2012 – 2013
59TH ANNUAL REPORT

NORTHWEST TERRITORIES LIQUOR COMMISSION

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MEMBERS OF LEGISLATIVE ASSEMBLY

<u>NWT Liquor Commission Annual Report</u>

I am pleased to present, for the information of the Members of the Legislative Assembly, the fifty-ninth Annual Report for the Northwest Territories Liquor Commission for the fiscal year ending March 31, 2013.

J. Michael Miltenberger
Minister Responsible for the
NWT Liquor Commission

THE HONOURABLE J. MICHAEL MILTENBERGER
MINISTER OF FINANCE

<u>NWT Liquor Commission</u>

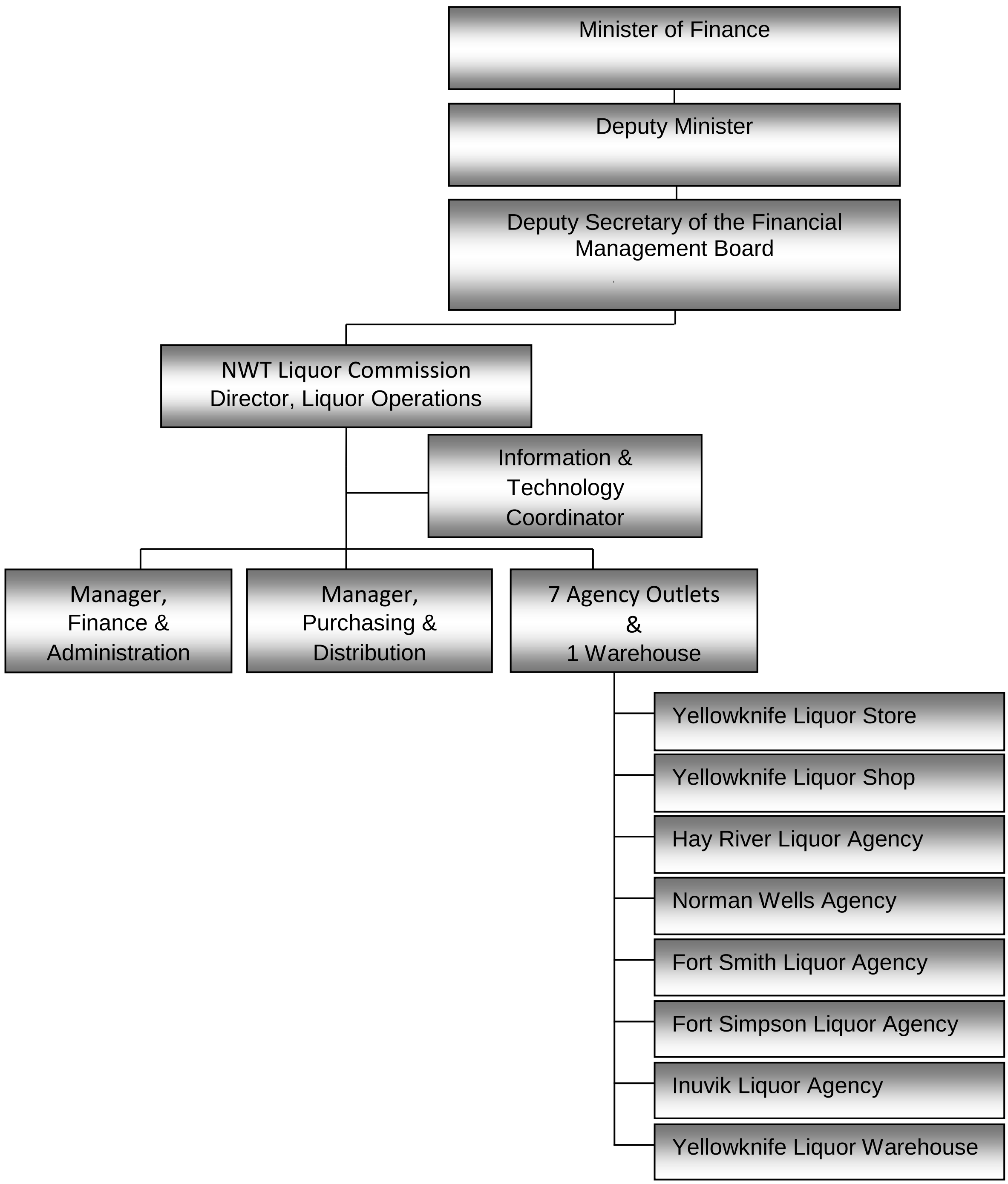
Pursuant to Subsection 64 (1) of the *Liquor Act*, we are pleased to submit the fifty-ninth Annual Report of the Northwest Territories Liquor Commission for the fiscal year ending March 31, 2013.

We wish to express our thanks to our staff for all their support and contributions to the progress of the Commission during the year.

Kyle Reid
Director, Liquor Operations
NWT Liquor Commission

Mike Aumond
Deputy Minister
Department of Finance

ORGANIZATION CHART



NORTHWEST TERRITORIES LIQUOR COMMISSION

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Northwest Territories Liquor Commission

DIRECTOR, LIQUOR OPERATION’S REPORT

The Northwest Territories Liquor Commission (NWTLC) is established under the *Liquor Act* of the Northwest Territories to purchase, sell classify and distribute liquor in the Northwest Territories.

The year was a success financially with sales over $47 million, and the budget target was met with $25 million transferred to the Territorial Treasury. Net surplus increased over the previous year by 4.0 percent.

Sales and distribution are carried out through a network consisting of seven retail outlets and one Yellowknife warehouses, contracted to private sector operators.

