

Financial statements

Newfoundland and Labrador Liquor Corporation

April 6, 2024



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Newfoundland and Labrador Liquor Corporation
St. John's, Newfoundland and Labrador

Opinion

We have audited the financial statements of the Newfoundland and Labrador Liquor Corporation (the Corporation), which comprise the statement of financial position as at April 6, 2024 and the statements of comprehensive income, changes in net assets and cash flows for the period then ended, and notes to the financial statements including 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 April 6, 2024 and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted the 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 the 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.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to me after the date of this auditor's report.

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

In connection with the 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.

Independent Auditor's Report (cont.)

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, 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.

Independent Auditor's Report (cont.)

- 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 the 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 the 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 the audit.



DENISE HANRAHAN, CPA, CMA, MBA, ICD.D
Auditor General

June 27, 2024
St. John's, Newfoundland and Labrador

Newfoundland and Labrador Liquor Corporation
STATEMENT OF FINANCIAL POSITION

As at
 [in thousands]

	April 6, 2024	April 1, 2023
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	24,783	22,368
Accounts receivable [note 7]	21,425	18,731
Inventories [note 8]	32,401	32,627
Prepaid expenses	510	515
Total current assets	79,119	74,241
Property, plant and equipment [note 4]	20,308	19,967
Intangible assets [note 5]	2,367	2,287
Right-of-use assets [note 6]	3,796	4,436
	105,590	100,931
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities [note 10]	40,825	40,243
Accrued vacation pay	5,010	4,963
Employee future benefits [note 9]	—	15
Total current liabilities	45,835	45,221
Obligations under lease liability [note 15]	4,235	4,880
Employee future benefits [note 9]	2,025	2,410
Total liabilities	52,095	52,511
Net assets	53,495	48,420
	105,590	100,931

See accompanying notes

On behalf of the Board:

 Director

 Director

Newfoundland and Labrador Liquor Corporation
STATEMENT OF COMPREHENSIVE INCOME

Period ended
 [in thousands]

	April 6, 2024	April 1, 2023
	\$	\$
Sales [note 11]	342,186	332,256
Commission revenue on sale of beer	71,049	68,062
Commission revenue on sale of cannabis	9,876	6,809
Cost of sales	423,111	407,127
Gross profit	167,760	160,059
	255,351	247,068
 Administrative and operating expenses [note 12]	 56,463	 54,219
Earnings from operations	198,888	192,849
 Other income	 1,798	 1,183
Finance income	7,389	7,186
Miscellaneous income	9,187	8,369
 Comprehensive income for the period	 208,075	 201,218

See accompanying notes

Newfoundland and Labrador Liquor Corporation
STATEMENT OF CHANGES IN NET ASSETS

Period ended
[in thousands]

	April 6, 2024	April 1, 2023
	\$	\$
Balance, beginning of period	48,420	55,202
Comprehensive income for the period	208,075	201,218
Distributions to the Province of Newfoundland and Labrador	(203,000)	(208,000)
Balance, end of period	53,495	48,420

See accompanying notes

Newfoundland and Labrador Liquor Corporation
STATEMENT OF CASH FLOWS

Period ended
 [in thousands]

	April 6, 2024	April 1, 2023
	\$	\$
OPERATING ACTIVITIES		
Comprehensive income for the period	208,075	201,218
Adjustments for non-cash effects		
Depreciation and amortization	4,694	4,359
Increase in accrued vacation pay	47	328
Decrease in employee future benefits	(400)	(468)
	212,416	205,437
Changes in non-cash working capital balances		
Increase in accounts receivable	(2,694)	(2,991)
Decrease (increase) in inventories	226	(604)
Decrease (increase) in prepaid expenses	5	(24)
Increase in accounts payable and accrued liabilities	582	573
Cash provided by operating activities	210,535	202,391
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,859)	(2,960)
Purchase of intangible assets	(905)	(376)
Purchase of right-of-use assets	(711)	(1,227)
Cash used in investing activities	(4,475)	(4,563)
FINANCING ACTIVITIES		
Obligation under capital lease	711	1,227
Obligation under lease liability	(1,356)	(1,494)
Distributions to the Province of Newfoundland and Labrador	(203,000)	(208,000)
Cash used in financing activities	(203,645)	(208,267)
Net increase (decrease) in cash during the period	2,415	(10,439)
Cash and cash equivalents, beginning of period	22,368	32,807
Cash and cash equivalents, end of period	24,783	22,368

