

ANNUAL REPORT

2023 – 2024



NLC Corporate Liquor Store Employees
Management at Happy Valley - Goose Bay



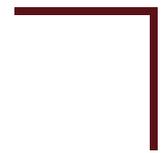


CONTENTS

MESSAGE FROM THE CHAIRPERSON	5
MESSAGE FROM THE PRESIDENT & CEO	7
OVERVIEW	8
MANDATE, MISSION, VISION	9
CORPORATE GOVERNANCE	10
LINES OF BUSINESS	12
HIGHLIGHTS AND PARTNERSHIPS	16
PERFORMANCE REPORT	19
STRATEGIC THEME 1 – COMPELLING WORKPLACE	20
STRATEGIC THEME 2 – CORPORATE SOCIAL RESPONSIBILITY	24
STRATEGIC THEME 3 – EXCEPTIONAL CUSTOMER EXPERIENCE	28
STRATEGIC THEME 4 – OPERATIONAL EXCELLENCE	31
STRATEGIC THEME 5 – GROW THE BUSINESS	33
OPPORTUNITIES AND CHALLENGES	38
FINANCIAL STATEMENTS	39
APPENDIX	63
BOARD COMPENSATION	64
SALES BY LOCATION	65



Glenn Mifflin
Chairperson



MESSAGE FROM THE CHAIRPERSON

On behalf of the Board of Directors for Newfoundland and Labrador Liquor Corporation (NLC), I am pleased to submit the 2023-24 Annual Report, which has been prepared in accordance with the **Transparency and Accountability Act**, and the Guidelines for Annual Performance Reporting for Category Two Government entities. This Annual Report includes highlights, objectives, and measurable outcomes from fiscal year 2023-24 and performance results for the corporation covered in the first year of NLC's 2023-26 Business Plan. The Board of Directors is accountable for the contents and results provided herein.

It has been an honour to serve the past year with my fellow NLC directors, and work with NLC's management team in strengthening our commitment towards social responsibility, community, sustainability, workplace culture, governance, and support for local business.

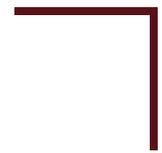
Throughout 2023-24, NLC continued to deliver on customer excellence and financial performance, while also prioritizing meaningful change in the community. NLC returned a dividend of \$207.5 million to the corporation's shareholder, the Government of Newfoundland and Labrador. Total net earnings for the year were \$208.1 million – the highest net earnings in NLC history. Congratulations to Bruce Keating, NLC President and CEO, and the entire NLC team for their dedication and for the results achieved.

I would also like to thank the Honourable Siobhan Coady, Minister Responsible for NLC, and the Government of Newfoundland and Labrador for their trust throughout the past year. I look forward to their support in the year ahead as we continue to carry out our 2023-26 Business Plan.

Glenn Mifflin
Chairperson



BRUCE KEATING
President & CEO



MESSAGE FROM THE PRESIDENT & CEO

Fiscal 2023-24 was the beginning of a new three-year strategic plan for NLC which brought with it greater expectations and commitments. As I reflect on the past year, I can say with certainty that NLC has met and in many ways exceeded those expectations.

As President and CEO, my overriding objective is for NLC to be the best it can be - first, for you, the people of Newfoundland and Labrador - and second, for the people that work at NLC and give so much to this organization every day.

Public trust and customer satisfaction are vital to who we are and how we operate. To ensure we are continuing to move in the right direction, this past year we carried out our most comprehensive public survey to date. We were pleased to learn that 82.0% of respondents expressed a positive opinion of NLC. I believe that this vote of confidence reflects the performance and changes that people have been seeing and hearing about at NLC which are reflected in this Annual Report.

We see our employees as the heart of NLC. In recognizing this, we remain focused on creating the best environment possible for every NLC team member – one that is based on support, trust, and commitment, where we can all do our best work. We are also committed to fostering a culture that inspires collaboration, and cultivates diversity, inclusion and belonging. As a result, we have seen improvements across a wide range of employee engagement measures in our 2023 Employee Engagement Survey. With a Compelling Workplace firmly established as the first strategic theme in our 2023-26 Business Plan, this focus will remain and will be honed further.

For the third consecutive year, NLC has delivered a dividend of over \$200.0 million to the Government of Newfoundland and Labrador to help fund key public services in the province. We have increased access to safe and secure cannabis and have increasingly disrupted the illicit cannabis market through our Regulatory team's expertise. We connected with our local suppliers, producers, licensed cannabis retailers, and licensees on a greater level. We have also launched our new Corporate Social Responsibility platform, *Together with Purpose*, which places greater emphasis and visibility on efforts to address and reduce negative effects of beverage alcohol and cannabis, and also makes it a priority to give back to communities across the province where we live and work.

While we have accomplished a lot in the past year, I believe we have only scratched the surface in creating a new 21st century NLC to serve this province. Our 2023-26 Business Plan is leading us further in the right direction and embodies our ambition - to be the best NLC we can be – with our people making it possible.

It is with the deepest gratitude and respect that I extend my thanks to each NLC employee across the province, to our exceptional Board of Directors for their guidance and counsel, and to Government for the tangible support and confidence they have shown.

To our customers, suppliers, licensees, and community partners, thank you for your trust and support. We look forward to continuing to bring our values to the forefront of everything we do, to meet and exceed expectations, and further support the province and its people.

Bruce Keating
President & CEO



OVERVIEW

Mandate

As outlined in the **Liquor Corporation Act**, the **Liquor Control Act**, and the **Cannabis Control Act**, NLC's Legislative mandate is to manage and oversee the responsible importation, sale, and distribution of beverage alcohol and cannabis within Newfoundland and Labrador.

Mission

We are a customer-focused, responsible retailer, distributor, and regulator of beverage alcohol and cannabis, committed to delivering value to the people and communities of Newfoundland and Labrador.

Vision

To be a trusted retailer and collaborative community partner, providing elevated experiences through great people and great products.

ABOUT NLC

NLC is a Crown Corporation of the Government of Newfoundland and Labrador with responsibility through the **Liquor Corporation Act**, the **Liquor Control Act**, and the **Cannabis Control Act** for the importation, sale, distribution and management of beverage alcohol and cannabis. NLC also ensures the delivery of programs that promote safe, responsible consumption.

NLC is one of the largest retailers in the province. Through 28 corporate retail locations, over 140 agency stores, more than 550 Brewer's Agent outlets, and over 1,400 restaurants, lounges, and other licensees, along with private order services, NLC offers over 4,000 products per year to consumers and its retail partners from more than 20 countries. It also regulates and distributes to 55 licensed cannabis retailers across the province, and offers customers a secure, legal online environment for cannabis purchases via ShopCannabisNL.com. NLC operates a 77,000 square foot distribution centre, as well as a manufacturing operation, Rock Spirits. The facility, which runs world-class blending, bottling and canning operations, ships to more than 30 countries around the world and has been in operation for over 65 years.

NLC operates with the expectation that it will generate revenue for the Government of Newfoundland and Labrador, with 100% of its profits reinvested in the province to fund key public services. NLC aspires to build trust in everything it does - with customers, employees, retailers, commercial partners, and communities, along with Government, to ensure a stronger Newfoundland and Labrador.

CORPORATE GOVERNANCE

In accordance with the **Liquor Corporation Act**, NLC is governed by a Board of Directors, consisting of five to nine independent members and two non-voting members. The independent members are chosen and appointed for specific terms by the Lieutenant-Governor in Council, following recommendation by the Independent Appointments Commission which is an independent body established by Government to provide merit-based recommendations for appointments to approximately 160 Agencies, Boards and Commissions. NLC's President and Chief Executive Officer as well as the Deputy Minister of the Department of Finance are members of the Board, serving in a non-voting capacity.

NLC's Board provides oversight and strategic direction to NLC's Executive management team, which in turn is responsible for the day-to-day activities of the corporation. Together, the Board and the Executive make a united effort to provide best in practice regulations, as well as retailing and wholesaling of beverage alcohol and cannabis to the province, governed by a strong sense of corporate responsibility, transparency, and accountability to the people of Newfoundland and Labrador.

