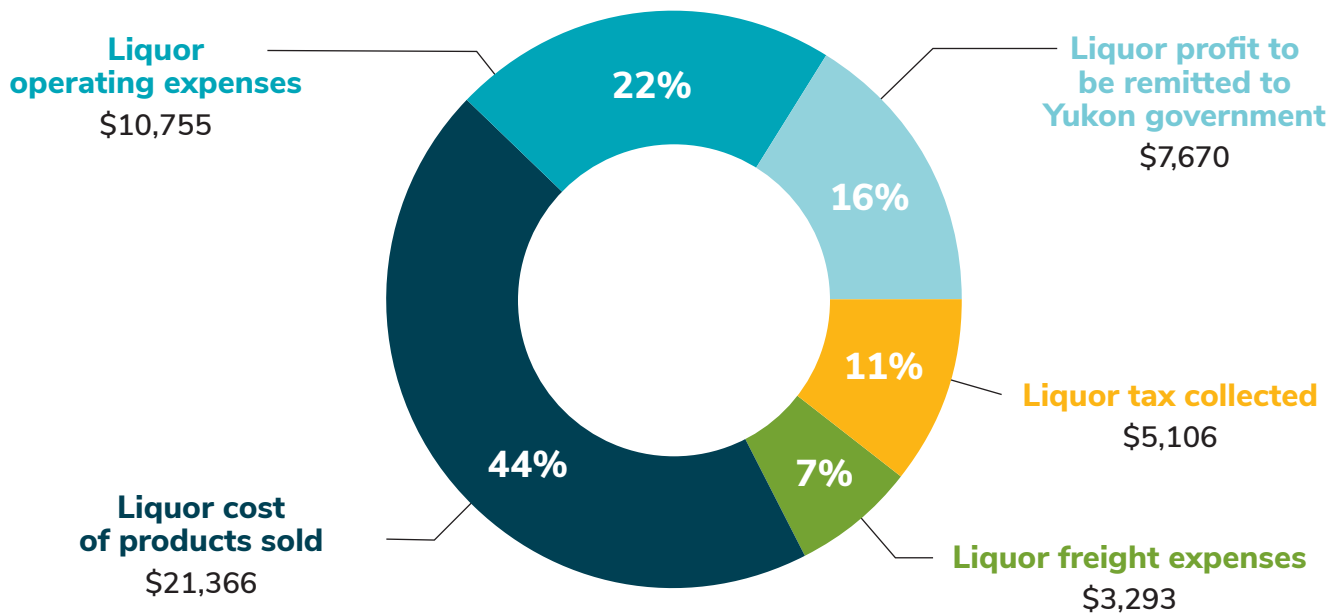
2022/23 revenues, expenses and comprehensive income

(\$,000) (per financial statements)



2022/23 liquor expenses and annual remittance to the Government of Yukon

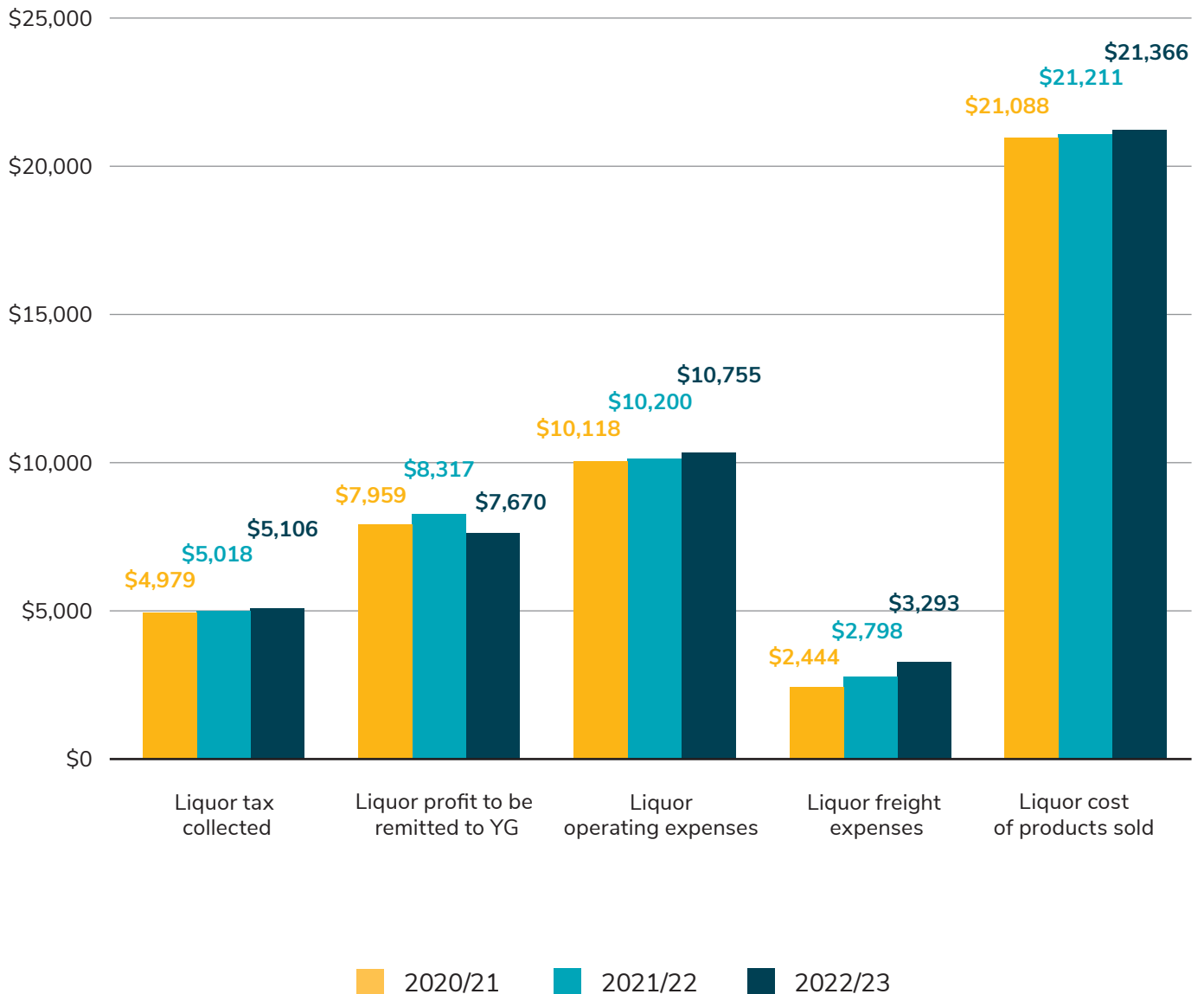
(\$,000)



