



# Board Chair Message



*George McLellan*

It's been a milestone year for the NSLC, and I am pleased to report on the highlights. For the first time since 1930, our mandate was expanded beyond beverage alcohol to include recreational cannabis. It was an exciting time to be part of the NSLC team as they worked to embrace this change and find ways to offer cannabis to Nova Scotians in a safe and responsible way.

Integrating cannabis into the business with a short timeline presented us with a real challenge. We were able to renovate stores to accommodate 11 cannabis sections, as well as one stand-alone cannabis store, build a supply chain and an e-commerce platform, develop consumer and employee education programs and secure product supply. I am incredibly proud of the work that's been done but acknowledge there is still work to do to meet our public policy objectives. I am confident we will get there with continued collaboration with our Shareholder, the Province of Nova Scotia, and in partnership with our licensed producers.

Adding recreational cannabis to our mandate is not the only thing we have to celebrate this year. We maintained our focus on all other aspects of the business during the cannabis implementation. Among our initiatives, we invested \$8.5 million in our beverage alcohol stores, implemented a new system that supports employee training and a new wholesale online ordering site. This site makes it easier and more convenient for licensees and Agency stores to place their orders. In addition, we upgraded the system that the Distribution Centre uses to process inbound and outbound orders. This was an intensive 10-month project that involved most Business Units.

The NSLC is committed to offering the best possible customer experience in our stores, online, and at our corporate events. Our customers tell us they like what we are doing, and we are encouraged by that strong customer feedback, but we will never stop striving for improvement. Developing our retail stores, investing in our employees and offering new and exciting products for our customers to enjoy will continue to be a priority.

One thing that hasn't wavered is our commitment to responsible sales. This year, our employees challenged more than two million customers for valid proof of age. The retail team works hard to make certain the products we sell never fall into the wrong hands and we also have a number of initiatives that support responsible use of our products. This adds tremendous value to the communities we serve across the Province. Responsible sales is more than our legislated mandate – it's the heart of our business and is ingrained in our corporate DNA.

Local industry is thriving, and we are delighted to play a part in its success. We are working hard to support local producers and find ways to accommodate their products in our stores. In Nova Scotia, there are now 70 microbreweries, two brew pubs, 20 local wineries, 19 craft distilleries and three commercial distilleries. Our customers love local products and the challenge for us is to find new and innovative ways to help producers bring their products to market. We are working together to find the best way forward and have recently launched a new pilot project with craft beer producers to make it easier for them to get listings in our stores. We will continue to find ways to best support local producers in the year ahead.

From a financial perspective, I am pleased with our financial performance and our ability to return \$237.4 million to our Shareholder to fund key public services. The team works hard to control expenses and the Board of Directors provides solid governance and keen

oversight on all capital expenditures. Our expenditures are focused on creating a more consistent and convenient shopping experience for our customers and we are pleased with the investments made this year in our network of stores across the province.

I would be remiss if I didn't thank our Shareholder for placing its trust in the NSLC team to execute on the new mandate to offer recreational cannabis to Nova Scotians. Our work in this area has just begun and I believe we are off to a great start. I am extremely pleased with the level of responsible and knowledgeable service we have been able to offer our customers. We will continue to find ways to work toward achieving all public policy objectives as they relate to recreational cannabis in the months and years ahead.

On behalf of the entire Board, we are very proud of the NSLC team and its willingness to embrace change. Across the organization, our people are working hard to exceed customer expectations, exploring new ideas and committed to fulfilling our mandate. I want to thank each member of the team for all their hard work this year. Our success is a direct result of their dedication and commitment to the organization and our customers. In my new role as Board Chair and Acting President, I am grateful for the opportunity to get to know so many of the team at Head Office, in our Distribution Centre and in our stores. I appreciate each of you and I believe we will continue to execute well on our legislated responsibilities and offer our customers a shopping experience we can all be proud of.



George McLellan  
Board Chair & Acting President & CEO

## Our Executive Team



*Our NSLC Executive Council are from left: Greg Hughes, Roddy Macdonald, Heather MacDougall, Paul Rapp, Dave DiPersio, Craig Sampson, David Thorpe, Caroline Duchesne, Brynn Leard  
Missing from photo: Brad Doell*

*Note – Greg Hughes joined the NSLC on May 31, 2019*

## Our Board of Directors



*Our Board of Directors are from left: Keith Dexter, Greg Hughes, George McLellan, Holly Bond, Rick Emberley, Heather MacDougall, Paul Kent, David Pace, Liz Cody, John MacKinnon, Byron Rafuse  
Missing from photo: Cathie O'Toole*

*Note – Greg Hughes joined the NSLC on May 31, 2019*

# Our Financial Results

Financial results reflect significant changes to the organization which occurred over the last year.

Total sales of \$662.1 million represented an increase of \$36.4 million or 5.8%, primarily driven by the introduction of cannabis on October 17, 2018 which generated \$33.2 million in sales. Overall sales of beverage alcohol totaled \$628.9 million representing a modest increase of 0.51%.

Local product continues to be a significant and growing mix of our business, having grown \$12.1 million or 35.1%. \$2.92 million or 8.8% of overall cannabis sales related to Nova Scotia produced product. Sales of locally produced beverage alcohol increased by \$9.18 million or 26.4% with particularly strong sales performance in local craft beer, spirits, and ready to drink products.

Earnings of \$237.4 million represented a decline of \$1.2 million or 0.5%, impacted by the additional expenses associated with the implementation of cannabis.

It was a year of significant investment in our business. Total capital expenditures of \$22.9 million included a \$16.6 million investment in our store network this past year, both to accommodate cannabis and to improve our customer experience in beverage alcohol, in support of our new banner strategy. Other expenditures totaling \$6.3M reflected other key initiatives undertaken during the year, including a new wholesale on-line portal, a new learning management system, a major upgrade to our warehouse management system, not to mention the new website, e-commerce platform and the fit up of a third party warehouse for cannabis.

## Local Product Sales

↑ **\$12.1 million** | **+35.1%**

The sales of local products across all categories experienced strong growth as customers continue to discover and appreciate innovative products that are made here in Nova Scotia.



**Cannabis**

**\$2.92 million**

Nova Scotia cannabis sales accounted for 8.8% of all cannabis sales in FY19



**Craft Beer**

**+27.3%** | **\$16.7 million**

Nova Scotia's craft beer industry experienced another year of strong growth. We list products from 29 local breweries, up from six breweries just five years ago.



**Spirits**

**+28.5%** | **\$7.8 million**


Nova Scotia spirit sales continued to experience tremendous growth as customers discovered more quality local product offerings.



**Wine**

**+2.5%** | **\$11.7 million**

Customers are delighted to discover exciting new local offerings and continue to appreciate the established products they're familiar with.



**Ready To Drink**

**+80.9%** | **\$7.8 million**

Nova Scotia ready-to-drink products, which are largely ciders and coolers, had an extremely successful year with the sales increasing almost 81%.

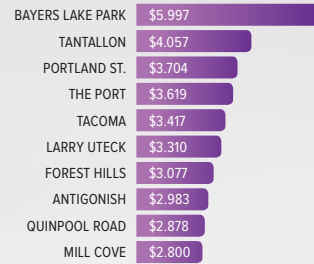
# Our Financial Results (continued)

## Top Ten Store Sales by Category

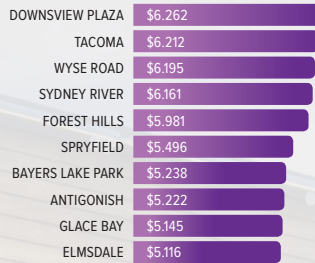
### Spirits (in millions)



### Wine (in millions)



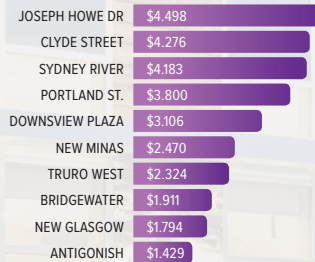
### Beer (in millions)



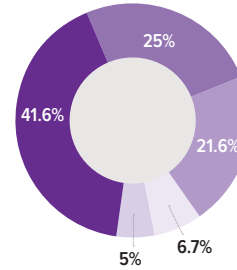
### Ready To Drink (in millions)



### Cannabis (in millions)



## Business Highlights



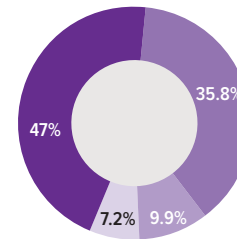
### TOTAL SALES (in millions)

Beer	\$275.7M
Spirits	\$165.7M
Wine	\$142.9M
Ready To Drink	\$44.5M
Cannabis	\$33.2M

### % INCREASE / DECREASE

-0.9%
0.0%
-1.1%
+19.7%
N/A

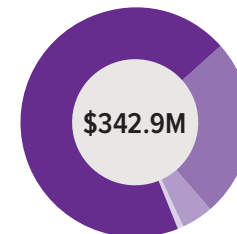
## Our Earnings



### TOTAL SALES (in millions)

Cost of Product	\$311.2M
Salaries and Benefits	\$65.8M
Operating Costs	\$47.7M
Returned to Province	\$237.4M

