

**NUNAVUT LIQUOR COMMISSION
NUNAVUT LIQUOR LICENSING BOARD**

**ANNUAL REPORT
2005 – 2006**

LETTER OF TRANSMITTAL

The Honourable Edna Ekhivalak Elias
Commissioner
Government of Nunavut

Dear Madame,

I have the honour of presenting the Annual Report for the Nunavut Liquor Commission and Nunavut Liquor Licensing Board covering the period April 1, 2005 to March 31, 2006.

Respectfully submitted,



Hon. Keith Peterson
Minister responsible for Liquor

LETTER TO THE MINISTER

THE HONOURABLE DAVID SIMAILAK
MINISTER OF FINANCE

Nunavut Liquor Commission and Nunavut Liquor Licensing Board 2005-06 Annual Report

Pursuant to Subsections 9(1) and 61(1) of the Liquor Act, we are pleased to submit the 2005-06 Annual Report for the Nunavut Liquor Commission and Nunavut Liquor Licensing Board for the fiscal year ended March 31, 2006.

We wish to express our thanks to all our staff for all their support and contribution to the progress of the Nunavut Liquor Commission and Nunavut Liquor Licensing Board during this past year.



Chris D'Arcy
Acting Assistant Deputy Minister,
Financial Management

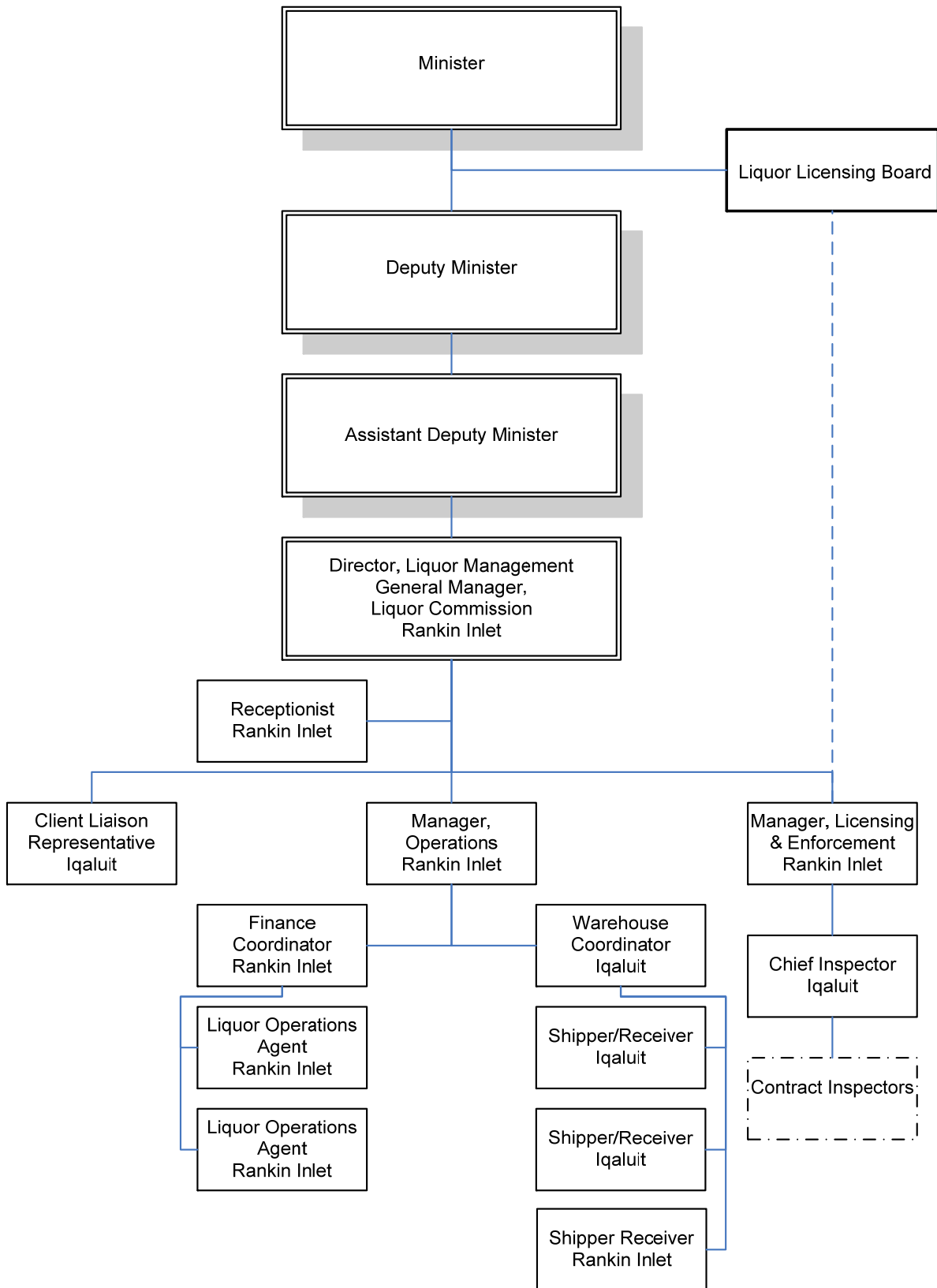


David Wilman
Chairman, Liquor Licensing Board



Peter Ma
Deputy Minister of Finance

ORGANIZATIONAL STRUCTURE



GENERAL INFORMATION

YEAR IN REVIEW

Nunavut Liquor Management completed its second full year of operations this year. The year cycle included the airlifting of liquor products into Iqaluit and Rankin Inlet, the sealift re-supply, the initiation of new forms and procedures, the sitting of the new Liquor Licensing Board, the staffing and training of personnel, and identification and training of AEC members to the new uniform procedures. This is only but a few of the activities and events that were dealt with in the fiscal year 2005-2006. The initial set up process is a dynamic, on-going process facing existing and new challenges.

LIQUOR RETAILING IN THE TERRITORY

Nunavummiut may purchase liquor, **without an import permit**, from either the Iqaluit Liquor Warehouse or the Rankin Inlet Liquor Warehouse. There can be no liquor sales to residents living in a prohibited community (Arviat, Coral Harbour, Gjoa Haven, Kimmirut, Pangnirtung, Kugaaruk, Sanikiluaq, Whale Cove). In addition, Iqaluit residents cannot purchase products from the Iqaluit Warehouse but may purchase from the Rankin Inlet Warehouse (this restriction does not apply to Licensees or holders of Special Occasion Permits). Similarly Rankin Inlet residents may not purchase products from the Rankin Inlet Warehouse but may purchase through the Iqaluit Liquor Warehouse (again this restriction does not apply to Licensees or holders of Special Occasion Permits).