Expenses and remittances trends

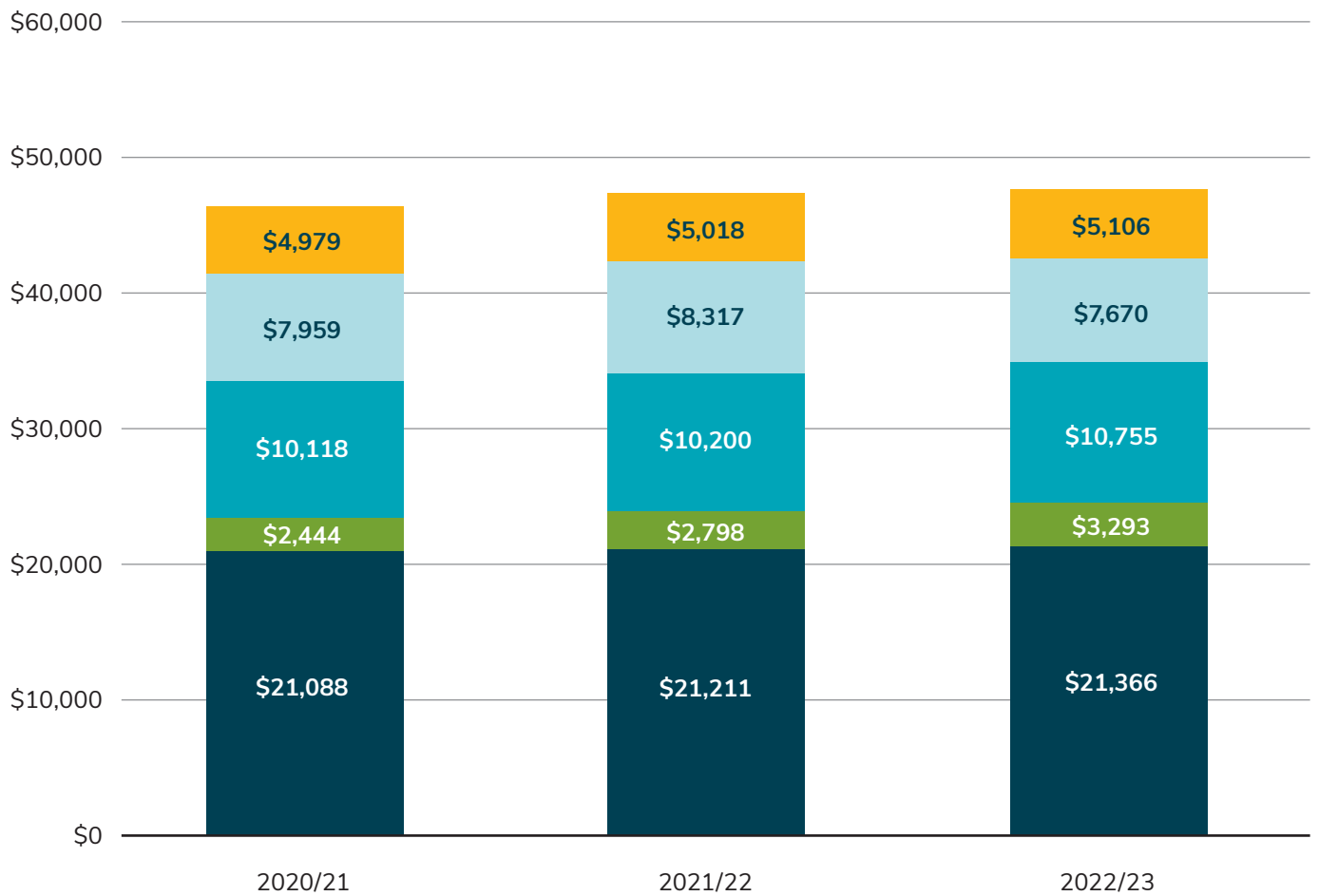
Spending & Yukon government remittance trends

(\$,000)



Spending & Yukon government remittance trends

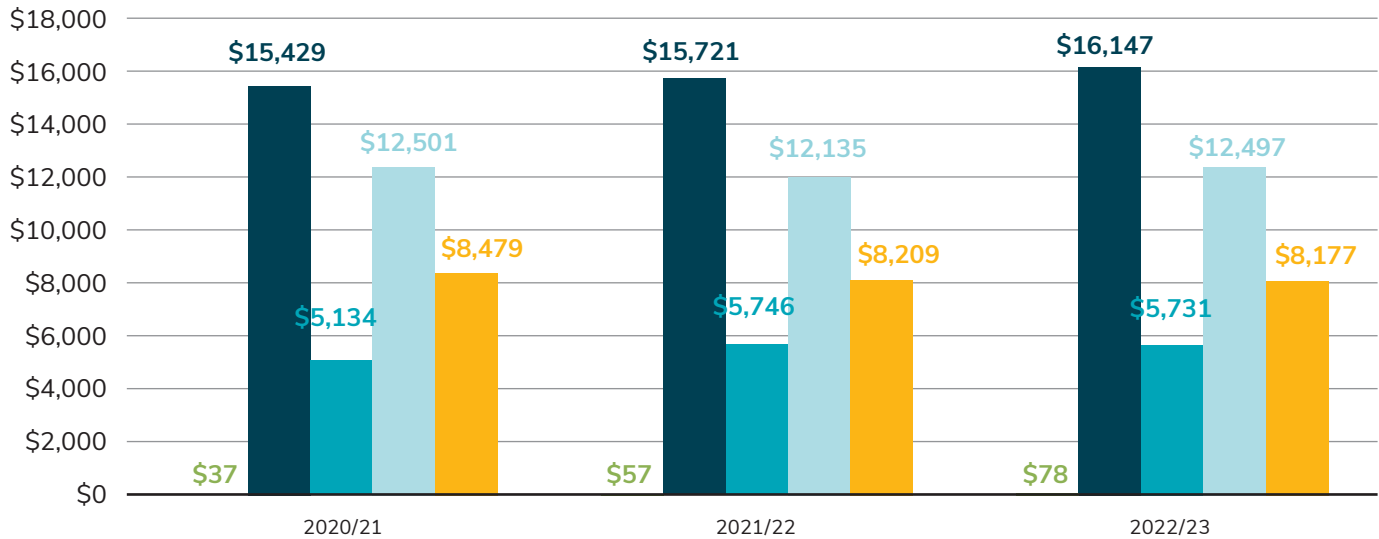
(\$,000)



- Liquor cost of products sold
- Liquor profit to be remitted to YG
- Liquor freight expenses
- Liquor tax collected
- Liquor operating expenses

Liquor net sales (excluding taxes)