## Our Contributions to Government



(in millions)

Government of Nova Scotia (Profit)	\$237.4M
Government of Canada (HST, Excise, Customs)	\$86.6M
Government of Nova Scotia (Refundable Container Deposits)	\$16.6M
Municipalities (Tax)	\$2.4M

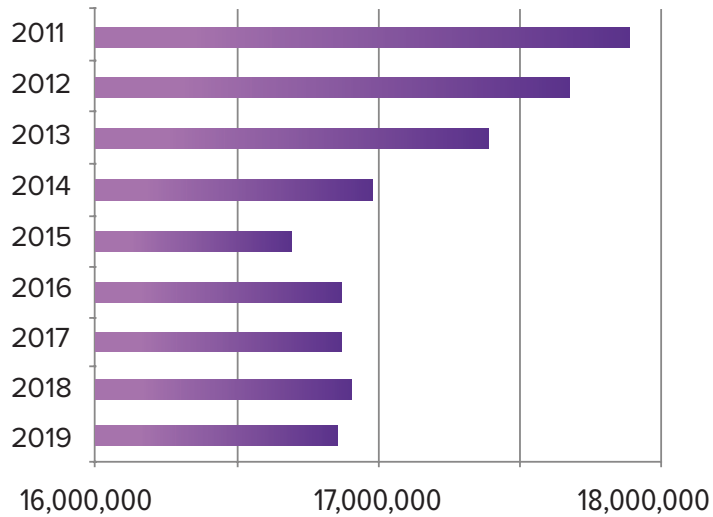
TOTAL CONTRIBUTIONS

# Our Financial Results (continued)

## Demand

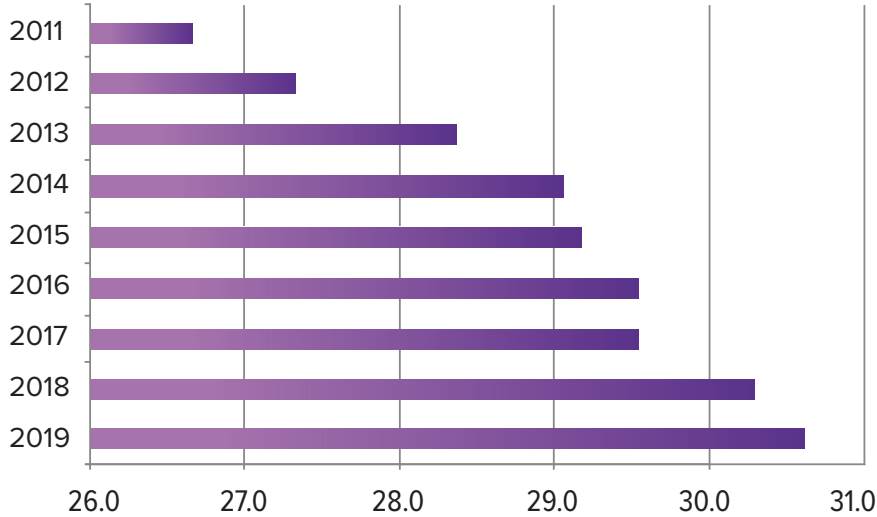
**2018/19 Beverage Alcohol  
Retail Transactions: 16,846,622**

Transactions



**2018/19 Dollar Value for Beverage Alcohol  
Average Basket: \$30.67**

Average Basket





# Our Financial Results (continued)

## Demand

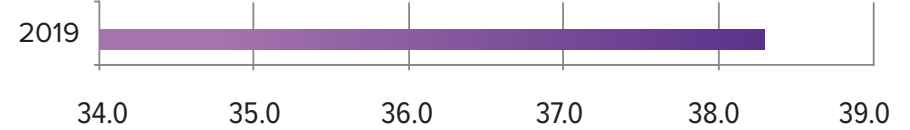
**2018/19 Cannabis  
Retail Transactions: 866,800**

Transactions



**2018/19 Dollar Value for Cannabis  
Average Basket: \$38.29**

Average Basket



# Celebrating Our Stars

## CEO SHINING STAR AWARD

### Ken Cusack

Being responsible for our network of stores can be a pretty demanding job, but you can be sure Ken Cusack always has a warm smile at the ready – a reflection of his welcoming personality. Whether he’s in one of our stores, on the phone at Head Office or meeting with a customer, Ken’s entire focus is on supporting the person he’s speaking with. As Director of Customer Experience, Ken models everything good about the NSLC, which made him one of nine deserving recipients of the CEO Shining STAR Award.



The award is the NSLC’s highest distinction, presented to employees who consistently demonstrate a sustained commitment to excellence in all that they do. Ken has transformed how leadership supports our employees by demonstrating an unprecedented level of commitment to his direct reports and peers. He is genuinely interested in a team’s well being and his concern for each employee and each customer is real.

No request is too significant for Ken, who’s a strong ambassador for the organization and an employee you can always count on. Ken believes his main role is to support his team, and he shows that through his signature greeting to employees when he enters a store: “Hi, I’m Ken. I’m from Head Office. How can I help you?”

### Simon Rafuse

Known as the ‘TUMS’ of the Distribution Centre because of his calm demeanor, Simon Rafuse is a steady fellow who’s always on an even keel. As Lead Hand for Inventory Control, Simon quietly goes about his work while paying outstanding attention to detail. He is attentive and thorough with everything he does and an excellent problem solver who understands business processes – especially as it relates to the Warehouse Management System. Simon works diligently to find solutions and if there’s an issue, he’ll keep working until he figures it out.



Simon is a tremendous team player who’s greatly valued by his colleagues. He’s so conscientious he’ll even change his shifts to accommodate operational requirements and his team.

### Laurie Vatcher

Whether she’s wrapped up in a winter coat and toque or shielded from the summer heat in sunglasses and a ball cap, Laurie Vatcher is a true champion of the NSLC’s Corporate Social Responsibility mandate. CSR is so much more than our legislated mandate for Laurie. As Corporate Social Responsibility Coordinator, Laurie embraces her role to the point it’s not work – it’s fun! She’s such an enthusiastic front-line



# Celebrating Our Stars

## CEO SHINING STAR AWARD

ambassador for the NSLC that everyone around her gets caught up in her infectious laugh as she proudly supports initiatives that promote responsible consumption.

With her responsibility for Cabbioke, Laurie coordinated 150 volunteers in more than 25 parades last year, working sixteen weekends between May and September. She coordinates all logistics with event organizers and makes the magic happen with the volunteers. Her enthusiasm and willingness to collaborate with university students through our Keep it Social program is truly inspiring and she’s always looking for ways to evolve and improve the program.

Laurie takes tremendous pride in everything she does and works hard to make sure events and programs run smoothly, professionally, efficiently and on budget. She has a keen eye for detail but more than that, her positivity and willingness to enjoy a good laugh make her a truly appreciated colleague.

### Christy Pippy

If you need advice, a solution to a problem, or some comic relief, Christy Pippy is your go to. Christy set a new standard for customer service and collaboration. As Manager of Learning and Development in Human Resources, Christy consistently takes the time to understand the needs of her customers before bringing forward a solution. She is not easily deterred and if the first option doesn’t fly, she keeps working at it until she finds the best possible solution.



Christy is truly committed to learning and to teaching – which makes sense since she started out her professional life as a teacher! Christy has outstanding interpersonal skills, the trust of all her colleagues and is dedicated to making the NSLC a better place to work. She’s always willing to roll up her sleeves and dig in – even if the work is outside her responsibilities. And she recognizes the value in the little things. If you find a card on your desk with a little treat, chances are it’s from Christy.

While she takes her work seriously, she doesn’t take herself too seriously. Christy is always willing to laugh and can be overheard saying things like, “I celebrate you,” and “I’m fueled on orange pekoe.”

### Jody Thomson

Our employees always come first with Jody Thomson. As a Communications Advisor in Corporate Affairs and Communications, Jody is constantly thinking about the best way to deliver timely and useful information to our teams.



Very early in our cannabis implementation, it became clear that we had to develop a new way to engage our employees in the journey and share information. There were times when we had more questions than answers, but Jody never gave up, persisting until she had an innovative product we could all be proud of – an employee cannabis booklet mini-series. It took a tremendous amount of patience and determination to develop them, but our employees loved them, which made all the effort worth it.

# Celebrating Our Stars

## CEO SHINING STAR AWARD

That was just one initiative. Others include the creative approach Jody took to revamp our employee Town Halls, making them as much fun and as engaging as they are informative. She also took an inventive approach with our internal employee magazine to celebrate the success of the first day of legal recreational cannabis sales. The edition included a pullout section that dynamically documented the milestones of that day. It gave everyone across the corporation insight into and appreciation for the efforts of others and the challenges and successes they experienced that day.

