

**NUNAVUT LIQUOR COMMISSION  
NUNAVUT LIQUOR LICENSING BOARD**

**ANNUAL REPORT  
2006 – 2007**



# TABLE OF CONTENTS

LETTER OF TRANSMITTAL.....	1
LETTER TO THE MINISTER.....	3
ORGANIZATIONAL STRUCTURE.....	5
<b>NUNAVUT LIQUOR LICENSING BOARD</b> .....	7
MESSAGE FROM THE CHAIR.....	7
RESPONSIBILITIES OF THE BOARD.....	10
LIQUOR LICENSES.....	11
NUNAVUT LIQUOR LICENSING BOARD HEARINGS.....	11
<b>LIQUOR ENFORCEMENT AND INSPECTIONS</b> .....	13
ENFORCEMENT AND INSPECTION ACTIVITY REPORT.....	13
<b>NUNAVUT LIQUOR COMMISSION</b> .....	14
ORGANIZATIONAL OVERVIEW.....	14
LIQUOR RETAILING IN THE TERRITORY.....	14
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS &amp; UNAUDITED SCHEDULES</b> .....	17
<b>CONSOLIDATED FINANCIAL STATEMENTS</b> .....	19
MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING.....	23
AUDITOR'S REPORT.....	24
CONSOLIDATED BALANCE SHEET.....	26
CONSOLIDATED STATEMENT OF OPERATIONS.....	27
CONSOLIDATED STATEMENT OF AMOUNT DUE TO THE GOVERNMENT OF NUNAVUT.....	28
CONSOLIDATED STATEMENT OF CASH FLOWS.....	29
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.....	30 - 38
SCHEDULE OF INCOME AND EXPENSES:	
- NUNAVUT LIQUOR COMMISSION.....	39
- NUNAVUT LIQUOR ENFORCEMENT.....	40
- NUNAVUT LIQUOR LICENSING BOARD.....	41



# LETTER OF TRANSMITTAL

The Honourable Edna Ekhivalak Elias  
Commissioner  
Government of Nunavut

Dear Madam,

I have the honour of presenting the Annual Report for the Nunavut Liquor Commission and Nunavut Liquor Licensing Board covering the period April 1, 2006 to March 31, 2007.

Respectfully submitted,

---

Hon. Keith Peterson  
Minister responsible for Liquor



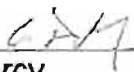
# LETTER TO THE MINISTER

The Honourable Keith Peterson  
Minister of Finance

## Nunavut Liquor Commission and Nunavut Liquor Licensing Board 2006-07 Annual Report

Pursuant to Subsections 9(1) and 61(1) of the Liquor Act, we are pleased to submit the 2006-07 Annual Report for the Nunavut Liquor Commission and Nunavut Liquor Licensing Board for the fiscal year ended March 31, 2007.

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  
Assistant Deputy Minister,  
Policy and Planning  
Department of Finance



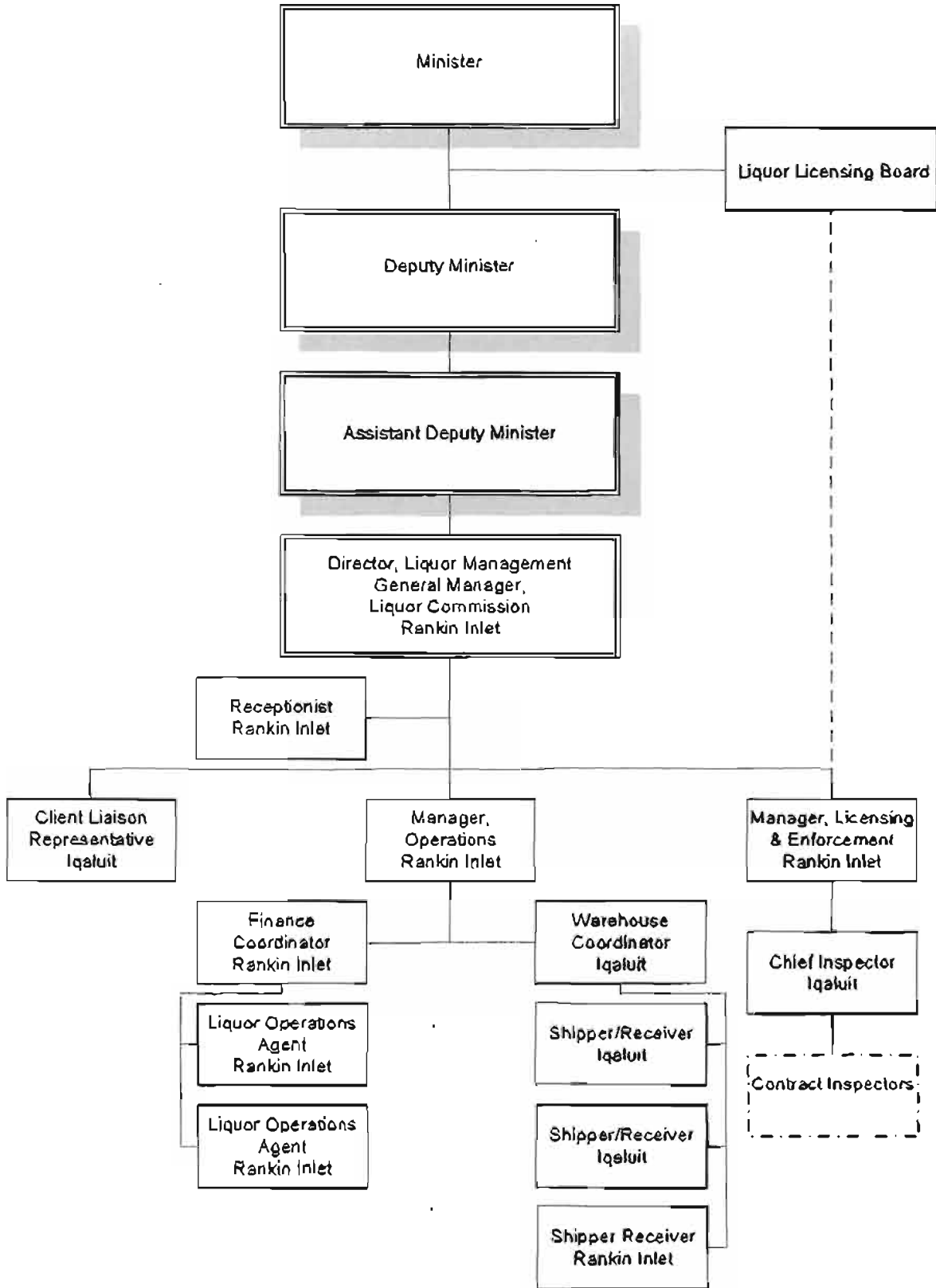
---

Peter Ma,  
Deputy Minister of Finance  
and  
Interim Comptroller General





# ORGANIZATIONAL STRUCTURE





# NUNAVUT LIQUOR LICENSING BOARD

## MESSAGE FROM THE CHAIR

In October 2005 the Minister of Finance for Nunavut, the Honorable David Simailak, appointed eight new members to the Nunavut Liquor Licensing Board (NLLB) for two year terms. One of these new members resigned after only four months in office. At the time of the October 2005 appointments, only one member of the previous Board remained in office. His term expired in June 2006. In August 2006, a further two members were appointed to bring the Board up to its full strength of nine members.