See accompanying notes

Newfoundland and Labrador Liquor Corporation

NOTES TO FINANCIAL STATEMENTS

[tabular amounts in thousands]

April 6, 2024

1. Nature of operations

Newfoundland and Labrador Liquor Corporation [the “Corporation” or “NLC”] is a Provincial Crown Corporation responsible for managing the importation, regulation, sale and distribution of beverage alcohol and cannabis throughout the Province of Newfoundland and Labrador [the “Province”] through its own Liquor Store locations, through Liquor Express operators, through Licensed Cannabis Retail operators and through online sales for cannabis. As a Crown Corporation, the NLC is not subject to any Provincial or Federal taxation in relation to its income.

The corporate office is located at 90 Kenmount Road in St. John’s, Newfoundland and Labrador.

The fiscal year of the Corporation ends on the first Saturday of April. As a result, the Corporation’s fiscal year is usually 52 weeks in duration but includes a 53rd week every 5 to 6 years. The year ended April 6, 2024 contained 53 weeks and the year ended April 1, 2023 contained 52 weeks.

These financial statements were authorized for issue in accordance with a resolution of the Corporation’s Board of Directors on June 27, 2024.

2. Basis of preparation

Statement of compliance

The financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards [“IFRS”] as issued by the International Accounting Standards Board [“IASB”].

Going concern and basis of measurement

These financial statements were prepared on a going concern basis, under the historical cost convention. The financial statements are presented in Canadian dollars and all values are rounded to the nearest thousand except when otherwise indicated. The financial statements provide comparative information in respect of the previous period.

3. Summary of significant accounting policies

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received [or receivable], excluding returns, rebates and sales taxes or duty. The Corporation assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Corporation has concluded that it is acting as a principal in all of its revenue arrangements with the exception of commission revenue. The Corporation’s major revenue streams include sales to retail and wholesale customers as well as commission revenue on the sale of beer and cannabis. The following specific recognition criteria apply before revenue is recognized:

Newfoundland and Labrador Liquor Corporation

NOTES TO FINANCIAL STATEMENTS

[tabular amounts in thousands]

April 6, 2024

Sales of goods

The Corporation generates and recognizes net sales of beverage alcohol to retail and licensee customers at the point of sale in its stores and upon delivery of products to Liquor Express outlets. The commission paid to the Liquor Express operators is deducted from the selling price of the products delivered. The commission paid to Liquor Express operators for the period ended April 6, 2024 was \$6.5 million [period ended April 1, 2023 – \$6.4 million].

The Corporation generates and recognizes net sales of cannabis upon delivery of products to Licensed Cannabis Retail outlets and at the point of sale on its e-commerce platform. The commission paid to the Licensed Cannabis Retail operators is deducted from the selling price of the products delivered from NLC warehouse. The commission paid to Licensed Cannabis Retail operators relating to product delivered from NLC warehouse for the period ended April 6, 2024 was \$15.8 million [period ended April 1, 2023 - \$11.3 million].

Sales of gift cards are deferred and included in accounts payable and accrued liabilities as part of other payables on the statement of financial position at the time of the sale and subsequently recognized in the statement of comprehensive income when redeemed.

Sales exclude Harmonized Sales Tax and other taxes due.

Commission revenue on sale of beer and cannabis

The Corporation earns a commission on the sale of beer products in the Province sold through Liquor Express outlets and brewer's agent stores. The Corporation earns commission only on the sale of cannabis products distributed directly from the Licensed Producers to related Licensed Cannabis Retailers. Commissions are recognized on an accrual basis, based upon beer and cannabis products distributed during the reporting period. The commission earned is presented within revenue as it is earned through the ordinary business activities of the Corporation.

Miscellaneous income

Miscellaneous income contains income related to merchandising and marketing of the Corporation's products. It is earned as promotions are executed and the related expenses are incurred.

