Financial Statements of

BC LIQUOR DISTRIBUTION BRANCH

For year ended March 31, 2017

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of the British Columbia Liquor Distribution Branch have been prepared by management in accordance with International Financial Reporting Standards. Any financial information contained elsewhere in the annual report has been reviewed to ensure consistency with the financial statements.

Management is responsible for the integrity of the financial statements and has established systems of internal control to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and financial records are properly maintained to facilitate the preparation of financial statements in a timely manner.

The Office of the Auditor General of British Columbia has performed an independent audit of the financial statements of the Liquor Distribution Branch. The Auditor's Report outlines the scope of this independent audit and expresses an opinion on the financial statements of the Liquor Distribution Branch.

R. Blain Lawson
General Manager and Chief Executive Officer

Roger M. Bissoondatt, CPA,CA, CMA
Chief Financial Officer

Vancouver, British Columbia
May 15, 2017

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OFFICE OF THE
Auditor General
of British Columbia

INDEPENDENT AUDITOR'S REPORT

To the Minister of Small Business, Red Tape Reduction and Responsible for the Liquor Distribution Branch, Province of British Columbia

I have audited the accompanying financial statements of the British Columbia Liquor Distribution Branch, which comprise the statement of financial position as at March 31, 2017, and the statement of comprehensive income, statement of due (to) from the Province of British Columbia, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

In my view, the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the British Columbia Liquor Distribution Branch as at March 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Russ Jones

Victoria, British Columbia	Russ Jones, FCPA, FCA
May 15, 2017	Deputy Auditor General

BC LIQUOR DISTRIBUTION BRANCH

Statement of Comprehensive Income
(in thousands of dollars)

For the years ended March 31, 2017 and 2016

	Note	2017	2016
Sales	4	$ 3,331,532	$ 3,157,039
Cost of sales		(1,921,582)	(1,809,582)
Gross Profit		1,409,950	1,347,457
Operating Expenses:			
Administration	5, 14	(331,990)	(320,318)
Marketing	5	(5,150)	(4,551)
Transportation	5	(1,339)	(1,153)
		(338,479)	(326,022)
Net operating income		1,071,471	1,021,435
Other income		11,775	9,836
Net income and comprehensive income		$ 1,083,246	$ 1,031,271

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

BC LIQUOR DISTRIBUTION BRANCH

Statement of Due (to) from the Province of British Columbia
(in thousands of dollars)

For the years ended March 31, 2017 and 2016

	2017	2016
Balance beginning of year	$ (12,434)	$ 3,608
Net income and comprehensive income	(1,083,246)	(1,031,271)
Payments to the Province of British Columbia	1,067,170	1,015,229
Balance end of year	$ (28,510)	$ (12,434)

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

BC LIQUOR DISTRIBUTION BRANCH

Statement of Financial Position
(in thousands of dollars)

For the years ended March 31, 2017 and 2016

	Note	2017	2016
Assets			
Current assets:			
Cash		$ 23,671	$ 17,690
Accounts receivable	6	8,784	12,737
Prepaid expenses	7	7,594	5,015
Inventories	8	112,357	98,983
		152,406	134,425
Non-current assets:			
Prepaid expenses	7	759	1,855
Intangible assets	9	32,697	20,128
Property and equipment	10	47,788	48,792
		81,244	70,775
Total assets		$ 233,650	$ 205,200
Liabilities			
Current:			
Accounts payable and accrued liabilities	11, 14, 15	$ 174,566	$ 164,551
Due to Province of British Columbia	12	28,510	12,434
		203,076	176,985
Non-current liabilities:			
Other long-term liabilities	13, 14, 15	30,574	28,215
		30,574	28,215
Total liabilities		$ 233,650	$ 205,200

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

Approved for issue on May 15, 2017 by:

R. Blain Lawson
General Manager and Chief Executive Officer

Roger M. Bissoondatt, CPA, CA, CMA
Chief Financial Officer

BC LIQUOR DISTRIBUTION BRANCH

Statement of Cash flows
(in thousands of dollars)

