

Annual report

April 1, 2020 to March 31, 2021



Yukon Liquor Corporation





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Photos: Archbould Photography



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Hon. Ranj Pillai
Minister responsible for
Yukon Liquor Corporation

Minister's message

I am pleased to present the Yukon Liquor Corporation's 2020/21 Annual Report. Throughout the fiscal year the Corporation's staff rose to the uncertainty and challenges brought on by the COVID-19 pandemic. In doing so, they adapted their social responsibility efforts, and increased supports for our licensees and local producers.

With physical distancing measures in place, the Corporation continued to fulfill day-to-day obligations and advanced collaborative work with local liquor producers and licensees, while also safely serving Yukoners through the YLC Liquor Stores and the community Territorial Agents.

Yukon's local producers and licensees have shown tremendous determination during the pandemic. They were offered support programs by the Corporation and the Government of Yukon in order to reduce the financial impacts of COVID-19. The Corporation would like to thank Yukon's Chief Medical Officer of Health and his staff for the health guidelines and advice provided to support the safe reopening of restaurants and other licensed establishments.

This next year will see the Corporation working on business improvements and efficiencies, along with meeting financial obligations as the pandemic, and cannabis and liquor markets evolve. The Corporation will continue to work closely with licensees to ensure that together, we emerge from the COVID-19 pandemic as robustly as possible.

Finally, I want to give the Liquor Board members and Yukon Liquor Corporation staff a heartfelt thanks for their endless hard work and determination through the 2020/21 year. I look forward to a successful 2021/22, and continuing this good work.

Sincerely,

A handwritten signature in black ink that reads "Ranj Pillai". The signature is fluid and cursive.

Hon. Ranj Pillai
Minister responsible for Yukon Liquor Corporation

Letter of transmittal

To: Hon. Ranj Pillai, Minister responsible for the Yukon Liquor Corporation

The Yukon Liquor Corporation continues to pursue service excellence that supports a healthy, vibrant and prosperous Yukon. We support and develop social responsibility initiatives and facilitate opportunities for local producers and businesses that contribute to a resilient Yukon economy.

The Yukon Liquor Board made regular decisions related to issuing, cancelling and suspending liquor licences throughout the pandemic. Working with the board, the Corporation's Regulatory Services staff focused on education, monitoring, and enforcement to ensure responsible service and compliance with Yukon's liquor laws. They also supported businesses and individuals in navigating the licensing process.

The 2020/21 fiscal year was challenging due to the COVID-19 pandemic. The Government of Yukon passed liquor and cannabis ministerial orders to help protect the health of Yukoners and support licensees in the new business environment. Working with our liquor licensees, the Corporation was able to provide swift approval for changes to available space and hours of operation, as well as online sales for our cannabis licensees.

To mitigate the pandemic's burden on the restaurant and hospitality business, the Corporation provided all licensees with an additional 13% discount, representing a total of 25% off the retail price of liquor from May 25, 2020 until January 1, 2021. The discount was then extended until September 30, 2021 for licensees eligible for the Yukon Business Relief Program, targeting those businesses that needed the most support.

In the coming year, the Yukon Liquor Corporation will continue to work with licensees on product portfolio selection and pricing. We look forward to seeing what comes from our robust and innovative local production sector and to making those products available. We will also strive to improve customer service for both our licensees and retail customers.

We thank our staff, board members and partners for what has been accomplished in 2020/21 and also for their dedication to improve services for all YLC clients during the pandemic. Their commitment to the Corporation's success is greatly appreciated.

Sincerely,



Dennis Berry
President of Yukon Liquor Corporation



Eva Bidrman
Chair, Yukon Liquor Board



Dennis Berry President,
Yukon Liquor Corporation



Eva Bidrman Chair,
Yukon Liquor Board

Vision

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

Mission

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

Strategic priorities

Serve Yukon

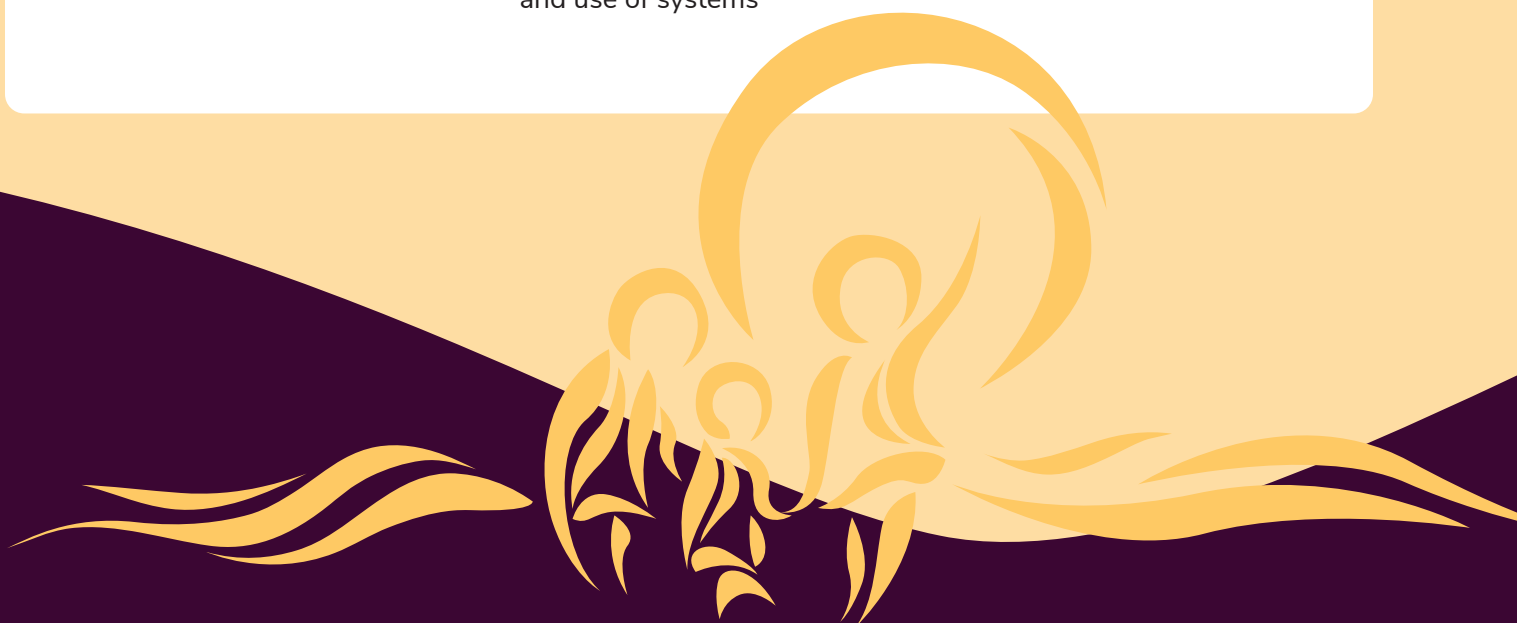
- ▶ We sustain net profitability through responsible liquor and cannabis sales
- ▶ We support initiatives targeting the responsible supply and consumption of our products
- ▶ We work collaboratively with producers and licensees

Advance the Corporation

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

Work together

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



Yukon Liquor Board

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

The board is responsible for making liquor licensing decisions including whether an application should be granted, suspensions, cancellations, hearing appeals, barring, and permit refusals as per the *Liquor Act* and regulations. Cabinet appoints five members to the board, each for a term of three years. The board members meet monthly, with additional meetings scheduled as required.

The President of the Yukon Liquor Corporation provides updates to the board and is responsible for administering the Corporation as directed by the Minister responsible.



Eva Bidrman
chair from August 13, 2019
to March 31, 2024



David Hett
vice-chair from April 18,
2019 to March 31, 2024



Dr. Deborah Bartlette
member from August 13, 2019,
to August 12, 2022



Jean-Sébastien Blais
member from August 7,
2018, to August 6, 2021



David Meszaros
member December 7, 2020
to December 6, 2023

About Yukon Liquor Corporation

Organizational structure

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

The Corporation continues to evolve its business structure to improve the way it operates its Whitehorse Liquor Store, central warehouse and five rural community Liquor Stores in Dawson City, Faro, Haines Junction, Mayo, and Watson Lake.

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

For more information regarding the Corporation's role in Yukon's cannabis industry, please see the 2020/21 Cannabis Yukon Annual Report.



Corporate Services

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

The President is responsible for:

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



Human Resources

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

Finance and Information Management

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

Policy and Communications

Policy and Communications guides strategic planning and provides legislative and policy support services for the Corporation. This team manages corporate communications, web and digital channels and supports social responsibility initiatives in partnership with business and community organizations.

Operations

The Operations branch manages the Corporation's front line business and day-to-day services.

Sourcing and supply services

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

Sales and distribution

Sales and distribution process orders and provides wholesale services to licensees and Yukon Liquor Corporation Liquor Stores. The branch is the main liaison for customer and client relations and helps coordinate outbound shipping within the territory.

Warehouse operations

Warehouse operations manages all aspects of the central warehouse. It manages inventory through processing incoming shipments from suppliers and preparing orders for shipment to licensees and YLC Liquor Stores throughout Yukon.

