

#### **Our Purpose**

We come together for the good of Nova Scotians.

#### **Our Vision**

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

#### **Our Values**

**Knowledgeable –** We learn and share what we know.

**Optimistic –** We celebrate and contribute to the good we do.

**Respectful** – We take care of ourselves, each other, and our communities.

**Engaged –** We make a positive impact and create meaningful connections.

#### **Our Service Standards**

**Safety –** We ensure everyone's safety is a top priority.

**Inclusion –** We welcome and respect everyone to create belonging.

**Responsibility –** We keep our purpose at the center of our business.

**Connection –** We create meaningful relationships with all our customers.

**Efficiency –** We mind the details to keep everything running smoothly.



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# Letter from the Board Chair and President & CEO

FROM FOREST FIRES, TO FLOODS, TO SEVERE STORMS, THE PAST YEAR WAS FILLED WITH MANY CHALLENGES FOR NOVA SCOTIANS. But as challenging as 2023-2024 was, through it all, the NSLC team once again demonstrated tremendous resilience, care for each other, and care for our communities, all while continuing to deliver on our mandate and provide exceptional service.

Throughout the year, we saw the volume of beverage alcohol sold continue to decrease, a trend we've been monitoring since the peak of the pandemic and one that we expect to continue. The opposite, however, was true for cannabis sales, which increased 8.9% over the previous year. With 100% of our profits returned to our Shareholder, the Province of Nova Scotia, we were pleased to return \$283.8 million to support key public services for the 2023-2024 fiscal year.

The past year also marked five years since cannabis legalization. During that time, we have continued to make access to a regulated and legal supply of cannabis in Nova Scotia a priority. We've grown from our initial 12 cannabis stores in 2018, to 49 cannabis stores, with the opening of our Young Street cannabis location in Halifax in July 2023. As the category has matured, the price per gram has continued to decrease, and we have steadily increased our assortment and product offerings, all in our continued efforts to combat the illicit market and meet our shoppers' evolving needs.

Our commitment to providing exceptional shopping experiences also didn't waver in 2023-2024, as we ended the year with customer satisfaction scores of 93%, letting us know that our shoppers are pleased with the shopping experience we provide.

Many of the initiatives completed over the past year were done with our shoppers top of mind. This included the introduction of real-time inventory on our website, which provided an up-to-date and easier-to-search product inventory for both beverage alcohol and cannabis, and important changes to our cannabis home delivery model. This service is now more in-line with our beverage alcohol home delivery experience, allowing us to better ensure it's operating within our responsible delivery requirements.

Our commitment to local also remained a priority, as we focused on continuing to build and strengthen our relationships with local producers.

We take our responsibility mandate seriously, and every day, our team members work hard to ensure the responsible sale of the products we're entrusted to sell. In 2023-2024, our diligent frontline teams asked shoppers who appeared to be under the age of 30 for valid identification more than 2.2 million times, and refused nearly 16,000 sales, keeping our products out of the hands of minors and people who were impaired.

We were also proud to launch our new responsibility campaign, What are you willing to miss?, focusing on the importance of not driving impaired and having a plan to get home safely.

Beyond our role as a responsible retailer, our team members continue to find ways to make a positive impact on the communities where we live and work. And some of our proudest moments come from giving back, whether through volunteer opportunities or our community investment initiatives.

In 2023-2024, we proudly contributed \$1.73 million to organizations across the province, thanks to the generous contributions of our suppliers, shoppers, and team members. We also marked the most significant fundraising effort in the NSLC's history – a remarkable \$685,000 donation to the IWK Foundation, our longstanding employee charity of choice.

At the heart of everything we do, however, is our dedicated team of 1,800+ employees. Every day, we're proud of the way our team members show up and go above and beyond to deliver on our mandate as the responsible retailer of beverage alcohol and cannabis in Nova Scotia. Just as they are committed to providing exceptional experiences for our shoppers, we are committed to providing a workplace where our team members feel supported, empowered and valued.

In 2023-2024, we also continued to focus on growing our culture of belonging, and ensuring we are paving the way for a brighter, more inclusive future at the NSLC – one we look forward to growing in the years to come.



David Pace
Board Chair



Greg Hughes
President & CEO



## **Board of Directors**



Back Row (Left to Right):
Jennifer Abbey, Director,
Greg Hughes, President & CEO
and Non-Voting Director,
Kirk MacRae, Director,
David Pace, Chair,
Tara Miller, Director,
Susan MacDougall, Director,
Amanda Dean, Director

Front Row (Left to Right): Kelliann Dean, Deputy Minister, Finance and Treasury Board and Non-Voting Director, Colleen Keyes, Director, Kiki Kachafanas, Director



## **Executive Team**

Back Row (Left to Right): Greg Hughes, President & CEO, Caroline Duchesne, SVP – Finance and Risk, Ken Cusack, VP Customer Operations, John Francis, VP Insights & Customer Engagement, Paul Rapp, SVP – Customer Operations, Dave DiPersio, SVP – Corporate Affairs

Front Row (Left to Right):
Ryan Embrett, SVP – People
& Culture, Connie Stewart,
Executive Administrator to the
Board and President & CEO,
Heather Bennett, VP
Information Technology





# FEED SOOD GOING SOING SALLEY YOUR ID YEARDY TO THE TOT THE TOT

Here's to everyone who helps to Feesthe Good Going. Thanks for shopping and celebrating responsibly and for baving your 1D realthy every time you wisit.

For more on how we can

Keep the Good Going, visit

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# Responsibility

Corporate social responsibility is at the heart of who we are and it extends beyond our role as a responsible retailer. Our people continue to find ways to make a positive impact where we live and work.

#### DOING OUR PART TO BUILD **HEALTHIER AND MORE** SUSTAINABLE COMMUNITIES

RESPONSIBILITY SITS AT OUR FOUNDATION AND IS INTEGRATED INTO EVERYTHING WE DO. As a

Crown Corporation, our business inherently supports the future of Nova Scotia, as our profits are returned to the province to support key public services and infrastructure. But we recognize that to be a great corporate citizen and create deeper impact, we need to look at our responsibility through a broader lens.

#### SHARING MESSAGES TO ENCOURAGE RESPONSIBLE CONSUMPTION

As the responsible retailer of beverage alcohol and cannabis, we must offer the products we have been entrusted to sell safely and work to help shoppers choose products responsibly. We have a long history of supporting and investing in initiatives focused on preventing impaired driving and promoting responsible consumption. We also continuously work to understand what our shoppers, team members, and communities care about, and how we can reinforce our messages in a way that speaks to various members of our community.

Through our research, we learned that Nova Scotians see the NSLC as both a steward of responsible consumption and a part of life's special occasions.

In November 2023, we launched a new responsibility campaign, What are you willing to miss?, which draws attention to the important moments, celebrations, and milestones that could be missed if the choice is made to drive impaired.



RESPONSIBILITY NSLC

We leveraged this campaign across different initiatives to reinforce our commitment to responsible consumption, including our student-led partnership, **Keep it Social**, our support of **MADD Canada**, and our free-ride partnerships in rural and urban communities, which help Nova Scotians plan for a safe ride home. In December 2023, we partnered with **Halifax Transit** to provide **39,886** free rides during the holiday season.

"We have a duty to share messages and support opportunities that encourage Nova Scotians to make responsible choices when consuming the products we sell," shares Marley MacDonald, Director, Responsibility and Sustainability. "We care about our people, our communities and our shoppers, and our Safe Ride Program is just one of the ways that we can raise awareness of the importance of having a plan to get home safely and not drive impaired."

**Below:** Our *What are you willing to miss?* awareness campaign ran for eight weeks in 2023-2024 on radio, social media, digital screens at licensed establishments, and in our stores, resulting in close to 3 million impressions.

# EMBEDDING RESPONSIBLE RETAILING INTO EVERY SHOPPER INTERACTION

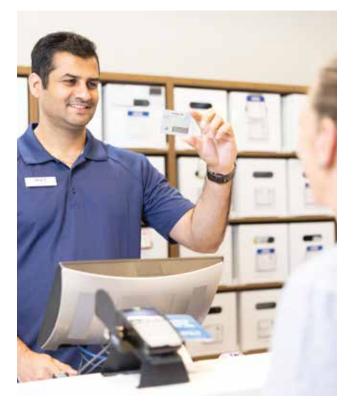
Responsibility factors into every decision we make. It is one of our Service Standards, and is foundational to our culture.

All team members, along with our third-party distribution partners, receive mandatory responsible retail training and participate in our WelD program, where we ID anyone who looks under the age of 30.

These efforts are backed up by Mystery Shops that are completed regularly for both beverage alcohol and cannabis in our retail stores, as well as Agency and Private Wine and Specialty Stores (PWSS), which allows us to monitor compliance with our ID verifications requirements.

This allows us to monitor compliance with our ID verification requirements.





Above: Raman Kumar, Manager, Port Hawkesbury

RESPONSIBILITY NSLC

In 2023-2024, our Retail Mystery Shop scores were **91%**, and our team members challenged more than **2.2 million** shoppers for identification, **refusing nearly 16,000** sales.

"Our results demonstrate our commitment to keeping the products we're entrusted to sell out of the hands of minors and those who are impaired," explains Ashley McDonald, Responsible Retailing Advisor. "We are always looking at new ways to enhance our efforts."

New this past year, we introduced mandatory responsible retail training for our local producers who operate retail stores, requiring training for all employees to be completed prior to receiving their permits. This retail channel has also successfully been added to our Mystery Shop program.