For the years ended March 31, 2017 and 2016

	Notes	2017	2016
Cash provided by (used in):			
Operating:			
Net income and comprehensive income		$ 1,083,246	$ 1,031,271
Items not involving cash:			
Depreciation and amortization		14,815	16,661
Loss (gain) on retirement/disposal of property and equipment		330	(45)
Rent and lease amortization		372	(336)
Accrued employee benefits		2,011	2,008
Change in non-cash operating working capital:			
Long term assets		1,096	(34)
Working capital		(2,009)	(7,866)
		1,099,861	1,041,659
Investing:			
Acquisition of property and equipment	10	(11,478)	(13,088)
Acquisition of intangible assets	9	(15,258)	(10,040)
Proceeds from disposal of property and equipment		26	107
		(26,710)	(23,021)
Financing:			
Payments to the Province of British Columbia	12	(1,067,170)	(1,015,229)
Payment of capital leases		-	(4)
		(1,067,170)	(1,015,233)
Increase in cash		5,981	3,405
Cash, beginning of year		17,690	14,285
Cash, end of year		$ 23,671	$ 17,690

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

1. Description of operations

The British Columbia Liquor Distribution Branch (the LDB) is one of two branches of the Province of British Columbia (the Province) responsible for the beverage alcohol industry in British Columbia and reports to the Ministry of Small Business and Red Tape Reduction.

The LDB obtains its authority for operation from the British Columbia Liquor Distribution Act (the Act). As stated in Section 2 of the Act, the LDB has the exclusive right to purchase liquor for resale and reuse in the Province in accordance with the provisions of the Importation of Intoxicating Liquors Act (Canada).

The LDB is reported in the public accounts on a modified equity basis, in a manner similar to a commercial Crown corporation. The LDB does not reflect any equity on its balance sheet as all net income is returned to the Province of British Columbia.

The LDB is exempt from Canadian federal and British Columbia provincial income taxes.

2. Basis of accounting

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis. The accounts have been prepared on a going concern basis.

(c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the LDB’s functional currency. All financial information has been rounded to the nearest thousand.

(d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the LDB’s accounting policies. Actual results could differ from those estimates.

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

2. Basis of accounting (continued)

(d) Use of estimates and judgments (continued)

In determining and applying accounting policies, judgment is often required where the choice of specific policy, assumption or account estimate to be followed could materially affect the reported results or net position of the LDB, should it later be determined that a different choice would be more appropriate.

Management considers the following to be areas of significant judgment and estimation for the LDB due to greater complexity and/or being particularly subject to the exercise of judgment:

(i) Property and equipment

The determination of the useful economic life and residual values of property and equipment is subject to management estimation. The LDB regularly reviews all of its depreciation rates and residual values to take account of any changes in circumstances, and any changes that could affect prospective depreciation charges and asset carrying values.

(ii) Employee benefits – Retiring allowances

Employees who are eligible to retire and receive pension benefits under the Public Service Pension Plan are granted full vacation entitlement for the final calendar year of service. The LDB recognizes a liability and an expense for retiring allowances when benefits are earned and not when these benefits are paid. These obligations are valued by independent actuaries.

3. Significant accounting policies

The accounting policies below have been applied consistently to all periods presented in these financial statements, unless otherwise indicated.

(a) Foreign currency translation

The LDB in the normal course of business purchases product in foreign currency. Any foreign currency transactions are translated into Canadian dollars at the rate of exchange in effect at the transaction date. Any foreign currency denominated monetary assets and liabilities are stated using the prevailing rate of exchange at the date of the statement of financial position. The resulting foreign currency gains or losses are recognized on a net basis within administrative expenses in the statement of comprehensive income.

3. Significant accounting policies (continued)

(b) Financial instruments

Financial assets are recognized when the LDB has rights or other access to economic benefits. Such assets consist of cash or a contractual right to receive cash or another financial asset. The LDB derecognizes a financial asset when the contractual rights to the cash flows from the asset have expired or have been transferred and all the risks and rewards of ownership are substantially transferred.

All of the LDB's financial assets are designated as loans and receivables and deposits. The LDB initially recognizes loans and receivables and deposits on the date that they originate.

Financial liabilities are recognized when there is an obligation to transfer benefits and that obligation is a contractual liability to deliver cash or another financial asset. Financial liabilities are derecognized when they are extinguished.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the LDB has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The LDB has the following categories of financial assets and financial liabilities:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the LDB provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities of greater than 12 months after the statement of financial position date which are classified as non-current assets. Loans and receivables are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any provision for impairment. Any resulting income or expense is recognized in the statement of comprehensive income. Loans and receivables include accounts receivable, cash on hand and bank deposits in transit.

