



Yukon Government Photo by W. Towriss



**Yukon Liquor Corporation
Annual Report for the year ended March 31, 2005**

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Watson Lake Liquor Store - Feature Wall

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Yukon Liquor Corporation is a key component of the government's overall strategy, in providing revenue to fund programs for Yukoners, in regulating the sale and consumption of alcoholic beverages, and in partnering with other departments and agencies to address the problematic use of liquor.

I am very pleased that a Protocol Agreement, outlining the respective roles of the Minister, the Corporation, and the Board, was finalized in 2004/05. This Agreement is critical to all parties' understanding of their respective roles in accomplishing our objectives, and will be updated annually in future.

Yukon Liquor Corporation staff have made another excellent contribution to the government's objectives: thank you for all your hard work in achieving the Corporation's objectives in 2004/05!

Jim Kenyon
Minister Responsible for the Yukon Liquor Corporation

Our Vision

- to support the evolution of a Yukon culture where all beverage alcohol is consumed in a legal, socially responsible manner, while continuing to provide quality customer service

Our Mission

- to control the purchase and sale of beverage alcohol products to balance the needs: to maintain the health and safety of Yukoners; to provide alcohol products to those who desire them; and to provide a reliable source of revenue for the Government of Yukon



Our Values

- to treat staff and customers fairly, reasonably, respectfully, and consistently
- to employ a participative management style to keep staff and customers informed on the issues and the decisions that affect the Corporation
- to provide excellent service to customers

PRESIDENT'S REPORT

Yukon Liquor Corporation continued to have strong sales in 2004/05, reflected in a net income of \$5.342 million. Along with the 12% Liquor Tax collected on behalf of the Government of Yukon, Yukon Liquor Corporation was again able to provide more than \$8 million to fund government programs for Yukoners.

While liquor sales continued to rise, the recent Yukon Addictions Survey demonstrated that liquor consumption by Yukoners is generally consistent with the rest of Canada. Yukon Liquor Corporation will continue to fulfill its mandate to encourage social responsibility in the sale and consumption of alcoholic beverages in the Yukon.



2004/05 also showed significant progress towards selecting and implementing a new Point-of-Sale/Inventory Management system, which was installed during summer 2005. This major project has been a long-standing priority for the Corporation, and all staff have worked hard to make this happen.



Yukon Liquor Corporation has continued to focus on principles of excellent client service, by developing clearer written material for clients, by encouraging a wide selection of products, and by working hard to maintain open lines of communications with licensees, permit applicants, and members of the public, as well as with our own staff.

As an organization, we look forward to another year of continuing to meet and surpass our goals!

Marc Tremblay
 President
 Yukon Liquor Corporation

Overview

General

Established in 1977, Yukon Liquor Corporation (YLC) is a Yukon Crown Corporation responsible for the administration of the *Liquor Act*, *Liquor Regulations* and the *Liquor Tax Act*. YLC is also responsible for the purchase, control and sale of beverage alcohol, and the licensing and inspection of premises licensed for the service and consumption of liquor in the Yukon. It operates a central warehouse and distribution centre in Whitehorse, and six Yukon Liquor Stores.

The Corporation transfers its net income to the Yukon Government. The *Liquor Tax Act* requires the Corporation to collect a 12% tax on the retail value of all liquor products sold to individuals or businesses in the Yukon.

The objectives of the Yukon Liquor Corporation are:

- to provide for and regulate the purchase, importation, distribution, and retail sale of alcoholic beverages in the Yukon
- to encourage social responsibility in the sale and consumption of alcoholic beverages in the Yukon
- to provide for the return, and where possible, recycling of beverage containers
- to provide the services of Territorial Agent in rural communities where a liquor store is located.

The President of the Yukon Liquor Corporation also manages Lotteries Yukon and provides support to the Yukon Lottery Commission.



YUKON LIQUOR BOARD

The Board is responsible for licensing decisions, and for hearing appeals of license suspensions, barrings, and permit refusals. General administration of the Corporation is the responsibility of the President, directed by the Minister.

Currently, the Board has five members, appointed by Cabinet. The Board meets monthly, with additional meetings scheduled as required. Support to the Board is provided by the Licensing, Development & Social Responsibility and Program Support branches.

CORPORATION

The Corporation has four branches: Purchasing & Distribution; Retail Sales & Territorial Agent Services; Licensing, Development, & Social Responsibility; and Program Support. The Department of Community Services also provides services to Yukon Liquor Corporation in the areas of Human Resources, Finance & Systems, and Policy & Communications.

Purchasing & Distribution Branch

This Branch is responsible for the procurement, inventory management, and distribution of beverage alcohol products. The objective of the Purchasing & Distribution Branch is to meet consumer demand with a diverse product mix, and to optimize net proceeds to government from the sale and control of beverage alcohol.