As a corporate member of the Institute of Corporate Directors, NLC's Board engages in knowledge sharing, educational and professional development opportunities, as well as thought leadership discussions to ensure stronger governance and excellence in directorship.

The Board of Directors operates within a highly regulated environment. The **Liquor Corporation Act, Liquor Control Act and Regulations, the Cannabis Control Act and Regulations** and other similar legislation provide direction to the Board in guiding NLC's business affairs. The corporation's by-laws, vision, mission statement, and values further direct both the Board and management in decision-making. The Board's strategy, periodic three-year business plans, and annual operating plans and budgets are subject to the approval of Government. The corporation's annual financial statements are subject to audit by the province's Office of the Auditor General, which also has the authority to examine specific areas of NLC's operations and activities through special audits.

The Board must give prudent fiscal direction and guidance to the Executive management team, ensuring effective budgeting and financial management, and enterprise risk management. These processes fulfill the Board's commitment to provide overall governance.

BOARD MEMBERS

GLENN MIFFLIN

Chairperson

LYNN ZUREL

Vice-Chairperson

JANIS C. BYRNE

*Director,
Chair of Regulatory Committee*

GEOFF DAVIS

*Director, Chair of Governance and
Human Resources Committee*

KEVIN DUMARESQUE

Director

JOSEPH GALIMBERTI

Director

REX GOUDIE

Director

KENDRA MACDONALD

Director

DONNA RIDEOUT

Director, Chair of Audit Committee

MICHELLE JEWER

*Deputy Minister, Finance,
Director, Ex-officio*

BRUCE KEATING

*President & CEO,
Director, Ex-officio*

COMMITTEES OF THE BOARD

The Board's standing committees engage and support its efforts in several governance responsibilities.

AUDIT COMMITTEE

The Audit Committee is mandated to assist the Board in overseeing financial and risk oversight processes. The committee oversees the areas of financial management and reporting, internal control, and the audit process, along with assessing financial performance against budget, and providing a risk oversight function of NLC's operating environment.

During the fiscal year, the committee worked closely with the Chief Financial and Information Officer, the Director of Internal Audit and the Vice President, Human Resources, Strategy and Risk, in several areas. These included a review of quarterly financial results, oversight of the annual year-end audit and related findings, review of quarterly enterprise risk reports, approval of the annual internal audit plan, review of findings of internal financial and operational audits, and review of NLC's cyber security advancements as well as risk mitigation strategies and plans.

GOVERNANCE & HUMAN RESOURCES COMMITTEE

The Governance and Human Resources Committee is mandated to assist the Board in the corporation's approach to corporate governance to promote transparency and accountability, the development of the strategic planning process and framework to provide a proactive approach to strategy formulation and execution, and human resource management, in ensuring a culture that aligns with NLC's vision and strategic direction.

During the year, the committee worked closely with the Vice President of Human Resources, Strategy and Risk and the Corporate Secretary. Initiatives included the annual evaluation of Board governance practices, processes and policies; implementation of development activities for the Executive and Board; President and CEO performance management; oversight of Health, Safety and Wellness performance; oversight of the new Human Resource Management System implementation; and guidance on NLC's bi-annual Employee Engagement Survey results and action plan to further establish NLC as a compelling workplace.

REGULATORY COMMITTEE

The Regulatory Committee was established as part of NLC's broader program of governance reform to recognize the critical role of the Board in providing oversight and direction to NLC's legislated regulatory mandate for beverage alcohol and cannabis. The committee is mandated to provide direction and advice to guide Regulatory Services' strategy and objectives; ensure that Regulatory Services operates with an appropriate level of independence from NLC's commercial activities to prevent any real or perceived conflicts of interest; and ensure there is no Regulatory overreach with respect to its legislative authority. It also oversees a process to periodically review, and where appropriate, make recommendations to Government with respect to changes to legislation and regulations.

During the year, the committee worked closely with the Vice President of Regulatory Services and the Corporate Secretary. Initiatives included recommending legislative changes to the **Liquor Corporation Act** and **Liquor Control Act**, staying abreast of the five-year Cannabis Statutory Review process; oversight of Regulatory Services practices, processes, and policies as well as the development of a Regulatory Services Board Assurance Framework which recently received Board approval.

The Newfoundland Distillery Co Seaweed Gin Tom Collins

Packaged at Rock Spirits



LINES OF BUSINESS

With a workforce of over 600 employees, NLC's commitment to service excellence can be found in almost every community in the province. We take pride in our efforts to provide convenient, authentic, and exceptional experiences for our customers through every line of our business – our retail locations, corporate office, Rock Spirits manufacturing plant, distribution centre, and Regulatory Services.

Our primary clients include retail and wholesale customers. We also work directly with local producers, suppliers, and agents, as well as liquor jurisdictions across Canada. Within Rock Spirits, we are a co-packaging partner with beverage alcohol brand owners from across the globe.

RETAIL BEVERAGE ALCOHOL

Owned and operated by NLC, our retail Liquor Store locations are the most visible component of our operations, offering a variety of beverage alcohol options to retail customers.

Our retail stores, including 24 corporate Liquor Store locations and four satellite stores, carry an extensive selection of spirits, wine, beer, and ready-to-drink (RTD) alcoholic beverages, imported from other Canadian provinces and around the world. We also carry locally produced spirits, wine, beer, and RTD alcoholic beverages. Retail Liquor Store locations are responsible for 63.0% of NLC's beverage alcohol sales.

WHOLESALE BEVERAGE ALCOHOL

NLC's wholesale operations supply over 140 Liquor Express locations and approximately 1,400 licensees.

Liquor Express locations serve consumers in primarily rural areas and are privately owned and operated entities that have entered into a contract to sell beverage alcohol. These entities receive a commission from NLC on its product sales.

Licensees include breweries, wineries, distilleries, lounges, and restaurants, licensed by NLC Regulatory Services to sell beverage alcohol.

CANNABIS

NLC is responsible for the regulation, importation, product selection, and distribution of cannabis in the province. We are also responsible for price setting and online retailing of cannabis in Newfoundland and Labrador. NLC's merchandising department ensures that a stable and reliable supply of safe and secure product is available in the province.

Physical sales of cannabis are conducted through licensed cannabis retailers (LCRs), which are privately owned entities that have entered into licensing agreements with NLC. Currently there are 55 LCR's throughout Newfoundland and Labrador. In the province, there are two tiers of LCRs: tier 1 and tier 4. A tier 1 LCR operates as a stand-alone cannabis store that only sells cannabis and cannabis accessories. A tier 4 LCR operates within an existing retail location where the sale and supply of cannabis and cannabis accessories occurs behind the same counter used by the retail establishment in which it is located.

Online cannabis sales are conducted through NLC's e-commerce enabled cannabis website, **ShopCannabisNL.com**.

PRODUCTION OF BEVERAGE ALCOHOL

Rock Spirits is NLC's manufacturing operation, which develops formulations for spirits in its own portfolio, including the nationally renowned Screech Rum, and RTD products. The facility also blends, bottles, cans, and distributes spirits, beer, and RTD products on a collaborative basis with beverage alcohol partners from across North America.

Rock Spirits has developed strong relationships with alcohol suppliers from across the globe to source the best quality neutral grain spirit, rum, and whisky, and enhance the natural flavor characteristics of the distilled spirits with blending and flavouring techniques. Customers range from start-up entrepreneurs to some of the biggest names in the global market, including several brands that have received awards on the international stage.

In operation for over 65 years, Rock Spirits exports over 80.0% of its products to other provinces and over 30 countries.

REGULATORY SERVICES

NLC takes great responsibility in ensuring the safe access, distribution, and regulation of alcohol and cannabis for the people of the province. Our Regulatory Services team is responsible for enforcing regulation of all licensed establishments in the province in accordance with the **Liquor Corporation Act**, the **Liquor Control Act and Regulations**, the **Cannabis Control Act and Regulations** and the **Smoke-Free Environment Act, 2005 and Regulations**.

There are two divisions within Regulatory Services: Licensing and Regulatory Administration, which oversees all licensing and administrative matters, and Regulatory Compliance and Enforcement, which ensures compliance with governing legislation.

