

Yukon Liquor Corporation

ANNUAL REPORT

April 1, 2016 to March 31, 2017





Table of Contents

INTRODUCTION

Minister's Message.....	2
Letter of Transmittal	3
Vision, Mission and Values	4
Strategic Goals.....	5

ABOUT YLC

Yukon Liquor Board	7
Organizational Structure	7
Corporate and Regulatory Services	8
Operations	9

STRATEGIC GOALS

Goal One.....	11
Goal Two.....	14
Goal Three.....	21

FUTURE OUTLOOK.....25

FINANCIALS27

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MINISTER'S MESSAGE

I am pleased to present the Yukon Liquor Corporation's 2016/17 annual report. As the Minister responsible for the Yukon Liquor Corporation, I would like to begin by thanking the dedicated staff at the corporation for their hard work. Over the past year, the staff has focused on service, and I would like to acknowledge their commitment. I have seen the difference they are making.

The Yukon Liquor Corporation, along with the Yukon Liquor Board, help to advance our government's priorities by working to ensure that alcohol is enjoyed in a healthy, safe, and responsible manner. I extend my thanks as well to the Yukon Liquor Board in fulfilling its role as a quasi-judicial review body with jurisdiction to issue, cancel, or suspend licenses and permits.

With direction provided through my mandate letter, the corporation has begun work to assess whether the *Liquor Act* meets Yukoners' current and future needs. As the corporation advances this work, I have directed it to seek a balance between economic opportunities and social responsibility. Through this initiative we will strive to support the success of our local producers and licensees, to maintain our people-centred approach to wellness, and to build healthy, vibrant, sustainable communities.

I look forward to continuing progress in achieving our priorities in the years ahead.

Sincerely,

Hon. John Streicker
Minister responsible for Yukon Liquor Corporation

LETTER OF TRANSMITTAL

To: John Streicker, Minister responsible for Yukon Liquor Corporation

The Yukon Liquor Corporation offers an ever-changing world of choice to our customers, while promoting the safe, legal and socially responsible sale and consumption of beverage alcohol. The corporation works to generate revenues that translate into services and investments in building healthy communities across the territory. We support social responsibility initiatives and facilitate opportunities for local producers and businesses that support a diverse and growing economy.

In 2016/17, the corporation met its revenue targets, improved alignment of internal resources, and invested in key areas of operations to improve efficiencies and customer service. We worked to improve policies and procedures and had the opportunity to lead a series of industry conferences where local producers were profiled on the national stage.

The Yukon Liquor Board of Directors operates to support Yukon Liquor Corporation's activities through its arm's-length mandate of issuing, cancelling and suspending liquor licences. This is supported by corporate staff who work to educate and monitor licensees, and ensure compliance with Yukon's liquor laws.

We wish to extend our appreciation to our customers and licensees, our community partners, the staff of the corporation, and acknowledge the dedication of the board directors and the leadership of the Minister responsible for the Yukon Liquor Corporation.

Sincerely,

Matt King
President of Yukon Liquor Corporation

Wayne Cousins
Chair, Yukon Liquor Board

IN 2016/17, THE YUKON LIQUOR CORPORATION STRUCTURE AND INTERNAL PROCESSES REFLECT ITS NEW VISION, MISSION, VALUES AND STRATEGIC GOALS.



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OUR VISION

Our commitment to service excellence, sustainable business practices, and social responsibility promotes economic opportunities and supports healthy Yukon communities.

OUR MISSION

To offer an ever-changing world of choice to our customers while promoting the safe, legal and socially responsible sale and consumption of beverage alcohol.

OUR VALUES

EXCELLENCE - We act with focus, dedication and purpose while operating in a fiscally and socially responsible manner.

INNOVATION - We achieve extraordinary results through empowerment and by working together for continuous improvement.

INTEGRITY - We are proud and accountable for our actions and we honour our commitments.

RESPECT - We create a safe, inclusive, and positive organizational culture, which serves as the foundation for our success.

STRATEGIC GOALS

The Yukon Liquor Corporation's strategic goals link its activities with its vision, mission, and values. The strategic goals guide how the corporation helps to advance Yukon government's priorities.

Goal No. 1

BE A LEADER IN SOCIAL RESPONSIBILITY

This goal supports the government's people-centred approach to wellness through the promotion of safe, legal and responsible sale of beverage alcohol.

Goal No. 2

SUSTAIN NET PROFITABILITY THROUGH RESPONSIBLE LIQUOR SALES

This goal supports the delivery of many Yukon government programs and services that help to build healthy, vibrant, and sustainable communities.

Goal No. 3

SUPPORT LOCAL PRODUCERS AND LICENSEES

This goal supports the success of our local producers and licensees through a more modern legislative and policy framework that meets current and future.

For more information on Yukon Liquor Corporation's guiding strategic documents visit: www.ylc.yk.ca



YUKON LIQUOR BOARD

The Yukon Liquor Board has independent decision-making authority as a quasi-judicial body operating at arm's-length from the Yukon Liquor Corporation. The board is responsible for making liquor licensing decisions including issuances, suspensions, cancellations, hearing appeals, barring, and permit refusals as per the *Liquor Act* and regulations. Cabinet appoints five directors to the board for a three-year term. The board directors meet monthly, with additional meetings scheduled as required. The President of Yukon Liquor Corporation provides updates to the board and is responsible for administering the corporation as directed by the minister responsible.



2016/17 YLC BOARD OF DIRECTORS:
(left to right)

Wayne Cousins (chair), **Cal Murdoch**,
Melanie Graham (vice-chair),
Dave Austin, **Eva Bidrman**

ORGANIZATIONAL STRUCTURE

The Yukon Liquor Corporation is responsible for the purchase, distribution, and responsible sale of liquor products in Yukon, and continues to refine its operations towards a people-centred approach: getting customers the product they want—when they want it.

In 2016/17 the corporation evolved its business structure to improve the way it operates its liquor store, central warehouse and distribution centre in Whitehorse, as well as its five rural community liquor stores in Dawson City, Faro, Haines Junction, Mayo, and Watson Lake.

The Yukon Liquor Corporation transitioned to a stand-alone corporate structure, with the President's office, Corporate Services, Licensing and Inspection Services, and Operations under one organization. This shift—along with the implementation of a new three-year information technology modernization plan and other operational improvements—translates into a greater ability to deliver on the corporation's strategic goals.

The corporation is comprised of two functional divisions including Corporate and Regulatory Services, and Operations.

CORPORATE AND REGULATORY SERVICES

The Corporate and Regulatory Services division sets and delivers on strategic goals, while supporting the Operations division to manage the front line business.

PRESIDENT'S OFFICE is accountable to the minister responsible and Cabinet for the operation of the Yukon Liquor Corporation. The president is responsible for administering the *Liquor Act*; managing the daily operations of the corporation in accordance with the government's legislation, regulations, policies and business plans; as well as, coordinating work with other departments and organizations.

LICENSING AND INSPECTION SERVICES provides leadership with respect to regulatory services including licensee education, inspections/monitoring and enforcement of the *Liquor Act* and regulations. The unit prepares board submissions, administers all aspects of licensing services, and enforces *Liquor Act* and its regulations. It also ensures the provision of legal services and contributes to board policy development, and maintains national connections on best practices with respect to compliance.

HUMAN RESOURCES provides leadership in all aspects of talent management, including compensation and benefits, training and development, succession planning, employee relations and workplace diversity; promotes a positive organizational culture; and, helps to develop and grow the corporation's human resources.

FINANCE, RECORDS AND ADMINISTRATION prepares financial reports and budgets, conducts accounting services, and manages procurement and contracts; is the lead contact for the Office of Auditor General of Canada; manages activities related to document services, designs and assesses systems and controls; and, conducts treasury functions. This unit is also responsible for enterprise risk management, and risk and insurance requirements.

SOCIAL RESPONSIBILITY, POLICY AND PLANNING leads strategic planning; provides legislative and policy support services; manages corporate communications, web and digital channels; and, advances social responsibility initiatives in partnership with business and community partners.



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OPERATIONS

The Operations division is comprised of several branches and units:

PURCHASING AND LOGISTICS is responsible for day-to-day operations and activities related to: product purchasing; pricing administration; warehouse inventory management; in-store merchandising program development; logistics; timely and efficient transport of products from suppliers; and, overseeing the supply chain.

SALES AND DISTRIBUTION provides wholesale services to licensees, and processes sales out of the central warehouse to permit holders and the corporation's stores; and arranges all out-bound shipping in territory.