Purchasing & Distribution Branch gathers input from a range of sources, including licensees and other customers, industry, and other jurisdictions, in determining which products to offer for sale in the Yukon, and at what price.

Products are ordered from various locations in Canada. Locally-produced beer is purchased from the Yukon Brewing Company in Whitehorse. All other Canadian-made beer is purchased from breweries in British Columbia and Alberta. Canadian-made wines and spirits are purchased directly from suppliers in British Columbia, Alberta, Ontario, and Québec. All imported wine, spirits and beer are purchased from the B.C. Liquor Distribution Branch. This allows the Yukon Liquor Corporation to buy a range of products for our customers, in smaller quantities than might otherwise be possible. The arrangement also allows the Corporation to use the quality control and product expertise of the B.C. Liquor Distribution for a modest administrative fee, minimizing the Corporation’s overhead.



Orders for all non-Yukon products are consolidated in Vancouver and then shipped to the central liquor warehouse in Whitehorse. Staff then distribute orders to licensees and to the six Yukon Liquor Stores. Whitehorse licensees purchase their products directly from the central warehouse, and the Whitehorse store serves primarily individuals. The rural stores serve both the general public and licensees.

Yukon Liquor Stores carry 965 standard products. In 2004/05, YLC added 62 new products to the inventory. Thirty-two products were eliminated from our product list, due to unavailability from suppliers, or to poor sales in the territory.

Purchasing & Distribution staff also place special orders on behalf of licensees and individuals for products not currently carried by Yukon Liquor Corporation. In 2004/05, we processed 174 special orders.

Purchasing & Distribution staff work with suppliers to develop and implement progressive marketing strategies and merchandising programs for shelf management, merchandise display, and in-store tasting programs, in close co-operation with the Retail Sales & Territorial Agent Services branch. Both branches work with local service clubs and industry to organize and facilitate an annual wine-tasting festival, to provide suppliers and the Corporation with information about the Yukon public’s preferences and gain input for products which may be added to the Corporation’s shelves.

How do I place a special order?

Contact your local Yukon Liquor Store or Purchasing & Distribution at 867-667-8928 (toll-free 1-800-661-0408 ext. 8928).

The minimum order is one case.

Staff will research the cost, including shipping, and provide an estimated price and expected delivery date to you. YLC needs a 50% deposit of the total estimated cost before placing the order. You can pay with cash or credit/debit card (or other pre-authorized payment arrangements, in the case of licensees).

Special orders take between 4 and 12 weeks to arrive, based on where they are coming from. Staff will contact you by telephone when your special order arrives, and you can arrange for pick-up and final payment then.

Retail Sales & Territorial Agent Services Branch

The Retail Sales & Territorial Agent Services Branch manages the operations of six liquor stores, and delivers Territorial Agent services in rural communities with liquor stores. The Branch operates six retail liquor stores: Dawson City, Faro, Haines Junction, Mayo, Watson Lake, and Whitehorse. The stores offer a wide assortment of wine, spirits, beer and cider.

The retail liquor stores in the rural communities sell products to licensees as well as to individual customers. They also issue special occasion and reception permits, and are open Tuesday to Saturday. The Whitehorse liquor store sells primarily to individual customers, although it will accommodate licensees when necessary, and is open Monday to Saturday.

As representatives of the Yukon Government, rural store Territorial Agents provide public services such as the issue and renewal of driver licences, fishing licences, motor vehicle registrations, and business licences. They also receive payments on behalf of the government, such as property taxes and court fines.



Whitehorse



Dawson City



Faro



Haines Junction



Mayo



Watson Lake



**Licensing, Development,
& Social Responsibility Branch**

The Licensing, Development & Social Responsibility Branch is responsible for liquor licensing and inspection throughout the Yukon under the *Liquor Act* and *Liquor Regulations*. The Branch works with licence and permit holders to promote voluntary compliance, to ensure that beverage alcohol is sold and served in a legal and socially responsible manner.

The Branch works with applicants for liquor licenses and permits to assist them to meet the requirements of the legislation. New licence applications are considered by the Board, and permits and licence renewals are considered by the President. The license renewal process was substantially streamlined this year, and licensee feedback was positive: we look forward to improving it further.