3. Significant accounting policies (continued)

(b) Financial instruments (continued)

Loans and receivables (continued)

(i) Accounts receivable

Accounts receivable are recognized initially at the invoice amount, which approximates the fair value.

A provision for impairment of trade receivables is established when there is objective evidence that the LDB will not be able to collect all amounts due according to the terms of the receivables. The carrying amount of accounts receivable is reduced through the use of an allowance account, and the amount of the loss is recognized in the statement of comprehensive income. The amount of the provision is the difference between the asset's carrying value and the present value of the estimated future cash flows discounted at the original effective interest rate. Subsequent recoveries of amounts previously written off are credited to other income.

(ii) Cash and cash equivalents

Cash and cash equivalents include cash on hand and bank deposits in transit and bank overdrafts. Bank overdrafts are shown as bank indebtedness in current liabilities on the statement of financial position.

Financial liabilities held at amortized cost

Financial liabilities are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method and include accounts payable, tenant improvement loans and bank indebtedness. Any resulting income or expense is recognized in the statement of comprehensive income.

(i) Accounts payable

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the payment is due within one year or less and non-current liabilities if the payment is due more than one year from the statement of financial position date.

(ii) Bank indebtedness

Bank indebtedness is shown in current liabilities and included within cash and cash equivalents on the statement of cash flows as it forms an integral part of the LDB's cash management.

3. Significant accounting policies (continued)

(c) Property and equipment

Property and equipment are measured at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the LDB and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

(i) Construction in process

Construction in process is carried at cost less any impairment loss. Cost includes professional fees, materials, direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. When these assets are ready for their intended use, they are transferred into the appropriate category. At this point, depreciation commences on the same basis as the other property and equipment.

(ii) Assets held under finance leases

Refer to note 3(f).

(d) Intangible assets

Where computer software is not an integral part of a related item of property and equipment, the software is capitalized as an intangible asset.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring them into use. Direct costs associated with the production of identifiable and unique internally generated software products controlled by the LDB that will generate economic benefits exceeding costs beyond one year are capitalized. Direct costs include software development employment costs including those of contractors used. Where assets are under construction over a period of time, these costs are recorded in a construction in progress account until put into use.

Costs associated with maintaining computer software programs are recognized as an expense as incurred.

3. Significant accounting policies (continued)

(d) Intangible assets (continued)

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Intangible assets acquired by the LDB that have finite lives and are measured at cost less accumulated amortization and accumulated impairment losses.

(e) Depreciation of non-financial assets

No depreciation is provided on land or assets in the course of construction. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Asset	Rate
Buildings	2.5 - 5% per annum
Leasehold improvements	a minimum of 10% per annum or a rate sufficient to amortize the cost over the remaining life of the respective lease
Furniture, fixtures, vehicles and equipment	10 - 25% per annum
Information systems	25% per annum
Computer software development costs	25% per annum

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each date of the statement of financial position.

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

3. Significant accounting policies (continued)

(f) Leases

When assets are financed by leasing agreements that transfer substantially all of the risks and rewards of ownership to the LDB (finance leases), the assets are treated as if they had been purchased outright, and the corresponding liability to the leasing company is included as an obligation under finance leases. Finance leases are capitalized at the lease’s commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables and current payables, as appropriate. The interest element of the finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

All other leases are operating leases and the costs are recorded on a straight-line basis over the lease term. The value of any lease incentive received to take on an operating lease (for example, rent-free periods and tenant allowances) is recognized as deferred income and is recognized over the life of the lease.

(g) Inventories

The LDB’s inventories are valued at the lower of cost and net realizable value. Inventories are determined on a weighted average cost basis. Cost of inventories comprises of cost of purchase to bring inventories to a LDB distribution centre and includes supplier invoiced value, freight, duties and taxes. Net realizable value represents the estimated selling price for inventories less the costs to sell.

(h) Impairment of assets

Assets that are subject to depreciation and amortization are reviewed at each statement of financial position date to determine whether there is any indication that assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (the “cash-generating unit”, or “CGUs”), which are based on the LDB’s individual stores.