The strategic plan of the Commission focuses on three key areas for measuring performance:

1. Efficient operations, and compliance with legislation, regulation and policy
2. Social Responsibility
3. Financial Income Targets

These areas serve as a guideline for incorporating our mission statement into day to day activities. The success of the organization should not be measured in financial performance alone, and the responsibility of the Commission includes ensuring performance as a responsible industry partner, and as a socially responsible member of society. The Commission was successful in meeting the goals established in the strategic plan.

I would like to thank our staff, agents, customers and partners for another successful year.

Kyle Reid
Director, Liquor Operations

MANDATE

Vision

Our customers will have a healthy and responsible attitude toward alcohol consumption and we will provide them the opportunity to discover, enjoy and share a wide variety of beverage alcohol.

Mission Statement

We will be an innovative, efficient and profitable organization, dedicated to the retail and wholesale distribution of beverage alcohol, and promote the development of a healthy and responsible drinking culture.

Values

We value our customers and employees.
We encourage and support the responsible use of alcohol.
We will be efficient and cost effective.
We will be responsible for our actions and will be honest and fair.
We will treat others with dignity and courtesy.
We will support one another to achieve our goals.

OPERATIONAL REVIEW

The NWTLC has a number of stakeholders including the people of the Northwest Territories, our customers, employees, private sector contractors, suppliers, industry partners and all those who share our concern for social responsibility and public safety. Our customer base includes the public who access our products through our retail network, as well as commercial clients such as restaurants and bars.

To respond to the needs and concerns of our customers and stakeholders in the fiscal year 2012 – 2013 we:

- Delivered a wide variety of quality beverage alcohol products through our network of stores and warehouse.
- Promoted safe and responsible use of beverage alcohol.

STRATEGIC OBJECTIVES

Goal #1

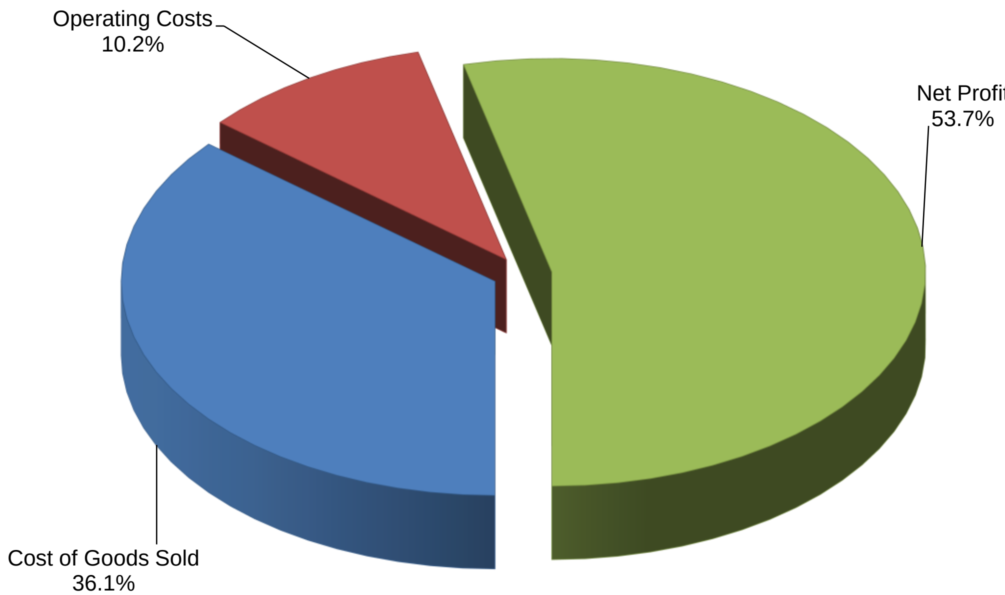
Operations are managed efficiently and comply with legislation, regulation and policy.

Performance Highlights

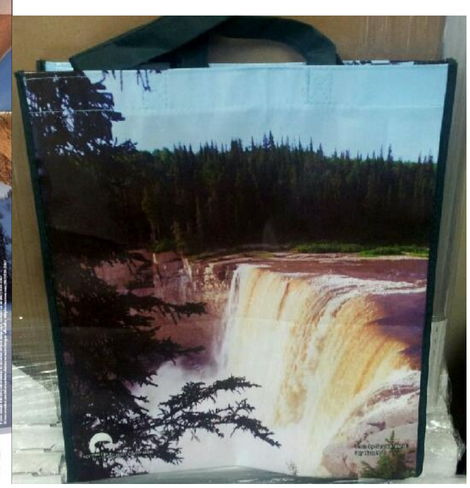
The operational structure of the NWTLC is designed to deliver optimal service levels for the best possible costs, and consists of a headquarters administrative staff of nine and a network of seven stores and one warehouse, operated by private contractors. Five of the private agency stores operate with inventory on consignment from the Commission and the two Yellowknife stores purchase inventory directly from the Yellowknife warehouse. Sales to consumers and licensees are incurred through sales by the consignment stores. Sales to private stores are realized through their purchase of liquor products from our warehouse. The cost to deliver the sales and administration throughout the year was 10.2% of sales revenue, of which 6.3% was paid to liquor store and warehouse contractors.

Operational compliance with contracts, regulation and legislation by the store and warehouse operators was throughout the year. The operations of all liquor outlets are monitored monthly and visited periodically by headquarters management.

Application of Revenues for the year ended March 31, 2013



Social Responsibility Awareness Programs



Goal #2

Actively and continuously promote the responsible use of alcohol.