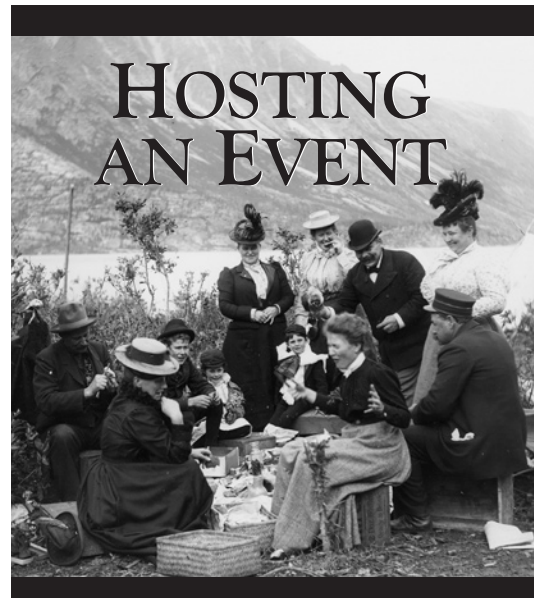
In the 2004/05 fiscal year, Yukon Liquor Corporation issued 322 licenses for the sale of spirits, wine and beer. In addition to annual licence renewals, this included 18 new licences. One hundred and ninety-one Special Occasion Permits and 204 Reception Permits were issued.

The Branch promotes voluntary compliance particularly in the areas of public safety, including concerns such as the sale and service of liquor to minors and over-crowding. Liquor inspectors maintain a balanced schedule of walk-through and full-premise inspections of licensed establishments and special events. These inspections focus on aspects of both operations and facilities. In 2004/05, 784 walk-through inspections, and 144 full-premise inspections were performed.

Although it is the inspectors' duty to identify instances of non-compliance and initiate enforcement action when necessary, liquor inspectors spend a great deal of time consulting with licensees to promote greater awareness and compliance.

Licensees and their staff are encouraged to participate in various training and information sessions offered by the Branch. For example, the Branch delivers the "Be A Responsible Server" (BARS) Program. This is a server-training program, made available free to participants. Its purpose is to make servers and licensees aware of their legal responsibilities as liquor providers, and to encourage both responsible service and voluntary compliance. In 2004/05, the BARS program was delivered to 125 participants at 18 sessions in seven Yukon communities. Licensees and staff were also invited to a workshop on "Detecting Intoxication", organized by the branch in co-operation with the RCMP.

This branch is also responsible for developing and implementing social responsibility initiatives, in co-operation with other government departments and community stakeholders. Our broad-based social responsibility program partners with various inter-agency and community groups and other territorial government departments in delivering public education programs and encouraging responsible drinking practices.



Picnic at Lake Bennett, circa 1898. — Yukon Archives, H.C. Barley fonds #4799.

**PERMITS & SERVING
LIQUOR RESPONSIBLY**

The Corporation also organizes advertising campaigns featuring responsible drinking messages, and publishes a regular Licensee Information Bulletin, to help communicate YLC and industry initiatives, and clarify new or changing policies.

This Branch continues to work closely with other regulatory agencies within the Yukon and in other jurisdictions to address emerging issues.

Last year, we partnered with other departments and agencies to introduce the “Protect Yourself, Protect Your Drink” campaign to liquor licensees, to raise awareness among licensees and patrons about “date-rape” drugs. We issued holiday hosting tips, in the form of bookmarks, and continued to support alcohol-free graduation events, by providing donations to all Grade 12 classes throughout Yukon and a variety of materials using the slogan, “Plan Ahead to Stay Safe”, including parent/youth tip brochures, lip balms, and CD visors.

The Branch worked closely with the Board to develop their new Special License policy. All Board policies are now available on the Corporation’s website. In addition, a new pamphlet was produced in both English and French, “Hosting an Event”, to assist Yukoners who want to hold an event at which liquor will be served.



Program Support Branch

The Program Support Branch provides YLC with a variety of essential support services. The responsibilities and services of this unit include electronic and telecommunications, records management, contract administration, administrative and reception functions, and other support services to all branches of the Corporation. This branch also works with Licencing, Development, & Social Responsibility to provide administrative support to the Yukon Liquor Board.

In 2004/05, this branch played a major role in the Corporation’s successful hosting of the annual summer meeting of the Canadian Association of Liquor Jurisdictions (CALJ) and the Association of Liquor Licensing Authorities of Canada (ALAC). This event brought almost 90 delegates and guests to Whitehorse, with many opportunities to showcase our unique northern experience. Many participants took additional time before and after conference to tour the Yukon, including an organized pre-conference trip to Dawson City. Yukon Liquor Corporation was recognized with a BRAVO Award from the Yukon Convention Bureau for its success.

What is a Special Occasion Permit?

A Special Occasion permit allows a non-profit organization to sell liquor at a special event, such as a fund-raiser or festival.

What is a Reception Permit?

A Reception Permit allows an individual, organization, or corporation to serve (not sell) liquor at a special event held in a public place. Examples are wedding receptions, retirement parties, or art gallery show openings.

For more information, see our “Hosting an Event” pamphlet, available at Liquor Stores and at www.ylc.yk.ca.

Shared Services

Shared Services are provided to Yukon Liquor Corporation by the Policy & Communications, Human Resources, and Finance, Systems & Administration branches of the Department of Community Services. These centralized branches provide corporate services and support for the Department of Community Services, Yukon Liquor Corporation, Yukon Housing Corporation, and Yukon Lottery Commission.

