

Yukon Liquor Corporation ANNUAL REPORT

April 1, 2015 to March 31, 2016





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Cover photo: Archbould Photography

LETTER OF TRANSMITTAL

YUKON LIQUOR CORPORATION IS MANDATED TO GENERATE REVENUES THAT HELP TO PROVIDE IMPORTANT GOVERNMENT SERVICES TO YUKONERS. THE REVENUES ARE ALLOCATED BY THE GOVERNMENT OF YUKON THROUGH ITS ANNUAL BUDGET PROCESS TO PROGRAMS THAT BENEFIT ALL YUKONERS.



Over the past year, we have made progress under the direction of our five-year strategic plan. This report outlines initiatives underway and the goals that will continue to guide Yukon Liquor Corporation in the coming years.

There is tremendous opportunity ahead. We have dedicated staff who are committed to customer service excellence, sound fiscal management and well-managed business operations. We are further committed to our social responsibility mandate, which includes regulatory enforcement and education on how to reduce alcohol-related harms, and encourage a culture of moderation through the responsible sale of beverage alcohol.



Matt King
President of Yukon Liquor Corporation



Facts at a Glance

2015/16

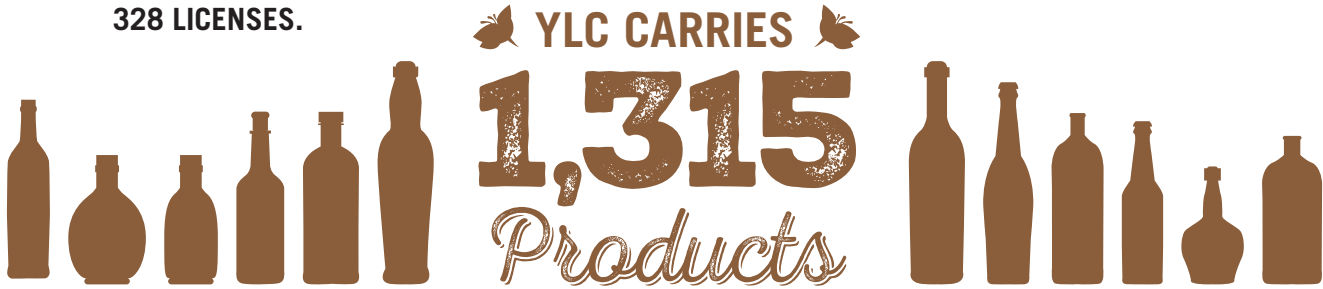


Many of the licensees carry more than one liquor license.

IN TOTAL, THERE ARE 328 LICENSES.



MORE THAN 1,000 SPECIAL ORDERS were processed for retail customers and licensees, up from less than 200 a decade ago. Special orders are placed by individual customers or licensees.



Products are supplied by more than **50 distinct vendors.**

WERE BROUGHT INTO THE STORES ON A ONE-TIME BASIS TO PROVIDE VARIETY TO CUSTOMERS.

DURING THE 2015/16 FISCAL YEAR, YUKON LIQUOR CORPORATION SALES GENERATED \$8.7 MILLION IN NET PROFIT WITH \$4.3 MILLION IN LIQUOR TAXES. THE MARK-UP ON PRODUCTS IS USED TO COVER OPERATING EXPENSES PLUS GENERATE FUNDS THAT SUPPORT GOVERNMENT OF YUKON PROGRAMS AND SERVICES TO YUKONERS.

OUR MISSION

Yukon Liquor Corporation is responsible for the purchase, distribution, and sale of liquor products in Yukon. Our primary responsibilities are:

- ▶ to purchase a range of liquor products and make them available to consumers, and
- ▶ to regulate the sale and consumption of liquor products.

OUR VISION

Liquor products are enjoyed in a safe, legal and socially responsible manner.

OUR VALUES

As a government agency and employer, we strive to:

- ▶ actively engage staff and customers, by supporting and encouraging actions that are fair, responsible, respectful and consistent while promoting a respectful workplace and business practices.
- ▶ inform customers and staff in the issues and decisions of Yukon Liquor Corporation, using a participative and collaborative, effective management style of leadership.
- ▶ provide the utmost of excellence in service standards to customers and clients.

STRATEGIC GOALS

Yukon Liquor Corporation plans and implements its short and long-term work based on the strategic goals outlined in our Annual Operating Plan and the 2014–2019 Strategic Plan:

- 1.** To deliver customer service excellence to all our retail and commercial clientele.
- 2.** To reduce alcohol-related harm to the public through regulation, education and enforcement, and encourage a culture of moderation and social responsibility.
- 3.** To sustain net profitability to the Government of Yukon through responsible liquor sales.
- 4.** To attract, develop and engage talented people to continue to provide high quality service to the public.
- 5.** To practice open, accountable and fiscally responsible government.

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



Archbould Photography



Archbould Photography



2015/16 YLC BOARD OF DIRECTORS:
(left to right)

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

YUKON LIQUOR BOARD

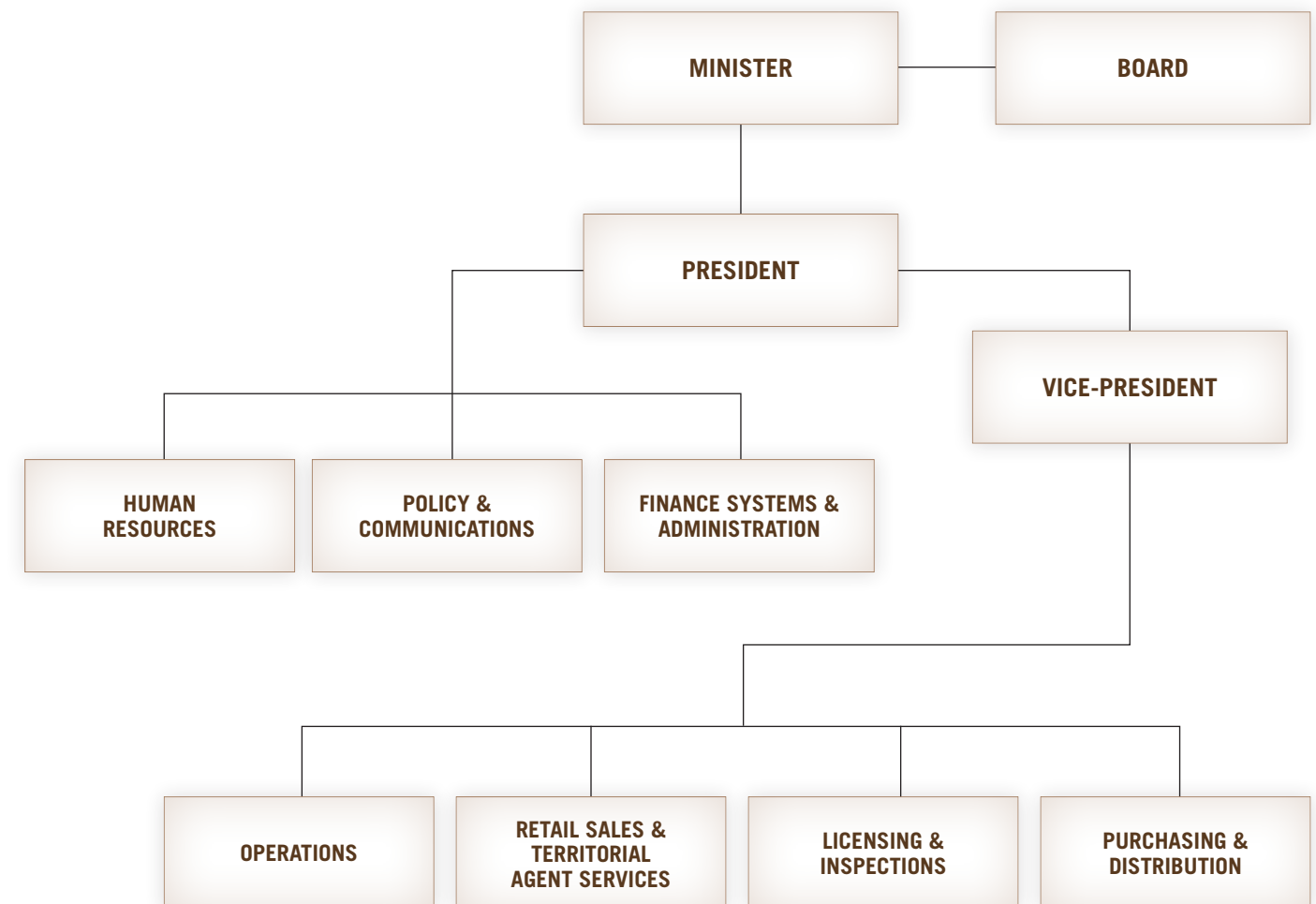
The Yukon Liquor Board of Directors (Board) operates at arms-length from Yukon Liquor Corporation (YLC) and is responsible for: licensing decisions and for hearing appeals of license suspensions, barring and permit refusals. The Board is made up of five members. Board members are appointed by Cabinet and meet on a monthly basis, with additional meetings scheduled as required. The President of Yukon Liquor Corporation provides updates to the Board and is responsible for administering Yukon Liquor Corporation as directed by the minister responsible.