Retail operations

Provides a wide range of product choices to meet customer preferences and local licensee needs. Personnel in all six stores are customer-focused category experts, offering expert knowledge on products. The five rural YLC Liquor Stores provide wholesale ordering and distribution services for licensed businesses in their regions.

Territorial agent services

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

Joint health and safety committee

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

Regulatory Services

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

Regulatory Services works in coordination with the Royal Canadian Mounted Police and the Government of Yukon's Safer Communities and Neighborhoods branch with the Department of Justice.



Social responsibility

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

The COVID-19 pandemic impacted alcohol and cannabis consumption in Yukon as it did across Canada. The Corporation worked early on in the pandemic to support Yukoners by promoting safer consumption guidelines, by continuing social responsibility initiatives, communicating the risks of consuming alcohol and cannabis during the pandemic, communicated mental health and substance supports available and implementing health measures recommended by the Government of Yukon and the Chief Medical Officer of Health's Office.



In 2020/21, the Yukon Liquor Corporation:

- ▶ Shared safe alcohol consumption guidance on the Yukon Liquor Corporation's Facebook page as a resource to help Yukoners avoid over consumption during the COVID-19 pandemic.
- ▶ Continued the Rethink that Drink initiative, developed in 2018/19 to bring awareness to Yukoners about safer alcohol consumption patterns and limits.
- ▶ Communicated messages on the risks of consuming alcohol during the pandemic and the mental health risks associated with stress brought on by the pandemic.
- ▶ Installed a digital sign in the Whitehorse YLC Liquor Store to display social responsibility messaging on standard drink size, COVID-19 risks, winter safety, and the risks of mixing alcohol and cannabis.
- ▶ Continued to rotate shopping cart messaging with Low Risk Drinking Guidelines, standard drink messaging, FASD awareness and the risks of alcohol consumption during the pandemic in all YLC Liquor Stores.
- ▶ Provided ongoing support to the Fetal Alcohol Syndrome Society Yukon (FASSY) for Fetal Alcohol Spectrum Disorder (FASD) awareness initiatives such as FASD month, week and day.
- ▶ Participated on the FASD Interagency Advisory Committee and helped to create marketing materials such as the "Rendezvous for two" hot chocolate mailer to encourage a safe pregnancy without alcohol or cannabis.
- ▶ Continued the messaging on standard drink sizes, Low Risk Drinking Guidelines, social media posts and applying warning labels on avoiding drinking while pregnant.
- ▶ Requested that the federal government continue the discussion about labeling alcohol products at a national scale.
- ▶ Reduced the mark-up on the non-alcoholic beverage category to make it more accessible to customers.
- ▶ Supported the annual Mothers Against Drunk Driving (MADD) Project Red Ribbon campaign which promotes wearing a red ribbon in support of driving sober. Public donations are collected at YLC Liquor Stores year-round.
- ▶ Donated approximately 800 Twin Bears in support of Mothers Against Drunk Driving (MADD) Red Ribbon campaign, FASSY, Kaushee's Place, and children in need.
- ▶ Continued substance-free and Safe Grad events hosted by schools throughout Yukon. The Yukon Liquor Corporation donated over \$2,000 to high schools across the territory to support a substance-free graduation in 2020.
- ▶ Check 30 encourages Yukon Liquor Corporation stores and licensees to check the identification of people who appear to be under the age of 30 to help curb underage drinking. Yukon Liquor Corporation promotes this program year-round.



Enforcement activities

In 2020/21, two liquor licence suspensions were issued.

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

For more information about licences granted and suspended, visit yukon.ca/en/find-out-about-liquor-licence-enforcement-actions.

“Be a Responsible Server” (BARS)

“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. This year, the Yukon Liquor Corporation issued 132 certificates to people who completed the BARS course.

Check 30

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



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



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

Business overview

Structure and operations

During the 2020/21 fiscal year, liquor sales generated \$7.96 million in net profit and cannabis sales generated \$0.23 million in net profit, with an additional \$5 million in liquor taxes. The mark-up on products is used to cover operating expenses and to generate funds that support Government of Yukon programs and services to Yukoners.

In the 2020/21 fiscal year, the Corporation:

- ▶ Enhanced the ordering process to ensure a stable and consistent supply of products;
- ▶ Improved order consolidations to optimize the delivery of products from out of territory;
- ▶ Increased the number of suppliers it does business with to improve the product selection available to consumers and licensees; and
- ▶ Invited representatives from licensees in the communities and Whitehorse to participate in regular merchandising meetings.

Products and pricing

During the 2020/21 fiscal year, the Corporation:

- ▶ Offered over 3,500 different products to customers and licensees;
- ▶ Stocked over 110 locally produced products, representing approximately 8% of our regularly carried inventory;
- ▶ Initiated an additional discount for liquor licensees during the pandemic and then updated the program on January 1, 2021, so only licensees who qualified for the Yukon Business Relief Program received the discount;
- ▶ Sold over 2,000 special order products to local licensees and retail consumers;
- ▶ Offered licensees and our five community Liquor Stores individual bottle picks from our selection of 1,425 regularly carried products; and
- ▶ Worked with licensees to identify pricing concerns and discuss possible solutions.

Service excellence

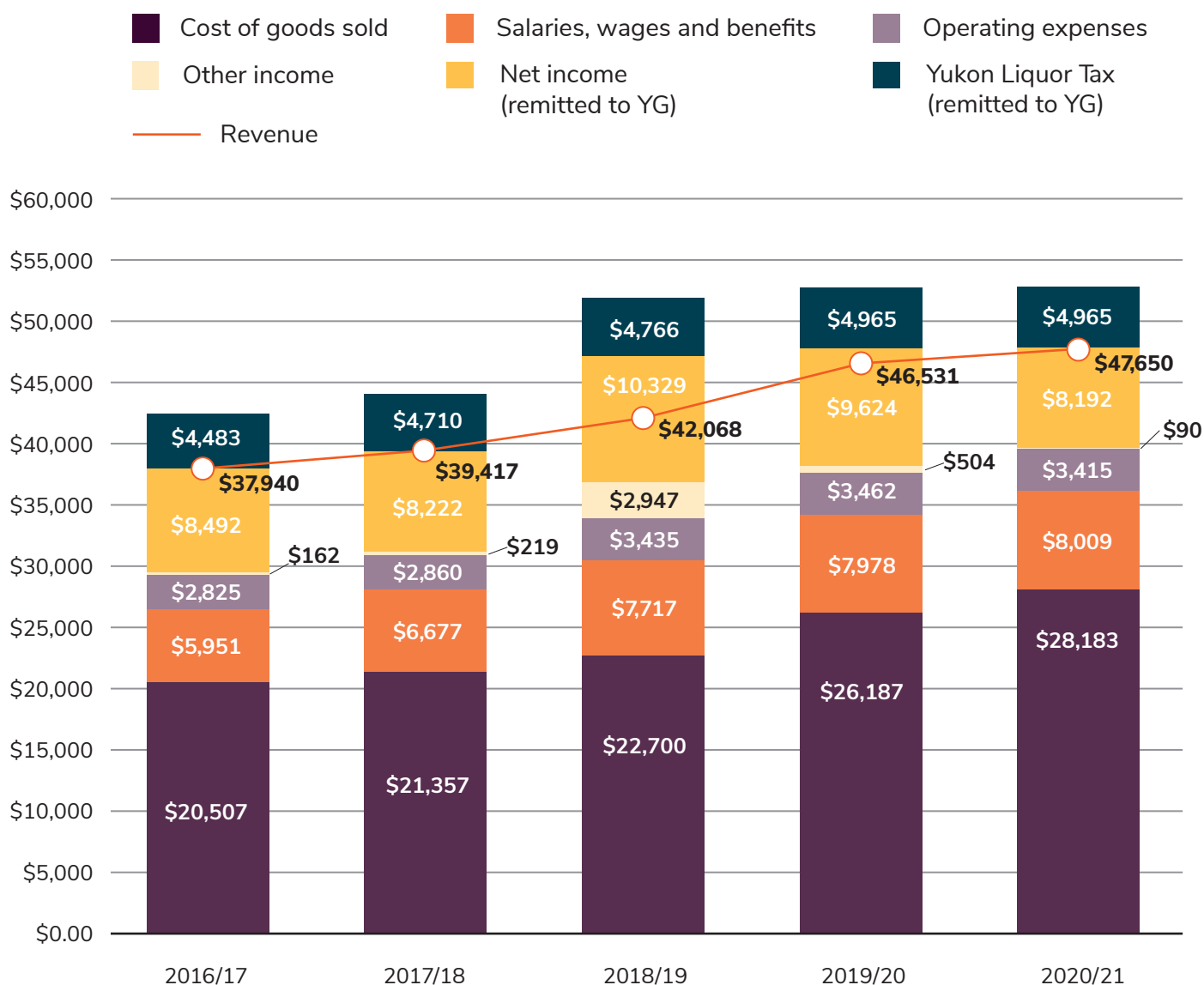
- ▶ Introduced programs and measures to support licensees as they adapted to the public health measures and new business environment brought on by the COVID-19 pandemic.
- ▶ COVID-19 protocols were implemented at all YLC Liquor Stores including physical distancing, plexi-glass shields and regular cleaning and disinfecting routines to protect employee and customer health and safety.
- ▶ Introduced special shopping hours for seniors and those with health and mobility issues to help reduce the risk to Yukon's most vulnerable to COVID-19.
- ▶ Offered email ordering and curbside pickup during the busy Christmas and New Year's holiday season to support physical distancing by our customers and staff.
- ▶ Invested in shelving, equipment and repairs at the Whitehorse and community Liquor Stores and the distribution centre.
- ▶ Installed French signs on the exterior of the Whitehorse Liquor Store. The Corporation endeavors to make all customers feel welcome and bilingual signage is part of that effort.
- ▶ Provided on-going training and development of staff for the provision of Territorial Agent services in community Liquor Stores.
- ▶ Implemented a new merchandising committee to offer more choices in community Liquor Stores, improve the Corporation's supply chain and support licensees with new products.
- ▶ Signed an agreement for the collection and sorting of empty kegs that are returned to vendors for re-use.
- ▶ Installed digital signage for social responsibility messaging in the Whitehorse Liquor Store.