Policy & Communications

The Policy & Communications Branch provides a wide array of services for the Yukon Liquor Corporation, including support for policy-related issues, research, and communication material and support.

Finance, Systems & Administration

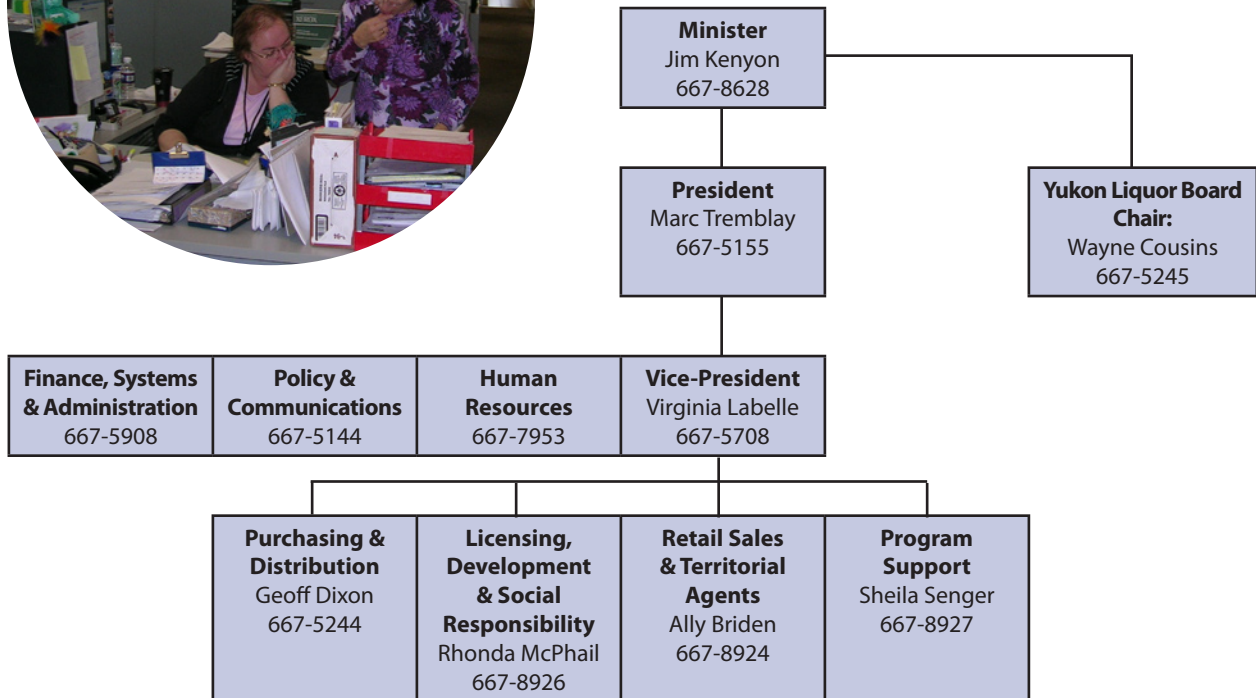
The Finance, Systems & Administration Branch provides financial operations, information systems and selected other administrative services.

Human Resources

The Human Resources Branch provides a full range of Human Resource services, advice, and support that facilitates the delivery of programs and quality customer services.