WAREHOUSE OPERATIONS manages all aspects of the central warehouse. It processes and prepares all orders for shipment to licensees, stores and permit holders.

COMMUNITY STORES AND TERRITORIAL AGENT SERVICES are located in Dawson City, Faro, Mayo, Haines Junction, and Watson Lake and offer a range of products to meet customer and local licensee needs. In addition to selling product through their store fronts, the five rural stores also provide ordering and distribution services for licensed businesses in their regions and act as territorial agents who administer services on behalf of other Yukon government departments (i.e. driver licences, fishing licences, motor vehicle registrations, property taxes, business licences and court fines).

WHITEHORSE STORE provides a wide-range of products to meet customer demands and displays local products. Store personnel are customer-focused with category experts who offer a variety of products for the public and licensees.



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INFORMATION AND TECHNOLOGY supports the corporation's inventory management and point of sales systems, hardware and other related technological needs.

HEALTH AND SAFETY includes loss prevention and emergency planning. This unit ensures the corporation has the appropriate processes, procedures and tools in place to safeguard its employees, clientele and products.



Goal No. 1

Be a leader in social responsibility

140 PRIVATE LICENSEES
Authorized
to sell liquor products in Yukon as of March 31, 2017.

13 NEW LICENSEES

9 LICENCES CLOSED
during or at the beginning of the year.

Many of the licensees carry more than one liquor license.

IN TOTAL, THERE ARE 299 LICENCES.

Being a social responsibility leader means being a partner in the promotion of moderate consumption, wellness, and responsible sales and service. The Yukon Liquor Corporation works through strategic partnerships with departments, other governments, communities, and non-government organizations to help reduce alcohol-related harms and to encourage the responsible consumption of alcohol.

In 2016/17, the Yukon Liquor Corporation supported:

- ▶ **A non-alcoholic beverage selection in all stores.** The non-alcoholic beverage category has expanded, is part of regular inventory, and has a reduced mark-up structure that improves accessibility to wholesale customers.
- ▶ **Fetal Alcohol Syndrome Society Yukon (FASSY)** with funding for its Pregnancy Test/Condom Dispenser Project, which allowed FASSY to install condom dispensers in several public men's washrooms to promote active reproductive care and healthy pregnancies. The Yukon Liquor Corporation also supports a range of other Fetal Alcohol Spectrum Disorder (FASD) awareness initiatives.
- ▶ **The RCMP & MADD for the annual Project Red Ribbon campaign** promotes wearing a red ribbon in support of driving sober. Public donations are collected at liquor store tills to support MADD initiatives.
- ▶ **MADD Whitehorse with its two-sided "Am I okay?" coasters.** These coasters "interact" with patrons at the point of consumption when they may be making decisions about driving.
- ▶ **The Check 25 program** encourages identification checks of people who appear to be under the age of 25.
- ▶ **Annual identification blitzes with RCMP** that aim to reduce underage drinking and the sale of liquor to minors.

- ▶ **A Health Canada-funded study** that includes a survey assessing attitudes, opinions and behaviours related to alcohol use. This study will help public health officials better understand alcohol use in northern territories. In 2017/18, the corporation will help assess the effectiveness of warning labels on liquor products sold in Yukon and the Northwest Territories.
- ▶ **The Department of Highway and Public Works** with a contribution of \$41,000 for its Driver Control Board. The Driver Control Board reviews vehicle operators' licenses that have been suspended or revoked due to motor vehicle infractions involving liquor.
- ▶ **The Teddy Bear Twin Program** that donates a bear to children or seniors who are ill, injured or experienced a traumatic event. In 2016 over 450 teddy bears were donated to social service organizations, hospitals and Emergency Medical Services to comfort and support people in need.
- ▶ **Substance-free and safe grad events** by contributing funding to schools throughout Yukon.

The Yukon Liquor Corporation is developing a social responsibility strategy that includes an education and outreach plan. This work will help guide the corporation towards greater effectiveness in advancing social responsibility through its partnerships, programs, and initiatives. The plan will be rooted in cross-government efforts and strategies to improve health outcomes for Yukon citizens.

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 Yukon. Inspectors work closely with licensees and their staff by providing support, resources and educational opportunities to increase compliance of Yukon's liquor laws and Yukon Liquor Board policies. To ensure compliance, inspectors outline the duties and responsibilities the licensee must adhere to in order to remain in good standing with the Yukon Liquor Corporation's Board of Directors and Yukon Liquor Corporation.

In 2016/17, two liquor licence suspensions were issued.

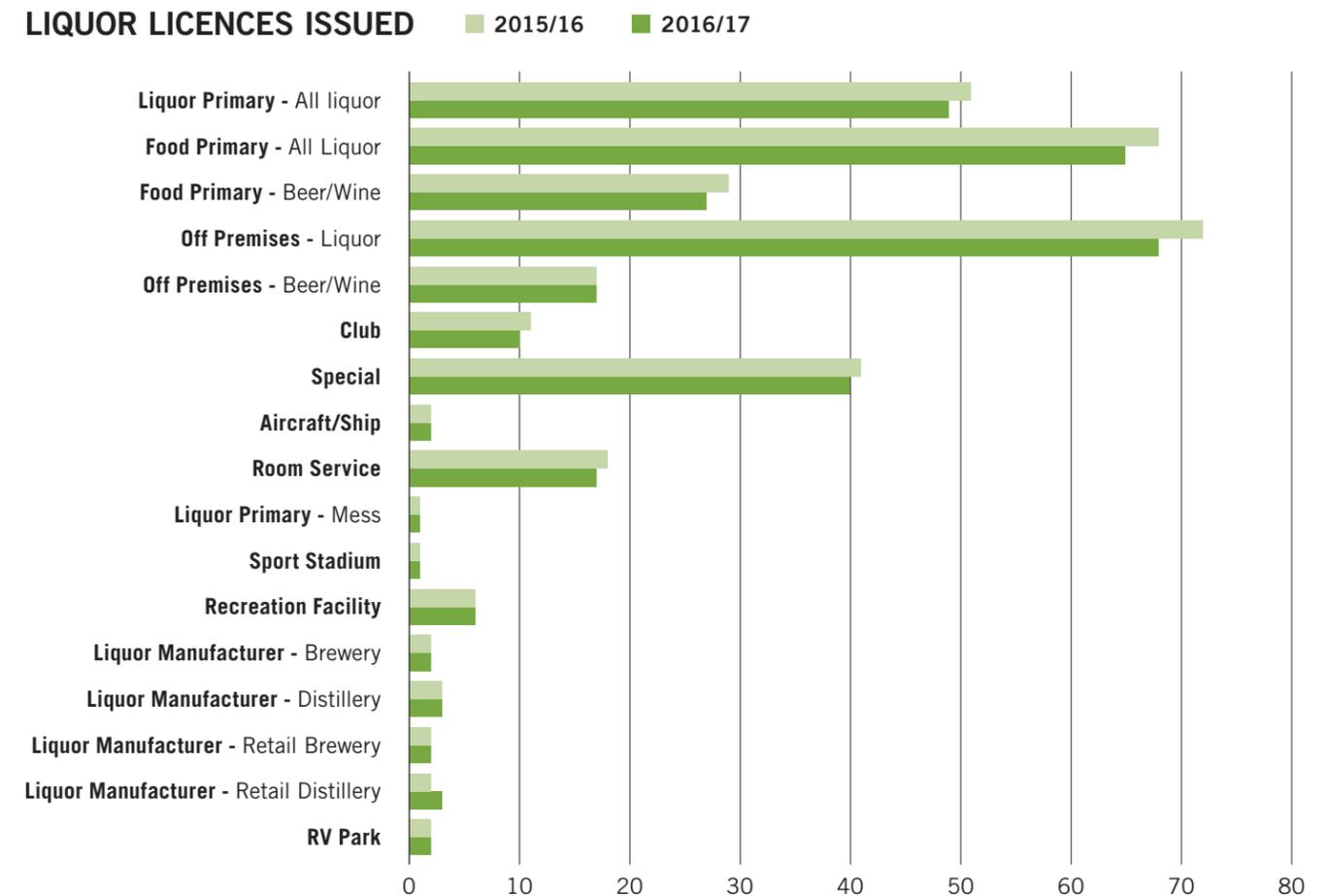
To learn more about other initiatives or access various resources and publications visit www.ylc.yk.ca.

In 2016/17, the Yukon Liquor Corporation received the **Citizen of Distinction award by MADD Canada** for its partnership with MADD's Whitehorse chapter. The corporation was recognized for its "commitment to social responsibility programming and its efforts to inform Yukoners about the dangers and consequences of impaired driving" as well as for its support for MADD Whitehorse and MADD Canada.