ORGANIZATIONAL STRUCTURE

Yukon Liquor Corporation is responsible for purchasing a range of liquor products and making them available to consumers, as well as regulating the sale and consumption of liquor products in Yukon. Yukon Liquor Corporation operates a liquor store, central warehouse and distribution centre in Whitehorse as well as five rural community liquor stores in Dawson, Faro, Haines Junction, Mayo and Watson Lake.

Each of the five rural liquor stores provide Territorial Agent services which include a range of Yukon government administrative services. This collaborative model whereby liquor store staff also act as agents for other Yukon government departments, allows for a cost-effective delivery of important territorial administrative services to Yukoners in rural areas. Improving these services was identified as a priority through the 2015/16 Mandate Letter by the Yukon Premier.

YUKON LIQUOR CORPORATION ORGANIZATIONAL CHART



LIQUOR CORPORATION BRANCHES

Yukon Liquor Corporation is refining its operations toward a customer-driven approach: getting customers the product they want — when they want it.

The Purchasing and Distribution Branch is responsible for purchasing liquor products, managing inventory and distributing it to the six Yukon Liquor Corporation liquor stores as well as to more than 140 licensed businesses and permit holders throughout Yukon. Purchasing and Distribution staff work closely with suppliers, liquor stores and customers to provide products when customers want them.

The Retail Sales and Territorial Agent Services Branch is responsible for selling products at the stores and in the rural stores, staff provide some government services on behalf of other departments. The five rural stores provide ordering and distribution services for licensed businesses in their region. The retail sales staff are Yukon Liquor Corporation's primary contact with customers and are key to providing feedback that guides product selection.

The Licensing and Inspections Branch works with licensees, permit-holders and staff to help them understand and comply with the *Yukon Liquor Act*, its regulations and the Yukon Liquor Board of Directors' policies.

The Vice President of Operations Branch provides secretariat services to the Yukon Liquor Board and supports facility maintenance. It is also responsible for coordinating Yukon Liquor Corporation's marketing and social responsibility efforts to promote responsible consumption of liquor and reduce alcohol-related harms.

During 2015/16, various corporate services were provided by Yukon Housing Corporation. These services included: human resources, financial services, systems administration, policy development and communications.



Archbold Photography

RESPONSIBLE BUSINESS INITIATIVES

Yukon Liquor Corporation plays an important part in various initiatives such as:

- ▶ Annual RCMP & MADD Red Ribbon campaign, which ran between November 6 and January 3. Once again, the public donated change at YLC tills in support of MADD initiatives. Hundreds of red scarves, with the message 'When you drink, don't drive', were also handed out to re-enforce their Red Ribbon campaign and recognize the value of designated drivers.
- ▶ #TAXI service, which is a direct phone line so the public can get a cab anywhere and anytime.
- ▶ Teddy Bear Twin Program that Yukon Liquor Corporation started in 1992. For every one teddy bear purchased at Yukon liquor stores, another twin bear is donated to children or seniors who are ill, injured or experienced a traumatic event.
- ▶ Identification blitzes with RCMP as part of a commitment under the Substance Abuse Action Plan. These ID blitzes aim to reduce underage drinking and selling liquor to minors and typically occur each year in May.
- ▶ Check 25 program, which is used in many other Canadian jurisdictions. Staff are encouraged to ask customers, who appear to be under the age of 25, to produce identification.
- ▶ Application of warning labels to every liquor bottle sold in Yukon with the aim of warning the public about the negative effects of drinking alcohol while pregnant.

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

The 2015 Christmas seasonal program was another success: 480 teddy bears were donated to social service organizations, hospitals and Emergency Medical Services to comfort and support people in need. This year, some bears were also donated to Share the Spirit campaign and Whitehorse Food Bank. Two very large promotional bears were donated from the Stuffed Animal House Ltd. to Yukon Liquor Corporation and, in turn, were donated to MADD Whitehorse and Fetal Alcohol Syndrome Society Yukon (FASSY) to do with as they wished.

Yukon Liquor Corporation also supported:

- ▶ Fetal Alcohol Syndrome Society Yukon (FASSY) with its FASD awareness initiatives and International FASD Awareness Day on September 9. Yukon Liquor Corporation worked with FASSY to promote its first-ever fall fundraiser through social media and contributed six complimentary tickets to the evening gala as promotional giveaways through local media. Yukon Liquor Corporation also donated the previous year's print and radio media campaign.
- ▶ Department of Highway and Public Works with a contribution of \$41,000 for its Driver Control Board. This funding supplements a portion of the cost required for the control board to review vehicle operators' licenses that have been suspended or revoked due to motor vehicle infractions involving liquor.
- ▶ PARTY Program, which is a true-to-life workshop, demonstrates to youth the detrimental effects of making of risky and bad decisions. The day-long field trip takes students through a simulated motor vehicle collision, interact with healthcare and emergency professionals, and hear first-hand from people who have been in crashes.
- ▶ Substance-free and safe grad events by contributing a total of \$2,925 throughout Yukon.

Celebrating Local Producers

— MANUFACTURED IN YUKON —

WHETHER SOLD IN LOCAL, NATIONAL OR INTERNATIONAL MARKETS, YUKON MANUFACTURED LIQUOR IS GAINING ATTENTION AND DISTINCTION IN A HIGHLY COMPETITIVE FIELD.

It means a lot to visitors to Yukon, and to Yukoners themselves, to be able to enjoy locally produced goods of all kinds.

Yukon Liquor Corporation commends the innovation and expertise of local microbreweries and distilleries: Yukon Shine Distillery, Yukon Brewing & Spirits, Klondike River Distillery and Winterlong Brewing Co.

Yukon Liquor Corporation supports local liquor producers and licensees in a number of ways:

- ▶ After consultations with the Whitehorse and Yukon Chambers of Commerce, as well as business owners, the Yukon government began providing wholesale liquor pricing for licensees. All Yukon licensees, including restaurants, bars and off sales, receive a 10 per cent discount (before deposit, Yukon Liquor Tax and GST) on all liquor purchases.
- ▶ Allowing Yukon producers to export their products without having to sell it through Yukon Liquor Corporation.
- ▶ Local liquor producers receive a “distribution credit” which is equal to 10 per cent of Yukon Liquor Corporation’s base price. This credit is provided to all Yukon liquor producers who retail their own product, because Yukon Liquor Corporation does not have to order, receive, or warehouse these products.
- ▶ While direct-to-consumer sales are not permitted within the territory through the *Liquor Act*, Yukon Liquor Corporation continues to support the Yukon government on facilitating internal trade within Canada. This will ensure that our fine, Yukon-made liquor products, will have the same opportunity to reach new Canadian markets as those manufactured in other provinces or territories.

Initiatives like this help local businesses, thereby encouraging economic growth.



Yukon Shine Distillery

WHITEHORSE

Established
2010



WHAT GOT YOU INTERESTED IN MAKING SPIRITS?

Creating something that has the potential for global sales and can outlive me.

WHAT'S YOUR PERSONAL FAVOURITE AMONG YOUR LINE OF PRODUCTS?

AuraGin — the winner of Best Canadian Gin at the 3rd Annual GINvitational.

WHAT DO YOU LOOK FOR IN A GOOD SPIRIT?

Unique and excellent flavour. Anyone can produce a beer or spirit that is similar to the mass produced ones. It takes passion and talent to create something both unique and of excellent taste.

NAME ONE OF YOUR BIGGEST SUCCESSES IN PRODUCING YUKON SHINE SPIRITS?

Having AuraGin showcased as the chosen gin on World Gin Day (June 11, 2016) at one of the world's most prestigious gin lounges.

IS YOUR PRODUCT REALLY FILTERED OVER GOLD?

Yes, it is. First, we filter our spirits over a traditional charcoal filtration. Then, it passes at high pressure through a filter chamber filled with real Yukon gold nuggets. We are one of the few distilleries in the world to use gold, which has mineral properties that give our spirits a smooth, velvety texture and intense taste. The use of gold filtration not only adds important subtleties when used as a filter medium, but also acts as an homage to our ancestral history of the Gold Rush and the spirit of the Yukon.

ANY BIG PLANS FOR THE FUTURE?

Looking to expand in 2017. Our focus has moved to the lucrative export markets of China and India.

CONTACT:

www.yukonshine.com
info@yukonshine.com



Yukon Brewing & Spirits

WHITEHORSE

Established

BEER → 1997
SPIRITS → 2011



PER ANNUM

Production



Dreamed Up



BY TWO GUYS ON
A CANOE TRIP

WHAT GOT YOU INTERESTED IN MAKING BEER AND SPIRITS?

Beer started as a home brewing hobby gone wild. Once we realized we learned how to create alcohol through fermentation, we ventured into distilling.

WHAT'S YOUR PERSONAL FAVOURITE AMONG YOUR LINE OF PRODUCTS?

That is a bit like picking your favourite child... they all have something to offer, and what gets taken home varies widely.

WHAT DO YOU LOOK FOR IN A GOOD BEER OR SPIRIT?

For our beers, we want them to be complex but drinkable. With spirits we try to focus on using local ingredients where possible, and with whisky it is all about the layers of flavour.