2023-24 AT A GLANCE

633 EMPLOYEES



359 Female, 274 Male



employee satisfaction

74%

indicate overall satisfaction with their job*



approximately

84%

of the illicit cannabis market captured



\$7.2 million

provided to local small alcohol producers, cannabis producers, and licensees



24 Corporate Liquor Store Locations



4 Satellite Store Locations

144



Liquor Express Locations

55



Licensed Cannabis Retailers

↑ 14 from previous year

COMMUNITY GIVING



over
\$175,000
donated to local charities

PUBLIC TRUST



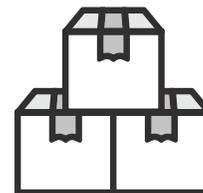
82% of customers
have a positive opinion of NLC*

DISTRIBUTION CENTRE



shipped
1.8 MILLION CASES
of beverage alcohol & cannabis

ROCK SPIRITS



produced
322,000 CASES
of spirits, beer & RTDs

FINANCIAL PERFORMANCE

Gross Expenditures
\$224.2 million
Sales & Commission
\$423.1 million

Government Remittances
total **\$271.6 million**

Dividend	HST	Excise tax & customs duties
\$207.5 million	\$43.3 million	\$20.8 million

*Source: 2023 NLC Public Survey

HIGHLIGHTS & PARTNERSHIPS

At NLC, we take our mandate seriously and are committed to ensuring the safe and responsible sale, distribution, and regulation of beverage alcohol and cannabis. In fiscal 2023-24, NLC placed Corporate Social Responsibility at the forefront of our operations with the development of a comprehensive plan which expanded our impact beyond our social responsibility mandate. During the fourth quarter of fiscal 2023-24, NLC launched its new Corporate Social Responsibility platform, *Together with Purpose*. Through this platform, NLC is committed to working collaboratively as an organization and with external stakeholders to give back in ways that are more meaningful – to support local communities, minimize our environmental impact, and lead positive change in the beverage alcohol and cannabis industries.

Together
with **purpose**



With the generosity of our supplier partners and customers, NLC carried out two successful in-store fundraising campaigns in support of food security programs in the province during fiscal 2023-24. In December 2023, over \$77,800 was raised in support of the Community Food Sharing Association through NLC's *12 Days of Giving* campaign, with an additional \$5,000 being donated to local food banks throughout the province. In March 2024, NLC's *Breakfast Blitz* campaign, in support of Kids Eat Smart Foundation NL, raised over \$64,000. NLC also contributed \$29,700 towards corporate donations, sponsorships, and employee giving initiatives to charitable organizations including MADD Canada, Quadrangle NL, the Gathering Place, Ronald McDonald House Charities NL, SPCA St. John's, the Single Parent Association NL, Special Olympics NL, and First Light Friendship Centre.



NLC's responsibility also extends to our commitment to sustainable and ethical business practices and ensuring the same responsibility from those with whom we do business. In fiscal 2023-24, NLC carried out important measures in compliance with Bill S-211, *An Act to enact the Fighting Against Forced Labour and Child Labour in Supply Chains Act*. An internal working committee comprised of senior staff from key business units was created to review the Act and ensure due diligence, which included training on human rights and modern slavery, indicators of forced labour and child labour, and reporting obligations for the Act. In addition, NLC representatives sit on an Atlantic jurisdiction working group to share information and discuss an aligned approach to prevent and reduce the risk of forced labour and child labour in our activities and supply chains.

We improved access to safe cannabis by expanding the retail cannabis network from 41 to 55 locations across the province. Through these efforts, along with the expertise and hard work of our Regulatory Services team, cannabis legalization has reached an important inflection point. We now estimate that 84.0% of the illicit cannabis market has been captured, an increase from 65.0% only one year ago and 25.0% four years ago, further establishing the legal cannabis industry and marginalizing the illicit market.

In continuing to strive for corporate excellence, NLC was pleased to host delegates from jurisdictions across the country for simultaneous National Beverage Alcohol and Social Responsibility conferences. The sessions provided an opportunity for jurisdictions to share experiences and best practices within the industry. Guest presenters included representatives from Newfoundland Distillery Company, Corby Spirit and Wine Limited, MADD Canada, and the Canadian Centre on Substance Use and Addiction.

Enhanced collaboration with and support of local business was another key priority in fiscal 2023-24. NLC provided close to \$7.2 million to financially

support small alcohol producers, cannabis processors/ producers, and licensees in the local business community this past fiscal year. In February, NLC reinstated yearly Liquor Express meetings to engage further with our local operators and provide an open forum for feedback. Over 100 Liquor Express operators attended this first meeting, which included an overview of NLC's *Check 25* program, and policy and contract information. Throughout November, NLC's Regulatory Services team held five educational sessions for beverage alcohol and cannabis licensees across the province. The sessions, which were attended by close to 300 representatives from local bars, restaurants, licensed cannabis retailers and other licensees, provided key knowledge and training to help ensure the safe, legal, and socially responsible retailing of alcohol and cannabis throughout the industry.

Rock Spirits developed new partnerships with both local and international suppliers in fiscal 2023-24. During the year, Rock Spirits began producing Marlin Spike Rum and RTDs and signed an agreement with Fog Distillery Co. to produce Fog Vodka. As well, Rock Spirits signed a 25-year agreement with Canadian Iceberg Vodka Corporation to continue production of Iceberg Vodka, Rum, and Gin products in Newfoundland and Labrador. The manufacturing facility also expanded its own brands, releasing an extension to the Screech Rum brand, Screech Snowball liqueur.

NLC continued to make important investments towards providing an exceptional customer experience. In fiscal 2023-24 fiscal year, we renovated nine corporate Liquor Stores to better serve our customers. In addition, NLC retail staff were provided with continued education and support through the Graff Retail sales training program, *Ready to Serve*, providing them with the expertise needed to provide professional, quality advice.