Depending on where the individual lives the procedures vary. Should an individual live in a community governed by an Alcohol Education Committee (AEC) (Arctic Bay, Baker Lake, Qikiqtarjuaq, Cambridge Bay, Cape Dorset, Chesterfield Inlet, Clyde River, Hall Beach, Igloolik, Pond Inlet, Repulse Bay, Resolute Bay) then the individual would apply to that community's AEC to seek approval to bring liquor into the community. The AEC may place restrictions on the purchase or even deny the application. Once an individual has obtained permission from the community AEC (AEC faxes approved sheets listing individuals to the Liquor Commission), an order may be placed. To place an order a person should contact the Liquor Warehouse of his or her choice and obtain an up-to-date stock and price list. Both warehouses have restricted space and may not carry the item or items requested, in which case, should quantities warrant, a special order could be placed by the Liquor Commission, or the person may obtain an import permit and buy the product from outside the Territory, or perhaps settle for a substitute that is available. Once the availability and price of the product has been determined, the individual places their order by fax or may mail it to the Liquor Commission (PO Box 9, Rankin Inlet, Nunavut, X0A 0H0) (Fax 867-645-3327).

Should an individual live in a community under non-restrictive status (Rankin Inlet, Iqaluit, Bathurst Inlet, Grise Fiord, Taloyoak) they will not have to go through the AEC process and can place their order directly with the Liquor Warehouses in Rankin Inlet or Iqaluit. Again, Iqaluit residents order from Rankin Inlet and Rankin Inlet residents order from Iqaluit. All other residents of Nunavut may place their order at either facility. In that case the process is similar to the one described above, as follows: the individual would contact the Liquor Warehouse of his or her choice and obtain an up-to-date stock and price list. Both warehouses have restricted space and may not carry the item or items requested, in which

case (should quantities warrant, a special order could be placed by the Liquor Commission) or the person may obtain an import permit and buy the product from outside the Territory, or perhaps settle for a substitute that is available. Once the availability of the product has been determined the price is also communicated.

When a person has gone through the process of choosing their products and has placed their order, payment for the products must be made and approved prior to their purchases being shipped. Payment must not only be made but verified by the Nunavut Liquor Commission. At the present time, payments are accepted, through certified money instruments that include Money Orders, Northern Store money transfers, certified cheque, bank draft, or direct deposit to the Commission's bank account. The Nunavut Liquor Commission is also able to accept credit cards (VISA and MASTERCARD) for product payment. In addition, residents of Iqaluit and Rankin Inlet are able to use their debit cards for product payment.