The newly appointed Board first met in Iqaluit on January 16 -18, 2006. For two days prior to the Board's first official meeting, the Board's Executive Secretary, Simon Okpatauyak, and Legal Counsel, Merrilee Rasmussen, guided the members through an orientation program in which the Board's policies, procedures, duties and responsibilities were outlined and discussed, and the Nunavut Liquor Act and Regulations from which the Board derives its authority were reviewed in detail.

The Board's mission *'is to foster an environment that guides and regulates the legal and responsible use of alcohol'* in Nunavut. The Board Members felt that this statement encapsulates the primary purposes of the Board and that it implies that we must establish a positive working relationship with the businesses and organizations to which we grant licenses in order to develop a shared understanding with them of the responsibilities that each of us has under the Liquor Act and Regulations to work towards the common objective of fostering the legal and responsible use of alcohol. To achieve this, the Board decided to streamline its routine operations, such as annual license renewals, and to communicate its policies more effectively through written communications and face to face meetings with licensees.

The Board normally holds four regular meetings each fiscal year, usually spaced about three months apart, so that we can keep abreast of the business, requests, applications and issues that come before us. One meeting must be held in March to approve license renewals for the following fiscal year, which is also the license year. At the March 2006 meeting dealing with license renewals for 2006 - 07, the Board noted that in the year prior to this meeting the Liquor Regulations had been amended to require applicants to provide documentation that they had valid fire and health inspection reports. (Regulations Register, September 9, 2005). Some licensees were not aware of this requirement and submitted applications without the fire and health inspection documentation. Rather than delay the renewal process, the Board approved these licenses on condition that the applicants provided the required documents to the Executive Secretary prior to March 31, the expiry date for the 2005 - 06 licenses. Nineteen license renewals were approved for 2006 - 07.

The situation of the new requirements for licensing underscored the need to streamline the license application process and to improve communications with license holders. To achieve this, the Board decided to prepare some informational material for licensees and then to meet with them in a semi-formal situation where there could be a general discussion of issues and where the Board and Liquor Enforcement could respond to questions or concerns.

The first such meeting was held on January 17, 2007, and was attended by all but one of the major license holders in Iqaluit. The Board provided the licensees with an information brochure that describes the legislative framework under which the Board operates, the Board's mandate, the role of Liquor Enforcement, the conduct of Show Cause Hearings, and a simplified process for license renewals, including a simple check list of items to be submitted for each type of license. Licensees were also provided with electronic copies of the Liquor Act and Regulations and the Board's Policies and Procedure Manual. The Board responded to a number of questions from licensees, and committed itself to providing definitive interpretative bulletins on a number of their questions.

As a result of this productive encounter, the Board decided to hold at least one such meeting per year.

and invited licensees to arrange to meet with the Board if they wished to discuss matters specific to their own operations. In the balance of the 2006 – 07 fiscal year, two licensees arranged meetings with the Board. We believe that this response on the part of licensees indicates that the Board's efforts to develop positive relationships with license holders were fruitful and, accordingly, the Board is continuing this initiative in fiscal 2007 – 08.

At each Board meeting, a considerable portion of the agenda is given over to discussion of issues brought to the Board by communities, individuals, licensees or liquor enforcement staff. The Board attempts to respond to each issue and, where necessary, either prepares an interpretive bulletin that explains how we see or would deal with a particular issue, or writes to the Minister outlining the issue and recommending possible solutions.

Issues that were brought to the Board for consideration during 2006 – 07 included, complaints about the inspection process, bootlegging and the illegal possession and use of alcohol in restricted communities, the excessive cost of importing and transporting alcohol between communities in Nunavut, what constitutes a meal in a licensed restaurant, over-serving in bars and clubs, the mistreatment of individuals who are intoxicated, licensees' responsibilities to individuals who are intoxicated, license transfers, changes in licensed operating hours, and the approval of special occasion permits for events lasting more than one day.

Regulatory bodies such as the NLLB can only be effective if they have dedicated members and strong support at the administrative and political levels. In each of these respects the Board was very fortunate during 2006 – 07. Board members were conscientious in their duties, offering well thought-out opinions on the many issues we handled. Our Executive Secretary and our Legal Counsel provided excellent support and sound advice on these issues, and we had strong support from our Minister, the Honourable David Simailak, and his Deputy Minister, Peter Ma, who both met with the Board on three occasions. It was a year of growth and learning for the Board, but a year in which we fulfilled our legal and regulatory mandate and made considerable progress in our efforts to develop positive working relationships with license holders in Nunavut.

Respectfully submitted,

David Wilman  
Chair, Nunavut Liquor Licensing Board

## NUNAVUT LIQUOR LICENSING BOARD MEMBERS 2006 – 2007

<u>Name</u>	<u>Position</u>	<u>Community</u>	<u>Term</u>
WILMAN, David	Chairperson	Iqaluit	2005 – 2007
TATTY, Hamish <sup>1</sup>	Vice Chair	Rankin Inlet	2005 – 2007
BENNETT, Ross <sup>2</sup>	Member	Iqaluit	2004 – 2006
CURLEY, Joshua	Member	Arviat	2005 – 2007
KABLOONA, Percy	Member	Whale Cove	2005 – 2007
KENNEDY, Stu	Member	Iqaluit	2005 – 2007
KILABUK, Jimmy	Member	Iqaluit	2006 – 2008
NINGARK, John	Member	Kugaaruk	2005 – 2007
PEETOOLOOT, Peter	Member	Taloyoak	2005 – 2007
TOLOGANAK, Ronald	Member	Kugluktuk	2005 – 2007
SIKMA, Nicole	Member	Rankin Inlet	2006 – 2008

<sup>1</sup> Mr. Tatty Resigned in March 2006 due to business commitments

<sup>2</sup> Mr. Bennett's term expired in June 2006

## RESPONSIBILITIES OF THE BOARD

The Liquor Licensing Board (the Board) is established under Part I of the *Liquor Act* and its primary purpose is to issue, renew and transfer licenses allowing for the sale of liquor. The Minister of Finance is responsible for the Board and administrative support for the Board is provided by the Department of Finance. There are a maximum of nine members of the Board and they are appointed by the Minister of Finance for a two-year term. The Minister of Finance also chooses a member of the Board to be the chairperson.

The Board's duties and powers are set out in Section 6 of the *Liquor Act*. The Board is responsible for the control of the conduct of licensees, the management and equipment of licensed premises, and the conditions under which liquor may be sold or consumed in licensed premises. In order to carry out this responsibility, the Act provides the Board with the power to issue, renew and transfer licenses, to hold show cause hearings that might lead to suspension or cancellation of a license, and to provide advice to the Minister on all matters of policy, legislation and administration relating to the sale, distribution and consumption of liquor.

