

# ANNUAL REPORT

2020-2021





## HIGHLIGHTS

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### CUSTOMER

PG. 5

- **12 NEW** cannabis stores
- **\$8.8M INVESTED** in our store network to improve customer experience

### RESPONSIBILITY

PG. 13

- **Responsibility**

**2.2M ID REQUESTS**

with 22,835 refusals

- **Community**

**\$1M DONATED**, 90+ charities helped with support from our people, partners and customers

- **Environment**

Green House Gas emissions

**DOWN 14%** compared to 2011

### OUR PEOPLE

PG. 21

- **1700+ TEAM MEMBERS** safely serving our customers in communities across the province through COVID-19
- **44 EMPLOYEES** starred in Cheers to Good Choices responsible consumption program

- **5.6M** cases of product shipped by our Distribution Centre team
- **94% SCORE** on a safety audit by Workers' Compensation Board (WCB)

### LOCAL

PG. 27

- **\$22.3M** in Beer sales
- **\$13.6M** in Wine sales
- **\$11.2M** in Spirits sales
- **\$28.6M** in Ready to Drink sales (largely ciders and coolers)
- **\$16.9M** in Cannabis sales

### FINANCIAL HIGHLIGHTS

PG. 31

- **\$793.1M** total sales
- **\$707.0M** beverage alcohol sales
- **\$86.0M** cannabis sales





**NSLC**  
*Signature*



**BOARD CHAIR  
PRESIDENT &  
CEO'S LETTER**

This has been a remarkable year for us as COVID touched everything we did as a business. A global pandemic took us in directions we never expected when we were developing our Strategic Plan (2020–2025).

**WITH PERSEVERANCE** and determination, we navigated together, executing on our strategic priorities, adapting our operations while implementing key initiatives and providing a healthy return to the province.

Teams across the business accomplished this while continuing to maintain focus on serving our customers, fostering the growth of local product sales, and coming together for the good of our communities. As we implemented the first year of our new Strategic Plan during a pandemic, our people adapted, embraced change, and showed outstanding dedication and commitment to our customers and our province.

The pandemic changed our lives and the way we do business as we implemented measures in our stores, Distribution Centre, and Head Office to help keep our people and our customers safe. Our people have shown their resilience, adaptability, and humanity. Because of our teams' willingness to support one another and continue to serve our customers, we were able to keep our doors open. There was strong collaboration across our business as teams supported one another and stepped up to support our community.

Our corporate social responsibility mandate is foundational to our business. Our diligent retail teams

continued their unwavering commitment to responsible sales. Our front-line employees asked for valid photo ID almost 2.2 million times and refused service 22,835 times. These numbers clearly show we take to heart our mandate to ensure the responsible sale of our products.

Throughout this unprecedented year, we invested \$13.5 million in capital projects, including \$8.8 million in our stores. Of that, we invested almost \$5 million revitalizing 13 stores, and \$2.4 million adding 12 new cannabis stores to our network. This is part of our efforts to deliver on our mandate to make legal cannabis safely accessible to Nova Scotians and to provide a consistent shopping experience across the province for our beverage alcohol customers.

On the technology front, we invested \$4.3 million improving our systems, ensuring they remain current and support initiatives across the business.

We strengthened our commitment to support local producers, establishing a Local Industry Committee with representatives from each industry association to engage on policy and regulatory decisions that may impact them. To better support local industry, we expanded a program called Hyper Local which facilitates local brewers getting their products on the shelves of NSLC stores in communities close to where they are brewed.

There was an incredible 30.2% growth in all local beverage alcohol and cannabis product sales last year to \$92.5 million as Nova Scotians supported businesses in their communities.

On the cannabis front, we worked hard to secure the products our customers want, including the consistent availability of larger value pack sizes of dried flower. This fiscal year saw a 28% reduction in the average price per gram to \$7.16, making this legal, safe supply of cannabis more attractive to customers. Local cannabis accounted for 19.6% of all cannabis sales.

We experienced unprecedented sales and changes in customers' purchasing patterns. Customers made larger purchases when they shopped with us in order to make fewer trips to our stores during the pandemic. We returned \$274.5 million to our Shareholder to fund key public services in the province, a \$27.2 million increase over the previous fiscal year.

**Our teams came together across the business to keep our store shelves stocked as we experienced the greatest volume of business in our history. Our Distribution Centre team faced unprecedented demand for our products, breaking all previous records by shipping more than 5.6 million cases of product this fiscal year.**

The Distribution Centre team worked hard to support each other and to ensure there was no business interruption. They did an amazing job in keeping products on our store shelves.

Corporate social responsibility is foundational to everything we do as we create good connections with our people, our customers, and our business partners.

We were proud to introduce our new responsible use platform Cheers to Good Choices which celebrates good choices and the creative good we do in our communities.

With the support of our customers and partners, we raised a record \$1 million for organizations that help create stronger communities. This included \$485,000 for the IWK Foundation campaign – the most we've ever raised as we take our commitment to our communities to the next level. We built on our partnership with Make-A-Wish Canada proudly raising \$78,000, and with the generous \$12,000 contribution from Local 470 of the NSGEU, we raised enough money to provide almost 395,000 meals for Feed Nova Scotia. While we couldn't participate in builds due to the pandemic, we were pleased to contribute \$25,000 to Habitat for Humanity to assist with providing safe housing to Nova Scotians.

Ultimately, we're about creating a stronger Nova Scotia through the financial contribution we make to the province, responsible sales, and the impact we have on the communities we serve. This was a year of challenge and growth in which we have proven to ourselves and to Nova Scotians that we can do this – together. The efforts of teams across the NSLC have been nothing short of phenomenal.

This pandemic brought out the very best in us. We rose to the challenge, we listened to each other and we worked together to serve our customers.

We look forward to moving ahead together, embracing the challenges and opportunities that lie ahead as we responsibly fulfill our mandate and do good throughout the province.



**George McLellan**  
Board Chair



**Greg Hughes**  
President & CEO



## OUR VISION

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“ To be recognized as a trusted retailer, partner, employer, and responsible industry steward that is helping create a stronger Nova Scotia. ”

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# Customer

## INTRODUCTION

We are committed to putting our customers first. We listen to our customers, understand, and respond to their needs.

**OUR PEOPLE** are our best asset and we empower them to deliver consistent and exceptional customer experiences. In the midst of a pandemic, we had to work harder than ever to keep our customers safe while maintaining customer service levels. We also had to deliver on our operational commitments against the backdrop of adhering to all public health protocols.

With understanding and adaptations, our valuable retail teams were able to safely create meaningful relationships with our customers, build on our store network and evolve our business while contributing to the economic growth of our province.

## SAFETY AS SERVICE - PANDEMIC MEASURES

The health and safety of our teams and customers was our top priority. We took our direction from Public Health and it was critical for us to be diligent in adhering to the measures we implemented in order to keep each other safe.

In the early days of the pandemic, there was concern our stores would close which led to long line-ups. Our retail teams were amazing, working under extremely hectic circumstances while adhering to all protocols. Thanks to the commitment of our people and the responsible actions of our customers, we were able to stay open.

Our Distribution Centre and Head Office teams supported operations by ensuring retail stores were supplied with inventory and the necessary health and safety supplies.

Measures we implemented to help prevent the spread of COVID-19 included:

- Maintaining physical distance of six feet or two metres
- Wearing a mask
- Installing Lexan shields at cash and extension cables on pinpads to support physical distancing at checkout
- Installing directional signage throughout stores and sidewalk decals outside
- Practicing good hand hygiene
- Providing hand sanitizing stations in all stores
- Adjusting store hours
- Limiting the number of customers in our stores
- Asking customers and requiring employees to stay home if they felt ill
- Playing safety messages over in-store radio
- Managing traffic flow in stores
- Stopping in-store tastings

Brad Doell, Vice President, Network Development, Procurement & Facilities was looking at how to accommodate more cannabis stores in our network when the idea came up of adapting modular solutions.

“We developed a vision of what we wanted based on looking at pharmacies and waiting rooms and thought, ‘Can we adapt this for retail?’”

**BRAD DOELL, VICE PRESIDENT, NETWORK DEVELOPMENT, PROCUREMENT & FACILITIES**

This allowed us to expand our cannabis network more quickly and in a cost effective manner.

## IMPROVING HOW CUSTOMERS SHOP

### Our Channels

#### STORE NETWORK DEVELOPMENT

We are continually improving our store network to enhance the shopping experience for our customers. We have a network of 108 retail stores requiring ongoing renovation and modernization. We consider multiple factors when we develop our investment strategy, ensuring we optimize our assets and that the allocation of capital funding is appropriately dispersed and fully transparent. We invested \$8.8 million in our stores this year, which included the addition of 12 new cannabis locations within existing NSLC stores.

Eleven of the new cannabis locations represented a smaller footprint, ranging from 200-400 square feet. One was a full-sized cannabis store of 1,000 square feet and part of a complete renovation of our Tantallon store into a Signature store. It now has The Port section with premium wines and spirits, enhanced local product displays and unique selections from our buying team.

#### NEW CANNABIS STORES

Annapolis Royal	Baddeck
Barrington Passage	Elmsdale
Glace Bay	Liverpool
Mill Cove	Port Hawkesbury
Sheet Harbour	Tacoma
Tantallon	Tatamagouche

After a number of conversations and site visits it became clear that modular construction was a logical approach – they can be adapted to the footprint of the store they’re going into, sized up or down according to available space, and meet federal requirements that minors not be able to see into the store.

While this work was going on, we invested \$5 million renovating 13 existing beverage alcohol stores across Nova Scotia and a further \$1.6 million maintaining

buildings – this work includes repaving parking lots, roof replacement and accessibility improvements. We also replaced the brickwork envelope on one of our stores with an environmentally sustainable insulated metal panel that acts much like a cooler you take to the beach. The metal panels have four inches of insulation between them, improving energy efficiency by keeping the building cooler in the summer and warmer in the winter.

### AGENCY STORES

In addition to our network of 108 NSLC stores, an additional 63 Agency stores are operated by retailers in smaller communities around the province. Three new locations opened this year – Wreck Cove in Victoria County, Cape Breton, Smokey Hollow in Guysborough County and Bayside in Antigonish County.

They're an important part of our network as we strive to provide convenient options for customers who live in rural areas and support local businesses. They are a vibrant presence in their communities and live our values of sharing the good.

The owner of Monastery Petro-Can in Antigonish County, for example, gives generously to many charities. His primary focus is to support schools in the area through a memorial bursary he established in memory of a cherished employee. In addition, owner Joe Jellow sponsors the annual Christmas turkey dinner at a local school and the participation of First Nations students in the East Running Club.

The owner of KaSha Convenience Store in Middlewood, Lunenburg County is likewise committed to making a difference in his community. Samir Upadhyay came to Canada in 2010 as an international student and ended up wanting to live in a smaller town. For the last 11 years he has made a difference in his community, helping newcomers as they arrive in Canada and volunteering at his local fire station.

We are proud to partner with business owners whose sense of responsibility goes beyond offering our products. They also help create stronger communities through their volunteer efforts while supporting pandemic measures that help protect staff and customers.