#### GIVING BACK TO OUR COMMUNITIES

The NSLC takes great pride in our community investment program, focused on improving the quality of life and well-being within our communities thanks to the support of our teams, shoppers, and supplier partners. Throughout 2023-2024, together, we invested an impressive **\$1.73 million** in organizations across the province.

Our team members supported our initiatives with pride and excitement throughout the year, never hesitating to jump in and give back – whether through corporately-organized at-cash campaigns, such as our holiday campaign which raised \$320,000 for Feed Nova Scotia and The Mental Health Foundation in December 2023, or through personal causes that are important to them.

#### FOR THE GOOD OF OUR COMMUNITY FUND

The For the Good of Our Community Fund was established with the NSLC's supplier partners to provide financial support to organizations that help support community wellbeing, our environment, and inclusion. In Spring 2023, we awarded \$140,000 in grants to 11 Nova Scotia organizations to fund innovative programs and projects that help support Nova Scotians facing food insecurities, housing barriers, mental and physical health challenges, and that work to create a more sustainable Nova Scotia. In addition to the Fund, our supplier partners showed

up in an even bigger way by donating a portion of their sales of designated products back to our grant recipients. This resulted in more than **\$60,000** in additional funding to help support the 11 selected organizations.

# HARVEST HELPERS: CONNECTING WITH LOCAL WINE INDUSTRY PARTNERS

The NSLC team also participated in Harvest Helpers for the third year in Fall 2023, with **96 team members** volunteering at four vineyards —Avondale Sky, Planters Ridge, Grand Pré, and L'Acadie — to help with the harvest season. What started as a response to the labour shortage faced by our wine industry partners, has become an educational experience for NSLC team members to get a glimpse into the wine-making industry and learn more about the local vineyards in Nova Scotia.



**Above:** Thanks to the generous support of our team members, suppliers, and our shoppers, we saw another record-breaking year, raising \$685,000 for the IWK Foundation.

#### SPOTLIGHT

# RALLYING TO HELP NOVA SCOTIANS IN NEED

The last week of May 2023 will forever leave a lasting imprint on the memories of anyone who calls Nova Scotia home. On May 27, a wildfire started in Shelburne County, burning for over two weeks and 23,000 hectares of land. One day later, a second fire ignited in Tantallon. Although smaller in size, burning 950 hectares, the fire also had a devastating impact on residents. As a result of both fires, 16,000 people were evacuated and 250 structures, primarily homes, were destroyed.

Our team quickly rallied to raise money through at-cash donations and fundraisers. In total, \$187,000 was raised at-cash in just 10 days, and thanks to a corporate donation, provincial and federal matching, the NSLC's fundraising efforts resulted in \$600,000 raised for the Red Cross Nova Scotia & Atlantic Canada Fires Appeal.



# MAKING COMMITMENTS TODAY FOR A BETTER TOMORROW

Throughout 2023-2024, we continued to evolve our Corporate Social Responsibility efforts into a broader sustainability strategy and overall Environmental Social Governance (ESG) framework. The framework establishes key focus areas that includes reducing emissions and waste, fostering a culture of belonging, responsible retailing, community investment, and stewarding responsible business practices, including supplier responsibility, privacy, and cybersecurity.

"This is an exciting time for the NSLC," says Dave DiPersio, Senior Vice President, Corporate Affairs. "Now that we have set our commitments and priorities for sustainable operations and social impact, we can begin the real work to show Nova Scotians that we want to do better for our shoppers, our communities, and our province."

Looking ahead to next year, the team is working to take the following ESG commitments and begin applying them to our daily work, including tracking and sharing our progress over the next five years.

#### **NSLC'S ESG COMMITMENTS:**



#### Environmental

We are committed to further reducing our environmental impact in emissions, energy consumption and waste, and will lead positive environmental change with our team and partners.



#### ooo Social

We are committed to fostering more inclusive, equitable, and accessible spaces both at the NSLC and in the communities we serve that is reflective and respectful of all Nova Scotians.

We remain committed to creating safe and healthy communities through responsible retailing practices to reduce the potential social harms of beverage alcohol and cannabis consumption.



#### Governance

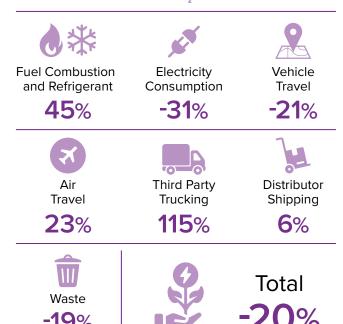
We are committed to responsible and sustainable business operations through transparent and ethical decision-making and disclosures.

#### DOING OUR PART FOR **GREATER SUSTAINABILITY**

We are on a path of continuous improvement to reduce our environmental footprint. In 2023-2024, with the support of our Onsite Energy Manager, we continued to audit our built infrastructure and develop baseline energy use data, with the objective of finding opportunities to reduce our energy usage and ultimately our greenhouse gas emissions. In addition to uncovering immediate opportunities for energyuse reduction, this work will ultimately inform the development of a multi-faceted energy management strategy as part of NSLC's next five-year strategic plan and beyond.

Since 2010, we have tracked our Greenhouse Gas (GHG) emissions and will continue to use this data as a baseline for future ESG reporting.

#### GREENHOUSE GAS tCO<sub>2</sub>e EMISSIONS 2023 VS 2011\*



<sup>\*</sup> Some data for waste and fuel consumption is unavailable; the missing data was estimated using store averages.

#### SPOTLIGHT

#### ADDRESSING FORCED LABOUR AND CHILD LABOUR IN OUR **SUPPLY CHAIN**

In 2024, the Fighting Against Forced Labour and Child Labour in Supply Chains Act (Supply Chains Act), came into force to address and eradicate forced labour and child labour in the supply chains of Canadian businesses and to strengthen the import ban on goods produced using forced labour and child labour, which are both considered forms of modern slavery. As a major retailer, we are committed to better understanding and identifying risks and evolving our due diligence to ensure the rights of everyone are protected.

As part of our commitment to transparency and accountability, we took our first steps in 2023-2024 to address the requirements of the new legislation. We formed an NSLC Working Group, made up of employees from across the organization, to facilitate our response and planning for the Supply Chains Act. We also organized and led a regional working group with all liquor boards across Atlantic Canada.

Through several working sessions we:

- Gained a greater understanding of modern slavery and how it applies to our operations and our supply chains by participating in the Supply Chain Due Diligence and Modern Slavery training session.
- Conducted a value chain mapping exercise to recognize the intricacies of our business and operations.
- Identified our commitments to help protect against modern slavery in our supply chain.

This work was foundational to the future development of the NSLC's first Fighting Against Forced Labour and Child Labour in Supply Chains Act Report, which outlines our commitments to addressing modern slavery.

RESPONSIBILITY **NSLC** 

## Responsibility Highlights

#### RESPONSIBLE RETAILING

The retail team continues to be vigilant with responsible sales. In 2023-2024:



Asked more than **2.2M** shoppers for identification



Refused more than 16,000 sales



WelD Scores were:

- 91% for Retail Stores
- 89% for Agency Stores
- 83% for PWSS



Introduced and implemented WelD Mystery Shops with local producers.



Together with our teams, partners, shoppers, suppliers, and participating Agency stores,

THE NSLC INVESTED

\$1.73 M

in more than 100 charities and causes across the province.

#### COMING TOGETHER FOR THE GOOD OF NOVA SCOTIANS



Donated a record-breaking \$685,000 to the **IWK Foundation**, thanks to the generous support of our team, shoppers, and supplier partners to support the redevelopment of the IWK Emergency Department.



Raised **\$600,000** in support of the Red Cross Nova Scotia & Atlantic Canada Fires Appeal Appeal, through a week-long at-cash campaign (\$187,000), corporate donation (\$13,000), and federal and provincial matching (\$400,000).



Donated \$320,000 to Feed Nova Scotia and the Mental Health Foundation of Nova Scotia through our 2023 holiday at-cash campaign.



Partnered with **MADD Canada** to support their school assembly program to create awareness of the dangers of drinking and driving by delivering 47 presentations across Nova Scotia reaching over 7,000 students.



**429 NSLC employees** volunteered more than **3,000 hours** supporting more than **40 non-profit** organizations and causes important to them through the Together for Good program.



Awarded \$140,000 through our For the Good of Our Community Fund, with the support of our supplier partners, to 11 Nova Scotia based organizations that support community wellbeing, the environment, and accessibility and diversity.



Through The For the Good of Our Community Fund grant program and thanks to our supplier partners, provided an additional \$60,000 of financial support to all 11 grant recipients.



In partnership with Halifax Transit, provided free rides to close to **40,000** riders during the busy holiday season.

# Customer

Our shoppers are top of mind in everything that we do. Every day, we work to listen, engage, understand, and respond to their needs.

#### **CANNABIS: FIVE YEARS** OF LEGALIZATION

OCTOBER 2023 MARKED FIVE YEARS SINCE THE LEGALIZATION OF CANNABIS IN CANADA. Since 2018, we chartered this new territory with optimism, responsibility, and with a vision of what the retail of legalized cannabis could look like down the road. We tried new things -some worked well, while others continue to evolve. We continue to see growth and innovation and a desire by our industry partners to do more, and we continue to do what we can to help strengthen the industry.