Jody always has a warm smile and kind word, and readily offers a helping hand. She is a fantastic collaborator and team player – especially with Human Resources, Customer Experience and the Distribution Centre. She is respectful of her colleagues and doesn't hesitate to take on a project that is outside her job description.

### Mi-heon MacDonald

Mi-heon lives and breathes positivity and that positive energy rubs off on everyone she meets in our Eastern Passage store. As store clerk, Mi-heon shows tremendous commitment and dedication to the organization and hasn't taken any sick time since she joined the NSLC. Not only that, she has taken every single shift she was ever called to work.



Mi-heon truly sets the standard when it comes to providing superb customer service. She loves to learn about new products, share the information with colleagues and customers, help them with recommendations and suggest food pairings. Many appreciative customers have taken the time to write or email compliments about the wonderful service and recommendations Mi-heon has provided. She truly does go above and beyond to deliver superior service for our customers.

Mi-Heon is the ultimate team player. She is diligent, enthusiastic and genuinely cares about our customers and about her colleagues.

### Cheryl Bennett

Whether she's catching a customer's wayward dog or putting a band aid on a customer's finger, Cheryl Bennett makes customers her top priority, regularly meeting and exceeding their expectations. When she sees a familiar customer pull into the parking lot, she'll often have the product at the counter waiting for them when they come in the door. As Manager of our Truro East store, Cheryl gets to know her customers, engages in meaningful conversations, and works diligently to ensure they have the product they are looking for – even if that means transferring it in from another store.



Cheryl comes to work every day with a smile on her face and filled with enthusiasm for the day ahead. She doesn't hesitate to carry out purchases for customers and has not taken any sick time, which is an amazing accomplishment.

# Celebrating Our Stars

## CEO SHINING STAR AWARD

### Robin West

As Manager of our Joseph Howe Drive store, Robin West oversaw some incredible changes in the past year. She dealt with each of them in the calm, supportive demeanour for which she is known, drawing on her experience and knowledge.

With a winning attitude and dedication to detail, Robin has taken leadership to a whole new level. She led the Joe Howe store through the opening of a cannabis location and a Signature store renovation. She bent over backwards to accommodate the needs of the business and contractors as the store underwent some huge changes, going so far as to change her own personal schedule to accommodate the needs of others. From the unknowns with the opening of the cannabis store to the challenges of keeping the store going and employees comfortable during disruptive renovations, Robin proved herself to be a strong and empathetic leader.

And Robin still made time to support corporate social responsibility events, participating in the holiday parade and spearheading a trivia night to raise money for the IWK.



### Betty Boudreau-Stewart

When it comes to being a leader, Betty Boudreau-Stewart sets the bar. The Manager of our Mulgrave store has been asked many times to lend a hand and add her special touch to support other stores in the network. Without hesitation, Betty steps up to the plate every time. Not only does she get the job done, she gets it done to Betty's standards. All you have to do is ask and Betty will drop everything to give her complete attention to what needs to be done at another store – from cleaning the store to adjusting schedules, training employees, orienting the new Manager and acting as a mentor to the team.

Betty has been responsible for improving the customer experience and the employee experience at no fewer than six of our rural stores in the past two years. And she never seeks recognition – she does it because she cares about our customers and our people.

We're incredibly proud of all our employees working across Nova Scotia to responsibly offer beverage alcohol and recreational cannabis. It takes a lot of hard individual and team work to deliver on our mandate, to exceed customer expectations and live our KORE values to be Knowledgeable, Optimistic, Responsible, Respectful and Engaged.



# Celebrating Our Stars

## CEO SHINING STAR AWARD

We were thrilled to recognize our employees' efforts and valuable contributions through the **CEO STAR Awards**. Our people are our greatest strength. They are the foundation that allows us to be a responsible, respectful and caring corporation that places customers first. We celebrated 31 individual and three team winners this past year who excelled in the areas of Customer Service, Collaboration, Corporate Social Responsibility and Leadership.

The Northern and Eastern region was honoured as our **Region of the Year** for the 2018-2019 fiscal year. "The Region was a model of efficiency, customer experience and social responsibility," said Paul Rapp, Vice President of Customer Service. Team collaboration was never stronger as the region undertook the complexity of launching four new cannabis stores while strengthening beverage alcohol stores throughout the region.



Our Bridgewater store had an exceptional year and was named **Shining STAR Store of the Year**. The award recognized the great operational success achieved by employees at the store who delivered on our commitment to provide superior customer service. They accomplished this while accommodating



the addition of a recreational cannabis section and undergoing renovations to become a Signature store. The Bridgewater team attained a high level of success through collaboration and teamwork in the face of change and challenge.

The Retail Store Awards applaud the accomplishments of the top stores in our retail network according to size. The winners consistently demonstrated our KORE values while achieving excellent standards of customer service and responsible retailing. Stores were ranked on a variety of criteria from customer satisfaction and fundraising to merchandising and asking for identification. The winners achieved or exceeded superb achievement in all categories. The **Top Performing Store Awards** for outstanding work went to Sherbrooke, Welton Street in Sydney, Sydney River and Sydney Mines.

## Responsible



<https://vimeo.com/288580720>

Social responsibility is a cornerstone of the NSLC's mandate. It's part of who we are and acts as the lens through which we make decisions about our business every day. Our employees work hard to prevent beverage alcohol and recreational cannabis from getting into the hands of minors. We actively promote responsible behaviour through partnerships, programs and one-on-one interactions with our customers. From responsible business practices, to protecting the environment and giving back to our communities, our employees embrace opportunities to support the communities where they live, work and play.

We endeavour to strike a balance between fulfilling our goal to be a good corporate citizen while offering Nova Scotians a great experience when they're shopping with us.

### Responsible Retailing

Each day, our employees work to ensure our products are sold responsibly while providing Nova Scotians with an enjoyable experience as they shop for products that support their special occasions. Responsible retailing begins with our employees diligently verifying a customer's age by asking for valid identification if the customer looks to be under 30.



NSLC employees must request ID if the customer appears to be under 30 years of age. Our employees receive this training when they are first hired and an adapted version on an annual basis. Last year, we asked for ID 2 million times and refused service to 15,042 customers. It's a clear indication this program is an effective strategy to help ensure products stay out of the hands of youth. We also conduct mystery shops in our own stores regularly, to measure store compliance and to make sure we are fulfilling our legislated mandate.

## Responsible

### Cabbioke

As Manager of our store in Cheticamp, Neil Poirier is passionate about promoting a culture of moderation. He has volunteered with Cabbioke in close to 50 parades in communities across the province. “I really truly believe in the message of don’t drive impaired – plan ahead and get home safely from your celebrations.”



*Neil Poirier*

Cabbioke is a custom-branded karaoke club on wheels that promotes how important it is to plan ahead to get home safely. Nova Scotians frequently receive taxi chits for use in their local communities in exchange for a song or two, whether that’s a seasonal Christmas tune or an upbeat summer hit.

Neil’s support for the program began the year he volunteered to walk with Cabbioke in the Holiday Parade of Lights in Halifax. His rich tenor voice was silenced as he rounded the corner onto University Avenue and saw the young children outside the hospital. “I couldn’t sing because my heart was in my throat. There were children in stretchers and in wheelchairs watching and I thought, ‘This is the true reason we’re here.’”

In the 2018-2019 Fiscal Year, nearly 200 NSLC volunteers appeared with Cabbioke in 24 parades and 27 community events, including Cabbioke’s debut appearance in the Pumpkin Regatta in Windsor, Hants County, and it’s 2<sup>nd</sup> appearance at the East Coast Music Awards. The vibrant purple van equipped with a microphone and a screen displaying lyrics also visited 63 NSLC stores reminding customers to ensure they get home safely from their celebrations.

From baking his famous chocolate macaroon cookies for fundraisers that help the families of cancer patients to teaching Cape Breton Square Set dancing, Neil’s attitude is a shining example of our employees across our business, each doing his or her part to make our communities stronger.

### Keep It Social

Keep it Social is specifically designed by and for university students to promote responsible consumption, with students playing a critical role in implementing it. It is a partnership with a number of Atlantic Canadian universities that helps educate students about responsible consumption and harm reduction strategies related to beverage alcohol. The program was offered at St.

Francis Xavier University in Antigonish, Acadia University in Wolfville, Université de Saint Anne in Church Point and Saint Mary’s University, Mount Saint Vincent University and Dalhousie University in Halifax.



*University students play a critical role in Keep it Social, a program that promotes responsible consumption to post-secondary students.*



# Responsible

During orientation week, many campuses had Keep It Social themed events, water stations and education stations; all aimed at increasing awareness about the choices involved when consuming beverage alcohol, including that it's perfectly OK to choose not to consume. In March, as students donned anything green - from socks to shamrock hats - to celebrate St. Patrick's Day, students at St. Mary's University in Halifax embraced Keep It Social. Hundreds of students received free pizza and bottles of water along with cab vouchers and Keep It Social materials, including cell phone grips and beer can tops. It was a great opportunity for student ambassadors of the program to chat with other students about the program and its goals.