### WHOLESALE

The Port, which offers a unique assortment of wine, beer, and spirits from around the world, provides product directly to a number of bars and restaurants in downtown Halifax and Dartmouth. To support these licensees in providing their customers with the products they want, we implemented a convenient delivery service to the 35 busiest operations within the downtown core. These businesses just phone The Port to place their order, and our team then packs and delivers it directly to their door.

To further support these licensees, Key Account Manager Dave Pieroway offers a concierge service, working with restaurants to pair wines with their menus. "My role is to create awareness of our premium and super premium categories. It's been exciting and rewarding to build on the positive relationship with the licensee community." A Certified Professional Sommelier, Dave was part of the management team at The Port, so he's very familiar with setting and delivering on a high standard of service.

Our Wholesale team also implemented an updated and more efficient Special Orders webpage and online submission form. Eugene Marshall oversees the Special Order process and processed 130 Special Orders in Fiscal Year 2021 for both retail and licensees and the demand continues to grow. In addition, the team is continuously enhancing features on the ordering website for Licensees and Agency stores, making it more user friendly for entrepreneurs already busy taking care of all aspects of their small business.

### PRIVATE WINE AND SPECIALTY STORES

There are currently four Private Wine and Specialty Store (PWSS) locations, all situated within Metro Halifax Regional Municipality. Combined they offer more than 1000 products across all categories. Last year, we conducted just over \$14.7 million in sales to them, a 7.9% increase over the previous fiscal year.

PWSS are valued partners that have worked to align with us on important initiatives such as ID verification, Responsible Retailing initiatives and raising funds for the IWK Foundation. They have also aligned with NSLC on all Public Health measures during the pandemic to support a safer environment for their staff and for customers.



## Product Nova Scotians Love

### CANNABIS

This fiscal year we marked two years of cannabis legalization in Canada. We have evolved rapidly in that time, doubling our original network of 12 stores, offering new formats including edibles, and meeting growing demand during a pandemic.

With the opening of our Barrington Passage store in February, we doubled our network to 24 stores. By the end of the fiscal year, we had added 12 cannabis stores to our network and are continuing that expansion.

Overall cannabis sales increased 21% to \$86.0 million. There was a decrease in the number of sales transactions but an increase in the average dollar value of those transactions as customers purchased more and larger package sizes in order to make fewer trips to our stores.

Several factors contributed to this increase, including the expansion of our network to make an impact on the illicit market, the pandemic, the availability of larger package sizes and a reduction in the average price per gram.

**STEPHEN CHISHOLM, SENIOR  
CATEGORY MANAGER - CANNABIS**

At the same time, we experienced a 28% reduction in the average price per gram of cannabis to \$7.16, further assisting in penetrating the illicit market.

Dried cannabis flower and pre-rolls continued to account for the largest percentage of sales at 73% of cannabis purchases. Vape products were the most popular of the second phase of cannabis products, accounting for 12% of sales.

Sales of locally grown cannabis grew 30.1% with local cannabis accounting for 19.6% of all cannabis sales. By the end of the fiscal year, we carried products from eight local producers compared to three the previous fiscal year.

The supply of cannabis overall was stable as we continued our strategy of maintaining a broad supplier base. At the same time, we continued our focus on responsible sales as we supported a safe supply of cannabis across Nova Scotia and reduced the impact on the black market.

### WINE

Rosé – We released 41 rosé wines from both local and international suppliers this fiscal year as customer interest in this trending category continues to increase. This promotional release, supplemented by a hot summer, resulted in a 3.9% increase in sales over the previous year and an 87% sell through of all inventory.

Specialty Wines – We supplemented our General List selection with 65 specialty wines. Seventeen of these unique wines proved so popular with customers that we added them to our General List for Fiscal Year 2022.

Canned Wines – There was an influx of wine in a canned format (250 ml) from international suppliers and, most prominently, from local wineries. Benjamin Bridge's Nova 7, Pet-Nat and Piquette, along with Jost Vineyards' Luvo L'Acadie Pinot Grigio, Luvo Sparkling Rosé and Luvo Muscat + Mint proved best sellers among wine customers, while also attracting customers from the refreshment category.

### REFRESHMENT

We listed over 90 new and innovative products for our customers, focusing on trending products our customers indicate they love to buy in our stores. They ranged from bold exciting full-flavoured options like Blue Lobster Rocket, Mikes Blue Freeze and Coldstream Lemonade, to lighter choice selections in multiple flavours from brands like the leading North American player, White Claw Hard Seltzer and the local favourite, Blue Lobster Vodka Soda.

We made some changes to the layout and merchandising fixtures in 14 of our largest stores, adding new racks in the refrigerated coolers to increase Ready to Drink product selection and assortment. With these

**ONLINE AVAILABILITY**  
Cannabis 2.0 products are now available online.  
Supply at this time is limited. Please visit  
[myMSL.com/cannabis](http://myMSL.com/cannabis) for all available products.





changes, we were able to make more than 50 new products available in these stores via new General Listings or seasonal offerings.

## SPIRITS

We introduced a number of innovative spirit products, supporting a variety of trends as we provided customers with the products they were seeking.

**Flavoured spirits** – Several product launches quickly found their place as top spirit brands. Pink Whitney Vodka, for example, saw a 123% jump in sales to become our #10 selling product. Sales of Smirnoff Berry Blast shot up 197%, putting it in our Top 100. Our liqueur category saw significant sales growth of 24% with cream liqueur leading the trend.

**Specialty Spirits** – The spirits team curated a list of 14 seasonal products that were distributed to select stores around the province and overall introduced 60 unique products to our stores. Well over half of those specialty items were so popular with our customers, we're keeping them on our shelves.

**Warm room** – As with all categories, a lot of thought and strategy goes in to how we lay out our spirits section. We must be agile and evolve the shopping experience to accommodate new products and the expansion of categories that indicate long term growth. A number of innovative products, including Proper Twelve Irish Whiskey and Aviation Gin, became General Listings after a number of highly successful short-term offerings.

## Product Discovery - Customer Education

Customer education is an important part of what we do. With COVID 19 and the requirement to eliminate in-person events, we had to adapt our approach and deliver a number of educational initiatives through our digital content so that we could continue to engage with our customers:

**Buyers' Picks** – We hosted a seasonal series of Instagram Live events featuring our Spirits Buyer, Jennifer Katona, taking customers through new and limited quantity products and sharing cocktail recipe how-tos.

**Lighter Choices** – We educated customers about low-calorie, low-alcohol food and drink options after the holiday season, promoting a culture of moderation and supporting the popular customer trend we're seeing in seltzers and vodka sodas.

**Beaujolais Nouveau** – We educated customers about the region and wines of Beaujolais Nouveau, leading into Beaujolais Nouveau Day, on November 19, 2020. We did this through an Instagram Live session with our wine buyer, Peter Rockwell, displays in our stores, education sessions with our store teams, and online content for customers.

**Product Discovery** – We shared digital content to inspire customers to discover new tastes through programs like Occasions Magazine, New Arrivals and our Holiday Gift Guide. Each program included a digital flyer that featured curated products and an increased focus on local to make it easy for customers to plan their shopping visits and support our local suppliers. In addition, we featured Our Picks from our team of Product Specialists across the province, showcasing their product recommendations on our social media channels and providing tips for our customers.

The pandemic accelerated the transition to digital content. With safety top of mind, we stopped distributing Occasions Magazine in the Spring of 2020, and transitioned from print to digital flyers. This shift allowed us to listen to our customers and explore new ways of staying connected. As a result, we shifted our focus to sharing the food and drink inspiration our customers love to our website, [myNSLC.com/occasions](http://myNSLC.com/occasions), and social channels, @theNSLC on Facebook and Instagram. As part of this new chapter, we invited our customers to help us celebrate the #BestofOccasions over the 15 years it had been published by sharing their favourite food and drink recipes. Customers continue to follow the conversation on our website and social media channels for great food and drink inspiration.

## Our Foundations - Information Technology

A lot of work goes on behind the scenes to ensure our business runs smoothly, from ensuring customer purchases ring in properly at cash to being able to view products on our website. "We executed on a number of projects that ensure our technology is current and to enable current and future business initiatives," said David Thorpe, Vice President – Information Technology.





They included replacing the software that manages our business processes with a new Point of Sales Data Management system to support sales, inventory, and financial transactions. We also upgraded the application our Supply Chain team uses to send and confirm orders with our vendors, providing an improved user experience.

The IT team upgraded our Systems Applications and Products in Data Processing (SAP) system and migrated it to a new hosting partner. This provides a foundation to achieve upcoming business initiatives and provides more stability and back-up capabilities.

Overall, the IT Operations team manages over 30 applications that support processes across our business. The team completed a significant number of enhancements in these systems and played a key role in the opening of new cannabis stores.

## OUR SERVICE COMMITMENT

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### Service Standards

We are committed to putting our customers first. From the moment customers walk in the door, to their final impression as they leave the store, it is the responsibility of every NSLC employee to ensure that every customer has a positive retail experience.

While some customers know exactly what they want, others are looking for recommendations for holidays and special occasions or simply want to unwind at the end of a week. Our retail teams are focused on providing customers with a safe, respectful, and knowledgeable experience.

Likewise, our Service Excellence Team, is committed to open communication with our customers. Whether it's a restaurant or Agency store emailing us with their order, a customer calling with a question about purchasing that perfect gift, or chatting with us on our cannabis website, the Service Excellence Centre (SEC) is ready to take care of all our customers. In fact, the SEC had 63,000 interactions with customers last year. All presented opportunities for us to provide memorable experiences for our customers.

We have four service standards grounded in providing customers with a consistent shopping experience:

**Safety** – Everyone's safety is our top priority. Our employees are expected to follow all safety policies and procedures, identify, correct, and immediately report safety concerns and demonstrate care for the safety of others.

**Care** – We take our mandate to provide responsible sales seriously, are ambassadors to support local offerings and community initiatives, and are respectful in all interactions.

**Connection** – We create meaningful relationships with our customers, sharing our information and knowledge. We value the experience and expertise of others as we find ways to continually develop.

**Efficiency** – We pay attention to the details to keep everything running smoothly and efficiently. Our people use their time and resources wisely and work as a team, sharing ideas to meet our goals.

Our customers' time is valuable to them. These Service Standards support our teams in providing the friendly, courteous, timely and informed service customers expect.



# Responsibility

## INTRODUCTION

Responsibility is at the heart of what we do. While it's our mandate to ensure the responsible sale of beverage alcohol and cannabis in Nova Scotia, we take it far beyond that.

**WE LIVE** our corporate responsibility commitment in all we do, supporting and celebrating community initiatives and demonstrating our corporate values in the respectful ways we engage with our customers. We have a number of initiatives that actively support our customers to make informed and responsible choices.

## FOR THE GOOD OF NOVA SCOTIA

### RESPONSIBLE RETAILING

Responsibly offering beverage alcohol and cannabis and ensuring we play a role in educating Nova Scotians on responsible consumption is our legislated mandate and

at the heart of who we are. We have several programs to ensure we fulfill that commitment.

### ID CHALLENGES

Our diligent frontline employees ask for valid photo identification if a customer looks to be under the age of 30. Last year, they checked the IDs of 2,171,094 customers to ensure they were legally allowed to purchase our products. Of those, 22,835 were refused service.

Also, this year, we implemented a stronger working relationship with our Agency Stores and Private Wine and Specialty Stores, supporting them with enforcement of our ID challenges and Responsible Retailing programs as we work together to keep beverage alcohol out of the wrong hands.