NAME ONE OF YOUR BIGGEST SUCCESSIONS IN PRODUCING BEER OR LIQUOR?

In 1998, Yukon Red was the top ranked Amber Ale at Chicago's Beverage Testing Institute. Eleven years later, it was named Beer of the Year at the Canadian Brewing Awards.

HOW DOES YUKON LIQUOR CORPORATION SUPPORT THE WORK YOU DO?

When we started, we were the first producer that YLC ever dealt with in their history. As such, there was lots to be learned on both sides. Over the 20 years we have been around, YLC has always been open to innovation in many ways, and the list of ways they have changed since those early days is long.

CONTACT:

www.yukonbeer.com
greatbeer@yukonbeer.com
www.yukonspirits.ca
www.twobrewerswhisky.com
jasmine@yukonbeer.com



Photo courtesy Yukon Brewing & Spirits



The Klondike River Distillery

—||| DAWSON CITY |||—

Established
2008

Production
10 to 15
CASES
PER
MONTH



Family Enterprise

WHAT GOT YOU INTERESTED IN MAKING SPIRITS?

Well, I had just returned from a year in the bush and was listening to the radio. The news was they were changing the laws to make distilleries legal in the Yukon. And I thought “hey—I can do that.” I’ve never been involved in an area where a new industry was coming on stream and it seemed like a real opportunity. I’d never thought I’d be running a distillery.

WHAT’S YOUR PERSONAL FAVOURITE AMONG YOUR LINE OF PRODUCTS?

That would be our only product, Klondike Vodka, “the Spirit of the Yukon.”

CONTACT:

www.klondikeriverdistillery.com
info@klondikeriverdistillery.com

WHAT DO YOU LOOK FOR IN A GOOD SPIRIT?

A good vodka has to be really clean tasting. During our distillation process, we take out all the bad alcohol. Klondike Vodka is a really clean, fresh tasting vodka.

NAME ONE OF YOUR BIGGEST SUCCESSES IN PRODUCING KLONDIKE VODKA?

Keeping it going! It’s very difficult to keep everything going because the distillery is completely off grid. Nothing is computerized so all the work is done by hand. We haul the water, we generate the electricity. Also, the location of our distillery can be quite isolated as we can’t get across the river to Dawson City during freeze up or break up. Running the distillery requires a lot of self-sufficiency and planning ahead.

HOW DOES YUKON LIQUOR CORPORATION SUPPORT THE WORK YOU DO?

Yukon Liquor Corporation has been extremely helpful, understanding and supportive. They allow us to have special merchandising stands in the stores that we’d normally have to pay thousands of dollars a month for in places like Alberta. The liquor inspectors are awesome. To get here, they have to cross the river and they accommodate our schedule. They are very proactive in supporting compliance (and the smooth operation of businesses).

ANY BIG PLANS FOR THE FUTURE?

Soon we’ll be entering the Alberta market, which we resisted doing until now, because we wanted to keep the company small. But we were getting a lot of demand from Alberta, so I think it will be worth it.



Winterlong Brewing Co.

WHITEHORSE

Established
2015

APPROX.
200
Production
**HECTO
LITRES**

1 2 3
Staff

WHAT GOT YOU INTERESTED IN MAKING BEER?

We have been making beer at home for 10 years and are very passionate about craft beer.

WHAT'S YOUR PERSONAL FAVOURITE AMONG YOUR LINE OF PRODUCTS?

Our Guilt Trip Barleywine is a 9% alc./vol. beer that we aged for a few months before release. As it ages, the rich, dark fruit flavours of plum, raisin, and prune come shining through.

WHAT DO YOU LOOK FOR IN A GOOD BEER?

Flavour. Lots of delicious flavour. Whether it is loads of hops for bittering, or lots of biscuit malts, we want to be knocked out by the flavour.

NAME ONE OF YOUR BIGGEST SUCCESES IN PRODUCING WINTERLONG BEER?

Our Spruce Tip Ale is so popular, we had long lineups and we sold out of it in 2 hours this year.

HOW DOES YUKON LIQUOR CORPORATION SUPPORT THE WORK YOU DO?

We really appreciate it that the staff directs customers to our brewery in Mount Sima if the store in Whitehorse runs out.

ANY BIG PLANS FOR THE FUTURE?

We are currently in the midst of an expansion. We will be making 3 times as much beer this summer, expanding into a building nearly 10 times our current space, and we are opening a tasting room so people can enjoy pints of our beer right at the source.

CONTACT:

www.winterlongbrewing.com
info@winterlongbrewing.com





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MIXES & PAIRINGS

YUKON SHINE DISTILLERY

“ AuraGin, fresh squeezed grapefruit and a splash of lemon-lime soda. ”

KLONDIKE RIVER DISTILLERY

“ We’ve created a cocktail called the *Yukoner*. It’s made with Klondike Vodka, lychee liqueur, and cranberry juice. ”

YUKON BREWING & SPIRITS

“ Anything spicy with our Ice Fog IPA. ”

WINTERLONG BREWING CO.

“ The hoppy bitterness in our Weekend Warrior IPA pairs well with a spicy moose curry, or any spicy food for that matter. ”

Strategic Goals

THE 2014–2019 STRATEGIC PLAN AND THE ANNUAL OPERATING PLAN OUTLINE FIVE GOALS THAT GUIDE YUKON LIQUOR CORPORATION IN DELIVERING ITS SERVICES:

- 1.** Deliver customer service excellence to all retail and commercial clientele;
- 2.** Reduce alcohol-related harm to the public through regulation, education, and enforcement, and encourage a culture of moderation and social responsibility;
- 3.** Sustain net profitability to the Government of Yukon through responsible liquor sales;
- 4.** Attract, develop and engage talented people to continue to provide high quality service to the public; and,
- 5.** Practice open, accountable and fiscally responsible government with the objective of exercising sound management and planning.

These goals inform Yukon Liquor Corporation’s work in both generating revenue, supporting the work of local producers and licensees, and promoting social responsibility.



Goal No. 1

DELIVER CUSTOMER SERVICE EXCELLENCE TO ALL RETAIL AND COMMERCIAL CLIENTELE



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Yukon Liquor Corporation is making progressive changes in the areas of customer service and its interactions with the beverage alcohol industry by:

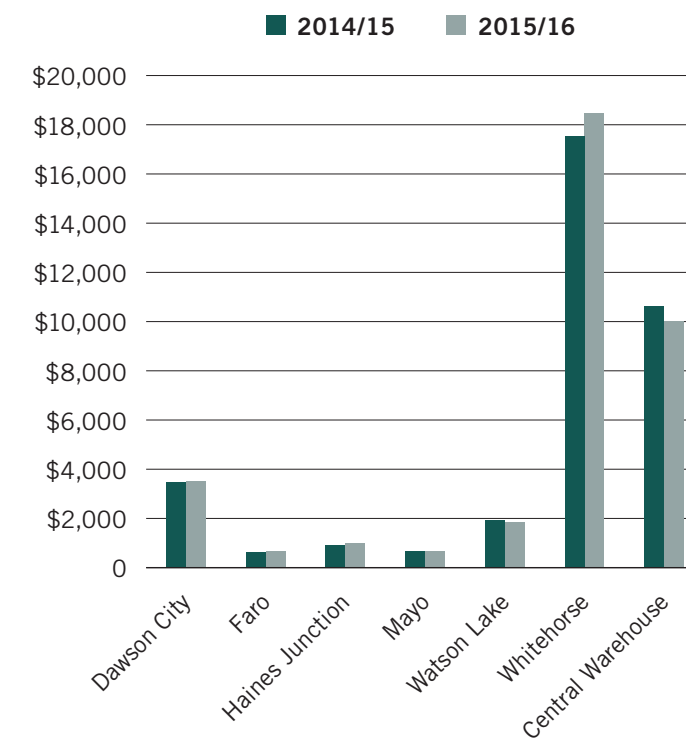
- Encouraging a variety of training initiatives, including tasting and pairing events, to enhance product knowledge; and,
- Promoting customer/staff interactions to impart product knowledge, introduce new products and get feedback about desired products and services.

A newly established Facebook account [[/yukonliquorcorp](#)] was added to the Yukon Liquor Corporation social media suite. Facebook and the Twitter accounts [[@YukonLiquorCorp](#)] are a convenient way to reach customers and keep them informed about upcoming or limited product releases, food pairing ideas, as well as any social responsibility initiatives such as supporting MADD and FASSY, information about addiction, tips on how to gauge consumption and planning a safe night out.