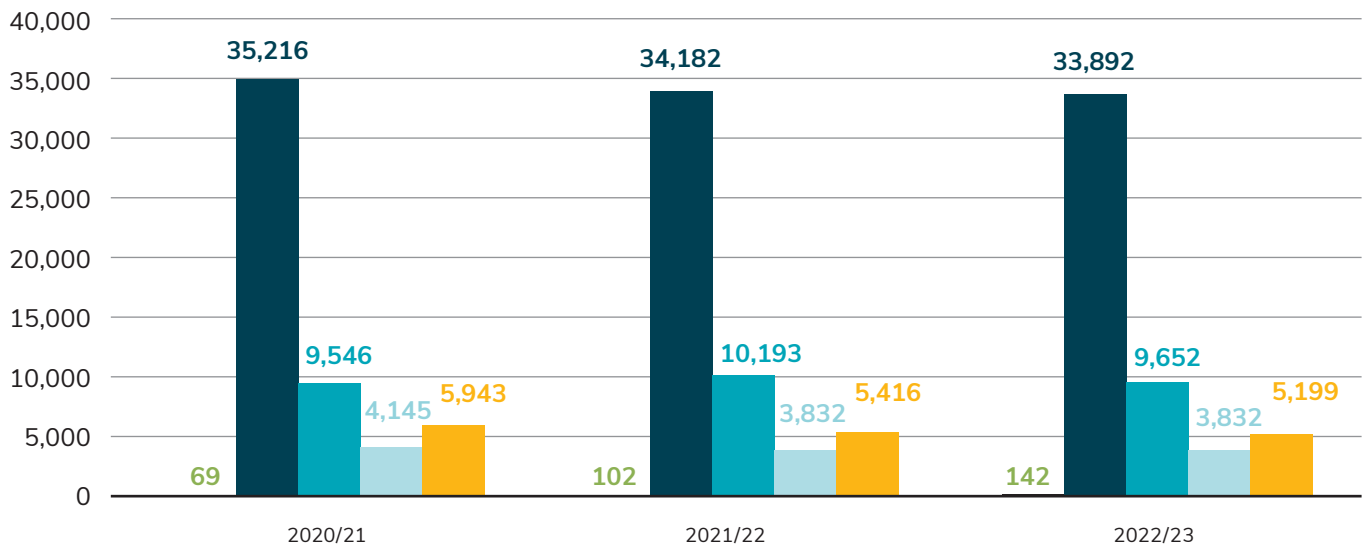
(\$,000 by class)



Liquor sales by class have been further disaggregated from that presented in the financial statements.

Volume by class

(Hectolitres)

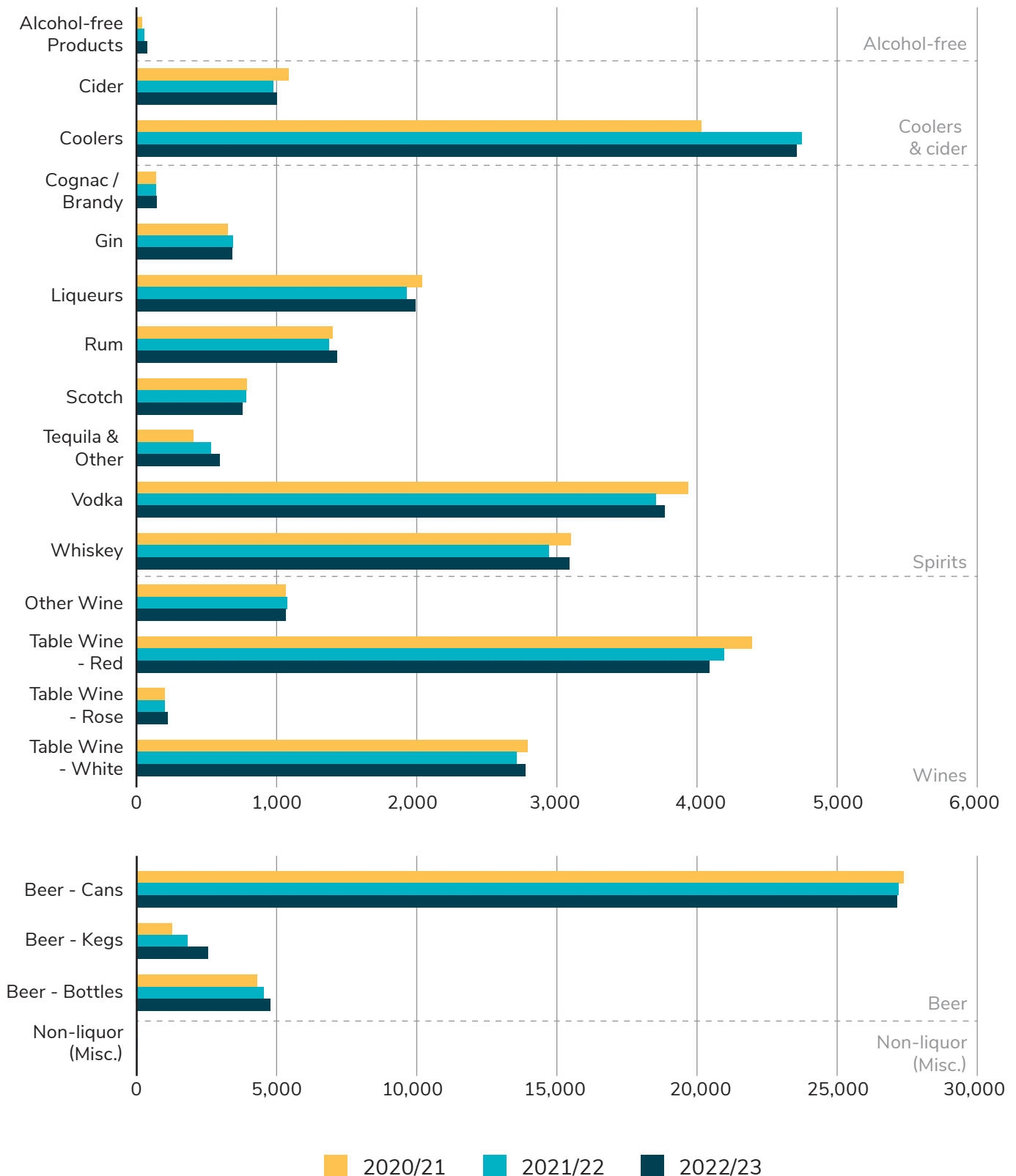


Alcohol Free Beer Coolers & Cider Spirits Wine

*A hectolitre is a metric unit of capacity equal to one hundred litres. E.g. 1 hectolitre = 282 cans (354ml)