THEN (2018-2019 FISCAL YEAR END)	NOW (2023-2024 FISCAL YEAR END)
12 Cannabis Locations	49 Cannabis Locations
\$9.77 price per gram	\$5.96 price per gram
286 unique products	639 unique products
<b>\$15,806,425</b> (Q4 Sales 2018-2019) *	<b>\$29,653,932</b> (Q4 Sales 2023-2024) *

<sup>\*</sup> Q4 results for comparison. Legalization of cannabis came into effect the second quarter of fiscal year 2018-2019, resulting in seven months of sales data for that fiscal year.

#### COMPETING WITH THE ILLICIT MARKET

Although we are the only authorized retailer of cannabis in Nova Scotia, we know we aren't the only player in the game.

We know that we need to look at all the factors in how we can compete, while staying true to federal regulations, to ensure that Nova Scotians have access to quality controlled and legal cannabis.

One factor is price. In our effort to impact the illicit market, our team continues to work with our licensed producers to ensure our prices are competitive. From the end of fiscal year 2018-2019 to the end of 2023-2024, the price per gram of cannabis decreased from \$9.77 to \$5.96, a reduction of **39%**.

Another factor is access. When we first launched cannabis, we started with 12 locations across the province and offered online ordering and delivery. To be competitive with the illicit market, we knew we had to look for opportunities to expand our retail network and increase access. As of the end of 2023-2024, we grew the total number of cannabis retail locations to 49

#### SPOTLIGHT

# ENHANCING OUR ONLINE SHOPPING EXPERIENCE: REAL-TIME INVENTORY

In 2023-2024, we focused on improving our online shopping experience, including our home delivery service. The first step was to enhance our website and provide shoppers with an up-to-date, and easier-to-search, product inventory for beverage alcohol and cannabis.

"We want to create a positive shopping experience for our shoppers, and are always looking for ways to improve," Chris Belliveau, Manager, Business and Technology Solutions Projects says. "Shoppers want to know if we have their favourites in stock, and now we can all see what is available in real-time."

In addition to helping shoppers online, our team members are now able to let shoppers know if the product they are looking for is available, or if not, the nearest location where they can find it.

We also shifted to one service provider for both beverage alcohol and cannabis home delivery to service most postal codes in the province. This move creates a more consistent experience for most of our shoppers. For cannabis shoppers that live beyond the boundaries of our delivery partner, we were able to accommodate their delivery orders by continuing to work with Canada Post.

This consistent experience ensures that our products continue to stay out of the hands of minors and individuals who are impaired. Our delivery partners are required to complete our responsible retail training and adhere to our responsible retailing practices.

This change was no small feat. It involved the work of team members from across the organization. "It was all hands-on deck," Gord MacEwan, Manager, Channel, shares. "From setting up a new single fulfillment location at our Tantallon store, to updating the website with the new ordering information, to overcoming obstacles with solutions that meet the needs of our shoppers, the team worked together to bring this service to life."

# LOOKING AHEAD TO THE FUTURE OF CANNABIS

We have come a long way since cannabis first became legal in 2018. At the time, the market was new and the legal cannabis industry was working to ramp up. The supply of legal cannabis available to shoppers was not what it is today. Now, there is a larger number of licensed producers with a greater variety of products. This means that new products are continuously hitting our shelves.

"Our shoppers are constantly looking for new products," Chris Mitton, Category Manager, Cannabis, explains. "We work closely with our licensed cannabis producers to ensure their regulated products are resonating with our shoppers."

Whatever the future of cannabis holds, there's much to be excited about. The team looks forward to seeing new products, finding creative ways to meet shoppers' preferences, the growth of our local cannabis suppliers, and continuing to provide cannabis products that shoppers can trust.





#### SPOTLIGHT

#### **SETTING NEW RECORDS**

In December 2023, we recorded our busiest week (December 18 to 24) – in terms of sales, customer transactions and hours worked – in NSLC history.

#### **HERE ARE JUST SOME** OF THE HIGHLIGHTS:

- Achieved **\$31.7 million** in retail sales (this includes wholesale sales purchased through retail stores).
- Four stores (Downsview Plaza, Bayers Lake, Tacoma Drive and Portland Street) sold over \$1 million.
- Completed **565,820 transactions** the most transactions ever in one week, with 40% of these transactions occurring over two days.
- Made 59,160 ID requests and 453 service refusals.
- Shipped 455,304 cases (December 3 to 24), with no incidents or slowdowns, in the middle of a construction project.
- Retail Teams worked a total of 50,198 hours, marking the most hours ever worked in one fiscal week.

Left from top: Downsview Plaza, Bayers Lake, Tacoma Drive, and Portland Street



SPOTLIGHT

#### **2023 SUPPLIER SUMMIT**

In April 2023, more than 600 supplier representatives for beverage alcohol and cannabis gathered for the first time since the pandemic to hear from the NSLC team on key activities to support our suppliers, team members, and shoppers.

"The Supplier Summit is an opportunity for us to share how we are connecting with our community and advancing our responsible retailing mandate."

#### **JOHN FRANCIS**

VICE PRESIDENT
INSIGHTS AND CUSTOMER ENGAGEMENT

**Above:** The NSLC Executive team shares insights with suppliers at the 2023 Supplier Summit.

"We want to share how we are addressing the operational challenges in today's retail industry, and how we are leveraging the experience of our team members and the insights we gather from our shoppers' behaviour to inform our marketing efforts," explains John.

The event was broken into two days, with one focused on beverage alcohol and the other on cannabis.

"What came through loud and clear is that suppliers appreciate the transparency of the team and the opportunity to have a genuine conversation," John shares. "Shoppers are our combined focus, and we must creatively work together to meet their expectations in our current economic landscape."

**CUSTOMER** NSI C

#### Customer Highlights

#### PRIVATE WINE AND SPECIALTY STORES (PWSS)

We are pleased to continue supporting four independently owned Private Wine and Specialty Stores (PWSS) all located in Halifax Regional Municipality. These stores include Bishop's Cellar, Harvest Beer Wine Spirits, RockHead Beer Wine Spirits, & WestSide Beer Wine Spirits.

#### WHOLESALE

Our team works to support over 2,000 bars, restaurants, and pubs across the province.



#### **KEY HIGHLIGHTS**

 Sales to licensees increased 2.3% over the previous year.

#### SPECIAL ORDERS

To meet the diverse needs of our customers, we accommodate special orders for those seeking unique products not available in our stores or online.

We continue to work with our shoppers, and the agents that represent the products, to help shoppers find rare and exciting new products.



#### KEY HIGHLIGHTS FOR 2023-2024:

- Retail Special Orders down 36% from previous year, finishing the fiscal year at \$62,830.
- Licensee Special Orders up 32% from previous year, finishing the fiscal year at \$365,898.

#### AGENCY STORES

In addition to our 110 corporate stores, at the end of the fiscal year, we had a network of 63 Agency stores that are operated by retailers in smaller communities around the province. They enable us to have a presence in communities where the population does not support an NSLC corporate store.



#### **KEY HIGHLIGHTS**

- Sales to Agency stores increased 2.7% over the previous year.
- Two new Agency stores were added to the network: Crossroads Country Market and Muddy River Variety.
- Piloted our Hero marketing program in two stores, which resulted in increased sales of 154% on highlighted products.

#### HOME DELIVERY

Shoppers expect to be able to shop for products online and have products delivered directly to their homes. Through home delivery, we offer shoppers access to purchase from a large selection of regulated and legal beverage alcohol and cannabis online.



#### **KEY HIGHLIGHTS:**

- Changed delivery partner for cannabis home delivery to create a more consistent shopping experience for online shoppers.
- Over 450 cannabis products available for delivery.
- Over 2,800 beverage alcohol products available for delivery.

CANNABIS SALES

\$121.0 M

BEVERAGE ALCOHOL SALES

\$753.4 M

VOLUME OF CANNABIS SALES

**14.6**%

VOLUME OF BEVERAGE ALCOHOL SALES

**4.2**%

SALES BY CHANNEL	SALES	CHANGE
NSLC Stores	\$736.1M	▲ \$13.3M (1.8%)
Licensees (bars/restaurants/pubs)	\$52.8M	▲ 1.2M (2.3%)
Agency Stores (independently owned)	\$65.9M	▲ \$1.7M (2.7%)
Private Wine and Specialty Stores	\$16.9M	▼ \$2.8M (-14.0%)
Other Wholesale	\$0.7M	▼ \$0.03M (-3.7%)
Online	\$2.1M	▲ \$0.4M (20.2%)

#### **RETAIL TRANSACTIONS**

BEVERAGE ALCOHOL
RETAIL TRANSACTIONS

DOLLAR VALUE OF AVERAGE BASKET 15,545,457

\$39.78

**-2.3% ▼** 

+3.0% -

CANNABIS RETAIL TRANSACTIONS

DOLLAR VALUE OF AVERAGE BASKET

3,246,328

\$37.27

+12.2% -

**-3.0%** ▼

#### **CUSTOMER SATISFACTION SCORES**

EXCEEDED OUR TARGET OF 90%

IN-STORE EXPERIENCE 93.0%

INTERACTIONS WITH NSLC TEAM MEMBERS

93.5%

SALES BY CATEGORY	2023/2024	2022/2023
Sales Volume (Hectolitres)	809,895	845,836
Spirits	\$203,176,446	\$201,156,872
Wine	\$162,587,325	\$164,463,454
Beer	\$286,016,913	\$285,167,150
Ready to Drink	\$101,621,476	\$98,737,505
Cannabis	\$120,977,277	\$111,082,602

#### STORE NETWORK EXPANSION

We continue to modernize and update our stores to ensure our shoppers have a positive in-store experience, and make strategic investments so that Nova Scotians have access to the products that we are entrusted to sell.