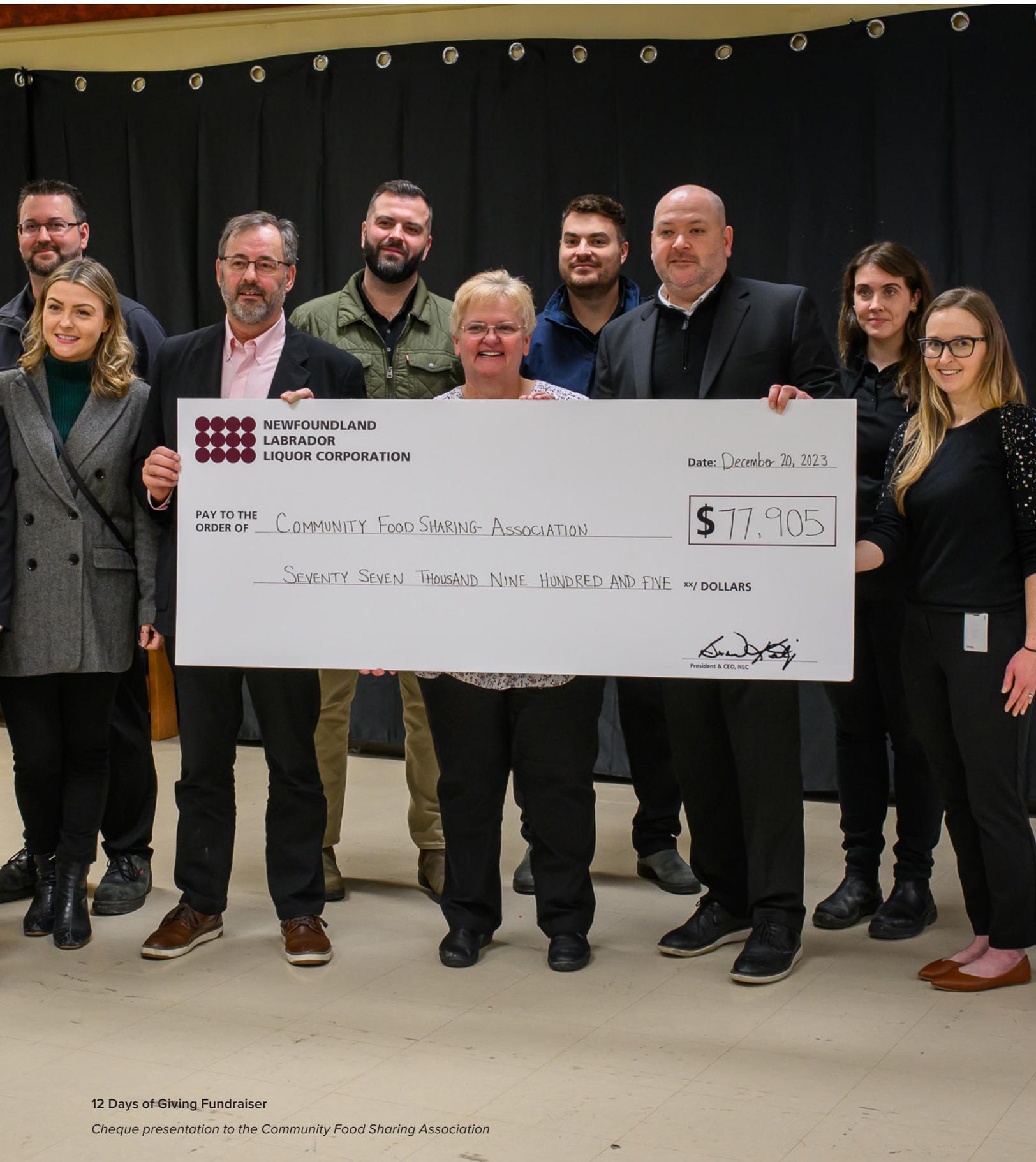
Through the dedication and ambition of our employees, we continued a track record of exceptional financial results, delivering a dividend of \$207.5 million to Government to support key public services. This was the third consecutive year in which the dividend exceeded \$200.0 million, bringing the total for the past three years to \$625.5 million, and to almost \$1.9 billion over the past decade. Beverage alcohol sales reached a record \$294.7 million in fiscal 2023-24, a fifth consecutive year of record sales. Provincial retail cannabis sales including product self-distributed by licensed producers, totalled a record \$87.6 million, an increase of almost 24% over the prior year.

NLC is committed to creating a culture where our employees and customers feel valued, respected,

and heard. In fiscal 2023-24, we maintained our Employee Partnership with the Canadian Centre for Diversity and Inclusion (CCDI) to engage with the larger business community committed to a more equitable and inclusive society for all. Through learnings, we increased our diversity, inclusion and belonging efforts by integrating initiatives into our work processes and programming, including introducing a sensory-friendly shopping hour across all corporate Liquor Stores.

To further our commitment to a compelling workplace, NLC implemented an all-encompassing Human Resource Management System (HRMS) which is hosted by Ultimate Kronos Group. The modern, sophisticated cloud-based HRMS solution has helped to improve our employee experience through payroll, workforce management (scheduling) and the provision of mobile self-service options.

We are proud of our accomplishments throughout the past fiscal and are empowered to continually improve. In fiscal 2023-24, NLC carried out both an internal employee survey and a public, customer-facing survey to better understand current perceptions of NLC and where we can do better. Both survey results were considered high, with an employee satisfaction score of 74.0%, and customer satisfaction scores of 8.7 out of 10 for our corporate Liquor Stores and 8.6 out of 10 for Liquor Express locations. Our public survey results also show a high level of trust with NLC with a score of 7.0 out of 10, which reflects our commitment to making this a priority in our everyday actions and decisions. Even with these results, NLC has developed an action plan of items to ensure continued positive change for our people and the community.



NEWFOUNDLAND
LABRADOR
LIQUOR CORPORATION

Date: December 20, 2023

PAY TO THE
ORDER OF COMMUNITY FOOD SHARING ASSOCIATION

\$77,905

SEVENTY SEVEN THOUSAND NINE HUNDRED AND FIVE ^{xx}/ DOLLARS

Sandy Kelly
President & CEO, NLC

12 Days of Giving Fundraiser

Cheque presentation to the Community Food Sharing Association



PERFORMANCE REPORT

Fiscal 2023-24 marks the first year of NLC's 2023-26 Business Plan. In accordance with the **Transparency and Accountability Act**, the plan includes strategic themes for the corporation, along with corresponding goals, objectives, and indicators for each of the three years for 2023-26. Within the plan, NLC's strategic priorities focus on the following themes:

- Compelling Workplace
- Corporate Social Responsibility
- Exceptional Customer Service
- Operational Excellence
- Grow the Business



STRATEGIC THEME 1: COMPELLING WORKPLACE

NLC strives to promote a workplace that fosters diversity and inclusion, where employees feel valued, are encouraged to maintain a healthy and safe work life, are respected and appreciated for their work, and are provided opportunities to succeed.

GOAL

By April 4, 2026, NLC will be a more compelling workplace.

2024 OBJECTIVE

By April 6, 2024, NLC will have improved employee health, safety, and well-being.

INDICATORS

- Employee Satisfaction Survey score of 75.0%
- Voluntary turnover rate of less than 4.0%
- Average absenteeism rate of less than 9 days per year
- Occupational health and safety inspection score of 95.0%

INDICATOR

Employee Satisfaction
Survey score of 75.0%

23/24 ACTUAL

74.0%

We are proud of our people and their commitment to make NLC the best it can be. Their ability to do this relies heavily on NLC's commitment to a compelling workplace. Ensuring a culture where employees feel valued, included, and heard is a top priority for NLC and we continue to listen to our employees to shape our culture and continually improve.

While slightly below the target of 75.0%, our 2023 Employee Engagement Survey showed a strong performance overall, with NLC at or above the research firm's norms on most measures. Notable improvements since 2021's survey results include performance assessment, communications and information sharing, personal development, career advancement opportunities, work-life balance, job security, health and safety, and perceptions of the Executive team. Areas of concern involve compensation in terms of wages and benefits, and job security.

Increased communication continues to be a priority for NLC. To support employee needs expressed through the Employee Engagement Survey, NLC's senior leadership has implemented additional measures, including a commitment to timely communications regarding NLC's plans, while ensuring opportunity for feedback and with a focus of transparency. Quarterly management meetings have also been implemented to support increased management communication and provide another avenue for timely updates and feedback.

Employee health, safety, and wellness are also of utmost importance to NLC, which includes a workplace

that is free from harassment and discrimination. NLC’s senior leadership has raised expectations regarding a respectful workplace and will provide additional training to all staff. NLC will also review the Employee Code of Conduct and Respectful Workplace Policy to ensure it reflects increased expectations and consequences of non-compliance.

NLC has made significant strides toward further developing a compelling workplace and will continue to place greater emphasis on this area to ensure we provide a workplace that fosters diversity and inclusion - where employees feel valued, are encouraged to maintain a healthy and safe work life, are respected and appreciated for their work, and are provided opportunities to succeed.

INDICATOR	23/24 ACTUAL
Voluntary turnover rate of less than 4.0%	5.3%

During fiscal 2023-24, NLC did not meet its goal with a 5.3% turnover rate which is defined as permanent employees who voluntarily left the organization, excluding retirements. The rate, however, decreased significantly by 37.0% from the prior year’s rate of 8.4%. NLC’s 2023 Employee Engagement Survey reflected positive changes in numerous areas, including improvements in employment security, personal value alignment with NLC’s values, and recognition for work achievements.

NLC also conducted exit interviews with employees voluntarily leaving the organization to understand why people resigned. Employees placed high emphasis on employment security and compensation in terms of wages and benefits. NLC will continue to focus on these areas as it relates to overall higher turnover rates than the targeted indicator.

Total internal and external vacancies decreased by 25.0% from the previous year and market activity has continued to settle, with challenges in key areas stabilizing. The voluntary turnover rate target has been reassessed and will be adjusted in fiscal 2024-25 to align with the retail sector.