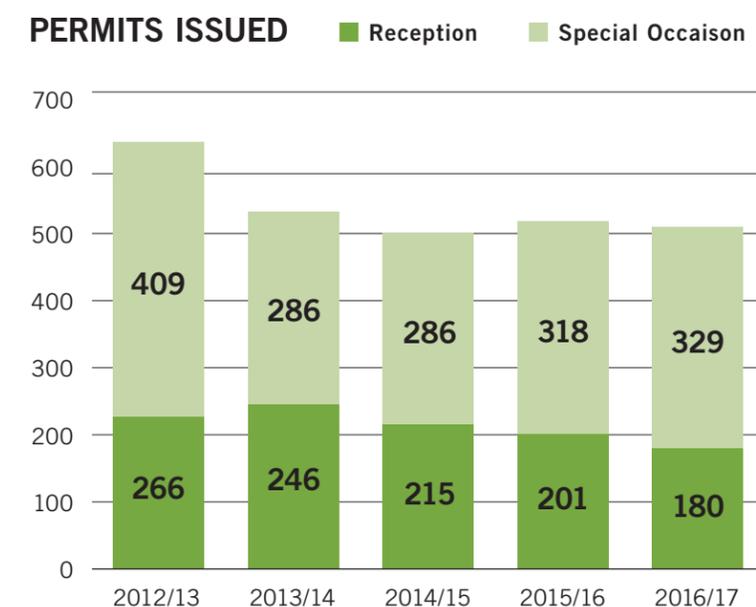
In Yukon, you must be at least 19 years of age to purchase liquor products. **Check 25** and the **ID Blitz** are two initiatives that discourage under-age drinking. The ID Blitz, held each May, is timed to ensure students and graduates, who are not-quite-of-age, are not being served illegally in licensed establishments nor breaking Yukon's liquor laws.

"Be a Responsible Server" (BARS) is an educational program designed for people who serve liquor in licensed establishments. BARS 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. The material presented in the BARS course is flexible and may be modified to suit the needs of the licensee. This year, Yukon Liquor Corporation issued 209 certificates to people who completed the BARS course.

LIQUOR LICENCES ISSUED



PERMITS ISSUED



This graph represents the types of liquor licenses that were issued in Yukon in 2015/16 and 2016/17.

This graph represents the two types of liquor permits that were issued in Yukon between 2012/13 and 2016/17.

Goal No. 2

Sustain net profitability through responsible liquor sales



The Yukon Liquor Corporation is mandated to return net profits to the Yukon government. The corporation's net profitability supports the provision of a wide range of programs, services and initiatives that help to build healthy, vibrant, and sustainable communities.

The 2016/17 fiscal year was a year of transition for the Yukon Liquor Corporation. The corporation identified and implemented a series of strategies aimed at improving operations, offering better customer service, and increasing profitability. Improvements were made in the following areas:

STRUCTURE AND OPERATIONS

- ▶ Establishing the Yukon Liquor Corporation as a stand-alone organization.
- ▶ Assessing staffing requirements and reallocating resources to provide more accurate, reliable, and timely service to customers.
- ▶ Improving and implementing financial, operational, and other internal processes to reduce waste and to support the open, accountable and fiscally responsible operation of the corporation.
- ▶ Developing and implementing a three-year information technology modernization plan that includes: installing Wi-Fi in the warehouse to support handheld inventory scanning devices; replacing aging hardware; implementing additional safeguards to protect against potential fraud and error; mapping business processes; identifying and creating reports to reduce manual processes and enhance decision-making abilities; improving data and financial information systems; and, integrating pricing files to reduce additional manual processes.

DURING THE 2016/17 FISCAL YEAR, YUKON LIQUOR CORPORATION SALES GENERATED \$8.5 MILLION IN NET PROFIT WITH \$4.5 MILLION IN LIQUOR TAXES. THE MARK-UP ON PRODUCTS IS USED TO COVER OPERATING EXPENSES PLUS GENERATE FUNDS THAT SUPPORT GOVERNMENT OF YUKON PROGRAMS AND SERVICES TO YUKONERS.

PRODUCTS AND PRICING

- ▶ Revising its pricing structure and publishing it online to improve transparency in practice. Pricing structure revisions included changes to the draught pricing category to benefit local licensees, and reducing non-alcoholic product prices in all liquor stores.
- ▶ Increasing product selection by adding 128 new products to its regular inventory.
- ▶ Regularly stocking over 1,400 products that are listed in its price book. The most significant areas of growth have been in ready-to-serve beverages, spirits, and table wines.
- ▶ Adding capacity and improving warehousing and purchasing practices enhances the product portfolio, which will continue to grow to have over 1,500 general list products available by March 31, 2018.
- ▶ Expanding the portfolio and growing the special order program means moving over 3,200 active products through the central warehouse a year.
- ▶ Reducing the number of product supply interruptions despite increasing product selection by creating new information technology, improving purchasing and warehousing strategies, as well as supply chain management practices.

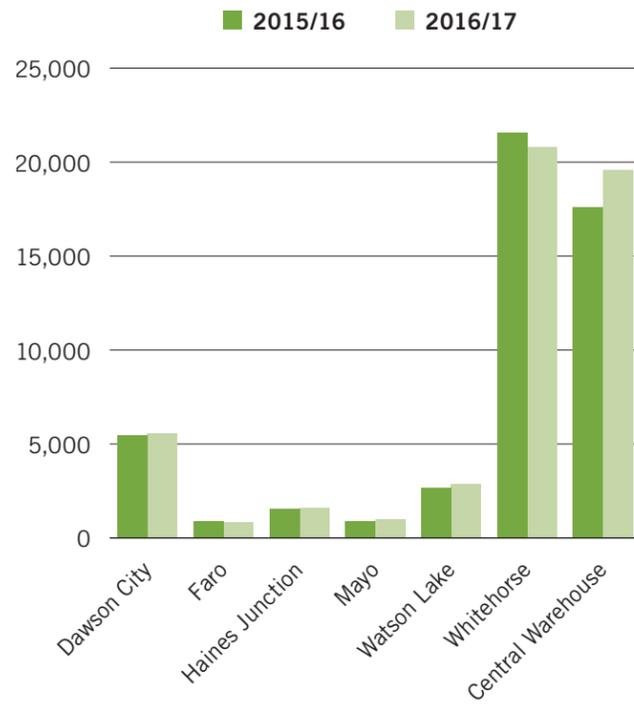
SERVICE EXCELLENCE

- ▶ Hosting a series of information sessions in communities across Yukon to engage partners and licensees in the discussion regarding regulatory changes that came into effect in August 2016.
- ▶ Introducing new product programs throughout the year to better meet consumers' changing tastes and product preferences.
- ▶ Promoting customer service and training initiatives so staff can enhance and share their product knowledge and receive feedback about desired products and services.
- ▶ Cross-training staff to build skills in transition management and business practices. Staff development is continuously encouraged through training events and workshops.

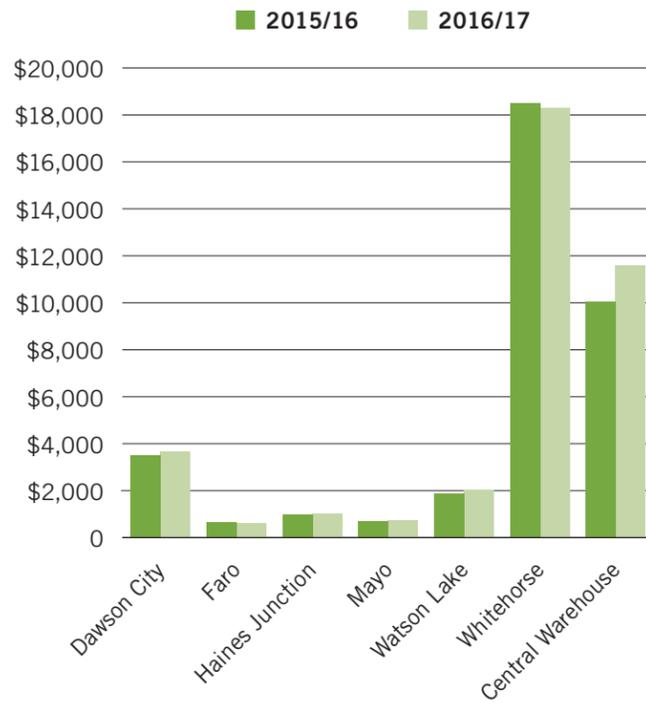
Like us on Facebook [\[/yukonliquorcorp \]](https://www.facebook.com/yukonliquorcorp) **and follow us on Twitter** [\[@YukonLiquorCorp \]](https://twitter.com/YukonLiquorCorp) **to stay informed about what is going on with the corporation, new initiatives, products or quick tips on how to plan a safe and fun night out.**

The *Liquor Act* requires that the Yukon Liquor Corporation tables 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 27). This requirement supports the open, accountable and fiscally responsible operation of the corporation.