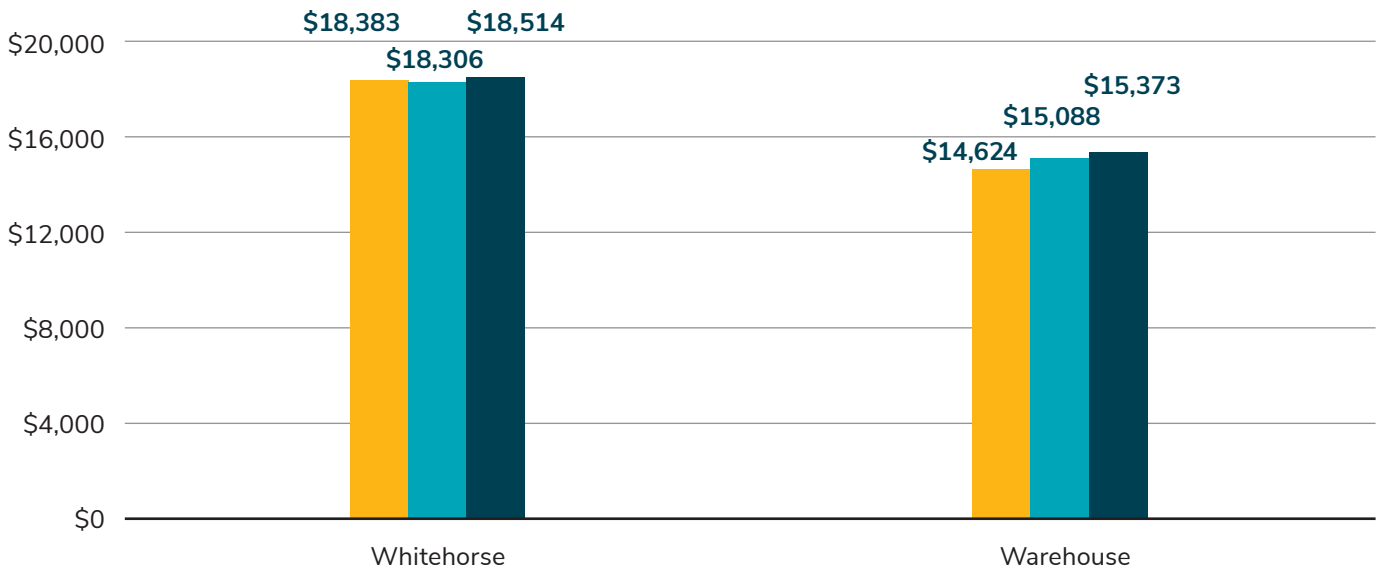
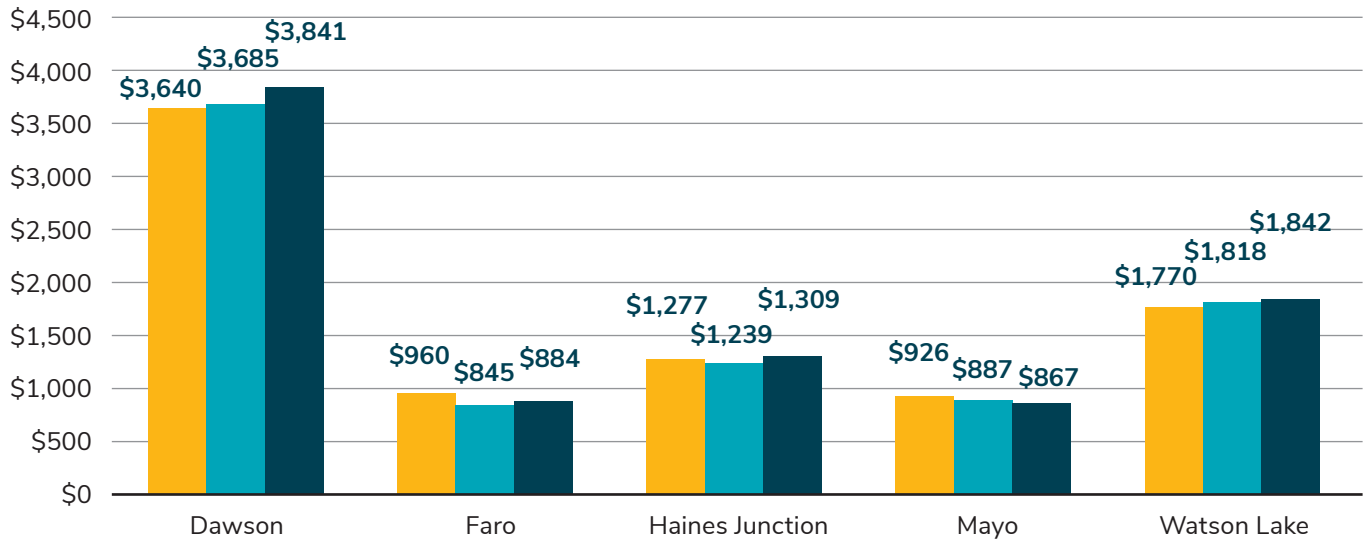
Sales by product type

(\$,000)



Sales by store

(\$,000)



■ 2020/21
 ■ 2021/22
 ■ 2022/23

Liquor retail vs. wholesale

(Hectolitres)



Supporting local licensees

The Yukon Liquor Corporation is committed to working collaboratively with licensees in the Yukon to provide Yukoners with a variety of products.

During the 2022/23 fiscal year:

- ▶ we served over 154 licensees*;
- ▶ we processed over 7,600 transactions; and
- ▶ we served licensees in 17 different communities.

**Actual number for the 2022/23 fiscal year varies throughout the year due to licence cancellations by licensees.*



Supporting local producers

Since 1997, the Yukon's liquor-producing industry has experienced strong economic growth, evolving from one licensed producer to six. Whether sold in local, national or international markets, the Yukon's local producers continue to gain attention and distinction in a highly competitive field.

The infographic features a large white circle on the left containing five brewery logos: Winterlency Brewing (Whitehorse, Yukon), Yukon Brewing (snowflake logo), Woodcutter's Blanket (Whitehorse, Yukon), Deep Dark Wood Brewing Company, and Polarity Brewing. To the right of this circle is a smaller white circle with the Yukon Brewing logo and the text '1 licensed distillery'. Below that is another white circle with the Yukon Wines logo and the text '1 winery'. At the bottom of the infographic is a large blue number '5' followed by the text 'breweries'.

- ▶ The Corporation's Whitehorse liquor store dedicates a section of the store, including dedicated coolers, for Yukon-made products (including wine, cider, spirits and beer).
- ▶ The Corporation's community liquor stores also have dedicated shelving and cooler space for Yukon-made products.
- ▶ Local producers are able to sell their products through their retail stores, restaurants or through other liquor licensees.

Visitors to the Yukon and Yukoners themselves appreciate the opportunity to enjoy locally produced goods.

Future outlook

- ▶ Launching the new online licensing and permit system, designed to streamline the application process and make it easier and more efficient for licensees to manage their licences.
- ▶ Supporting licensees with special orders, providing access to thousands of unique products.
- ▶ Focusing on a merchandising strategy that will offer customers new products throughout the year.
- ▶ Working in collaboration with partners to promote a socially responsible approach for programs and services.
- ▶ Continuing to support the Safe Grad initiative to further reduce alcohol consumption by youth during graduation.
- ▶ Continuing to work with other Government of Yukon departments, partners and community organizations to fund projects that prevent and/or address alcohol-related harms.
- ▶ Continuing to focus on education and a risk-based enforcement strategy to ensure compliance with the current *Liquor Act* and regulations.
- ▶ Continuing to ensure liquor legislation balances the needs of businesses and communities.
- ▶ Working with other provinces and territories, through an alcohol beverage working group, to consider internal trade issues.





Financial statements

April 1, 2022 to March 31, 2023

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The management of the Yukon Liquor Corporation is responsible for establishing and maintaining a system of books, records, internal controls and management practices designed to provide reasonable assurance that reliable financial information is produced; the assets of the Corporation are safeguarded and controlled; the transactions of the Corporation are in accordance with the relevant legislation, regulations and by-laws of the Corporation; the resources of the Corporation are managed efficiently and economically; and the operations of the Corporation are carried out effectively.