Efforts in creating a compelling workplace to help attract and retain purpose-driven talent continued in fiscal 2023-24. Phase 1 of the new HRMS went live in March 2024, allowing for a modern and user-friendly approach towards staff engagement. Phase 1 included payroll, workforce management (scheduling) and the provision of mobile self-service options. Phase 2, to

be completed in fiscal 2024-25, will include electronic recruitment and onboarding processes, analytics, advanced scheduling, performance management, as well as learning and development.

NLC’s commitment to promoting from within resulted in 92 internal promotions in fiscal 2023-24. This was achieved through investment in training and development including the continued roll-out of the leadership behaviour model based on *The Leadership Challenge*, and development opportunities in retail sales service and product education.

INDICATOR	23/24 ACTUAL
Average absenteeism rate of less than 9 days per year	9.4

NLC reports a 9.4 days per year average absenteeism rate for fiscal 2023-24. Although this is slightly above the fiscal target, the rate shows continued improvement from an absenteeism rate of 10.2 in fiscal 2022-23. This is due to a combination of factors including potential improvement in mental health status of employees (reflected in reduced Employee and Family Assistance Program referrals), availability of flexible work arrangements, and continued improvement in occupational health, safety, and wellness programming.

NLC continued to prioritize employee mental health and wellness by offering Mental Health First Aid training to staff in the fourth quarter of 2023-24. We also partnered with the Mental Health Commission of Canada to offer *The Working Mind* training for managers to further support mental well-being in the workplace. In addition, NLC continues to support employees in accessing healthcare services by ensuring they are informed of in-person and virtual options which support early and safe return to work efforts.

INDICATOR	23/24 ACTUAL
Occupational health and safety inspection score of 95.0%	96.0%

NLC is reporting another successful year of workplace inspections, with 96.0% of inspected areas/items found to be in satisfactory condition and requiring no corrective action. In alignment with NLC’s values, we

continue to monitor workplace inspections as a leading indicator of Occupational Health and Safety (OHS) performance and PRIME compliance.

To further NLC's commitment to creating a stronger safety culture, NLC's Board and management increased its focus on OHS measures, which included a review of injury rates per 100 employees. Through a recent partnership with Workplace NL, the next step in this journey will be to conduct a Safety Climate Assessment in fiscal 2024-25.

2025 OBJECTIVE

**By April 5, 2025,
NLC will have continued
improvements to employee health,
safety, and well-being.**

INDICATORS

- Voluntary turnover rate of less than 6.0%
- Average absenteeism rate of less than 9 days per year
- Occupational health and safety inspection score of 95.0%
- Lost time injury rate of 1.12 (per 100 employees)

NLC Staff

Pride Flag Raising at Head Office



Staff Holiday Dinner

Served by Executive at the Distribution Centre





STRATEGIC THEME 2: CORPORATE SOCIAL RESPONSIBILITY

NLC aims to establish itself as a trusted corporate citizen through the implementation of initiatives embodying social responsibility, community giving, sustainability, workplace culture, and governance.

GOAL

By April 4, 2026, NLC will have improved corporate social responsibility.

2024 OBJECTIVE

By April 6, 2024, NLC will have implemented improvements to programs and standards to enhance public trust.

INDICATORS

- 9.0% of transactions challenged
- 95.0% of risk-based licensed establishments inspected satisfactorily
- Completed development of Corporate Responsibility Plan
- Established public trust index baseline score

INDICATOR

9.0% of transactions challenged

23/24 ACTUAL

9.2%

As a responsible retailer, NLC monitors its challenges and refusals rate, defined as the percentage of transactions at corporate Liquor Stores during which customers are asked to show identification. NLC's *Check 25* program mandates that Liquor Store and Liquor Express staff check identification of customers who look 25 years of age or younger to ensure they are of legal age to purchase beverage alcohol. In addition, NLC staff are trained to challenge and/or refuse service to anyone who appears to be under the influence. The program also provides staff training on how to check and verify valid forms of ID. During fiscal 2023-24, NLC relaunched its *Check 25* program, with updated awareness materials and an enhanced training video for staff.

NLC staff challenged 364,000 transactions in fiscal 2023-24.

INDICATOR

95.0% of risk-based licensed establishments inspected satisfactorily

23/24 ACTUAL

98.0%

The success rate is defined as the percentage of inspections deemed satisfactory by our Regulatory Services inspectors. When conducting inspections, licensees need to demonstrate that they are operating in line with Government legislation and NLC guidelines. In addition, inspectors follow a standard set of criteria to provide accurate and measurable results for each inspection.

INDICATOR	23/24 ACTUAL
Completed Corporate Responsibility Plan	Completed

Using the framework developed in fiscal 2022-23, NLC’s Corporate Responsibility Plan encompasses three main pillars: Social Responsibility, Community, and Environmental Sustainability, while also ensuring greater governance and a compelling workplace. A review of NLC’s existing Corporate Social Responsibility (CSR) programs and policies was conducted, followed by conversations and surveys with NLC staff, supplier partners, and other beverage alcohol jurisdictions. From there, a comprehensive plan with a timeline of strategic initiatives was developed that will carry us through fiscal 2024-25.

To support NLC’s commitment to a compelling workplace, staff played an essential role in providing the direction for NLC’s community pillar. Staff were surveyed on various topics regarding community giving including community issues of concern, preference for volunteering opportunities, and support of corporate-led fundraisers. We also saw the importance of this pillar to our customers. Within our 2023 public survey, out of 17 measures, “Giving Back to the Community” ranked number four in importance to customers. Based on employee and customer feedback, NLC implemented a quarterly in-store campaign program, with two campaigns taking place in fiscal 2023-24 in support of food security within the province and raising close to \$150,000.

In addition to re-launching our *Check 25* program, NLC introduced a new impaired driving campaign, *End Impaired Driving*, to help bring attention to the permanent effects of impaired driving, and the lasting impact on those left behind. We also partnered with MADD Canada as a Provincial Sponsor of the 2023 School Program, which provided important anti-impairment messages to thousands of students

throughout Newfoundland and Labrador.

NLC’s plan also includes measures to ensure its responsibility to environmental sustainability. During fiscal 2023-24, a waste management audit was conducted on our office locations and distribution centre, along with Rock Spirits’ manufacturing facility, allowing NLC to identify areas for reducing our impact and improving efficiency. During the fourth quarter, we issued a Request for Proposals for a *Carbon Measurement and Climate Action Plan* which will involve a high-level measurement of NLC’s carbon impact within its key operations and allow us to carry out our sustainability commitments in a systematic, coordinated, and financially responsible manner. Completion of this project is expected for the third quarter of fiscal 2024-25.

Our CSR identity, *Together with Purpose*, was developed to further our mission as a responsible retailer, distributor, and regulator of beverage alcohol and cannabis. Through our commitment to our people, our communities, and our planet, we will continue to carry out our CSR plan and come together to be a better NLC.

INDICATOR	23/24 ACTUAL
Established public trust index baseline score.	7.0

As a Crown Corporation, particularly one that provides regulatory oversight and promotes social responsibility of controlled substances, public confidence in NLC’s operations is vital. Through our retail network, we are committed to ensuring that our customers feel safe, welcomed, and included when shopping in our stores. As well, the safety of our entire communities is paramount. We continue to evaluate and strengthen our staff training on challenges and refusals to ensure that our products are not sold to those who are underage or impaired. We hold our Liquor Express locations, LCRs, and licensees to the same standard.

To continue NLC’s efforts towards transparency, we publish quarterly reports on our financial and operational performance. These reports are provided to the media and are available to the public on NLC’s corporate website nliquorcorp.com.

Financial Accountability is not just important, it is necessary. We operate every day with the knowledge that 100% of NLC's profits are reinvested in the province to fund key public services. This along with our good governance principles ensure that we continue to make financial decisions with the highest level of accountability and integrity.

NLC's 2023 public survey served as the basis for a Public Trust Index. Survey participants were asked to score their level of trust with NLC, with a score of 1.0 being a low level of trust, and a score of 10 being a high level of trust. Secondary statements were also scored and weighted to create the public trust index. Secondary statements included:

- NLC operates in an ethical manner
- NLC is open and transparent with the public
- NLC spends its money wisely
- NLC acknowledges customer concerns

NLC is proud to report that we received a rating of 7.0, which indicates a high level of trust in the corporation, based on industry standards. We will continue to seek valuable feedback from our customers and the public to ensure continued trust in everything we do.