The Board can issue several types, or classes, of license including: canteen, club, cocktail lounge, dining room, cultural and sports facility, guest room, and private recreational facility licenses. Through the terms of the license, the Board sets out the conditions under which liquor may be sold or consumed on licensed premises and sets the days and hours that a licensee may be open for the sale of liquor.

The Board is also ultimately responsible for the issuance of Special Occasion Permits. Special Occasion Permits are commonly issued in liquor restricted and non-restricted communities across the territory to allow for the consumption of liquor at social functions. There are two kinds of Special Occasion Permit: an "Ordinary Permit" does not allow for liquor sales; and a "Resale Permit" allows for the sale of liquor during the social function.

The Board also deals with complaints brought to it by Liquor Enforcement through the Department of Justice when infractions of the Act or Regulations by licensees have been reported. In these cases, pursuant to its obligation under section 6(2)(a) of the *Liquor Act* which directs the Board to control the conduct of license holders, the Board requires the license holder to appear and show cause as to why their license should not be suspended or cancelled. The Board must determine whether the alleged misconduct has actually occurred and, if so, what consequences for the license holder are appropriate to ensure that they comply with the legislation in future.

In some circumstances, the Board has no option under the legislation but to cancel a license. In other situations, the Board may impose a fine or suspension or require the license holder to take action such as providing staff with appropriate training. The Board conducts a hearing at which the case for Liquor Enforcement is handled by legal counsel for the Department of Justice. The Board also has Independent Legal Counsel to assist it in the conduct of the hearing and to provide it with advice on the law and the Board's powers in coming to a decision. License holders are entitled to be represented by legal counsel or other representatives that they employ at their own expense.

## 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.

No new liquor licenses were approved during 2006 – 2007. In September 2006, the Board approved the transfer of License # 011 and 012 issued to Nav Leasing Ltd. in March 2006 to 994459 Nunavut Ltd. which had purchased the Navigator Inn.

### LICENSE HOLDERS 2006-2007

	<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
994459 Nunavut Ltd	011	Cocktail
994459 Nunavut Ltd	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

## NUNAVUT LIQUOR LICENSING BOARD HEARINGS

During the Board's September 26 – 28, 2006 meeting, two Show Cause Hearings were held, one for

infractions of the Liquor Act, the other for failure to comply with an earlier ruling of the Board.

Licensee	Date of Hearing	Alleged Violation	Disposition by Board
<p>Wizard's Café &amp; Catering License # 16 2006-1-A-1</p>	<p>A. June 20<sup>th</sup>, 2006</p> <p>B. September 26<sup>th</sup>, 2006</p>	<p>84 Regs: exposed, kept or sold or offered to sell liquor contrary to the Act;</p> <p>26(2) and (3) Regs: allowing persons to remain in licensed premises for a private party without approval of the Board or the Executive Secretary of the Board;</p> <p>39 Regs: allowing persons to remain on licensed premises outside the licensed hours of operation;</p> <p>100 Regs: allowing liquor to be sold or served to or consumed by persons in the premises outside of licensed hours.</p>	<p>Adjourned to September 26, 2006.</p> <p>26(2) and (3) Regs count withdrawn. Licensee pled guilty to other three counts on agreed facts.</p> <p>Fine of \$1000.00 on each count plus suspension on September 29 and 30, 2006.</p>
<p>Kamotiq Inn License # 010 2006-2-D-1</p> <p>2006-2-D-2</p>	<p>A. June 27<sup>th</sup>, 2006</p> <p>B. September 28<sup>th</sup>, 2006</p>	<p>Failing to comply with an Order of the Board dated June 8, 2005.</p>	<p>Last chance to provide proof of compliance by September 28, 2006; if failure to comply \$5000.00 fine plus 60 day suspension and required to provide server training.</p> <p>Board revised September 27, 2006 Order, based on new evidence; suspension reduced to 45 days.</p> <p>The licensee has filed an appeal with the Nunavut Court of Justice but has not yet set the matter to be heard.</p>



# LIQUOR ENFORCEMENT AND INSPECTIONS

## ENFORCEMENT AND INSPECTION ACTIVITY REPORT

All distribution of liquor products authorized by liquor licenses and special occasion liquor permits issued under the *Nunavut Liquor Act* are liable to inspection by Nunavut Liquor Enforcement. These inspections, also known as spot checks, 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 Management keeps a roster of four contract inspectors in Iqaluit and another inspector in Rankin Inlet. In 2006-2007, Nunavut Liquor Management spent \$39,200 dollars on spot checks, or \$9,800 per liquor inspector at a rate of thirty dollars per inspection. The total number of inspections for 2006-2007 was 1,306 or 326 inspection per contractor on average.

# NUNAVUT LIQUOR COMMISSION

## ORGANIZATIONAL OVERVIEW

The Nunavut Liquor Commission (the Commission) exists by authority of the Minister of Finance, the Minister responsible for Liquor, who delegates to the Commission the duties of operating liquor stores, purchasing, selling, classifying and distributing liquor in Nunavut and administering Part II of the *Nunavut Liquor Act*. The Commission follows the reporting stipulations outlined in Part II of the *Nunavut Liquor Act* and Part IX of the *Financial Administration Act*.

The Commission, in exercising its powers and performing its duties is bound by the *Liquor Act* to the direction of the Minister. The Commission is headed by a General Manager who reports to the Minister through the Assistant Deputy Minister and Deputy Minister of Finance, as shown in the Organizational Structure Chart on page 5. The General Manager oversees a staff of 12 employees, divided between Rankin Inlet and Iqaluit, with the addition of a roster of five contract site liquor enforcement inspectors.

With its headquarters in Rankin Inlet, the Commission manages its retail and wholesale business through two distribution warehouses, one in Rankin Inlet with a capacity of 601 m<sup>2</sup> and the other in Iqaluit with a capacity of 603m<sup>2</sup>. The Commission also oversees three permit agent offices, two on contract in Rankin Inlet and Cambridge Bay and the third being operated out of the Liquor Enforcement offices in Iqaluit. The Permit Agent Offices provide for a fee, import permits to allow individuals to bring in liquor from outside Nunavut.

## LIQUOR RETAILING IN THE TERRITORY

Nunavut's geographical and infrastructural challenges make liquor retailing in the territory very unconventional in the Canadian context. With a total population of approximately 30,000 people, the major challenge for liquor retailing in Nunavut is the need to service a very limited market, connected only by air and limited seasonal sea access, and spread out over a fifth of Canada's land mass. Among the many characteristics that set Nunavut's liquor distribution system apart from other jurisdictions in Canada, is its central processing structure.

The Commission does not operate any liquor stores and all liquor orders are processed through the Commission's headquarters in Rankin Inlet and distributed via air cargo from either of the Commission's warehouses. Licensed outlets are the exception, as the sheer volume of their purchases requires that they be picked up at the closest Commission warehouse.