Management is also responsible for the integrity and objectivity of the financial statements of the Corporation contained in this annual report. The financial statements are prepared in accordance with International Financial Reporting Standards, and include amounts based on management's best estimates as determined through experience and judgement. 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.



Dennis Berry
President



Luzelle Nagel
Chief Financial Officer

July 13, 2023



Office of the
Auditor General
of Canada

Bureau du
vérificateur général
du Canada

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 2023, 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 2023, 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.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance 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.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

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.



David Irving, CPA, CA
Principal
for the Auditor General of Canada

Edmonton, Canada
13 July 2023


YUKON LIQUOR CORPORATION
Statement of Financial Position
As at March 31

(Tabular amounts in thousands of Canadian dollars)

	2023	2022
ASSETS		
CURRENT		
Cash	\$ 1,933	\$ 2,343
Accounts receivable	61	198
Inventories (Note 5)	4,978	4,149
Prepaid expenses	41	-
	<u>7,013</u>	<u>6,690</u>
Property and equipment (Note 6)	1,569	1,626
Intangible assets (Note 7)	77	83
Right-of-use assets (Note 17)	612	657
	<u>612</u>	<u>657</u>
TOTAL ASSETS	\$ 9,271	\$ 9,056
LIABILITIES AND EQUITY		
CURRENT		
Accounts payable and accrued liabilities (Note 8)	\$ 2,774	\$ 2,016
Deferred revenue	106	43
Due to the Government of Yukon (Note 9)	1,952	2,229
Current portion of lease liabilities (Note 17)	323	315
Deferred government grant (Note 16)	66	96
	<u>5,221</u>	<u>4,699</u>
Non-pension benefit liability (Note 10)	1,610	1,801
Lease liabilities (Note 17)	299	360
	<u>299</u>	<u>360</u>
TOTAL LIABILITIES	7,130	6,860
Equity (Note 11)	<u>2,141</u>	<u>2,196</u>
TOTAL LIABILITIES AND EQUITY	\$ 9,271	\$ 9,056

Commitments (Note 18)

APPROVED FOR ISSUE ON July 13, 2023



 President



 Chief Financial Officer

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

YUKON LIQUOR CORPORATION
Statement of Comprehensive Income
For the year ended March 31
(Tabular amounts in thousands of Canadian dollars)

	2023	2022
Revenue (Note 14)	\$ 50,338	\$ 48,959
Cost of goods sold (Note 15)	30,747	29,497
GROSS PROFIT	19,591	19,462
OTHER INCOME		
Miscellaneous	125	51
Fees, permits and licenses	73	129
Government grant	30	36
	228	216
EXPENSES		
Salaries, wages and benefits	8,505	7,987
Rent, utilities and maintenance	1,119	1,040
Professional services	659	572
Interest and bank charges	604	598
Depreciation of right-of-use assets	308	310
Depreciation of property and equipment	250	348
Other	210	111
Travel and communications	156	176
Computer systems	125	93
General and office supplies	103	70
Amortization of intangible assets	39	43
Interest on lease liabilities	21	17
Loss on disposal of property and equipment	-	48
	12,099	11,413
INCOME FROM OPERATIONS	7,720	8,265
OTHER COMPREHENSIVE INCOME, NOT TO BE RECLASSIFIED SUBSEQUENTLY TO NET INCOME		
Actuarial gain (Note 10)	267	116
COMPREHENSIVE INCOME	\$ 7,987	\$ 8,381

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

YUKON LIQUOR CORPORATION
Statement of Changes in Equity
For the year ended March 31
(Tabular amounts in thousands of Canadian dollars)

	2023	2022
EQUITY - BEGINNING OF YEAR	\$ 2,196	\$ 2,636
Income from operations before other comprehensive income	7,720	8,265
Other comprehensive income	267	116
Profit to be remitted to the Government of Yukon (<i>Note 11</i>)	<u>(8,042)</u>	<u>(8,821)</u>
EQUITY - END OF YEAR	<u>\$ 2,141</u>	<u>\$ 2,196</u>

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

YUKON LIQUOR CORPORATION
Statement of Cash Flows
For the year ended March 31
(Tabular amounts in thousands of Canadian dollars)

	2023	2022
OPERATING ACTIVITIES		
Income from operations	\$ 7,720	\$ 8,265
Items not affecting cash:		
Depreciation of property and equipment	250	348
Depreciation of right-of-use assets	308	310
Amortization of intangible assets	39	43
Loss on disposal of property and equipment	-	48
	<u>8,317</u>	<u>9,014</u>
Changes in non-cash working capital:		
Accounts receivable	137	(78)
Inventories	(829)	(602)
Accounts payable and accrued liabilities	760	591
Deferred revenue	63	(63)
Prepaid expenses	(41)	27
Due to the Government of Yukon	(82)	18
Deferred government grant	(30)	(37)
Non-pension benefit liability	76	260
	<u>54</u>	<u>116</u>
Cash flow from operating activities	<u>8,371</u>	<u>9,130</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(193)	-
Purchase of intangible assets	(33)	-
Cash flow used by investing activities	<u>(226)</u>	<u>-</u>
FINANCING ACTIVITIES		
Cannabis fund profit remitted to the Government of Yukon	(504)	(298)
Liquor fund profit remitted to the Government of Yukon	(7,733)	(8,045)
Principal payments of lease liabilities	(297)	(309)
Interest paid on lease liabilities	(21)	(17)
Cash flow used by financing activities	<u>(8,555)</u>	<u>(8,669)</u>
INCREASE (DECREASE) IN CASH FLOW	(410)	461
Cash - beginning of year	<u>2,343</u>	<u>1,882</u>
CASH - END OF YEAR*	<u>\$ 1,933</u>	<u>\$ 2,343</u>

*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 \$1,441 (2022 - \$1,787) and \$492 (2022 - \$556) respectively.

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

YUKON LIQUOR CORPORATION

Notes to Financial Statements

March 31, 2023

(Tabular amounts in thousands of Canadian dollars)

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's registered office is 9031 Quartz Road, Whitehorse, Yukon, Canada Y1A 4P9.

Liquor Fund

The Corporation is responsible for the purchase, distribution and sale of liquor within 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 and amortization, less amounts expended on property and equipment, and on intangible assets, 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% (2022 - 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 Government of Yukon on a monthly basis.

Cannabis Fund

The Corporation is responsible for the purchase, distribution and sale of cannabis within Yukon through 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 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 Yukon.

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

2. Basis of presentation

These financial statements have been prepared on a historical cost basis, except where otherwise indicated in the notes below, 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.

3. Significant accounting policies

The significant accounting policies summarized below have been applied to all periods presented in these financial statements.

(continues)

YUKON LIQUOR CORPORATION

Notes to Financial Statements

March 31, 2023

(Tabular amounts in thousands of Canadian dollars)

3. Significant accounting policies (*continued*)

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 and equipment, and the non-pension benefit liability based on the actuarial 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.