Once verified payment has been received, the Liquor Commission will ensure the product order is selected, boxed, and delivered to the airlines for delivery to its destination. Over and above the product price, there is an additional charge for handling and local cartage of \$10.00 (plus GST) per order, and a bottle deposit return fee. The shipment is then sent to the customer who is responsible for the freight costs charged by the airlines and takes responsibility for its safe arrival. Freight costs vary, depending on distance, community, and carrier used.

Licensed outlets, as a condition of obtaining a license, are obligated to purchase their stock through the Nunavut Liquor Commission which may be picked up at the closest Commission warehouse.

The Nunavut Liquor Commission utilizes a flat rate per litre mark-up in the pricing of liquor products.

Current mark-ups per litre are as follows:

Spirits	\$ 21.35
Wine	\$ 6.35
Coolers	\$ 2.73
Beer	\$ 1.58

An Administration Fee of \$0.27 per litre is also applied.

IMPORT PERMITS

A person who is eligible to purchase and consume liquor in Nunavut may personally import 1140 ml of spirits or wine or twelve 355 ml container of beer. An import permit is required to import quantities greater than these amounts. Import Permits may be obtained from the following issuers:

Cambridge Bay	Cambridge Bay Enterprises
Rankin Inlet	Pirugsaijit Ltd
Iqaluit	Nunavut Liquor Enforcement Offices

Import Permits Fees

Spirits	\$ 3.75 per litre
Wine	\$ 2.00 per litre
Coolers/ciders	\$ 0.59 per litre
Beer	\$ 0.56 per litre

CONTAINER DEPOSITS

Nunavut Liquor Management also places a container deposit on all liquor purchases made, bottle, can, or other.

Container Deposit Fees

Bottles, Container	\$0.29
Cans	\$0.14

Container Returns South East Baffin Ltd. in Iqaluit

Bottles, Container	\$0.25
Cans	\$0.10

WAREHOUSING

As of November 1, 2004, Nunavut Liquor Management operated two warehouse facilities, one in Rankin Inlet and the other in Iqaluit. The Rankin Inlet facility also accommodates the offices of Nunavut Liquor Management. The Rankin Inlet facility is approximately 601 square meters, of which, 50% is used as liquor warehousing. The Iqaluit facility is approximately 603.85 square meters and approximately 90% is used to warehouse liquor.

SALES BY CATEGORY IN MILLILITERS

Spirits	39,201,075
Wine	21,218,500
Cooler	7,052,002
Beer	460,340,835
Total	527,812,412

SALES VOLUME BY CUSTOMER TYPE IN MILLILITERS

	<u>Spirit</u>	<u>Wine</u>	<u>Cooler</u>	<u>Beer</u>	<u>Total</u>
Licensees	11,175,520	14,346,000	4,944,294	415,357,923	445,823,737
Individuals	28,025,555	6,872,500	2,107,708	44,982,912	81,988,675
Total	39,201,075	21,218,500	7,052,002	460,340,835	527,812,412

SALES BY WAREHOUSES BY CATEGORY IN MILLILITERS

	<u>Spirit</u>	<u>Wine</u>	<u>Cooler</u>	<u>Beer</u>	<u>Total</u>
Iqaluit	26,841,305	17,232,500	5,608,300	428,628,515	478,310,620
Rankin Inlet	12,359,770	3,986,000	1,443,702	31,712,320	49,501,792
Total	39,201,075	21,218,500	7,052,002	460,340,835	527,812,412

SALES BY COMMUNITY IN MILLILITERS

	<u>Spirit</u>	<u>Wine</u>	<u>Cooler</u>	<u>Beer</u>	<u>Total</u>
ARCTIC BAY	638,590	54,500	22,760	406,083	1,121,933
QIKITARJUAQ	365,230	1,500	9,230	97,980	473,940
CAPE DORSET	598,810	130,250	49,345	1,295,143	2,073,548
CLYDE RIVER	977,950	30,500	11,360	149,100	1,168,910
GRISE FIORD	258,850	14,750	8,560	92,235	374,395
HALL BEACH	1,525,620	49,750	10,295	1,037,161	2,622,826
IGLOOLIK	2,348,975	147,250	156,555	1,014,087	3,666,867
IQALUIT	19,974,080	18,924,500	5,398,020	428,914,948	473,211,548
NANISIVIK	471,270	750	21,300	56,838	550,158
POND INLET	2,568,035	307,500	102,005	766,915	3,744,455
RESOLUTE BAY	754,660	64,250	139,160	748,397	1,706,467
BAKER LAKE	1,592,275	225,000	572,867	7,572,580	9,962,722
CHERSTERFIELD INLET	389,350	34,750	125,979	1,983,360	2,533,439
RANKIN INLET	5,697,530	1,155,750	394,668	14,853,703	22,101,651
REPULSE BAY	632,770	48,750	21,378	1,131,385	1,834,283
CAMBRIDGE BAY	750	750	0	24,960	26,460
KUGLUKTUK	316,340	28,000	0	170,400	514,740
TALOYOAK	89,990	0	8,520	25,560	124,070
Total	39,201,075	21,218,500	7,052,002	460,340,835	527,812,412