2025 OBJECTIVE

**By April 5, 2025,
NLC will have continued
improvements to programs and
standards to enhance public trust.**

INDICATORS

- Public Trust Index score of 7.0 or greater
- 9.0% of transactions challenged
- 95.0% of risk based licensed establishments inspected satisfactory
- 100% of Strategic Corporate Social Responsibility Initiatives completed

IMPAIRED DRIVING IMPACTS
MORE THAN JUST YOU.

**END IMPAIRED
DRIVING.**



Regulatory Services

Inspection at Licensee location





STRATEGIC THEME 3: EXCEPTIONAL CUSTOMER EXPERIENCE

NLC aims to ensure enhanced customer satisfaction through relationships, greater communication, and quality products, programs, and services.

GOAL

By April 4, 2026, NLC will have provided an exceptional customer experience.

2024 OBJECTIVE

By April 6, 2024, NLC will have increased access to core products and services.

INDICATORS

- Established customer satisfaction baseline survey score
- Completion of 100% of planned store renovations
- Achieved targeted increase of 10 LCRs

INDICATOR

Established customer satisfaction baseline survey score

23/24 ACTUAL

Corporate Liquor Stores **8.7**

Liquor Express Stores **8.6**

Adapting and listening to our customer needs is key to providing exceptional customer service. NLC's 2023 public survey provided significant insight into what is most important to our customers when shopping in our stores. When looking at satisfaction levels among patrons of corporate Liquor Stores and Liquor Express locations, levels of satisfaction within NLC's public survey were high with over 80.0% of respondents rating themselves as satisfied (8.0 out of 10) with the overall shopping experience.

When asked to rate aspects of their shopping experience, respondents who visit corporate Liquor Stores most frequently rate feeling safe shopping in the store, feeling safe entering and leaving the store, and quality of customer service the highest, which led to a very high customer satisfaction score of 8.7 out of 10. NLC is proud of this score as we strive to be a best-in-class retailer. Respondents who visit Liquor Express locations most frequently rate ease of finding products, quality of customer service, and the appearance of the store the highest, which led to another high customer satisfaction score of 8.6 out of 10. Based on industry standards, any score above 8.0 out of 10 shows a high level of customer satisfaction.

INDICATOR

Completion of 100% of planned store renovations

23/24 ACTUAL

100%

During fiscal 2023-24, NLC renovated nine corporate stores including Bay Roberts, Carbonear, Clarenville, Grand Falls-Windsor, Marystown, Port Aux Basques, Stephenville and two stores in Mount Pearl. Renovations included energy efficient lighting, digital screens, realignment of aisles, flooring improvements, new signage, interior paint to reflect NLC's current branding and enhanced store layout and design. In addition, a Specialty Wines section was added to one Mount Pearl location (50 Old Placentia Rd.) providing customers with greater access to quality products from local, national, and international suppliers.

NLC has now renovated 18 corporate Liquor Stores in the past three years. The store renovation program will continue in fiscal 2024-25 with five locations scheduled for partial or full renovation.

NLC's investment in an enhanced customer experience also included the full rollout of the Graff Retail sales training program, *Ready to Serve*, designed specifically for the beverage alcohol industry.

INDICATOR

Achieved targeted increase of 10 LCRs

23/24 ACTUAL

14

In an effort to further disrupt the illicit market and provide safe access to a secure supply of cannabis in the province, NLC continued its Rural Expansion Plan in fiscal 2023-24. The strategy involves focused efforts to expand the retail store network to rural areas of the province specifically in areas where convenient access to legal cannabis previously did not exist. During fiscal 2023-24, 17 new LCRs opened within the province, eight in Western Newfoundland, six in Central, and three in Eastern. Three LCRs (located in Corner Brook, Argentia and Portugal Cove –St. Philips) closed for a net increase of 14 LCRs. Most of the new LCRs were in rural areas of the province. At the end of fiscal 2023-24, there were 55 LCRs, compared to 41 LCRs one year prior.

NLC continues to work with local cannabis producers in the province to help grow the industry. In addition to providing support through our product listing process, NLC provides local cannabis producers with premiums for product sold in the province. In fiscal 2023-24, the total support provided to local cannabis producers was \$2.1 million.

Representatives from NLC also had the opportunity to visit Oceanic ReLeaf's production facility in Burin, and Atlantic Cultivation in St. John's to learn more about the positive impact they are making on the local community and cannabis industry.

2025 OBJECTIVE

By April 5, 2025, NLC will have continued improvements to customer satisfaction by increasing access to core products and services.

INDICATORS

- Corporate Liquor Store experience score of 8.0 or higher
- Liquor Express Customer experience score of 8.0 or higher
- Completion of 100% of planned store renovations
- Maintain a minimum of 55 LCRs to allow access to legal cannabis throughout the province

Touring Oceanic's production facility



FRANCE

SOUTH AFRICA

NEWFOUNDLAND

GIN TEQUILA



SAVE \$1.50 EACH

mike's
HARD
black cherry
lemonade
TOTAL ALCOHOLIC BEVERAGE
50% alc/vol | 285 ml

mike's
HARD
lemonade
TOTAL ALCOHOLIC BEVERAGE
50% alc/vol | 285 ml

mike's
HARD
limeade
TOTAL ALCOHOLIC BEVERAGE
50% alc/vol | 285 ml

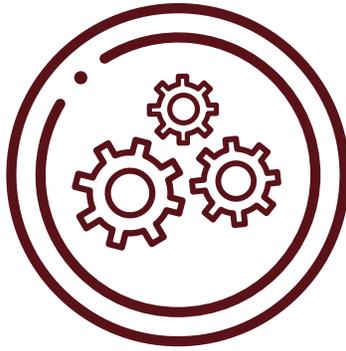
made with
NATURAL FLAVOURS

6 PACKS

MARCH
DEALS

SAVE \$2.00

Window Display at TD Place
Introduction of digital advertising in-store



STRATEGIC THEME 4: OPERATIONAL EXCELLENCE

NLC strives to improve efficiency through greater investment in people, innovation, technology, and collaboration.

GOAL

By April 4, 2026, NLC will have improved operational excellence.

2024 OBJECTIVE

By April 6, 2024, NLC will have improved operational efficiency through intelligent application of technology.

INDICATORS

- Improved inventory turns to 4.8
- Achieved net operating expenses as a percentage of sales of 19.0%
- Completed 100% of Strategic Information Technology initiatives as per plan

INDICATOR

Improved inventory turns to 4.8

23/24 ACTUAL

4.6

During fiscal 2023-24, supply chain challenges including availability of products, increased lead times on shipments to Newfoundland and Labrador, and increased costs of freight, continued to be a challenge. In addition, sales of beverage alcohol products were below target. Inventory was also increased early in the year due to staff retirements to ensure a supply of products for customers during the onboarding of new staff. Despite these challenges, total inventory at the distribution centre and branch stores decreased by \$1.3 million at year end from the previous year, and inventory turns were 4.6, slightly below target.

INDICATOR

Achieved net operating expenses as a percentage of sales of 19.0%

23/24 ACTUAL

19.6%

Net operating expenses as a percentage of sales was 19.6%, which is 0.6% higher than target. This is primarily due to decreased beverage alcohol sales levels for the year combined with higher-than-expected licensed cannabis retailer commission expense and licensed cannabis producers' premium expenses due to higher cannabis sales.

INDICATOR

Completed 100% of Strategic Information Technology initiatives as per plan

23/24 ACTUAL

83.0%

NLC identified six Strategic Information Technology (IT) initiatives for completion during fiscal 2023-24, including an updated IT strategy, which aligned with our corporate strategy; implementation of Phase 1 of a new HRMS; re-write of Price Modelling Software; an update of our Electronic Promotional Application Calendar system; and implementation of guest and Liquor Store wi-fi access. NLC also planned for the modernization of our disaster recovery environment to protect against cyber security threats. This initiative was targeted for completion in March 2024, however it was delayed to Fall 2024 to ensure due diligence and carry out the project successfully.