3. Significant accounting policies (continued)

(h) Impairment of assets (continued)

Non-financial assets that suffered an impairment loss are reviewed for possible reversal of the impairment at each reporting date. An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. This reversal would be recognized immediately in the statement of comprehensive income.

(i) Employee benefit plans

The LDB and its employees contribute to the Public Service Pension Plan in accordance with the Public Service Pension Plans Act. Defined contribution plan accounting is applied to the jointly trusteed pension plan because sufficient information is not available to apply defined benefit accounting. Accordingly, contributions are expensed as they become payable. Employees are also entitled to specific retirement benefits as provided for under collective agreements and terms of employment. These benefits are accounted for as an expense and a liability in the period incurred.

(j) Provisions

Provisions are recognized if, as a result of a past event, the LDB has a legal or constructive obligation upon which a reliable estimate can be made, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are calculated on a discounted basis where the effect is material to the original undiscounted provision. The carrying amount of the provision increases in each period to reflect the passage of time and the unwinding of the discount.

(k) Revenue recognition

Reported revenue represents the fair value of consideration received or receivable in exchange for goods and services provided to third parties in the course of ordinary activities.

Revenue is recognized when the risks and rewards of ownership are substantially transferred.

Revenue is stated net of discounts, commission, estimated returns and excludes provincial sales tax, federal goods and services tax, container recycling fees and container deposits.

3. Significant accounting policies (continued)

(l) Other income

Revenue that is ancillary to the sales of beverage alcohol is recognized as other income. Other income includes revenue from beverage container handling fees, border point collections and customs clearing administrative fees.

(m) Recent accounting developments

New standards, interpretations, and amendments of standards adopted by the LDB

On April 1, 2016, the LDB adopted the following new standard that was issued by the International Accounting Standards Board (IASB).

(i) *IAS 16 Property, Plant, and Equipment* and *IAS 38 Intangible Assets* – clarifies when the method of depreciation or amortisation based on revenue may be appropriate. The amendment to IAS 16 clarifies that depreciation of an item of property, plant and equipment based on revenue generated by using the asset is not appropriate. The amendment to IAS 38 establishes that amortisation of an intangible asset based on revenue generated by using the asset is appropriate only in certain limited circumstances.

Standards and interpretations issued but not yet effective and not yet adopted by the LDB

The following new IFRS standards, amendments and interpretations to existing standards have been published by the IASB and are relevant to the LDB. They are not yet effective and have not been early adopted. The impact on the financial statements has not yet been assessed.

(i) *IFRS 9, 'Financial Instruments'*

IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard also introduces additional changes relating to financial liabilities; amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment; and a new general hedge accounting standard which aligns hedge accounting more closely with risk management.

The standard is effective for accounting periods beginning on or after January 1, 2018 with early adoption permitted.

3. Significant accounting policies (continued)

(m) Recent accounting developments (continued)

Standards and interpretations issued but not yet effective and not yet adopted by the LDB (continued)

(ii) *IFRS 15, 'Revenue from Contracts with Customers'*

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. IFRS 15 will replace IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers, and SIC 31 Revenue – Barter Transactions Involving Advertising Services.

The standard is effective for accounting periods beginning on or after January 1, 2018, with early adoption permitted.

(iii) *IFRS 16 ' Leases'*

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The standard is effective for accounting periods beginning on or after January 1, 2019. Earlier application is permitted, but only in conjunction with IFRS 15.

(Tabular amounts in thousands of dollars)

4. Sales

Total sales reported include sales to various customers including retail customers, licensed establishments, licensee retail stores and agency stores. These amounts do not include subsequent resale by hospitality establishments, licensee retail stores and agency stores.