LIQUOR LICENSES

The Nunavut Liquor Licensing Board, in its absolute discretion, on receipt of an application for a license, accompanied by the prescribed fee, may by order issue to the applicant in respect of premises, a license of a specified type and conditions.

LICENSE HOLDERS 2005-2006

	<u>License #</u>	<u>Type of Licence</u>
Arctic Resources Ltd.- Discovery Dining Room	001	Dining Room
Bathurst Inlet Dev. Ltd. - Bathurst Inlet Lodge	002	Guest Room
B.P.O. Elks Lodge Branch 570	003	Club
Canadian Forces Station - Alert	004	Special
Canadian Forces Station - Alert	005	Canteen
Canadian Forces Station - Alert	006	Canteen
Ennadai Lodge	007	Guest Room
Frobisher Racquet Club Ltd.	008	Private Recreation Facility
High Arctic Sports Fishing Camps Merkley Lake - Victoria Island	009	Guest Room
Kamotiq Inn Ltd.	010	Dining Room
Nav Leasing Ltd.- Navigator Lounge	011	Cocktail
Navigator Inn Captains Table Dining Room	012	Dining Room
RCMP Iqaluit Mess	013	Canteen
Royal Canadian Legion	014	Club
Siniktarvik Leasing Ltd.	015	Guest Room
Wizards Café	016	Dining Room
902776 NWT Ltd Frobisher Inn Cocktail Lounge Storehouse Bar and Grill	017	Cocktail
902776 NWT Ltd (#2) Gallery Frobisher Inn Dining Room	018	Dining Room
Canadian Arctic Holidays Ltd. - Somerset Island	019	Dining Room

COMMUNITY LIQUOR STATUS

<u>Community</u>	<u>Status</u>	<u>Alcohol Control Method</u>
Arctic Bay	Restricted	Alcohol Education Committee
Arviat	Prohibited	No Liquor Allowed
Baker Lake	Restricted	Alcohol Education Committee
Bathurst Inlet	No Restrictions	
Broughton Island	Restricted	Alcohol Education Committee
Cambridge Bay	Restricted	Alcohol Education Committee
Cape Dorset	Restricted	Alcohol Education Committee
Chesterfield Inlet	Restricted	Alcohol Education Committee
Clyde River	Restricted	Alcohol Education Committee
Coral Harbour	Prohibited	No Liquor Allowed
Gjoa Haven	Prohibited	No Liquor Allowed
Grise Fiord	No Restrictions	
Hall Beach	Restricted	Alcohol Education Committee
Igloolik	Restricted	Alcohol Education Committee
Iqaluit	No Restrictions	
Kugluktuk	No Restrictions	
Kimmirut	Prohibited	No Liquor Allowed
Pangnirtung	Prohibited	No Liquor Allowed
Pelly Bay (Kugaaruk)	Prohibited	No Liquor Allowed
Pond Inlet	Restricted	Alcohol Education Committee
Rankin Inlet	Restricted	Restrictions on Beer
Repulse Bay	Restricted	Alcohol Education Committee
Resolute Bay	Restricted	Alcohol Education Committee
Sanikiluaq	Prohibited	No Liquor Allowed
Taloyoak (Spence Bay)	No Restrictions	
Whale Cove	Prohibited	No Liquor Allowed

LIQUOR ENFORCEMENT AND INSPECTIONS REPORT 2005-06

Enforcement and Inspection Activity

All distribution of liquor products authorized by liquor licenses and special occasion liquor permits issued under the Nunavut Liquor Act is liable to inspection by Nunavut Liquor Enforcement.

These inspections are to ensure adherence to the Nunavut Liquor Act and Regulations.

Conditions pertaining to fire risk, health and the use of tobacco in premises licensed for the sale of liquor are also liable to inspection.

Inspections are carried out by trained contract personnel.

Any infractions observed are brought to the attention of the Chief Inspector in Iqaluit, who reports to the Manager of Enforcement and Inspections at Liquor Management headquarters in Rankin Inlet.

Serious infractions are discussed with the Department of Justice, and where warranted, the licensee must attend a "show cause" hearing before the Nunavut Liquor Licensing Board, with the Department of Justice acting as prosecutor.