To take advantage of the Government of Nunavut's greater purchasing power, the Commission's entire liquor inventory is purchased on behalf of the Commission by the Department of Community and Government Services' Procurement Division.

While every effort is made to maximize warehouse space and accommodate as much inventory as possible through sealift, capacity issues with the Iqaluit warehouse, and the higher demand for liquor in the Territory's capital, necessitate a small air cargo resupply each spring to supply license holders until the shipping season starts again in the summer.

As a matter of policy, the Procurement Division attempts to buy all products directly from breweries and distilleries where possible. Due to small order volumes, some products are purchased through the Société des alcools du Québec (SAQ) or the Liquor Control Board of Ontario (LCBO).

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

products. An administration fee of \$0.27 per litre is also applied. Current mark-ups per litre are as follows:

Nunavut Liquor Pricing Mark-Ups	
Spirits	\$25.84 per litre
Wine	\$ 7.69 per litre
Coolers/ciders	\$ 3.00 per litre
Beer	\$ 1.91 per litre

The Commission's necessary reliance on air cargo for the distribution of liquor orders means that liquor purchases in Nunavut are faced with logistical considerations and additional freight and marshalling costs not commonly experienced across Canada.

One logistical hurdle concerns the payments of liquor orders through the Commission. At the present time certified money instruments that include Money Orders, Northern Store money transfers, certified cheque, bank draft, or direct deposit to the Commission's bank account are all accepted as payment vehicles.

The Nunavut Liquor Commission also accepts credit cards (VISA and MASTERCARD) for product payment, and residents of Iqaluit and Rankin Inlet are able to use their debit cards for product payment. Once payment has been received, the Liquor Commission ensures 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.

With Ottawa the only destination serviced daily by either of the major airlines flying in Nunavut and the other communities averaging between two or three flights a week, flight schedule structures serving Nunavut impose a de facto waiting period on all liquor purchases in the Territory (Licensees and holders of Special Occasion Permits excepted).

To ensure parity amongst all communities, Iqaluit residents must purchase their alcohol from the Rankin Inlet warehouse or outside the Territory, and conversely Rankin Inlet residents must purchase their alcohol from Iqaluit or outside Nunavut. All other eligible residents of Nunavut may place their order at either facility. This measure also ensures there are no direct sales of liquor to the public anywhere in Nunavut, except in licensed establishments.

Nunavummiut may purchase liquor with or without an import permit, which allows them a wider range of options for both selection and price.

Should they choose to import their liquor from outside the territory, individuals must purchase an

Table 1. Nunavut's Liquor Restriction Systems
<p>The <i>Liquor Act</i> provides Nunavummiut with a ranked liquor restriction structure based on four systems, ranging from standard access to total exclusion. Communities choose their appropriate system by plebiscite. Described under section 48.2 of the Act these systems are:</p> <ol style="list-style-type: none"> <li>1. An unrestricted system in which the community is subject only to the general liquor laws of Nunavut;</li> <li>2. A restricted quantities system in which, in addition to the general liquor laws, the quantity of liquor that a person may purchase is limited;</li> <li>3. A committee system, in which a locally elected alcohol education committee decides: <ul style="list-style-type: none"> <li>• who may consume, possess, purchase or transport liquor in the settlement, municipality or area,</li> <li>• who may import liquor into the settlement, municipality or area under this Act,</li> <li>• the amount of liquor that a person may possess, purchase, transport or import in the settlement, municipality or area,</li> <li>• who may apply for a wine permit in the settlement, municipality or area and the amount of wine that a person may apply to make, and</li> <li>• who may brew beer for personal or family consumption in the settlement, municipality or area and the amount of beer that a person may brew;</li> </ul> </li> <li>4. A prohibition system, which prohibits the consumption, possession, purchase, sale or transport of liquor within the settlement, municipality or area.</li> </ol>

import permit from one of the three permit agent offices in Cambridge Bay, Rankin Inlet, or Iqaluit. Given the added costs of cargo, this will continue to remain a viable option for most residents living in unrestricted communities and communities under committee system.

The presence of a permit agent office in Cambridge Bay is directly linked to the proximity of the Yellowknife, NWT, liquor stores which are closer and more convenient than either Rankin Inlet or Iqaluit. The permit agent locations in Rankin Inlet and Iqaluit also speak to the demand for imported liquor as an alternate purchasing source.

An import permit is required to import quantities greater than 1,140 ml of spirits or wine or 4,260ml of beer (twelve 355 ml containers). The current import permit fee structure is as follows:

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

Nunavummiut wishing to purchase liquor without an import permit can do so from either the Iqaluit Liquor Warehouse or the Rankin Inlet Liquor Warehouse.

The procedures vary depending on where the individual lives. In communities governed by an Alcohol Education Committee (AEC), individuals apply to their 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.

Where an individual lives in a community under unrestricted status 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. There can be no liquor sales to residents living in a prohibited community.

One final aspect of liquor retailing in Nunavut is the Commission's effort at encouraging recycling in the territory through container deposits. The Commission places a container deposit on all liquor purchases made, bottle, can, or other and is prepared to accept returned empty liquor containers at any established recycling centre. Currently, however, container return centres only exist in Iqaluit and Rankin Inlet. The Commission charges \$0.29 for bottles and \$0.14 per can and gives back \$0.25 per bottle and \$0.10 per can.

**Table 2. Breakdown of communities by their chosen systems:**

Unrestricted System	Committee System	Prohibition System
Bathurst Inlet	Arctic Bay	Arviat
Grise Fiord	Baker Lake	Coral Harbour
Iqaluit	Cambridge Bay	Gjoa Haven
Rankin Inlet	Cape Dorset	Kugaaruk
Taloyoak	Chesterfield Inlet	Pangnirtung
Kugluktuk	Clyde River	Sanikiluaq
	Hall Beach	Whale Cove
	Igloodik	Kimminut
	Pond Inlet	
	Qikiqtarjuaq	
	Repulse Bay	
	Resolute Bay	

# MANAGEMENT'S DISCUSSION AND ANALYSIS & UNAUDITED SCHEDULES

Fiscal 2006-2007 was the Nunavut Liquor Commission's second full year of operations, since taking over responsibility for the public agency from the Government of the Northwest Territories in October of 2004. The Commission's functions had been managed by the NWT Liquor Commission under a service agreement since 1999.