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 33). This requirement supports the open, accountable and fiscally responsible operation of the Corporation.

Revenue and sales overview

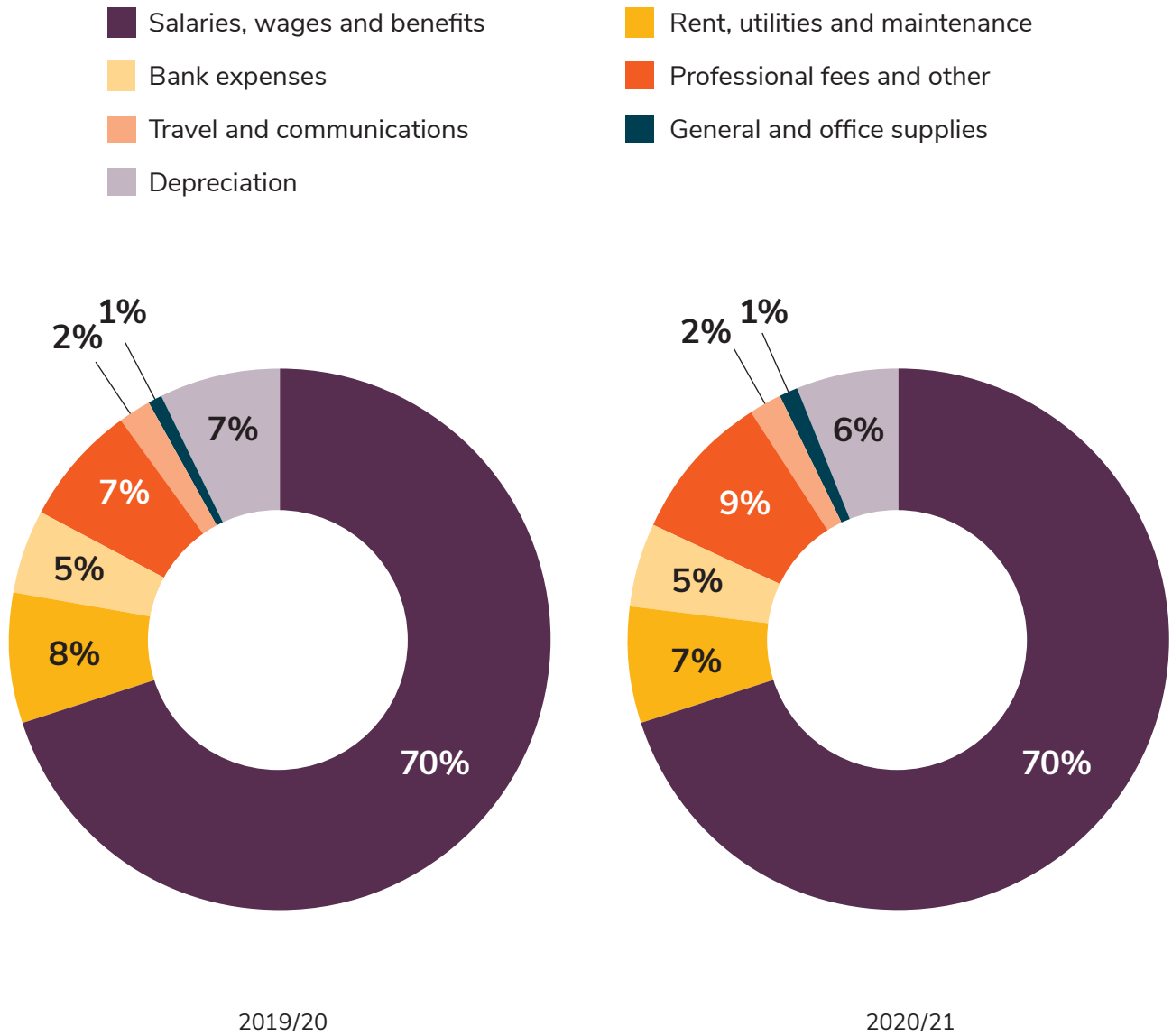
Revenue, expenses and annual remittances to the Government of Yukon (\$,000s)



This graph shows the revenue, expenses and annual remittances to the Government of Yukon over the past five years.

In 2018/19 YLC was designated as the cannabis distributor for Yukon, incurred additional expenses and recognized a grant from the Government of Yukon for start-up costs which explains the variance to comparative data.

Operating expenses

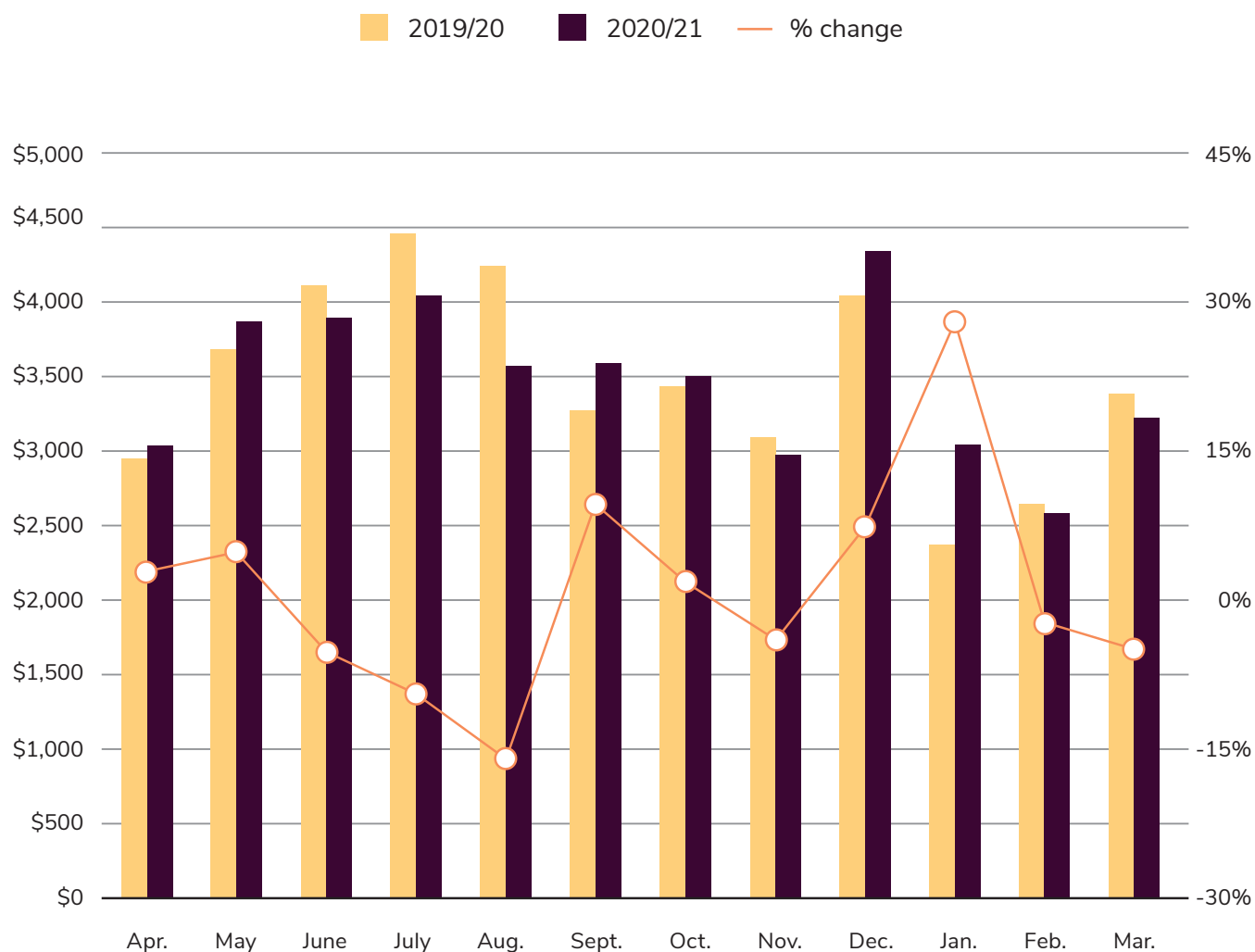


These pie graphs show annual operating expenses for the Yukon Liquor Corporation based on various types of expenses in 2019/20 and 2020/21.