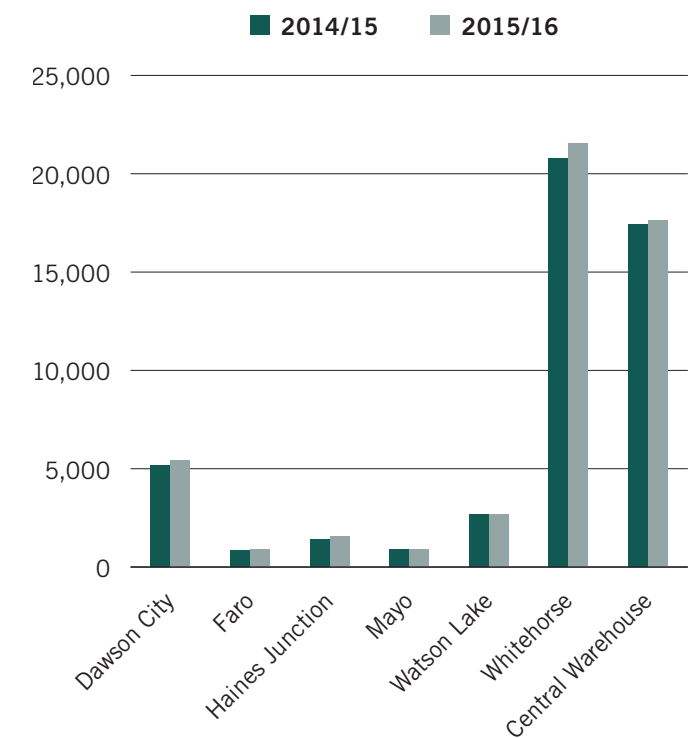
To meet consumers' changing taste and product preferences, Yukon Liquor Corporation introduced a number of new products throughout the year to try to better address customer preferences. Based on sales results, Yukon Liquor Corporation will determine which products to list in the future.

Yukon Liquor Corporation is continuously assessing software needs and working to improve systems to match its strategic business model.

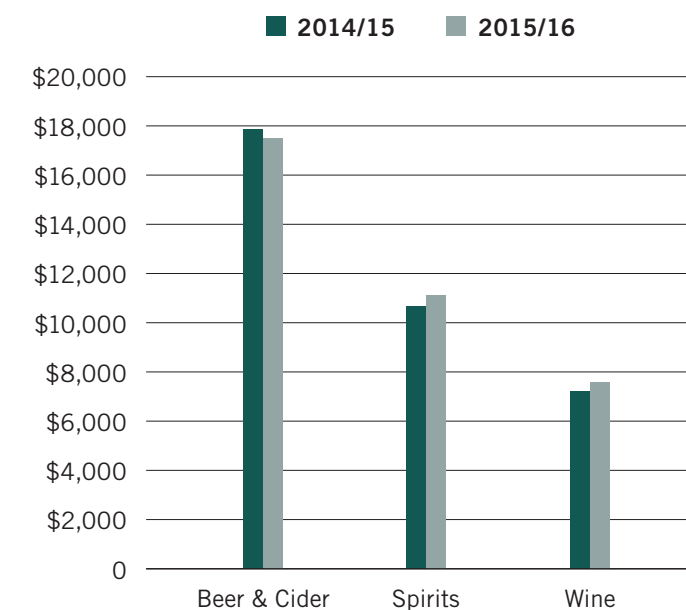
SALES BY LOCATION (\$,000s)



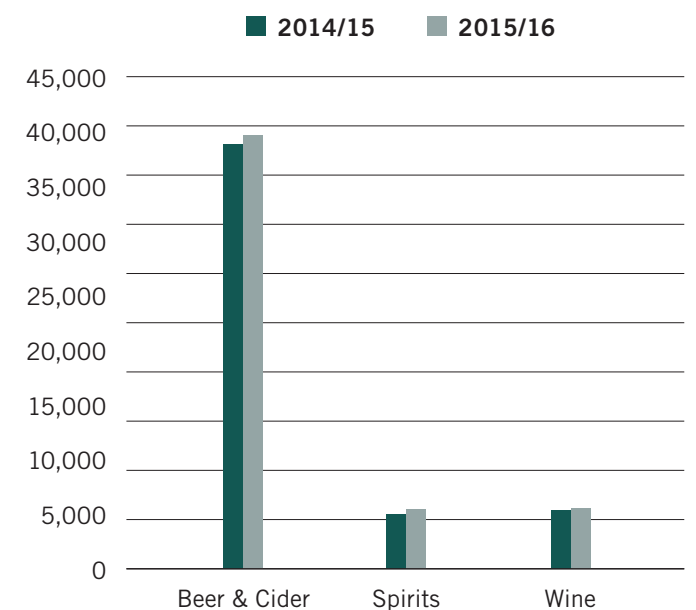
SALES BY LOCATION (Hectolitres)



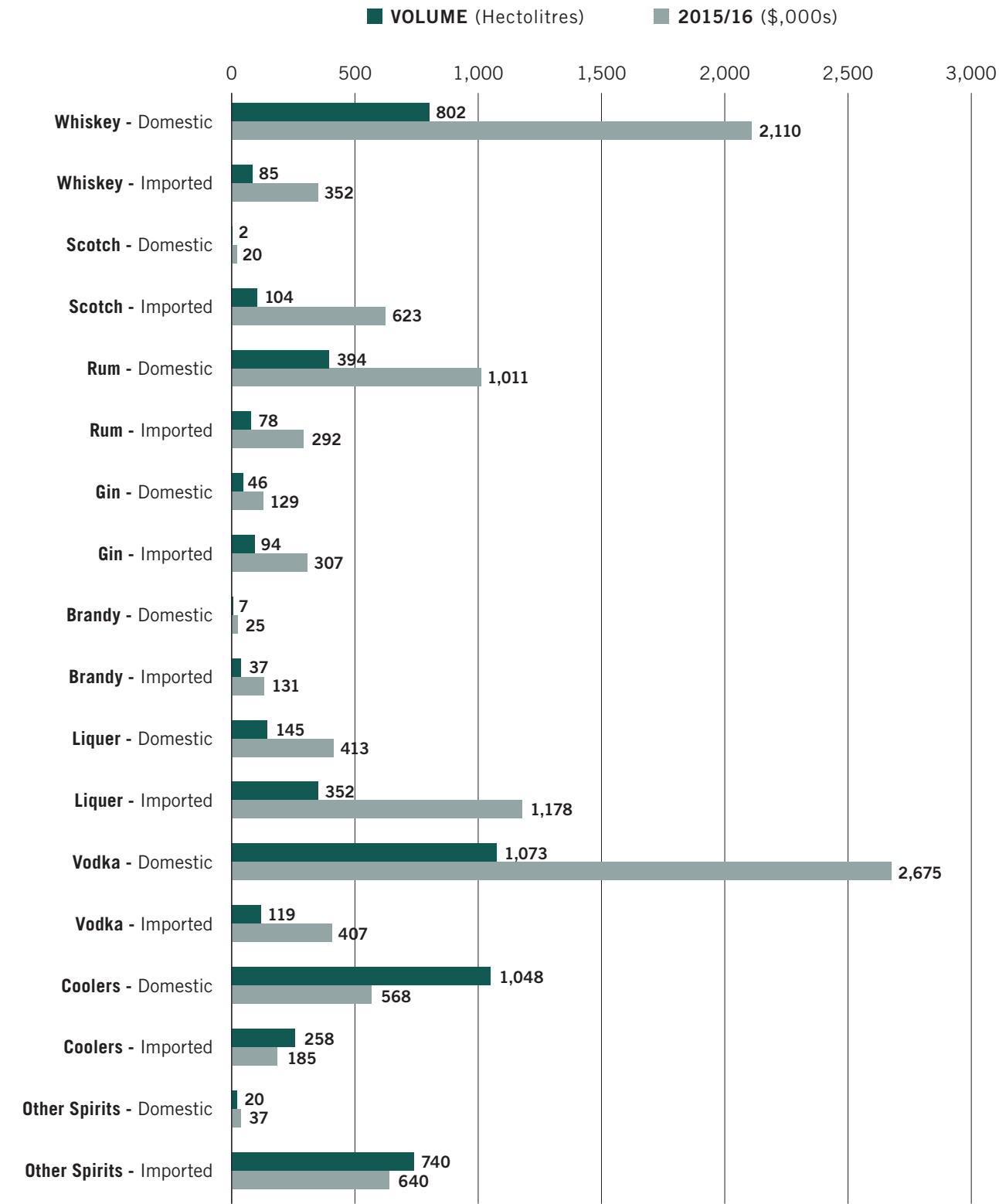
SALES BY CATEGORY (\$,000s)



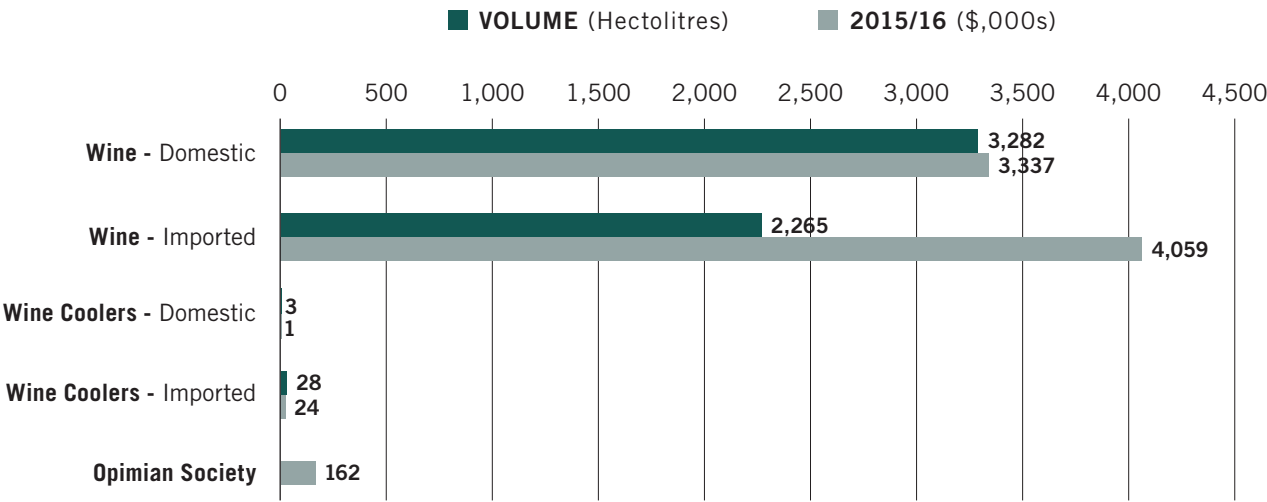
SALES BY CATEGORY (Hectolitres)