**MYSTERY SHOPS**

We conduct mystery shops to ensure our people are meeting our standards for responsible sales. Mystery shopping showed an average compliance rate across our network of 91.19%. We're not content with less than 100% and will keep working hard to ensure all store employees offer superb service and fulfill our legislated mandate all the time.

**CHEERS TO GOOD CHOICES**

We take our role in our community and as a responsible retailer seriously. We were excited to launch our new social responsibility education platform, Cheers to Good Choices, as we support the good we do every day in Nova Scotia. This program celebrates the responsible ones in our lives and educates Nova Scotians on the importance of consuming responsibly and getting home safely.

**“We lead all of our decisions with responsibility.”**

**LAURA MACLACHLAN, DIRECTOR  
– CORPORATE STRATEGY &  
RESPONSIBILITY**

Cheers to Good Choices is about normalizing and celebrating responsible behaviour and leveraging the talent and ambassadorship of our people to help bring it to life. The program continues throughout the year and beyond as Nova Scotians celebrate life's special occasions.

It's our role to educate customers on products, as well as on consuming them responsibly. We build on that through this campaign by educating our customers on what responsible consumption is and what it means for them. It provides relevant and relatable tips to help Nova Scotians plan ahead, know how to be responsible hosts, and understand how to consume our products responsibly.

We used a number of ways to connect with our customers, including a TV commercial in which every

cast member is an NSLC member, as well as messages on paper bags in our stores, and on our social media channels.

We engaged employees across the business to help us celebrate and implement this campaign. Our people were incredible in the ways they stepped up to support responsible retailing efforts and spread the importance of making good choices.

Pete Wilson, known for the exceptional customer service he provides as a Product Specialist at The Port, both read the script and appeared in several segments of the video.

“The shoot is centered on making good choices, making sure we are taking care of one another. If you're concerned someone has overindulged, ask, ‘Are you doing okay?’ or ‘Do you need a place to crash?’ It's about looking after each other, as we do in Nova Scotia.”

Pete said, “It's great to work for a corporation that's big and yet grounded in the health and wellness of our communities.”

The educational content included in Cheers to Good Choices included ‘Good Tips’ sharing advice related to responsible consumption, hosting, and getting home safely. It also included mocktail and low-alcohol cocktail recipes and snack recipes that focused on high-protein foods to satisfy hunger and encourage moderation.

**KEEP IT SOCIAL**

We continued our Keep It Social program in partnership with post-secondary students to create awareness about the dangers of excessive use of beverage alcohol and cannabis. Due to pandemic restrictions that saw most classes held virtually and a ban on gatherings and parties, Keep It Social consisted of social media content this year. We believe it is critically important during a pandemic to reinforce messages of responsible consumption and behaviour.

**MADD CANADA**

We contributed \$40,000 to MADD Canada for its school awareness campaign and an additional \$20,000 for a summer social media campaign for boating and outdoor activities. We are very proud of this long-

standing partnership as we work together to educate Nova Scotians, including our children, on the dangers of impaired driving on both land and water.

## FOR THE GOOD OF THE COMMUNITY

### SHARE THE GOOD



#### Share the Good

Nova Scotians had a challenging year and we thought they could use some good cheer.

We celebrated the launch of our new Strategic Plan (2020-2025) by providing funds to our retail teams to do some good in their community or store. The creative and thoughtful ideas that came from this initiative proved how passionate our people are about our communities and when the opportunity presents itself, we come together for the good of Nova Scotia.

Each store came up with its own idea and made it happen. We are extremely proud of our teams and the many wonderful ways in which they shared the good

in their communities. Over 70 non-profits and charities were supported through this initiative.

Our team in Windsor, for example, used their funds to purchase meat for a local homeless shelter. The shelter, Harvest House, is an important resource in the community. Not only did the team help the shelter, they also supported a small local butcher with their compassionate initiative.

The Sydney River team decided to spread their funds around in four equal and different ways: Some went to a colleague who was going through hard times, some to the East Bay Legion, some to New Dawn Enterprises – a volunteer-directed business dedicated to community building – and some to Every Woman's Centre, the Sydney-based centre that supports the enhancement of women's lives in Cape Breton. This was a great example of sharing the good throughout the community.

In Glace Bay, the team donated their funds to Bottles 4 Kids, a fundraiser for mental health services for at risk youth in Cape Breton. The team in Hantsport in Hants County bought groceries for their local school's breakfast program while the team in Caledonia, Queens County, provided groceries to the local volunteer fire department. The department opens its doors to the community when people need shelter and food. These gestures made a huge impact in making connections with our communities.

### COMMUNITY GIVING

The NSLC has a long history of giving back to our communities by making meaningful social and economic contributions to the province. This fiscal year, with the support of our partners and our customers, we raised a record \$1 million for organizations that support stronger communities. That's an astounding accomplishment at any time, and particularly during a pandemic.

#### IWK

NSLC customers, vendors and employees came together to raise a record-breaking \$485,000 this fiscal year to support the most urgent priority needs at the IWK Health Centre. The contribution helped purchase much-needed equipment and fund programs, research, and new facilities at the IWK. This was a particularly tough year, yet our commitment to the IWK never wavered. We're





SHARE  
THE GOOD

Cheer

This season, we're coming together with our employees, customers and partners to help our communities in need.

Join us in sharing the good cheer during our three weekends of giving:

Nov 20-22 - IWK Foundation

Nov 27-29 - Make-A-Wish Canada

Dec 4-6 - Feed Nova Scotia



Make-A-Wish



FOR the good OF OUR COMMUNITY

NSLC



proud to say the health centre for children and families is our employees' charity of choice. We have cumulatively raised over \$3.5 million in the IWK over 35 years, supporting care to thousands of Maritime patients and their families every year.



**IWK**

**FEED NOVA SCOTIA**

With the support of our customers and vendor partners, we provided just over \$263,000 to Feed Nova Scotia this year. With every \$2 supporting three meals' worth of food to be distributed across the province, our contribution provided almost 395,000 meals.

We celebrated Local 470 of the Nova Scotia Government & General Employees Union, which represents our Retail, Distribution Centre, and some head office employees, as a valued partner for its amazing \$12,000 donation to our Feed Nova Scotia campaign. The Local recognized that with such a dramatic change in the employment landscape, more people were faced with food and housing insecurity and made this extremely generous donation. We are so proud of this supportive group and its community-oriented members.

Feed Nova Scotia has 140 food banks, meal programs, and shelters across the province. We're pleased that our contribution also supports advocacy efforts to raise



**Feed Nova Scotia**

awareness of the impacts of food insecurity and the need for change.

**MAKE-A-WISH CANADA**

Make-A-Wish Canada creates life-changing wishes for children with critical illness. We were proud to raise \$78,000 for the organization through the support of our customers and vendor partners, which was enough to help grant seven wishes in Nova Scotia.

Teams across our business participated in the fundraiser Heroes Challenge, which was held virtually due to COVID. Melissa Wentzell, Administrative Coordinator for Retail Operations, took part in the challenge and did something she never expected - stood on her head for charity! "I was surprised I could do it honestly, but I had a lot of fun and this is such an important cause," she said.

That was one of the many creative and fun tasks handed to teams. This year's challenge took on added meaning as our people came together across the business to support one of our own NSLC family members.

The teenaged son of one of our Distribution Centre employees was being treated for cancer at the IWK. "I think it's a great cause and to help the son of one of our own people made it extra special," Melissa said.



**Make-A-Wish Canada**

Together, our people raised an astounding \$14,563.37, which was far beyond our goal. Local 470 once again came forward with a tremendous donation of \$4,500, which the NSLC matched, and the midshift in the DC raised an astounding \$1,000.

Operations Director Peter MacDonald said the DC is known for its selfless efforts when it comes to helping others. “We have an incredible team that genuinely cares

about one another. They worked really hard to raise these funds and I’m extremely proud of them.”

**HABITAT FOR HUMANITY**

While our volunteer efforts were paused this fiscal year due to COVID, we were pleased to still contribute \$25,000 to Habitat for Humanity as part of our annual commitment to this valuable partnership. Our employees look forward to getting to work on builds when pandemic measures allow.

**CASH CANS**

Normally, customers contribute donations in cans at our NSLC cash registers but that was not safe during the pandemic and we instead donated \$25,000 to five organizations that had applied for the program: CNIB, Cystic Fibrosis, MADD, Canadian Cancer Society’s Plaid for Dad and Special Olympics.

**UNITED WAY**

Thanks to our generous employees, we donated \$11,000 to the United Way this year as the charity works to improve the lives of Nova Scotians in need and to create lasting change.





## FOR THE GOOD OF THE PLANET

Our corporate social responsibility mandate is at the heart of our organization. We weave this commitment throughout our business, extending it to responsible environmental stewardship. Every year, we measure our greenhouse gas emissions through an independent agency that provides us with a report that looks at emissions caused by our day-to-day business operations. This report assesses both direct and indirect GHG emissions, including our buildings, third party trucking, ground and marine distributor shipping, air travel and employee vehicle use.

We reduced our greenhouse gas emissions by 14% this fiscal year 2021 compared to 2011 and 3% compared to the previous fiscal year. The report notes we have added stores to its network in that time, increasing our square footage, while decreasing energy consumption and GHG emissions. This reduction in greenhouse gas emissions has been an ongoing trend since 2010 as we work to reduce our impact on the environment.

This reduction in emissions in this fiscal year was driven by reduced electricity consumption and use of fuel oil and natural gas, along with reductions in vehicle and air travel.

## ZERO WASTE

We are committed to diverting 95% of our solid waste materials from Nova Scotia landfills. It’s an ambitious goal that includes our Head Office, Distribution Centre and all 108 stores.

Solid waste is included in our reporting because it generates landfill gases when it decomposes, and these gases are released into the atmosphere. Waste related GHG emissions increased 27% this fiscal year compared to 2011 due to the impact of COVID and the use of such items as sanitizing products and disposable masks and gloves.

As we focus on meeting our waste reduction goal, we have desk-side recycling containers and sorting stations and ask employees to print documents only when necessary. Employees were encouraged to continue to recycle and compost while working from home due to the pandemic, continuing with behaviours that have become the expected.

## GREENHOUSE GAS EMISSIONS 2020 (VS 2011)



\*This was due to changes to trucking boundaries and ground a marine shipping boundaries in Fiscal Year 2011.



NSLC  
ROBIN  
Manager



# Our People

## INTRODUCTION

The pandemic had a tremendous impact on our people and how we work. Teams across the business turned to Human Resources and other operations support teams for advice on how we could stay open while keeping each other and our customers safe.

“The pandemic affected every aspect of what we do. It meant a huge change for us that saw a massive shift in how we do business.”

**RYAN EMBRETT, SENIOR VICE PRESIDENT – HUMAN RESOURCES.**

**OUR PROCESSES** and practices had to change to support every aspect of our business. From implementing virtual learning to creating bubbles around employees in our Distribution Centre that minimized contact between shift workers, HR was deeply involved in supporting all areas of the business.

“We worked together to protect each other, support our stores, our Head Office employees who had to work from home, and our people in the Distribution Centre who perform shift work,” Ryan said.

Each Business Unit navigated change in the way that worked for their environment. Because of that, operations continued with little disruption to the customer.