#### P

#### **KEY HIGHLIGHTS:**

- **\$7.2 million** investment in our Retail Store Network.
- Completed a full renovation of the Young Street store, which included adding a new cannabis location.
- **79%** of Nova Scotians live within 10 kilometres of a regulated and legal supply of cannabis.

Below: Laura Mitton, Downsview Plaza

#### SERVICE EXCELLENCE CENTRE

Our Service Excellence Centre (SEC) supports our Retail stores, Head Office, Agency stores, licensees, and shoppers. SEC members answer a vast array of questions addressing issues from computer and tech issues to helping shoppers locate a unique bottle of scotch.



#### **KEY HIGHLIGHTS:**

- **64,764** total client interactions.
- 75% chat positivity rating.



# People

Our people are at the heart of our organization. Our teams are committed to delivering authentic, consistent, and exceptional experiences for our shoppers, and we work to empower them.

#### SETTING THE STANDARD FOR SERVICE & LEADERSHIP

WE RECOGNIZE THAT OUR PEOPLE ARE THE HEART OF WHO WE ARE AND WHAT WE DO AND WE TAKE GREAT PRIDE IN HOW WE DELIVER ON **OUR MANDATE.** Over the last few years, we have been focused on what it means to be an NSLC team member. We have taken our time to understand what sets us apart as we continue to deliver and lead exceptional shopping experiences. Through this process, we revisited our values and relaunched and integrated our five Service Standards (Safety, Inclusion, Responsibility, Connection, and Efficiency) to help support our renewed focus on leadership.

"Our service standards are a set of behaviours that we want to encourage in every team member so that we can be our best for our shoppers and for each other," explains Nadia MacPhee, Director, Workforce Intelligence and Systems. "It's important that we continue to foster and develop these standards in ourselves and our team "

We relaunched our Service Standards using a series of feature stories about team members who bring these standards to life, every day.

We also embedded our Service Standards into a new Leadership Framework, which was rolled out through a series of masterclasses in 2023-2024 to help support our team members' development and empower them.

"We're looking at leadership in a new way," says Ryan Embrett, Senior Vice President, People and Culture. "We see every team member as a leader. It's not just about the role, seniority, or place in a hierarchy you hold —it's about how everyone takes ownership for how we behave, deliver on our commitments, and demonstrate leadership through our Service Standards."

As we revamped our approach to developing our team members, it was important to have a place where employees could track, measure, and evaluate their growth. In 2023-2024, we introduced a new digital performance appraisal process and software, providing greater visibility and access to performance information for team members and their leaders. In the first year using this process, we saw an increase in performance appraisal participation and completion.

By establishing the foundation for how we work and embedding our service standards into everything we do, we have strengthened our ability to identify, develop, and celebrate our leaders.



SPOTLIGHT

#### CREATING SPACES FOR EVERYONE

At the NSLC, we are committed to creating a welcoming, respectful environment where employees and shoppers feel like they belong, can access all services, and can be their authentic selves. In 2023-2024, we added Inclusion as one of our five Service Standards to reinforce our commitment to accessibility, recognizing and celebrating differences, and to help create a culture of belonging.

"As an organization, we have a responsibility to ensure everyone working across our network feels supported to be their true, authentic self at work every day," says Ryan Embrett, Senior Vice President, People & Culture. "We are actively sharing information and resources to help us, collectively, better understand one another to create an environment where every individual feels valued, heard, and empowered – paving the way for a brighter and more inclusive future."

In addition to bringing an inclusive lens into everything that we do, we also launched our Accessibility Plan. The plan, which outlines our collaborative approach to how we contribute to the Province's goal of being fulling accessible by 2030, includes six focus areas that guide our work: Goods & Services, Physical Environment & Transportation, Information & Communication, Employment, Capacity Building & Awareness, and Accountability & Evaluation.

The development of the plan was led by our Accessibility Advisory Committee made up of both employees and a community representative. Half of the committee seats are held by team members who self-identify as individuals with a disability.

Our journey is just beginning. Having a team dedicated to inclusion, diversity, equity, and accessibility (IDEA), making inclusion part of the foundation for how we work, and providing a plan for how we can make critical changes, are just the first of many steps to ensuring that we are looking through this lens consistently.



**Above:** Austin Mills, a student from the NSCC Achieve Program working at our Truro store. The NSLC partnered with the NSCC Achieve Program to provide students with visible and invisible disabilities the opportunity to gain on-the-job experience.

**PEOPLE NSLC** 

#### RECOGNIZING AND **CELEBRATING EXCELLENCE**

Our team is the heart of our business and the anchor to our success. Every year, team members have the opportunity to recognize their peers for going above and beyond, through our Cheers to You Awards program.

In Spring 2023, 31 team members received awards in six categories:

#### **LEARNING LEADER AWARD**

Recognizing teammates who take the initiative to learn and share their learnings with others.

Jon Pollitt: Clyde Street Micheline Gamble: Bible Hill

Cheryl Sears-MacDonald: Antigonish

Tanya Mosher: New Minas

Pius Walker: Insights & Customer Experience

Rob Fougere: People & Culture

#### **CUSTOMER-FIRST AWARD**

Celebrating the team members who go the extra mile to bring our service standards to life.

Sam Hubley: Bayers Lake Vicky Boltz: Portland Street Bill Metcalfe: Glace Bay Jamey Urquhart: Wolfville

Andrew Lockhart: Service Excellence Centre

#### **RESPONSIBLE RETAILER AWARD**

Responsible retailing is core to what we do, and these team members make sure we do it right.

Kohlby Burke: Nova Centre Tracy Beck: Elmsdale

Alicia Fougere: Port Hawkesbury Natasha Kennedy: Wolfville Karen Skerry: Service Excellence &

Wholesale Operations



#### **CARE AND CONNECTION AWARD**

Collaborators help us work towards a common goal, and celebrate those who foster teamwork.

Sheamus O'Neil: Quinpool Road Elsa MacDonald: Bible Hill Crystal Dorey: Arichat Ariana Jones: Wolfville Janine Kempel: Supply Chain

#### **COMMUNITY CHAMPION AWARD**

Celebrate those who are true champions of our community investment initiatives.

Sarah Hunter: Wyse Road Brian MacIntosh: Stellarton Jessica Clarke: Kingston

Rachel Handspiker: Insights & Customer Experience

#### **IMPACT AND INFLUENCE AWARD**

Celebrate the team members who inspire others, lead with purpose, and live our values.

Candice Rennie: Hubbards Adam Martin: Forest Hills Cory Blois: Sydney River Debra Saunders: Wolfville

Kim Jackman: Customer Experience lan Austin: Distribution Centre

PEOPLE NSLC

#### SPOTLIGHT

#### COMING TOGETHER FOR EACH OTHER

Looking back at the start of last year, we could not have predicted the impact that weather events and natural disasters would have on our business, our team members, shoppers, suppliers, and the communities where we live and work – from wildfires to floods, extreme snowfall, and windstorms.

#### WEATHERING THE STORM, TOGETHER

As Nova Scotians, we expect a certain amount of rainfall throughout the year, especially in the spring and summer months. The torrential downpour that occurred in July 2023, however, surprised all of us, resulting in the Sackville River flowing through one of our stores.

"I wasn't sure what I was seeing at first," Joanne Worth, Bedford Place Store Manager shares. "It was hard to see through all the rain coming down, but then I realized the Sackville River had made it to our parking lot."

Everything that followed happened quickly. Thanks to the Bedford Place team, they quickly got our shoppers out safely, locked up the store, and headed to safety.

#### **ASSESSING THE DAMAGE**

When the team members were finally able to get back into the store, they found it in a state of chaos. There were pallets of damaged products, and every room in the store had to be emptied out, cleaned, and put back together. The initial cleanup took a week, but because water caused mold to grow in the walls, the store was under construction for several months.

Five months after the Bedford Place flood and almost seven months after the Tantallon wildfires, Tantallon was hit again. In December 2023, the team was well into the holiday season – ready to help shoppers find their holiday favourites – when six days before Christmas, they opened the doors to see ceiling tiles on the floor, displays crumbling, and water covering the floors.

"When I opened the interior doors, and we walked inside the store, it sounded like Niagara Falls," explains Glenn Devanney, Tantallon Store Manager. "Our cardboard displays were soaked, many had toppled over, and there was at least an inch of water on the floor throughout the store."

After many hours of mopping, squeegeeing, and drying, the re-building began. With many hands pitching in to help, the store was able to open the next morning.

"We had folks on site until 9 p.m. moving around dryers, cleaning, and reconstructing displays," Glenn continues. "We were anticipating that day to be a \$100K day, and we would have taken an even bigger hit if we had to be closed longer."

#### KEEPING EACH OTHER SAFE

Throughout it all, it was the efforts of our team working efficiently to make sure our team and shoppers were safe, that spoke volumes.

"The safety of our team members and shoppers remains our top priority," shares Ken Cusack, Vice President of Operations. "And while these events will forever be stamped in our memories, it was our response that spoke to the true values of our team and how we care about one another."

Thanks to our operations and store teams coming together to pick up the pieces left in the aftermath, the personal impacts felt from these events were mitigated, and we were able to reopen our doors quickly to get back to what we do best.