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.

The Corporation's financial liabilities includes lease liabilities, see note 3 (j) for measurement.

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.

(*continues*)

YUKON LIQUOR CORPORATION

Notes to Financial Statements

March 31, 2023

(Tabular amounts in thousands of Canadian dollars)

3. Significant accounting policies (*continued*)

Property and equipment

Property 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:

Land	Indefinite
Buildings	50 years
Leasehold improvements	5 years
Furniture and office equipment	5 years
Operating equipment	7 years
Heavy equipment	15 years
Systems equipment	5 years

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.

The estimated useful lives were changed on April 1, 2022 for buildings from 20 years and for operating equipment from 5 years based on new information. The change in useful life estimate will reduce annual depreciation expense of Buildings by \$36,000 and Operating Equipment by \$26,000.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 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.

Intangible assets

Intangible assets are comprised of purchased software and 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 lives of 3 to 5 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 in the statement of comprehensive income.

(*continues*)

YUKON LIQUOR CORPORATION

Notes to Financial Statements

March 31, 2023

(Tabular amounts in thousands of Canadian dollars)

3. Significant accounting policies (*continued*)

Employee benefits

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.

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 for retirees, which are paid by the Government of Yukon and not accrued for or expensed by the Corporation.

Revenue recognition

Revenue is generated from sales to customers through wholesale and retail stores for liquor products as well as through wholesale 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 Government of Yukon in accordance with the Beverage Container Regulations. Revenue also excludes liquor tax which is remitted to the Government of Yukon in accordance with the *Liquor Tax Act*.

Licence revenue is initially recognized 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.

Government grants

Government grants received from the Government of Yukon 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 recognized in the statement of comprehensive income.

Grants received for the purpose of acquiring property and equipment or intangible assets are recognized initially as deferred government grant. Deferred government grant is then recognized in the statement of comprehensive income on a straight-line basis over the estimated useful life of the related asset.

(continues)

YUKON LIQUOR CORPORATION

Notes to Financial Statements

March 31, 2023

(Tabular amounts in thousands of Canadian dollars)

3. Significant accounting policies (*continued*)

Expense recognition

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

Leases

For any new contracts entered into, the Corporation considers whether a contract is, or contains a lease. A lease is defined as "a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration". To apply this definition the Corporation assesses whether the contract meets three key evaluations which are whether:

- (a) the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Corporation;
- (b) the Corporation has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract;
- (c) the Corporation has the right to direct the use of the identified asset throughout the period of use. The Corporation assesses whether it has the right to direct "how and for what purpose" the asset is used throughout the period of use.

At lease commencement date, the Corporation recognises a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made of the initial measurement of the lease liability, any initial direct costs incurred, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Corporation depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Corporation also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Corporation measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Corporation's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

On the statement of financial position, right-of-use assets and lease liabilities have been disclosed separately.

The Corporation has elected to account for short-term leases (leases with an expected term of 12 months or less) and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

YUKON LIQUOR CORPORATION

Notes to Financial Statements

March 31, 2023

(Tabular amounts in thousands of Canadian dollars)

4. Financial instruments

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. The following analysis provides information about the Corporation's risk exposure and concentration as of March 31, 2023.

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 \$60,923 as of March 31, 2023 (2022 - \$197,620). There is a 30.7% (2022 - 1.4%) concentration of accounts receivable with one customer.

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

	2023	2022
Current	\$ 61	\$ 195
91 days or greater	-	3
Total trade accounts receivable	\$ 61	\$ 198

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, 2023 and 2022, 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, 2023 and 2022, 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's accounts payable and accrued liabilities had a carrying value of \$2,774,000 as at March 31, 2023 (2022 - \$2,016,000). As at March 31, 2023, approximately 1.61% (2022 - 2.35%) of accounts payable were over 90 days past due. Due to the Government of Yukon had a carrying value of \$1,952,000 as of March 31, 2023 (2022 - \$2,229,000). As at March 31, 2023 approximately 0.06% (2022 - 1%) of due to the Government of Yukon were over 90 days past due.

Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant other price risks arising from these financial instruments.

YUKON LIQUOR CORPORATION
Notes to Financial Statements
March 31, 2023

(Tabular amounts in thousands of Canadian dollars)

5. Inventories

	2023	2022
Liquor		
Beer	\$ 1,468	\$ 1,082
Spirits	1,605	1,329
Wine	1,141	925
	<u>4,214</u>	<u>3,336</u>
Cannabis		
Dried Cannabis	438	537
Extracts	193	186
Edibles and other	133	90
	<u>764</u>	<u>813</u>
	<u>\$ 4,978</u>	<u>\$ 4,149</u>

6. Property and equipment

	Cost	Accumulated depreciation	2023 Net book value	2022 Net book value
Land	\$ 202	\$ -	\$ 202	\$ 202
Buildings	5,447	4,721	726	651
Leasehold improvements	381	373	8	11
Furniture and office equipment	1,008	904	104	157
Operating equipment	467	298	169	146
Heavy equipment	589	309	280	319
Systems equipment	689	609	80	140
	<u>\$ 8,783</u>	<u>\$ 7,214</u>	<u>\$ 1,569</u>	<u>\$ 1,626</u>
Schedule 1				

The Corporation reviewed the estimated useful lives and the estimated reduced depreciation for the year ending March 31, 2023 for buildings is \$36,000 and operating equipment is \$26,000.

7. Intangible assets

	2023	2022
Systems development cost ¹	\$ 572	\$ 539
Systems development accumulated amortization	<u>(495)</u>	<u>(456)</u>
	<u>\$ 77</u>	<u>\$ 83</u>

Internally generated assets with a cost of \$nil (2022 - \$67,000) and net book value of \$ nil were disposed of during the prior year. Additions for the year amounted to \$33,000 (2022 - \$nil). Amortization for the year amounted to \$38,891 (2022 - \$43,094).

¹ Includes Systems Development in Progress of \$33,000

YUKON LIQUOR CORPORATION

Notes to Financial Statements

March 31, 2023

(Tabular amounts in thousands of Canadian dollars)

8. Accounts payable and accrued liabilities

	2023	2022
Trade payable	\$ 1,209	\$ 935
Accrued liabilities	1,292	886
Current portion of non-pension benefit liability (Note 10)	273	195
	\$ 2,774	\$ 2,016

9. Due to the Government of Yukon

	2023	2022
Reimbursement for payroll and other costs paid on behalf of the Corporation	\$ 896	\$ 955
Remittances due to the Government of Yukon pursuant to:		
<i>Liquor Act</i> (Note 13)	430	493
<i>Cannabis Control and Regulation Act</i> (Note 13)	115	247
<i>Liquor Tax Act</i> (Note 13)	402	414
<i>Environment Act</i> - Beverage Container Regulations	109	120
	\$ 1,952	\$ 2,229

10. 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 rate effective at year end was \$1.02 (2022 - \$1.02) for every dollar contributed by the employee, and \$5.29 (2022 - \$5.91) for every dollar contributed by the employee for the portion of the employee's salary above \$196,200 (2022 - \$191,300). For new employees who are participating in the plan on or after January 1, 2013, the Corporation contributes \$1.00 (2022 - \$1.00) for every dollar contributed by the employee, and \$5.29 (2022 - \$5.91) for every dollar contributed by the employee for the portion of the employee's salary above \$196,200 (2022 - \$191,300). Total contributions to the Plan of \$1,048,407 (2022 - \$1,039,934) were recognized in salaries, wages and benefits; of which \$512,057 (2022 - \$514,460) were contributed by employees and \$536,350 (2022 - \$525,474) by the employer.