The total operating expenses remained approximately the same year over year.

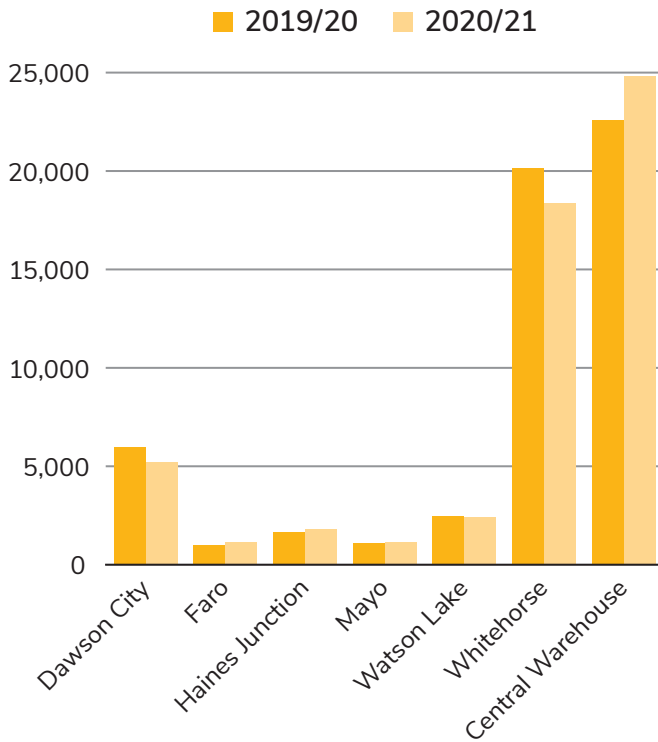
YLC monthly liquor sales (\$,000s)

2019/20 vs. 2020/21 Fiscal Year Comparison

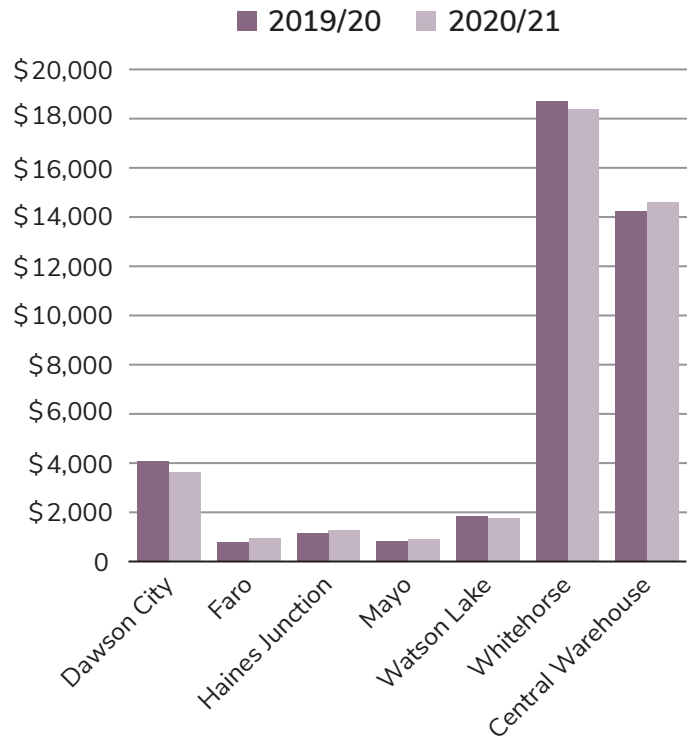


Liquor sales

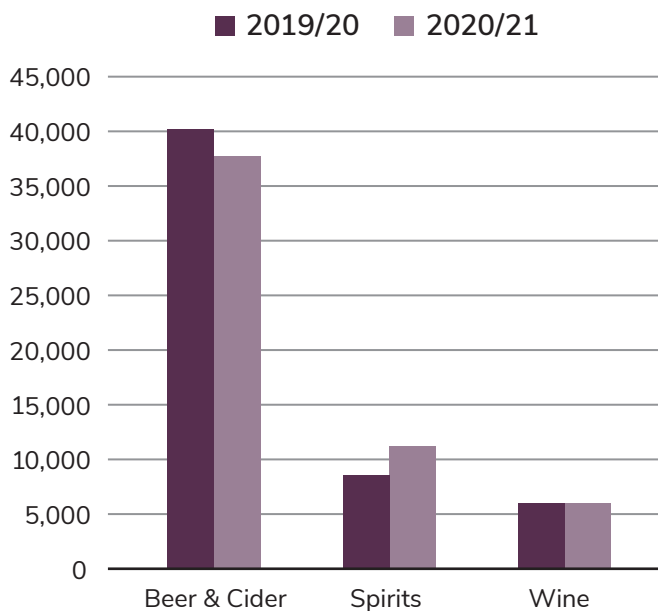
Sales by location (Hectolitres)



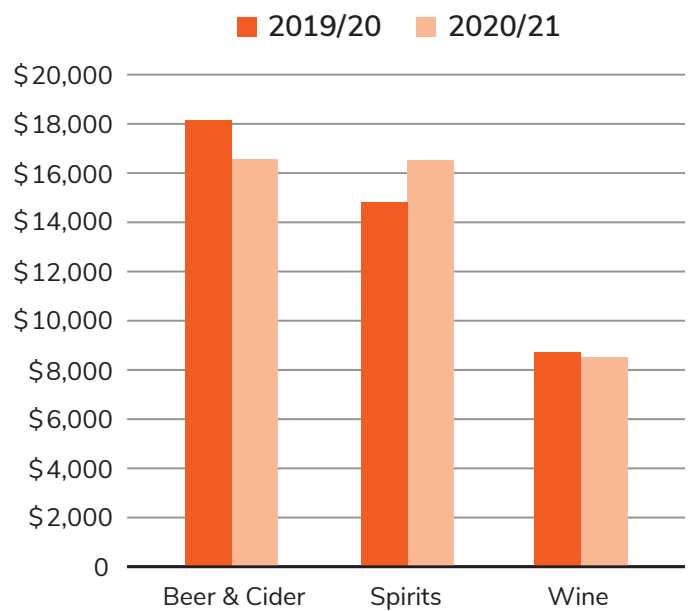
Sales by location (\$,000s)



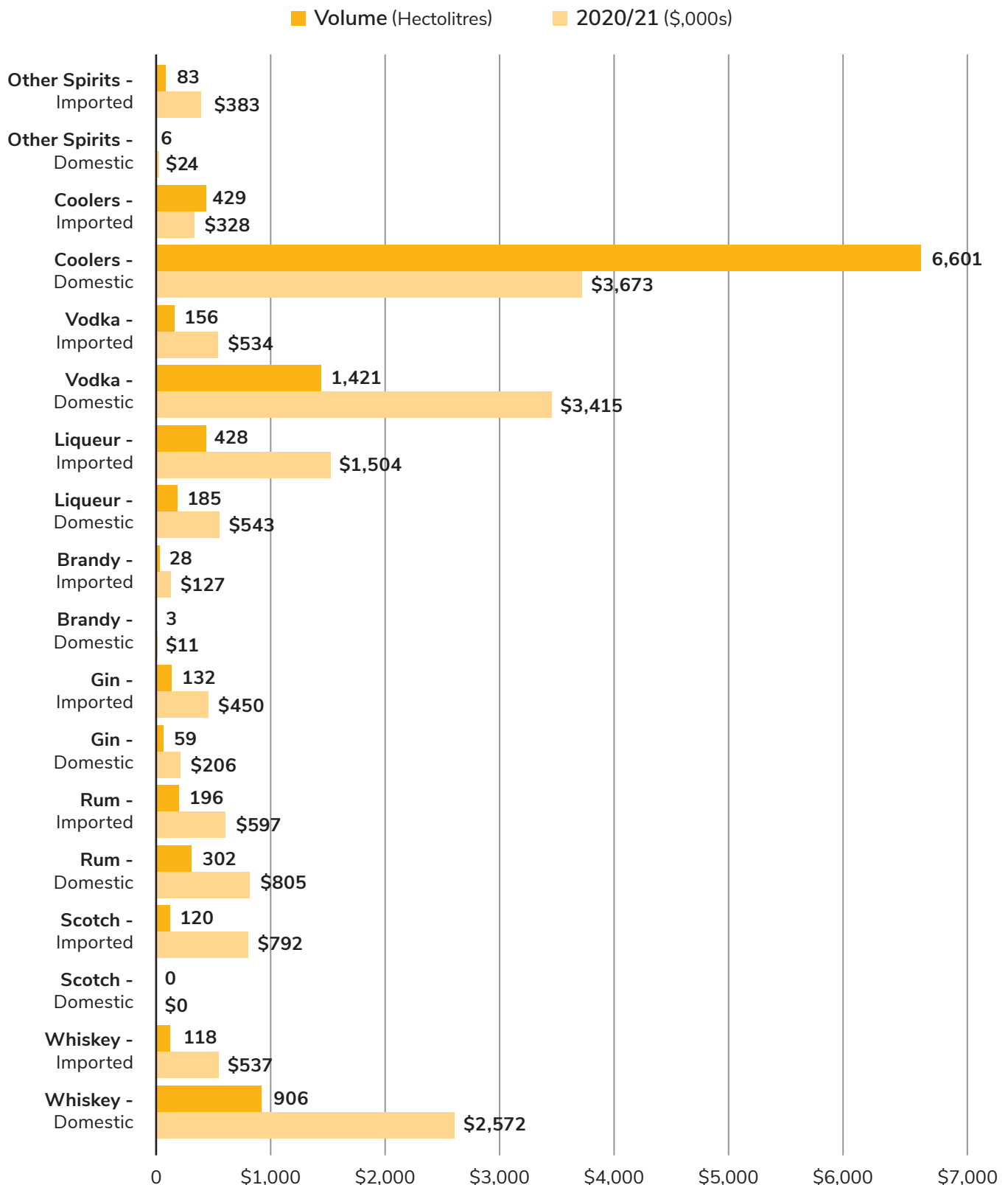
Sales by category (Hectolitres)