Keep It Social is so successful it is now offered in New Brunswick and Prince Edward Island and last year spread beyond the Maritimes. The NSLC entered into a new licensing agreement with Bishop's University and Ville de Sherbrooke in Quebec to offer the Keep It Social/Garde ça l'fun, a reflection of the confidence that has been placed in this program.

## MADD Canada

Our responsible retailing mandate faced a big challenge in Fiscal Year 2019 after the NSLC was given the mandate to offer recreational cannabis in Nova Scotia. When MADD Canada partnered with Lift & Co., it was part of the deciding factor to choose them as training partner educating our employees on products,

customer service and most importantly that this new category is offered responsibly in the same manner as beverage alcohol.

The NSLC has a longstanding partnership with MADD Canada that has grown to include NSLC sponsorship of MADD Canada's School Assembly Program for students in grades 7 through to 12.

"The NSLC spends a lot of time educating its employees. Ensuring this new product was offered in a socially responsible manner was at the forefront of training for the NSLC to ensure it was prepared to offer recreational cannabis on October 17," said Andy Murie, CEO of MADD Canada.

Beth Martin, the NSLC's Corporate Responsibility Manager, said receiving this new mandate was a testament to our employees and how well they responsibly handle the sale of a controlled product. "It took our partnership with MADD Canada to a whole new level as we focused on providing our people with the tools they needed to offer responsible customer service with our new category."

Jon Pollitt was excited about the shipment of cannabis that had just come in as he started his afternoon shift at the NSLC Cannabis store in Halifax. It provided the quality, package size and THC levels his customers have been requesting. However, just four months earlier, Jon had no idea what differentiated one strain of cannabis



*Jon Pollitt hands a customer his purchase in a sealed bag stamped with information on responsible use and handling.*

## Responsible

from another. He had heard the terms terpene (components associated with aroma) and CBD (cannabidiol), but he didn't really know what they meant.

Thanks to the intensive training he received through the NSLC that was developed in partnership with Lift & Co. and MADD Canada, Jon now eloquently discusses with customers whether they're looking for a sativa or an indica product, or perhaps a hybrid, and whether they may prefer a citrusy limonene or earthy myrcene terpene.

When he reflects back to October 17, Jon said he had a powerful case of the jitters as he waited for the doors to open for the first time. "I was terrified. Completely terrified. I didn't know what the customers were going to ask. I thought they were going to test and test and test me." But it wasn't like that. Many customers were new to cannabis and curious, others had a bad experience many years earlier and were looking for information. Jon found the training he received in the classroom, online



*Jon Pollitt, a clerk in our Clyde Street cannabis store, said training he received with the support of MADD Canada and Lift & Co. was integral to responsibly and knowledgeably offering this new product.*

and in store provided him with the information that allowed him to provide customers with the information and the service they were seeking. "I felt prepared to answer them with the knowledge I had, from the percentages of THC and CBD to how to use the product in a responsible way to where things are with edibles. I'm going to be with this company for the next 25 years and I'm going to learn as much as I can. I'm absorbing it and looking forward to building on this learning as we gain experience with this new industry."

The NSLC did a survey of employees following legalization to find out how well they felt their training prepared them for legalization. A resounding 90 per cent said they felt comfortable they had the information they needed to support our customers. Andy Murie with MADD Canada said the NSLC should be proud. He said it was ready for legalization because it partnered with the right organizations and has enthusiastic employees who are supported by their managers.

"I was so impressed with senior management at the NSLC. They ensured the NSLC was ready for legalization by focusing on responsibly offering this product in a safe environment and backing that up with the appropriate training."

## Responsible

### Community Giving

With more than 100 stores and 1500 employees across the province, the NSLC is deeply vested in the communities where our people live and work. Here are a few of the ways we, as an organization, are giving back:

### IWK

The IWK Health Centre is our employees' charity of choice. This year, the IWK Foundation recognized the NSLC and its employees for cumulatively raising \$3 million in support of the IWK. This incredible accomplishment was made possible by the participation of customers from across the province who have continued to generously support the NSLC's grassroots fundraising initiatives over 33 years.



*Store Managers Anita Spencer of Barrington Passage, Scott Burke of Forest Hills, and Kelli Dahl of Clyde Street have all committed countless hours of their time to raise money for the IWK Health Centre.*

IWK Foundation President and CEO Jennifer Gallivan said the \$3 million marked an incredible milestone that helps ensure Maritime children and families have access to the very best technology and care. The funds have helped purchase specialized equipment over the years that provides lifesaving care every day.

The small yet mighty team at our Barrington Passage store has consistently been the store that has raised the most amount of money for the IWK Health Centre, a staggering \$32,700 in just three years.

“There is one reason why the IWK is near and dear to our hearts here in Barrington Passage – we do it for the children,” said Store Manager Anita Spencer. Over 30 years ago, her infant daughter needed surgery at the IWK and last year, the IWK’s Neonatal Intensive Care Unit became home to her grandson when he was born weighing just 2.1 pounds.

“When you see the most amazing people at work doing everything possible to help these sweet little ones get healthy, one has to wonder, ‘What can I do to help?’”

Thanks to the support of the community, the little store with the big heart has contributed money that helped the IWK buy pediatric beds and critical operating room equipment.

“I just want every child to have a chance at life and the IWK gives those kids a chance,” said Scott Burke, who manages the Forest Hills store. He volunteers at the telethon every year and countless fundraising events – from barbecues to book sales. The uncle of four also volunteers to get a pie in the face to help raise funds for the IWK. It’s a fun way to engage with his employees while helping to raise funds to buy such critical equipment as incubators and overhead radiant warmers to maintain the body temperature of newborns.

## Responsible

### Habitat For Humanity

Daphne Sleight says volunteering for Habitat for Humanity taught her a lot, and it wasn't just about construction. As Team Lead with the Information Technology team, Daphne embraced the opportunity to volunteer with the non-profit organization. "It was such an inspiring experience – the houses help families really change their lives in a positive way, and it was heartwarming to be involved in putting effort into making that happen for someone. I learned so much – not about construction, but about how we can really, truly help others. I can't wait to do it again!"



*Leslie MacDonald of our West End Halifax store and Beth Martin, Manager of Corporate Social Responsibility, had a great time volunteering for Habitat for Humanity.*

### Feed Nova Scotia

Teams in Head Office also supported Feed Nova Scotia through its Nova Scotia's Biggest Potluck initiative. A highlight was an "Oh Canada" themed potluck that featured a poutine bar, complete with lumberjack plaid napkins and tablecloths, and a Game-Day themed potluck.

Cyra Belbin, Integration and Channel Development Team Lead with the Customer Strategy Team, made homemade soft pretzels and a couple of dips for the sports themed potluck. "The two things I love most about the Feed Nova Scotia's Biggest Potluck is that it brings my NSLC family together to enjoy a feast prepared with love while chatting about what we're all up to AND that the money we raise as a team will let other families do exactly the same thing."



*The Human Resources and Information Technology teams hosted the hugely popular "Oh Canada" potluck to raise money for Feed Nova Scotia.*

### Cash Cans

Cash cans placed at NSLC cash registers across the province make it easy for our generous customers to turn their loose change into positive change. In 2018, the cash can program raised almost \$27,000 for local organizations such as the SPCA, VON and CNIB.

### Symphony Nova Scotia

Nova Scotia's orchestra reaches more than 50,000 people each year with its innovative concerts and educational programs. The NSLC has been a proud supporter of Symphony Nova Scotia having hosted a fundraising gala at our Festival of Wines in September. We're thrilled to say we have raised just over \$550,000 for the symphony over the ten years we held the gala.

## Respectful



<https://vimeo.com/288580593>

### Sustainability

We are committed to minimizing our impact on the environment and we show it across our business, from decisions on how our buildings are constructed to the small acts of individual employees who think twice about printing a document and bring lunch in re-useable containers. We are dedicated to reducing our carbon footprint, reducing our energy consumption and eliminating waste.

Protecting the environment is something we're truly passionate about. It's a commitment that spans every aspect of our business, from shipping and warehousing right up to our retail stores and Head Office. We have a wide range of programs that drive the long-term health of our organization by balancing the social, environmental, community and business needs of the NSLC.

Sustainability means we conduct business with integrity, caring for our communities, ensuring beverage alcohol and recreational cannabis are kept out of the wrong hands and respecting the environment. We have a wide range of programs, from our Zero Waste program to the use of paper bags, designed to minimize environmental impact.

### NSLC Adopt A Stream

Each year, our employees volunteer their time and energy to work with community environmental groups to clean and restore our local waterways and their fish populations through the NSLC Adopt A Stream program.

The NSLC entered the partnership with the Nova Scotia Salmon Association ten years ago to provide hands on training, technical support, and project funding for community groups that share our passion for Nova Scotia's waterways and wetlands. The NSLC was honored to receive the Lieutenant Governor's Award for Conservation last year for our support of this program.

The goal of the program is to significantly improve efforts to protect and restore local watersheds and improve Nova Scotia's water quality. Proceeds from the annual April promotion in NSLC stores fund the work of the program in partnership with our suppliers.