Such hearings may result in the imposition of restrictions in accordance with the Nunavut Liquor Act, and could result in the suspension of a license.

NUNAVUT LIQUOR LICENSING BOARD HEARINGS

February 9, 2005 **March 22, 2005** **June 8, 2005** Kamotiq Inn Dining Room Licence #010

Section 98(2)(a) of the Liquor Act - allowing drunkenness on licensed premises (eight counts).

Adjourned to February 9, 2005 at request of Licensee;

Adjourned to March 22, 2005 at request of Licensee on a peremptory basis; and,

Adjourned to June 8, 2005 at request of Licensee on a peremptory basis.

Finding of not guilty with respect to two counts; finding of guilty with respect to six counts; total \$2,500 fine and suspension for four days on June 9, 10, 11 and 12, 2005 and thereafter until fine is paid in full; server training for all staff to be arranged and paid for by licensee by August 15, 2005; costs of \$500 pursuant to section 37.1 of the Liquor Act. Comment from Board re seriousness of offence and that maximum penalty allowed is 12 month suspension.

June 8, 2005 **September 8, 2005** Elks Lodge #570 Licence #003

Section 98(2)(a) of the Liquor Act- allowing drunkenness on licensed premises (two counts).

Section 98(1) of the Liquor Act - selling or supplying liquor to an intoxicated person

Adjourned to September 8, 2005.

Section 98(1) count withdrawn; three counts struck by Board; finding of guilty on two counts of allowing drunkenness in licensed premises on two separate dates; fine of \$3,000 on each count plus suspension on September 9 and 10, 2005 and until fine paid in full.

NUNAVUT LIQUOR LICENSING BOARD

Nunavut Liquor Licensing Board Members 2005 – 2006

<u>Name</u>	<u>Position</u>	<u>Community</u>
WILMAN, David	Chairperson	Iqaluit
TATTY, Hamish	Vice Chair	Rankin Inlet
SIKMA, Nicole	Member	Rankin Inlet
KENNEDY, Stu	Member	Iqaluit
NINGARK, John	Member	Kugaaruk
PEETOOLOOT, Peter	Member	Taloyoak
TOLOGANAK, Ronald	Member	Kugluktuk
KABLOONA, Percy	Member	Whale Cove
CURLEY, Joshua	Member	Arviat
KILABUK, Jimmy	Member	Iqaluit

AUDITED FINANCIAL STATEMENTS

The financial transactions of the Liquor Licensing Board and Liquor Licensing and Enforcement are processed through the Nunavut Liquor Commission. The audited financial statements are therefore a consolidation of the financial activities incurred to administer Part I as well as Part II of the Liquor Act.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The Nunavut Liquor Management ("NLM") maintains internal financial and management systems and practices which are designated to provide reasonable assurance that reliable financial and non-financial information is available on a timely basis and that the NLM acts in accordance with the Laws of Nunavut and Canada. The NLM's management recognizes its responsibility for conducting the Commission's affair in accordance with the requirements of applicable laws and sound business principles, and for maintaining standards of conduct that are appropriate to a territorial agency.

The accompanying financial statements were prepared by management in conformity with Canadian generally accepted accounting principles appropriate in the circumstances.

To discharge the responsibility for the integrity and objectivity of financial reporting, management maintains a system of internal controls comprising of written policies, standards and procedures, a formal authorization structure, and satisfactory processes for reviewing internal controls. This system is designed to provide management with reasonable assurance that transactions are in accordance with government legislation, are properly authorized, reliable financial records are maintained, and assets are adequately accounted for and safeguarded.

Mackay LLP has been retained to provide an independent, objective audit for the purpose of expressing an opinion on the financial statements. They also consider whether the transactions which come to their notice in the course of the audit are, in all significant respects, in accordance with specified legislation.



Chris D'Arcy
Acting Assistant Deputy Minister
Financial Services



Peter Ma
Deputy Minister of Finance

**CHARTERED
ACCOUNTANTS**
MacKay LLP

4910-50th Street
P.O. Box 727
Yellowknife, NT X1A 2N5
Tel: (867) 920-4404
Fax: (867) 920-4135
www.MackayLLP.ca

mackay.ca

Auditor's Report

**To the Minister of Finance
Government of Nunavut**

We have audited the balance sheet of Nunavut Liquor Management (NLM) as at March 31, 2006 and the statements of income, amount due to the Government of Nunavut and cash flows for the year then ended. These financial statements are the responsibility of NLM. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of NLM as at March 31, 2006, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

We further report in accordance with the *Financial Administration Act* of Nunavut that, in our opinion, proper books and records of accounts have been kept by the Commission, the financial statements are in agreement therewith and the transactions that have come under our examination have, in all material respects, been within the statutory powers of NLM.