**Above:** Cleaning up the flood at our Tantallon store on December 19, 2023.

**PEOPLE** NSI C

## People & Culture Highlights

#### WORKPLACE HEALTH & SAFETY

The Head Office and Distribution Centre and three retail locations completed an external full-scale audit in partnership with Safety Services Nova Scotia. A pass is 70%, and any score above 90% is considered an exceptional level of scoring.

- The NSLC received a score of 94%.
- Participating locations: Head Office and **Distribution Centre**, **Portland Street** (Signature), Wyse Road (Standard), and Wilkinson (Express).

#### **PERFORMANCE**

Rolled out a new performance appraisal process and software leading to an increase in participation and completion rate of 95%.

#### LEARNING & DEVELOPMENT

Created Product Reference Guides to bridge the customer service gap for new team members or team members transitioning from working in Cannabis/ Beverage Alcohol to working in both. Included in the reference guides are:

- Two Product Knowledge Guides with information and education related to all subcategories of beverage alcohol and cannabis.
- Individual Pocket Guides for all subcategories with quick-hit information to support retail team members on the floor when assisting shoppers.

**Launched updated Values and Services Standards** and the Get to Know: Service Standards Certification Program in the NSLC Academy.

Piloted and launched the Leadership Apprenticeship Program for aspiring leaders looking to gain more leadership experience to prepare for future opportunities.

- 20 retail team members participated.
- More than 30% of participants moved into leadership roles after completing the program.

#### **RECRUITMENT & RETENTION**

One of the ways we aim to create value for our retail store team is by creating opportunities for team members to advance. In 2023-2024:



94 team members advanced from casual to part-time positions.



56 team members were promoted from part-time to full-time positions.



**PEOPLE** NSLC

# INCLUSION, DIVERSITY, EQUITY AND ACCESSIBILITY

- Launched the NSLC's Accessibility Plan 2023-2026.
- Introduced Inclusion as a Service Standard for our team members
- Observed 12 significant dates in our diversity calendar. Highlights included African Heritage Month, National AccessAbility Week, Pride Month and Mi'kmaq History Month, where we engaged with various educational and guest speakers to shine a spotlight on these communities and provide education and awareness to our teams.
- Partnered with the Nova Scotia Community College (NSCC) Achieve Program. Our Work placements provided the opportunity for students to gain on-the-job skills and work experience, as well as gave us the opportunity to train team members on accessibility within the workplace and how to accommodate employees with both visible and invisible disabilities. As a result, we hired two of the 10 participants from the program.

**Below:** Raymond Sewell, a l'nu poet, singer-songwriter, and Assistant Professor of Indigenous Literature and Culture at Saint Mary's University from Pabineau, First Nation providing a moving song and drum demonstration in honour of Truth and Reconciliation at our Head Office.



# Local

Shoppers continue to tell us that they want to see
Nova Scotia-made products on our shelves. Our relationships
with local producers are important to us, and we want to continue
to build and strengthen these relationships to foster greater
success for local industry.

# WORKING TOGETHER TO STRENGTHEN LOCAL

# THE WORK WE HAVE DONE TO DEVELOP RELATIONSHIPS WITH LOCAL INDUSTRY HAS

happened over time. Over the last two years, we have focused on continuing to develop a consistent framework that the local industry and its producers could learn to trust. Now, in our third year of having a dedicated team member focused on local engagement, the local industry is more proactive in reaching out to us to help them work through concerns or issues they may be having. Last year, our total engagements with local industry increased 54% from the previous year.

"Our shoppers benefit from great partnerships," explains Amanda Scarff, Manager, Local Engagement. "I want to thank our local industry for always being willing to engage and collaborate."

Regular engagements have been a key part to our success and our ability to stay connected to our local partners. As part of this work, we facilitate a Local Industry Committee meeting, a formal cross-industry

working group that meets to share opportunities and concerns. These bi-monthly meetings, which take a break during the summer months when local producers are at their busiest, give us the opportunity to engage and gain feedback on new initiatives or changes that impact local industry. This group is key and the suppliers who sit on this committee have volunteered to work with us on their industry's behalf.

Throughout last year, we have been able to build off our engagements to have targeted conversations to address a particular need. For example, when we received questions about the performance of local products on our shelves, we were able to take a group of local producers on store visits to show them how our stores operate and what goes on behind the scenes when placing their products on our shelves.

Understanding our shared shopper is essential to our collective success. The data that we collect allows us to better understand our shoppers, and we are happy to share these insights with local producers. While these insights are shared with all our supplier partners, for some smaller producers who may not have the resources to conduct their own research, these insights may help them in their effort to be more competitive.



LOCAL **NSLC** 

#### SPOTLIGHT

#### LOOKING TO SHOPPERS TO HELP DEFINE LOCAL

Over the last few years, we have remained focused on having local products appear more prominently and being consistent in how we define and display local products in all of our stores.

When the Office of the Auditor General (OAG) provided a formal recommendation for clear and consistent guidelines around what we classify as local, we got to work.

After reviewing a few studies conducted by other jurisdictions, coupled with a survey of our shoppers, we learned there is no one size fits all approach. We also realized quickly that Nova Scotians care about different things.

This prompted us to do more extensive research and expand our understanding of what Nova Scotians consider local. We began by hosting informal focus groups with our suppliers and local industry to review results and identify concerns, which helped inform our plan going forward.

#### WHAT DOES "MADE IN NOVA SCOTIA" MEAN?

We took a deep dive into what "made in Nova Scotia" means by working with a third-party research firm to conduct surveys with our shoppers. The results helped us create specific definitions that would be the start of a more sophisticated set of criteria.

Throughout the entire process, we kept local industry informed. We also worked closely with them to ensure that the information that we had about each local producer and their products were accurate.

#### UNDERSTANDING WHAT MATTERS MOST

Once we understood the elements that contribute to a product being considered local according to our shoppers, we then needed to understand how these elements ranked against each other. We surveyed 1,500 Nova Scotians, evaluating different scenarios to determine what factors mattered most to them for a product to feel "local."

We learned that these factors may vary depending on the type of product. For example, we discovered that Nova Scotians felt more strongly about where the apples for a cider come from versus the location of the producer's head office.

In the end, this research, combined with our industry experience, and testing to ensure we were getting it right, led us to create a definition that works across all categories - wine, beer, cider, cannabis, and readyto-drink.

"The great thing about making decisions based on evidence and research, is that if factors change over time, we can refine the definition should the research lead us there," says Michelle Stephenson, Manager, Insights & Strategy. "For example, we know that shopper knowledge of some categories is still fairly new, and we need to be able to adapt and adjust as we continue to learn more about our shoppers."

#### PROUDLY NOVA SCOTIAN: SAME PROGRAM, NEW CRITERIA

Proudly Nova Scotian continues to be one of the NSLC's most recognized programs. Although we were open to changing it, the research told us that the Proudly Nova Scotian logo was recognizable and resonated with Nova Scotians, especially when it came to the pride they felt for local products.

The new Proudly Nova Scotian criteria will be officially rolled out in stores in Fall 2024.

**LOCAL** NSLC

## Local Product Sales Highlights

Nova Scotia products experienced strong growth in most categories, and the NSLC works collaboratively with industry to bring their products to market.

#### **BEVERAGE ALCOHOL**

#### **NOVA SCOTIA BEER SALES**

▲ 5.7% to **\$30.3 million**.

#### **NOVA SCOTIA WINE SALES**

▲ 1.8% to **\$17.1** million.

#### **NOVA SCOTIA SPIRIT SALES**

▼ 0.3% to **\$12.8** million.

#### NOVA SCOTIA READY TO DRINK SALES

▲ 4.1% to **\$34.3 million**.

# TOP THREE SELLING LOCAL BEER PRODUCTS

(in terms of sales) for 2023-2024

- 1. Nine Locks Dirty Blonde
- 2. Kitchen Party Pale Ale
- 3. Tata Brew Deception Bay IPA

#### TOP THREE SELLING LOCAL WINES

(in terms of sales) for 2023-2024

- 1. Nova 7 (by Benjamin Bridge 750ml)
- 2. Jost L'Acadie Pinot Grigio (3000ml)
- 3. Jost Tidal Bay (750ml)

#### **CANNABIS**

#### **NOVA SCOTIA CANNABIS SALES**

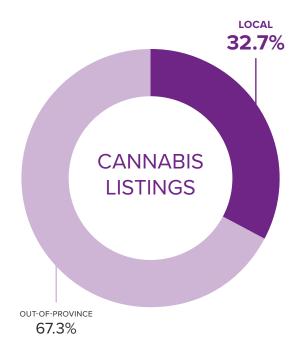
▲ 17.9% to **\$39.5 million**.

Nova Scotia cannabis accounts for **32.7%** of all cannabis sales.

# TOP THREE SELLING LOCAL CANNABIS PRODUCTS

(in terms of sales) for 2023-2024

- 1. Big Bag O Buds Pink Cookies (28g)
- 2. Good Supply Purple Monkey 510 Vape (1g)
- 3. Back 40 Wedding Pie (28g)



# **Financial**

Our team is committed to providing a sustainable return for the province.

#### PROGRESSING THROUGH OUR CYBERSECURITY JOURNEY

CYBERSECURITY PLAYS A HUGE ROLE IN OUR **ABILITY TO OFFER** beverage alcohol and cannabis safely to Nova Scotians. As a major retailer, we face cyber threats on a daily basis. On average, the NSLC receives over 30,000 emails a day and blocks over 13,000 spam messages daily.