SALES BY LOCATION (Hectolitres)



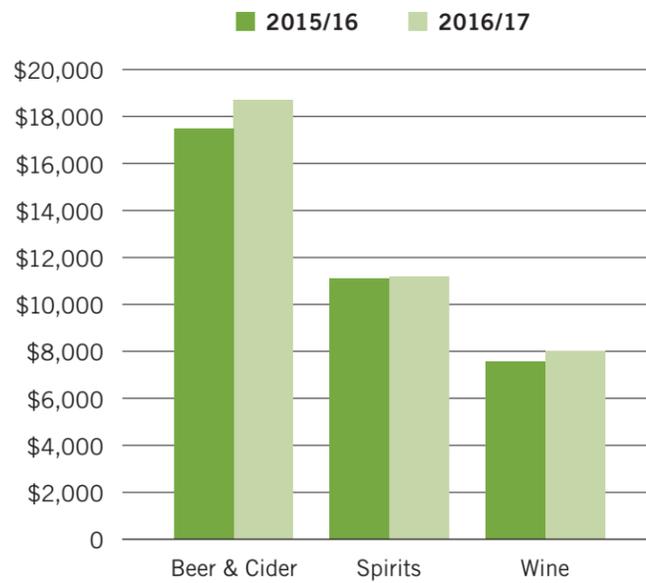
SALES BY LOCATION (\$,000s)



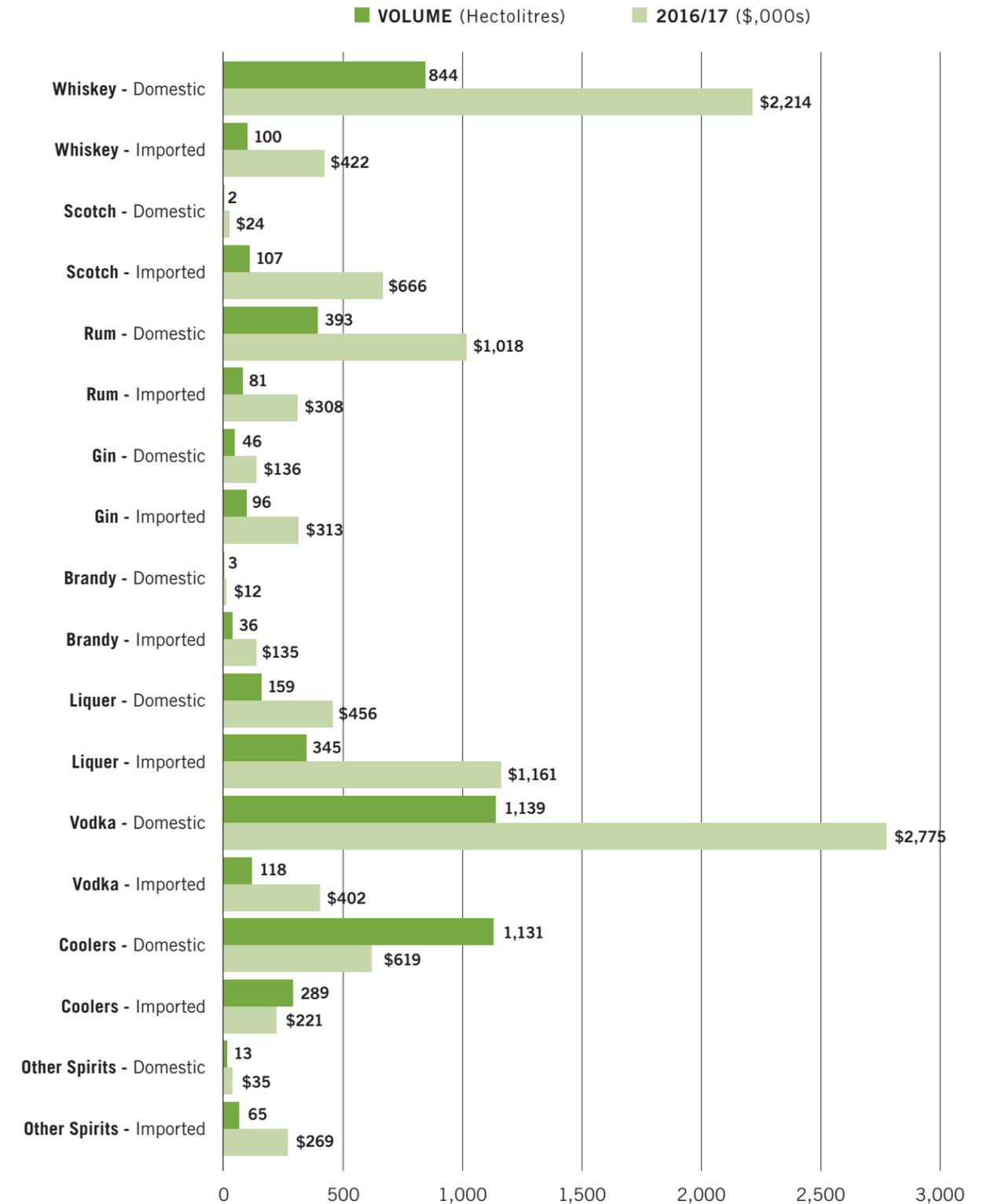
SALES BY CATEGORY (Hectolitres)



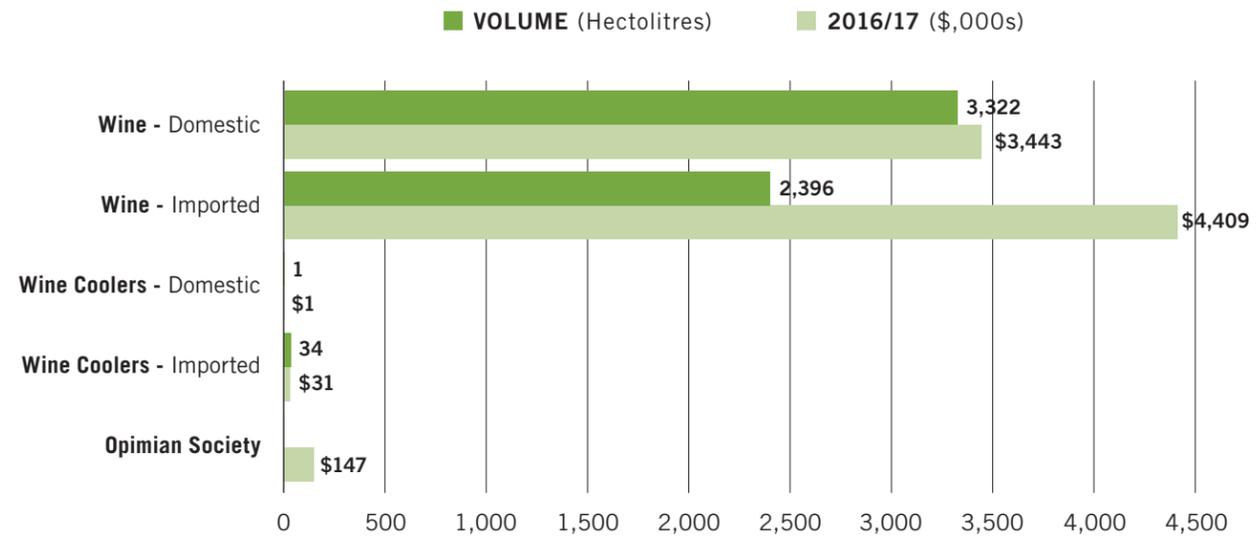
SALES BY CATEGORY (\$,000s)