Beth Martin, Manager of Corporate Social Responsibility, said the NSLC was proud to accept the award from Lt. Gov. Arthur J. LeBlanc, while recognizing the program's success is because of the many dedicated Nova Scotians who volunteer their time with local river groups.

Nova Scotia Salmon Association Director Amy Weston said the partnership between the NSLC and the association has resulted in great gains, both on the ground and in our rivers. It has enabled the association to support vital aquatic habitat restoration projects with First Nations and community groups across Nova Scotia.

# Respectful

Some of the projects carried out last summer include restoration work at the old Sydney Steel Corporation dam on the Sydney River that made it possible for gaspereau to return to the watershed for the first time in more than 100 years. It also funded fish passage improvements to more than 27 kilometres of rivers and tributaries of the Annapolis River watershed and stream channel restoration and fish passage work on three tributaries of the Sackville River.

Since we have been involved with the partnership, 35 community-based groups have restored 396 kilometres of fish passage across the province.

## Zero Waste:

We are committed to Zero Waste which we define as diverting 95% of our solid waste materials from Nova Scotia landfills. It's an ambitious goal but one we're focused on meeting in all of our stores and in our Head Office and Distribution Centre. We have desk-side recycling containers and sorting stations that encourage recycling and composting as well as reducing garbage and reusing items whenever possible.

These actions heighten employees' awareness and commitment to dealing with waste responsibly. They show respect for the environment and respect for our colleagues.

## Greenhouse Gas Emissions

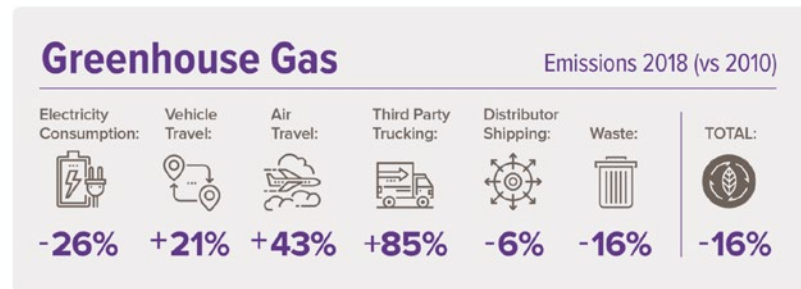
One of the ways we work to minimize our impact on Nova Scotia's environment is to measure our greenhouse gas emissions. Each year, an independent agency provides us with a report that looks at emissions caused by our day-to-day business operations. This report assesses both direct and indirect GHG emissions, which includes

our buildings, ground and marine distributor shipping, third party trucking, waste, vehicle use and air travel.

The NSLC has monitored its carbon footprint through these reports since 2008 and remains committed to reducing the organization's impact on the environment. During the 2018 - 2019 fiscal year, we reduced our greenhouse gas emissions by 16 per cent from 2010 levels, proving changes to our business operations are reducing environmental impact and helping us achieve sustainability goals.

The reduction of energy consumption has been the key to our success with GHG emissions. In fact, emissions due to electricity consumption have gone down 26% since 2010 due to the installation of energy-efficient lighting, the effective use of HVAC and lighting systems based on the time of day and the availability of cleaner electricity in Nova Scotia.

Emissions from vehicle and air travel increased in 2019FY due to increased travel related to planning, research and training for the implementation of recreational cannabis. Waste emissions decreased by 16% due to such NSLC initiatives as the Zero Waste Program relaunch, and awareness efforts on how to properly and responsibly sort waste.



## Cannabis



*Alex Johnson was nervous and excited to serve his first customer when the NSLC began offering recreational cannabis October 17, 2018.*

Alex Johnson was filled with nervous anticipation. He was about to become part of history when our store on Clyde Street opened its doors at 10 a.m. October 17, 2018, making it Nova Scotia's first and only stand-alone recreational cannabis store.

"All our education and training was building up to that exact moment. There was a line-up on the street and the media was there in the midst of all this, and I thought, 'This is really happening!'"

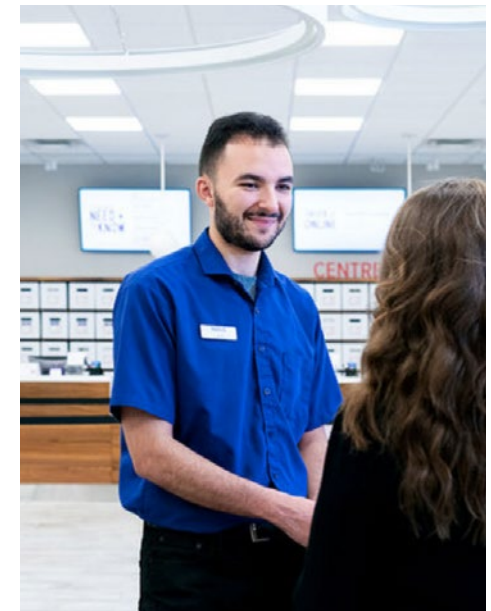
Then the doors opened, and Alex served his first customer. He immediately fell into what he knows best – customer service and product knowledge. With a background in science and working as a store clerk at The Port, the NSLC's specialty store in downtown Halifax, Alex knew he made the right choice to work on the cannabis side of the business.

Offering recreational cannabis to Nova Scotians was the biggest change to the NSLC's mandate since prohibition ended with the creation of the Nova Scotia Liquor Commission in 1930. Legalization Day was a once-in-a-lifetime experience for all of our employees as we entered a brand-new industry. Teams across the NSLC embraced the opportunity and were eager to learn all they could about this new product category in preparation for opening day.

"No one had ever done this before anywhere in Canada, let alone Nova Scotia. It meant a lot of studying and a lot of unknowns, but I wanted a new challenge." He encountered many customers who had no experience with recreational cannabis and others who were regular users but wanted to test his knowledge.

This new product category lends itself to extensive conversations with customers and Alex has found these interactions – often lasting an hour or more – to be the favourite part of his job.

When the NSLC was handed the mandate to be the responsible retailer of recreational cannabis in Nova Scotia, we initially had less than seven months to get ready. Teams across the organization were tasked with developing specific aspects of the business, from finding out what products might be available and how much we should order to creating customer education and social responsibility materials. It was an exciting time.



*Alex Johnson assists a customer at our Clyde Street store.*

## Cannabis

Teams were assigned to define a supply chain model to receive and store the product, deliver it to stores and make it available online. Others designed and renovated stores, established an online sales platform, selected retail technology in stores and developed and implemented training. Everything they implemented had to adhere to federal and provincial government policy objectives.



*Michele Doucet is the Manager of Organizational Development at the NSLC and was deeply involved in delivering training to employees who work in our cannabis stores.*

Appropriately trained employees were crucial to a successful launch, said Michele Doucet, Manager of Organizational Development. “One of the challenges was to ensure employees had the right level of knowledge in an industry that was not yet well defined or formalized.”

The NSLC partnered with Lift & Co to administer a customized version of its Retail Certification program, which provided cannabis store employees with in-depth category and product knowledge. The accredited program was created through a partnership between Lift & Co. and MADD Canada to ensure a focus on responsible retailing.

Michele said she was impressed with how quickly employees adjusted to offering the new product category. Come opening day, employees were energized and confident, engaging with excited customers, answering their questions and processing sales. “They were clearly passionate

about providing superb and knowledgeable service. They were eager to help and continually expanded their knowledge as legalization extended into the weeks and months that followed.”

Beth Martin, Manager of Corporate Social Responsibility, said the world was watching as eager employees excited to be on the front lines took their responsible retailing mandate to heart. “Our employees enjoy engaging in conversations, helping customers find the right product and ensuring they know how to responsibly purchase, transport and consume their purchases.”

Legalization of recreational cannabis was an historic event that put the NSLC under the microscope. Its successful launch in Nova Scotia was due to every team member across the NSLC, whether they were directly involved in the new product category or not.

Employees pulled together, supported each other and shared their knowledge. Those who worked on the beverage alcohol side of the business in Head Office and across the retail network stepped up so that their colleagues could focus on the new product category.

Dave DiPersio, Senior Vice President and Chief Services Officer, said the results of their hard work were extraordinary. “It was an exceptional experience and our people did outstanding work. Ultimately, it was our people who made our new product category a success.”



*Dave DiPersio was the Executive sponsor of the cannabis implementation project.*



## Store Network



*Nova Centre Select in downtown Halifax was one of seven new stores that we opened in Fiscal Year 2019.*

The NSLC is a vital part of communities across Nova Scotia. We have a network of 108 sophisticated and modern retail stores across the province staffed by enthusiastic and knowledgeable employees who are passionate about what they do. We invested almost \$16.6 million in our store network in the 2018/2019 Fiscal Year as we worked to improve the shopping experience and invest in a number of our stores.

“It was a very exciting and busy year as we worked hard to improve the offerings and services in our stores,” said Andrew Stenhouse, Manager, Network Development. “The feedback from our customers has been fantastic. They’re thrilled to see more local products in their home store, enhanced product offerings and, in some cases, a newly renovated store.”