## Health and Safety

Our Health and Safety team was critical to our ability to run our business during a pandemic.

The team worked with Public Health and our company doctor to ensure we developed protocols that adhered to all pandemic regulations, kept employees informed of their rights, and leaders informed of their obligations.

“There were so many unknowns, but we worked together, and we figured it out.”

**MARK DOREY, MANAGER –  
WORKPLACE HEALTH AND SAFETY.**

We received the evolving public health protocol orders and kept adapting our business to ensure we met those regulations and implemented all pandemic measures. As simple as things may seem now in hindsight, when we were in the midst of it, it was all brand new and everyone had questions.

We implemented established COVID safety practices including staying home if sick, hand washing, frequently disinfecting surfaces, distancing at least two metres, and mask wearing. We also banned all business travel outside of Nova Scotia, prohibited all face-to-face meetings and worked from home where possible.

The plans we developed and measures we implemented were created based on Public Health recommendations, the Occupational Health and Safety Act, Health Protection Act, and conversations with the Department of Labour. “Everything we did was to meet Public Health requirements and keep our people safe,” Mark said.

Regional Directors team meetings were held virtually and we updated our Work From Home Policy that supported employees who may feel isolated from their co-workers. It included recommendations to ensure the home office space met the same Health and Safety standards as the work place and provided tips for working from home, such as sticking to a schedule and maintaining regular contact with co-workers. In addition, all employee town halls, which provide our people an overview of our business and initiatives, also went virtual.

Employees working in the three environments – our stores, Distribution Centre and at home – were all under different kinds of stress. Leaders consistently checked in with their teams to make sure they felt safe and supported as the Health and Safety team emphasized the importance of managing stress and maintaining a healthy work/life balance. The teams’ efforts were supported by our Employee and Family Assistance Program for employees, their immediate families and their households.

## Safety Audit

The NSLC was awarded a top score for our regular safety practices through a safety audit conducted by Workers’ Compensation Board of Nova Scotia (WCB) and Safety Services Nova Scotia. We received a score of 94%, and a WCB Safety Certified accreditation – these achievements were the direct result of tremendous commitment from the Distribution Team and the teams at our stores on Queen Street, Dunbrack Express, Kearney Lake and Joseph Howe Drive.

We celebrated the achievement in the Distribution Centre with guests from the Worker’s Compensation Board and Safety Services Nova Scotia. Greg Hughes, our President and CEO, said creating a safe environment for our employees is the most important thing we can do. “We are committed to continuous improvement when it comes to safety and we will work towards achieving an even higher score.”

He congratulated the Health & Safety Team, the Distribution Centre Team, the Joint Occupational Health & Safety Committee, and the four stores who participated in the audit for their amazing and consistent efforts.

## Employee Recognition

We have more than 1700 knowledgeable employees across our business focused on providing the best possible experience for customers. Their efforts deserve to be recognized and celebrated.

We developed and launched a new peer-to-peer recognition program called Cheers to You in which team members nominated colleagues in six categories that recognize employees' outstanding contributions at work and in our communities. This ongoing program allowed us to celebrate the deserving winners throughout the year. The six categories are:

**Customer-First** – Celebrating people who go the extra mile to provide extraordinary customer services – whether it's for retail or wholesale customers, suppliers, vendors, partners or colleagues.

**Community Champion** – Celebrating those amazing team members who are always the first to support our Corporate Social Responsibility initiatives or are active volunteers in their community.

**Responsibility Ambassador** – We believe in responsibly offering the products we've been entrusted to sell. Responsible retailing is at the core of what we do, and these team members make sure we do it right.

**Together for Good** - Recognizes great collaborators – people who foster teamwork and creativity as they work in partnership to reach a common goal.

**Impact and Influence** – Celebrates people who influence and inspire others, live our values and deliver on commitments.

**Learning Leaders** – Recognizes those who take the initiative to learn more about who we are and what we do and are generous in sharing what they know.

The program was a tremendous success with about 120 deserving recipients. We are proud of each one for all the good they do every day. Their efforts and commitment are truly appreciated.

## Service Recognition

We were pleased to announce our updated Service Recognition Program to celebrate our employees'



contribution to our success, and all the good they do for our customers, partners and communities.

Under the program, the total service of all NSLC employees is now recognized, including part-time and casual. At the end of every quarter, all employees with a service milestone are celebrated and receive a service recognition certificate.

## Employee Education

From product knowledge to customer service, our people undergo regular education and training to make our customers' experiences memorable ones. Much of that training is normally held in person, so we had to quickly pivot to virtual online learning.

The HR team developed a suite of courses that reflected our values and culture, and supported our retail teams and those from Head Office who were working from home.



## Beverage Alcohol

Our retail teams need to have a wealth of product knowledge to answer any number of questions they get from our customers. The Learning and Development Team was excited to launch a brand new series of education courses called Get to Know: Beverage Alcohol. It is available for all employees, not just our retail teams, as the Learning and Development Team works to provide a base level of knowledge across the business to support ongoing success in offering excellent customer service.

“We want our learning approach to ensure we have the right tools available for our people to continue to be successful in the delivery of exceptional customer service.”

**CHRISTY PIPPY, MANAGER –  
LEARNING AND DEVELOPMENT**

Education Specialists updated our existing beverage alcohol courses and developed new courses. Education Specialist Evan Fougere said he couldn't wait to get to work developing the courses. “The beer industry in particular has evolved and expanded so much in the past decade. We needed to get our employees better and more relevant information.”

The course consists of five modules, each on the different product categories. Employees get a strong baseline of information in every category that includes ingredients, the production process, flavour vocabulary and pairings.

## Cannabis

We implemented an employee learning centre called Connecting with Cannabis to educate employees about cannabis. The intent was to remove the mystery and ensure our people receive trusted information rooted in science.

Connecting with Cannabis is for all NSLC employees, from the DC and Head Office to store teams, and supplements the formal training that all our cannabis employees receive. This 21st century repository of knowledge provides employees with answers to their basic questions as well as specific information for front-line cannabis workers to respond to customer inquiries. It includes blogs and discussions and supports our people in being conduits of knowledge across our network.



## Supportive Technology

We're setting ourselves up for long-term success by digitizing, simplifying and centralizing our Human Resources functions.

We implemented a new Human Resources Information System called SAP SuccessFactors, which is an integrated platform that consolidated our HR processes, including time entry, scheduling, payroll processing and benefits administration. This was a huge undertaking for our IT and HR teams.

The result is that our people now have better access to their employment information, an automated method to track time off requests and the ability to view their vacation bank. This system is intuitive, and employees appreciate the level of ease and automation it has provided.

With the support of our IT team, we launched Microsoft Teams for all meetings within the business and with our external partners. We also had virtual learning events that provided advice and support on working from home and being a leader while you're not with your team. This platform supported engagement across the business with everything that we would normally do in person, including employee education and team meetings.

People are the foundation of our success, so we strive to hire people who are the right fit for our business. We launched online casual recruitment by implementing an automated process on the careers section of MyNSLC.com that facilitates applications directly through Career Beacon. This means Nova Scotians interested in working for us no longer must drop their resumes off at a store, and they can apply to work at multiple stores with the click of a button. It was important to modernize the application process and make it easier to attract the right talent.

## Distribution Centre

Our Distribution Centre is critical to getting products on our shelves and it faced unprecedented challenges this year.

The team shipped 5,647,141 cases of product in this fiscal year, the greatest in the history of the DC. In the early days of the pandemic when there was concern our stores may close, the DC moved more than 180,000

cases of product in just six days, surpassing the previous record by more than 30,000 cases.

Demand was at an all-time high at a time when global supply chain issues due to the pandemic meant shortages of some products.

The team pulled together like never before, said Peter MacDonald, Director, DC Operations. "There's not a year that you can compare to this. We addressed challenges, supported one another and we were all part of one team across this business."

Peter said there was a lot of learning as we went along. "We have incredibly engaged employees who developed continuously to support our stores and stay safe." Because of this collaboration and caring, we learned how to manage through a whole new set of challenges and are stronger for it.

The additional challenge was to ensure we had enough stock throughout the year of the products customers wanted given the global supply chain issues. Our Category Managers and Supply Chain teams were aware and as soon as stock arrived, the DC team turned it around and quickly got it out to stores. In some cases, they put orders on special routes to get them out to all points across the province as quickly as possible.

In addition to packing up the usual boxes of product for our stores, the DC added boxes of rubber gloves, sanitizer and sanitizing towers to store deliveries to help keep our retail employees and customers safe.

"Even though we're a big machine, we're still pretty nimble and adaptable," Peter said. With open communication and understanding across the business, we were able to meet unprecedented demand at a time of equally unprecedented supply chain issues.





PROUDLY  
**NOVA**  
**SCOTIAN**





# Local

## INTRODUCTION

We are focused on building strong relationships with local producers to support mutual success. It’s our legislated mandate to support local industry and the right thing to do as these businesses contribute to the economic health of our communities.

**THERE WAS VERY STRONG SALES GROWTH** in all local product categories this fiscal year as we supported educational events in new ways due to COVID and worked closely with the industry on issues that affect them.

### Sales

Customers appreciate products made in Nova Scotia, and that was particularly evident during the pandemic. Nova Scotia products experienced strong growth across all categories as customers supported producers who are vested in their communities and manufacture

innovative products. We expect this growth to continue as Nova Scotia producers innovate and introduce quality products to the market.

Ready to Drink products led the growth at 78.5%, building on consistently strong growth in recent years with the introduction of creative products. That growth was driven in this fiscal year by low-calorie clear vodka seltzers as well as sweet coolers such as Blue Lobster Rocket produced by Nova Scotia Spirit Company. Other products driving this \$28.6 million in sales included Blue Lobster Vodka sodas, Coldstream Vodka sodas and No Boats on Sunday cider.



Local cannabis sales grew 30.1% to \$16.9 million with Nova Scotia product accounting for 19.6% of all our cannabis sales.

Customers took great pride in supporting local spirits manufacturers with a 19.1% growth in sales to \$11.2 million. Customers enjoyed local spirits and innovation in the category with products like Blue Lobster Vodka, Willing to Learn Gin and Fisherman's Helper Rum from Nova Scotia Spirit Company.

Nova Scotians love their locally made craft beer and that was reflected by sales growth of 10.8% at a time when beer sales declined across the country. Our top selling craft beers are Nine Locks Dirty Blonde, Propeller India Pale Ale and Kitchen Party Pale Ale, contributing to \$22.3 million in sales.

**We are proud that Nova Scotia wines have received over 200 international and national awards. Wineries located in the province's seven wine regions produce crisp whites, flavourful reds, sparkling and ice wines and, of course, the Tidal Bay appellation blend.**

Our sales of local wine grew 8.2% this past year to \$13.6 million with Benjamin Bridge's Nova 7 our top selling 750 ml Nova Scotia and premium wine. It's also consistently in the top three 750 ml wines that we sell from around the world which is an incredible accomplishment.

## Regulatory and Policy Review

We conducted regulatory and policy reviews in collaboration with local producers and industry associations. This review and updating of our policies are necessary to support a rapidly growing local industry

that more than doubled in the past five years. At the end of this fiscal year, there were 160 local production facilities compared to 74 in 2016.

We established a Local Industry Committee with representatives from each industry association to engage on policy and regulatory decisions that may impact them, we implemented action items and work is well underway to see these commitments through. The feedback we received from the industry has been used to inform policy recommendations and proposed regulatory changes.