	2017	2016
Retail customers	$ 1,433,076	$ 1,378,329
Licensee retail stores	1,027,230	965,851
Hospitality customers	559,172	532,500
Other customers	221,190	192,480
Retail agency stores	90,864	87,879
Total sales	$ 3,331,532	$ 3,157,039

5. Operating expenses

The LDB's operating expenses are comprised of:

	2017	2016
Administration costs	$ 331,990	$ 320,318
Marketing	5,150	4,551
Transportation	1,339	1,153
	338,479	326,022
Salaries, wages and benefits	194,938	187,804
Rents	46,494	44,340
Bank charges	29,747	27,429
Other administrative expenses	18,409	17,871
Depreciation and amortization	14,815	16,661
Professional services	10,995	8,000
Data processing	8,237	8,569
Repairs and maintenance	5,754	7,399
Marketing	5,150	4,551
Loss prevention	2,601	2,245
Transportation	1,339	1,153
Total operating expenses	$ 338,479	$ 326,022

(Tabular amounts in thousands of dollars)

6. Accounts receivable

	2017	2016
Trade accounts receivable and other items	$ 8,835	$ 13,357
Provision for doubtful accounts	(51)	(620)
Accounts receivable and other items - net	$ 8,784	$ 12,737

Receivables past due but not impaired are $0.4 million (2016 - $0.3 million). During the year the LDB expensed $65 thousand (2016 - $30 thousand) in bad debts expense.

7. Prepaid expenses

Prepaid expenses include insurance, software maintenance and wine futures. The LDB purchases select products up to three years in advance to secure future delivery of these products as part of its ongoing business practices. These products are normally purchased in foreign currency and are translated to Canadian dollars at the spot exchange rate in effect at the transaction date. At March 31, 2017, the LDB has recorded $5.0 million (2016 - $3.3 million) of prepaid wine futures for delivery in fiscal years 2018 to 2020.

	2017	2016
Wine futures	$ 5,027	$ 3,257
Other prepaid expenses	3,326	3,613
	8,353	6,870
Less long term portion	(759)	(1,855)
Current portion	$ 7,594	$ 5,015

8. Inventories

	2017	2016
Store inventory	$ 62,083	$ 58,698
Warehouse inventory	50,274	40,285
Total inventory	$ 112,357	$ 98,983

During the year, inventories that were recognized as cost of sales amounted to $1.9 billion (2016 - $1.8 billion).

(Tabular amounts in thousands of dollars)

9. Intangible assets

	Intangible assets	Construction in process	Total
March 31, 2016			
Opening net book value	$ 7,449	$ 7,215	$ 14,664
Assets reclassified (note 10)	379	-	379
Additions	103	9,937	10,040
CIP Capitalization	911	(911)	-
Amortization charge	(4,955)	-	(4,955)
	$ 3,887	$ 16,241	$ 20,128
Cost	24,595	16,241	40,836
Accumulated amortization	(20,708)	-	(20,708)
Net book value	$ 3,887	$ 16,241	$ 20,128
March 31, 2017			
Opening net book value	$ 3,887	$ 16,241	$ 20,128
Additions	551	14,707	15,258
CIP Capitalization	3,441	(3,441)	-
Disposals (cost)	51	(402)	(351)
Amortization charge	(2,338)	-	(2,338)
	$ 5,592	$ 27,105	$ 32,697
Cost	$ 28,638	$ 27,105	$ 55,743
Accumulated amortization	(23,046)	-	(23,046)
Net book value	$ 5,592	$ 27,105	$ 32,697

(Tabular amounts in thousands of dollars)

10. Property and equipment

	Land & land improvements	Buildings & building improvements	leasehold improvements	Furniture fixtures vehicles & equipment	Held assets under finance leases	Information systems	Construction in process	Total
March 31, 2016								
Opening net book value	644	668	24,801	9,532	-	9,185	3,021	47,851
Assets reclassified (note 9)	-	-	(16)	109	(111)	(361)	-	(379)
Additions	-	65	156	2,713	-	1,732	8,422	13,088
CIP Capitalization	-	-	7,036	484	-	103	(7,623)	-
Disposals (cost)	-	-	(3)	(862)	(94)	(173)	-	(1,132)
Disposals (accumulated amortization)	-	-	-	803	94	173	-	1,070
Depreciation charge	(2)	(50)	(5,976)	(3,162)	111	(2,627)	-	(11,706)
	642	683	25,998	9,617	-	8,032	3,820	48,792
Cost	647	5,882	73,687	43,300	3,695	87,772	3,820	218,803
Accumulated depreciation	(5)	(5,199)	(47,689)	(33,683)	(3,695)	(79,740)	-	(170,011)
Net book value	642	683	25,998	9,617	-	8,032	3,820	48,792
March 31, 2017								
Opening net book value	642	683	25,998	9,617	-	8,032	3,820	48,792
Additions	-	158	4	1,908	-	1,704	7,704	11,478
CIP Capitalization	-	9	7,171	455	-	-	(7,635)	-
Disposals (cost)	-	-	-	(331)	-	(294)	-	(625)
Disposals (accumulated amortization)	-	-	-	327	-	293	-	620
Depreciation charge	(2)	(54)	(6,528)	(3,302)	-	(2,591)	-	(12,477)
	640	796	26,645	8,674	-	7,144	3,889	47,788
Cost	647	6,049	80,862	45,332	3,695	89,182	3,889	229,656
Accumulated depreciation	(7)	(5,253)	(54,217)	(36,658)	(3,695)	(82,038)	-	(181,868)
Net book value	640	796	26,645	8,674	-	7,144	3,889	47,788