Performance Highlights

The NWTLC supports the responsible use of alcohol through various awareness programs and initiatives.

Liquor server training is mandatory in all NWT liquor stores. All liquor store service personnel must successfully complete the NWTLC liquor store training program and demonstrate competence in the service of beverage alcohol.

The Check 25 program is intended to strengthen controls in place concerning service to minors. The program conditions our customers to expect to be asked for proof of identification if they appear to be under the age of 25.

Warnings messaging with regard to the dangers of alcohol consumption during pregnancy were delivered to all retail customers, in the form of warning labels on beverage alcohol containers.

In conjunction with the GNWT Department of Health an FASD poster and brochure program, "No Alcohol during Pregnancy", ""We can all help prevent FASD", was promoted in stores and licensed establishments.

In conjunction with Educ' Alcool, a booklet titled "Be Prepared To Talk To Your Children About Alcohol" was distributed through the liquor stores and supplied to medical clinics, schools and drug and alcohol committees throughout the Northwest Territories.

In support of MADD Canada, all liquor store participated in the Red Ribbon program, "*Its Time to Change the Meaning of Tie One On, "Drive Safe, Drive Sober*".

The NWTLC supported the poster campaign "*Moderation is always in good taste*", in conjunction with 9 other Canadian Liquor Jurisdictions.

The NWTLC participants with the Canadian Association of Liquor Jurisdictions Social Responsibility Committee in support of socially responsible liquor retailing on a nationwide basis.

Reusable bags are provided as an alternative to single use paper bags.

GOAL #3

Meet financial income targets.

Performance Highlights

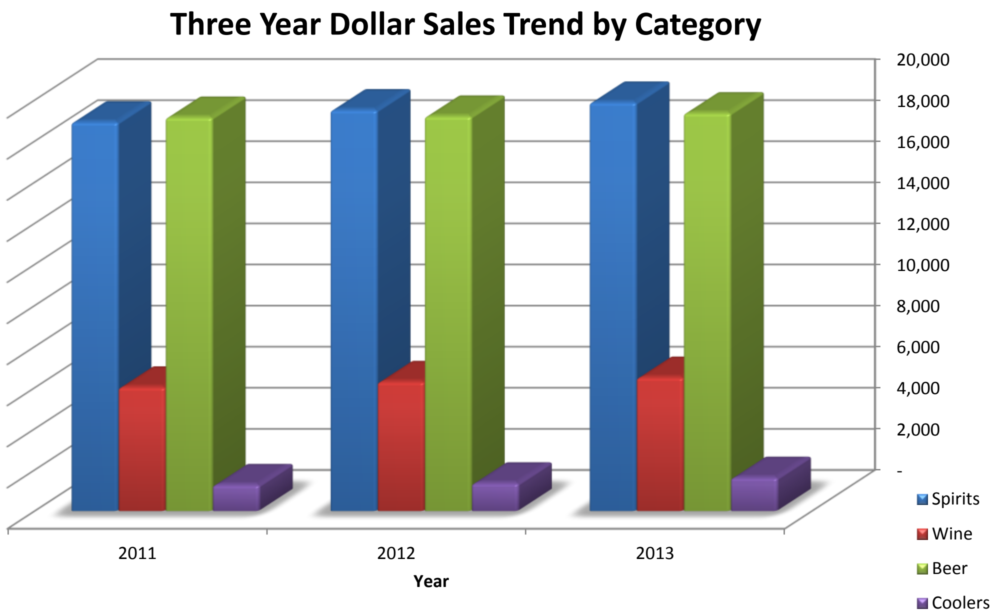
NWTLC net income was 4.0% over the previous fiscal year and was substantially on budget within a small variance of 2.4%. Gross sales increased over the previous year by 2.2% but came within budget target by .7%.

Five Year Performance History

For the year ending March 31

($000's)

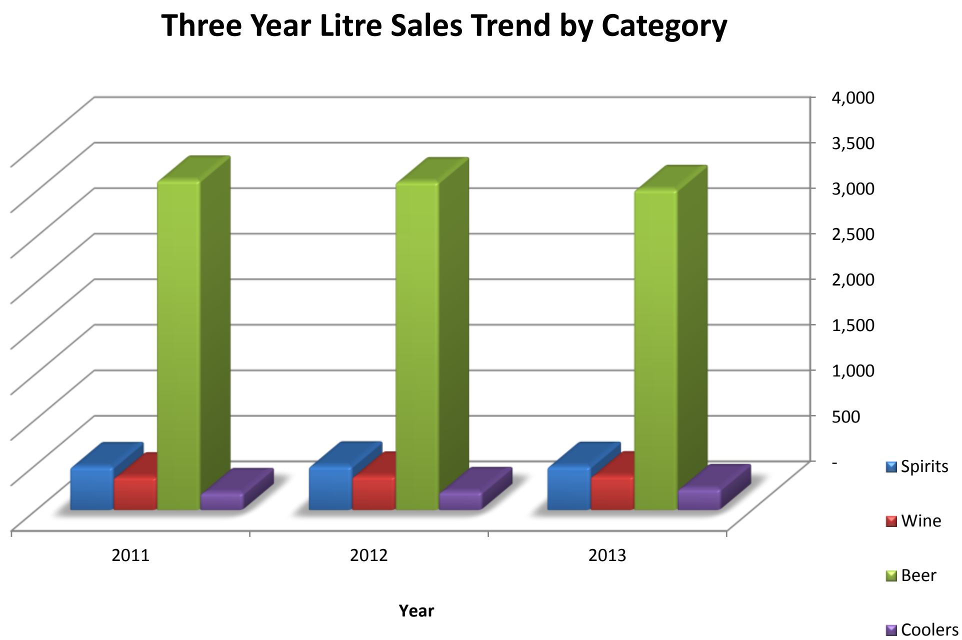
	2013	2012	2011	2010	2009
Gross sales	47,313	46,300	45,312	44,780	44,649
Gross profit	30,239	29,378	28,782	28,398	27,460
as a % of sales	63.9	63.5	63.5	63.4	61.5
Net surplus	25,441	24,463	24,072	23,602	22,798
as a % of sales	53.7	52.8	53.1	52.7	51.1
Operating expenses	4,807	4,936	4,721	4,858	4,668
as a % of sales	10.2	10.7	10.4	10.8	10.5