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.

(continues)

YUKON LIQUOR CORPORATION

Notes to Financial Statements

March 31, 2023

(Tabular amounts in thousands of Canadian dollars)

10. Employee benefits (continued)

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.

Effective December 31, 2019 all current resignation and retirement severance accruals have been frozen for employees classified as Deputy Ministers and Managers; these employees are eligible to receive severance payouts based on service accrued up to December 31, 2019.

The discount rate used to determine the present value of the non-pension accrued benefit obligation 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:

	2023	2022
Severance benefit	\$ 967	\$ 944
Vacation and special leave	629	757
Sick leave	287	295
	\$ 1,883	\$ 1,996
Accrued benefit obligation, end of year	\$ 1,883	\$ 1,996

The results measured at March 31 are summarized as follows:

	2023	2022
<u>Reconciliation of accrued benefit obligation</u>		
Accrued benefit obligation, beginning of year	\$ 1,996	\$ 1,836
Components recognized in salaries, wages and benefits		
Current service cost	232	248
Past service cost	(65)	146
Interest cost on accrued benefit obligation	85	64
Actuarial gain recognized in other comprehensive income	(267)	(116)
Benefits paid	(98)	(182)
	\$ 1,883	\$ 1,996
Accrued benefit obligation, end of year	\$ 1,883	\$ 1,996

	2023	2022
<u>Classification of accrued benefit obligation</u>		
Current portion of non-pension benefit liability	\$ 273	\$ 195
Non-current portion	1,610	1,801
	\$ 1,883	\$ 1,996
Total accrued benefit obligation	\$ 1,883	\$ 1,996

The reduction in the employee sick leave benefits liability over the next twelve months is expected to be \$26,000 (2022 – \$26,000).

(continues)

YUKON LIQUOR CORPORATION

Notes to Financial Statements

March 31, 2023

(Tabular amounts in thousands of Canadian dollars)

10. Employee benefits (continued)

	2023	2022
<u>Reconciliation of actuarial gains recognized in Other Comprehensive Income (OCI)</u>		
Cumulative actuarial gain recognized in OCI, beginning of year	\$ (123)	\$ (7)
Actuarial (gain) loss from member experiences	(154)	3
Actuarial gain from economic assumption changes	(113)	(119)
Cumulative actuarial gain recognized in OCI, end of year	\$ (390)	\$ (123)

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

	2023	2022
Discount rate	4.80%	4.00%
Salary escalation rate per annum	2.00%	2.00%

A quantitative sensitivity analysis as at March 31, 2023 shows the impact of the change in the significant actuarial assumptions on the non-pension benefit obligation:

	1% increase	1% decrease
Discount rate	\$ (123)	\$ 152
Salary escalation rate per annum	140	(197)

The most recent full actuarial valuation in respect of the non-pension benefits plan was prepared as of March 31, 2023. The weighted average of the maturity plan as at March 31, 2023 is 7.2 years.

11. Equity

The following table summarizes the composition of equity as at year-end:

	2023	2022
Property and equipment	\$ 1,569	\$ 1,626
Intangible assets	77	83
Right-of-use assets	612	657
Lease liabilities	(622)	(675)
Section 12.3(b) adjustment (1)	505	505
Equity, end of year	\$ 2,141	\$ 2,196

(1) Under Section 12.3(b) of the *Cannabis Control and Regulation Act* remittance of profit to the Government of Yukon for the year ended March 31, 2019 was reduced.

(continues)

YUKON LIQUOR CORPORATION

Notes to Financial Statements

March 31, 2023

(Tabular amounts in thousands of Canadian dollars)

11. Equity (continued)

The change in equity is comprised of comprehensive income for the year less profit to be remitted to the Government of Yukon. In accordance with the *Liquor Act* and the *Cannabis Control and Regulation Act* the Corporation remits adjusted profits to the Government of Yukon. The calculation of the adjusted profit due to the Government of Yukon for the year is as follows:

	<i>Liquor Act</i>	<i>Cannabis Control and Regulation Act</i>	2023 Total
Comprehensive income for the year	\$ 7,657	\$ 330	\$ 7,987
Depreciation of property and equipment	223	27	250
Amortization of intangible assets	24	15	39
Additions to property and equipment	(193)	-	(193)
Additions to intangible assets	(33)	-	(33)
Depreciation of right-of-use assets	308	-	308
Repayments of lease liabilities	(316)	-	(316)
Current year's profit to be remitted (Note 13)	\$ 7,670	\$ 372	\$ 8,042

	<i>Liquor Act</i>	<i>Cannabis Control and Regulation Act</i>	2022 Total
Comprehensive income for the year	\$7,925	\$456	\$8,381
Depreciation of property and equipment	314	34	348
Amortization of intangible assets	29	14	43
Loss on disposals of property and equipment	48	-	48
Depreciation of right-of-use assets	310	-	310
Repayments of lease liabilities	(309)	-	(309)
Profit to be remitted for the year (Note 13)	\$ 8,317	\$ 504	\$ 8,821

YUKON LIQUOR CORPORATION

Notes to Financial Statements

March 31, 2023

(Tabular amounts in thousands of Canadian dollars)

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.

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

13. Related party balances and transactions

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

Amount due to the Government of Yukon pursuant to the Liquor Act

	2023	2022
Current year's profit to be remitted (Note 11)	\$ 7,670	\$ 8,317
Balance due to at the beginning of the year	493	221
Less: remitted during the year	(7,733)	(8,045)
Due to the Government of Yukon at the end of the year	\$ 430	\$ 493

Amount due to the Government of Yukon pursuant to the Cannabis Control and Regulation Act

	2023	2022
Current year's profit to be remitted (Note 11)	\$ 372	\$ 504
Balance at the beginning of the year	247	41
Less: remitted during the year	(504)	(298)
Due to the Government of Yukon at the end of the year	\$ 115	\$ 247

(continues)

YUKON LIQUOR CORPORATION

Notes to Financial Statements

March 31, 2023

(Tabular amounts in thousands of Canadian dollars)

13. Related party balances and transactions *(continued)*

Amount due the Government of Yukon pursuant to Liquor Tax Act

	2023	2022
Balance due at the beginning of the year	\$ 413	\$ 398
Liquor tax collected during the year	5,106	5,018
Less: remitted during the year	(5,117)	(5,002)
Due to the Government of Yukon at the end of the year	\$ 402	\$ 414

Transactions with the Government of Yukon without compensation

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 certain government buildings to the Corporation with an estimated value of \$1,198,000 (2022 - \$816,000). The Government of Yukon also provides mail services with an estimated value of \$32,102 (2022 - \$28,094). The Corporation provides Territorial Agent services in rural community liquor stores on behalf of the Government of Yukon with an estimated value of \$587,000 (2022 - \$525,000).