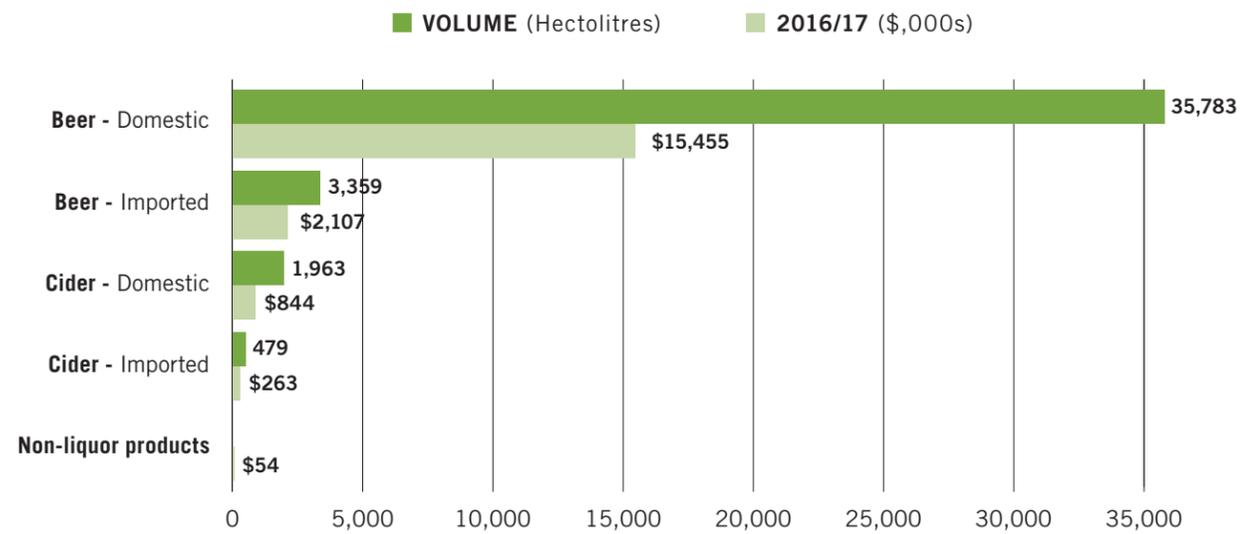
SPIRIT SALES BY PRODUCT TYPE



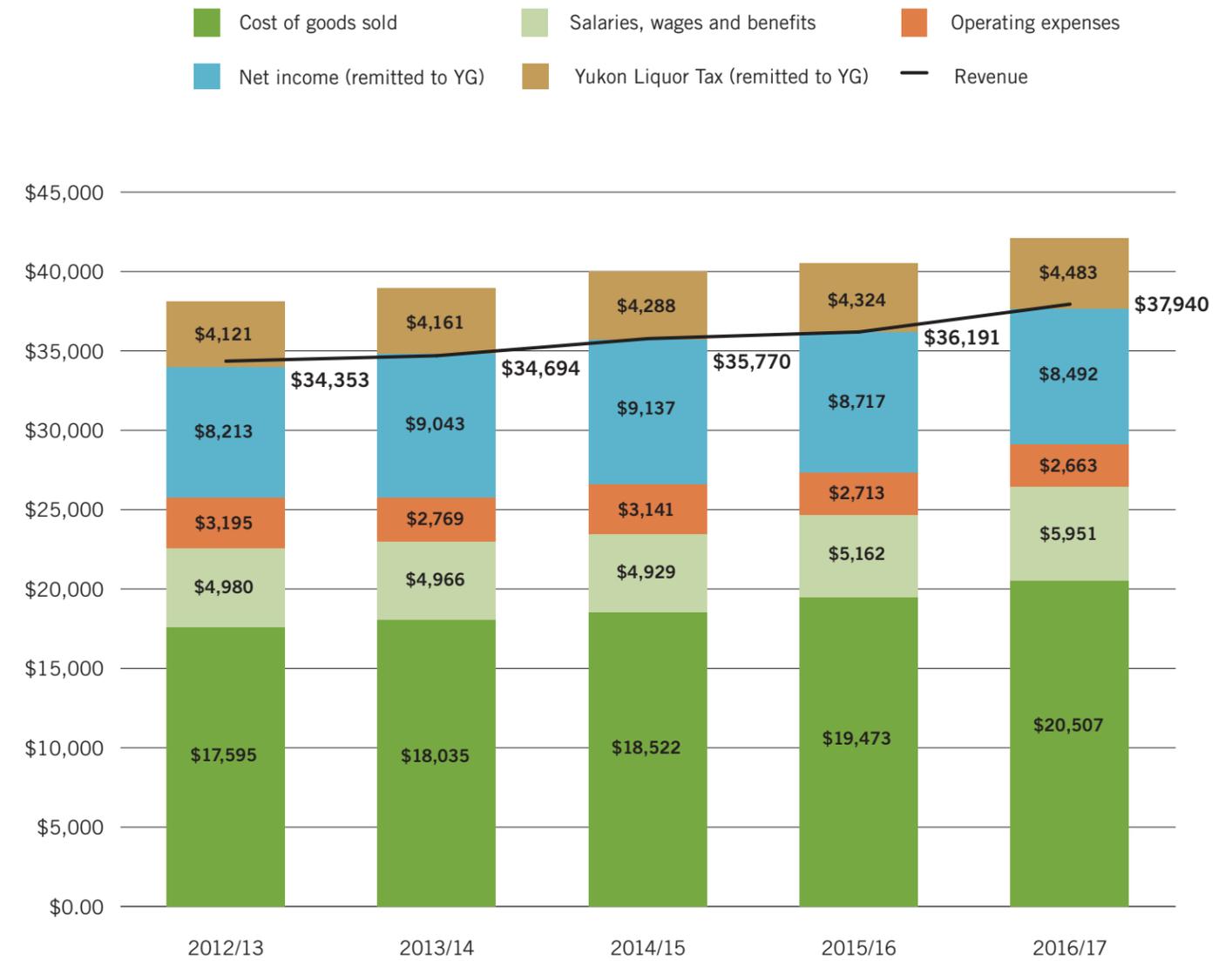
WINE SALES BY PRODUCT TYPE



BEER AND CIDER SALES BY PRODUCT TYPE

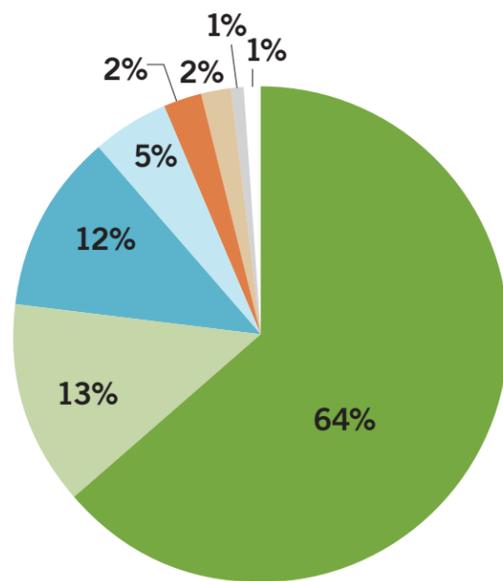
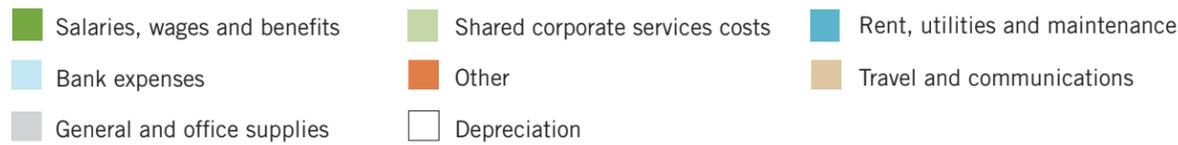


REVENUE, EXPENSES AND ANNUAL REMITTANCES TO GOVERNMENT OF YUKON (\$,000s)

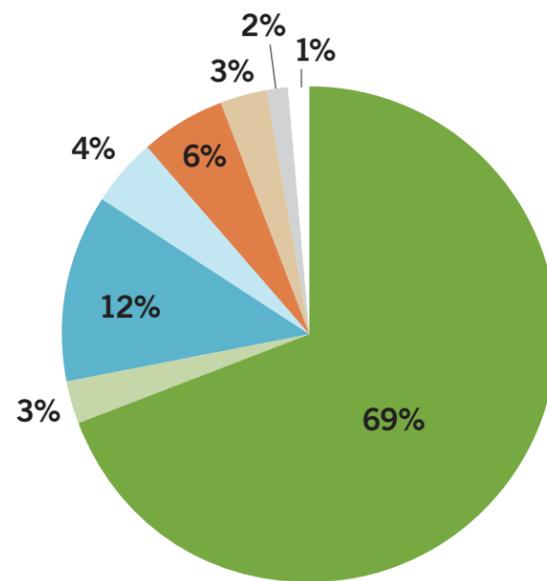


This graph shows the revenue, expenses, and annual remittances to the Yukon government over the past five years. Wholesale pricing was introduced to licensees in February 2015. This 10 per cent discount, applied to wholesale purchases, resulted in reducing net income.