Three Year Dollar Sales by Category
for the year ending March 31

($000's)

	Spirits	Wine	Beer	Coolers	Total
2011	18,909	6,007	19,139	1,257	45,312
2012	19,499	6,273	19,192	1,336	46,300
2013	19,872	6,482	19,351	1,608	47,313



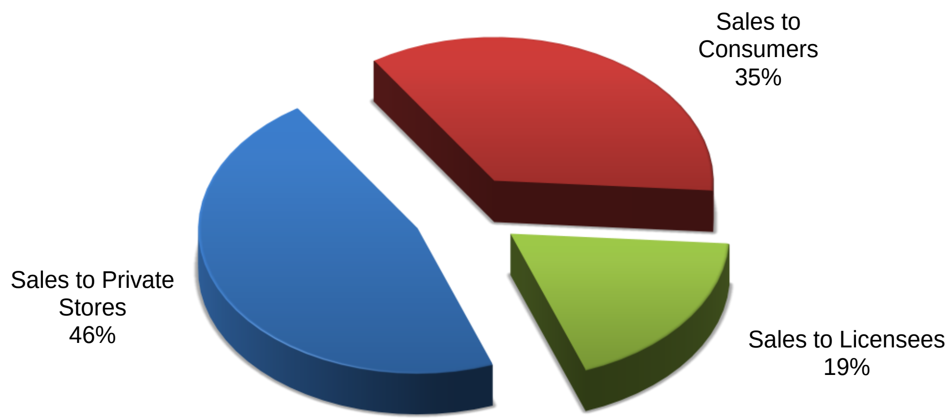
Three Year Litre Sales by Category

for the year ending March 31

(000's)

	Spirits	Wine	Beer	Coolers	Total
2011	467	354	3,612	182	4,615
2012	474	363	3,595	193	4,625
2013	470	366	3,510	225	4,571

Litre Sales by Distribution Channel



Three Year Litre Sales by Distribution Channel

for the year ending March 31

(000's)

	2013	2012	2011
Sales to Private Stores	2,116	2,116	2,074
Sales to Consumers	1,616	1,625	1,601
Sales to Licensees	839	884	940
Total	4,571	4,625	4,615

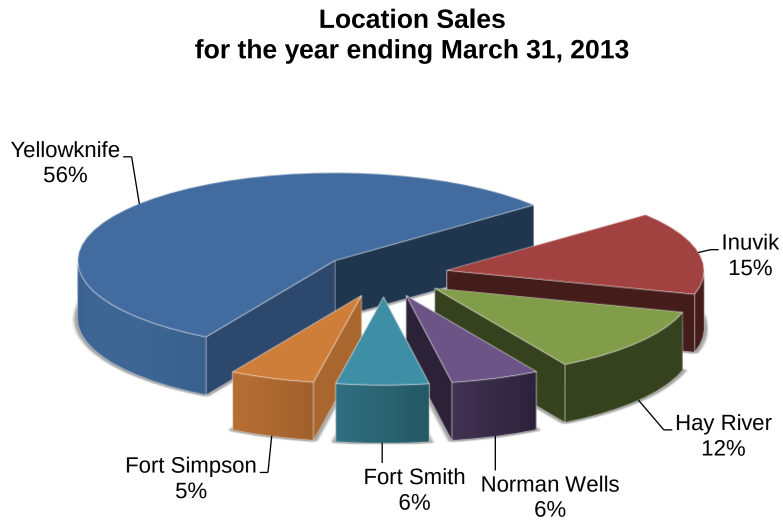
Three Year Dollar Sales by Distribution Channel

for the year ending March 31

(000's)

	2013	2012	2011
Sales to Private Stores	22,539	21,936	20,791
Sales to Consumers	19,025	18,671	17,991
Sales to Licensees	5,749	5,693	6,530
Total	47,313	46,300	45,312

STORE OPERATIONS



Sales by Location

for the year ended March 31

($000's)

	2013	2012	Increase (Decrease)
Yellowknife	$ 26,300	$ 25,730	$ 570
Inuvik	7,204	7,446	-242
Hay River	5,755	5,627	128
Norman Wells	2,638	2,315	323
Fort Smith	2,745	2,673	72
Fort Simpson	2,525	2,404	121
*Other	146	105	41
Total	**$ 47,313**	**$ 46,300**	**$ 1,013**

***** Other consists of miscellaneous sales that do not conform to the prescribed commission sales.

Statement of Operations by Location

(for the year ended March 31, 2013 with comparative figures for 2012)
(revenue and expenses directly related to sales per location)

YELLOWKNIFE OPERATIONS

($000's)