The audit report dated May 29, 2006 and January 25, 2007 have been withdrawn and the financial statements have been restated. The restatement and accompanying audit report of January 25, 2007 was to correct the name of the organization from Nunavut Liquor Commission to Nunavut Liquor Management as well as to segregate the activities of Nunavut Liquor Licensing and Enforcement in schedule 3.

**Rankin Inlet, Nunavut
May 29, 2006
January 25, 2007
September 13, 2007**

Mackay LLP
Chartered Accountants

Nunavut Liquor Management

Statement of Income

For the period ended March 31,	Budget 2006 (unaudited)	Actual 2006	Actual 2005 (5 months ended)
Sales			
Beer	\$ -	\$ 3,063,283	\$ 911,799
Spirits	-	1,304,361	327,836
Wine	-	326,020	109,781
Coolers and ciders	-	55,418	7,191
	3,742,000	4,749,082	1,356,607
Cost of sales			
Beer	-	1,208,614	420,661
Spirits	-	527,734	84,437
Wine	-	131,905	42,547
Coolers and ciders	-	52,406	3,764
	1,463,000	1,920,659	551,409
Gross margin	2,279,000	2,828,423	805,198
Other income			
Import fees	-	417,650	123,338
Licenses fees and permits	-	184,520	101,332
	-	602,170	224,670
Expenses			
Advertising	-	11,256	-
Amortization	-	27,413	13,065
Bank charges and interest	-	15,135	-
Bottle deposit refunds	-	111,397	-
Communications	-	5,861	2,999
Computer services	-	6,429	1,462
Contractor fees	-	205,997	116,037
Honoraria	-	38,025	1,750
Office	-	74,825	16,216
Professional fees	-	43,470	16,000
Repairs and maintenance	-	10,283	1,518
Rent	-	320,175	194,656
Salaries and benefits	-	1,251,768	290,542
Travel	-	100,922	83,183
Utilities	-	33,547	16,687
	885,000	2,256,503	754,115
Net income	\$ 1,394,000	\$ 1,174,090	\$ 275,753

Nunavut Liquor Management

Statement of Amount Due to the Government of Nunavut

For the period ended March 31,	2006	2005
Balance, beginning of year	\$ 655,895	\$ 1,864,560
Net income for the year	1,174,090	275,753
Net transfer of funds to Government of Nunavut	(1,154,492)	(1,484,418)
Balance, end of year	\$ 675,493	\$ 655,895

Nunavut Liquor Management

Balance Sheet

As at March 31, 2006 2005

Assets

Current

Accounts receivable	\$ 25,104	\$ 34,073
Inventory (Note 3)	618,167	644,934
Prepaid expenses	58,931	42,686

702,202 721,693

Property and equipment (Note 4) 69,102 83,930

\$ 771,304 \$ 805,623

Liabilities

Current

Accounts payable and accrued liabilities	\$ 43,669	\$ 91,135
Bottle deposit outstanding	2,488	4,203
Due to Government of Nunavut (Note 5)	675,493	655,895
Deferred revenue	14,985	19,223

736,635 770,456

Employee future benefits (Note 6) 34,669 35,167

\$ 771,304 \$ 805,623

Commitments (Note 10)

Approved on behalf of Nunavut Liquor Management



Chris D'Arcy
Acting Assistant Deputy Minister,
Financial Management



Peter Ma
Deputy Minister for Finance

Nunavut Liquor Management

Statement of Cash Flows

	2006	(5 months ended) 2005
For the period ended March 31,		
Cash provided by (used in)		
Operating activities		
Cash received from customers	\$ 5,354,268	\$ 1,563,028
Cash paid to suppliers	(2,934,925)	(633,891)
Cash paid to employees	(1,252,265)	(348,892)
	1,167,078	580,245
Financing activity		
Cash transferred to Government of Nunavut	(1,154,492)	(1,484,418)
Investing activity		
Purchase of property and equipment	(12,586)	(61,675)
Change in cash position	-	(965,848)
Cash position, beginning of year	-	965,848
Cash position, end of year	\$ -	\$ -

Nunavut Liquor Management

Notes to Financial Statements

March 31, 2006

1. Authority and Operations

Nunavut Liquor Management ("NLM") is responsible for the operations of the Nunavut Liquor Commission (schedule 1), the Nunavut Liquor Licensing Board (schedule 2) and the Nunavut Liquor Licensing and Enforcement (schedule 3).

NLM is exempt from income tax under the *Income Tax Act*.