## Hyper Local

We're pleased by the continued success of our Hyper Local Program. It began in 13 NSLC stores in the Annapolis region in the previous fiscal year and was so popular we quickly expanded it to 22 NSLC stores in Cape Breton. Hyper Local displays were added to an additional 59 stores across Nova Scotia this fiscal year.

The intent of the program is to make it easier for smaller local breweries to get their products on NSLC store shelves and increase the sale of Nova Scotia craft beer. The NSLC Insights and Customer Engagement team works with each store individually to find space to effectively merchandise product specific to their community. It began with seven breweries and seven products and now includes 22 breweries and a total of 22 listings.

Participating breweries have told us the program provided them with more exposure and brand visibility, easy access to diverse, local products, and insight in working with the NSLC.

## Customer and Team Education

### LOCAL PRODUCER FEATURES

We launched a new section on myNSLC.com showcasing our local producers and making it easier for customers to discover local products by category. We showcased a local producer from each product category every season on our social media platforms, sharing the story behind the products and people from our local industry.

## LOCAL

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We were excited to provide our customers with insights into the people who create and produce some of their favourite local products.

### NOVA 7 DAY

We partnered with Benjamin Bridge to support its annual Nova 7 Day in April. Things were different this year as we helped them transition during COVID-19 from an in-store display contest and tasting events to a donation program supporting Nova Scotia healthcare workers. There was also a virtual, educational event with NSLC store teams led by winemaker Jean-Benoit Deslauriers.

Under the donation initiative, Benjamin Bridge committed 10% of Nova 7 product sales to regional health foundations for a total donation of more than \$55,000.

### TIDAL BAY

We delivered a Tidal Bay program in the summer, showcasing the new vintage from our local winemakers through educational content on our online channels. This was supported by a network-wide in-store display contest with our teams, hosted by Jost Vineyards.

In early Fall, we partnered with Wine Growers of Nova Scotia (WGNS) to deliver a network-wide Tidal Bay program to support awareness and sales of this wine appellation. It included an offer to save \$1 on all Tidal Bay wines, a network-wide in-store display contest, digital media and an internal educational webinar with a WGNS winemaker panel.

### NOVA SCOTIA CRAFT BEER MONTH

We partnered with the Craft Brewers Association of Nova Scotia to deliver a supporting program for its annual NS Craft Beer Month. This included funding an in-store Mix & Match offer on all local multi-pack beers and featuring in-store signage and digital content supporting the celebration.









# Financial Highlights

## OUR EARNINGS



### TOTAL SALES (IN MILLIONS)

■ Cost of Product	\$387.2 M
■ Salaries and Benefits	\$79.0 M
■ Operating Costs	\$52.4 M
■ Returned to Province	\$274.5 M

## SALES BY CHANNEL



(IN MILLIONS)

■ NSLC Stores	\$683.2 M
■ Agency Stores (INDEPENDENTLY OWNED)	\$68.0 M
■ Licensees (BARS/RESTAURANTS/PUBS)	\$23.3 M
■ Private Wine and Specialty Stores	\$14.7 M
■ Other Wholesale	\$0.6 M
■ Online	\$3.3 M

## BUSINESS HIGHLIGHTS

CATEGORY	TOTAL SALES (IN MILLIONS)	% VARIANCE	VOLUME (HL)	% VARIANCE
Beer	\$276.2 M	▲ +0.4%	570,007	▼ -0.5%
Spirits	\$192.2 M	▲ +10.6%	55,646	▲ +9.2%
Wine	\$152.6 M	▲ +1.6%	103,103	▲ +1.4%
Cannabis	\$86.0 M	▲ +21.1%	N/A	N/A
Ready to Drink	\$86.0 M	▲ +54.1%	120,829	▲ +55.4%

## NET INCOME

**\$274.5 M**

## BEVERAGE ALCOHOL SALES

**\$707.0 M**

## CANNABIS SALES

**\$86.0 M**

## VOLUME OF BEVERAGE ALCOHOL SALES

▲ **5.8%**



LOCAL PRODUCT SALES

**\$92.5 M**  
**+30.2%**

Local products experienced strong growth across all categories due to the pandemic, and as customers continue to discover and appreciate innovative products that are made here in Nova Scotia.



**CANNABIS**

**\$16.9 M** | **+30.1%**

Nova Scotia cannabis sales accounted for 19.6% of all cannabis sales in FY21.



**CRAFT BEER**

**\$22.3 M** | **+10.8%**

Nova Scotia craft beer industry experienced good growth. We list products from 86 local breweries, up from 47 just five years ago.



**SPIRITS**

**\$11.2 M** | **+19.1%**

Nova Scotia Ready to Drink products experienced an extremely strong year, with growth driven primarily by the increased popularity and offering of vodka coolers.

LOCAL PRODUCT SALES



WINE

**\$13.6 M** | **+8.2%**

Nova Scotia wines experienced consistent growth as customers discovered exciting new local offerings and enjoyed familiar established products.



READY TO DRINK

**\$28.6 M** | **+78.5%**

Nova Scotia Ready to Drink products saw exponential growth building on the success of recent years to become the highest selling local product category.



WeID

**2.2 million asks** | **9% ↓**

**22,835 refusals** | **17% ↓**

\* This decrease is due to the fact the previous fiscal year was the first full year of offering cannabis and because of fewer transactions.



INVESTMENTS IN 23 STORES

**12 New Cannabis Stores**

**13 Renovated Beverage Alcohol Stores**

## DEMAND

BEVERAGE ALCOHOL  
RETAIL TRANSACTIONS

**15,288,710**

**-9.6%** ▼

DOLLAR VALUE OF  
AVERAGE BASKET

**\$39.37**

**+22.7%** ▲

CANNABIS RETAIL  
TRANSACTIONS

**1,980,896**

**-3.1%** ▼

DOLLAR VALUE OF  
AVERAGE BASKET

**\$43.41**

**+25.0%** ▲

## TOP TEN STORE SALES BY CATEGORY

## SPIRITS

#	STORE		#	STORE	
1	Bayers Lake Park	\$5,153,299	6	Downsview Plaza	\$4,097,213
2	Tacoma	\$4,914,964	7	Sydney River	\$3,823,241
3	Forest Hills	\$4,685,450	8	Antigonish	\$3,732,422
4	Portland St.	\$4,481,777	9	Joseph Howe Dr	\$3,628,558
5	Wyse Road	\$4,164,213	10	Bridgewater	\$3,603,454



WINE

#	STORE		#	STORE	
1	Bayers Lake Park	\$5,676,230	6	Tacoma	\$3,486,410
2	The Port	\$4,798,213	7	Mill Cove	\$3,427,028
3	Portland St.	\$4,225,140	8	Forest Hills	\$3,262,576
4	Tantallon	\$4,084,137	9	Fall River	\$3,090,766
5	Larry Uteck	\$3,895,787	10	Joseph Howe Dr	\$3,077,946

BEER

#	STORE		#	STORE	
1	Tacoma	\$5,898,641	6	Bayers Lake Park	\$5,108,695
2	Forest Hills	\$5,774,130	7	Tantallon	\$5,020,985
3	Downsview Plaza	\$5,678,994	8	Glace Bay	\$4,996,153
4	Wyse Road	\$5,578,999	9	Elmsdale	\$4,938,640
5	Sydney River	\$5,115,701	10	Spryfield	\$4,937,871



## READY TO DRINK (RTD)

#	STORE		#	STORE	
1	<b>Downsview Plaza</b>	<b>\$2,034,184</b>	6	Sydney River	\$1,764,997
2	<b>Antigonish</b>	<b>\$1,985,174</b>	7	Tacoma	\$1,690,658
3	<b>Bayers Lake Park</b>	<b>\$1,976,932</b>	8	Elmsdale	\$1,690,469
4	Forest Hills	\$1,816,279	9	New Minas	\$1,661,159
5	Portland St.	\$1,772,816	10	Tantallon	\$1,649,092

## CANNABIS

#	STORE		#	STORE	
1	<b>Joseph Howe Dr</b>	<b>\$10,457,114</b>	6	New Minas	\$7,176,099
2	<b>Sydney River</b>	<b>\$9,607,725</b>	7	Bridgewater	\$5,578,323
3	<b>Clyde Street</b>	<b>\$8,793,293</b>	8	New Glasgow	\$4,653,563
4	Downsview Plaza	\$7,795,971	9	Truro West	\$4,214,315
5	Portland St.	\$7,715,029	10	Yarmouth	\$4,059,692



LET'S KEEP  
*the good*  
GOING



# Financial Statements

## NOVA SCOTIA LIQUOR CORPORATION

MARCH 31, 2021

### CONTENTS

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### Independent auditor’s report

**TO THE MEMBERS** of the Board of the Nova Scotia Liquor Corporation

### OPINION

**WE HAVE AUDITED THE FINANCIAL STATEMENTS OF** the Nova Scotia Liquor Corporation (“the Corporation”), which comprise the statement of financial position as at March 31, 2021, and the statements of earnings, comprehensive earnings, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of the Corporation as at March 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

## BASIS FOR OPINION

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

Management is responsible for the other information. The other information comprises the Annual Report. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

## RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRSs), 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.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script.

Chartered Professional Accountants

Halifax, Canada  
June 11, 2021



## NOVA SCOTIA LIQUOR CORPORATION STATEMENT OF EARNINGS

YEAR ENDED MARCH 31 (IN THOUSANDS)	2021	2020
Sales (note 11)	\$ 793,069	\$ 726,167
Cost of sales	387,221	352,856
Gross margin	405,848	373,311
Operating expenses (note 12)	134,352	128,704
Other income	4,875	4,615
Earnings from operations	276,371	249,222
Finance costs (note 7)	1,889	1,944
Earnings for the year	\$ 274,482	\$ 247,278

See accompanying notes to the financial statements.

## NOVA SCOTIA LIQUOR CORPORATION STATEMENTS OF COMPREHENSIVE EARNINGS

YEAR ENDED MARCH 31 (IN THOUSANDS)	2021	2020
Earnings for the year	\$ 274,482	\$ 247,278
Other comprehensive earnings Items that will not be reclassified subsequently to earnings: Actuarial (losses) gains on defined benefit plans (note 9)	(1,338)	1,429
Comprehensive earnings for the year	\$ 273,144	\$ 248,707

See accompanying notes to the financial statements.

## NOVA SCOTIA LIQUOR CORPORATION STATEMENTS OF FINANCIAL POSITION

MARCH 31 (IN THOUSANDS)	2021	2020
<b>Assets</b>		
Current		
Cash and cash equivalents	\$ 31,326	\$ 41,244
Receivables	3,729	4,445
Inventories	69,097	64,751
Prepays	3,237	3,725
	<b>107,389</b>	<b>114,165</b>
Intangibles (note 5)	8,918	6,833
Property and equipment (note 6)	89,305	89,673
	<b>\$ 205,612</b>	<b>\$ 210,671</b>
<b>Liabilities</b>		
Current		
Payables and accruals	\$ 59,449	\$ 56,997
Lease liabilities (note 8)	5,034	4,869
Employee future benefit obligations (note 9)	1,484	5,557
	<b>65,967</b>	<b>67,423</b>
Non-current		
Lease liabilities (note 8)	31,412	32,187
Employee future benefit obligations (note 9)	29,472	22,444
	<b>126,851</b>	<b>122,054</b>
<b>Equity</b>	<b>78,761</b>	<b>88,617</b>
	<b>\$ 205,612</b>	<b>\$ 210,671</b>

See accompanying notes  
to the financial statements.