Overall, the Commission sold 529,000 litres of alcohol, in Nunavut worth \$4,709,000. Below is a chart illustrating a breakdown of Commission sales by category of liquor:

Overall Sales	2006-2007		2005-2006		Change vs 2005/06	
	Litres	\$000s	Litres	\$000s	Litres	\$000s
Spirits	42000	1486	39000	1305	3000	182
Wine	22000	365	21000	326	1000	39
Cooler	10000	82	7000	55	3000	27
Beer	455000	2776	460000	3063	(5000)	(287)
Total	529000	4,709	527,000	4,749	2,000	(39)

Warehouse Sales In Litres	Iqaluit		Rankin Inlet		Total		Change
	2006-2007	2005-2006	2006-2007	2005-2006	2006-2007	2005-2006	
Spirits	30,287	26,841	11,833	12,360	42,120	39,201	2,919
Wine	18,314	17,233	3,204	3,986	21,518	21,219	299
Cooler	9,323	5,608	788	1,444	10,111	7,052	3,059
Beer	434,109	428,828	20,946	31,712	455,055	460,340	(5,285)
Total	492,033	478,310	36,771	49,502	528,804	527,812	992

Warehouse Sales in Dollars	Iqaluit		Rankin Inlet		Total		Change
	2006-2007	2005-2006	2006-2007	2005-2006	2006-2007	2005-2006	
Spirits	1,088,943	899,231	396,850	405,130	1,485,593	1,304,361	181,232
Wine	298,685	264,077	88,807	61,943	365,392	328,020	39,372
Cooler	75,813	44,162	6,589	11,256	82,212	55,418	26,794
Beer	2,631,167	2,827,378	144,836	236,907	2,775,803	3,063,283	(287,480)
Total	4,092,308	4,034,846	616,692	714,236	4,709,000	4,749,082	(40,082)

Liquor Enforcement and Inspections generated a total of \$582,661 in revenue. This is broken out by \$422,971 in "Import Permit Fee's" and \$159,690 in "License Renewal Fee's and Special Permits".

	2006-2007	2005-2006	Change
Import Fees	422,971	417,850	5,321
License & SOP	159,690	184,520	(24,830)
Total	582,661	602,170	(19,509)

As the Commission gets better acquainted with the full extent of its responsibilities, functions and processes, Commission staffs are challenged daily with a number of issues of varying degrees of complexity. Some issues are systemic in nature and require long term solutions in

the form of fundamental changes to the Commission's business process.

For example, warehouse capacity in Iqaluit is consistently insufficient requiring a costly annual spring airlift resupply. While a new, expanded, facility would be one solution to the problem, such a capital expenditure must fit with the Government of Nunavut's overall capital expenditure planning process, imposing by consequence a long term approach to the problem. Other issues are the result of normal growing pains experienced by young organizations and usually involve a significant engagement of physical and human resources towards determining best practices in any given area of operations.

Examples of the types of operational areas currently being developed by Commission staff are: finding soft ways to increase warehousing capacity, through better layouts and shipping methods, determining suitable purchasing procedures for the Commission's inventory, and finding ways to reduce the degree of bureaucratic red tape and moderate the impact of air freight charges on the Commission's customers. Addressing these types of issues is feasible in the short term as they represent the kind of obstacles normally encountered in the establishment of enterprise. However, they also represent real costs.

The Commission struggled in 2006-2007 with the additional costs of having to fly in a substantial amount of additional product due to insufficient amounts being ordered throughout the sealift season of 2006. In turn, the lack of product was due to a lack of experienced staff, as the majority were still unfamiliar with a purchasing procedure they had, until then, undergone only once. A sudden change in management late in fiscal 2005-2006 exacerbated the purchasing situation, as the necessary level of supervision required for coordinating an exercise as complex as the marshalling of Nunavut's annual supply of liquor simply evaporated.

As a result, while gross sales remained relatively constant, with only a minor decrease of \$40,000 between 2005-2006 and 2006-2007, the Gross Margin percentage saw a dramatic drop of 11.33%, which greatly contributed to the overall decrease of \$606,498 in the Commission's Net Income. This is due in part to the increased freight costs captured in the airlift resupply of both the Rankin Inlet and Iqaluit warehouses mid way through 2006-2007.

The sealift order which is placed during the winter for the following spring sealift is calculated based on current inventory levels, prior year sealift received, historical sales history, projected sales for following year and input from individual customers and licensees. In addition the capacity of the warehouses in Rankin and Iqaluit is also a factor in the estimated order.

Freight costs of the sealift are substantial lower than the airfreight on air lift shipment. In 2006/2007 a larger than normal quantity of product was shipped in by air. As a result we have a lower gross margin and lower net income.

# **NUNAVUT LIQUOR COMMISSION**

Rankin Inlet, NU

## **CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended March 31, 2007





# NUNAVUT LIQUOR COMMISSION

## CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2007

---

### INDEX

	Page
MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING	23
AUDITOR'S REPORT	24
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Balance Sheet	26
Consolidated Statement of Operations	27
Consolidated Statement of Amount Due to the Government of Nunavut	28
Consolidated Statement of Cash Flows	29
Notes to Consolidated Financial Statements	30 - 38
Schedule of Income and Expenses:	
- Nunavut Liquor Commission	39
- Nunavut Liquor Enforcement	40
- Nunavut Liquor Licensing Board	41



## MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

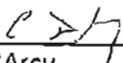
The preparation of these consolidated financial statements for Nunavut Liquor Commission and related information contained in the Annual Report are the responsibility of the management of the Nunavut Liquor Commission.

The accompanying consolidated financial statements were prepared by management in conformity with Canadian generally accepted accounting principles. Furthermore, the financial statements include some amounts, such as amortization of assets and the provision for employee future benefits that are based on management's best estimates and judgment.

The management of the Nunavut Liquor Commission fulfills its accounting and reporting responsibilities for Nunavut Liquor Commission by maintaining systems of financial management and internal control. These systems are continually enhanced and modified to provide accurate information, to safeguard and control assets and to ensure that all transactions are in accordance with the *Liquor Act* and the *Financial Administration Act*.

The Commission's management recognizes its responsibility for conducting the affairs of Nunavut Liquor Commission in accordance with the requirements of applicable laws and sound business principles and for maintaining standards of conduct that are appropriate for a territorial statutory body.

The Auditor General of Canada received the mandate effective for the fiscal year ending March 31, 2007 to conduct an annual audit of the consolidated financial statements in order to express an opinion as to whether the consolidated financial statements present fairly, in all material respects, the financial position, results of operations and cash flows for the year. During the course of the audit, she also examines transactions that have come to her notice, to ensure that they are, in all significant respects, within the statutory powers of the Nunavut Liquor Commission. In the prior year, the consolidated financial statements were audited by a public accounting firm.

  
\_\_\_\_\_  
Chris D'Arcy  
Acting Assistant Deputy Minister  
Policy and Planning

  
\_\_\_\_\_  
Peter Ma, CA  
Deputy Minister of Finance and  
Interim Comptroller General

March 10, 2009



## AUDITOR'S REPORT

To the Minister of Finance Government of Nunavut

I have audited the consolidated balance sheet of the Nunavut Liquor Commission as at 31 March 2007 and the consolidated statements of operations, amount due to the Government of Nunavut and cash flows for the year then ended. These financial statements are the responsibility of management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Nunavut Liquor Commission as at 31 March 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act* of Nunavut, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, except for the failure to meet the deadline for submitting its annual report as described in the following paragraph, proper books of account have been kept by the Nunavut Liquor Commission and the consolidated financial statements are in agreement therewith. In addition, the transactions of the Nunavut 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 Nunavut and regulations, the *Liquor Act* (Nunavut) and regulations and the by-laws of the Nunavut Liquor Commission.