	Spirits	Wine	Beer	Coolers	2013 Total	2012 Total
Sales						
Private Stores	9,775	3,915	8,068	781	22,539	21,936
Licensees	792	528	2,318	122	3,760	3,794
	10,567	4,443	10,386	903	26,299	25,730
Cost of goods sold	3,012	2,066	4,575	418	10,071	9,942
Gross margin	7,555	2,377	5,811	485	16,228	15,788
Other income					-	-
Operating expenses					865	842
Net income					15,363	14,946

INUVIK OPERATIONS

($000's)

	Spirits	Wine	Beer	Coolers	2013 Total	2012 Total
Sales						
Consumers	3,261	661	2,236	211	6,369	6,644
Licensees	175	51	572	37	835	802
	3,436	712	2,808	248	7,204	7,446
Cost of goods sold	940	280	1,111	105	2,436	2,556
Gross margin	2,496	432	1,697	143	4,768	4,890
Other income					-	-
Operating expenses					793	814
Net income					3,975	4,076

HAY RIVER OPERATIONS

($000's)

	Spirits	Wine	Beer	Coolers	2013 Total	2012 Total
Sales						
Consumers	2,288	548	2,309	186	5,331	5,186
Licensees	79	27	306	12	424	441
	2,367	575	2,615	198	5,755	5,627
Cost of goods sold	635	224	939	78	1,876	1,844
Gross margin	1,732	351	1,676	120	3,879	3,783
Other income					-	-
Operating expenses					609	822
Net income					3,270	2,961

NORMAN WELLS OPERATIONS
($000's)

	Spirits	Wine	Beer	Coolers	2013 Total	2012 Total
Sales						
Consumers	1,268	176	895	48	2,387	2,087
Licensees	50	32	164	5	251	228
	1,318	209	1,059	53	2,638	2,315
Cost of goods sold	355	95	432	24	906	826
Gross margin	963	114	627	29	1,732	1,489
Other income					-	-
Operating expenses					340	300
Net income					1,393	1,189

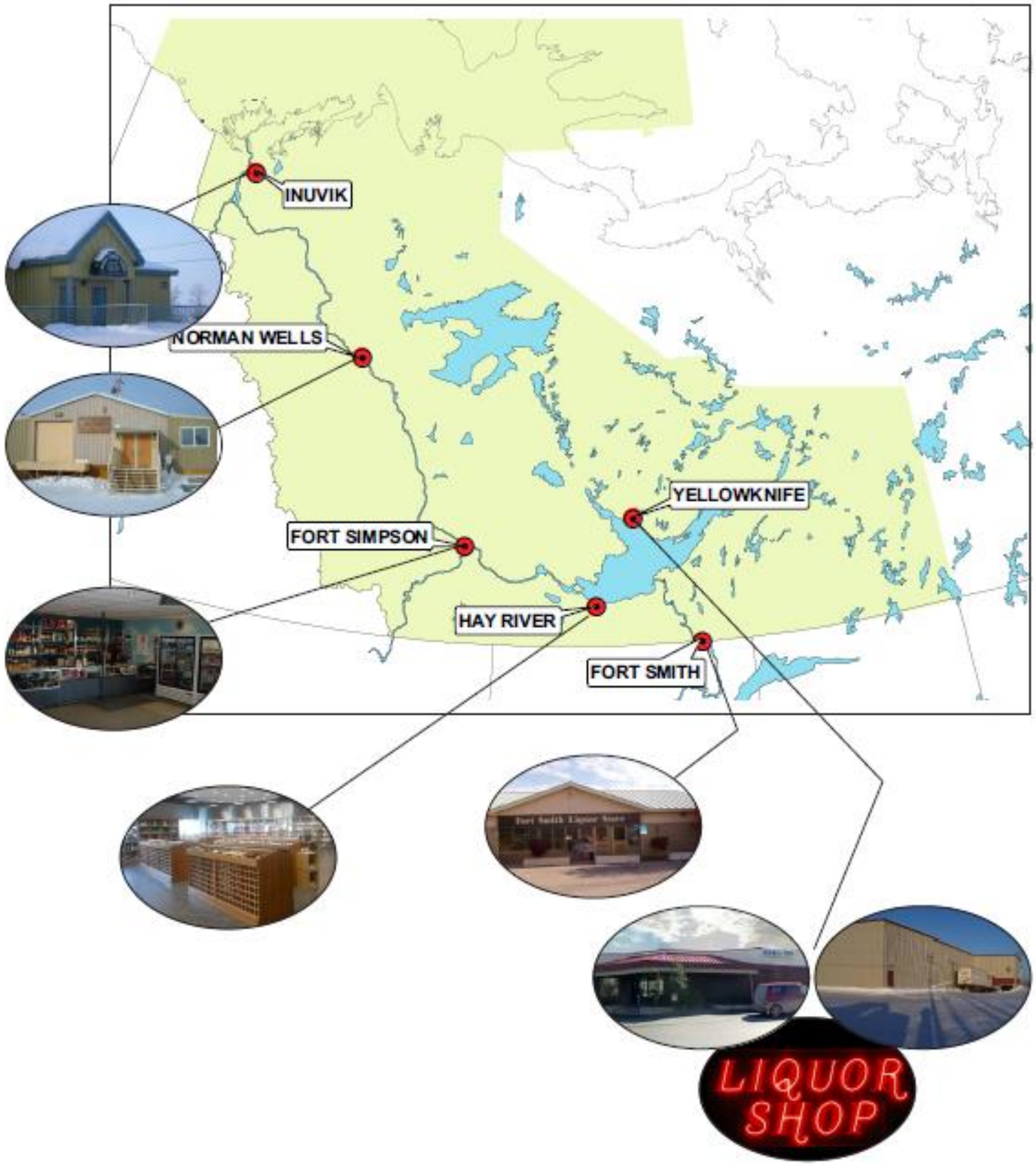
FORT SMITH OPERATIONS
($000's)