(Tabular amounts in thousands of dollars)

11. Accounts payable and accrued liabilities

		2017		2016
Trade payables	$	96,862	$	103,322
Accrued liabilities		73,862		57,473
Other payables		3,344		3,283
Current portion of deferred lease liabilities (note 15)		498		473
	$	174,566	$	164,551

12. Due to/from Province of British Columbia

The LDB uses the Province's financial and banking systems to process and record its transactions. The amount due from the Province represents the accumulated net financial transactions with the Province. During the year, the total receipts from the Province were $2.41 billion (2016 - $2.35 billion) and the total payments to the Province were $3.48 billion (2016 - $3.37 billion).

13. Other long-term liabilities

The LDB's other long-term liabilities are comprised of:

		2017		2016
Retirement benefit obligation (note 14(b))	$	16,373	$	15,902
WorkSafe BC claims accruals (note 14 (c))		10,700		9,500
Long-term portion of deferred lease liabilities (note 15)		1,994		1,647
Other		1,507		1,166
	$	30,574	$	28,215

14. Employees' benefit plans and other employment liabilities

(a) Public Service Pension Plan

The LDB and its employees contribute to the Public Service Pension Plan, a jointly trusteed pension plan. The Public Service Pension Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the plan, including investment of the assets and administration of benefits. The plan is a multi-employer contributory pension plan. Basic pension benefits are based on a formula. The Plan has about 58,000 active plan members and approximately 45,000 retired plan members.

The latest actuarial valuation as at March 31, 2014, indicated a funding surplus of $194 million for basic pension benefits. The next valuation will be March 31, 2017, with results available in early 2018.

Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting).

This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, with the result that there is no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plan.
The total amount paid into this pension plan by the LDB for the year ended March 31, 2017 was $12.2 million for employer contributions (2016 - $11.8 million), which was recorded in administration expenses. At this time, the LDB does not expect significant fluctuations in the future contributions to the plan.

(b) Retirement benefits

Employees are entitled to specific non-pension retirement benefits as provided for under collective agreements and terms of employment. The future liability for this obligation amounts to $16.4 million (2016 - $15.9 million), which represents future employees' retirement benefits outside of the Plan and is included in other long-term liabilities. The amount expensed in the current year was $0.5 million (2016 - $1.1 million).

(c) WorkSafe BC outstanding claims

The LDB self-funds worker's compensation claims. The LDB recognizes a liability and an expense for claims that are in progress at the year-end. This liability of $10.7 million (2016 - $9.5 million) is valued by independent actuaries.

(Tabular amounts in thousands of dollars)

15. Deferred lease liabilities

Deferred lease liabilities are as follows:

	2017	2016
Deferred rent	$ 2,492	$ 2,071
Deferred tenant allowances	-	49
	2,492	2,120
Less current portion	(498)	(473)
Long term portion	$ 1,994	$ 1,647

16. Contractual commitments

(a) Leases

Future commitments for operating leases for LDB premises are as follows:

	2017	2016
Total future minimum rental payments under non-cancellable operating leases expiring:		
Not later than one year	$ 36,483	$ 33,309
Later than one year and not later than five years	90,767	72,654
Later than five years and not later than 25 years	55,642	15,443
	$ 182,892	$ 121,406

The LDB leases various stores, offices and warehouses under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The minimum lease expenditures charged to the statement of comprehensive income during the year is $35.2 million (2016 - $33.4 million).