"We know that one in six Canadian businesses were impacted by cybercrimes in 2023, and it has been increasing year over year," shares Heather Bennett, VP, Information Technology. "It's critical that we continue to review, assess and invest in areas that make us most vulnerable to a cyberattack."

Throughout 2023-2024, we moved into year two of our cybersecurity roadmap by continuing to bring attention to the importance of cybersecurity in the workplace and putting safeguards in place to keep our team members and our data secure

As consumers of information and users of technology, our team members from across the organization play a vital role in our cybersecurity.

Our efforts to enable and support a more secure cyber environment have included continued education and training, and making sure that our team has the necessary systems, software, and resources available.

To further enhance our security, we implemented a number of protections, such as updating the IT Security course in our NSLC Academy with a twoyear renewal for all team members and introducing Multifactor Authentication. We updated our policies and security guidelines for accessing NSLC information on personal devices to ensure this information is protected at all times.

We are also prepared to respond. In 2023-2024, the team updated our Incident Response Plan to ensure that we are able to mitigate and continue operating in the event of a cyberattack. We continue to test our network with Network and eCommerce Penetration Tests regularly, which allow us to identify security risks in real-time and respond to threats quickly.

Cybersecurity and protecting our information is an ever-evolving space, requiring us to continue to remain vigilant and aware of new trends or threats. The team's commitment and attention to staying informed, educated, and doing their own due diligence plays an important part in keeping the NSLC and our information safe.

FINANCIAL NSLC NSLC

#### SPOTLIGHT

#### TECHNOLOGY INITIATIVES HIGHLIGHTS

- Updated systems in support of a new group insurance benefits provider for all team members.
- Started to implement Multi-Factor Authentication for team members.
- Created a Cybersecurity resource hub to help inform and educate team members on an ongoing basis.
- Completed necessary replacements to servers and other infrastructure at our secondary data centre.

- Completed a Point-of-Sale hardware replacement project across the entire store network to remain current and improve systems security.
- Set all retail employees up with individual e-mail accounts.
- Invested in wireless internet capabilities across the retail network.

#### SECURITY INITIATIVES AND RESULTS

The NSLC continues to mitigate theft risk through a combination of prevention, deterrence, detection measures, and processes and controls.

- Our Corporate Security team continues to have a visible presence in stores to help alleviate the stress on employees related to theft, as well as to deter opportunistic offenders. There has been a significant decrease in financial losses associated with theft as compared to the previous year.
  - Volume of reported stock theft incidents decreased 17%
  - The financial loss associated with stock theft decreased 41%

- Security and Operations created mandatory training for store teams to remind them of our processes for handling theft, which focused on keeping team members safe and provided helpful steps and contact information to be used in theft incidents.
- The security team remained committed to minimizing the volume of escalations, working with law enforcement to target prolific offenders, reducing NSLC losses, and most importantly, keeping team members and shoppers safe.



SPOTLIGHT

#### **BUILDING FOR THE FUTURE**

The NSLC's Distribution Centre (DC) is the hub of our operations. The DC team works daily to ensure that our Retail Stores, Agency stores, licensee and wholesale customers have the products they need to meet the demands of their shoppers and patrons. With an end goal of servicing our customers more efficiently, we have embarked on a multi-year strategy to streamline how we store and move products from our Distribution Centre.

In 2023-2024, we started work that will eventually allow us to relocate our cannabis products from a third-party storage facility to our Distribution Centre for greater efficiency. This shift will allow our retail stores to receive their beverage alcohol and cannabis orders in one shipment from our DC, which means fewer trucks on the road making multiple deliveries.

"This move is part of a much bigger fulfillment strategy that saves us both time and money," says Paul Rapp, Senior Vice President, Customer Experience. "It's been over five years since cannabis legalization, and over that time we have had the opportunity to plan a better way of doing business that is more cost-effective and makes sense for our team and our customers."

In order to make this change, we had to increase our ability to receive and ship products, as well as increase capacity to house cannabis products on-top of all our beverage alcohol products. In 2023-2024, the first phase of renovations started in the DC.

Above: Donald Patterson, a Warehouse Worker in our Distribution Centre, has been a valued NSLC team member for over 40 years.

This included increasing the number of receiving doors from eight to 12, increasing the size of the doors from 14 feet to 26 feet, and removing offices, while team members continued to pick, pack, ship, and receive products.

Throughout the construction, thanks to the team's dedication and careful planning, the Distribution Centre team continued to deliver. In 2023-2024, the team maintained productivity by moving 11.5 million cases throughout the year.

"Even though our working environment was challenging during construction, it didn't slow us down," explains Peter Macdonald, Director, DC Operations. "This speaks to the adaptability of our team in the DC, and their commitment to meeting the needs of our shoppers."



Above: The newly renovated receiving doors at the Distribution Centre. Now at 26 feet, team members are able to receive and ship more products at one time.

FINANCIAL NSLC

## Financial Highlights

#### **NET INCOME (EARNINGS)**

▼ \$0.9 million or 3% for a total of **\$283.8 million**.

#### **TOTAL SALES**

▲ \$13.8 million or 1.6% to **\$874.5 million**.

#### **CANNABIS SALES**

▲ 8.9% to **\$121.0 million.** 

#### **BEVERAGE ALCOHOL SALES**

▲ 0.5% to **\$753.4** million.

#### SALES TO LICENSEES

▲ 2.3% to **\$52.8 million**.

# SALES TO PRIVATE WINE & SPECIALTY STORES

▼ 14.0% to **\$16.9** million.

# RETAIL CUSTOMER BEVERAGE ALCOHOL TRANSACTIONS

- ▼ 2.3% in the number of beverage alcohol transactions.
- ▲ **3.0%** in the average dollar value of each transaction to \$39.78.
- ▼ 4.2% in the total volume of beverage alcohol sold.

# RETAIL CUSTOMER CANNABIS TRANSACTIONS

- ▲ 12.2%, in the number of cannabis transactions.
- ▼ 3.0% in the average dollar value of each transaction.
- ▲ Cannabis experienced the strongest growth of all categories with a **8.9%** increase over the previous year.

#### **OUR EARNINGS**



Cost of Product	\$436.4 м
Salaries and Benefits	\$95.4 м
Operating Costs	\$58.9 м
Returned to Province	\$283.8 м

**100%** of net profits go back to the province to fund essential services and infrastructure.

**FINANCIAL** NSLC

# STORE SALES BY REGION

#### **METRO**

LOCATION	NE	T SALES FY24	LOCATION	NE	T SALES FY24
Agricola Street	\$	5,433,310	Mill Cove	\$	13,138,720
Alderney Landing	\$	1,661,204	Nova Centre	\$	2,222,770
Barrington Street	\$	7,027,424	Novalea	\$	6,667,702
Bayers Lake Park	\$	21,230,321	Park Lane Express	\$	2,341,653
Bedford Superstore	\$	7,359,035	Queen Street	\$	5,576,908
Clyde Street Cannabis	\$	8,825,214	Quinpool Road	\$	8,383,297
Downsview Plaza	\$	25,563,063	Scotia Square Express	\$	1,086,379
Dunbrack Express	\$	1,999,103	Spryfield	\$	17,183,101
First Lake Express	\$	2,531,806	Tantallon	\$	17,901,154
Hubbards	\$	3,149,636	The Port	\$	6,247,592
Joseph Howe Dr	\$	18,368,951	Timberlea	\$	6,644,016
Kearney Lake	\$	6,396,831	West End	\$	8,949,923
Kingswood Express	\$	2,214,186	Wyse Road	\$	13,666,299
Larry Uteck	\$	13,056,599	Young Street	\$	7,744,781
Lower Sackville	\$	4,626,559			

FINANCIAL NSLC

# **STORE SALES BY REGION**

## **CENTRAL**

LOCATION	NE	T SALES FY24	LOCATION	NET SALES FY24
Amherst	\$	13,665,162	Porters Lake	\$ 10,446,799
Amherst Express	\$	1,283,042	Portland St.	\$ 19,477,465
Bible Hill	\$	5,518,695	Pugwash	\$ 1,944,256
Braemar Express	\$	3,980,830	River John	\$ 1,142,282
Eastern Passage	\$	6,842,737	Sheet Harbour	\$ 2,014,462
Elmsdale	\$	16,656,264	Springhill	\$ 3,498,904
Fall River	\$	9,987,888	Stewiacke	\$ 5,171,305
Forest Hills	\$	15,736,527	Tacoma	\$ 22,245,150
Head of Jeddore	\$	3,283,536	Tatamagouche	\$ 5,023,773
Kennetcook	\$	1,158,847	Truro East	\$ 7,343,321
Middle Musquodoboit	\$	1,161,010	Truro West	\$ 15,785,680
Oxford	\$	2,044,132	Wilkinson Express	\$ 2,668,057
Parrsboro	\$	2,119,325		

**FINANCIAL** NSLC

# STORE SALES BY REGION

#### **NORTH-EASTERN**

LOCATION NE	T SALES FY24	LOCATION	NE	Γ SALES FY24
Antigonish \$	16,490,674	New Glasgow West	\$	8,093,595
Arichat \$	1,632,260	New Waterford	\$	6,549,536
Aulds Cove \$	2,149,791	North Sydney	\$	11,235,207
Baddeck \$	4,619,374	Pictou	\$	5,572,287
Canso \$	998,777	Port Hawkesbury	\$	8,753,634
Cheticamp \$	2,834,719	Port Hood	\$	1,381,417
Dominion \$	3,566,860	Prince St.	\$	9,748,802
Eskasoni \$	2,757,412	Sherbrooke	\$	849,545
Glace Bay \$	12,546,328	St. Peters	\$	2,585,214
Guysborough \$	2,063,749	Stellarton	\$	4,634,178
Ingonish \$	1,719,645	Sydney Mines	\$	5,330,195
Inverness \$	3,468,213	Sydney River	\$	17,660,063
Louisbourg \$	914,169	Welton St	\$	8,902,082
Mulgrave \$	403,259	Westville	\$	2,937,095
New Glasgow \$	12,035,939	Whitney Pier	\$	3,628,957