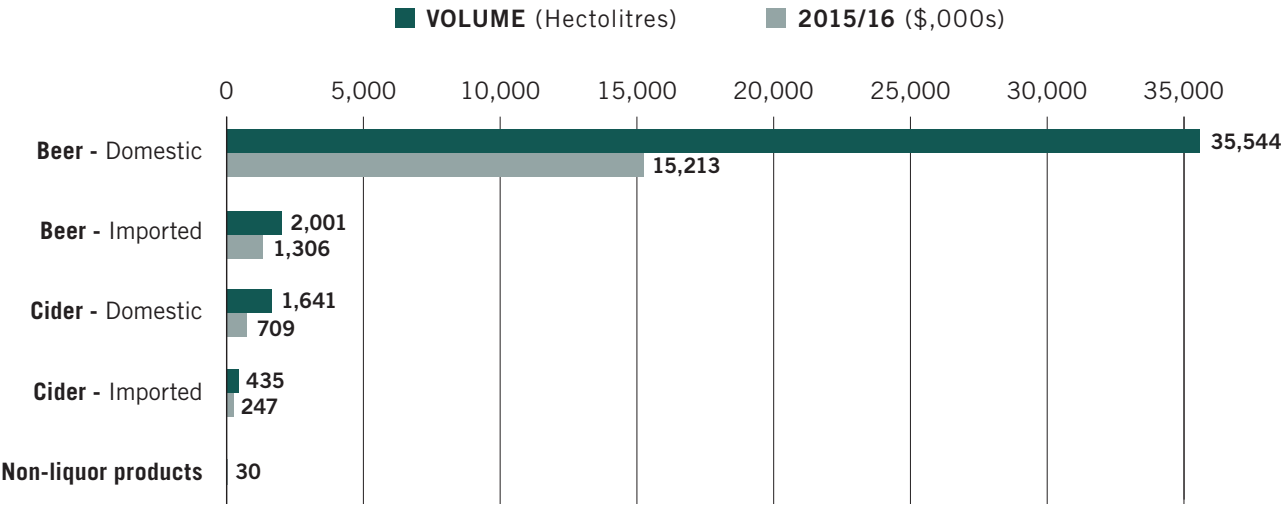
SPIRIT SALES BY PRODUCT TYPE



WINE SALES BY PRODUCT TYPE



BEER AND CIDER SALES BY PRODUCT TYPE



Goal No. 2

REDUCE ALCOHOL-RELATED HARM TO THE PUBLIC THROUGH REGULATION, EDUCATION AND ENFORCEMENT, AND ENCOURAGE A CULTURE OF MODERATION AND SOCIAL RESPONSIBILITY



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Yukon Liquor Corporation continues to form strategic partnerships with government and non-government agencies in an effort to encourage responsible consumption of alcohol.

Once again, Yukon Liquor Corporation worked closely with Yukon Rendezvous Society to verify that liquor laws were being followed, helping to ensure safe and successful events for all who attended.

“Be a Responsible Server” (BARS) is an educational program designed for people who serve liquor in licensed establishments. BARS focusses on providing valuable information on how licensees, managers

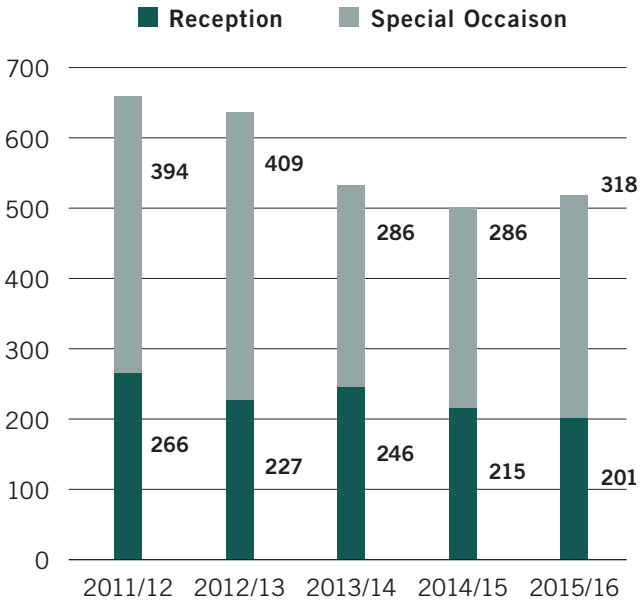
and serving staff can be responsible when serving liquor in licensed establishments or at special events. The material presented in the BARS course is flexible and may be modified to suit the needs of the licensee. This year, Yukon Liquor Corporation issued 202 certificates to people who completed the BARS course.

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

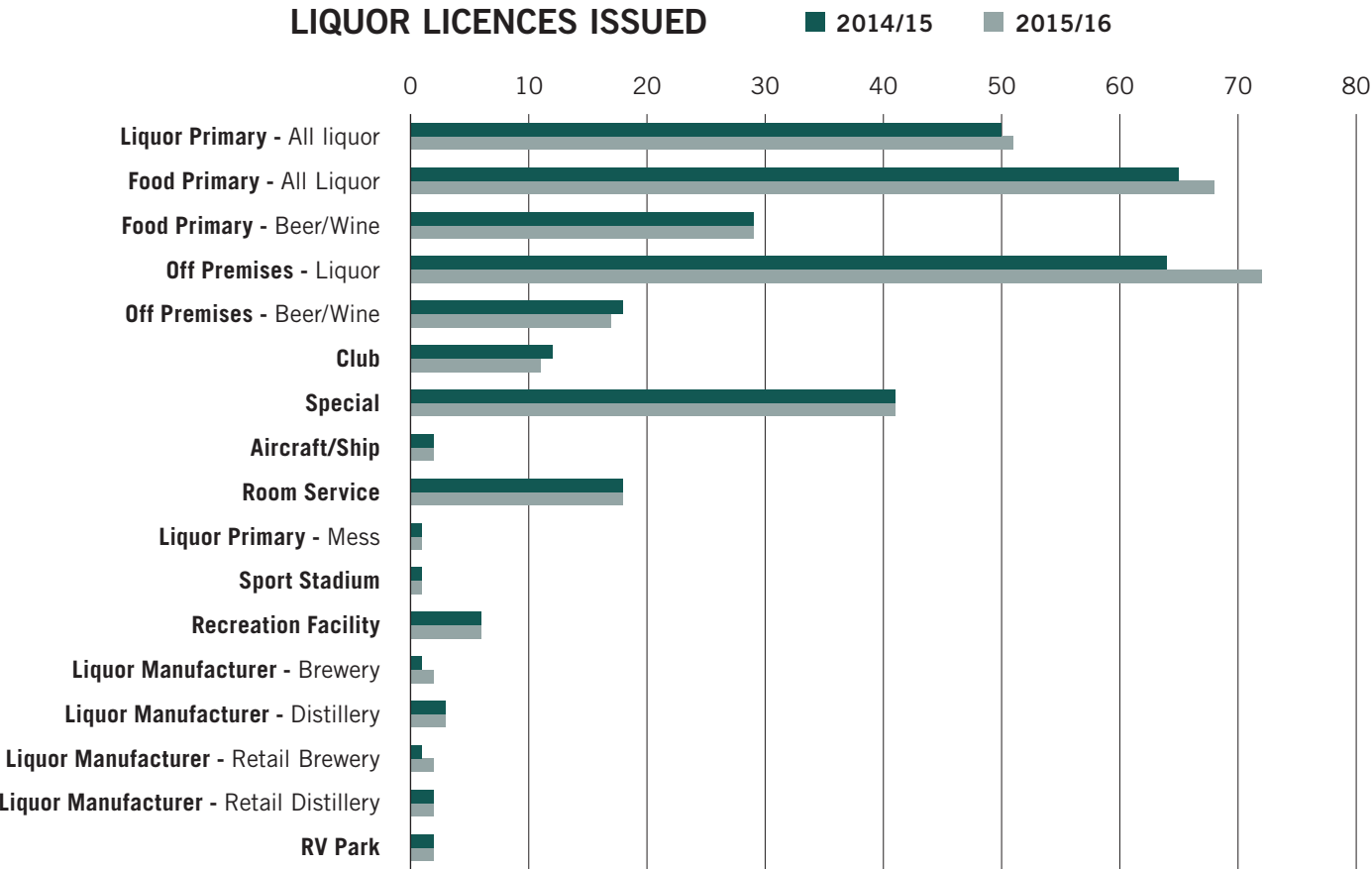
The liquor inspection team plays a key role in ensuring that alcohol is being served in a safe, responsible and legal manner in Yukon. Inspectors endeavour to work closely with licensees and their staff by providing support, resources and educational opportunities to reduce the risk of violating Yukon’s liquor laws and Yukon Liquor Board policies. To prevent violation risks, inspectors outline the duties and responsibilities the licensee must adhere to in order to remain in good standing with the Yukon Liquor Board of Directors and Yukon Liquor Corporation.