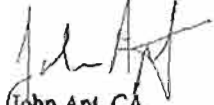
Under section 100(1) of the *Financial Administration Act* of Nunavut, every public agency is required to submit its annual report to the appropriate Minister no later than ninety days after the end of its financial year. The Nunavut Liquor Commission did not meet this deadline.

The financial statements as at 31 March 2006 and for the year then ended, prior to adjustments for the correction of errors as described in Note 3, were audited by another auditor who expressed an opinion without reservation on those statements in his report

.../2

- 2 -

dated 13 September 2007. I have audited the adjustments to the 2006 financial statements and in my opinion, such adjustments, in all material respects, are appropriate and have been properly applied.



John Apt, CA  
Principal  
for the Auditor General of Canada

Ottawa, Canada  
10 March 2009

# NUNAVUT LIQUOR COMMISSION

## CONSOLIDATED BALANCE SHEET

March 31, 2007 2006

(Restated)

### ASSETS

#### Current Assets

Cash	\$ 250	\$ 250
Accounts receivable	54,022	24,854
Inventories (note 4)	1,198,520	618,168
Prepaid expenses	23,460	58,931

1,276,252      702,203

Equipment (note 5) 70,952 101,196

\$ 1,347,204      \$ 803,399

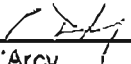
### LIABILITIES


#### Current Liabilities

Accounts payable and accrued liabilities	\$ 630,842	\$ 43,672
Employee future benefits (note 6)	23,885	34,669
Bottle deposit outstanding	17,139	2,488
Deferred revenue	26,306	14,985
Amount due to the Government of Nunavut	649,032	707,585

\$ 1,347,204      \$ 803,399

Commitments (note 7)

  
 Chris D'Arcy  
 Acting Assistant Deputy Minister  
 Policy and Planning

  
 Peter Ma, CA  
 Deputy Minister of Finance and  
 Interim Comptroller General

# NUNAVUT LIQUOR COMMISSION

## CONSOLIDATED STATEMENT OF OPERATIONS

For the year ended March 31,	2007	2006
		(Restated)
<b>Sales</b>	\$ 4,709,000	\$ 4,749,082
<b>Cost of Sales</b>	2,438,014	1,920,659
	2,270,986	2,828,423
<b>Other Income</b>		
Import fees	422,971	417,650
Licence, fees and permits	159,690	184,520
	2,853,647	3,430,593
<b>Expenses</b>		
Advertising and promotion	2,312	11,256
Amortization	39,255	28,308
Bank charges and interest	17,258	15,135
Bottle deposits refund	140,915	120,647
Communications	19,276	20,861
Computer services	1,964	12,322
Contractor fees	195,597	137,947
Honoraria	43,150	38,025
Office	37,919	74,825
Professional fees	1,983	115,161
Rent	416,718	374,721
Repairs and maintenance	44,112	32,736
Salaries and benefits	1,225,153	1,251,768
Travel	159,839	100,922
Utilities	63,244	44,509
	2,408,695	2,379,143
<b>Net Operating Income</b>	\$ 444,952	\$ 1,051,450

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

# NUNAVUT LIQUOR COMMISSION

## CONSOLIDATED STATEMENT OF AMOUNT DUE TO THE GOVERNMENT OF NUNAVUT

For the year ended March 31,	2007	2006
		(Restated)
Balance, beginning of year	\$ 707,585	\$ 655,895
Net income for the year	444,952	1,174,090
Net transfer of funds to the Government of Nunavut	( 503,505)	( 1,154,492)
Balance, end of year	649,032	675,493
Correction of errors (note 3):		
• Error related to capitalization of capital assets	-	( 28,536)
• Error related to services provided without charge	-	48,487
• Error related to cut-off	-	12,891
• Error related to classification	-	( 750)
Amount due to the Government of Nunavut, end of year	\$ 649,032	\$ 707,585

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



# NUNAVUT LIQUOR COMMISSION

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31,	2007	2006
		(Restated)
<b>Cash Flows from Operating Activities</b>		
Cash receipts from customers	\$ 5,273,814	\$ 5,356,489
Cash paid to suppliers and employees	( 4,761,298)	( 4,310,660)
Cash transferred to Government of Nunavut	( 503,505)	( 971,224)
<b>Cash Provided by Operating Activities</b>	9,011	74,605
<b>Cash Flows for Investing Activities</b>		
Purchase of furniture and equipment	( 9,011)	( 74,605)
<b>Cash Used In Investing Activities</b>	( 9,011)	( 74,605)
<b>Net Increase (Decrease) in Cash</b>	-	-
<b>Cash, beginning of year</b>	250	250
<b>Cash, end of year</b>	\$ 250	\$ 250

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

# NUNAVUT LIQUOR COMMISSION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

---

March 31, 2007

---

### 1. Authority and Operations

The Nunavut Liquor Commission (NLC) - The Commission is established under Part II of the *Liquor Act (Nunavut)*.

The Commission is responsible for the operation of the liquor warehouses and the purchase and sale of liquor in Nunavut through the Liquor Revolving Fund of the Government of Nunavut. The Commission is authorized by the Legislative Assembly to receive free working capital advances from time to time not exceeding \$6,500,000 to finance its operations. The NLC did not request any working capital advances for the 2006-07 fiscal year, as the Government of Nunavut currently covers all of the expenses of the Nunavut Liquor Commission.

The Commission, in addition to its regular responsibilities manages, directs and provides financial services to, and on behalf of the Nunavut Liquor Licensing Board and the Liquor Enforcement and Inspections Division. As such, the Commission controls the aforementioned groups. As a result of this control, the Nunavut Liquor Licensing Board and the Liquor Enforcement Inspections Division are consolidated into the Nunavut Liquor Commission. In addition, there are no related party transactions, except with the Government of Nunavut.

The attached Schedules of Income and Expenses segregate the operations of the Nunavut Liquor Commission, Nunavut Liquor Licensing Board and the Liquor Enforcement and Inspections Division.

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

The Nunavut Liquor Licensing Board - The 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 the specified type and conditions.

### 2. Significant Accounting Policies

#### (a) Consolidated Financial Statements

NLC's accounting policies are guided by the Canadian Institute of Chartered Accountants' Handbook. As such, the consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

#### (b) Basis of Consolidation

The consolidated financial statements include the assets and liabilities and results of operations of the Nunavut Liquor Commission, Nunavut Liquor Licensing Board and the Nunavut Liquor Enforcement and Inspections Division for which the Nunavut Liquor Commission exhibits control, by managing, directing and providing financial services. There were no Inter-entity balances and transactions which had to be eliminated in the consolidated figures.