### Store Investments

While people are the foundation of our business, our brick and mortar stores provide the avenue to responsibly offer beverage alcohol and recreational cannabis.

We invested approximately \$8.1 million in our cannabis stores as we opened 11 cannabis stores within existing NSLC stores across Nova Scotia and one stand-alone store on Clyde Street in Halifax.

We invested a further \$8.5 million in our beverage alcohol stores. The work included both building new stores that grew our network and renovating existing stores to better serve our customers.

An Express store is a neighborhood store designed specifically for customer convenience with a limited selection of our top-selling 300 brands. We opened one in Clayton Park and one in Amherst to complement nearby, full-size stores.



## Store Network

Select stores are larger than Express stores but smaller than a Beer, Wine, Spirits or a Signature store. They carry more than 500 top-selling products, including a community assortment of local favourites and products that are made nearby. We opened a Select store in the new Nova Centre in downtown Halifax and we were well on our way to completing new Select stores in the communities of Guysborough, Stewiacke, Cheticamp and St. Peters. They replaced existing stores and were relocated to improved locations for our customers.

We substantially completed renovations to our store in New Waterford, part of our Beer, Wine, Spirits banner. These stores carry our standard beer, wine and spirits selection and have a robust assortment of products across all categories.

We also renovated our stores in Sydney River, Bridgewater, New Minas, on Portland Street in Dartmouth and Joseph Howe Drive in Halifax to become Signature stores. This means they have a Port section featuring premium wine and spirits tasting units as well as Limited Finds and Product Specialists to help customers explore our product assortment.

### Superb Customer Service

Providing superior customer service is foundational to the NSLC's mandate. Whether it's suggesting a food pairing for a special occasion or putting a band aid on a customer's finger, our frontline employees are committed to going above and beyond to provide exceptional service. They are passionate about exceeding our customers' expectations and that passion is reflected in a customer satisfaction rating of 89 per cent for fiscal 2018-2019.

Our employees are very proud of all they accomplished. The NSLC's Vice President of Human Resources says they are engaged and passionate about what they do and he sees that passion across the organization.



*Craig Sampson, Vice President of Human Resources, says it's vital that employees are engaged and supported in their workplace.*

"It's clear every team takes great pride in helping our customers in every interaction, whether loading pallets or recommending a wine pairing for dinner," said Craig Sampson. "I continue to be impressed with the commitment of our people and how we model our KORE values to be Knowledgeable, Optimistic, Responsible, Respectful and Engaged."

As we engage with our customers in our stores and seek their feedback on how we can better serve them, we also conduct 1200 telephone surveys each year to formally measure customer satisfaction. These surveys provide us with the opportunity to learn what factors influence these high customer satisfaction scores. We ask their impressions of everything from ease in finding things to the variety of products available. Our customers are telling us that our



## Store Network

knowledgeable and helpful staff play a big role in providing such high scores, as do the layout of our stores, checkout speed and their overall experience in our stores.

Our stores are supported by a team of Business Units at the NSLC, from Warehouse and Distribution to the Wholesale Online Ordering, working together to ensure we provide customers with the products they're looking for and the information they need to make informed and responsible choices.

### Strong Partners

In addition to the network of more than 100 NSLC stores, there are four private wine and specialty stores – Bishop's Cellar, RockHead Wine & Beer Market and WestSide Beer Wine Spirits, all in Halifax, and Harvest Wines & Spirits in Dartmouth.

There are a further 60 NSLC Agency stores operated by retailers in communities that are too small to support regular-sized NSLC retail stores. They are authorized by the NSLC to sell beverage alcohol and are an important part of our network as we strive to provide convenient options for customers who live in rural areas and to support local businesses in rural areas.



*Laurie Jennings is co-owner of the iconic Masstown Market, which is home to the busiest NSLC agency store in Nova Scotia.*

Laurie Jennings is co-owner of the iconic Masstown Market in Colchester County. Famous for its fabulous homemade doughnuts and cinnamon rolls, fresh fish shop and local fruits and vegetables, Masstown Market also has the busiest NSLC agency store in the province. It's the perfect match, Laurie says, enabling customers to conveniently find the perfect pairing for fine meats and cheeses they pick up in the market's adjacent delicatessen.



*Laurie Jennings assists a customer with her selection of wine.*

When he opened the Agency store in 2007, Laurie felt it would be a good fit for his business because it provides another avenue in the community to provide local service and support local goods. "It allows us to service customers of the NSLC in areas that are underserved in a way they are used to." For him, the greatest value is in showcasing locally made wines, spirits and beer while providing exceptional personal customer service.

## Other Initiatives

Christy Pippy helped finance her university education by working as a casual employee at one of our Halifax stores. She'd open the store in the morning, help unload the delivery truck, stock the shelves and assist customers with their product selections.

When she embarked on her career as a school teacher, Christy never expected to be back at the NSLC, but here she is, developing and delivering training programs.

As the NSLC's Manager of Learning and Development, a key undertaking of Christy's team in the 2018-2019 Fiscal Year was to develop and implement a new Learning Management System (LMS). The LMS supports employees in their training and ensures each Business Unit is well prepared to provide superb service to their customers.

"Learning is a huge factor to success," so Christy said it was essential to implement a system that made it easy for employees to take courses and for their managers to easily see the status of their



*Christy Pippy explains to an employee how the new Learning Management System works.*

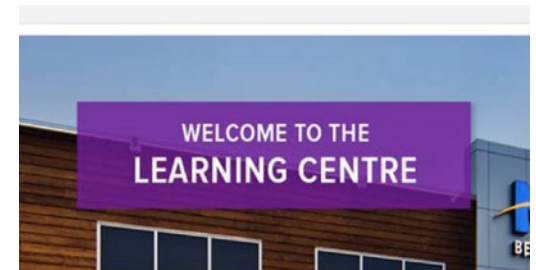
employees' learnings. "We needed to invest in our people and invest in the technology that provides value. People across the business want it, we heard them, and we are providing it."

Each employee can now easily see their learning and certification plan, from mandatory courses for all employees such as IT Security and Preventing Harassment and Violence in the Workplace, to courses specific for an employee's job, such as responsible retailing.

"In an instant, a Manager can now see if a member of his team needs to take a course," with the system showing graphically which courses are in good standing for which employees. This information is also instantly accessible to the employee and Human Resources.

The more interactive and engaging platform has also made it easier for employees to take extension courses – those that are not required for them to do their job but are of personal interest. And it means that for the first time, the NSLC can offer virtual training, providing an interactive experience for employees that brings them together no matter where in Nova Scotia they work.

Implementing the new LMS system was just one project that kept the IT team extremely busy this year as they upgraded and implemented new systems across our business to improve service to our customers.



*The NSLC has implemented a new interactive Learning Management System that supports employee training.*

## Other Initiatives

We implemented a brand-new Wholesale Portal in the spring of 2017.

This new wholesale online ordering site allows licensees and agency stores to place their orders whenever it is convenient for them. Prior to implementation of this platform, licensees and agency stores had to place their orders by phoning our sales desk or by email or FAX. Orders were then keyed manually into SAP by order desk staff. With this new wholesale site, they can place their orders online whenever they want through a personal computer, tablet or mobile device.

Customers tell us they love the site - it's more efficient, accurate and convenient. The successful rollout earned the project team an NSLC STAR Award for Collaboration and the Best Technology Innovation award from StateWays Magazine, which is affiliated with the National Alcohol Beverage Control Association.



In late February, we implemented a significant upgrade to the Warehouse Management System in our Distribution Centre. The DC team uses the system to process inbound and outbound orders. The new WMS uses modern technology that increased functionality to support our warehouse processes as well as cloud-based data storage to keep our information secure. The project was the culmination of 10 months of hard work from people in business units across the NSLC.

We also implemented a new solution that the Supply Chain team uses to track imported shipments from their freight forwarders and upgraded the system that the merchandising and retail teams use to plan product placement on store shelves. In addition to that, we upgraded the point-of-sale system in our stores that completes customers' product purchases. We also enhanced our online secure payment platform to improve the process for product returns and refunds and processing payments and permits.

We listened to our customers and to our people so that we understood what they needed and implemented systems that are user friendly, meet employees' needs and improve the customer experience. Because of it, we have improved our efficiency and further enhanced our relationships with our valued customers.

# Financial Statements

Nova Scotia Liquor Corporation  
March 31, 2019

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## Independent auditor's report

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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, 2019, 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, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### **Basis for Opinion**

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

### **Information Other than the Financial Statements and Auditor's Report Thereon**

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

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

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

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

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

Halifax, Canada  
June 14, 2019

*Grant Thornton LLP*

Chartered Professional Accountants  
Licensed Public Accountants



## Statements of earnings

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Year ended March 31 (in thousands)	2019	2018
Sales (note 12)	\$ 662,084	\$ 625,662
Cost of sales	311,242	284,137
Gross margin	350,842	341,525
Operating expenses (note 13)	116,586	106,528
Other income	(4,180)	(4,577)
Earnings from operations	238,436	239,574
Post employment benefit interest cost (note 9)	1,063	968
Earnings for the year	\$ 237,373	\$ 238,606

See accompanying notes to the financial statements.