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

Agreements with the Government of Yukon

The Corporation has lease agreements for the Haines Junction and Mayo community liquor stores and service level agreements for the three owned community liquor stores. During the year the payments totalled \$277,000 (2022 - \$267,000) to the Government of Yukon.

The Government of Yukon provides certain property management services to the Corporation. During the year the Corporation was charged \$34,000 (2022 - \$102,000) for work done on its properties.

The Corporation has service agreements with the Government of Yukon for the provision of information, communication and technology services. During the year the Corporation was charged \$233,000 (2022 - \$206,000) for these services.

The Corporation has service agreements with the Government of Yukon for the provision of human resources' services. During the year the Corporation was charged \$263,000 (2022 - \$263,000) for these services.

Key management compensation

The remuneration of key management personnel, which includes the members of the executive committee, recognized as an expense during the period was:

	2023	2022
Salaries and short-term employee benefits	\$ 938	\$ 905
Post-employment benefits	185	156
Other long-term employee benefits	13	16

YUKON LIQUOR CORPORATION

Notes to Financial Statements

March 31, 2023

(Tabular amounts in thousands of Canadian dollars)

14. Revenue

	2023	2022
Liquor		
Beer	\$ 17,228	\$ 16,756
Spirits	17,185	16,858
Wine	8,217	8,254
	<u>42,630</u>	<u>41,868</u>
Cannabis		
Dried Cannabis	5,047	5,054
Extracts	2,047	1,465
Edibles and Other	614	572
	<u>7,708</u>	<u>7,091</u>
Total revenue	<u>\$ 50,338</u>	<u>\$ 48,959</u>

15. Cost of goods sold

	2023	2022
Liquor		
Beer	\$ 12,248	\$ 11,678
Spirits	8,218	8,121
Wine	4,193	4,210
	<u>24,659</u>	<u>24,009</u>
Cannabis		
Dried	3,962	3,911
Extracts	1,646	1,129
Edibles and Other	480	448
	<u>6,088</u>	<u>5,488</u>
Total cost of goods sold	<u>\$ 30,747</u>	<u>\$ 29,497</u>

16. Deferred government grant

The Corporation received funding from the Government of Yukon during fiscal 2019 for capital expenditures related to cannabis operations.

YUKON LIQUOR CORPORATION
Notes to Financial Statements
March 31, 2023

(Tabular amounts in thousands of Canadian dollars)

17. Leases

The Corporation has leases that relate to the Whitehorse, Haines Junction and Mayo liquor stores with lease terms from 1 year up to 5 years. 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 1 year lease extension to its Mayo liquor store location. The Mayo lease agreement is a short-term lease and therefore no right-of-use asset and no lease liability are recognized.

Each lease generally imposes a restriction that, unless there is a contractual right for the Corporation to sublet the asset to another party, the right-of-use asset can only be used by the Corporation. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. The Corporation is prohibited from selling or pledging the underlying leased assets as security.

The table below describes the nature of the Corporation's leasing activities by type of right-of-use assets recognized on the statement of financial position:

Right-of-use asset	No. of right-of-use assets leased	Range of remaining term	Average remaining lease term	No. of leases with extension options	No. of leases with options to purchase	No. of leases with variable payments linked to an index	No. of leases with termination options	
Retail stores	2	1-2 years	1.5 year	1	0	0	0	
					<u>2023</u>	<u>2022</u>		
<u>Payments not included in the measurement of the lease liability</u>								
Short-term leases					\$	70	\$	68
					<u>2023</u>	<u>2022</u>		
<u>Amounts recognized in the statement of comprehensive income</u>								
Interest paid on lease liabilities					\$	21	\$	17
Depreciation on right-of-use assets						<u>308</u>		<u>310</u>
					<u>\$</u>	<u>329</u>	<u>\$</u>	<u>327</u>

(continues)

YUKON LIQUOR CORPORATION
Notes to Financial Statements
March 31, 2023

(Tabular amounts in thousands of Canadian dollars)

17. Leases (continued)

	2023	2022
<u>Right-of-use assets by class of assets</u>		
Buildings - cost	\$ 1,117	\$ 1,549
Buildings - accumulated depreciation	(505)	(892)
Carrying amount	\$ 612	\$ 657

	2023	2022
<u>Lease liabilities are presented in the statement of financial position</u>		
Current portion of lease liabilities	\$ 323	\$ 315
Long-term portion of lease liabilities	299	360
	\$ 622	\$ 675

The lease liabilities are secured by the related underlying assets.

Future minimum lease payments at March 31 were as follows:

	2023	2022
<u>Minimum lease payments due</u>		
Less than 1 year		
Lease payments	\$ 339	\$ 326
1 to 5 years		
Lease payments	303	366

18. 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, 2023 for future years is \$3,051,661 (March 31, 2022 - \$1,677,030).

19. Comparative figures

During the year, the Corporation changed the presentation of its Statement of Cash Flows from the direct method to the indirect method.

Certain comparative figures for 2022 have been reclassified to conform with the 2023 presentation.

YUKON LIQUOR CORPORATION

(Schedule 1)

Schedule of Property and Equipment

For the year ended March 31

(Tabular amounts in thousands of Canadian dollars)

	Land	Buildings	Leasehold improvements	Furniture and office equipment	Operating equipment	Heavy equipment	Systems equipment	2023		2022
								Total	Total	
Cost, beginning of year	\$ 202	\$ 5,356	\$ 381	\$ 970	\$ 412	\$ 589	\$ 680	\$ 8,590	\$ 8,799	\$ 8,799
Acquisitions	-	91	-	38	55	-	9	193	-	-
Disposals	-	-	-	-	-	-	-	-	-	(209)
Transfers	-	-	-	-	-	-	-	-	-	-
Cost, end of year	\$ 202	\$ 5,447	\$ 381	\$ 1,008	\$ 467	\$ 589	\$ 689	\$ 8,783	\$ 8,590	\$ 8,590
Accumulated depreciation, beginning of year	\$ -	\$ 4,705	\$ 370	\$ 813	\$ 266	\$ 270	\$ 540	\$ 6,964	\$ 6,777	\$ 6,777
Depreciation	-	16	3	91	32	39	69	250	348	348
Disposals	-	-	-	-	-	-	-	-	-	(161)
Transfers	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation, end of year	\$ -	\$ 4,721	\$ 373	\$ 904	\$ 298	\$ 309	\$ 609	\$ 7,214	\$ 6,964	\$ 6,964
Net book value	\$ 202	\$ 726	\$ 8	\$ 104	\$ 169	\$ 280	\$ 80	\$ 1,569	\$ 1,626	\$ 1,626

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

Yukon Liquor Corporation

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