The Nunavut Liquor Commission ("Commission") was established under Part II of the *Liquor Act* of Nunavut. The Commission is responsible for the operation of the liquor warehouse and the purchase and distribution of liquor in Nunavut through the Liquor Revolving Fund. The Commission is listed as a public agency in Schedule A of the *Financial Administration Act*. The Commission is authorized by the Legislative Assembly to receive interest free working capital advances from time to time not exceeding \$6,500,000 to finance its operations. Net income for the year is to be transferred to the Government of Nunavut in accordance with the *Liquor Act*.

The Nunavut Liquor Board ("Board") is responsible for, upon receipt of an application for a license, accompanied by the prescribed fee, issuance to the applicant in respect of premises, a license of a specified type and conditions.

The Nunavut Liquor Licensing and Enforcement ("Licensing") is responsible for ensuring that all distribution of liquor products is authorized by liquor licenses and special occasion liquor permits issued under the Nunavut Liquor Act.

2. Significant Accounting Policies

The following is a summary of the significant accounting policies used by management in the preparation of these financial statements.

(a) Revenue recognition

Revenue from sales of liquor is recorded when the customer places their order, it has been paid in full and the products have been shipped. Revenue from sales of permits is recorded when the sale has been made to the customer and the cash has been received by NLM. Fines are recorded as revenue of Nunavut Liquor Board when the Board approves the levy.

(b) Inventory

Inventory is recorded at the lower of cost or net realizable value on a first-in, first-out basis.

(c) Property and equipment

Property and equipment is recorded at cost. Amortization is calculated by the declining balance method at the annual rates set out in note 4.

(d) Deferred revenue

Revenue received in advance of goods being provided and services being performed is deferred. The amounts will be taken into income when the goods and services are provided.

Nunavut Liquor Management

Notes to Financial Statements

March 31, 2006

2. Significant Accounting Policies (continued)

(e) Financial instruments

All significant financial assets, financial liabilities and equity instruments of NLM are either recognized or disclosed in the financial statements together with available information for a reasonable assessment of future cash flows, interest rate risk and credit risk. Where practicable the fair values of financial assets and financial liabilities have been determined and disclosed; otherwise only available information pertinent to fair value has been disclosed.

(f) Employee future benefits

Employee future benefits are accrued as employees render the services necessary to earn them.

(g) Use of estimates

The preparation of this financial information in conformity with Canadian generally accepted accounting principles 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 information and the amounts of revenues and expenditures during the period. Actual results could differ from those estimates.

3. Inventory

	2006	2005
Iqaluit warehouse		
Spirits	\$ 213,553	\$ 214,926
Wine	130,715	92,483
Beer	45,922	194,531
Coolers and ciders	161,809	692
	<hr/> 551,999	<hr/> 502,632
Rankin Inlet warehouse		
Spirits	52,712	47,144
Wine	40,807	6,198
Beer	226	84,703
Coolers and ciders	29	4,257
	<hr/> 93,774	<hr/> 142,302
	645,773	644,934
Less: Allowance for obsolescence	<hr/> (27,606)	<hr/> -
	<hr/> \$ 618,167	<hr/> \$ 644,934

Nunavut Liquor Management

Notes to Financial Statements

March 31, 2006

4. Property and Equipment

				2006	2005
	Rate	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and equipment	20%	\$ 41,874	\$ 13,275	\$ 28,599	\$ 28,458
Computer hardware	30%	52,072	28,101	23,971	22,406
Computer software	100%	41,765	25,233	16,532	33,066
		\$ 135,711	\$ 66,609	\$ 69,102	\$ 83,930

5. Due to Government of Nunavut

The cash received by NLM has been included in the amount due to the Government of Nunavut.

	2006	2005
Due to Government of Nunavut	\$ 8,706,247	\$ 3,253,401
Cash deposited to the Nunavut Liquor Management	(8,030,754)	(2,597,506)
Total due to Government of Nunavut	\$ 675,493	\$ 655,895

The amount due to the Government of Nunavut is unsecured and non-interest bearing. The terms of repayment are that the net income of NLM from the prior year is due in equal quarterly installments to the Government of Nunavut in the current year.

6. Employee Future Benefits

NLM has accrued leave benefits in accordance with Article 17 of the Collective Agreement between the Nunavut Employees Union and the Government of Nunavut.

This benefit is not pre-funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation.

7. Operations of Nunavut Liquor Board

The operations of the Liquor Licensing Board of Nunavut are administered by NLM. The net loss generated in the period represents amounts due from the Government of Nunavut. The Nunavut Liquor Board does not have banking facilities apart from NLM.