In 2015/16, no liquor license suspensions were issued.

PERMITS ISSUED



LIQUOR LICENCES ISSUED



Goal No. 3

SUSTAIN NET PROFITABILITY TO THE GOVERNMENT OF YUKON THROUGH RESPONSIBLE LIQUOR SALES



Archbould Photography

Yukon Liquor Corporation is mandated to return its net profits to Yukon government for provision of government programs and services.

Yukon Liquor Corporation is reviewing and improving its inventory management processes as well as training offered to staff. Yukon Liquor Corporation is also improving its store retail results by monitoring its sales data to make room for preferred, trendier product choices.

To improve service timeliness and selection of available products, the Corporation diversified its supply chain by directly ordering liquor products through British Columbia Liquor Distribution Branch (BCLDB), various distilleries, wineries and breweries across Canada. Going forward, Yukon Liquor Corporation is looking to further expand the supply chain by also ordering from the Alberta Gaming and Liquor Commission (AGLC). By working with BCLDB and AGLC, Yukon Liquor Corporation can use their quality control and product expertise to further reduce operational costs.

PRICE ANALYSIS



This graph complements the ‘Sales By Category’ graph (p23); it further illustrates how the average retail price per each liquor category is affected by three factors.

The price analysis graph has been simplified into three main categories or factors that are built into the liquor product prices: taxes and fees, mark-up and landed cost.

The **taxes and fees** category includes GST, Yukon Liquor Tax, refundable deposits and recycling fees.

Yukon Liquor Corporation is required by the *Liquor Tax Act* to collect liquor taxes on behalf of the Government of Yukon and remit those taxes on a monthly basis. The current rate is 12 per cent, which is applied to all product selling prices.

The refundable deposits are collected in accordance with the provisions of the Beverage Container Regulations under *Yukon’s Environment Act*. Beverage container deposits and recycling surcharges are added to the cost of liquor products and are remitted to the territorial Recycling Fund on a monthly basis, after deducting deposit refunds paid and fees earned under the program.

Yukon Liquor Corporation's **mark-up** reflects profit used to pay expenses. Any additional funds are transferred to the Government of Yukon General Revenue Fund, which is then distributed into various public service programs.

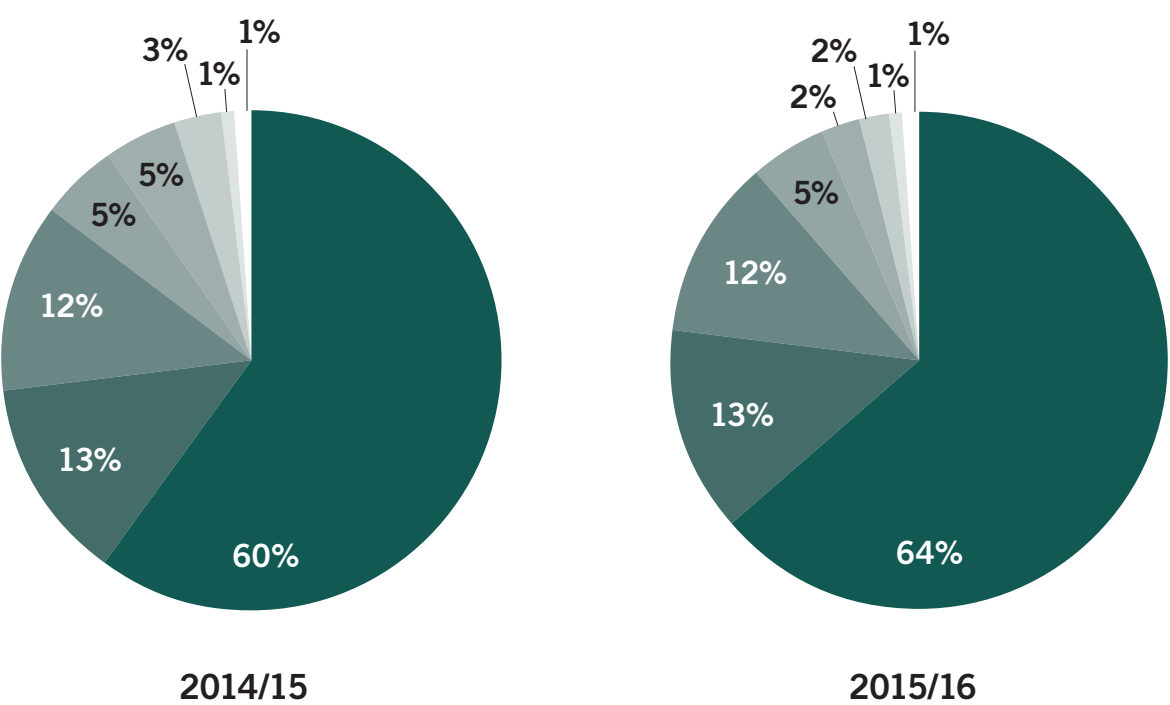
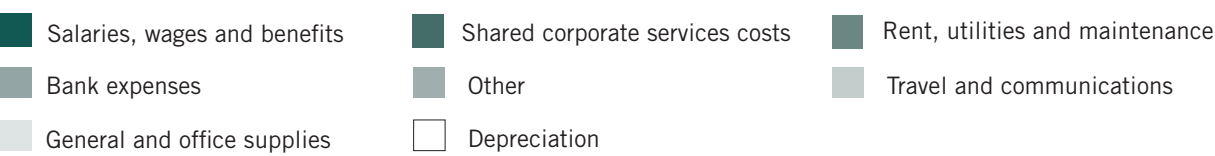
The **landed cost** category includes the cost of buying the products from vendors as well as freight.

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



This graph demonstrates revenue and cost of goods sold over the past five years; it combines the traditional annual transfer and gross profit graphs. The revenue line demonstrates a slight increase in profit as compared to 2014/2015.

OPERATING EXPENSES



These charts show annual operating expenses for Yukon Liquor Corporation based on various types of expenses.

Goal No. 4

ATTRACT, DEVELOP AND ENGAGE TALENTED PEOPLE TO CONTINUE
TO PROVIDE HIGH QUALITY SERVICE TO THE PUBLIC



Archbould Photography

Knowledgeable staff are an integral part of Yukon Liquor Corporation operations. Yukon Liquor Corporation and corporate services' branches strive to cross-train staff to build knowledge and skills for continuity management and improved business practices.

Yukon Liquor Corporation encourages staff development through available training initiatives, tasting and pairing events, and workshops, so staff have improved product knowledge and can better serve customers.

Improving business practices is part of providing quality service to the public. Employing best practices includes promoting and ensuring staff have a safe work environment. With this in mind, Yukon Liquor Corporation established a Joint Occupational Health & Safety Committee. In collaboration with Yukon Workers' Compensation Health and Safety Board and the Yukon government Corporate Health & Safety Branch, the Corporation is investing in ongoing staff training initiatives and initiating regular workplace hazard assessments to prevent work-related injuries.

Goal No. 5

PRACTICE OPEN, ACCOUNTABLE AND FISCALLY
RESPONSIBLE GOVERNMENT



Archbould Photography

Yukon Liquor Corporation considers practicing open, accountable and fiscally responsible government an integral part of meeting its strategic goals.

The *Liquor Act* requires that Yukon Liquor Corporation table its Annual Report each year in the Yukon Legislature. The Annual Report must contain an audited financial report on the revenues and expenditures of Yukon Liquor Corporation (see page 35). This requirement supports the open, accountable and fiscally responsible operation of Yukon Liquor Corporation.

In addition to legislative requirements, Yukon Liquor Corporation has also designed several performance measures in which to evaluate its operations. These performance measures support open, accountable and fiscally responsible operations.

2015-2020 INDICATORS

- ▶ **Percentage of licensees and store customers who say in survey that they have noticed improvement in dealing with YLC.**
- ▶ **Change in aggregate ratio of sales value : volume.**
- ▶ **Percentage of retail customer special orders fulfilled.**
- ▶ **Number of workplace injuries and days lost to injuries year over year.**
- ▶ **Number of sick days and leave without pay compared year over year.**

FUTURE OUTLOOK



Archbould Photography

KEY INITIATIVES SCHEDULED FOR 2016/17 INCLUDE :

- ▶ Restructure Yukon Liquor Corporation (YLC) to maximize operational efficiencies and improve client services.
- ▶ Improve two-way information sharing with licensees about products and industry trends.
- ▶ Implement semi-annual price list updates to reflect current costs and keeping in line with neighbouring jurisdictions.
- ▶ Continue reviewing and redesigning the pricing structure for draught beer, which will result in further savings for the hospitality, food and beverage sector.
- ▶ Develop a social responsibility strategy and related campaigns.
- ▶ Improve BARS course and increase education about responsible service.
- ▶ Advance amended liquor regulations for government to consider based on input from licensees and the Yukon Liquor Board.
- ▶ Assess and improve point-of-sales system capabilities and training for staff.
- ▶ Update and document procedures, policies and processes for functional areas.
- ▶ Explore improvements to supply chain to increase reliability of ordering and reduce lead times for special order products.
- ▶ Establish training and development opportunities within YLC to improve cross functionality.