**FINANCIAL** NSLC

# **STORE SALES BY REGION**

## **SOUTH-WESTERN**

LOCATION	NE	T SALES FY24	LOCATION	NET SALES FY24
Annapolis	\$	5,000,901	Lockeport	\$ 853,738
Barrington Passage	\$	5,505,553	Lunenburg	\$ 6,652,510
Berwick	\$	9,309,249	Mahone Bay	\$ 5,498,085
Bridgetown	\$	2,351,966	Meteghan	\$ 4,390,667
Bridgewater	\$	19,228,648	Middleton	\$ 3,828,557
Bridgewater Mall	\$	4,340,728	New Germany	\$ 3,020,577
Caledonia	\$	1,014,441	New Minas	\$ 18,946,966
Chester	\$	6,025,186	Shelburne	\$ 3,954,529
Digby	\$	6,674,806	West Pubnico	\$ 1,112,418
Hantsport	\$	1,563,328	Weymouth	\$ 1,475,770
Kentville	\$	8,018,226	Windsor	\$ 11,468,444
Kingston	\$	10,505,477	Wolfville	\$ 5,857,204
Liverpool	\$	7,989,116	Yarmouth	\$ 16,686,582
-				

# Financial Statements

# **NOVA SCOTIA** LIQUOR CORPORATION

MARCH 31, 2024

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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, 2024, 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, 2024, and its financial performance and its cash flows

for the year then ended in accordance with IFRS Accounting Standards as issued by the International Financial Reporting Standards Board (IFRS Accounting Standards).

#### 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 IFRS, 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.

Chartered Professional Accountants

Grant Thornton LLP

Halifax, Canada June 21, 2024

# NOVA SCOTIA LIQUOR CORPORATION STATEMENTS OF EARNINGS

YEAR ENDED MARCH 31 (IN THOUSANDS)	2024	2023
Sales (note 12)	\$ 874,458	\$ 860,701
Cost of sales	436,372	432,615
Gross margin	438,086	428,086
Operating expenses (note 13)	159,206	147,974
Other income	7,037	6,589
Earnings from operations	285,917	286,701
Finance costs (note 7)	2,147	2,049
Earnings for the year	\$ 283,770	\$ 284,652

See accompanying notes to the financial statements.

# NOVA SCOTIA LIQUOR CORPORATION STATEMENTS OF COMPREHENSIVE EARNINGS

YEAR ENDED MARCH 31 (IN THOUSANDS)	2024	2023
Earnings for the year	\$ 283,770	\$ 284,652
Other comprehensive earnings Items that will not be reclassified subsequently to earnings:		
Actuarial (loss) / gain on defined benefit plans (note 9)	(41)	2,301
Comprehensive earnings for the year	\$ 283,729	\$ 286,953

See accompanying notes to the financial statements.

# **NOVA SCOTIA LIQUOR CORPORATION** STATEMENTS OF FINANCIAL POSITION

MARCH 31 (IN THOUSANDS)	2024	2023
Assets		
Current		
Cash and cash equivalents	\$ 40,586	\$ 28,856
Receivables	5,630	5,378
Inventories	79,712	77,400
Prepaids	2,420	2,547
	128,348	114,181
Intangibles (note 5)	5,377	8,409
Property and equipment (note 6)	101,912	97,246
	\$ 235,637	\$ 219,836
Liabilities		
Current		
Payables and accruals	\$ 61,910	\$ 57,577
Lease liabilities (note 8)	5,306 	5,286
	67,216	62,863
Non-current		
Lease liabilities (note 8)	34,521	32,588
Employee future benefit obligations (note 9)	22,994	23,208
	124,731	118,659
Equity	110,906	101,177
	\$ 235,637	\$ 219,836

See accompanying notes to the financial statements.

On behalf of the Board

Mr. David Pace Chair, Board of Directors Ms. Kiki Kachafanas Audit Committee Chair

# NOVA SCOTIA LIQUOR CORPORATION STATEMENTS OF CHANGES IN EQUITY

#### (IN THOUSANDS)

	ACCUMULATED OTHER COMPREHEN- SIVE INCOME	RETAINED EARNINGS	TOTAL
Balance at March 31, 2023	\$ 10,342	\$ 90,835	\$ 101,177
Remittances to Minister of Finance	<u>-</u>	(274,000)	(274,000)
Earnings for the year Other comprehensive loss	- (41)	283,770	283,770 (41)
Comprehensive earnings for the year	(41)	283,770	283,729
Balance at March 31, 2024	\$ 10,301	\$ 100,605	\$ 110,906
Balance at April 1, 2022	\$ 8,041	\$ 77,183	\$ 85,224
Remittances to Minister of Finance	-	(271,000)	(271,000)
Earnings for the year Other comprehensive income	2,301	284,652	284,652 2,301
Comprehensive earnings for the year	2,301	284,652	286,953
Balance at March 31, 2023	\$ 10,342	\$ 90,835	\$ 101,177

See accompanying notes to the financial statements.

# **NOVA SCOTIA LIQUOR CORPORATION** STATEMENTS OF CASH FLOWS

YEAR ENDED MARCH 31 (IN THOUSANDS)	2024	2023
Operating Earnings for the year Depreciation and amortization Gain on disposal of property and equipment Employee future benefit obligations	\$ 283,770 18,719 (4) (254)	\$ 284,652 16,358 (266) (755)
	302,231	299,989
Change in non-cash operating working capital (note 10)	1,896	(8,240)
Interest paid	998	953
	305,125	292,702
Financing Remittances to Minister of Finance	(274,000)	(271,000)
Investing Purchase of intangibles Purchase of property and equipment Proceeds on sale of property and equipment Payment of lease liabilities	(1,035) (12,061) 5 (6,304) (19,395)	(1,295) (14,875) 339 (6,107) (21,938)
Net change in cash and cash equivalents	11,730	(236)
Cash and cash equivalents, beginning of year	28,856	29,092
Cash and cash equivalents, end of year	\$ 40,586	\$ 28,856

See accompanying notes to the financial statements.

# NOVA SCOTIA LIQUOR CORPORATION NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2024 (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, e-commerce, 63 agency stores, four private wine & specialty stores (PWSS) 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, 2024 (including comparatives) were approved and authorized for issue by the Board of Directors on June 21, 2024.

#### **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. Managements 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	10 years	
Other intangible assets	5 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
Materials Handling Equipment	20 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, 2024 and 2023.

#### **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; and
- 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 post retirement health care plan, the sick leave plan, and the disability 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 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; and
- 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, 2024 and 2023.

#### 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.

## 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	Other	Assets under	T-4-1
	Planning (ERP)	Intangibles	Development	Total
Cost				
At March 31, 2023	\$ 29,066	\$ 8,339	\$ 563	\$ 37,968
Additions	97	590	348	1,035
Transfers	357	208	(357)	208
Disposals	(3,696)	-	-	(3,696)
At March 31, 2024	25,824	9,137	554	35,515
Amortization				
At March 31, 2023	(23,230)	(6,329)		(29,559)
Amortization expense	(3,210)	(1,066)	-	(4,276)
Disposals	3,697		-	3,697
At March 31, 2024	(22,743)	(7,395)	-	(30,138)
Carrying amount				
At March 31, 2023	\$ 5,836	\$ 2,010	\$ 563	\$ 8,409
At March 31, 2024	\$ 3,081	\$ 1,742	\$ 554	\$ 5,377

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, 2024.

Cost				
At March 31, 2022	\$ 28,872	\$ 7,602	\$ 171	\$ 36,645
Additions	166	637	492	1,295
Transfers	28	100	(100)	28
Disposals	-	-	-	-
At March 31, 2023	29,066	8,339	563	37,968
Amortization				
At March 31, 2022	(22,021)	(5,552)	-	(27,573)
Amortization expense	(1,209)	(777)	-	(1,986)
Disposals			-	
At March 31, 2023	(23,230)	(6,329)	-	(29,559)
Carrying amount				
At March 31, 2022	\$ 6,851	\$ 2,050	\$ 171	\$ 9,072
At March 31, 2023	\$ 5,836	\$ 2,010	\$ 563	\$ 8,409