8. Operations of Nunavut Liquor Licensing and Enforcement

The operations of the Liquor Licensing Enforcement are administered by the Commission. The earnings generated in the period represents amounts due to the Government of Nunavut. The expenditures do not form part of the Liquor Revolving Fund.

Nunavut Liquor Management

Notes to Financial Statements

March 31, 2006

9. Related Party Transactions

NLM is related in terms of common ownership to all Government of Nunavut created departments, agencies, and corporations. NLM enters into transactions with these entities in the normal course of business.

NLM is provided various administrative services by the Government of Nunavut, the value of which is not reflected in these financial statements. The administrative costs include legal services by the Department of Justice, payroll services and internal audit services provided by Department of Finance, security services and rental services by the Department of Community and Government Services.

NLM was charged rent for a warehouse from the Government of Nunavut in the amount of \$23,754 during the year (March 31, 2005 - \$49,498).

At March 31, 2006, NLM had a balance owing of \$NIL (March 31, 2005 - \$35,115) to the Government of Nunavut in addition to the amount disclosed on the balance sheet. This amount is included in accounts payable.

10. Commitments

NLM has entered into a ten year lease expiring April 1, 2014 for its warehouse and office premises. The minimum annual lease payments are \$281,516 consisting of \$20,293 per month for the rent of the building and \$3,167 per month for tenant improvement costs. The tenant improvement costs included in the annual lease payments are subject to increases based on the value of capital improvement costs plus a 15% administration fee.

11. Financial Instruments

Financial instruments consist of recorded amounts of accounts receivable which will result in future cash receipts, as well as accounts payable and accrued liabilities, bottle deposits outstanding, and employee future benefits which will result in future cash outlays.

(a) Fair value

NLM's carrying value of accounts receivable, accounts payable and accrued liabilities and bottle deposits outstanding approximates its fair value due to the immediate or short-term maturity of these instruments.

The fair value of the amounts due to the Government of Nunavut cannot be determined with any degree of certainty, as the amounts have no terms of repayment.

12. Budget

The budget figures are prepared for internal purposes, are unaudited and have been approved by the Legislative Assembly of the Government of Nunavut.

13. Comparative Figures

Certain of the comparative figures have been reclassified to conform with the presentation adopted in the current year.

Nunavut Liquor Licensing and Enforcement (schedule 3) does not contain comparative figures as the activities were undertaken in 2006 with minimal work in 2005.

Nunavut Liquor Management

Nunavut Liquor Commission

SCHEDULE 1

For the period ended March 31,	(5 months ended)	
	2006	2005
Sales		
Beer	\$ 3,063,283	\$ 911,799
Spirits	1,304,361	327,836
Wine	326,020	109,781
Coolers and ciders	55,418	7,191
	4,749,082	1,356,607
Cost of sales		
Beer	1,208,614	420,661
Spirits	527,734	84,437
Wine	131,905	42,547
Coolers and ciders	52,406	3,764
	1,920,659	551,409
Gross margin	2,828,423	805,198
Expenses		
Amortization	27,413	13,065
Bank charges and interest	15,135	-
Bottle deposit refund	111,397	-
Communications	5,861	2,999
Computer services	6,429	1,462
Contractor fees	10,451	8,307
Office	49,563	16,153
Professional fees	1,083	-
Repairs and maintenance	10,219	1,518
Rent	320,175	194,656
Salaries and benefits	976,054	260,768
Travel	-	24,952
Utilities	33,547	16,687
	1,567,327	540,567
Net income	\$ 1,261,096	\$ 264,631

Nunavut Liquor Management

Nunavut Liquor Board

SCHEDULE 2

For the period ended March 31,	2006	(5 months ended) 2005
Revenue		
Import fees	\$ -	\$ 123,338
Licenses and fines	-	101,332
	-	224,670
Expenses		
Advertising	11,256	-
Contractor fees	-	107,730
Honoraria	38,025	1,750
Office	11,846	63
Professional fees	42,187	16,000
Salaries and benefits	4,222	29,774
Travel	87,126	58,231
	194,662	213,548
Net loss	\$ (194,662)	\$ 11,122

Nunavut Liquor Management

Nunavut Liquor Licensing and Enforcement

SCHEDULE 3

For the period ended March 31,	2006	(5 months ended) 2005
Revenue		
Import fees	\$ 417,650	\$ -
Licenses and fines	184,520	-
	602,170	-
Expenses		
Contractor fees	195,546	-
Office	13,416	-
Professional fees	200	-
Repairs and maintenance	65	-
Salaries and benefits	271,492	-
Travel	13,796	-
	494,515	-
Net income	\$ 107,655	\$ -