**On behalf of the Board**



**Mr. George McLellan**  
Chair, Board of Directors



**Mr. John MacKinnon**  
Audit Committee Chair

## NOVA SCOTIA LIQUOR CORPORATION STATEMENTS OF CHANGES IN EQUITY

### MARCH 31 (IN THOUSANDS)

	OTHER COMPONENTS OF RETAINED EQUITY	RETAINED EARNINGS	TOTAL
Balance at March 31, 2020	\$ 3,569	\$ 85,048	\$ 88,617
Remittances to Minister of Finance	-	(283,000)	(283,000)
Earnings for the year	-	274,482	274,482
Other comprehensive loss	(1,338)	-	(1,338)
Comprehensive earnings for the year	(1,338)	274,482	273,144
<b>Balance at March 31, 2021</b>	<b>\$ 2,231</b>	<b>\$ 76,530</b>	<b>\$ 78,761</b>
Balance at April 1, 2019	\$ 2,140	\$ 47,520	\$ 49,660
Remittances to Minister of Finance	-	(209,750)	(209,750)
Earnings for the year	-	247,278	247,278
Other comprehensive gain	1,429	-	1,429
Comprehensive earnings for the year	1,429	247,278	248,707
<b>Balance at March 31, 2020</b>	<b>\$ 3,569</b>	<b>\$ 85,048</b>	<b>\$ 88,617</b>

See accompanying notes to the financial statements.



## NOVA SCOTIA LIQUOR CORPORATION STATEMENTS OF CASH FLOWS

YEAR ENDED MARCH 31 (IN THOUSANDS)	2021	2020
<b>Operating</b>		
Earnings for the year	\$ 274,482	\$ 247,278
Depreciation and amortization	15,884	15,419
Loss on disposal of property and equipment	241	98
Employee future benefit obligations	1,616	1,238
	<b>292,223</b>	<b>264,033</b>
Change in non-cash operating working capital	(690)	(6,164)
Interest paid	852	905
	<b>292,385</b>	<b>258,774</b>
<b>Financing</b>		
Remittances to Minister of Finance	(283,000)	(209,750)
<b>Investing</b>		
Purchase of intangibles	(4,294)	(3,098)
Purchase of property and equipment	(9,198)	(11,154)
Proceeds on sale of property and equipment	4	5
Payment of lease liabilities	(5,815)	(5,602)
	<b>(19,303)</b>	<b>(19,849)</b>
Net change in cash and cash equivalents	<b>(9,918)</b>	<b>29,175</b>
Cash and cash equivalents, beginning of year	41,244	12,069
Cash and cash equivalents, end of year	\$ 31,326	\$ 41,244

See accompanying notes to the financial statements.

## NOVA SCOTIA LIQUOR CORPORATION NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2021 (IN THOUSANDS)

### 1. Nature of operations

The Nova Scotia Liquor Corporation (the “Corporation”) administers the Liquor Control Act, Chapter 260 of the Revised Statutes of Nova Scotia, 1989 and through the Nova Scotia Cannabis Control Act passed in the Nova Scotia Legislature on April 17, 2018. The Corporation is a government business enterprise as defined by Public Sector Accounting Board recommendations. The Corporation is Nova Scotia’s largest retailer of liquor and cannabis product and its network includes over 100 retail stores, 60 agency stores, four private wine & specialty stores and one standalone cannabis store. The Corporation serves as a wholesaler to more than 2,000 bars and restaurants across the province. The immediate parent and ultimate controlling party of the Corporation is the Province of Nova Scotia. The Corporation is exempt from income tax under Section 149 of the Income Tax Act. The Corporation’s principal place of business is 93 Chain Lake Drive, Halifax, Nova Scotia.

### 2. Basis of financial statement preparation

#### STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements for the year ended March 31, 2021 (including comparatives) were approved and authorized for issue by the Board of Directors on June 11, 2020.

#### BASIS OF MEASUREMENT

The Corporation’s financial statements are prepared on the historical cost basis, except for employee future benefits which are measured as described in note 9 and leases which are measured as described in note 8. The financial statements are presented in Canadian dollars and all values are rounded to the nearest thousand.

### 3. Summary of significant accounting policies

#### USE OF ESTIMATES AND JUDGMENTS

When preparing the financial statements, management undertakes a number of judgments, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

#### Significant management judgment

The following are significant management judgments in applying the accounting policies of the Corporation that have the most significant effect on the financial statements.

#### Cash generating units

The Corporation uses judgement in determining the grouping of assets to identify its Cash Generating Units (“CGUs”) for purposes of testing for impairment of property and equipment and intangible assets. The Corporation has determined that its retail CGUs comprise individual stores. Corporate and distribution centre assets are allocated on a rational basis to the CGUs or group of CGUs as appropriate for the purposes of performing impairment testing if needed.

#### Impairment

The carrying values of property and equipment, intangible assets, and CGUs are reviewed each reporting period to determine whether there is any indication of impairment. If the carrying amount of an asset exceeds its recoverable amount, the asset is impaired and an impairment loss is recognized in earnings.

#### Capitalization of internally developed software

Distinguishing the research and development phases of a new customized software project and determining whether the recognition requirements for the capitalization of development costs are met requires judgment. After capitalization, management monitors

whether the recognition requirements continue to be met and whether there are any indicators that capitalized costs may be impaired.

### Leases

When the entity has the option to extend a lease, management uses its judgement to determine whether or not an option would be reasonably certain to be exercised. Management considers all facts and circumstances, including their past practice and any cost that will be incurred to improve or modify the leased asset if an option to extend is not taken, to help them determine the lease term.

Where the interest rate implicit in the lease is not readily available, management uses the lessee's incremental borrowing rate to measure the present value of the remaining lease payments. Management's determination of the Corporation's incremental borrowing rate depends on relevant facts and circumstances, geographical location, and lease term duration of the lease property.

### Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

### Impairment

Management estimates the recoverable amount of an asset (or CGU) in order to determine the extent of the impairment loss (if any). The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

### Useful lives of property and equipment and intangibles

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the

expected pattern of consumption of the future economic benefits embodied in the assets. Uncertainties in these estimates relate to technical obsolescence that may change the expected consumption pattern of certain software and IT equipment.

### Inventories

Management estimates the net realizable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realization of these inventories may be affected by market-driven changes that may reduce future selling prices.

### Defined benefit obligations (DBO)

Management's estimate of the DBO is based on a number of critical underlying assumptions such as rates of inflation, medical cost trends, mortality, discount rate and anticipation of future salary increases. Estimation uncertainties exist particularly with these assumptions. Variation in these assumptions may significantly impact the DBO amounts and the annual defined benefit expenses.

### REVENUE

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognized at the point of sale when goods are sold to the customer, exclusive of sales tax. Licensee, Agency, PWSS, and online sales are recognized when the product is shipped to the customer.

### CUSTOMER LOYALTY PROGRAM

An AIR MILES® loyalty program is used by the Corporation. AIR MILES® are earned by certain customers based on purchases. The Corporation pays a per point fee under the terms of the agreement with AIR MILES®. Income from the program is recognized in the period in which it is earned with the associated cost of points offsetting the revenue. The net cost is recorded in other income as the NSLC is acting as agent in the arrangement with AIR MILES®.



## VENDOR REBATES

The Corporation records cash consideration received from vendors as a reduction to the cost of related inventory or, if the related inventory has been sold, to the cost of producing revenue. Certain exceptions apply where the cash consideration received is either a reimbursement of incremental costs incurred by the Corporation or a payment for assets or services delivered to the vendor, in which case the cost is reflected as a reduction in operating expenses.

## CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprises cash on hand and demand deposits.

## INVENTORIES

Inventories are valued at the lower of cost and net realizable value using the weighted average moving cost method. Cost includes product costs, standard freight costs and customs with excise included when product is released for sale. The amount of inventory expensed during the year is shown as cost of goods sold on the statement of earnings.

## INTANGIBLE ASSETS

Intangible assets include the development and implementation of the enterprise resource planning system which are recorded at cost and amortized on a straight-line basis over their estimated useful lives, as these assets are considered to have finite useful lives. Useful lives are reviewed at each reporting date. The Corporation assesses the carrying value of the intangible assets for impairment when events or circumstances warrant such a review.

Intangible assets are amortized on a straight line basis at the following rates per annum:

Enterprise resource planning	5 years
Other intangible assets	3 years

## PROPERTY AND EQUIPMENT

Property and equipment are carried at cost, less depreciation and any recognized impairment loss. Depreciation commences when the assets are ready for their intended use. Construction in progress is stated at cost. Cost includes expenditures directly attributable to the acquisition or construction of the item.

Depreciation is provided to write off the cost of property and equipment other than land over their estimated useful lives and after taking into account their estimated residual value using the straight-line method at the following rates:

Furniture, fixtures, other equipment, capital and leasehold improvements	10 years
Computers, software and hardware	3–5 years
Buildings	10–40 years
Right-of-use assets	2–20 years

Leasehold improvements are depreciated over 10 years which is considered the life of the asset rather than the term of the lease to reflect periodic store upgrades.

Any gains or losses arising on disposals of property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount) is included in the statement of earnings in the year in which disposed.

### Impairment of non-financial assets

At the end of each reporting period, the Corporation reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication of an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit to which the assets belong. The recoverable amount of any asset (or a cash-generating unit) is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in earnings. There are no impairment losses as at March 31, 2021 and 2020.

## LEASES

At the inception of a contract, the Corporation assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, it is assessed whether:

- the contract involves the use of an identified asset;
- the Corporation has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use; and
- the Corporation has the right to direct the use of the asset.

### Measurement and recognition of leases as a lessee

Qualifying leases are recognized as a right-of-use asset and a corresponding lease liability.

Lease payments included in the measurement of the lease liability include the net present value of the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantee;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used. The incremental borrowing rate is the rate that the lessee would have to pay to borrow at prevailing interest rates, market precedents and the Company's specific credit spread, on similar terms and security. The finance cost is charged to profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period.

Right-of-use assets are initially measured at cost and are included in property and equipment on the statement of financial position. Cost of right-of-use assets is comprised of the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs
- restoration costs

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The lease term consists of:

- the non-cancellable period of the lease;
- periods covered by options to extend the lease, where the Corporation is reasonably certain to exercise the option; and
- periods covered by options to terminate the lease, where the Corporation is reasonably certain not to exercise the option.

If the Corporation expects to obtain ownership of the leased asset at the end of the lease, the right-of-use asset is depreciated over the underlying asset's estimated useful life. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Corporation has elected to account for short term leases and leases of low-value assets using the available practical expedients; as such the related payments are recognized as an expense in the statement of earnings on a straight-line basis over the lease term.

## EMPLOYEE BENEFITS

A liability is recognized for wages and benefits accruing to employees when it is probable that settlement will be required and is capable of being measured reliably. Liabilities recognized in respect of employee benefits expected to be settled within twelve months are measured at the expected settlement amount using the remuneration rate expected to apply at the time of settlement.