Foreign currency translation

Transactions in foreign currencies are initially recorded by the Corporation at rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the functional currency spot rate of exchange ruling at the reporting date. Non-monetary assets are valued at the historical amount.

Current versus non-current classification

The Corporation presents assets and liabilities in the statement of financial position based on current/non-current classification.

Newfoundland and Labrador Liquor Corporation
NOTES TO FINANCIAL STATEMENTS

[tabular amounts in thousands]

April 6, 2024

An asset is classified as current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Corporation classifies all other liabilities as non-current.

Property, plant and equipment

Property, plant and equipment are stated at cost net of accumulated depreciation and accumulated impairment losses, if any. The cost includes expenditures that are directly attributable to the acquisition of the items. Repairs and maintenance are charged to the statement of comprehensive income during the period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives as follows:

Building components	10–50 years
Leasehold improvements	5–20 years
Office furniture and equipment	5–10 years
Computer hardware	5–6 years
Plant and warehouse equipment	5–20 years
Store equipment and fixtures	5–20 years
Motor vehicles	3 years

Building components include building structure [50 years], building exterior [20 years], mechanical and electrical [20 years], roofing and paving [20 years], and interior finishes [10 years]. These components are combined and presented in these financial statements as building components.

The assets' residual values, useful lives and methods of depreciation are reviewed and adjusted if appropriate at each statement of financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Newfoundland and Labrador Liquor Corporation
NOTES TO FINANCIAL STATEMENTS

[tabular amounts in thousands]

April 6, 2024

Intangible assets

Intangible assets consist of trademarks and computer software assets not considered integral to the operation of the related hardware. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any impairment losses. The Corporation capitalizes internally generated intangible assets that meet capitalization criteria. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Intangible assets with finite lives [including computer software] are amortized over periods of 5–9 years. New product research and development costs are expensed as incurred.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit [“CGU”] level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. The Corporation considers the capitalized trademarks to have an indefinite life.

Impairment of non-financial assets

The Corporation assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Corporation estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or CGU’s fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset’s recoverable amount since the last impairment loss was recognized.

Cash and cash equivalents

Cash and cash equivalents are defined as short-term deposits with original maturities of three months or less. The Corporation holds cash in an interest-bearing bank account. The interest income earned on these deposits is recorded as finance income.

Newfoundland and Labrador Liquor Corporation

NOTES TO FINANCIAL STATEMENTS

[tabular amounts in thousands]

April 6, 2024

Inventories

Inventories are measured at the lower of cost and net realizable value and include raw materials and finished goods. Inventories held in the distribution centres, in transit and in retail stores are measured at landed cost, consisting of acquisition costs, freight, customs and excise duties. In the case of manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Periodically, the Corporation reviews its inventory to investigate whether an inventory reserve is required, to reduce the carrying value of inventory for obsolescence and amounts required to value inventory at the lower of cost or net realizable value.

General provisions

General provisions are recognized when the Corporation has a present obligation [legal or constructive] as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Employee future benefits

Refer to note 9 for additional details regarding employee benefits.

Sick leave

Certain employees of the Corporation are entitled to sick leave benefits that accumulate but do not vest. The Corporation recognizes the liability for the future use of these benefits in the period in which the employee renders the service. The obligation is determined by management using assumptions based on their best estimates of the probability of use of accrued sick leave, salary changes and expectations on retention along with other relevant assumptions. Discount rates are based on the yield on high quality corporate bonds with cash flows similar to those of this liability. Actuarial gains or losses are recognized immediately in the statement of financial position, with a corresponding debit or credit to net assets through profit or loss in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Pension

The Corporation and its employees participate in the Province's Public Service Pension Plan ["PSPP"], a multi-employer defined benefit plan. The Corporation is however not able to obtain sufficient information from the plan administrator to account for the plan as a defined benefit plan and therefore applies defined contribution accounting guidelines. The Corporation's contributions are expensed as incurred. The Corporation is neither obligated for any unfunded liability nor entitled to any surplus that may arise in this plan. The Corporation's share of future contributions is dependent upon the funded position of the PSPP.