Organizational Chart



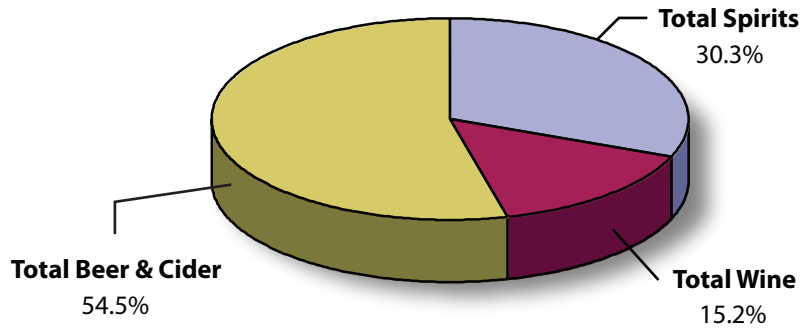
Toll-free within Yukon: 1-800-661-0408

Sales by Product Type					
		2004/05		2003/04	
		\$ [5000's]	%	\$ [5000's]	%
Whiskey	Domestic	1413	6.4	1,396	6.6
	Imported	92	0.4	83	0.4
Scotch	Domestic	–	–	–	–
	Imported	398	1.8	410	1.9
Rum	Domestic	890	4.0	841	4.0
	Imported	71	0.3	65	0.3
Gin	Domestic	86	0.4	73	0.4
	Imported	152	0.7	141	0.7
Brandy	Domestic	14	0.1	13	0.1
	Imported	101	0.5	106	0.5
Liqueur	Domestic	247	1.1	238	1.1
	Imported	812	3.7	810	3.8
Vodka	Domestic	1,402	6.3	1,407	6.7
	Imported	176	0.8	151	0.7
Coolers	Domestic	668	3.0	639	3.0
	Imported	29	0.1	47	0.2
Other	Domestic	46	0.2	28	0.1
	Imported	123	0.6	142	0.7
Total Spirits:		6,720	30.3%	6,590	31.2%
Wine	Domestic	1,369	6.2	1,313	6.2
	Imported	1,975	8.9	1,811	8.6
Wine Coolers	Domestic	–	–	–	–
	Imported	22	0.1	–	–
Total Wine:		3,366	15.2%	3,124	14.8%
Beer	Domestic	10,924	49.4	10,330	49.0
	Imported	599	2.7	546	2.5
Cider	Domestic	540	2.4	538	2.5
	Imported	–	–	–	–
Total Beer & Cider:		12,063	54.5%	11,414	54.0%
Subtotal:		22,149	100%	21,128	100%
Other Sales Income:		66		74	
Grand Total:		22,215		21,202	

Sales figures reported do not include deposits, GST, nor Yukon Liquor Tax.

"Other Sales Income" includes Opimian Society wine orders, as well as recovery of Limited Time Offer supplier discounts.

Sales by Product Type



Why does a 12 bottle case of domestic beer cost \$18.15?

Producer	\$ 4.96
Federal Duty & Excise Tax	1.23
Freight	1.15
YLC Mark-up	6.90
Yukon Liquor Tax	1.71
Refundable Deposits	1.20
G.S.T.	1.00

Why does a typical 750 ml bottle of spirits cost \$21.70?

Producer	\$ 3.56
Federal Duty & Excise Tax	3.32
Freight	0.16
YLC Mark-up	10.91
Yukon Liquor Tax	2.15
Refundable Deposits	0.25
Recycling Fee	0.10
G.S.T.	1.25

Why does a typical 750 ml bottle of wine cost \$12.95?

Producer	\$ 3.92
Federal Duty & Excise Tax	0.38
Freight	0.20
YLC Mark-up	6.08
Yukon Liquor Tax	1.28
Refundable Deposits	0.25
Recycling Fee	0.10
G.S.T.	0.74

Spirits, Wine, and Beer & Cider Sales by Location [\$000's]

	Spirits	Wine	Beer & Cider	2004/05	2003/04
	\$	\$	\$	\$	\$
Central Warehouse	1,881	594	5,051	7,526	7,222
Dawson City Store	542	240	1,315	2,097	2,105
Faro Store	120	25	184	329	382
Haines Junction Store	182	74	480	736	722
Mayo Store	162	93	198	453	470
Watson Lake Store	441	172	916	1,529	1,468
Whitehorse Store	3,392	2,168	3,919	9,479	8,759
Total 2004/05	6,720	3,366	12,063	22,149	
% of Sales	30.3%	15.2%	54.5%		
Total 2003/04	6,590	3,124	11,414		21,128
% of Sales	31.2%	14.8%	54.0%		100.0%

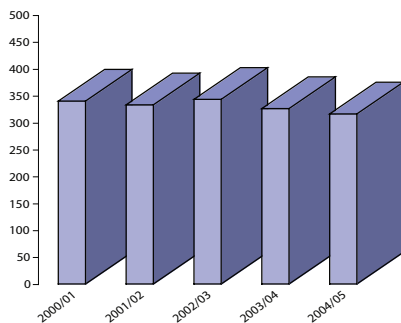
Volume of Liquor Sold by Location (in Hectolitres)

	Spirits	Wine	Beer & Cider	2004/05	2003/04
Central Warehouse	1,106	595	16,006	17,707	17,217
Dawson City Store	271	245	4,108	4,624	4,802
Faro Store	67	27	577	671	1,142
Haines Junction Store	99	73	1,554	1,726	1,732
Mayo Store	80	139	634	853	859
Watson Lake Store	233	207	2,973	3,413	3,242
Whitehorse Store	1,682	2,159	12,070	15,911	14,962
Total 2004/05	3,538	3,445	37,922	44,905	
Total 2003/04	3,458	3,250	37,249		43,954
% Increase	2.3%	6.0%	1.8%		2.2%

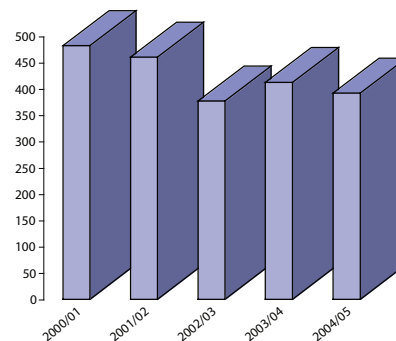
Note: One hectolitre equals 100 litres or 22 gallons