## Statements of comprehensive earnings

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Year ended March 31 (in thousands)	2019	2018
Earnings for the year	\$ 237,373	\$ 238,606
Other comprehensive earnings		
Items that will not be reclassified subsequently to earnings:		
Actuarial gains (losses) on defined benefit plans (note 9)	1,487	(283)
Comprehensive earnings for the year	\$ 238,860	\$ 238,323

See accompanying notes to the financial statements.

## Statements of financial position

March 31 (in thousands)	2019	2018
<b>Assets</b>		
Current		
Cash	\$ 12,069	\$ 14,102
Receivables	4,797	5,342
Inventories	61,031	52,250
Prepays	2,802	2,222
	80,699	73,916
Intangibles (note 6)	5,796	3,282
Property and equipment (note 7)	50,994	39,781
	\$ 137,489	\$ 116,979
<b>Liabilities</b>		
Current		
Payables and accruals	\$ 58,869	\$ 46,338
Current portion of employee future benefit obligations (note 9)	1,139	2,119
	60,008	48,457
Employee future benefit obligations (note 9)	27,052	28,953
	87,060	77,410
<b>Equity (page 5)</b>	50,429	39,569
	\$ 137,489	\$ 116,979

Lease commitments (note 8)

On behalf of the Board



Mr. George McLellan  
Chair, Board of Directors



Mr. John MacKinnon  
Audit Committee Chair

See accompanying notes to the financial statements.

## Statements of changes in equity

(in thousands)	Other components of equity	Retained earnings	Total
Balance at March 31, 2018	\$ 653	\$ 38,916	\$ 39,569
Remittances to Minister of Finance	-	(228,000)	(228,000)
Earnings for the year	-	237,373	237,373
Other comprehensive gain	1,487	-	1,487
Comprehensive earnings for the year	1,487	237,373	238,860
Balance at March 31, 2019	\$ 2,140	\$ 48,289	\$ 50,429
Balance at April 1, 2017	\$ 936	\$ 37,810	\$ 38,746
Remittances to Minister of Finance	-	(237,500)	(237,500)
Earnings for the year	-	238,606	238,606
Other comprehensive loss	(283)	-	(283)
Comprehensive earnings for the year	(283)	238,606	238,323
Balance at March 31, 2018	\$ 653	\$ 38,916	\$ 39,569

See accompanying notes to the financial statements.

## Statements of cash flows

Year ended March 31 (in thousands)	2019	2018
<b>Operating</b>		
Earnings for the year	\$ 237,373	\$ 238,606
Depreciation and amortization	9,068	8,357
Loss (gain) on disposal of property and equipment	142	(16)
Employee future benefit obligations	(1,394)	3,471
	245,189	250,418
Change in non-cash operating working capital (note 10)	3,715	3,439
	248,904	253,857
<b>Financing</b>		
Remittances to Minister of Finance	(228,000)	(237,500)
<b>Investing</b>		
Purchase of intangibles	(4,082)	(1,336)
Purchase of property and equipment	(18,855)	(6,427)
Proceeds on sale of property and equipment	-	16
	(22,937)	(7,747)
Net change in cash and cash equivalents	(2,033)	8,610
Cash and cash equivalents, beginning of year	14,102	5,492
Cash and cash equivalents, end of year	\$ 12,069	\$ 14,102

See accompanying notes to the financial statements.

## 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 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 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, 2019 (including comparatives) were approved and authorized for issue by the Board of Directors on June 14, 2019.

### 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. 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.

### *Impairment*

The carrying values of property and equipment, intangible assets, and cash generating units 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.

### 3. Summary of significant accounting policies (continued)

#### *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.

#### 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.

**3. Summary of significant accounting policies** (continued)**Customer loyalty programs**

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.

**Vendor rebates**

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

**Cash and cash equivalents**

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

**Inventories**

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

**Intangible assets**

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

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

Enterprise resource planning	5 years
Other intangible assets	3 years

**Property and equipment**

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

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

Furniture, fixtures, other equipment, capital and leasehold improvements	10 years
Computers, software and hardware	3 – 5 years
Buildings	10 – 40 years

### 3. Summary of significant accounting policies (continued)

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, 2019 and 2018.

#### **Leased assets**

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

#### Lease incentives

Lease incentives received to enter into operating leases are recognized as liabilities. The aggregate benefits of incentives are recognized as a reduction of rental expense on a straight-line basis over the term of the lease.

#### **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 their nominal values using the remuneration rate expected to apply at the time of settlement.

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

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

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



### 3. Summary of significant accounting policies (continued)

#### 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:

<u>Asset/liability</u>	<u>Classification</u>
Cash	Amortized cost
Receivables	Amortized cost
Payables and accruals	Amortized cost

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

##### *Subsequent measurement of financial assets*

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

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

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Corporation’s cash and receivables fall into this category (under IAS 39 they were classified as loans and receivables and subsequently measured at amortized cost).

##### *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’. This replaces IAS 39’s ‘incurred loss model’. Instruments within the scope of the new requirements included receivables.

##### Receivables

The Corporation makes use of a simplified approach in accounting 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.

### 3. Summary of significant accounting policies (continued)

#### Financial instruments (continued)

##### *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.

##### Financial instruments risk

Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant credit risk, liquidity risk, and market risk arising from its financial instruments.

#### 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.

#### 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, 2019 and 2018.

### 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.

Management anticipates that all of the relevant pronouncements will be adopted in the Corporation's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Corporation's financial statements is provided below.

#### **IFRS 16 Leases (IFRS 16)**

The IASB has released a new standard IFRS 16 Leases which replaces IAS 17 Leases. The new standard specifies the recognition, measurement, presentation and disclosure of leases. The new standard provides a single lessee accounting model requiring lessees to account for all leases 'on-balance sheet' by recognizing a 'right-of-use' asset and a lease liability, unless the lease term is 12 months or less or the underlying asset has a low value. IFRS 16's approach to lessor accounting is substantially unchanged from IAS 17.

Management is in the process of assessing the full impact of the Standard. So far, the Corporation:

- Has decided to make use of the practical expedient not to perform a full review of existing leases and apply IFRS 16 only to new or modified contracts. As some leases will be modified or renewed in fiscal 2020, the Corporation has reassessed these leases and concluded they will be recognized on the statement of financial position as a right-of-use asset, and

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

##### **IFRS 16 Leases (IFRS 16)** (continued)

- Believes that the most significant impact will be that the Corporation will need to recognize a right of use asset and a lease liability for the property leases currently treated as operating leases. This will mean that the nature of the expense of the above cost will change from being an operating lease to depreciation and interest expense.

The Corporation is planning to adopt IFRS 16 on April 1, 2019 using the Standard's modified retrospective approach. Under this approach the cumulative effect of initially applying IFRS 16 is recognized as an adjustment to equity at the date of initial application. Comparative information is not restated.

Choosing this transition approach results in further policy decisions the Corporation need to make as there are several other transitional reliefs that can be applied. The Corporation is currently assessing the impact of applying these other transitional reliefs.

##### **IAS 19 Employee Benefits (amendment) (IAS 19)**

The IASB issued amendments to IAS 19 Employee Benefits. The amendment clarifies the effect of a plan amendment, curtailment and settlement on the defined benefit plan. In addition, if a plan amendment, curtailment or settlement occurs, it is mandatory under the amended standard that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. This amendment is to be applied prospectively.

The amendment to IAS 19 is effective for annual periods beginning on or after January 1, 2019. Management is assessing the impact of this amendment on the financial statements.

#### 5. Accounting standards and policies adopted during fiscal 2019

##### **IFRS 9 Financial Instruments (IFRS 9)**

The IASB has replaced IAS 39 Financial Instruments: Recognition and Measurement in its entirety with a new standard IFRS 9 Financial Instruments. The final version of the standard introduces a new approach to financial asset classification, replaces the "incurred loss" impairment model with a more forward-looking expected loss model and substantially revises hedge accounting.

Management completed their assessment and the Corporation has elected to apply the modified retrospective method on transition, which means that comparative periods have not been restated. The Corporation adopted IFRS 9 in its financial statements for the annual period beginning on April 1, 2018. The adoption of this standard had no financial impact to the Corporation.

The Corporation did not identify any changes to the classification and measurement of the existing financial instruments upon applying IFRS 9, other than a change in the classification of cash and receivables from loans and receivables to assets at amortized cost, which had no impact on these financial statements.