Newfoundland and Labrador Liquor Corporation
NOTES TO FINANCIAL STATEMENTS

[tabular amounts in thousands]

April 6, 2024

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible by the Corporation.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Corporation uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted [unadjusted] market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; or
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Corporation determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization [based on the lowest level input that is significant to the fair value measurement as a whole] at the end of each reporting period.

Financial instruments

Financial assets

Financial assets are classified at initial recognition as financial assets at fair value through profit or loss [“FVTPL”], fair value through other comprehensive income [“FVOCI”], amortized cost, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value through profit or loss.

Newfoundland and Labrador Liquor Corporation
NOTES TO FINANCIAL STATEMENTS

[tabular amounts in thousands]

April 6, 2024

Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through profit or loss, amortized cost, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognized initially at fair value.

The Corporation has classified and subsequently measures financial assets/liabilities as follows:

<u>Asset/Liability</u>	<u>Classification and Measurement</u>
Accounts receivable	Amortized cost using Effective Interest Rate Method [“EIR”]
Accounts payable and accrued liabilities	Amortized cost using EIR

The carrying value of the Corporation’s financial instruments approximates fair value due to their immediate or short-term maturity and normal credit terms.

Impairment of financial assets

The Corporation assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset [an incurred “loss event”] has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For financial assets carried at amortized cost, the Corporation first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Corporation determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows [excluding future expected credit losses that have not yet been incurred]. The present value of the estimated future cash flows is discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the statement of comprehensive income.

Newfoundland and Labrador Liquor Corporation
NOTES TO FINANCIAL STATEMENTS

[tabular amounts in thousands]

April 6, 2024

Significant accounting judgments, estimates and assumptions

The preparation of the Corporation's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the accompanying disclosures, and disclosure of contingent liabilities. Actual results could differ from those estimates.

The most significant estimates and assumptions were made as part of the sick leave account balances. The Corporation made assumptions regarding the discount rate, salary increase, and retention rates to estimate the amount of sick leave accrued as of the reporting date. There were no significant judgments used in the preparation of these financial statements.

4. Property, plant and equipment

	Land, buildings and leasehold improvements \$	Furniture and equipment \$	Computer equipment and vehicles \$	Total \$
Cost				
As at April 2, 2022	32,444	13,872	8,903	55,219
Additions	1,543	654	763	2,960
Disposals	—	(225)	(47)	(272)
As at April 1, 2023	33,987	14,301	9,619	57,907
Additions	1,999	374	486	2,859
Disposals	(5)	(177)	—	(182)
As at April 6, 2024	35,981	14,498	10,105	60,584
Accumulated depreciation				
As at April 2, 2022	(18,711)	(9,911)	(7,411)	(36,033)
Depreciation for the period	(943)	(641)	(595)	(2,179)
Disposals	—	225	47	272
As at April 1, 2023	(19,654)	(10,327)	(7,959)	(37,940)
Depreciation for the period	(1,177)	(680)	(661)	(2,518)
Disposals	5	177	—	182
As at April 6, 2024	(20,826)	(10,830)	(8,620)	(40,276)
Net book value				
As at April 1, 2023	14,333	3,974	1,660	19,967
As at April 6, 2024	15,155	3,668	1,485	20,308

Newfoundland and Labrador Liquor Corporation
NOTES TO FINANCIAL STATEMENTS

[tabular amounts in thousands]

April 6, 2024

5. Intangible assets

	Computer software \$	Trademark \$	Total \$
Cost			
As at April 2, 2022	18,534	254	18,788
Additions	376	—	376
Disposals	—	—	—
As at April 1, 2023	18,910	254	19,164
Additions	905	—	905
Disposals	(1)	—	(1)
As at April 6, 2024	19,814	254	20,068
Accumulated amortization			
As at April 2, 2022	(16,194)	—	(16,194)
Amortization	(683)	—	(683)
Disposals	—	—	—
As at April 1, 2023	(16,877)	—	(16,877)
Amortization	(825)	—	(825)
Disposals	1	—	1
As at April 6, 2024	(17,701)	—	(17,701)
Net book value			
As at April 1, 2023	2,033	254	2,287
As at April 6, 2024	2,113	254	2,367

6. Right-of-Use Assets

	April 6, 2024 \$	April 1, 2023 \$
Opening Balance	4,436	4,706
Additions	711	1,227
Amortization	(1,351)	(1,497)
	3,796	4,436

The right-of-use assets represent the area that is leased for corporate stores. The Corporation does not recognize right-of-use assets or lease liabilities for short-term leases with a term of less than 12 months.