Licences and Permits					
Liquor Licences Issued	2004/05	2003/04	2002/03	2001/02	2000/01
Cocktail Lounge	55	56	62	60	64
Dining Room	57	56	64	60	61
Restaurant	40	41	43	40	45
Liquor Off Premises	64	65	68	67	70
Beer Off Premises	25	25	24	24	22
Club	10	10	10	10	9
Special	33	34	35	35	33
Aircraft/Ship	3	3	3	3	4
Room Service	23	24	22	22	22
Mess	1	1	1	1	1
Sport Stadium	1	1	1	1	1
Recreation Facility	8	8	8	8	6
Brewer's	1	1	1	1	1
Brewer's Retail	1	1	1	1	1
Total:	322	326	343	333	340
Permits Issued					
Reception Permits	204	142	131	191	151
Special Occasion Permits	191	270	246	269	331
Total:	395	412	377	460	482

Liquor Licences Issued



Permits Issued



SUMMARY OF PERMITS ISSUED BY LOCATION DURING 2004/05

	Reception	Special Occasion
Dawson City Store	41	41
Faro Store	–	16
Haines Junction Store	14	37
Mayo Store	2	8
Watson Lake Store	–	18
Whitehorse Office	147	71
Total:	204	191

SUMMARY OF LICENCE INFRACTIONS

During the 2004/05 fiscal year, one liquor licence suspension was upheld and served, and 13 letters of warning were issued for offences under the *Liquor Act* and *Liquor Regulations*. Each suspension or letter of warning may include several infractions.

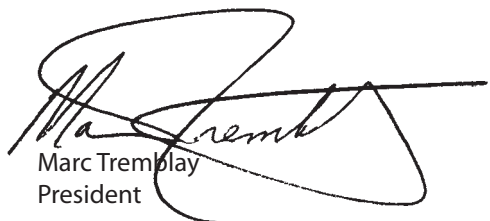
Infractions	Warnings	Suspensions
Permitting intoxicated patrons to enter or remain on premises	11	1
Over-serving patrons	9	–
Permitting employees to consume liquor while on duty	2	–
Permitting minors on premises	1	–
Permitting violent, riotous or disorderly conduct on premises	1	–
Permitting liquor purchased for on-premises consumption to be taken off premises	1	–

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. The financial statements as at March 31, 2005, which include amounts based on management's best estimates as determined through experience and judgement, are prepared in accordance with Canadian generally accepted accounting principles.

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



Marc Tremblay
President



James Cherinet
Director, Shared Services, Finance, Systems and
Administration

June 2, 2005



Auditor General of Canada
Vérificatrice générale du Canada

To the Executive Council Member responsible for the
Yukon Liquor Corporation

I have audited the balance sheet of the Yukon Liquor Corporation as at March 31, 2005 and the statements of income and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Liquor Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

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

A handwritten signature in black ink, appearing to read 'Roger Simpson'.

Roger Simpson, CA
Principal
for the Auditor General of Canada

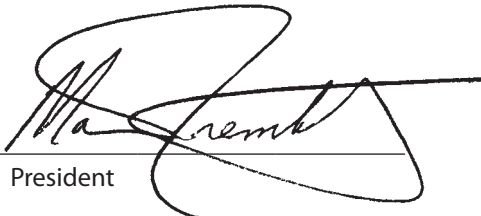
Vancouver, Canada
June 2, 2005

Balance Sheet
as at March 31, 2005

	2005	2004
	(in thousands)	
ASSETS		
Current		
Cash	\$ 750	\$ 1,361
Accounts receivable (Note 3)	37	56
Remitted in advance to the Government of the Yukon (Note 7a)	1,115	148
Inventories	1,687	1,997
	<u>3,589</u>	<u>3,562</u>
Property, plant and equipment (Note 4 and Note 6)	<u>2,364</u>	<u>2,613</u>
	<u>\$ 5,953</u>	<u>\$ 6,175</u>
LIABILITIES & EQUITY		
Current		
Accounts payable and accrued liabilities (Note 3)	\$ 1,282	\$ 1,733
Due to the Government of the Yukon (Note 5)	1,649	1,179
Deferred revenue	91	97
	<u>3,022</u>	<u>3,009</u>
Non-pension benefit liability (Note 8)	<u>567</u>	<u>553</u>
	<u>3,589</u>	<u>3,562</u>
Equity (Note 4 and Note 6)	<u>2,364</u>	<u>2,613</u>
	<u>\$ 5,953</u>	<u>\$ 6,175</u>
Commitments (Note 9)		

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

Approved by Management:



 President



 Director, Shared Services, Finance, Systems &
 Administration

**Statement of Income
for the year ended March 31, 2005**

	2005	2004
	(in thousands)	
Sales		
Beer	\$ 12,073	\$ 11,422
Spirits	6,723	6,573
Wine	3,419	3,207
	<u>22,215</u>	<u>21,202</u>
Cost of goods sold	<u>10,865</u>	<u>10,163</u>
Gross profit	<u>11,350</u>	<u>11,039</u>
Expenses		
Salaries and benefits	3,956	3,647
Rent, utilities and maintenance	781	786
Amortization	327	436
Cartage	263	265
Professional services	235	130
Bank expenses	219	202
Travel and communications	157	135
General and office supplies	148	109
Miscellaneous	31	29
Board expenses	31	19
	<u>6,148</u>	<u>5,758</u>
Operating income	<u>5,202</u>	<u>5,281</u>
Other income		
Fees, permits and licences	119	113
Miscellaneous	21	(23)
	<u>140</u>	<u>90</u>
Net Income	<u>\$ 5,342</u>	<u>\$ 5,371</u>

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

**Statement of Cash Flows
for the year ended March 31, 2005**

	2005	2004
	(in thousands)	
Cash provided by (used in):		
Operating activities		
Net income for the year	\$ 5,342	\$ 5,371
Adjustment for non-cash items:		
Amortization of property, plant and equipment	327	436
Decrease (increase) in accounts receivable	19	(7)
Decrease (increase) in inventories	310	(110)
Increase in due to the Government of the Yukon	470	425
(Decrease) increase in accounts payable and accrued liabilities	(451)	226
(Decrease) increase in deferred revenue	(6)	8
Increase (decrease) in non-pension benefit liability	14	(245)
	<u>6,025</u>	<u>6,104</u>
Investing activities:		
Acquisition of property, plant and equipment	<u>(78)</u>	<u>(91)</u>
Financing activities:		
Remittance of income to the Government of the Yukon	<u>(6,558)</u>	<u>(5,975)</u>
(Decrease) increase in cash during the year	(611)	38
Cash at the beginning of the year	<u>1,361</u>	<u>1,323</u>
Cash at the end of the year	<u>\$ 750</u>	<u>\$ 1,361</u>

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

Notes to the Financial Statements

March 31, 2005

1. Authority and Operations

The Corporation, established in 1977, under the *Liquor Act*, is responsible for the purchase, distribution and sale of liquor within the Territory. It is responsible for controlling the sale of liquor through licensed outlets and enforcing all matters related to the *Act*.

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

The Corporation is required by the *Liquor Tax Act* to collect liquor taxes on behalf of the Government of the Yukon and to remit these taxes on a monthly basis. The current rate is 12%, and is applied on the amount the Corporation would otherwise charge for its 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 employees of the Corporation are paid by the Government of the Yukon. The Corporation reimburses the Government on a monthly basis for salaries and benefits expenses paid.

2. Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are as follows:

Inventories

Inventories are comprised of alcoholic beverages for resale and are valued at the lower of landed cost at Whitehorse, or market.

Amortization

Amortization of property, plant and equipment owned by the Corporation is calculated on a straight-line basis and is based on the estimated useful lives of the assets as follows:

Buildings	20 years
Furniture and office equipment	5 years
Equipment	5 years
Systems equipment and software	5 years
Leasehold improvements	4 years or remaining term of lease

Employee future benefits

Non-pension benefits

Under the conditions of employment, employees may qualify and earn employment benefits for vacation, sick, compensatory and personal leave, travel bonus, and severance benefits. The benefit obligation was determined on an actuarial basis. The key assumptions used were a liability discount rate of 6% and an annual rate of general salary escalation of 2.5%. The obligation for vacation leave, sick leave, and severance benefits were calculated using the projected benefit method pro-rated on service. The remainder was calculated assuming all employees would receive the benefits on valuation date.

Pension benefits

All eligible employees participate in the Public Service Pension Plan administered by the Government of Canada. The Corporation's contribution to the Plan reflects the full cost of the employer contributions. This amount is currently based on a multiple of the employee's required contributions, and may change from time to time depending on the experience of the Plan. These contributions represent the total pension obligations of the Corporation and are expensed during the year in which the services are rendered. The Corporation is not currently required to make contributions with respect to any actuarial deficiencies of the Public Service Pension Plan.

2. Accounting Policies (continued)

Services provided without charge

The Corporation does not record the value of services it receives or provides without charge. These services include the following:

- services, primarily accommodation, provided by the Government of the Yukon;
- services provided by the Corporation to the Government in its capacity of Territorial Agent in localities outside of Whitehorse; and
- annual audit provided by the Office of the Auditor General of Canada.

Use of estimates

The preparation of the financial statements in accordance with Canadian generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting year. This mainly affects the non-pension benefit liability. Actual results could differ materially from these estimates.