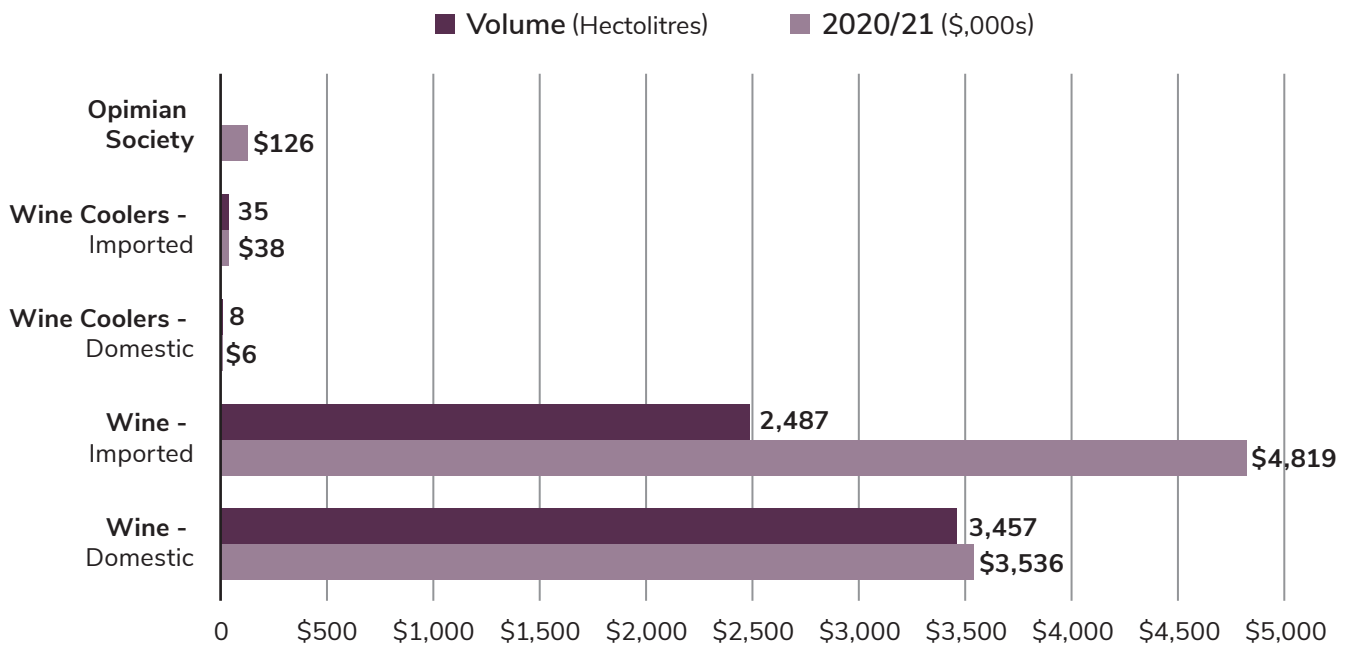
Sales by category (\$,000s)



Spirit sales by product type

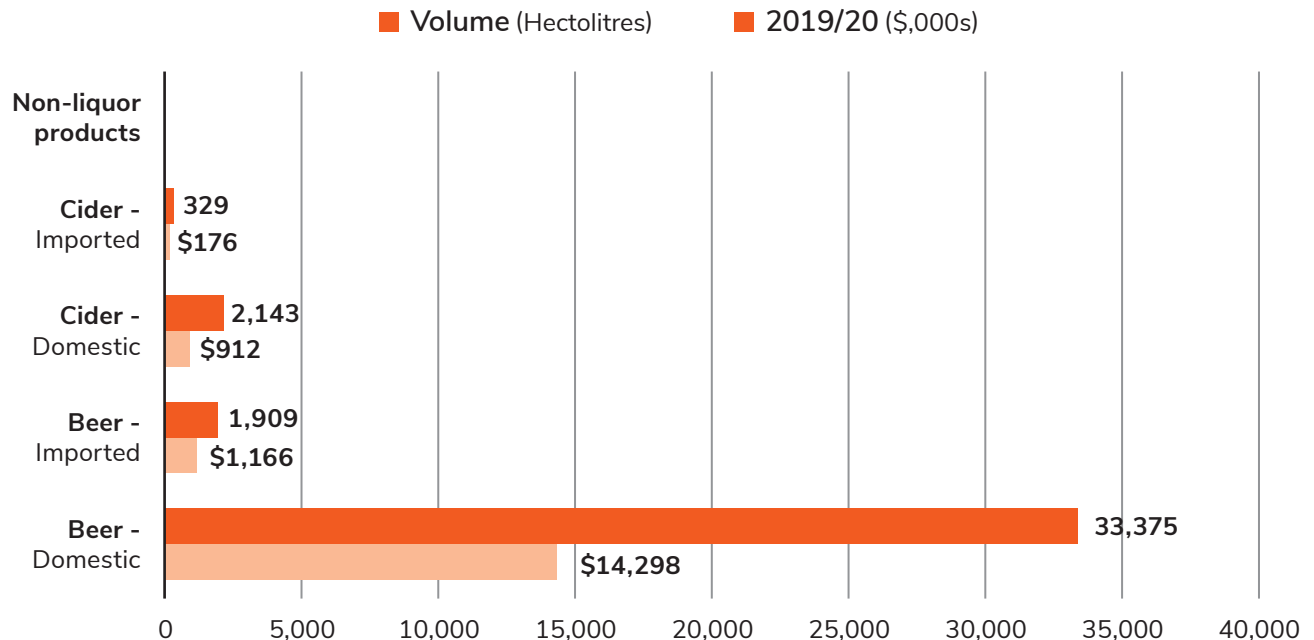


Wine sales by product type



The Opimian Society is a wine club that offers members unique wines from around the world.

Beer and cider sales by product type



Supporting local producers and licensees



2
licensed distilleries

- ▶ The Whitehorse Liquor Store dedicates a section for the store for Yukon Made products. The store features wine, ciders, spirits and beer from all manufacturers in the section. In 2020/21 they added two coolers dedicated for Yukon Made products.
- ▶ The community Liquor Stores have also dedicated shelving and cooler space for Yukon Made products.
- ▶ A discount was provided to manufacturers for their in-store sales. Starting on January 1, 2021, the discount was extended to those who qualified for the Yukon Business Relief Program.



5
breweries



1
winery



Awards/accolades

Yukon Brewing

- ▶ Release 19: silver
- ▶ Release 20: silver
- ▶ Release 21: silver
- ▶ Release 23: gold
- ▶ Release 22: gold plus the co-winner of Best Canadian Single Malt

Woodcutter's Blanket

- ▶ Started producing specialty malt in-house.

Wholesale liquor pricing for licensees and manufacturers

To support licensees, retailers and consumers, the Yukon Liquor Corporation limits price updates to twice a year. The Corporation updated retail prices in spring and fall 2020 to reflect new product costs. To support licensees during the pandemic, the Corporation froze wholesale liquor prices in addition to providing a temporary licensee discount. Starting January 1, 2021, only licensees qualifying for Yukon Business Relief Program continued to receive the 25% licensee discount while those who did not qualify for the program received a 12% discount from the retail price. The change ensured that COVID-19 support funding reached those businesses that needed it most. The Corporation is committed to working with licensees to make long-term changes to wholesale liquor prices.

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.

Sourcing and supply

The Yukon Liquor Corporation continues to source products from both Alberta and British Columbia. By sourcing products from both provinces, the Corporation reduces the risk of a disruption in the supply chain and can offer more choices to consumers and licensees. The Corporation worked closely with its supply chain partners to limit disruptions during the pandemic.