OPERATING EXPENSES



2015/16



2016/17

These pie graphs show annual operating expenses for the Yukon Liquor Corporation based on various types of expenses in 2015/16 and 2016/17. The reduction of shared corporate services costs was the result of separating the Yukon Liquor Corporation from the Yukon Housing Corporation. This shared services expense was transferred in part to salaries, wages and benefits.

Goal No. 3

Support local producers and licensees



Distilleries



Breweries

WHETHER SOLD IN LOCAL, NATIONAL OR INTERNATIONAL MARKETS, YUKON'S LOCAL PRODUCERS ARE GAINING ATTENTION AND DISTINCTION IN A HIGHLY COMPETITIVE FIELD. VISITORS TO YUKON AND YUKONERS THEMSELVES APPRECIATE THE OPPORTUNITY TO ENJOY LOCALLY PRODUCED GOODS.

The Yukon Liquor Corporation highlights the innovation and expertise of local microbreweries and distilleries Yukon Shine, Yukon Brewing & Spirits, Klondike River Distillery, and Winterlong Brewing Company.

This year the Yukon Liquor Corporation showcased products offered by local producers to a national audience. The corporation led and chaired the Canadian Association of Liquor Jurisdictions conference and the Association of Liquor Licensing Authorities of Canada conference in Toronto. In addition to promoting local products, the corporation hosted more than 150 delegates from across the industry and seized the opportunity to foster jurisdictional relationships and share best practices across Canada.

The corporation also distributed a survey and hosted a series of licensee information sessions to engage in dialogue and hear from local producers and licensees. Licensee information sessions were hosted across Yukon—Faro, Dawson City, Haines Junction, Mayo, Watson Lake, and Whitehorse—in September and October 2016.

A number of recommendations were heard around product pricing, selection, service and reliability. In response, the corporation revised its pricing structure, specifically the draught category to provide additional savings to restaurants, and enhanced its transparency by publishing the pricing structure and new price calculators on its website www.ylc.yk.ca.



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The Yukon Liquor Corporation continues to support local producers and licensees in a number of ways:

- ▶ **Wholesale liquor pricing for local licensees**
Valid licensees, including restaurants, bars and off sales, receive a 10 per cent discount—before deposit, Yukon Liquor Tax and GST—on all liquor purchases.
- ▶ **Local Producer Distribution Credit**
Liquor producers can qualify for a distribution credit that is equal to 10 per cent of Yukon Liquor Corporation's base price. This credit goes to local manufacturers who retail liquor products from their own facilities.
- ▶ **Out-of-Territory Trade**
The corporation participates on working groups related to internal trade and ensures local producer issues are brought to the table so they have the same opportunity to reach new Canadian markets as products manufactured elsewhere in Canada.
- ▶ **Local producer pricing and policy review**
The Yukon Liquor Corporation began to review its pricing policies and seek feedback from producers in 2016. This review will continue through 2017 and will determine if the policies are meeting current and future needs, while also ensuring an appropriate balance between economic opportunities and social responsibility.

The Yukon Liquor Corporation has a mandate to consult the Yukon Liquor Board, the business community, consumers and civil society to assess whether the *Liquor Act* meets current needs and provides for an appropriate balance between economic opportunities and social responsibility.



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KEY INITIATIVES SCHEDULED FOR 2017/18 INCLUDE:

- ▶ Assessing whether the *Liquor Act* is meeting Yukoners' current and future needs and appropriately balancing economic opportunities and social responsibility.
- ▶ Continuing to improve two-way information sharing with licensees about products and industry trends.
- ▶ Developing a comprehensive social responsibility framework, education and outreach plan to advance various partnership programs and initiatives.
- ▶ Continuing to enhance the BARS course and other education initiatives about responsible service.
- ▶ Assessing and improving point-of-sales system capabilities.
- ▶ Improving the information and technology systems as per a three-year information technology modernization plan.
- ▶ Improving internal processes to maximize operational efficiencies.
- ▶ Streamlining supply chain procedures such as reducing lead times for special orders.
- ▶ Establishing training and development opportunities.
- ▶ Expanding product selection to meet customers' demands.



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Financials

Management's Responsibility for Financial Statements.....	28
Independent Auditor's Report.....	29
Statement of Financial Position.....	31
Statement of Comprehensive Income	32
Statement of Changes In Equity.....	33
Statement of Cash Flows	34
Notes to the Financial Statements	35
Schedule of Property, Plant and Equipment.....	45



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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

Management is also responsible for the integrity and objectivity of the financial statements of the Corporation. The accompanying financial statements as at March 31, 2017 include amounts based on management's best estimates as determined through experience and judgment, are prepared in accordance with International Financial Reporting Standards. Other financial information included in the Annual Report is consistent with these financial statements.

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

Matt King
President

Susan Russell
Manager, Accounting Services

July 7, 2017



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 Financial Statements

I have audited the accompanying financial statements of the Yukon Liquor Corporation, which comprise the statement of financial position as at 31 March 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Yukon Liquor Corporation as at 31 March 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

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

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



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

7 July 2017
Vancouver, Canada

YUKON LIQUOR CORPORATION
STATEMENT OF FINANCIAL POSITION
as at March 31

ASSETS

	2017	2016
	(in thousands of Cdn \$)	
Current		
Cash	\$ 963	\$ 1,590
Inventories		
Beer	1,413	1,040
Spirits	1,241	1,143
Wine	1,059	1,014
Accounts receivable (Note 4)	204	72
Prepaid expenses	23	-
	<u>4,903</u>	<u>4,859</u>
Property, plant and equipment (Notes 5, 8 and Schedule)	<u>1,557</u>	<u>1,231</u>
	<u>\$ 6,460</u>	<u>\$ 6,090</u>

LIABILITIES & EQUITY

Current		
Accounts payable and accrued liabilities (Notes 4 and 6)	\$ 2,588	\$ 2,318
Due to the Government of Yukon (Notes 4 and 7)	926	1,310
Deferred revenue	90	82
	<u>3,604</u>	<u>3,710</u>
Non-pension benefit liability (Note 11)	<u>1,299</u>	<u>1,149</u>
	4,903	4,859
Equity (Note 8)	<u>1,557</u>	<u>1,231</u>
	<u>\$ 6,460</u>	<u>\$ 6,090</u>
Commitments (Note 13)		

Approved by Management and authorized for issue on July 7, 2017



President



Manager, Accounting Services

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

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

	2017	2016
	(in thousands of Cdn \$)	
Revenue		
Beer	\$ 18,723	\$ 17,506
Spirits	11,186	11,102
Wine	8,031	7,583
	37,940	36,191
Cost of goods sold		
Beer	11,707	10,848
Spirits	5,044	5,054
Wine	3,756	3,571
	20,507	19,473
Gross profit	17,433	16,718
Expenses		
Salaries, wages and benefits	5,951	5,162
Rent, utilities and maintenance	1,033	946
Other	482	190
Bank expenses	380	400
Travel and communications	261	159
Shared corporate services costs (Note 10c)	247	1,090
General and office supplies	125	74
Depreciation	107	78
	8,586	8,099
Operating profit	8,847	8,619
Other income		
Fees, permits and licences	131	123
Miscellaneous	31	50
	162	173
Profit before other comprehensive income	9,009	8,792
Other comprehensive income (loss)		
Amounts not to be reclassified subsequently to net income		
Actuarial gain (loss) (Note 11)	(190)	51
Comprehensive income	\$ 8,819	\$ 8,843

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

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

	2017	2016
	(in thousands of Cdn \$)	
Equity, beginning of year	\$ 1,231	\$ 1,105
Profit before other comprehensive income	9,009	8,792
Other comprehensive income (loss)	(190)	51
Current year's profit to be remitted to the Government of Yukon (Note 10a)	(8,493)	(8,717)
Equity, end of year (Note 8)	\$ 1,557	\$ 1,231

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

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

	2017	2016
	(in thousands of Cdn \$)	
Cash flows from operating activities		
Cash receipts:		
Revenue - beer, spirits and wine	\$ 37,809	\$ 36,198
Fees, permits and licences	171	177
Cash disbursements:		
Purchases of inventories	(20,522)	(19,631)
Salaries, wages and benefits	(6,469)	(5,045)
General and administrative expenses	(1,924)	(1,431)
Shared corporate services costs (Note 10c)	(528)	(1,071)
Net cash generated by operating activities	<u>8,537</u>	<u>9,197</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment (Schedule)	(450)	(204)
Disposal of property, plant and equipment (Schedule)	18	
Net cash used in investing activities	<u>(432)</u>	<u>(204)</u>
Cash flows from financing activities		
Remittance of profit to the Government of Yukon (Note 10a)	(8,732)	(8,893)
Net cash used in financing activities	<u>(8,732)</u>	<u>(8,893)</u>
(Decrease) Increase in cash for the year	(627)	100
Cash, beginning of year	<u>1,590</u>	<u>1,490</u>
Cash, end of year	<u>\$ 963</u>	<u>\$ 1,590</u>

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

YUKON LIQUOR CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2017

1. Authority and operations

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

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

In accordance with the *Liquor Act*, the profit for the year, before depreciation, less amounts expended on property, plant and equipment, is remitted to the Government of Yukon on a monthly basis.