Newfoundland and Labrador Liquor Corporation
NOTES TO FINANCIAL STATEMENTS

[tabular amounts in thousands]

April 6, 2024

7. Accounts receivable

Accounts receivable include the following:

	April 6, 2024	April 1, 2023
	\$	\$
Commission receivable	8,857	7,605
Trade accounts receivable	7,098	6,330
Other receivables	5,470	4,796
	21,425	18,731

Accounts receivable and commissions receivable are non-interest bearing and are generally on terms of 7 to 30 days.

As at April 6, 2024, approximately 94% [April 1, 2023 – 93%] of the trade accounts receivable balance is current. An allowance for doubtful accounts has been recorded in respect of certain non-current receivables in the amount of \$0.06 million [April 1, 2023 – \$0.08 million].

8. Inventories

	April 6, 2024	April 1, 2023
	\$	\$
Distribution centres	14,610	15,979
Branch stores	12,036	11,996
Inventory in transit	4,554	3,454
Raw materials	1,201	1,198
	32,401	32,627

The total value of inventory expensed to cost of sales for the period ended April 6, 2024 was \$124.4 million [April 1, 2023 – \$120.9 million]. The inventory value includes a reserve of \$0.3 million [April 1, 2023 – \$0.6 million]. Residual amounts included in cost of sales include manufacturing labour and overhead, and foreign exchange gains/losses.

The audited financial statement for the year ended April 1, 2023 disclosed the value of inventory expensed to cost of sales as \$99.8 million, the correct amount is \$120.9 million.

Newfoundland and Labrador Liquor Corporation
NOTES TO FINANCIAL STATEMENTS

[tabular amounts in thousands]

April 6, 2024

9. Employee future benefits

Employee future benefits include the following:

	April 6, 2024 \$	April 1, 2023 \$
Accrued severance obligation, beginning of period	15	15
Benefits paid	(15)	—
Accrued severance obligation, end of period	—	15
	April 6, 2024 \$	April 1, 2023 \$
Accrued sick leave obligation, beginning of period	2,410	2,878
Current service cost	385	400
Interest cost	108	119
Actuarial (gain) ¹ due to Experience adjustment	(700)	(795)
Benefits paid	2,203	2,602
Accrued sick leave obligation, end of period	(178)	(192)
Total employee future benefits	2,025	2,425
Less: Current portion	—	(15)
Total long-term employee future benefits payable	2,025	2,410

¹ Actuarial losses/gains due to changes in assumptions on the sick leave obligation are recorded in profit or loss.

The significant assumptions used by the Corporation in calculating the provisions are as follows:

	April 6, 2024 %	April 1, 2023 %
Salary increases	3.25	3.25
Discount rate – sick leave liability	4.15	3.85

Employee retention rates used vary depending on age and length of service.

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The table below shows the sensitivities of the total employee benefits to a change in the key assumptions:

	Sick leave obligation	
	\$	%
Discount rate		
1% decrease	105	5.2
1% increase	(97)	(4.8)
Salary increase		
1% decrease	(97)	(4.8)
1% increase	105	5.2
Sick leave usage		
10% decrease in hours	(37)	(1.8)
10% increase in hours	34	1.7

Membership data as at April 6, 2024 was used for the valuation.

Pension plan

The Corporation's share of pension expense for the period ended April 6, 2024 is \$2.5 million [April 1, 2023 – \$2.4 million]. The anticipated contributions for the fiscal year ending April 5, 2025 are \$2.4 million.