	Spirits	Wine	Beer	Coolers	2013 Total	2012 Total
Sales						
Consumers	878	299	1,278	117	2,572	2,504
Licensees	39	1	123	8	172	169
	918	300	1,402	125	2,745	2,673
Cost of goods sold	268	119	520	49	956	937
Gross margin	618	181	882	76	1,788	1,736
Other income					-	-
Operating expenses					432	386
Net income					1,356	1,350

FORT SIMPSON OPERATIONS
($000's)

	Spirits	Wine	Beer	Coolers	2013 Total	2012 Total
Sales						
Consumers	1,210	139	799	71	2,219	2,145
Licensees	44	3	249	10	307	259
	1,255	142	1,048	81	2,525	2,404
Cost of goods sold	325	59	369	28	781	755
Gross margin	930	83	679	53	1,744	1,649
Other income					-	-
Operating expenses					322	337
Net income					1,422	1,312

STORE LOCATIONS



AUDITED FINANCIAL STATEMENTS 2012 – 2013

NORTHWEST TERRITORIES LIQUOR COMMISSION

Financial Statements

Year ended March 31, 2013

NORTHWEST TERRITORIES LIQUOR COMMISSION

Index to Financial Statements

March 31, 2013

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The preparation of the financial statements of the Northwest Territories Liquor Commission (Commission) is the responsibility of the Commission’s management.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Where alternative accounting methods are permitted, management has chosen those that are most appropriate. Where required, management’s best estimates and judgments have been applied in the preparation of these financial statements.

Management fulfills its financial reporting responsibilities by maintaining financial management and control systems and practices which are designed to provide reasonable assurance that transactions are properly authorized, proper records are maintained, accurate financial information is prepared on a timely basis, assets are safeguarded, and the Commission complies with all statutory requirements.

Our auditor performs an annual audit on the financial statements in order to express an opinion as to whether the financial statements present fairly, in all material respects, the financial position of the Commission, the results of its operations, the change in its net financial resources and its cash flows for the year. During the course of the audit, he also examines transactions that have come to his notice, to ensure they are, in all significant respects, in accordance with the statutory authorities of the Commission.

Kyle Reid
Director, Liquor Operations
Northwest Territories Liquor Commission
June 26, 2013

Chris Polselli, CA
5 Deer Park Point
Spruce Grove, AB, T7X 4N6

INDEPENDENT AUDITOR'S REPORT

To the Minister responsible for the Northwest Territories Liquor Commission

Report on the Financial Statements

I have audited the accompanying financial statements of the Northwest Territories Liquor Commission, which comprise the statement of financial position as at March 31, 2013, and the statements of operations, accumulated surplus, change in net financial resources and 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 Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Northwest Territories Liquor Commission as at March 31, 2013 and the results of its operations, changes in its net financial resources, and its cash flows for the year ended March 31, 2013 in accordance with Canadian public sector accounting standards.

Report on Other Legal and Regulatory Requirements

As required by the *Financial Administration Act* of the Northwest Territories, I report that, in my opinion, Canadian public sector accounting 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 Northwest Territories Liquor Commission and the financial statements are in agreement therewith. In addition, the transactions of the Northwest Territories Liquor Commission that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part IX of the *Financial Administration Act* of the Northwest Territories (and regulations) and the *Liquor Act* of the Northwest Territories (and regulations).

June 26, 2013
Spruce Grove, Canada

NORTHWEST TERRITORIES LIQUOR COMMISSION

Statement of Financial Position

As at March 31 ($000)		2013		2012
				(Restated - Note 2)
Financial Assets				
Cash	$	3,905	$	2,300
Accounts Receivable		10		-
Inventories for resale (note 4)		2,940		3,865
		6,855		6,165
Liabilities				
Accounts payable and accrued liabilities		2,667		2,846
Pension and other employee benefits (note 5)		73		71
Due to the NWT Liquor Licensing Board (note 6)		129		100
		2,869		3,017
Net Financial Resources		3,986		3,148
Non-Financial Assets				
Tangible capital assets (note 7)		737		779
Prepaid Expenses		36		47
		773		826
Accumulated Surplus	$	4,759	$	3,974

Contractual obligations (note 9).

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

Approved by the Northwest Territories Liquor Commission:

Kyle Reid
Director, Liquor Operations

NORTHWEST TERRITORIES LIQUOR COMMISSION

Statement of Operations

For the year ended March 31 ($000)	2013	2013	2012
	Budget	Actual	(Restated - Note 2)
Sales			
Beer	$ 19,415	$ 19,351	$ 19,192
Spirits	19,770	19,872	19,499
Wine	6,404	6,482	6,273
Coolers and Ciders	1,389	1,608	1,336
	46,978	47,313	46,300
Cost of goods sold			
Beer	8,089	7,948	8,000
Spirits	5,592	5,535	5,495
Wine	2,896	2,889	2,853
Coolers and ciders	620	702	574
	17,197	17,074	16,922
Gross profit on sales	29,781	30,239	29,378
Other income			
Government contribution - services provided without charge (note 8)	-	1	15
Import fees and Income	5	8	6
	5	9	21
Expenses (notes 8)			
Commissions to agents	2,969	2,977	3,209
Salaries, wages and employee benefits	1,150	1,048	1,048
Administration	401	425	410
Travel	57	33	39
Rent	232	213	151
Amortization of tangible capital assets	140	111	79
	4,949	4,807	4,936
Annual surplus	24,837	25,441	$ 24,463