The new *Liquor Act* and Regulations

The new *Liquor Act* passed in November 2019, during the Third Sitting of the 34th Legislative Assembly. The Act is based on what the Yukon Liquor Corporation heard and learned from Yukoners, working with the Liquor Advisory Group and meeting with producers and licensees. The Corporation is working on finalizing the legislation so that the Act can enter into force.

Trade agreements

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







Key initiatives scheduled for 2021/22 include:

- ▶ Working with liquor licensees on matters that will improve the licensee and customer experience.
- ▶ Improving product selection, replenishment timing, inventory stock levels and supply chain process systems and infrastructure.
- ▶ Working in collaboration with partners to promote a socially responsible approach for programs and services.
- ▶ Continuing to support and review the Safe Grad initiative in order to further reduce alcohol consumption by youth during graduation.
- ▶ Continuing to focus on education and a risk-based enforcement strategy to ensure compliance with the current *Liquor Act* and Regulations.
- ▶ Continuing to develop legislation for the new *Liquor Act*, ensuring that the regulations balance the needs of businesses and communities.
- ▶ Working with other provinces and territories, through an alcohol beverage working group, to consider internal trade issues and how to improve the alcohol industry overall.
- ▶ Working on the transition of the in-person BARS-Liquor course to an online platform.
- ▶ Ongoing development of information systems.
- ▶ Working with licensees to support COVID-19 pandemic recovery and on initiatives that benefit the industry over the long-term.

Yukon Liquor Corporation

Financial statements

April 1, 2020 to March 31, 2021



YUKON LIQUOR CORPORATION
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Year Ended March 31, 2021

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

INDEPENDENT AUDITOR'S REPORT

FINANCIAL STATEMENTS

Statement of Financial Position

Statement of Comprehensive Income

Statement of Changes in Equity

Statement of Cash Flows

Notes to Financial Statements

Schedule of Property, Plant and Equipment (*Schedule 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 accompanying financial statements as at March 31, 2021 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.



Dennis Berry
President



Luzelle Nagel
Director, Finance & Information
Management

July 07, 2021



Office of the
Auditor General
of Canada

Bureau du
vérificateur général
du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister responsible for the Yukon Liquor Corporation

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Yukon Liquor Corporation (the Corporation), which comprise the statement of financial position as at 31 March 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Qualified Opinion on the Financial Performance

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying statement of comprehensive income presents fairly, in all material respects, the financial performance of the Corporation for the year ended 31 March 2021 in accordance with International Financial Reporting Standards (IFRSs).

Opinion on the Financial Position and Cash Flows

In our opinion, the accompanying statements of financial position and cash flows present fairly, in all material respects, the financial position of the Corporation as at 31 March 2021 and its cash flows for the year then ended in accordance with IFRSs.

Basis for Opinions, Including Basis for Qualified Opinion on the Financial Performance

On 11 March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus (COVID-19). As a result, measures were put in place that impacted our ability to observe the counting of physical inventories as at 31 March 2020. We were also unable to satisfy ourselves concerning those inventory quantities by alternative means. Since opening inventories enter into the determination of the financial performance, we were unable to determine whether any adjustments might have been necessary in respect of the cost of goods sold reported in the statement of comprehensive income for the year ended 31 March 2021.

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

accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified opinion on the financial position and cash flows and our qualified opinion on the financial performance.

Other Information

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

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

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Compliance with Specified Authorities

Opinion

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

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

Responsibilities of Management for Compliance with Specified Authorities

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

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

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



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

Edmonton, Canada
7 July 2021

YUKON LIQUOR CORPORATION
Statement of Financial Position
As at March 31

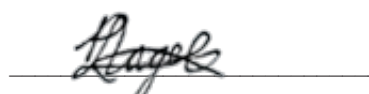
	2021	2020
	(in thousands of Canadian dollars)	
ASSETS		
CURRENT		
Cash	\$ 1,882	\$ 3,645
Accounts receivable	120	55
Inventories (Note 5)	3,546	3,724
Prepaid expenses	27	-
	5,575	7,424
Property, plant and equipment (Note 6)	2,148	2,176
Intangible assets (Note 7)	-	22
Right-of-use assets (Note 17)	967	1,277
TOTAL ASSETS	\$ 8,690	\$ 10,899
LIABILITIES AND EQUITY		
CURRENT		
Accounts payable and accrued liabilities (Note 8)	\$ 1,424	\$ 3,293
Deferred revenue	106	105
Due to the Government of Yukon (Note 9)	1,750	1,704
Current portion of lease liabilities (Note 17)	309	303
Deferred government grant (Note 16)	133	181
	3,722	5,586
Non-pension benefit liability (Note 10)	1,657	1,635
Lease liabilities (Note 17)	675	983
TOTAL LIABILITIES	6,054	8,204
Equity	2,636	2,695
TOTAL LIABILITIES AND EQUITY	\$ 8,690	\$ 10,899

Commitments (Note 18)

APPROVED FOR ISSUE ON JULY 7, 2021



President



Director, Finance & Information Management

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

YUKON LIQUOR CORPORATION
Statement of Comprehensive Income
For the year ended March 31

	2021 (in thousands of Canadian dollars)	2020
Revenue (Note 14)	\$ 47,650	\$ 46,531
Cost of goods sold (Note 15)	28,183	26,187
GROSS PROFIT	19,467	20,344
OTHER INCOME		
Government grant (Note 16)	49	195
Miscellaneous	55	180
Gain on disposal of property, plant and equipment	-	168
Fees, permits and licenses	88	168
Total other income	192	711
EXPENSES		
Salaries, wages and benefits	8,009	7,978
Rent, utilities and maintenance	847	924
Professional services	741	572
Bank charges	585	567
Depreciation of property, plant and equipment	393	463
Depreciation of right-of-use assets	310	272
Travel and communications	207	269
Other	204	247
General and office supplies	82	103
Interest on lease liabilities	24	23
Amortization of intangible assets	22	22
Total expenses	11,424	11,440
INCOME FROM OPERATIONS	8,235	9,615
OTHER COMPREHENSIVE INCOME, NOT TO BE RECLASSIFIED SUBSEQUENTLY TO NET INCOME		
Actuarial loss (Note 10)	(102)	(207)
COMPREHENSIVE INCOME	\$ 8,133	\$ 9,408

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

YUKON LIQUOR CORPORATION
Statement of Changes in Equity
For the Year Ended March 31, 2021

	2021 (in thousands of Canadian dollars)	2020
EQUITY - BEGINNING OF YEAR	\$ 2,695	\$ 2,911
Net income before other comprehensive income	8,235	9,615
Other comprehensive income	(102)	(207)
Profit to be remitted to the Government of Yukon (<i>Note 13</i>)	(8,192)	(9,624)
EQUITY - END OF YEAR	\$ 2,636	\$ 2,695

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

YUKON LIQUOR CORPORATION
Statement of Cash Flows
For the Year Ended March 31, 2021

	2021 (in thousands of Canadian dollars)	2020
OPERATING ACTIVITIES		
Cash receipts:		
Sales	\$ 47,588	\$ 46,519
Fees, permits and licenses and miscellaneous	143	363
Cash disbursements:		
Purchases of inventories	(29,861)	(25,916)
Salaries, wages and benefits	(8,085)	(7,768)
General and administrative expenses	(2,661)	(2,563)
Cash flow from operating activities	7,124	10,635
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(364)	(320)
Proceeds on disposal of property, plant and equipment	-	210
Cash flow used by investing activities	(364)	(110)
FINANCING ACTIVITIES		
Remittance of profit to the Government of Yukon	(8,173)	(10,696)
Payment of lease liabilities	(326)	(263)
Interest paid on lease liabilities	(24)	(23)
Cash flow used by financing activities	(8,523)	(10,982)
DECREASE IN CASH	(1,763)	(457)
Cash - beginning of year	3,645	4,102
CASH - END OF YEAR*	\$ 1,882	\$ 3,645

*Cash, end of year is comprised of bank account balances maintained for liquor and for cannabis operations with end of year balances (in thousands of Canadian dollars) of \$1,295 (2020 - \$2,530) and \$587 (2020 - \$1,115) respectively.

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

YUKON LIQUOR CORPORATION
Notes to Financial Statements
March 31, 2021

1. Authority and operations

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

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

Liquor Fund

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

In accordance with the *Liquor Act*, the profit from liquor operations for the year, before depreciation, 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% (2020 - 12%) and is applied to selling prices of all liquor products.

In accordance with the provisions of the Beverage Container Regulations under the *Environment Act*, the Corporation collects various beverage container deposits and recycling surcharges on the sale of its products. These amounts are remitted to the Government of Yukon on a monthly basis.

Cannabis Fund

The Corporation is responsible for the purchase, distribution and sale of cannabis within Yukon through licensees and a retail store that was operational from October 2018 to October 2019. The *Cannabis Control and Regulation Act* received assent on April 24, 2018 and governs the distribution, retail, consumption, personal cultivation and possession of non-medical cannabis in Yukon. Through Order-in-Council 2018/107, the Corporation is designated as the distributor corporation, to act as the principal supplier of cannabis for sale in Yukon.