10. Accounts payable and accrued liabilities

	April 6, 2024	April 1, 2023
	\$	\$
Trade payables	11,613	10,935
Accrued liabilities	11,171	12,244
Excise duties	9,854	9,026
HST payable	3,317	3,134
Other	4,870	4,904
	40,825	40,243

Included in accrued liabilities is \$2.0 million [April 1, 2023 - \$1.9 million] in contractual obligations related to gift cards, net of breakage of \$0.6 million [April 1, 2023 - \$0.6 million].

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11. Sales

Sales include the following:

	April 6, 2024 \$	April 1, 2023 \$
Sales of beverage alcohol	294,696	287,948
Sales of cannabis	43,436	38,938
Other	4,054	5,370
	342,186	332,256

12. Administrative and operating expenses

	April 6, 2024 \$	April 1, 2023 \$
Salaries and employee benefits	34,167	33,152
Depreciation and amortization	3,342	2,863
Rent and municipal taxes	2,612	2,633
Marketing and royalties	1,576	1,692
Interest and bank charges	2,623	2,553
Other	12,143	11,326
	56,463	54,219

13. Capital management

The Corporation defines capital that it manages as net assets. Due to its nature as a Crown Corporation, the Corporation's capital management is strongly influenced by the liquidity forecasts of the Province, and although the Corporation prepares its own budget, including proposed distributions, the Province may at any time decide to request an additional distribution or to increase the distributions as included in the budget. Generally, the Corporation aims at maintaining a net assets balance that ensures that the Corporation is able to fund its obligations as they fall due and has available a reserve to allow for unexpected expenditures. Annual budgets and distribution plans are set to accommodate the Corporation's expenditures in relation to planned investments in property, plant and equipment and intangible assets.

No changes were made in the objective, policies, or processes for managing capital during the periods ended April 6, 2024 and April 1, 2023.

Newfoundland and Labrador Liquor Corporation
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[tabular amounts in thousands]

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14. Financial risk management objectives and policies

The Corporation's principal financial liabilities comprise trade and other payables. The Corporation's principal financial assets include trade and other receivables as well as cash and cash equivalents that derive directly from its operations. The primary risk to the Corporation is credit risk.

Credit risk

The Corporation is exposed to credit risk with respect to accounts receivable from customers. The Corporation provides products to a large customer base, which minimizes the concentration of credit risk. There were two customers that accounted for 10% or more of the Corporation's accounts receivable as at April 6, 2024 [April 1, 2023 – two customers]. The Corporation has credit evaluation, approval and monitoring processes intended to mitigate potential credit risks, and utilizes internal processes for overdue accounts.

Accounts receivable balances related to Liquor Express store operations are subject to general security agreements and insurance coverage. The Corporation also maintains provisions for potential credit losses that are assessed on an ongoing basis.

15. Obligation under lease liability

	April 6, 2024 \$	April 1, 2023 \$
Opening Balance	4,880	5,147
Additions	711	1,227
Interest	200	231
Lease Payments	<u>(1,556)</u>	<u>(1,725)</u>
	4,235	4,880

Annual obligations under lease liability are as follows:

	April 6, 2024 \$	April 1, 2023 \$
Within one year	968	1,243
After one year but no more than five years	2,242	2,290
More than five years	<u>1,025</u>	<u>1,347</u>
	4,235	4,880

Newfoundland and Labrador Liquor Corporation
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16. Related party transactions

The Corporation uses office and warehouse space in St. John's that is owned by the Department of Transportation and Infrastructure of the Province. The Corporation is not required to make any payments to the Department of Transportation and Infrastructure; no amount has been recorded in these financial statements. All operating, leasehold and maintenance costs related to the buildings are the responsibility of the Corporation.

During the period ended April 6, 2024, the Corporation made distributions of \$203.0 million [period ended April 1, 2023 – \$208.0 million] to the Province.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, being the members of the Executive Management. The total compensation [including salary and benefits] paid to key management personnel for the period ended April 6, 2024 was \$1.0 million [April 1, 2023 – \$0.9 million].

17. Subsequent Events

On May 15, 2024, the Corporation approved an additional dividend in the amount of \$4.545 million to bring the Government of Newfoundland and Labrador annual dividend to \$207.545 million as originally budgeted. As this dividend was approved after the reporting date, it has not been recognized as a liability. The dividend was paid on May 31, 2024.