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

NORTHWEST TERRITORIES LIQUOR COMMISSION

Statement of Accumulated Surplus

For the year ended March 31 ($000)	2013	2013	2012
	Budget	Actual	(Restated - Note 2)
Accumulated surplus, beginning of the year	$ 3,974	$ 3,974	$ 3,790
Annual surplus	24,837	25,441	24,463
Amounts transferred to the Consolidated Revenue Fund	(24,628)	(24,462)	(24,052)
Amounts transferred to the NWT Liquor Licensing Board (note 6)	(209)	(194)	(227)
Increase in accumlated surplus	-	785	184
Accumulated surplus, end of year	$ 3,974	$ 4,759	$ 3,974

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

NORTHWEST TERRITORIES LIQUOR COMMISSION

Statement of Change in Net Financial Resources

For the year ended March 31 ($000)	2013 Budget	2013 Actual	2012 Actual
Net financial resources, beginning of the year	$ 3,148	$ 3,148	$ 3,565
Items affecting net financial resources:			
Increase in accumulated surplus	-	785	184
Net investment in tangible capital assets:			
Acquisitions	-	(69)	(679)
Amortization expense	140	111	79
Increase in prepaid expenses	-	11	(1)
Net financial resources, end of year	$ 3,288	$ 3,986	$ 3,148

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

NORTHWEST TERRITORIES LIQUOR COMMISSION

Statement of Cash Flows

For the year ended March 31 ($000)		2013		2012
				(Restated - Note 2)
Operating activities				
Cash received from customers	$	47,311	$	46,306
Cash paid to employees and suppliers		(21,010)		(21,541)
Cash provided by operating activities		26,301		24,765
Capital activities				
Purchase of tangible capital assets		(69)		(679)
Financing activities				
Cash transferred to the Consolidated Revenue Fund		(24,462)		(24,052)
Cash transferred to the NWT Licensing Board		(165)		(298)
Decrease in cash		1,605		(264)
Cash, beginning of year		2,300		2,564
Cash, end of Year	$	3,905	$	2,300

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

NORTHWEST TERRITORIES LIQUOR COMMISSION

Notes to Financial Statements

March 31, 2013 ($000)

1. Authority and operations

The Northwest Territories Liquor Commission (the "Commission") was established under the *Liquor Act* (the "Act") for the purposes of operating liquor stores and distributing liquor in the Northwest Territories (the "NWT"). The Northwest Territories Liquor Licensing Board (the "Board") was also established under the same Act for the purposes of regulating the sale of liquor in licensed premises, issuing liquor licenses and overseeing the issuing of special occasion permits and other permits in the NWT. The activities of the Board are administered by the Commission.

In accordance with the Act and the *Revolving Funds Act*:

- The operations of the Commission and the Board are accounted for through the Liquor Revolving Fund (the "Fund"). All monies received by the Commission and the Board must be deposited into the Fund and all expenditures incurred by the Commission and the Board must be paid out of the Fund. The Commission may also receive a working capital advance from the Consolidated Revenue Fund (the "CRF") of the Government of the Northwest Territories ("GNWT") to finance its operations.

- The authorized limit of the Fund, defined as the maximum amount by which the assets (cash, accounts receivable and inventories) exceed the liabilities, must not exceed $6,500.

- The Commission must periodically transfer amounts from the Fund to the CRF to ensure that the Fund does not exceed its authorized limit. As at March 31, 2013, the Fund's assets exceeded the liabilities by $3,986 (2012 – $3,148).

Neither the Commission nor the Board are separate legal entities apart from the Department of Finance of the NWT and neither are subject to the requirements of the *Income Tax Act*.

2. Change in Accounting Policy

In previous years, the financial accounts of the Board were combined in the annual financial statements of the Commission. During the year it was jointly determined by management of the Commission and the Board that the Board's assets, liabilities, revenue and expenses should be reported separate from the Commission. This decision was made so that the Board and the Commission would comply with the reporting requirements of the GNWT's *Financial Administration Act*. This change has been accounted for as a change in accounting policy.

This change in accounting policy has been applied retroactively and the comparative figures presented in these financial statements have been restated. The effect on the comparative figures of removing the financial accounts of the Board is summarized as follows:

Notes to Financial Statements

March 31, 2013 ($000)

	2012 as previously stated	2012 as restated	Change
Liabilities			
Accounts payable and accrued liabilities	2,921	2,846	(75)
Pension and other employee benefits	96	71	(25)
Due to the NWT Liquor Licencing Board	0	100	100
Effect on net financial resources			-
Other income			
License fees and permits	410	-	(410)
Government contributions - services provided without charge	60	15	(45)
			-
			(455)
Expenses			
Salaries, wages and employee benefits	1,417	1,048	(369)
Administration	499	410	(89)
Travel	119	39	(80)
Rent	182	151	(31)
Inspectors' fees	68	-	(68)
Board member honoraria	45	-	(45)
			(682)
Effect on annual surplus			227
Amounts transferred to the NWT Liquor Licensing board	-	(227)	(227)
Effect on accumulated surplus			-

Separate financial statements of the Board have been prepared for the first time for the year ending March 31 2013.

3. Significant accounting policies

(a) Basis of accounting

The financial statements of the Commission are prepared in accordance with Canadian generally accepted accounting principles (GAAP) for the public sector as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

(b) Measurement uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ significantly from those estimates. The more significant management estimates include the calculation of the liability for employee future benefits and estimation of the useful life of the tangible capital assets.

(c) Revenue recognition

The Commission recognizes revenue on an accrual basis (i.e. when the goods are shipped and the customer assumes all risks of ownership and the collection of any amounts receivable is considered probable).