# NUNAVUT LIQUOR COMMISSION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

---

March 31, 2007

---

### 2. Significant Accounting Policies (Continued)

(c) Measurement of Uncertainty

The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles requires the use of estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses reported in the consolidated financial statements. By their nature, these estimates are subject to measurement uncertainty. The effect on the consolidated financial statements of changes to such estimates and assumptions in future periods could be significant, although, at the time of preparation of these consolidated financial statements, management believes the estimates and assumptions to be reasonable. Significant management estimates include the liability for refundable deposits on containers, services received without charge, the provision for employee future benefits and the useful lives of equipment.

(d) Cash

A small cash float is maintained by NLC. All sales and other cash receipts of NLC are deposited to the Government of Nunavut Consolidated Revenue Fund while all expenses of NLC are paid directly by the Government of Nunavut through the Consolidated Revenue Fund.

(e) Inventories

Inventories consist of alcohol products valued at the lower of cost or net realizable value on a first-in, first-out basis.

(f) Accounts Receivable

Accounts receivable are valued at the lower cost and net recoverable value. Valuation allowances, if necessary are recorded based on all circumstances known at the date these consolidated financial statements are prepared, including past events and current conditions.

(g) Equipment

Equipment is recorded at cost. Amortization is provided on a declining balance basis over the estimated useful life of the assets. In the year of purchase, a "half-year-rule" is applied. The rates are as follows:

---

Computer hardware	30%
Computer software	100%
Furniture and equipment	20%

---

# NUNAVUT LIQUOR COMMISSION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

---

March 31, 2007

---

### 2. Significant Accounting Policies (Continued)

(h) Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities are recorded as incurred. Annual, in lieu and optional leave liabilities have been included in accrued liabilities.

(i) Bottle Deposit Liability

The bottle deposit liability is estimated based on the last three months of sales, to allow time for licensees and clients to return recyclables for refund.

(j) Deferred Revenue

Revenues received in advance of goods being provided or services being performed are deferred. The amount will be taken into income when the related goods or services are provided.

(k) Services Provided Without Charge

The Government of Nunavut provides certain services without charge to the NLC. The estimated value of these services is included in their related account balances.

(l) Employee Future Benefits

Non-pension Benefits

Under the conditions of employment, eligible employees may earn non-pension benefits for resignation, retirement and removal costs based on years of service. The benefits are paid upon resignation, retirement or death of an employee. The expected cost of providing these benefits is recognized as employees render service and has been determined based on management's assumptions and best estimates. The NLC provides severance and retirement benefits to eligible employees based on years of service and final salary, and removal benefits based on years of service and community of residence. The cost of the benefits has been determined based on management's best estimates.

Pension Benefits

Eligible employees of the NLC participate in the Public Service Pension Plan administered by the Government of Canada. The employees and NLC contribute to the cost of the Plan. The NLC's contributions to the Plan reflect the full cost of the employer contributions. This amount is currently based on a multiple of the employee's required contributions and may change from time to time depending on the experience of the Plan. The NLC contributes at a rate of 2.14 times (2006: 2.14 times) the employee's contribution. These contributions are charged to expenditures on a current year basis, and represent the total pension obligation of the NLC. NLC is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Pension Plan.

# NUNAVUT LIQUOR COMMISSION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

---

March 31, 2007

---

### 2. Significant Accounting Policies (Continued)

#### (m) Revenue Recognition

Revenue from sales of liquor and import fees are recorded when the customer places their order, it has been paid in full and the products have been shipped.

Revenue from licence fees and permits are recognized over the term of the licence. Licences do not exceed one year.

#### (n) Expenses

Expenses are recorded on an accrual basis. These expenses are paid directly by the Government through the Consolidated Revenue Fund.

#### (o) Fair Value of Financial Instruments

The transactions related to financial assets and liabilities are incurred in the normal course of business. The carrying amounts of these accounts approximate their fair value because of their short-term maturity.

#### (p) Future Accounting Changes

The *Canadian Institute of Chartered Accountants* issued a number of new accounting standards that may impact the NLC's future consolidated financial statements. *Section 3855 - Financial Instruments - Recognition and Measurement, Section 1530, Comprehensive Income.*

*Section 3855 - Financial Instruments - Recognition and Measurement*, establishes the criteria for recognition, derecognizing, measurement and classification of financial instruments. Under the new standards, all financial instruments are classified into one of the following categories: financial assets held for trading, held-to-maturity, available-for-sale, or loans and receivables, and financial liabilities held for trading, or other financial liabilities. Upon initial recognition, financial assets and financial liabilities are required to be measured at their fair value except for certain related party transactions which are required to be measured at the carrying amount or exchange amount. Subsequent measurement and changes in fair value will depend on their initial classification or designation which depends on the purpose for which the financial instruments were acquired and their characteristics. Except in very limited circumstances, the classification is not changed subsequent to initial recognition. Held for trading financial instruments are subsequently measured at fair value and all gains and losses are recognized in net income in the period in which they arise. Available-for-sale financial instruments are subsequently measured at fair value with revaluation gains and losses included in other comprehensive income until the instrument is derecognized or impaired at which time the amounts would be recognized in net income. Financial assets held-to-maturity, loans and receivables, and other liabilities are measured at amortized cost.

# NUNAVUT LIQUOR COMMISSION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

---

March 31, 2007

---

### 2. Significant Accounting Policies (Continued)

#### (p) Future Accounting Changes (Continued)

*Section 1530, Comprehensive Income*, describes reporting and disclosure requirements with respect to comprehensive income and its components. Comprehensive income would be composed of the NLC's net income and other comprehensive income, and requires certain unrealized gains and losses resulting from changes in fair value of certain financial instruments, that would otherwise be recorded as part of net income, to be presented in other comprehensive income until such time as it is considered appropriate for them to be recognized in net income.

NLC is currently evaluating the impacts of these standards for the fiscal year 2007-2008.

### 3. Correction of Errors

#### (a) Capitalization of Capital Assets

During 2007, NLC performed a review to ensure capital assets had been consistently identified and recorded. NLC determined that capitalization had not consistently occurred in the current and prior years. To correct this error, equipment, amortization, computer services and amount due to the Government of Nunavut have been restated.

#### (b) Services Provided without Charge

During 2007, the NLC determined that it had incorrectly omitted services provided without charge by the Government of Nunavut from its reported financial results. No amounts had been recorded or reported for these services in prior years. To correct this error, the following have been restated:

- equipment,
- amount due to Government of Nunavut,
- amortization,
- communications,
- rent,
- repairs and maintenance, and
- utilities.

#### (c) Cut-off

The NLC assessed that some expenses for years prior to 2005-06 were recorded in 2006-2007 in error. To correct this error, the professional fees and amount due to the Government of Nunavut have been restated.