Liabilities recognized in respect of employee benefits which are not expected to be settled within twelve months are measured as the present value of the estimated future cash outflows to be made by the Corporation in respect of services provided by employees up to reporting date.

### Defined benefit plans and other long term employee benefits

For defined benefit plans, including the Public Service Award Program, the post retirement health care plan and the sick leave plan, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each reporting date. Actuarial gains and losses for the Public Service Award Program and the post retirement health care plan are recognized immediately within other comprehensive earnings. The actuarial gains and losses related to the sick leave plan are recognized in profit and loss. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested. The defined benefit obligations recognized on the balance sheet represent the present value of the defined benefit obligations.

## FINANCIAL INSTRUMENTS

### Recognition and derecognition

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability

is derecognized when it is extinguished, discharged, cancelled or expires.

### Classification and initial measurement of financial assets

All financial assets are initially measured at fair value and adjusted for transaction costs (where applicable). Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit and loss ("FVTPL").

The Corporation has classified its financial instruments as follows:

Asset/liability	Classification
Cash and cash equivalents	Amortized cost
Receivables	Amortized cost
Payables and accruals	Amortized cost

The classification is determined by both the Corporation's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset.

### Subsequent measurement of financial assets

Financial assets are measured at amortized cost if the assets meeting the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objectives is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Corporation's cash and receivables fall into this category.

### Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognize expected credit losses – the 'expected credit loss (ECL) model'.

### Receivables

The Corporation makes use of a simplified approach in accounting for the loss allowance for receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Corporation uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. The Corporation assesses impairment of receivables on a collective basis. As they possess shared credit risk characteristics, they have been grouped based on the days past due. Lifetime expected credit loss is less than 0.1%.

### Classification and measurement of financial liabilities

The Corporation's financial liabilities include payables and accruals and are measured at amortized cost. Financial liabilities are initially measured at fair value, and where applicable, adjusted for transaction costs unless the Corporation designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortized cost using the effective interest method.

### PROVISIONS

Provisions are recognized when the Corporation has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. A provision is a liability of uncertain timing or amount. There are no provisions as at March 31, 2021 and 2020.

### 4. Future accounting pronouncements that are not yet effective and have not been adopted early by the Corporation

At the date of authorization of these financial statements, certain new IFRS standards, amendments and interpretations to existing standards have been published by the IASB, but are not yet effective and have not been adopted early by the Corporation. There is nothing that would be considered material to the financial statements as at the date of authorization of the financial statements.



## 5. Intangibles

	Enterprise Resource Planning (ERP)	Other Intangibles	Assets under Development	Total
<b>Cost</b>				
At March 31, 2020	\$ 23,667	\$ 8,482	\$ 3,216	\$ 35,365
Additions	2,184	360	1,750	4,294
Transfers	3,068	89	(3,217)	(60)
Disposals	(2,282)	(2,509)	-	(4,791)
At March 31, 2021	26,637	6,422	1,749	34,808
<b>Amortization</b>				
At March 31, 2020	(22,597)	(5,935)	-	(28,532)
Amortization expense	(566)	(1,583)	-	(2,149)
Disposals	2,282	2,509	-	4,791
At March 31, 2021	(20,881)	(5,009)	-	(25,890)
<b>Amortization</b>				
At March 31, 2020	\$ 1,070	\$ 2,547	\$ 3,216	\$ 6,833
At March 31, 2021	\$ 5,756	\$ 1,413	\$ 1,749	\$ 8,918

Amortization of intangibles is reported as an operating expense in the statement of earnings. The intangible assets under development are not impaired as at March 31, 2021

<b>Cost</b>				
At March 31, 2020	\$ 27,970	\$ 7,866	\$ 1,576	\$ 37,412
Additions	406	392	2,300	3,098
Transfers	436	224	(660)	-
Disposals	(5,145)	-	-	(5,145)
At March 31, 2020	23,667	8,482	3,216	35,365
<b>Amortization</b>				
At March 31, 2019	(27,234)	(4,382)	-	(31,616)
Amortization expense	(506)	(1,553)	-	(2,059)
Disposals	5,143	-	-	5,143
At March 31, 2020	(22,597)	(5,935)	-	(28,532)
<b>Amortization</b>				
At March 31, 2019	\$ 736	\$ 3,484	\$ 1,576	\$ 5,796
At March 31, 2020	\$ 1,070	\$ 2,547	\$ 3,216	\$ 6,833

## 6. Property and equipment

	Furniture & Fixtures	Other Equipment	Small Computers	Software & Hardware	Land	Buildings	Capital & Leasehold Improvements	Assets under Construction AUC or WIP	Right of Use Assets	Total
<b>Cost</b>										
At March 31, 2020	\$ 18,798	\$ 16,554	\$ 9,999	\$ 1,563	\$ 753	\$ 47,573	\$ 58,081	\$ 2,677	\$ 40,985	\$ 196,983
Additions	1,085	392	119	178	-	2,090	2,946	2,388	4,352	13,550
Transfers	653	124	532	69	-	344	968	(2,632)	-	58
Disposals	(1,830)	(710)	(1,845)	(332)	(9)	(4,852)	(3,797)	-	(167)	(13,542)
At March 31, 2021	18,706	16,360	8,805	1,478	744	45,155	58,198	2,433	45,170	197,049
<b>Depreciation</b>										
At March 31, 2020	(13,708)	(11,683)	(7,626)	(1,234)	-	(33,187)	(34,687)	-	(5,185)	(107,310)
Depreciation expense	(1,092)	(955)	(817)	(227)	-	(1,305)	(4,017)	-	(5,322)	(13,735)
Disposals	1,829	709	1,752	332	-	4,715	3,797	-	167	13,301
At March 31, 2021	(12,971)	(11,929)	(6,691)	(1,129)	-	(29,777)	(34,907)	-	(10,340)	(107,744)
<b>Carrying amounts</b>										
At March 31, 2020	\$ 5,090	\$ 4,871	\$ 2,373	\$ 329	\$ 753	\$ 14,386	\$ 23,394	\$ 2,677	\$ 35,800	\$ 89,673
At March 31, 2021	\$ 5,735	\$ 4,431	\$ 2,114	\$ 349	\$ 744	\$ 15,378	\$ 23,291	\$ 2,433	\$ 34,830	\$ 89,305

Depreciation of property and equipment is reported as an operating expense in the statement of earnings. No depreciation has been recorded on assets under construction. Management undertook a review of the NSLC's assets and have written off assets that are fully depreciated and no longer in use in the current year.

6. Property and equipment (continued)

	Furniture & Fixtures	Other Equipment	Small Computers	Software & Hardware	Land	Buildings	Capital & Leasehold Improvements	Assets under construction AUC or WIP	Right of Use Assets	Total
<b>Cost</b>										
At March 31, 2019	\$ 17,861	\$ 16,049	\$ 8,949	\$ 1,434	\$ 690	\$ 45,700	\$ 50,212	\$ 5,171	-	\$ 146,066
Adjustment on transition to IFRS 16	-	-	-	-	-	-	-	-	36,223	36,223
Additions	580	575	1,041	131	68	1,589	4,645	2,525	4,762	15,916
Transfers	461	224	78	-	-	764	3,492	(5,019)	-	-
Disposals	(104)	(294)	(69)	(2)	(5)	(480)	(268)	-	-	(1,222)
<b>At March 31, 2020</b>	<b>18,798</b>	<b>16,554</b>	<b>9,999</b>	<b>1,563</b>	<b>753</b>	<b>47,573</b>	<b>58,081</b>	<b>2,677</b>	<b>40,985</b>	<b>196,983</b>
<b>Depreciation</b>										
At March 31, 2019	(12,665)	(10,925)	(6,845)	(1,064)	-	(32,356)	(31,217)	-	-	(95,072)
Depreciation expense	(1,146)	(1,048)	(841)	(172)	-	(1,248)	(3,720)	-	(5,185)	(13,360)
Disposals	103	290	60	2	-	417	250	-	-	1,122
<b>At March 31, 2020</b>	<b>(13,708)</b>	<b>(11,683)</b>	<b>(7,626)</b>	<b>(1,234)</b>	<b>-</b>	<b>(33,187)</b>	<b>(34,687)</b>	<b>-</b>	<b>(5,185)</b>	<b>(107,310)</b>
<b>Carrying amounts</b>										
At March 31, 2019	\$ 5,196	\$ 5,124	\$ 2,104	\$ 370	\$ 690	\$ 13,344	\$ 18,995	\$ 5,171	\$ -	\$ 50,994
<b>At March 31, 2020</b>	<b>\$ 5,090</b>	<b>\$ 4,871</b>	<b>\$ 2,373</b>	<b>\$ 329</b>	<b>\$ 753</b>	<b>\$ 14,386</b>	<b>\$ 23,394</b>	<b>\$ 2,677</b>	<b>\$ 35,800</b>	<b>\$ 89,673</b>

## 7. Finance costs

	2021	2020
Interest expenses – lease liabilities	<b>\$ 853</b>	\$ 905
Post employment benefit costs (note 9)	<b>1,036</b>	1,039
Total Finance costs	<b>\$ 1,889</b>	\$ 1,944

## 8. Leases

The Corporation leases properties for its retail stores. Lease contracts are typically made for fixed periods of 2 to 20 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

### LEASE LIABILITIES

Lease liabilities are presented in the financial statement of financial position as follows:

	2021	2020
Current	<b>\$ 5,034</b>	\$ 4,869
Non-current	<b>31,412</b>	32,187
	<b>\$ 36,446</b>	\$ 37,056

### EXTENSION OPTIONS

The use of extension and termination options gives the Corporation added flexibility in the event it has identified more suitable premises in terms of cost and/or location or determined that it is advantageous to remain in a location beyond the original lease term. An option is only exercised when consistent with the Corporation's network development strategy and the economic benefits of exercising the option exceeds the expected overall cost.



The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities at March 31 2021 is as follows:

	Minimum lease payments due					Total
	Within 1 year	1–5 years	5–10 years	10–15 years	Over 15 Years	
<b>March 31, 2021</b>						
Lease Payments	\$ 5,826	\$ 24,858	\$ 7,349	\$ 2,275	\$ -	\$ 40,308
Finance charges	(792)	(2,331)	(644)	(95)	-	(3,862)
<b>Net present values</b>	<b>\$ 5,034</b>	<b>\$ 22,527</b>	<b>\$ 6,705</b>	<b>\$ 2,180</b>	<b>\$ -</b>	<b>\$ 36,446</b>

#### LEASE PAYMENTS NOT RECOGNIZED AS A LIABILITY

The Corporation has elected not to recognize a lease liability for short term leases or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. Payments made under such leases are expensed on a straight-line basis and totaled \$66.

## 9. Employee remuneration

#### RETIREMENT BENEFIT PLAN

The Corporation contributes to the Nova Scotia Public Service Superannuation Plan, which is a defined benefit plan. The Corporation accounts for these contributions as a defined contribution plan. The actuarial and investment risk is administered by Public Service Superannuation Plan Trustee Inc. The Corporation matches the contributions of employees' calculated as 8.4% on eligible earnings up to the year's Maximum Pensionable Earnings (YMPE) under the Canada Pension Plan (CPP), and 10.9% on eligible earnings that is in excess of YMPE. The Corporation is not responsible for any unfunded liability with respect to the Public Service Superannuation Plan.