(d) Services provided without charge

The Commission records the estimated cost of the legal services it receives without charge from the Department of Justice. The services are recorded as a government contribution – services provided without charge and included in the expenses in the statement of operations.

(e) Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. Cost includes invoiced cost, freight, duties and taxes.

(f) Tangible capital assets

Tangible capital assets are recorded at cost. Amortization is determined on a straight-line basis using the following rates:

Asset	Rate
Furniture and fixtures	20%
Computer hardware and software	30%
Leasehold improvements	Over the life of the lease plus any additional renewal period

March 31, 2013 ($000)

3. Significant accounting policies (continued)

(g) Pension benefits

The employees of the Commission 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 Commission to cover current service cost. Pursuant to legislation currently in place, the Commission 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 Commission.

(h) Employee severance benefits

Employees are entitled to severance benefits and reimbursement of removal costs, as provided for under labour contracts and conditions of employment, based upon years of service. The benefits are paid upon resignation, retirement or death of an employee. The cost of these benefits is accrued as the employees render the services necessary to earn them. The cost of the benefits has been determined based on management’s best estimates using the expected compensation level and employee leave credits.

4. Inventories for resale

	2013	2012
Spirits	$ 1,207	$ 1,519
Beer	1,023	1,376
Wine	593	809
Coolers and ciders	117	161
	$ 2,940	$ 3,865

5. Pension and other employee benefits

a) Pension benefits:

The employees of the Commission 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 Commission. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees’ required contribution. The employer contribution rate effective at the end of the year was 1.74 times employees’ contributions times (2012 – 1.74 times).

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

March 31, 2013 ($000)

5. Pension and other employee benefits (continued)

benefits are coordinated with Canada/Québec Pension Plan benefits and they are indexed to inflation.

The Commission's and employees' contributions to the Plan for the year were as follows:

	2013	2012
	Actual	(Restated - Note 2
Employer's contributions (recognized as expense)	$ 103	$ 96
Employees' contribution	59	52

b) Severance and removal benefits

The Commission provides severance benefits to its employees based on years of service and final salary. The Commission also provides removal assistance to eligible employees, as provided under labour contracts. This benefit plan is not pre-funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation.

Information about the plan, measured as at the statement of financial position date, is as follows:

	2013	2012
	Actual	(Restated - Note 2)
Accrued benefit obligation, beginning of year	$ 71	$ 67
Cost for the year	2	4
Benefits paid during the year	-	0
Accrued benefit obligation, end of year	$ 73	$ 71

6. Due to the NWT Liquor Licensing Board

As explained in Note 1, the financial activities of the Board are administered by the Commission. The Commission receives all amounts receivable to the Board and pays all amounts payable by the Board. The Board does not keep separate cash accounts nor does it directly own any tangible capital assets. Any amounts owing from the Board to the Commission (or vice versa) are settled through transfers to/from accumulated surplus.

The Commission provides capital assets for the use by the Board and Enforcement without charge.

Notes to Financial Statements

March 31, 2013 ($000)

7. Tangible capital assets

	Furniture and fixtures	Computer hardware and software	Leasehold improvements	2013	2012
Cost:					
Opening balance	$ 92	$ 638	$ 823	$ 1,553	$ 892
Acquistions	-	51	18	69	679
Disposals and write-downs	-	(72)	-	(72)	(18)
Closing balance	92	617	841	1,550	1,553
Accumulated Amortization:					
Opening balance	(86)	(559)	(129)	(774)	(713)
Amortization	(5)	(51)	(55)	(111)	(79)
Disposals and write-downs	-	72	-	72	18
	(91)	(538)	(184)	(813)	(774)
Net book value	$ 1	$ 79	$ 657	$ 737	$ 779

8. Related party transactions

The Commission is related in terms of common ownership to all GNWT created departments, agencies and corporations. The Commission enters into transactions with these entities in the normal course of business and these transactions are measured at the exchange amount.

The Commission incurred $1,048 (2012 – $1,048) related to salaries, wages, and employee benefits for the Commission’s employees. The Commission reimburses the Department of Finance for these costs.

The Department of Justice provides the Commission with legal services without charge. The total cost of these services has been estimated to be $1 (2012 – $15). The cost of the services noted above has been recognized on the statement of operations.

Included in accounts payable and accrued liabilities is an amount of $164 (2012 – $178) for bottle deposits payable to the Department of Environment and Natural Resources, $105 (2012 – $100) for salaries, wages, and employee benefits to the Department of Finance, and $4 (2012 – $4) for other government departments.

March 31, 2013 ($000)

9. Contractual obligations

The Commission has a five year lease agreement ending April 30, 2016 for its Office premises. The Commission also has a ten year lease agreement ending January 31, 2022 with the option of extending the lease for two further terms of five years for the Hay River Liquor Store. The minimum annual lease payments for the leases over the next five year(s) are:

2013/14	$ 226
2014/15	$ 226
2015/16	$ 226
2016/17	$ 150
2017/18	$ 143

Annual lease payments for the office premises include estimated operating costs and property taxes.

10. Financial instruments

The Commission's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, pension and other employee benefits and due to the NWT Liquor Licensing Board. It is management's opinion that the Commission is not exposed to significant interest or currency risks arising from these financial instruments.

The commission is subject to credit risk with respect to accounts receivable. Credit risk arises from the possibility that debtors may experience financial difficulty and be unable to fulfill their obligations. Credit risk is considered minimal as most sales are done on a cash-on-delivery basis.

The carrying value of the financial instrument approximates fair value.