The Corporation is required by the *Liquor Tax Act* to collect liquor taxes on behalf of the Government of Yukon and to remit these taxes on a monthly basis. The current rate is 12% (2016 - 12%) and is applied to selling prices of all liquor products.

In accordance with the provisions of the *Beverage Container Regulations* under the *Environment Act*, the Corporation collects various beverage container deposits and recycling surcharges on the sale of its products. These amounts are remitted to the Recycling Fund on a monthly basis after deducting deposit refunds paid and fees earned under the program.

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

2. Basis of presentation

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

3. Significant accounting policies

The significant accounting policies are as follows:

a) Inventories

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

b) Financial instruments

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

YUKON LIQUOR CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2017

Loans and receivables

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

Other financial liabilities

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

c) Property, plant and equipment

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

Depreciation is calculated on a straight-line basis and is based on the estimated useful lives of the assets as follows:

<u>Classification</u>	<u>Estimated Useful Life</u>
Land	Indefinite
Buildings	20 years
Furniture and office equipment	5 years
Operating equipment	5 years
Heavy equipment	15 years
Systems development	5 years
Systems equipment	5 years
Leasehold improvements	remaining term of lease

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

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

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

YUKON LIQUOR CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2017

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.

d) Revenue recognition

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

e) Expense

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

f) Employee benefits

Non-pension benefits

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

Pension

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

g) Leases

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

h) Use of estimates

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

YUKON LIQUOR CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2017

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

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

i) Accounting standards issued but not yet effective

IFRS 9: Financial instruments

IFRS 9, as issued in July 2014, will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 addresses classification and measurement of financial instruments, impairment of financial assets, as well as hedge accounting, and is effective for annual periods beginning on or after January 1, 2018. Early adoption is permitted. IFRS 9 adopts a single approach to classification and measurement, which determines whether a financial asset is measured at amortized cost or fair value based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. IFRS 9 introduces an expected loss impairment model that requires more timely recognition of expected credit losses. Finally, IFRS 9 introduces a substantially reformed model for hedge accounting and enhanced disclosures about risk management activity. The Corporation is currently assessing the impact that this standard will have on the financial statements, and therefore the extent of the impact of the adoption of this standard is unknown.

IFRS 15: Revenue from Contracts with Customers

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

IFRS 16: Leases

IFRS 16 Leases was issued on January 13, 2016 to replace IAS 17 Leases. The new standard increases the scope of which leases must be brought onto companies' balance sheets, increasing the visibility of their assets and liabilities. IFRS 16 removes the classification of leases as either operating leases or finance leases (for the lessee-the lease customer), treating all leases as finance leases. Short-term leases (less than 12 months) and leases of low-value assets (such as personal computers) will have an optional exemption from the requirements. The new standard is effective January 1, 2019. Early adoption is permitted (as long as the recently issued revenue Standard, IFRS 15 Revenue from Contracts with Customers is also adopted). The Corporation is currently assessing the impact that this standard will have on the financial statements, and therefore the extent of the impact of the adoption of this standard is unknown.

YUKON LIQUOR CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2017

Disclosure Initiative - Amendments to IAS 7: Statement of Cash Flows

The IASB issued on January 29, 2016 narrow-scope amendments to IAS 7 Statement of cash flows. In fact, the IASB issued amendments to require companies to disclose information about changes in their financing liabilities. The amendments are effective for annual periods beginning on or after January 1, 2017 with earlier application permitted. The Corporation does not expect the amendments to IAS 7 to have a material impact on its financial statements.

4. Financial instruments

Risk

The Corporation, through its financial assets and liabilities, is exposed to the following risks from its use of financial instruments: credit risk and liquidity risk. The Corporation manages these risk exposures on an ongoing basis. The Corporation has no significant exposure to interest rate risk and foreign exchange risk. The Corporation is not party to any derivative financial instruments.

Credit risk

Credit risk on financial instruments arises from the possibility that the issuer of a financial instrument fails to meet its obligation.

The carrying amount of Cash and Accounts receivable represents the maximum credit risk exposure.

The Corporation's Accounts receivable has a carrying value of \$204,000 as of March 31, 2017 (2016 - \$72,000). There is a 27% (2016 - 56%) concentration of Accounts receivable with one customer. As at March 31, 2017, approximately 1.1% (2016 - 0%) of Accounts receivable were over 90 days past due, whereas 98.9% (2016 - 100%) were current or less than 90 days past due. Historically, the Corporation has not incurred any significant losses with respect to bad debts. The Corporation's allowance for doubtful accounts is nil at March 31, 2017 (2016 - nil).

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

Liquidity

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation's objective is to have sufficient liquidity to meet these liabilities when due. The Corporation monitors its cash balances and cash flows generated from operations to meet its requirements by regularly checking bank balances and accounts payable reports.

The carrying amount of Accounts payable and accrued liabilities and Due to the Government of Yukon represents the maximum exposure to liquidity risk.

The Corporation does not have long-term financial liabilities. The Corporation's Accounts payable and accrued liabilities had a carrying value of \$2,588,000 as at March 31, 2017 (2016 - \$2,318,000). As at March 31, 2017, approximately 3.5% (2016 - 6.1%) of Accounts payable were over 90 days past due, whereas 96.5% (2016 - 93.9%) were current or less than 90 days past due. Due to the Government of Yukon had a carrying value of \$926,000 as of March 31, 2017 (2016 - \$1,310,000). As at March 31, 2017, approximately 0% (2016 - 0.2%) of Due to the Government of Yukon were over 90 days past due, whereas 100% (2016 - 99.8%) were current or less than 90 days past due.

YUKON LIQUOR CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2017

5. Property, plant and equipment

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

	2017	2016
	(in thousands of Cdn \$)	
Land	\$ 202	\$ 202
Buildings	656	454
Furniture and office equipment	94	55
Operating equipment	27	39
Heavy equipment	318	316
Systems development	146	67
Systems equipment	108	91
Leasehold improvements	6	7
(Schedule)	<u>\$ 1,557</u>	<u>\$ 1,231</u>

6. Accounts payable and accrued liabilities

	2017	2016
	(in thousands of Cdn \$)	
Trade payables	\$ 1,894	\$ 1,580
Accrued liabilities	524	369
Non-pension benefit liability current portion (Note 11)	170	88
Shared corporate services (Note 10c)	-	281
	<u>\$ 2,588</u>	<u>\$ 2,318</u>

7. Due to the Government of Yukon

	2017	2016
	(in thousands of Cdn \$)	
Reimbursements due for salaries to employees, and other costs paid on behalf of the Corporation	\$ 856	\$ 733
Remittances due to (from) the Government of Yukon pursuant to <i>Liquor Act</i> (Note 10a)	(373)	(133)
<i>Liquor Tax Act</i> (Note 10b)	327	441
Net remittances due to the Recycling Fund	116	269
Net due at the end of the year	<u>\$ 926</u>	<u>\$ 1,310</u>

8. Equity

This amount represents the sum of the net book value of property, plant and equipment purchased by the Corporation after March 31, 1990, of which \$1,557,000 (2016 - \$1,231,000) was purchased prior to remitting funds to the Government of Yukon (Note 1). The annual change in equity represents additions and disposals of property, plant and equipment less depreciation expense for the year.

9. Capital management

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

YUKON LIQUOR CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2017

The Corporation defines capital as net assets. It is subject to the financial management and accountability provisions of the *Financial Administration Act* of Yukon, the *Corporate Governance Act*, and the *Liquor Act*, which specifies that net assets of the Corporation are the property of the Government of Yukon.