# 6. Property and equipment

	Furniture & Fixtures	Other	Materials Handling Equipment	Small	Software & Hardware	Land	Buildings	Capital & Leasehold Improvements	Assets under Construction (AUC or WIP)	Right of Use Assets	Total
Cost At March 31, 2023	\$ 22,047	\$ 12,887	\$ 3,960	\$ 7,387	\$ 854	689 \$	\$ 50,264	\$ 64,289	\$ 4,972	\$ 56,606	\$ 223,955
Additions Transfers Disposals	418 359 (60)	116 110 (37)	532	1,317 1,598 (603)	' m '	1 1 1	2,019 1,847 (175)	1,434 524 (240)	6,225 (4,650) -	7,259	19,320 (209) (1,115)
At March 31, 2024	22,764	13,076	(2,528)	669'6	857	689	53,955		6,547	63,865	241,951
Depreciation At March 31, 2023	(14,936)	(10,660)	(2,528)	(5,054)	(9/2)	1	(30,614)	(41,198))	1	(20,943)	(126,709)
Depreciation expense Disposals	(1,280) 60	(476) 37	(104)	(953) 601	(61) -		(2,028) 175	(3,984) 240	1 1	(5,557)	(14,443) 1,113
At March 31, 2024	(16,156)	(11,099)	(2,632)	(5,406)	(837)	'	(32,467)	(44,942)	'	(26,500)	(140,039)
Carrying amounts At March 31, 2023	\$ 7,111	\$ 2,227	\$ 1,432	\$ 2,333	\$ 78	689 \$	\$ 19,650	\$ 23,091	\$ 4,972	\$ 35,663	\$ 97,246
At March 31, 2024	\$ 6,608	\$ 1,977	\$ 1,860	\$ 4,293	\$ 50	689 \$	\$ 21,488	\$ 21,065	\$ 6,547	\$ 37,365	\$ 101,912

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	Materials Handling Equipmen	Small Computers	Software & Hardware	Land	Buildings	Capital & Leasehold Improvements	Assets under Construction (AUC or WIP)	Right of Use Assets	Total
Cost At March 31, 2022	\$ 20,118	\$ 12,919	\$ 3,742	\$ 9,167	\$ 1,523	689 \$	\$ 46,980	\$ 60,494	\$ 3,012	\$ 53,277	\$ 211,921
Additions Transfers Disposals	1,501 456 (28)	121 14 (167)	218	1,227 191 (3,198)	26 - (695)	1 1 1	3,087 1,153 (956)	4,051 841 (1,097)	4,644 (2,684) -	3,329	18,204 (29) (6,141)
At March 31, 2023	22,047	12,887	3,960	7,387	854	689	50,264	64,289	4,972	56,606	223,955
Depreciation At March 31, 2022	(13,717)	(10,268)	(2,438)	(7,395)	(1,338)	ı	(29,777)	(37,967)	1	(15,506)	(118,406)
Depreciation expense Disposals	(1,247) 28	(551) 159	(06)	(812) 3,153	(133) 695	1 1	(1,791) 954	(4,311) 1,080	1 1	(5,437)	(14,372) 6,069
At March 31, 2023	(14,936)	(10,660)	(2,528)	(5,054)	(9/2/)	1	(30,614)	(41,198)	1	(20,943)	(126,709)
Carrying amounts At March 31, 2022	\$ 6,401	\$ 2,651	\$ 1,304	\$ 1,772	\$ 185	689	\$ 17,203	\$ 22,527	\$ 3,012	\$ 37,77	\$ 93,515
At March 31, 2023	\$ 7,111	\$ 2,227	\$ 1,432	\$ 2,333	\$ 78	\$ 89	\$ 19,650	\$ 23,091	\$ 4,972	\$ 35,663	\$ 97,246

#### 7. Finance costs

	2024	2023
Interest expenses – lease liabilities	\$ 998	\$ 953
Post employment benefit costs (note 9)	1,149	1,096
Total Finance costs	\$ 2,147	\$ 2,049

#### 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:

	2024	2023
Current Non-current	\$ 5,306 34,521	\$ 5,286 32,588
	\$ 39,827	\$ 37,874

#### **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, 2024 is as follows:

#### Minimum lease payments due

March 31, 2024	Within 1 year	1–5 years	5–10 years	10–15 years	Over 15 Years	Total
Lease Payments	\$ 6,522	\$ 30,139	\$ 8,262	\$ 517	-	\$ 45,440
Finance charges  Net present values	(1,325) 	(3,686) <b>\$ 26,453</b>	(590) <b>\$ 7,672</b>	(12) \$ 505		(5,613) <b>39,827</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 exposed on a straight-line basis and totaled \$102 for the year ended March 31, 2024 (2023 - \$67).

## 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 \$5,476 (2023 - \$5,177) 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 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 \$1,837 (2023 - \$1,768). Any future benefit obligation is included in the financial statements of the Province of Nove 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, 2023 (for the Retiree Health, Sick Leave benefits, and LTD benefits). The present value of the benefit obligations were then calculated by extrapolating these valuations out to March 31, 2024. The next actuarial valuations will be performed as of December 31, 2026. Assumptions were used by management for the Service Award plan.

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

		<b>31-M</b> a	ır-24		31-Mar-23			
	Retiree health	Service award	Sick leave	Disability	Retiree health	Service award	Sick leave	Disability
Discount rate(s)	4.95%	n/a	4.90%	4.85%	4.45%	3.80%	3.95%	3.80%
Expected rate(s) of salary increase	n/a	3.0%	2.50%	2.50%	n/a	2.50%	2.50%	2.50%
Ultimate weighted average health care trend rate	4.00%	n/a	n/a	n/a	4.00%	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:

Current service cost		 \$ 1,845
Past service cost	-	(1,012)
Interest on obligation	1,149	1,096
Actuarial gains	(1,195)	(2,978)
	\$ 1,665	\$ (1,049)

2024

2023

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

	2024	2023
Benefit obligations, beginning of year	\$ 23,207	\$ 26,264
Current service cost	1,711	1,845
Past service cost	-	(1,012)
Interest cost	1,149	1,096
Actuarial gain	(1,195)	(2,978)
Benefits paid	(1,878	(2,007)
Benefit obligations, end of year	\$ 22,994	\$ 23,208

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

	2024	2023
Effect on aggregate of current service cost and interest cost		
One percentage point increase	\$ 278	\$ 258
One percentage point decrease	(210)	(197)
Effect on accrued benefit obligation		
One percentage point increase	2,297	2,296
One percentage point decrease	(1,814)	(1,811)

# 10. Change in non-cash operating working capital

	2024	2023
Receivables	\$ (252)	\$ (1,319)
Inventories	(2,312)	(4,911)
Prepaids	127	214
Payables and accruals	4,333	(2,224)
	\$ 1,896	\$ (8,240)

#### 11. 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:

	2024	2023
Short term benefits Post-employment benefits Other long term benefits	\$ 1,806 126 35	\$ 1,948 143 47
Total compensation	\$ 1,967	\$ 2,138

#### 12. Revenue

2024
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Channel	Spirits	Wine	Beer	Ready to Drink	Non-Lic	quor	Cannabis	Total
Retail	\$ 172,380	\$ 134,744	\$ 223,785	\$ 84,753	\$	55	\$ 120,369	\$ 736,086
Licensee	11,728	8,387	28,744	3,930		7	_	52,796
Agency	16,241	6,856	31,303	11,435		16	-	65,851
Private wine &								
specialty	2,214	11,504	1,774	1,396		-	-	16,888
Other								
Wholesale	201	452	62	20		1	-	736
Online	412	645	349	87		-	608	2,101
Total	\$ 203,176	\$ 162,588	\$ 286,017	\$ 101,621	\$	79	\$ 120,977	\$ 874,458

Channel	Spirits	Wine	Beer	Ready to Drink	Non-Lie	quor	(	Cannabis	Total
Retail	\$ 170,922	\$ 134,676	\$ 224,368	\$ 82,506	\$	50	\$	110,296	\$ 722,818
Licensee	11,565	8,439	27,874	3,693		26		-	51,597
Agency	15,787	6,666	30,737	10,923		17		-	64,130
Private wine &									
specialty	2,396	13,836	1,871	1,538		-		-	19,641
Other									
Wholesale	209	473	70	13		-		-	765
Online	278	373	247	65		-		787	1,750
Total	\$ 201,157	\$ 164,463	\$ 285,167	\$ 98,738	\$	93	\$	111,083	\$ 860,701

# 13. Operating expenses

	2024	2023
Salaries and employee benefits	\$ 95,356	\$ 89,779
Depreciation and amortization	18,719	16,358
Service contracts and licenses	9,088	8,785
Debit, credit and gift card fees	6,934	6,785
Maintenance and repairs	4,809	3,414
Occupancy	4,454	3,975
Supplies and sundry	3,693	3,303
Freight	3,139	3,391
Utilities	2,973	2,972
Legal, Audit, & Consulting	1,836	1,951
Post employment current service costs (note 9)	1,711	833
Travel, training and meetings	1,647	1,240
Corporate/social responsibility	1,298	1,090
Marketing & merchandising	1,018	1,286
Waste diversion	834	733
Other	805	485
Insurance	704	864
Market surveys	348	322
Postage and courier	335	254
Industry support	245	262
Memberships and subscriptions	171	186
Telephone	115	121
Bank charges and armoured car	92	103
Guard services	77	110
Publications	41	49
Actuarial gain on other employment benefit (note 9)	(1,236)	(677)
	\$ 159,206	\$ 147,974

#### 14. 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

#### 15. Financial instruments risk

The Corporation is exposed to credit 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, however due to certain global and environmental factors, inflation continues to impact the Corporation's cost of goods sold.

#### **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:

Classes of financial assets – carrying amounts	March 31, 2024	March 31, 2023
Cash and cash equivalents	\$ 40,586	\$ 28,856
Trade and other receivables	5,630	5,378

#### 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, 2024, the Corporation held US\$704 (2023 – US\$654) 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.

#### Commodity price sensitivity

Through the normal course of business the Corporation is exposed to price risk due to global fluctuation of commodity and service prices, specifically on freight and shipping costs, and increasing inflation impacting the Corporation's cost of goods acquired and sold.