FINANCIALS

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

Management is also responsible for the integrity and objectivity of the financial statements of the Corporation. The accompanying financial statements as at March 31, 2016 include amounts based on management's best estimates as determined through experience and judgment, are prepared in accordance with International Financial Reporting Standards. Other financial information included in the Annual Report is consistent with these financial statements.

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

Matt King
President

F. Mark Davey, CPA CA
Director, Finance, Systems & Administration

June 27, 2016



Auditor General of Canada
Vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister responsible for the Yukon Liquor Corporation

Report on the Financial Statements

I have audited the accompanying financial statements of the Yukon Liquor Corporation, which comprise the statement of financial position as at 31 March 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

.../2

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Yukon Liquor Corporation as at 31 March 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

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

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



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

27 June 2016
Vancouver, Canada

YUKON LIQUOR CORPORATION STATEMENT OF FINANCIAL POSITION as at March 31

ASSETS

	2016	2015
	(in thousands of Cdn \$)	
Current		
Cash	\$ 1,590	\$ 1,490
Inventories		
Beer	1,040	1,117
Spirits	1,143	1,067
Wine	1,014	814
Accounts receivable (Note 4)	72	79
	<u>4,859</u>	<u>4,567</u>
Property, plant and equipment (Notes 5, 8 and Schedule)	1,231	1,105
	<u>\$ 6,090</u>	<u>\$ 5,672</u>

LIABILITIES & EQUITY

Current		
Accounts payable and accrued liabilities (Notes 4 and 6)	\$ 2,318	\$ 2,406
Due to the Government of Yukon (Notes 4 and 7)	1,310	1,002
Deferred revenue	82	78
	<u>3,710</u>	<u>3,486</u>
Non-pension benefit liability (Note 11)	1,149	1,081
	<u>4,859</u>	<u>4,567</u>
Equity (Note 8)	1,231	1,105
	<u>\$ 6,090</u>	<u>\$ 5,672</u>
Commitments (Note 13)		

Approved by Management and authorized for issue on June 27, 2016



President



Director, Finance, Systems & Administration

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

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

	2016	2015
	(in thousands of Cdn \$)	(in thousands of Cdn \$)
Revenue		
Beer	\$ 17,506	\$ 17,858
Spirits	11,102	10,684
Wine	7,583	7,228
	<u>36,191</u>	<u>35,770</u>
Cost of goods sold		
Beer	10,848	10,472
Spirits	5,054	4,709
Wine	3,571	3,341
	<u>19,473</u>	<u>18,522</u>
Gross profit	<u>16,718</u>	<u>17,248</u>
Expenses		
Salaries, wages and benefits	5,162	4,929
Shared corporate services costs (Note 10c)	1,090	1,072
Rent, utilities and maintenance	946	990
Bank expenses	400	426
Other	190	389
Travel and communications	159	233
Depreciation	78	72
General and office supplies	74	86
	<u>8,099</u>	<u>8,197</u>
Operating profit	<u>8,619</u>	<u>9,051</u>
Other income		
Fees, permits and licences	123	129
Miscellaneous	50	32
	<u>173</u>	<u>161</u>
Profit before other comprehensive income	8,792	9,212
Other comprehensive income (loss)		
Amounts not to be reclassified subsequently to net income		
Actuarial gain (loss) (Note 11)	51	(34)
Comprehensive income	<u>\$ 8,843</u>	<u>\$ 9,178</u>

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

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

	2016	2015
	(in thousands of Cdn \$)	(in thousands of Cdn \$)
Equity, beginning of year	\$ 1,105	\$ 1,064
Profit before other comprehensive income	8,792	9,212
Other comprehensive income (loss)	51	(34)
Current year's profit to be remitted to the Government of Yukon (Note 10a)	<u>(8,717)</u>	<u>(9,137)</u>
Equity, end of year (Note 8)	<u>\$ 1,231</u>	<u>\$ 1,105</u>

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

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

	2016	2015
	(in thousands of Cdn \$)	
Cash flows from operating activities		
Cash receipts:		
Revenue - beer, spirits and wine	\$ 36,198	\$ 35,764
Fees, permits and licences	177	158
Cash disbursements:		
Purchases of inventories	(19,631)	(17,965)
Salaries, wages and benefits	(5,045)	(4,860)
General and administrative expenses	(1,431)	(1,959)
Shared corporate services costs (Note 10c)	(1,071)	(1,073)
Net cash generated by operating activities	<u>9,197</u>	<u>10,065</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment (Schedule)	(204)	(113)
Net cash used in investing activities	<u>(204)</u>	<u>(113)</u>
Cash flows from financing activities		
Remittance of profit to the Government of Yukon (Note 10a)	(8,893)	(9,907)
Net cash used in financing activities	<u>(8,893)</u>	<u>(9,907)</u>
Increase in cash for the year	<u>100</u>	<u>45</u>
Cash, beginning of year	<u>1,490</u>	<u>1,445</u>
Cash, end of year	<u>\$ 1,590</u>	<u>\$ 1,490</u>

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

YUKON LIQUOR CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2016

1. Authority and operations

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

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

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

The Corporation is required by the *Liquor Tax Act* to collect liquor taxes on behalf of the Government of Yukon and to remit these taxes on a monthly basis. The current rate is 12% (2015 - 12%) and is applied to selling prices of all liquor products.

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

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

2. Basis of presentation

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

3. Significant accounting policies

The significant accounting policies are as follows:

a) Inventories

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

b) Financial instruments

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

Loans and receivables

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

YUKON LIQUOR CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2016

Other financial liabilities

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

c) Property, plant and equipment

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

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

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

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

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

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

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

d) Revenue recognition

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

YUKON LIQUOR CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2016

e) Expense

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

f) Employee benefits

Non-pension benefits

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

Pension

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

g) Leases

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

h) Use of estimates

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

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

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

YUKON LIQUOR CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2016

i) Accounting Standards Issued But Not Yet Effective

IFRS 9: Financial instruments

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

IFRS 15: Revenue from Contracts with Customers

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

IFRS 16: Leases

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

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

The IASB issued on January 29, 2016 narrow-scope amendments to IAS 7 Statement of cash flows. In fact, the IASB issued amendments to require companies to disclose information about changes in their financing liabilities. The amendments are effective for annual periods beginning on or after January 1, 2017 with earlier application permitted. The Corporation is currently assessing the impact that these amendments will have on the financial statements, and therefore the extent of the impact of the adoption of these amendments is unknown.

YUKON LIQUOR CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2016

4. Financial instruments

Risk

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

Credit risk

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

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

The Corporation's Accounts receivable has a carrying value of \$72,000 as of March 31, 2016 (2015 - \$79,000). There is a 56% (2015 - 61%) concentration of Accounts receivable with one customer. As at March 31, 2016, approximately 0% (2015 - 1%) of Accounts receivable were over 90 days past due, whereas 100% (2015 - 99%) were current or less than 90 days past due. Historically, the Corporation has not incurred any significant losses with respect to bad debts. The Corporation's allowance for doubtful accounts is nil at March 31, 2016 (2015 - nil).

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

Liquidity

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

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

The Corporation does not have long-term financial liabilities. The Corporation's Accounts payable and accrued liabilities had a carrying value of \$2,318,000 as at March 31, 2016 (2015 - \$2,406,000). As at March 31, 2016, approximately 6.1% (2015 - 0.8%) of Accounts payable were over 90 days past due, whereas 93.9% (2015 - 99.2%) were current or less than 90 days past due. Due to the Government of Yukon had a carrying value of \$1,310,000 as of March 31, 2016 (2015 - \$1,002,000). As at March 31, 2016, approximately 0.2% (2015 - 0.3%) of Due to the Government of Yukon were over 90 days past due, whereas 99.8% (2015 - 99.7%) were current or less than 90 days past due.