The Corporation manages its net assets through its five year capital plan and as a by-product of managing revenues, expenses, assets, liabilities and general financial dealings to ensure that its objectives are achieved effectively. The five year capital plan and revenue projections are approved annually by the Management Board of the Government of Yukon. The Corporation is required to provide regular variance reporting to the Government of Yukon to ensure that the Corporation effectively achieves its objectives whilst remaining a going concern.

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

10. Related party transactions

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

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

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

	2017	2016
	(in thousands of Cdn \$)	
Balance due to at the beginning of the year	\$ (133)	\$ 43
Comprehensive income for the year	8,819	8,843
Property, plant and equipment additions, net of disposals	(434)	(204)
Depreciation	107	78
Current year's profit to be remitted	8,492	8,717
Less: remitted during the year	(8,732)	(8,893)
Balance due to (from) at the end of the year	<u>\$ (373)</u>	<u>\$ (133)</u>

(b) Liquor tax

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

	2017	2016
	(in thousands of Cdn \$)	
Balance due at the beginning of the year	\$ 441	\$ 296
Liquor tax collected during the year	4,483	4,324
Less: remitted during the year	(4,597)	(4,179)
Balance due at the end of the year	<u>\$ 327</u>	<u>\$ 441</u>

YUKON LIQUOR CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2017

(c) **Shared services costs**

The Corporation had a shared services arrangement with Yukon Housing Corporation which consolidates functions such as the President's office, finance, systems and administration, policy and communications and human resource services. The amount charged by the Yukon Housing Corporation to the Corporation for shared services for the year was \$244,000 (2016 - \$1,090,000).

These transactions were in the normal course of operations and were recorded at the amount of consideration established and agreed to by the related parties. The amounts payable by the Corporation at year-end totalling \$0 (2016 - \$281,000) are included in Accounts payable and accrued liabilities.

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

(d) **Other transactions**

The Government of Yukon and the Corporation provide services to each other without compensation. These transactions are not recorded in the financial statements of the Corporation. The Government of Yukon provides rent-free occupation of several government buildings to the Corporation with an estimated value of \$526,801 (2016 - \$526,756). The Corporation provides Territorial Agent services in rural community liquor stores on behalf of the Government of Yukon with an estimated value of \$487,759 (2016 - \$452,096).

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

The Corporation has entered into lease agreements for two community liquor stores and service level agreements for the three owned community liquor stores in the amount of \$247,000 (2016 - \$244,000) with the Government of Yukon.

The Government of Yukon provides certain property management services to the Corporation. During 2017 the Corporation was charged \$nil (2016 - \$125) for work done on its properties.

(e) **Key management compensation**

As a result of the Corporation's re-organization in the current year (see Note 10(c)), there were several changes to the key management personnel positions. Prior to July 1, 2016, key management personnel included the following positions: Vice-President; Director - Retail Sales and Territorial Agent Services; Director - Purchasing and Distribution; and Director - Licensing and Inspections. The shared services (see Note 10(c)) staff considered to be key management personnel include the President and the Director - Finance, Systems and Administration, and their compensation is disclosed proportionately.

Effective July 1, 2016, key management personnel include the following positions: President; Director - Operations; Director - Licensing and Inspections; Director - Corporate Services; Manager - Community Store Operations and Territorial Agent Services; Manager - Finance; and Manager - Human Resources.

	2017	2016
	(in thousands of Cdn \$)	
Salaries and short-term employee benefits	\$ 818	\$ 618
Post-employment benefits	83	75
Other long-term employee benefits	23	20
Pre-retirement and severance benefits	198	-

YUKON LIQUOR CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2017

11. **Employee benefits**

Pension plan

Substantially all of the employees of the Corporation are covered by the public service pension plan (the Plan), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Corporation. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The general contribution effective at year end was \$1.00 (2016 - \$1.15) for every dollar contributed by the employee, and \$7.74 (2016 - \$6.67) for every dollar contributed by the employee for the portion of the employee's salary above \$163,100 (2016 - \$161,700). And, for new employees who are participating in the plan on or after January 1, 2013, the Corporation contributes \$1.00 (2016 - \$1.11) for every dollar contributed by the employee, and \$7.74 (2016 - \$6.67) for every dollar contributed by the employee for the portion of the employee's salary above \$163,100 (2016 - \$161,700). Total contributions of \$739,336 (2016 - \$650,959) were recognized as expense in the current year.

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

Non-pension benefits

The Corporation provides non-pension benefits to its employees based on years of service and final salary. This benefit plan is not pre-funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation.

The results measured at March 31 are summarized as follows:

	2017	2016
	(in thousands of Cdn \$)	
Reconciliation of accrued benefit obligation		
Accrued benefit obligation, beginning of year	\$ 1,237	\$ 1,222
Components recognized in Salaries, wages and benefits		
Current service cost	109	109
Interest cost on accrued benefit obligation	51	47
Actuarial loss (gain) recognized in Other comprehensive income	477	(51)
Benefits paid	(405)	(90)
Accrued benefit obligation, end of year	<u>\$ 1,469</u>	<u>\$ 1,237</u>
Classification of accrued benefit obligation		
Current portion	\$ 170	\$ 88
Non-current portion	1,299	1,149
	<u>\$ 1,469</u>	<u>\$ 1,237</u>
Reconciliation of actuarial gains recognized in Other comprehensive income (OCI):		
Cumulative actuarial (gain) loss recognized in OCI, beginning of year	\$ (358)	\$ (307)
Actuarial loss (gain) from member experiences	477	(51)
Actuarial (gain) loss from reimbursement right	(287)	-
Cumulative actuarial (gain) loss recognized in OCI, ending of year	<u>\$ (168)</u>	<u>\$ (358)</u>

YUKON LIQUOR CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2017

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

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

Discount rate	3.70%	3.70%
Salary escalation rate per annum	2.00%	2.25%

A quantitative sensitivity analysis as at March 31, 2017 shows the impact of the change in the significant actuarial assumptions on the non-pension defined liability obligation:

	1% increase (in thousands of Cdn \$)	1% decrease
Discount rate	(104)	121
Salary escalation rate per annum	129	(112)

The most recent full actuarial valuation in respect of this non-pension post-employment benefits plan was prepared as of March 31, 2017. The weighted average of the maturity plan as at March 31, 2017 is 7.7 years.

12. Operating lease arrangements

a) Leasing arrangements

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

b) Payments recognized as an expense

	2017	2016
Minimum lease payments	\$ 422,134	\$ 406,442

c) Non-cancellable operating lease commitments at March 31

	2017	2016
Not later than 1 year	\$ 333,687	\$ 332,530
Later than 1 year and not later than 5 years	442,247	552,142
	<u>\$ 775,934</u>	<u>\$ 884,672</u>

13. Commitments

In the normal course of operations, the Corporation enters into multi-year agreements for the provision of freight and other services. The total of these commitments as at March 31, 2017 for future years ending on March 31, 2018 is \$322,779 (March 31, 2016 for 2017 - \$632,827). In April 2017, the Corporation extended its service agreement for transportation of inventory from Vancouver to Whitehorse, the commitment from April 1, 2017 to March 31, 2018 is \$1,734,000.

YUKON LIQUOR CORPORATION
SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings improvements	Leasehold improvements	Furniture and office equipment	Operating equipment	Heavy equipment	Systems development	Systems equipment	Total
	(in thousands of Cdn \$)								
April 1, 2015									
Cost	\$ 202	\$ 4,886	\$ 365	\$ 376	\$ 252	\$ 475	\$ 216	\$ 230	\$ 7,002
Accumulated depreciation	-	4,424	357	335	212	130	216	223	5,897
Net book value	202	462	8	41	40	345	-	7	1,105
March 31, 2016									
Additions	-	18	-	25	9	-	67	85	204
Disposals - cost	-	-	-	-	-	-	-	-	-
Disposals - accumulated depreciation	-	-	-	-	(14)	-	-	(65)	(79)
Depreciation	-	(26)	-	(11)	14	-	-	65	79
Cost	202	4,904	365	401	247	475	283	250	7,127
Accumulated depreciation	-	4,450	358	346	208	159	216	159	5,896
Net book value	202	454	7	55	39	316	67	91	1,231
March 31, 2017									
Additions	-	-	-	53	-	50	93	27	452
Disposals - cost	-	-	-	-	-	(30)	-	-	(30)
Disposals - accumulated depreciation	-	-	-	-	-	-	-	-	-
Depreciation	-	(27)	(1)	(14)	(12)	12	(13)	(10)	12
Cost	202	5,133	365	454	247	495	376	277	7,549
Accumulated depreciation	-	4,477	359	360	220	177	229	169	5,991
Net book value	202	656	6	94	27	318	146	108	1,557

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