The total expense recognized in the statement of earnings is \$4,455 (2020 - \$4,277) and represents contributions paid or payable by the Corporation at rates specified in the plans.

#### DEFINED BENEFIT PLANS AND OTHER LONG TERM EMPLOYEE BENEFITS

The Public Service Award (PSA) plan is a defined benefit plan covering substantially all of the Corporation's permanent unionized employees, as well as all full time non-union employees hired before August 1, 2005. Previous to fiscal year 2016, the actuarial assumptions in the financial statements in regards to the PSA had been that the benefit was based on the number of years of service and the employee's compensation during the final year of employment. Under the management of the Corporation's parent, the Province of Nova Scotia, the PSA plan has been closed effective April 1, 2015, for union employees, such that services earned toward this benefit are frozen as of that date and August 11, 2015 for non-union employees. This program remains to be funded in the year of retirement of eligible employees.

The Corporation pays 65% of the cost of health care plans for substantially all retirees or surviving spouses of retirees. This is funded each year by the payment of the required premiums.

The Corporation also provides an accumulating non-vesting sick leave entitlement program. This program allows for the accumulation of unused sick time entitlements to cover short-term absences for health-related issues in lieu of a short-term disability plan. This program is funded each year as employees utilize their sick time entitlement.

The Corporation is responsible for paying the employer portion of health, dental, and life insurance premiums, and both the employer and employee pension contributions for members qualifying for Long Term Disability. They will also continue to pay the employer portion of health, dental, and life insurance premiums, pension contributions, and Long Term Disability insurance premiums for employees who qualify for Workers' Compensation Benefits, but are not yet eligible for Long Term Disability.

The Corporation is self insured and is responsible for paying workers compensation to employees approved by the Workers Compensation Board. Total expenses recognized in the statement of earnings is \$1,201 (2020 - \$1,111). Any future benefit obligation is included in the

financial statements of the Province of Nova Scotia. The Corporation is not responsible for unfunded liability claims.

#### DEFINED BENEFIT PLANS AND OTHER LONG TERM EMPLOYEE BENEFITS

An independent actuary carried out the most recent actuarial valuation utilizing plan membership data up to December 31, 2020 (for the Retiree Health, Service Awards, Sick Leave benefits, and LTD benefits). The present value of the benefit obligations were then calculated by extrapolating these valuations out to March 31, 2021. The next actuarial valuations will be performed as of December 31, 2023.

The present value of the defined benefit obligations, and the related current service costs and past service costs, were measured using the Projected Unit Credit Method.

The principle assumptions used for the purposes of the actuarial valuations were as follows:

	Valuation at							
	31-Mar-21				31-Mar-20			
	Retiree health	Service award	Sick leave	Disability	Retiree health	Service award	Sick leave	Disability
Discount rate(s)								
Expected rate(s) of salary increase	3.85%	3.25%	3.50%	3.20%	3.40%	3.00%	3.00%	2.80%
Ultimate weighted average health care trend rate	n/a	2.50%	2.50%	2.50%	n/a	2.50%	2.50%	2.50%
	4.50%	n/a	n/a	n/a	4.50%	n/a	n/a	n/a

Amounts recognized in the statements of earnings and comprehensive earnings in respect of these benefit plans are as follows:

	2021	2020
Current service cost	\$ 1,484	\$ 5,557
Interest on obligation	1,036	1,039
Actuarial losses (gains)	2,765	(1,898)
	\$ 5,285	\$ 4,698

Movements in the present value of the benefit obligations in the current period were as follows:

	2021	2020
Benefit obligations, beginning of year	\$ 28,001	\$ 28,191
Current service cost	1,484	5,557
Interest cost	1,036	1,039
Actuarial (gain) loss	2,765	(1,898)
Benefits paid	(2,330)	(4,888)
Benefit obligations, end of year	\$ 30,956	\$ 28,001

The effect of the change in the assumed health care cost trend rates:

	2021	2020
Effect on aggregate of current service cost and interest cost		
One percentage point increase	\$ 422	\$ 351
One percentage point decrease	(433)	(359)
Effect on accrued benefit obligation		
One percentage point increase	3,861	3,592
One percentage point decrease	(2,971)	(2,778)

## EMPLOYEE FUTURE BENEFIT OBLIGATIONS

Employee future benefit obligations are presented in the financial statement of financial position as follows:

	2021	2020
Current	\$ 1,484	\$ 5,557
Non-current	29,472	22,444
	\$ 30,956	\$ 28,001

## 10. Related party transactions

The immediate parent and ultimate controlling party of the Corporation is the Province of Nova Scotia. Remittances to the Province of Nova Scotia are disclosed in the statements of changes in equity. Other transactions with the Province of Nova Scotia are deemed to be collectively insignificant to these financial statements.

## Compensation of key management personnel

Members of the Board of Directors and Executive Team are deemed to be key management personnel. It is the Board of Directors and Executive Team who have the responsibility for planning, directing and controlling the activities of the Corporation.

The following is compensation expense for key management personnel:

	2021	2020
Short term benefits	\$ 1,668	\$ 1,595
Post-employment benefits	122	118
Other long term benefits	38	21
<b>Total compensation</b>	<b>\$ 1,828</b>	<b>\$ 1,734</b>

## 11. Revenue

	2021						
Channel	Spirits	Wine	Beer	Ready to Drink	Non-Liquor	Cannabis	Total
Retail	\$ 168,482	\$ 130,422	\$ 227,873	\$ 72,245	\$ 64	\$ 84,099	\$ 683,185
Licensee	3,984	3,748	14,107	1,484	17	-	23,340
Agency	17,517	6,897	33,035	10,451	14	-	67,914
Private wine & specialty	1,606	10,281	1,085	1,743	-	-	14,715
Other							
Wholesale	139	413	33	35	-	-	620
Online	442	838	65	61	-	1,889	3,295
<b>Total</b>	<b>\$ 192,170</b>	<b>\$ 152,599</b>	<b>\$ 276,198</b>	<b>\$ 86,019</b>	<b>\$ 95</b>	<b>\$ 85,988</b>	<b>\$ 793,069</b>



							2020
Channel	Spirits	Wine	Beer	Ready to Drink	Non-Liquor	Cannabis	Total
Retail	\$ 150,915	\$ 125,547	\$ 216,939	\$ 46,941	\$ 76	\$ 70,006	\$ 610,424
Licensee	8,153	7,441	31,366	2,922	19	-	49,901
Agency	13,040	5,513	26,416	5,056	8	-	50,033
Private wine & specialty	1,092	10,522	1,185	833	-	-	13,632
Other							
Wholesale	206	464	36	22	-	-	728
Online	158	273	16	5	-	997	1,449
<b>Total</b>	<b>\$ 173,564</b>	<b>\$ 149,760</b>	<b>\$ 275,958</b>	<b>\$ 55,779</b>	<b>\$ 103</b>	<b>\$ 71,003</b>	<b>\$ 726,167</b>

## 12. Operating expenses

	2021	2020
Salaries and employee benefits	\$ 79,035	\$ 72,393
Depreciation and amortization	15,884	15,419
Service contracts and licenses	8,916	8,043
Debit, credit and gift card fees	5,651	5,485
Occupancy	3,733	3,743
Utilities	2,988	2,843
Supplies and sundry	2,807	2,107
Maintenance and repairs	2,732	2,262
Freight	2,593	2,620
Post employment current service costs (note 9)	1,484	5,557
Marketing and merchandising	1,468	2,522
Actuarial loss (gain) on other employment benefit (note 9)	1,428	(470)
Legal, Audit, & Consulting	1,366	987
Corporate/social responsibility	1,055	925
Travel, training and meetings	856	1,230
Waste diversion	601	581
Insurance	509	365
Guard services	495	472
Postage and courier	260	136
Memberships and subscriptions	200	212
Publications	169	220
Industry support	166	150
Market Surveys	162	324
Telephone	117	127
Bank charges and armoured car	109	112
Other	(432)	339
	<b>\$ 134,352</b>	<b>\$ 128,704</b>

### 13. Capital management

The Corporation does not have share capital or long term debt. Its definition of capital is cash and retained earnings. The Corporation's main objectives for managing capital are to ensure sufficient liquidity in support of its financial obligations to achieve its business plans and to continue as a self-sufficient going concern entity in order to provide continuous remittances to the Province of Nova Scotia.

### 14. Financial instruments risk

The Corporation is exposed to credit risk and market risk in relation to financial instruments. The Corporation is exposed to the same risks in the current year as it was exposed to in the prior year.

#### CREDIT RISK

Credit risk is the risk that a counterparty fails to discharge an obligation to the Corporation. The Corporation is exposed to this risk for various financial instruments, for example by granting receivables to customers and placing deposits. The Corporation's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized at the end of the reporting period, as summarized below:

<b>Classes of financial assets – carrying amounts</b>	<b>March 31, 2021</b>	<b>March 31, 2020</b>
Cash and cash equivalents	\$ 31,326	\$ 41,244
Trade and other receivables	3,729	4,445

#### CREDIT RISK MANAGEMENT

The credit risk is managed on a group basis based on the Corporation's credit risk management policies and procedures.

The credit risk in respect of cash balances held with banks are managed by only using major reputable financial institutions.

The Corporation does not specifically assess the credit quality of clients based on a credit rating but through an informal process while onboarding for service. Invoice terms are payable within seven days. The ongoing credit risk is managed through regular review of aging analysis.

#### MARKET RISK

##### Foreign currency sensitivity

The Corporation has purchases of inventory from suppliers outside of Canada. Exposure to fluctuations in currency exchange rates subjects the Corporation to foreign exchange risk as significant fluctuations impact the cost of the inventory to the Corporation.

The Corporation's main exposure is to the EURO and USD. The Corporation holds funds in US dollars to help mitigate the exposure to significant fluctuations in the US dollar exchange rate. As at March 31, 2020, the Corporation held US\$559 (2020 – US\$115) in US dollar denominated bank accounts. Amounts payable in other currencies other than CAD were not significant.

Sensitivity to a plus or minus 5.0% change in the EURO or US dollar exchange rate would not have a material impact on the Corporation's results from operations.

#### FOREIGN CURRENCY TRANSLATION

In preparing the financial statements, transactions in currencies other than the Canadian dollar are recorded at the rates of exchange prevailing on the date of the transaction. At each balance sheet date, monetary items denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the balance sheet date. Any gain or loss is recognized in other income.

## 15. Covid-19 impact

Since December 31 2019, the spread of COVID-19 has severely impacted many local economies around the globe. Many businesses are being forced to cease or limit operations for long or indefinite periods of time. On March 22, 2020, the Province of Nova Scotia declared a state of emergency to help contain the spread of COVID-19, in addition to travel bans, quarantines, social distancing, and closures of non-essential services. The state of emergency continued through fiscal 2021 and currently remains in place. Restrictions were eased gradually during fiscal 2021 according to public health orders and directives, but most recently restrictions have been tightened due to the third wave of spread. It is expected that restrictions will gradually be eased according to public health orders and directives as the situation improves.

The Corporation's operations did not cease as part of non-essential services, but hours of operations were reduced to 6 days a week. The impact of the COVID-19 on the Corporation's financial position is not material as revenue overall has been maintained but a shift in revenue among sales channels has occurred. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Corporation for future periods.



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