YUKON LIQUOR CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2016

5. Property, plant and equipment

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

	March 31, 2016	March 31, 2015
	(in thousands of Cdn \$)	
Land	\$ 202	\$ 202
Buildings	454	462
Furniture and office equipment	55	41
Operating equipment	39	40
Heavy equipment	316	345
Systems development	67	-
Systems equipment	91	7
Leasehold improvements	7	8
(Schedule)	<u>\$ 1,231</u>	<u>\$ 1,105</u>

6. Accounts payable and accrued liabilities

	March 31, 2016	March 31, 2015
	(in thousands of Cdn \$)	
Trade payables	\$ 1,580	\$ 1,568
Accrued liabilities	369	435
Non-pension benefit liability current portion (Note 11)	88	141
Shared corporate services (Note 10c)	281	262
	<u>\$ 2,318</u>	<u>\$ 2,406</u>

7. Due to the Government of Yukon

	March 31, 2016	March 31, 2015
	(in thousands of Cdn \$)	
Reimbursements due for salaries to employees, and other costs paid on behalf of the Corporation	\$ 733	\$ 592
Remittances due to (from) the Government of Yukon pursuant to <i>Liquor Act</i> (Note 10a)	(133)	43
<i>Liquor Tax Act</i> (Note 10b)	441	296
Net remittances due to the Recycling Fund	269	71
Net due at the end of the year	<u>\$ 1,310</u>	<u>\$ 1,002</u>

8. Equity

This amount represents the sum of the net book value of property, plant and equipment purchased by the Corporation after March 31, 1990, of which \$1,231,000 (2015 - \$1,105,000) was purchased prior to remitting funds to the Government of Yukon (Note 1). The annual change in equity represents additions and disposals of property, plant and equipment less depreciation expense for the year.

YUKON LIQUOR CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2016

9. Capital management

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

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

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

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

10. Related party transactions

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

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

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

	2016	2015
	(in thousands of Cdn \$)	
Balance due to at the beginning of the year	\$ 43	\$ 813
Comprehensive income for the year	8,843	9,178
Property, plant and equipment additions	(204)	(113)
Depreciation	78	72
Current year's profit to be remitted	8,717	9,137
Less: remitted during the year	(8,893)	(9,907)
Balance due to (from) at the end of the year	<u>\$ (133)</u>	<u>\$ 43</u>

(b) Liquor tax

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

	2016	2015
	(in thousands of Cdn \$)	
Balance due at the beginning of the year	\$ 296	\$ 294
Liquor tax collected during the year	4,324	4,288
Less: remitted during the year	(4,179)	(4,286)
Balance due at the end of the year	<u>\$ 441</u>	<u>\$ 296</u>

YUKON LIQUOR CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2016

(c) **Shared services costs**

The Corporation has a shared services arrangement with Yukon Housing Corporation which consolidates functions such as the President's office, finance, systems and administration, policy and communications and human resources services. The amount charged by the Yukon Housing Corporation to the Corporation for shared services for the year was \$1,090,000 (2015 - \$1,072,000).

These transactions are in the normal course of operations and are recorded at the amount of consideration established and agreed to by the related parties. The amounts payable by the Corporation at year-end totalling \$281,000 (2015 - \$262,000) are included in Accounts payable and accrued liabilities.

Subsequent to year end, the shared services agreement was dissolved. Effective July 1, 2016 the Corporation will no longer be sharing the services provided by Yukon Housing Corporation, but will be consolidating said functions into the duties and responsibilities of its own staff.

(d) **Other transactions**

The Government of Yukon and the Corporation provide services to each other without compensation. These transactions are not recorded in the financial statements of the Corporation. These services include rent-free occupation of several government buildings by the Corporation with an estimated value of \$526,756 (2015 - \$505,800) and provision of Territorial Agent services in rural community liquor stores on behalf of the Government of Yukon with an estimated value of \$452,096 (2015 - \$460,013).

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

The Corporation has entered into lease agreements for two community liquor stores and service level agreements for the three owned community liquor stores in the amount of \$244,000 (2015 - \$242,000) with the Government of Yukon.

The Government of Yukon provides certain property management services to the Corporation. During 2016 the Corporation was charged \$125 (2015 - \$2,000) for work done on its properties.

(e) **Key management compensation**

The following members of the Corporation's staff are considered to be the key management personnel: Vice-President, Director - Retail Sales and Territorial Agent Services, Director - Purchasing and Distribution; and Director - Licensing and Inspections. The following shared services staff (see note 10(c)) are considered to be key management personnel and their compensation is disclosed proportionately: President, and Director, Finance, Systems & Administration.

	2016	2015
	(in thousands of Cdn \$)	(in thousands of Cdn \$)
Salaries and short-term employee benefits	\$ 618	\$ 488
Post-employment benefits	75	77
Other long-term employee benefits	20	13
Pre-retirement and severance benefits	-	62

YUKON LIQUOR CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2016

11. Employee benefits

Pension plan

Substantially all of the employees of the Corporation are covered by the public service pension plan (the Plan), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Corporation. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The general contribution effective at year end was \$1.15 (2015 - \$1.28) for every dollar contributed by the employee, and \$6.67 (2015 - \$7.13) for every dollar contributed by the employee for the portion of the employee's salary above \$161,700 (2015 - \$157,500). And, for new employees who are participating in the plan on or after January 1, 2013, the Corporation contributes \$1.11 (2015 - \$1.28) for every dollar contributed by the employee, and \$6.67 (2015 - \$7.13) for every dollar contributed by the employee for the portion of the employee's salary above \$161,700 (2015 - \$157,500). Total contributions of \$650,959 (2015 - \$627,701) were recognized as expense in the current year.

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

Non-pension benefits

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

The results measured at March 31 are summarized as follows:

	2016	2015
	(in thousands of Cdn \$)	(in thousands of Cdn \$)
Reconciliation of accrued benefit obligation		
Accrued benefit obligation, beginning of year	\$ 1,222	\$ 1,155
Components recognized in Salaries, wages and benefits		
Current service cost	109	101
Interest cost on accrued benefit obligation	47	53
Actuarial loss (gain) recognized in Other comprehensive income	(51)	34
Benefits paid	(90)	(121)
Accrued benefit obligation, end of year	<u>\$ 1,237</u>	<u>\$ 1,222</u>
Classification of accrued benefit obligation		
Current portion	\$ 88	\$ 141
Non-current portion	<u>1,149</u>	<u>1,081</u>
	<u>\$ 1,237</u>	<u>\$ 1,222</u>
Reconciliation of actuarial gains recognized in Other comprehensive income (OCI):		
Cumulative actuarial gain recognized in OCI, beginning of year	\$ (307)	\$ (341)
Actuarial loss from financial assumption changes	-	62
Actuarial gain from member experiences	(51)	(28)
Cumulative actuarial gain recognized in OCI, ending of year	<u>\$ (358)</u>	<u>\$ (307)</u>

YUKON LIQUOR CORPORATION
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for the year ended March 31, 2016

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

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

A quantitative sensitivity analysis as at March 31, 2016 shows the impact of the change in the significant actuarial assumptions on the non-pension defined liability obligation:

	1% increase (in thousands of Cdn \$)	1% decrease
Discount rate	(79)	94
Salary escalation rate per annum	125	(102)

The most recent full actuarial valuation in respect of this non-pension post-employment benefits plan was prepared as of April 1, 2013 and updated March 31, 2016. The weighted average of the maturity plan as at March 31, 2016 is 6.1 years.

12. Operating lease arrangements

a) Leasing arrangements

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

b) Payments recognized as an expense

	2016	2015
Minimum lease payments	\$ 406,442	\$ 398,560

c) Non-cancellable operating lease commitments at March 31

	2016	2015
Not later than 1 year	\$ 332,530	\$ 397,281
Later than 1 year and not later than 5 years	552,142	88,913
	<u>\$ 884,672</u>	<u>\$ 486,194</u>

13. Commitments

In the normal course of operations, the Corporation enters into multi-year agreements for the provision of freight and other services. The total of these commitments as at March 31, 2016 for future years ending on March 31, 2017 is \$632,827 (March 31, 2015 for 2016 - \$386,837). In April 2016, the Corporation extended its service agreement for transportation of inventory from Vancouver to Whitehorse, the commitment from April 1, 2016 to March 31, 2017 is \$1,650,000.

In addition, the Corporation has a commitment to a related party, Yukon Housing Corporation, for shared services costs (Note 10 c)). The total of this commitment for the year ending March 31, 2017 is \$269,750.

YUKON LIQUOR CORPORATION
SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings improvements	Leasehold improvements	Furniture and office equipment	Operating equipment	Heavy equipment	Systems development	Systems equipment	Total
									(in thousands of Cdn \$)
April 1, 2014									
Cost	\$ 202	\$ 4,886	\$ 357	\$ 340	\$ 225	\$ 440	\$ 216	\$ 223	\$ 6,889
Accumulated depreciation	-	4,387	357	333	205	104	216	223	5,825
Net book value	202	499	-	7	20	336	-	-	1,064
March 31, 2015									
Additions	-	-	8	36	27	35	-	7	113
Depreciation	-	(37)	-	(2)	(7)	(26)	-	-	(72)
Cost	202	4,886	365	376	252	475	216	230	7,002
Accumulated depreciation	-	4,424	357	335	212	130	216	223	5,897
Net book value	202	462	8	41	40	345	-	7	1,105
March 31, 2016									
Additions	-	18	-	25	9	-	67	85	204
Disposals - cost	-	-	-	-	(14)	-	-	(65)	(79)
Disposals - accumulated depreciation	-	(26)	(1)	(11)	14	(29)	-	65	79
Depreciation	-	-	-	(1)	(10)	(29)	-	(1)	(78)
Cost	202	4,904	365	401	247	475	283	250	7,127
Accumulated depreciation	-	4,450	358	346	208	159	216	159	5,896
Net book value	202	454	7	55	39	316	67	91	1,231

YUKON LIQUOR CORPORATION

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