# NUNAVUT LIQUOR COMMISSION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2007

### 3. Correction of Errors (Continued)

#### (d) Classification

During 2007, the NLC determined that it had incorrectly classified expenses in the 2006 fiscal year. To correct this error, the following expenses have been restated:

- amount due to Government of Nunavut,
- bottle deposits refund,
- contractor fees, and
- professional fees

Correction of errors are summarized as follows:

	2006 As Previously Reported	(a) Capitalization of Capital Assets	(b) Services Provided without Charge	(c) Cut-off	(d) Classification	2006 Restated
Equipment	\$ 69,102	\$( 28,536)	\$ 60,630	\$ -	\$ -	\$ 101,196
Amount due to Government of Nunavut	675,493	( 28,536)	48,487	12,891	( 750)	707,585
Amortization	27,413	( 5,893)	6,788	-	-	28,308
Bottle deposits refund	111,397	-	-	-	9,250	120,647
Communications	5,861	-	15,000	-	-	20,861
Computer services	6,429	5,893	-	-	-	12,322
Contractor fees	205,997	-	-	-	( 68,800)	137,197
Professional fees	43,470	-	-	12,891	58,800	115,161
Rent	320,175	-	54,546	-	-	374,721
Repairs and maintenance	10,283	-	22,453	-	-	32,736
Utilities	\$ 33,547	\$ -	\$ 10,962	\$ -	\$ -	\$ 44,509

# NUNAVUT LIQUOR COMMISSION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2007

4. Inventories	2007		2006	
Spirits	\$	323,689	\$	266,265
Wine		137,742		171,522
Beer		721,028		46,149
Coolers and ciders		16,061		161,838
		1,198,520		645,774
Less: Allowance for obsolescence		-	(	27,606)
	\$	1,198,520	\$	618,168

5. Equipment	2007				2006	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value		
					(Restated)	
Computer hardware	\$ 29,679	\$ 20,691	\$ 8,988	\$ 12,841		
Computer software	50,777	46,271	4,506	16,532		
Furniture and equipment	82,175	24,717	57,458	71,823		
	\$ 162,631	\$ 91,679	\$ 70,952	\$ 101,196		

### 6. Employee Future Benefits

#### Non-pension Benefits

NLC provides non-pension benefits to its employees for severance and removal costs. No employees at the current time meet the criteria for severance and removal costs.

#### Pension Plan

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



# NUNAVUT LIQUOR COMMISSION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2007

### 6. Employee Future Benefits (Continued)

	2007	2006
Employer's contributions	\$ 92,119	\$ 57,450
Employee's contributions	43,046	27,093

The Employee Future Benefits accrued by the NLC for the current year relate to accrued leave benefits. This has been accrued in accordance Article 17 of the Collective Agreement between the Nunavut Employees Union and the Government of Nunavut.

### 7. Commitments

There is a ten year lease effective April 1, 2004, expiring April 1, 2014, for warehouse and office premises in Rankin Inlet. A five year lease agreement, effective April 1, 2007, and expiring April 1, 2012, for the liquor warehouse in Iqaluit valued at \$120,000 per year is also in place. The minimum annual lease payments are as follows:

Fiscal year ending March 31	Total
2008	\$ 401,516
2009	401,516
2010	401,516
2011	401,516
2012 - 2014	964,548
	\$ 2,570,612

### 8. Related Party Transactions

All sums collected by NLC are deposited directly into a Government bank account, and the Government of Nunavut pays for all of the expenses of the NLC. Expenses include the following services provided without charge:

	2007	2006
		(Restated)
Purchase of equipment	\$ -	\$ 67,875
Communications	15,000	15,000
Rent	120,000	78,000
Repairs and maintenance	35,114	22,453
Utilities	24,346	10,962

# **NUNAVUT LIQUOR COMMISSION**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

---

March 31, 2007

---

**9. Subsequent Event**

As of April 1, 2007, responsibility for the Nunavut Liquor Licensing Board was transferred to the Department of Justice of the Government of Nunavut. NLC will no longer administer and control the financial affairs and operations of the Nunavut Liquor Licensing Board.

**10. Comparative Figures**

Other than the restatement above, certain figures presented for comparative purposes have been reclassified to conform with current year's presentation.

# NUNAVUT LIQUOR COMMISSION

## SCHEDULE OF INCOME AND EXPENSES - NUNAVUT LIQUOR COMMISSION

For the year ended March 31,	2007	2006
		(Restated)
<b>Sales</b>	\$ 4,709,000	\$ 4,749,082
<b>Cost of Sales</b>	2,438,014	1,920,659
<b>Gross Margin</b>	2,270,986	2,828,423
<b>Other Income</b>		
Import fees	-	-
Licence, fees and permits	-	-
	2,270,986	2,828,423
<b>Expenses</b>		
Advertising and promotion	37	-
Amortization	39,255	28,308
Bank charges and interest	17,258	15,135
Bottle deposits refund	140,915	120,647
Communication	15,090	20,861
Computer services	1,964	12,322
Contractor fees	12,160	36,271
Honoraria	-	-
Office	26,193	49,563
Professional fees	1,083	72,774
Rent	416,718	374,721
Repairs and maintenance	42,838	32,671
Salaries and benefits	979,018	980,276
Travel	23,054	-
Utilities	63,244	44,509
	1,778,827	1,788,058
<b>Net Income (Loss)</b>	\$ 492,159	\$ 1,040,365

# NUNAVUT LIQUOR COMMISSION

## SCHEDULE OF INCOME AND EXPENSES - NUNAVUT LIQUOR ENFORCEMENT

For the year ended March 31,	2007	2006
		(Restated)
<b>Sales</b>	\$ -	\$ -
<b>Cost of Sales</b>	-	-
<b>Gross Margin</b>	-	-
<b>Other Income</b>		
Import fees	422,971	417,650
Licence, fees and permits	159,690	184,520
	582,661	602,170
<b>Expenses</b>		
Advertising and promotion	2,275	-
Amortization	-	-
Bank charges and interest	-	-
Bottle deposits refund	-	-
Communication	4,186	-
Computer services	-	-
Contractor fees	120,808	42,831
Honoraria	-	-
Office	9,185	13,416
Professional fees	900	200
Rent	-	-
Repairs and maintenance	1,274	65
Salaries and benefits	246,135	271,492
Travel	11,249	13,796
Utilities	-	-
	396,012	341,800
<b>Net Income (Loss)</b>	\$ 186,649	\$ 260,370

**NUNAVUT LIQUOR COMMISSION**  
**SCHEDULE OF INCOME AND EXPENSES - NUNAVUT LIQUOR LICENSING**  
**BOARD**

For the year ended March 31,	2007	2006
		(Restated)
<b>Sales</b>	\$ -	\$ -
<b>Cost of Sales</b>	-	-
<b>Gross Margin</b>	-	-
<b>Other Income</b>		
Import fees	-	-
Licence, fees and permits	-	-
	-	-
<b>Expenses</b>		
Advertising and promotion	-	11,256
Amortization	-	-
Bank charges and interest	-	-
Bottle deposits refund	-	-
Communication	-	-
Computer services	-	-
Contractor fees	62,629	58,845
Honoraria	43,150	38,025
Office	2,541	11,846
Professional fees	-	42,187
Rent	-	-
Repairs and maintenance	-	-
Salaries and benefits	-	-
Travel	125,536	87,126
Utilities	-	-
	233,856	249,285
<b>Net Income (Loss)</b>	\$( 233,856)	\$( 249,285)