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

2. Basis of presentation

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

3. Significant accounting policies

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

YUKON LIQUOR CORPORATION
Notes to Financial Statements
March 31, 2021

3. Significant accounting policies (*continued*)

(a) Use of estimates

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

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

(b) Financial instruments

Financial assets

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

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

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

Financial liabilities

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

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

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

(c) Inventories

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

YUKON LIQUOR CORPORATION
Notes to Financial Statements
March 31, 2021

3. Significant accounting policies (*continued*)

(d) 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:

Land	Indefinite
Buildings	20 years
Leasehold improvements	5 years
Furniture and office equipment	5 years
Operating equipment	15 years
Heavy equipment	5 years
Systems development	5 years
Systems equipment	5 years

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

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

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

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

(e) Intangible assets

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

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

YUKON LIQUOR CORPORATION
Notes to Financial Statements
March 31, 2021

3. Significant accounting policies (*continued*)

(f) Employee benefits

Non-pension benefits

Under their conditions of employment, employees may qualify for and earn employment benefits for vacation, sick, and special leave, as well as severance benefits. The benefit obligation is determined on an actuarial basis. The cost of these benefits are accrued as employees render the services required to earn them and are calculated using the projected benefit method prorated on service. Actuarial gains and losses are recognized immediately in other comprehensive income. Other retirement benefits include extended health care and life insurance for retirees, which are paid by the Government of Yukon and not accrued for or expensed by the Corporation.

Pension benefits

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

(g) Revenue recognition

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

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

(h) Government grants

Government grants received from the Government of Yukon are recognized in the period in which the funding is committed by the Government of Yukon and when the terms and eligibility of the expenses have been met.

Grants received related to operating expenditures are presented as other income in the statement of comprehensive income.

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

(i) Expense recognition

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

YUKON LIQUOR CORPORATION
Notes to Financial Statements
March 31, 2021

3. Significant accounting policies (*continued*)

(j) Leases

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

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

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

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

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

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

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

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

YUKON LIQUOR CORPORATION
Notes to Financial Statements
March 31, 2021

4. Financial instruments

The Corporation, through its financial assets and liabilities, is exposed to the following risks from its use of financial instruments: credit risk and liquidity risk. The Corporation manages these risk exposures on an ongoing basis. The Corporation has no significant exposure to interest rate risk or foreign exchange risk. The Corporation is not party to any derivative financial instruments. The following analysis provides information about the Corporation's risk exposure and concentration as of March 31, 2021.

Credit risk

Credit risk on financial instruments arises from the possibility that the issuer of a financial instrument fails to meet its obligation. The carrying amount of cash and accounts receivable represents the maximum credit risk exposure. The risk on cash is minimized as these assets are held with a Canadian chartered bank. The Corporation's accounts receivable has a carrying value of \$120,000 as of March 31, 2021 (2020 - \$55,000). There is a 7% (2020 - 26%) concentration of accounts receivable with one customer.

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

	2021	2020
	(in thousands of Canadian dollars)	
Current	\$ 120	\$ 53
91 days or greater	-	2
Total trade accounts receivable	\$ 120	\$ 55

The Corporation measures the loss allowance at an amount equal to the lifetime Expected Credit Loss (ECL) for its accounts receivable. For the years ended March 31, 2021 and 2020, the Corporation has estimated the ECL to be nominal. Accounts written off could still be subject to enforcement activities. No accounts are written off directly to the provision for credit losses. As at March 31, 2021 and 2020, the loss allowance was nil.

Liquidity risk

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

The Corporation's accounts payable and accrued liabilities had a carrying value of \$1,424,000 as at March 31, 2021 (2020 - \$3,293,000). As at March 31, 2021, approximately 1.74% (2020 - 22.7%) of accounts payable were over 90 days past due. Due to the Government of Yukon had a carrying value of \$1,750,000 as of March 31, 2021 (2020 - \$1,704,000). As at March 31, 2021 approximately 1% (2020 - 0%) of due to the Government of Yukon were over 90 days past due.

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

YUKON LIQUOR CORPORATION
Notes to Financial Statements
March 31, 2021

5. Inventories

	2021 (in thousands of Canadian dollars)	2020 (in thousands of Canadian dollars)
Liquor		
Beer	\$ 1,047	\$ 1,083
Spirits	1,318	1,027
Wine	820	938
Total liquor inventories	<u>3,185</u>	<u>3,048</u>
Cannabis		
Dried	278	535
Edibles and other	21	71
Extracts	62	70
Total cannabis inventories	<u>361</u>	<u>676</u>
Total inventories	<u>\$ 3,546</u>	<u>\$ 3,724</u>

6. Property, plant and equipment

	Cost	Accumulated amortization	2021 Net book value (in thousands of Canadian dollars)	2020 Net book value (in thousands of Canadian dollars)
Land	\$ 202	\$ -	\$ 202	\$ 202
Buildings	5,407	4,662	745	753
Leasehold improvements	381	368	13	7
Furniture and office equipment	978	690	288	354
Operating equipment	455	296	159	75
Heavy equipment	725	303	422	420
Systems development	539	413	126	159
Systems equipment	651	458	193	206
Schedule 1	<u>\$ 9,338</u>	<u>\$ 7,190</u>	<u>\$ 2,148</u>	<u>\$ 2,176</u>

7. Intangible assets

	2021 (in thousands of Canadian dollars)	2020 (in thousands of Canadian dollars)
Web development	\$ 67	\$ 67
Accumulated depreciation	<u>(67)</u>	<u>(45)</u>
	<u>\$ -</u>	<u>\$ 22</u>

Depreciation for the year amounted to \$22,420 (2020 - \$22,420).

YUKON LIQUOR CORPORATION
Notes to Financial Statements
March 31, 2021

8. Accounts payable and accrued liabilities

	2021	2020
	(in thousands of Canadian dollars)	
Trade payable	\$ 611	\$ 1,511
Accrued liabilities	634	1,544
Current portion of non-pension benefit liability	179	238
	\$ 1,424	\$ 3,293

9. Due to the Government of Yukon

	2021	2020
	(in thousands of Canadian dollars)	
Reimbursement for costs paid on behalf of the Corporation	\$ 968	\$ 940
Remittances due (from) to the Government of Yukon pursuant to		
<i>Liquor Act</i> (Note 13)	221	(84)
<i>Cannabis Control and Regulation Act</i> (Note 13)	41	327
<i>Liquor Tax Act</i> (Note 13)	398	403
<i>Environment Act</i> - Beverage Container Regulations	122	118
	\$ 1,750	\$ 1,704

10. Employee benefits

Pension plan

Substantially all of the employees of the Corporation are covered by the public service pension plan (the Plan), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Corporation. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The general contribution rate effective at year end was \$1.01 (2020 - \$1.01) for every dollar contributed by the employee, and \$3.59 (2020 - \$3.80) for every dollar contributed by the employee for the portion of the employee's salary above \$181,600 (2020 - \$173,000). For new employees who are participating in the plan on or after January 1, 2013, the Corporation contributes \$1.00 (2020 - \$1.00) for every dollar contributed by the employee, and \$3.59 (2020 - \$3.80) for every dollar contributed by the employee for the portion of the employee's salary above \$181,600 (2020 - \$173,000). Total contributions to the Plan of \$1,047,378 (2020 - \$1,015,044) were recognized in salaries, wages and benefits; of which \$516,223 (2020 - \$496,651) were contributed by employees and \$531,155 (2020 - \$518,392) by the employer.

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

Non-pension benefits

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

The discount rate used to determine the present value of the non-pension benefit liability is based on interest rates of high-quality corporate bonds of the same currency and with similar terms to maturity.

YUKON LIQUOR CORPORATION
Notes to Financial Statements
March 31, 2021

The following table summarizes non-pension benefits by type:

	2021 (in thousands of Canadian dollars)	2020 (in thousands of Canadian dollars)
Severance benefit	\$ 839	\$ 1,013
Vacation and special leave	706	596
Sick leave	291	264
Accrued benefit obligation, end of year	\$ 1,836	\$ 1,873

The results measured at March 31 are summarized as follows:

	2021 (in thousands of Canadian dollars)	2020 (in thousands of Canadian dollars)
<u>Reconciliation of accrued benefit obligation</u>		
Accrued benefit obligation, beginning of year	\$ 1,873	\$ 1,553
Components recognized in salaries, wages and benefits		
Current service cost	229	145
Past service cost	(191)	21
Interest cost on accrued benefit obligation	75	54
Plan amendment	-	(27)
Actuarial loss recognized in other comprehensive income	102	207
Benefits paid	(252)	(80)
Accrued benefit obligation, end of year	\$ 1,836	\$ 1,873

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

<u>Classification of accrued benefit obligation</u>		
Current portion of non-pension benefit liability	\$ 179	\$ 238
Non-current portion	1,657	1,635
Total accrued benefit classification	\$ 1,836	\$ 1,873

The reduction in the employee sick leave benefits liability over the next twelve months is expected to be \$23,000 (2020 – \$33,000).