## 6. Intangibles

	Enterprise Resource Planning (ERP)	Other Intangibles	Assets under Development	Total
<b>Cost</b>				
At March 31, 2018	\$ 28,069	\$ 4,014	\$ 1,346	\$ 33,429
Additions	-	3,242	840	4,082
Transfers	-	610	(610)	-
Disposals	(99)	-	-	(99)
At March 31, 2019	27,970	7,866	1,576	37,412
<b>Amortization</b>				
At March 31, 2018	(26,711)	(3,436)	-	(30,147)
Amortization expense	(618)	(946)	-	(1,564)
Disposals	95	-	-	95
At March 31, 2019	(27,234)	(4,382)	-	(31,616)
<b>Carrying amounts</b>				
At March 31, 2018	\$ 1,358	\$ 578	\$ 1,346	\$ 3,282
At March 31, 2019	\$ 736	\$ 3,484	\$ 1,576	\$ 5,796

Amortization of intangibles is reported as an operating expense in the statement of earnings.

## 7. Property and equipment

	Furniture & Fixtures	Other Equipment	Small Computers	Software & Hardware	Land	Buildings	Capital & Leasehold Improvements	Assets under Construction (AUC or WIP)	Total
Cost									
At March 31, 2018	\$ 21,481	\$ 18,950	\$ 7,921	\$ 1,056	\$ 690	\$ 42,749	\$ 42,837	\$ 2,703	\$ 138,387
Additions	810	978	693	377	-	3,627	7,858	4,512	18,855
Transfers	278	281	389	2	-	266	827	(2,044)	(1)
Disposals	(4,708)	(4,160)	(54)	(1)	-	(942)	(1,310)	-	(11,175)
At March 31, 2019	17,861	16,049	8,949	1,434	690	45,700	50,212	5,171	146,066
Depreciation									
At March 31, 2018	(16,083)	(14,000)	(5,949)	(831)	-	(32,187)	(29,556)	-	(98,606)
Depreciation expense	(1,209)	(1,059)	(941)	(234)	-	(1,092)	(2,969)	-	(7,504)
Disposals	4,627	4,134	45	1	-	923	1,308	-	11,038
At March 31, 2019	(12,665)	(10,925)	(6,845)	(1,064)	-	(32,356)	(31,217)	-	(95,072)
Carrying amounts									
At March 31, 2018	\$ 5,398	\$ 4,950	\$ 1,972	\$ 225	\$ 690	\$ 10,562	\$ 13,281	\$ 2,703	\$ 39,781
At March 31, 2019	\$ 5,196	\$ 5,124	\$ 2,104	\$ 370	\$ 690	\$ 13,344	\$ 18,995	\$ 5,171	\$ 50,994

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.

## 8. Lease commitments

### Operating leases as a lessee

The Corporation's operating leases relate to retail stores with lease terms between 1 to 20 years. Generally, the leases have renewal options, primarily at the Corporation's option. The Corporation does not have an option to purchase the leased assets at the expiry of the lease periods. The Corporation's future minimum operating lease payments are as follows:

Minimum lease payments due			
Within 1 year	1 to 5 years	After 5 years	Total
\$ 8,013	\$ 32,524	\$ 14,338	\$ 54,875

## 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 \$3,804 (2018 - \$3,511) and represents contributions paid or payable by the Corporation at rates specified in the plans.

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

The Public Service Award (PSA) plan is a defined benefit plan covering substantially all of the Corporation's permanent unionized employees, as well as all full time non-union employees hired before August 1, 2005. Previous to fiscal year 2016, the actuarial assumptions in the financial statements in regards to the PSA had been that the benefit is 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. On January 11, 2018 an administrative directive was issued by the Public Service Commissioner providing non-union employees with a one-time option to elect an immediate pay-out of their Service Award entitlement based on service at December 31, 2016 and salary at March 31, 2018. The impact of the elected payout in fiscal year 2019 was \$969,470. Actuarial assumptions included in the financial statements have taken this into consideration. 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.

**9. Employee remuneration** (continued)**Defined benefit plans and other long term employee benefits (continued)**

An independent actuary carried out the most recent actuarial valuation utilizing plan membership data up to December 31, 2017 (for the Retiree Health, Service Awards, and Sick Leave benefits). The present value of the benefit obligations were then calculated by extrapolating these valuations out to March 31, 2019. The next actuarial valuations will be performed as of December 31, 2020.

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					
	March 31, 2019			March 31, 2018		
	Retiree health	Service award	Sick leave	Retiree health	Service award	Sick leave
Discount rate(s)	3.4%	3.0%	3.0%	3.6%	3.25%	3.25%
Expected rate(s) of salary increase	n/a	2.5%	2.5%	n/a	2.5%	2.5%
Ultimate weighted average health care trend rate	4.5%	n/a	n/a	4.5%	n/a	n/a

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

	Valuation at							
	March 31, 2019				March 31, 2018			
	Retiree health	Service award	Sick leave	Total	Retiree health	Service award	Sick leave	Total
Current service cost	\$ 574	\$ -	\$ 565	\$ 1,139	\$ 447	\$ 2,802	\$ 481	\$ 3,730
Interest on obligation	663	168	232	1,063	655	117	196	968
Actuarial (gains) losses	(1,568)	81	(1,115)	(2,602)	374	(91)	788	1,071
	\$ (331)	\$ 249	\$ (318)	\$ (400)	\$ 1,476	\$ 2,828	\$ 1,465	\$ 5,769

**9. Employee remuneration** (continued)

The amounts included on the statements of financial position arising from the Corporation's obligation in respect of these benefit plans are as follows:

	Valuation at	
	March 31, 2019	March 31, 2018
Present value of unfunded defined benefit obligation		
Current portion	\$ 1,139	\$ 2,119
Non-current portion	27,052	28,953
<b>Total</b>	<b>\$ 28,191</b>	<b>\$ 31,072</b>

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

	2019	2018
Benefit obligations, beginning of year	\$ 31,072	\$ 27,318
Current service cost	1,139	3,730
Interest cost	1,063	968
Actuarial (gain) loss	(2,602)	1,071
Benefits paid	(2,481)	(2,015)
<b>Benefit obligations, end of year</b>	<b>\$ 28,191</b>	<b>\$ 31,072</b>

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

	2019	2018
Effect on aggregate of current service cost and interest cost		
One percentage point increase	\$ 383	\$ 399
One percentage point decrease	(393)	(409)
Effect on accrued benefit obligation		
One percentage point increase	3,656	3,561
One percentage point decrease	(2,806)	(2,752)



**10. Change in non-cash operating working capital**

	2019	2018
Receivables	\$ 545	\$ (2,021)
Inventories	(8,781)	1,850
Prepays	(580)	50
Payables and accruals	12,531	3,560
	\$ 3,715	\$ 3,439

**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:

	2019	2018
Short term benefits	\$ 1,810	\$ 1,417
Post-employment benefits	132	114
Other long term benefits	21	11
Total compensation	\$ 1,963	\$ 1,542

## 12. Revenue

2019

Channel	Spirits	Wine	Beer	Ready to Drink	Non-Liquor	Cannabis	Total
Retail	\$ 142,948	\$ 119,630	\$ 214,590	\$ 37,292	\$ 86	\$ 32,401	\$ 546,947
Licensee	8,595	7,415	33,715	2,729	19	-	52,473
Agency	12,625	5,353	26,054	4,025	8	-	48,065
Private wine and specialty	1,100	9,594	1,342	436	-	-	12,472
Other Wholesale	223	668	42	15	-	-	948
Online	172	209	8	3	-	787	1,179
Total	\$ 165,663	\$ 142,869	\$ 275,751	\$ 44,500	\$ 113	\$ 33,188	\$ 662,084

2018

Channel	Spirits	Wine	Beer	Ready to Drink	Non-Liquor	Cannabis	Total
Retail	\$ 143,016	\$ 121,305	\$ 216,033	\$ 31,030	\$ 102	\$ -	\$ 511,486
Licensee	8,654	7,339	34,744	2,368	20	-	53,125
Agency	12,707	5,216	26,175	3,469	9	-	47,576
Private wine and specialty	1,113	10,058	1,128	293	-	-	12,592
Other Wholesale	237	586	46	14	-	-	883
Online	-	-	-	-	-	-	-
Total	\$ 165,727	\$ 144,504	\$ 278,126	\$ 37,174	\$ 131	\$ -	\$ 625,662

## 13. Operating expenses

	2019	2018
Salaries and employee benefits	\$ 65,794	\$ 59,715
Depreciation and amortization	9,068	8,357
Occupancy	8,580	8,433
Service contracts and licenses	7,647	5,202
Debit, credit and gift card fees	4,976	4,767
Utilities	2,888	2,647
Freight	2,674	2,058
Legal, audit and consulting	2,495	324
Marketing and merchandising	2,336	2,016
Maintenance and repairs	2,193	2,278
Supplies and sundry	1,936	1,813
Travel, training and meetings	1,328	983
Post employment current service costs (note 9)	1,139	3,730
Other	1,029	243
Corporate/social responsibility	875	783
Guard services	613	585
Waste diversion	554	535
Insurance	328	249
Market surveys	282	254
Publications	245	126
Memberships and subscriptions	209	205
Industry support	150	150
Postage and courier	140	93
Telephone	123	112
Bank charges and armoured car	99	82
Actuarial (gain) loss on other employment benefit (note 9)	(1,115)	788
	\$ 116,586	\$ 106,528

## 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.

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