2025 OBJECTIVE

By April 5, 2025, NLC will have continued improvements to operational efficiency through intelligent application of technology.

INDICATORS

- Improved inventory turns to 4.7
- Achieved net operating expenses as a percentage of sales of 20.5%
- Completed 100% of Strategic Information Technology initiatives as per plan



Renovated Corporate Liquor Store

Marystown



STRATEGIC THEME 5: GROW THE BUSINESS

NLC remains committed to meeting or exceeding performance expectations while realizing new opportunities in beverage alcohol and cannabis.

GOAL

By April 4, 2026, NLC will will have grown the business.

2024 OBJECTIVE

By April 6, 2024, NLC will have grown the business and expanded the customer base.

INDICATORS

- Achieved revenue targets of \$440.9 million
- Achieved sales targets of \$369.6 million
- Achieved net earnings of \$208.0 million
- Achieved dividend of \$207.5 million

INDICATOR

Achieved revenue targets of
\$440.9 million

23/24 ACTUAL

\$432.3 million

Revenue for the year ended April 6, 2024, was \$432.3 million, which was below target by \$8.6 million. Revenue includes all sales of alcohol and cannabis products, less agency commission expense, as well as commission income. NLC earns commission on beer sold through Brewers' Agents and on self-distributed products by local cannabis producers to LCRs.

Sales for the year ended April 6, 2024, were below target by \$5.6 million.

Commission income exceeded targets by \$3.3 million. Beer commissions were 1.3% higher than planned and higher than the prior year by 4.4%. Cannabis commissions were 32.4% higher than target and 45.0% higher than prior year, mainly due to the continued growth of the cannabis industry.

INDICATOR

Achieved sales targets of
\$369.6 million

23/24 ACTUAL

\$364.0 million

Sales for the year ended April 6, 2024, were \$364.0 million. Although overall sales were below target, cannabis sales exceeded target by 7.6%. Alcohol sales

in fiscal 2023-24 were higher than the prior year by 2.3%, which is a record high.

When compared to fiscal 2022-23, there was growth in all alcohol product categories, Spirits sales were up by 1.9%, wine 2.0%, RTDs 2.8% and Beer 4.0%. Alcohol sales through corporate Liquor Stores were higher than the prior year by 2.5%. Sales through Liquor Express outlets were higher by 1.9% and there was an increase in Licensee sales of 3.6% over the prior year.

Cannabis sales through LCRs were higher than prior year by 24.1%. Increased cannabis sales were due to additional retail locations established during the year as well as the evolution of the cannabis industry.

INDICATOR	23/24 ACTUAL
Achieved net earnings of \$208.0 million	\$208.1 million

Net earnings for the year ended April 6, 2024, totalled \$208.1 million, an increase of \$6.9 million from the prior year and slightly above target.

INDICATOR	23/24 ACTUAL
Achieved dividend of \$207.5 million	\$207.5 million

The total dividend achieved for the 2023-24 fiscal year was \$207.5 million. As of April 6, 2024, \$203.0 million was remitted, with the remaining \$4.5 million approved and remitted in May 2024. In accordance with International Accounting Standard (IAS) 10 – *Events After the Reporting Period*, the \$4.5 million dividend payment was recognized as a subsequent event in the audited financial statements.

2025 OBJECTIVE

By April 5, 2025, NLC will have grown the business and expanded the customer base.

INDICATORS

- Achieved revenue targets of \$425.8 million
- Achieved sales targets of \$361.4 million
- Achieved net earnings of \$200.2 million
- Achieved dividend of \$200.0 million

SALES BY PRODUCT CATEGORY (MILLIONS OF DOLLARS)

	2023-24		Var.	% Var.	2022-23		Var.	% Var.	2021-22		Var.	% Var.
	Actual	Target			Actual	Target			Actual	Target		
Spirits	139.6	140.7	(1.1)	-0.8%	136.9	138.6	(1.7)	-1.2%	136.4	129.5	6.9	5.3%
Wine	82.6	86.9	(4.3)	-4.9%	81.0	84.6	(3.6)	-4.3%	80.7	73.3	7.4	10.1%
RTD	37.9	38.6	(0.7)	-1.8%	36.8	36.4	0.4	1.1%	34.6	35.8	(1.2)	-3.4%
Beer	40.3	42.7	(2.4)	-5.6%	38.7	36.7	2.0	5.4%	36.5	36.2	0.3	0.8%

SPIRITS SALES (IN THOUSANDS OF LITRES)

	2024	2023	2022	2021	2020	2019	2018
Rum	1,371	1,419	1,527	1,593	1,602	1,606	1,711
Rye Whisky	842	846	876	878	861	807	837
Vodka	649	651	657	706	606	589	597
Liqueurs	373	377	375	363	307	311	326
Scotch - Other Whisky	71	72	78	79	79	119	123
Gin	90	97	92	91	90	84	72
Tequila	42	36	32	26	23	20	19
Brandy	15	15	18	18	17	17	17
Cognac	3	3	3	3	3	3	3
Miscellaneous	2	2	2	3	3	1	1
	3,458	3,518	3,660	3,760	3,591	3,557	3,706

WINE SALES (IN THOUSANDS OF LITRES)

	2024	2023	2022	2021	2020	2019	2018
Table Wine	3,758	3,802	3,893	3,898	4,001	3,998	4,188
Sparkling & Champagne	303	300	328	318	285	284	294
Fortified Wine	47	48	51	53	53	54	59
Low Alcohol Wine	-	-	-	8	10	14	16
	4,108	4,150	4,272	4,277	4,349	4,350	4,557

READY TO DRINK (RTD) & CIDER SALES (IN THOUSANDS OF LITRES)

	2024	2023	2022	2021	2020	2019	2018
Ready to Drink	3,870	3,885	3,762	3,460	2,276	2,041	1,888
Cider	379	415	468	452	377	371	362
	4,249	4,300	4,230	3,912	2,653	2,412	2,250

BEER SALES (IN THOUSANDS OF LITRES)

	2024	2023	2022	2021	2020	2019	2018
Local Beer	3,522	3,423	3,282	2,808	3,509	3,524	3,559
Imported Beer	2,088	2,187	2,237	2,192	2,541	2,630	2,779
Low Alcohol Beer	14	15	16	15	22	32	40
	5,624	5,625	5,535	5,015	6,072	6,186	6,378

*CANNABIS SALES (MILLIONS OF DOLLARS)

	2023-24 Actual	2023-24 Target	Var.	% Var.	2022-23 Actual	2022-23 Target	Var.	% Var.
Dried Flower	57.9	48.0	9.9	20.6%	51.9	59.2	(7.3)	-12.3%
Extracts & Concentrates	21.1	22.0	(0.9)	-4.1%	10.8	3.2	7.6	237.5%
Ingestible	8.3	7.3	1.0	13.7%	7.7	7.9	(0.2)	-2.5%
Topicals	0.3	0.3	-	0.0%	0.3	0.3	-	0.0%
	87.6	77.6	10.0	12.9%	70.7	70.6	0.1	0.1%

*Cannabis sales for product distributed by the NLC distribution centre and product self-distributed by local licensed producers.



Distribution Centre
Preparing orders for shipping

OPPORTUNITIES AND CHALLENGES

In Fiscal 2023-24, NLC further developed its IT strategy, prioritizing two main objectives – to strengthen our cyber security resilience and improve operational efficiency. Cyber security threats are becoming increasingly sophisticated and pose a significant risk to organizations globally. NLC continues to make cyber security a priority by improving technology aimed at reducing risk. As well, employees are continually trained and educated on how to recognize security threats and report them.

Modernizing our practices using new technology will also help to improve efficiency. With the support of a new Human Resources Management System, our retail managers can spend less time on administrative duties and place more focus on customer and staff needs. Our new electronic promotional application calendar (ePAC) will help to increase efficiencies across several departments. The program links all retail promotional activity within our corporate Liquor Stores and Liquor Express locations to our Supply Chain and Finance department, allowing for a full digital process. Benefits include enhanced reporting capabilities, up to date budgeting information, and informed programming adjustments throughout the year. As well, NLC can engage with suppliers on a greater level and provide them with easier access to promotional opportunities.