	2021 (in thousands of Canadian dollars)	2020 (in thousands of Canadian dollars)
<u>Reconciliation of actuarial gains recognized in Other comprehensive income (OCI)</u>		
Cumulative actuarial gain recognized in OCI, beginning of year	\$ (109)	\$ (316)
Actuarial loss from member experiences	14	275
Actuarial loss (gain) from economic assumption changes	88	(68)
Cumulative actuarial gain recognized in OCI, end of year	\$ (7)	\$ (109)

YUKON LIQUOR CORPORATION
Notes to Financial Statements
March 31, 2021

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

	2021	2020
Discount rate	3.20%	3.80%
Salary escalation rate per annum	2.00%	2.00%

A quantitative sensitivity analysis as at March 31, 2021 shows the impact of the change in the significant actuarial assumptions on the non-pension defined liability obligation:

	1% increase (in thousands of Canadian dollars)	1% decrease
Discount rate	\$ (145)	\$ 163
Salary escalation rate per annum	175	(159)

The most recent full actuarial valuation in respect of this non-pension post-employment benefits plan was prepared as of March 31, 2020. The weighted average of the maturity plan as at March 31, 2021 is 7.7 years.

11. Equity

	2021 (in thousands of Canadian dollars)	2020
Property, plant and equipment	\$ 2,148	\$ 2,176
Intangible assets	-	22
Right-of-use assets	967	1,277
Lease liabilities	(984)	(1,285)
Section 12.3(b) adjustment (1)	505	505
Equity, end of year	<u>\$ 2,636</u>	<u>\$ 2,695</u>

The annual change in equity represents net additions, depreciation and amortization of property, plant and equipment, intangible assets, right-of-use assets and lease liabilities, incurred prior to remitting funds to the Government of Yukon (Note 1).

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

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12. Capital management

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

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

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

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

13. Related party 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.

Amount due to (from) the Government of Yukon as per the *Liquor Act*

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

	2021	2020
	(in thousands of Canadian dollars)	
Comprehensive income for the year	\$ 7,945	\$ 9,237
Depreciation of property, plant and equipment	356	313
Net additions to property, plant and equipment	(350)	(262)
Depreciation of right-of-use assets	310	272
Principal repayments of lease liabilities	(302)	(263)
Current year's profit to be remitted	7,959	9,297
Balance due at the beginning of the year	(84)	841
Less: remitted during the year	(7,654)	(10,222)
Due to (from) the Government of Yukon at the end of the year	\$ 221	\$ (84)

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Notes to Financial Statements
March 31, 2021

13. Related party transactions (continued)

Amount due to the Government of Yukon as per the *Cannabis Control and Regulation Act*

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

	2021	2020
	(in thousands of Canadian dollars)	
Comprehensive income for the year	\$ 188	\$ 171
Depreciation of property, plant and equipment, and amortization of intangible assets	59	172
Net additions to property, plant, equipment and intangible assets	(14)	(58)
Disposal of property and equipment (net book value)	-	42
Current year's profit to be remitted	233	327
Balance due at the beginning of the year	327	474
Less: remitted during the year	(519)	(474)
Due to the Government of Yukon at the end of the year	\$ 41	\$ 327

***Liquor Tax* (Note 1)**

	2021	2020
	(in thousands of Canadian dollars)	
Balance due at the beginning of the year	\$ 403	\$ 368
Liquor tax collected during the year	4,979	4,965
Less: remitted during the year	(4,984)	(4,930)
Due to the Government of Yukon at the end of the year	\$ 398	\$ 403

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13. Related party transactions (continued)

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 \$816,000 (2020 - \$732,690). The Corporation provides Territorial Agent services in rural community liquor stores on behalf of the Government of Yukon with an estimated value of \$513,000 (2020 - \$488,857).

The Corporation reimburses the Government of Yukon on a monthly basis for salaries and benefits expense paid on its behalf and administered by the Government of Yukon. The Government of Yukon also provides mail services with an estimated value of \$28,231 (2020 - \$46,658).

The Corporation has entered into lease agreements for the Haines Junction and Mayo community liquor stores and service level agreements for the three owned community liquor stores in the amount of \$261,000 (2020 - \$274,000) with the Government of Yukon.

The Government of Yukon provides certain property management services to the Corporation. During 2020 the Corporation was charged \$57,000 (2020 - \$nil) for work done on its properties.

The Corporation has entered into service agreements with the Government of Yukon for the provision of information, communication and technology services. During the year the Corporation was charged \$287,000 (2020 - \$311,000) for these services.

The Corporation has entered into a service agreement with the Government of Yukon for the provision of human resources' services. During the year the Corporation was charged \$263,000 (2020 - \$nil) for these services.

Key management compensation

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

	2021	2020
	(in thousands of Canadian dollars)	(in thousands of Canadian dollars)
Salaries and short-term employee benefits	\$ 1,026	\$ 905
Post-employment benefits	159	142
Other long-term employee benefits	13	16
Pre-retirement and severance benefits	-	47

In the prior year, members of the executive committee and managers were included as key management personnel. During the year, management re-evaluated the composition of key management personnel and concluded that it is executive committee members who are key management personnel. As a result, this note discloses remuneration of the executive committee for the year ended March 31, 2021 with comparative figures for the year ended March 31, 2020. This change did not impact any of the financial statements and did not impact any other note disclosures.

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Notes to Financial Statements
March 31, 2021

14. Revenue

	2021	2020
	(in thousands of Canadian dollars)	
Liquor		
Beer	\$ 16,553	\$ 18,141
Spirits	16,502	14,821
Wine	8,525	8,706
Total liquor revenue	<u>41,580</u>	<u>41,668</u>
Cannabis		
Dried	4,587	4,318
Extracts	1,174	461
Edibles and other	309	84
Total cannabis revenue	<u>6,070</u>	<u>4,863</u>
Total revenue	<u>\$ 47,650</u>	<u>\$ 46,531</u>

15. Cost of goods sold

	2021	2020
	(in thousands of Canadian dollars)	
Liquor		
Beer	\$ 11,393	\$ 12,081
Spirits	7,764	6,408
Wine	4,375	4,123
Total liquor cost of goods sold	<u>23,532</u>	<u>22,612</u>
Cannabis		
Dried	3,512	3,172
Extracts	896	342
Edibles and other	243	61
Total cannabis cost of goods sold	<u>4,651</u>	<u>3,575</u>
Total cost of goods sold	<u>\$ 28,183</u>	<u>\$ 26,187</u>

16. Deferred government grant

The Corporation received funding from the Government of Yukon during fiscal 2019 for capital expenditures related to cannabis operations. These amounts are being amortized over 5 to 20 years.

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17. Leases

The Corporation has leases that relate to the Whitehorse, Haines Junction and Mayo liquor stores with lease terms from 1 year up to 5 years. The Corporation does not have an option to purchase the buildings at the expiry of the lease periods. Subsequent to year-end, the Corporation entered into a new contract for a 1 year lease extension to its Mayo liquor store location. The Mayo lease agreement is a short term lease and therefore no right-of-use asset and no lease liability are recognized.

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

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

Right-of-use asset	No. of right-of-use assets leased	Range of remaining term	Average remaining lease term	No. of leases with extension options	No. of leases with options to purchase	No. of leases with variable payments linked to an index	No. of leases with termination options
Retail stores	2	2-4 years	3 years	1	0	0	0

	2021 (in thousands of	2020 Canadian dollars)
<u>Payments not included in the measurement of the lease liability:</u>		
Short-term leases	\$ 68	\$ 91

	2021 (in thousands of	2020 Canadian dollars)
<u>Amounts recognized in the statement of comprehensive income:</u>		
Interest paid on lease liabilities	\$ 24	\$ 23
Depreciation on right-of-use assets	310	272
	<u>\$ 334</u>	<u>\$ 295</u>

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Notes to Financial Statements
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17. Leases (continued)

	2021	2020
	(in thousands of	Canadian dollars)
<u>Right-of-use assets by class of assets</u>		
Buildings - cost	\$ 1,549	\$ 1,549
Buildings - accumulated depreciation	(582)	(272)
Carrying amount	<u>\$ 967</u>	<u>\$ 1,277</u>
	2021	2020
	(in thousands of Canadian dollars)	
<u>Lease liabilities are presented in the statement of financial position:</u>		
Current portion of lease liabilities	\$ 309	\$ 303
Long-term portion of lease liabilities	675	983
	<u>\$ 984</u>	<u>\$ 1,286</u>

The lease liabilities are secured by the related underlying assets.

Future minimum lease payments at March 31, 2021 were as follows:

	2021	2020
	(in thousands of Canadian dollars)	
<u>Minimum lease payments due</u>		
Less than 1 year		
Lease payments	\$ 326	\$ 326
1 to 5 years		
Lease payments	691	1,017
	<u>\$ 1,017</u>	<u>\$ 1,343</u>

18. Commitments

In the normal course of operations, the Corporation enters into multi-year agreements for the provision of freight and other goods and services. The total of these commitments as at March 31, 2021 for future years are \$2,568,659 (March 31, 2020 - \$3,285,249). Included in these commitments is \$nil (2020 - \$44,515) for the acquisition of property, plant and equipment.

(Schedule 1)

In October 2019 the Corporation closed its cannabis retail store, and in December 2019 sold related property and equipment with a cost of \$675,000 and net book value of \$42,000 for \$210,000

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