3. Fair Values of Financial Instruments

Accounts receivable, accounts payable and accrued liabilities, and the amount due to the Government of the Yukon are incurred in the normal course of business. All are due on demand and are non-interest bearing. The carrying amounts of each approximate fair values because of their short maturity.

4. Property, Plant and Equipment

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

	2005		2004	
Cost	Accumulated Amortization	Net book Value	Net book Value	
(in thousands)				
Land	\$ 268	\$ -	\$ 268	\$ 268
Buildings	4,769	2,969	1,800	2,006
Furniture and office equipment	92	71	21	27
Equipment	404	360	44	53
Systems equipment and software	645	591	54	24
Leasehold improvements	395	218	177	235
	<u>\$ 6,573</u>	<u>\$ 4,209</u>	<u>\$ 2,364</u>	<u>\$ 2,613</u>

5. Due to the Government of the Yukon

	2005	2004
(in thousands)		
Reimbursements due for salaries to employees, shared services costs, and other costs paid on behalf of the Corporation	\$ 1,506	\$ 889
Liquor tax (Note 7b)	190	180
Net remittances due (remitted in advance) to the Recycling Fund	<u>(47)</u>	<u>110</u>
Net due at the end of the year	<u>\$ 1,649</u>	<u>\$ 1,179</u>

6. Equity

This amount represents the sum of the net book value of property, plant and equipment purchased by the Corporation after March 31, 1990, \$2,364,000 (2004 - \$2,613,000) which the Government of the Yukon has provided to the Yukon Liquor Corporation on a cumulative basis.

7. Related party transactions

a) Adjusted Net Income

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

	2005	2004
	(in thousands)	
Balance due (remitted in advance) at the beginning of the year	\$ (148)	\$ 111
Net income	5,342	5,371
Capital expenditures	(78)	(91)
Property, plant and equipment amortization	327	436
Adjusted net income due to the Government of the Yukon	<u>5,591</u>	<u>5,716</u>
Less: remitted during the year	<u>(6,558)</u>	<u>(5,975)</u>
Balance due (remitted in advance) at the end of the year	<u>\$ (1,115)</u>	<u>\$ (148)</u>

b) Liquor tax

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

	2005	2004
	(in thousands)	
Balance due at the beginning of the year	\$ 180	\$ 155
Liquor tax collected during the year	2,666	2,544
Less: remitted during the year	<u>(2,656)</u>	<u>(2,519)</u>
Balance due at the end of the year (Note 5)	<u>\$ 190</u>	<u>\$ 180</u>

c) Other transactions

The value of services provided without charge by the Government of the Yukon to the Corporation is estimated to be \$470,000 (2004 - \$565,000). The value of services provided without charge by the Corporation to the Government is estimated to be \$417,000 (2004 - \$471,000). These transactions were not included in the financial statements of the Corporation.

d) Shared services costs

The Corporation is part of a Shared Services arrangement with two other government organizations which consolidates functions such as finance and administration, policy and human resources services. 2005 is the first full year of operations for the Shared Services group for Finance, Systems & Administration, and the second year of operations for Human Resources and Policy and Communications. The amount charged by the Government of the Yukon to the Corporation for shared services for the year was \$825,000 (2004 - \$262,000). These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

8. Employee future benefits

Pension Plan

The Corporation and all eligible employees contribute to the Public Service Pension Plan. This pension plan provides benefits based on years of service and average earnings at retirement. The benefits are fully indexed to the increase in the Consumer Price Index. Contributions during the year were as follows:

	<u>2005</u>	<u>2004</u>
	(in thousands)	
Corporation's Contributions	\$ 218	\$ 235
Employees' Contributions	102	110

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. Information about the plan, measured as at the balance sheet date, is as follows:

	<u>2005</u>	<u>2004</u>
	(in thousands)	
Accrued benefit obligation, beginning of year	\$ 674	\$ 798
Cost for the year	74	(19)
Benefits paid during the year	<u>(57)</u>	<u>(105)</u>
Accrued benefit obligation, end of year	<u>\$ 691</u>	<u>\$ 674</u>
Short-term portion, included in accounts payable and accrued liabilities	\$ 124	\$ 121
Long-term portion	<u>567</u>	<u>553</u>
	<u>\$ 691</u>	<u>\$ 674</u>

9. Commitments

The Corporation has the following commitments for annual rentals of leased premises:

<u>Fiscal</u>	<u>Whitehorse Store</u>	<u>Other Retail Stores</u>
2006	207,219	134,727
2007	17,228	134,727
2008	-	117,533
2009	-	-
2010	-	-

10. Reclassification of Comparative Figures

Certain 2004 comparative figures have been reclassified to conform to the presentation of the 2005 financial statements.



Yukon
Yukon Liquor Corporation

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