(b) BC liquor store fees

The LDB pays the Liquor Control and Licensing Branch an annual license fee based on the annual sales in each BC Liquor Store. The LDB paid $0.4 million (2016 - $0.4 million) for license fees during the year.

(Tabular amounts in thousands of dollars)

16. Contractual commitments (continued)

(c) Payroll processing

The LDB has an agreement with the BC Public Service Agency for payroll processing. The LDB paid $0.9 million (2016 - $0.9 million) for processing services. The agreement expires in November 2019.

Other contractual commitments have been disclosed elsewhere in the notes to the financial statements.

17. Contingent items

The LDB is the sole importer of beverage alcohol in the Province. The LDB, as the importer of record, has the future liability for customs duty on import beer of $0.9 million (2016 - $0.9 million) based upon the value of the agents' inventories at March 31, 2017.

The LDB is the defendant in legal actions and it is not expected that the ultimate outcome of these claims will have a material effect on the financial position of the LDB.

18. Capital management

The LDB does not retain any equity. Net income is returned to the Province. The LDB has no externally imposed capital requirements.

19. Related party transactions

(a) Province of British Columbia

All transactions with the Province of BC and its ministries, agencies, and Crown corporations occurred in the normal course of business are at arm's length, which is representative of fair value, unless otherwise disclosed in these notes.

(b) Key management compensation

The LDB's executive management committee is defined as key management. At March 31, 2017, there were 7 (2016 - 7) members on the executive committee.

	2017	2016
Salaries and short term benefits	$ 1,066	$ 1,085
Post-employment benefits	79	79
Fees for services	207	188
	$ 1,352	$ 1,352

Other related party transactions have been disclosed elsewhere in the notes to the financial statements.

20. Fair value of financial instruments

The fair value of a financial instrument is the amount of consideration that could be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act. In certain circumstances, however, the fair value may be based on other observable current market transactions in the same instrument, without modification or on a valuation technique using market-based inputs. The fair values of the LDB's assets and liabilities were determined as follows:

(a) Current assets and liabilities:

The carrying amounts for cash, accounts receivable, accounts payable and accrued liabilities approximate their fair values due to the short-term nature of these items.

(b) Non-current financial liabilities:

The fair-value of the Public Service Pension Plan and WorkSafe BC liability approximate their fair values based on independent actuarial valuation. Retirement benefits are calculated based on pensionable earnings and rates provided by the Public Service Pension Plan which approximates the fair value of the liability (Note 14).

21. Financial risk factors

The LDB is exposed to the following risks related to its financial assets and liabilities:

- Credit risk
- Liquidity risk
- Market risk

It is management's opinion that the LDB is not exposed to significant credit, liquidity or market risk arising from these instruments.

(a) Credit risk

Credit risk is the risk of financial loss to the LDB due to customer inability to pay for product or a counterparty to a financial instrument failing to meet its contractual obligations. The LDB's exposure to credit risk is related only to the value of accounts receivable in its normal course of business, and the LDB manages this risk by minimizing the amount of transactions which require recovery.

Credit risk is the risk of financial loss to the LDB arising from its cash held at financial institutions and the failure of a tenant or other party to meet its contractual obligations related to lease agreements, including future lease payments. See accounts receivable note 3(b) for further disclosure on credit risk.

As at March 31, 2017, the cash balances are held with a major Canadian bank and therefore not exposed to significant credit risk.

21. Financial risk factors (continued)

(b) Liquidity risk

Liquidity risk is the risk that the LDB will be unable to meet its financial obligations as they become due.

The LDB manages liquidity risk primarily by monitoring cash flows and by maintaining the ability to borrow funds through the Province.

(c) Market risk

Market risk is the risk that changes in the market prices, such as foreign exchange rates and interest rates, will affect the LDB's income or the value of its financial instruments.

While the majority of the LDB's transactions are in Canadian dollars, the LDB also transacts in Euros and US dollars. These transactions are in the normal course of business. The LDB's exposure to foreign currency risk could impact the accounts payable of the LDB. A 10% movement in the exchange rate between the Canadian dollar and the other currencies listed above would not have a material impact on the LDB.

The LDB currently does not hold any debt or equity securities and as such is not exposed to interest rate risk. As the LDB has no significant interest-bearing assets and liabilities, the LDB's income and operating cash flows are substantially independent of changes in market interest rates.