NLC is continually committed to Diversity, Inclusion, and Belonging (DIB) and we recognize the importance of a welcoming and supportive workplace. NLC will concentrate on further integrating DIB programming into daily operations. In fiscal 2023-24, focus in this area included providing inclusive language training to staff and incorporating inclusive language into our *Check 25* program. As well, NLC management participated in Indigenous Cultural Diversity training. We also continue to support our employees and public through various DIB initiatives including Pride Month, National Day of Truth and Reconciliation, Black History Month, International Women's Day, and International Transgender Day of Visibility. To ensure continued growth in this area, NLC's upcoming plans include revitalizing our DIB strategy and developing an Accessibility Plan.

NLC continues to make strides in delivering a best-in-class experience to our customers, regardless of where they shop for our products. This includes our efforts in product selection, enhanced shopping experience and prioritizing innovation and customer service. NLC continues to see great opportunity to grow in both beverage alcohol and cannabis by investing in the customer experience. Our corporate Liquor Store renovation program is scheduled to be completed in fiscal 2024-25. As well, further investment in our

online presence will ensure that customers have greater access to information on alcohol and cannabis products, as well as educational information to help them make more informed choices regarding alcohol and cannabis use. Providing greater access to a safe and secure supply of cannabis is an essential element to targeting the illicit cannabis market. While NLC has made significant ground in this area, there is still a wide population within the province that do not have easy access to safe and secure cannabis. We will continue to work towards introducing additional LCRs to meet this need throughout the next fiscal.

Over 30.0% of beverage alcohol sales were through Liquor Express locations in fiscal 2023-24. NLC will continue to focus on providing Liquor Express store operators and staff with the tools and support needed for them to improve the customer experience and ensure further business growth.

Rock Spirits also represents a growth opportunity for NLC. Through new partnerships with international and local brands, and the extension of its own brands, Rock Spirits can gain greater traction with production and sales.

With talk of growth, we are also aware of the challenges. Supply chain disruptions will continue, and we must continually plan and adapt as a result. Inflation and higher costs of living lead to less discretionary spending. This combined with an aging population and changing views on alcohol consumption by the Millennial and Gen Z age groups, will impact sales volumes. In recognition of this, NLC will expand its focus on highlighting lighter choices, including low alcohol and low sugar products, switching to more premium products, and placing greater emphasis on buying and supporting local suppliers.

NLC is committed to balancing profit and purpose. In alignment with the Government of Newfoundland and Labrador's Provincial Alcohol Action Plan: *Reducing Alcohol Harm and Costs in Newfoundland and Labrador*, NLC will continue to work with Government and other stakeholders to reduce the negative consequences of alcohol consumption and promote a culture of moderation for both alcohol and cannabis.

Through our everyday actions and decisions, we will challenge ourselves to do better. *Together with Purpose* is our commitment to do better for our people, our community, and our planet. As a corporation with a provincial reach, we will seek out new partnerships and opportunities to give back even more to our communities, instill greater trust in our role as a responsible retailer, and ensure a more sustainable future.



FINANCIAL STATEMENTS

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 <i>[note 7]</i>	21,425	18,731
Inventories <i>[note 8]</i>	32,401	32,627
Prepaid expenses	510	515
Total current assets	79,119	74,241
Property, plant and equipment <i>[note 4]</i>	20,308	19,967
Intangible assets <i>[note 5]</i>	2,367	2,287
Right-of-use assets <i>[note 6]</i>	3,796	4,436
	105,590	100,931
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities <i>[note 10]</i>	40,825	40,243
Accrued vacation pay	5,010	4,963
Employee future benefits <i>[note 9]</i>	–	15
Total current liabilities	45,835	45,221
Obligations under lease liability <i>[note 15]</i>	4,235	4,880
Employee future benefits <i>[note 9]</i>	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 <i>[note 11]</i>	342,186	332,256
Commission revenue on sale of beer	71,049	68,062
Commission revenue on sale of cannabis	9,876	6,809
	423,111	407,127
Cost of sales	167,760	160,059
Gross profit	255,351	247,068
Administrative and operating expenses <i>[note 12]</i>	56,463	54,219
Earnings from operations	198,888	192,849
Other income		
Finance income	1,798	1,183
Miscellaneous income	7,389	7,186
	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	<u>—</u>	<u>15</u>
	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)
	<u>2,203</u>	<u>2,602</u>
Benefits paid	(178)	(192)
Accrued sick leave obligation, end of period	<u>2,025</u>	<u>2,410</u>
Total employee future benefits	2,025	2,425
Less: Current portion	—	(15)
Total long-term employee future benefits payable	<u>2,025</u>	<u>2,410</u>

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.

Newfoundland and Labrador Liquor Corporation

NOTES TO FINANCIAL STATEMENTS

[tabular amounts in thousands]

April 6, 2024

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].

Newfoundland and Labrador Liquor Corporation

NOTES TO FINANCIAL STATEMENTS

[tabular amounts in thousands]

April 6, 2024

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

NOTES TO FINANCIAL STATEMENTS

[tabular amounts in thousands]

April 6, 2024

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	(1,556)	(1,725)
	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	1,025	1,347
	4,235	4,880

Newfoundland and Labrador Liquor Corporation

NOTES TO FINANCIAL STATEMENTS

[tabular amounts in thousands]

April 6, 2024

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.

APPENDIX

- Board Compensation
- Sales by Corporate Store Location

BOARD COMPENSATION

NLC's Board of Directors earned the following compensation in fiscal year 2023-2024.

DIRECTOR	BOARD/COMMITTEE(S)*	MEETINGS ATTENDED	COMPENSATION
Glenn Mifflin	Board/AC/GHRC/RC	30	\$5,677
Fraser Edison	Board/AC/GHRC/RC	24	\$4,560
Lynn Zurel	Board/GHRC/RC	22	\$4,110
Janis C. Byrne	Board/GHRC/RC	26	\$3,773
Geoff Davis	Board/GHRC/AC	24	\$3,490
Kevin Dumaresque	Board/AC	18	\$2,537
Donna Rideout	Board/AC	18	\$2,478
Kendra MacDonald	Board/AC	12	\$1,667
Joseph Galimberti	Board/RC	8	\$1,087
Rex Goudie	Board/GHRC	8	\$1,086
Victoria Belbin	Board/GHRC	6	\$1,000

*Audit Committee (AC); Governance and Human Resources Committee (GHRC); and Regulatory Committee (RC)

Notes:

Fraser Edison, Chairperson and Victoria Belbin, Vice Chairperson retired from the Board end of July 2023

Glenn Mifflin appointed Chairperson August 2023

Lynn Zurel appointed Vice Chairperson August 2023

Rex Goudie and Joseph Galimberti appointed to the Board October 2023

SALES BY CORPORATE STORE LOCATION

FISCAL YEAR 2023-24 (THOUSANDS OF DOLLARS)

Howley Estates	19,572
Stavanger Drive	13,428
Topsail Road	13,065
Corner Brook (Humber Gardens)	11,968
Conception Bay South (Long Pond)	11,730
Kelsey Drive	11,437
Mount Pearl (Pearlgate Plaza)	10,291
Paradise	9,860
Gander	9,247
Merrymeeting Road	8,781
Grand Falls – Windsor	8,609
Mount Pearl (Old Placentia Road)	8,036
Happy Valley – Goose Bay	7,183
Bay Roberts	7,064
Blackmarsh Road	6,764
Stephenville	6,541
Clareville	6,503
Ropewalk Lane	6,107
Carbonear	5,831
Marystown	5,006
Labrador City	4,356
Murphy’s Square - Satellite Store	3,033
Port aux Basques	2,878
Placentia	2,389
Newfoundland Drive - Satellite Store	1,756
Lake Avenue - Satellite Store	1,626
TD Place	1,566
Centennial Square - Satellite Store	1,559
Clareville Irving - Satellite Store	532