



Financial Statements

Nova Scotia Liquor Corporation

March 31, 2018

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## Independent auditor's report

To the members of the Board of the  
**Nova Scotia Liquor Corporation**

We have audited the accompanying financial statements of the Nova Scotia Liquor Corporation, which comprise the balance sheet as at March 31, 2018 and the statements of earnings, comprehensive earnings, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these 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.

### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Nova Scotia Liquor Corporation as at March 31, 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*Grant Thornton LLP*

Halifax, Canada  
June 15, 2018

Chartered Professional Accountants  
Licensed Public Accountants

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## Nova Scotia Liquor Corporation

### Statements of earnings

Year ended March 31 (in thousands)	2018	2017
Sales (note 12)	\$ 625,662	\$ 611,845
Cost of sales	<u>284,137</u>	<u>274,910</u>
Gross margin	341,525	336,935
Operating expenses (note 13)	106,528	101,805
Other income	<u>(4,577)</u>	<u>(5,035)</u>
Earnings from operations	239,574	240,165
Post employment benefit interest cost (note 9)	<u>968</u>	<u>944</u>
Earnings for the year	<u>\$ 238,606</u>	<u>\$ 239,221</u>

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See accompanying notes to the financial statements.

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## Nova Scotia Liquor Corporation

### Statements of comprehensive earnings

Year ended March 31 (in thousands)	2018	2017
Earnings for the year	\$ 238,606	\$ 239,221
Other comprehensive earnings		
Items that will not be reclassified subsequently to earnings:		
Actuarial gains (losses) on defined benefit plans (note 9)	<u>(283)</u>	<u>(266)</u>
Comprehensive earnings for the year	<u>\$ 238,323</u>	<u>\$ 238,955</u>

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See accompanying notes to the financial statements.

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# Nova Scotia Liquor Corporation

## Balance sheets

March 31 (in thousands)

2018

2017

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### Assets

#### Current

Cash	\$ 14,102	\$ 5,492
Receivables	5,342	3,321
Inventories	52,250	54,100
Prepays	<u>2,222</u>	<u>2,272</u>
	<b>73,916</b>	65,185

Intangibles (note 6)

3,282

3,020

Property and equipment (note 7)

39,781

40,637

**\$ 116,979**

**\$ 108,842**

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### Liabilities

#### Current

Payables and accruals	\$ 46,338	\$ 42,778
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Current portion of employee future  
benefit obligations (note 9)

2,119

1,103

**48,457**

**43,881**

Employee future benefit obligations (note 9)

28,953

26,215

**77,410**

**70,096**

### Equity (page 5)

39,569

38,746

**\$ 116,979**


**\$ 108,842**

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Lease commitments (note 8)

Subsequent event (note 15)

On behalf of the Board

  
Mr. George McLellan  
Chair, Board of Directors

  
Mr. John MacKinnon  
Audit Committee Chair

See accompanying notes to the financial statements.

# Nova Scotia Liquor Corporation

## Statements of changes in equity

(in thousands)

	Other components of equity	Retained earnings	Total
Balance at March 31, 2017	\$ <u>936</u>	\$ <u>37,810</u>	\$ <u>38,746</u>
Remittances to Minister of Finance	<u>-</u>	<u>(237,500)</u>	<u>(237,500)</u>
Earnings for the year	-	238,606	238,606
Other comprehensive loss	<u>(283)</u>	<u>-</u>	<u>(283)</u>
Comprehensive earnings for the year	<u>(283)</u>	<u>238,606</u>	<u>238,323</u>
Balance at March 31, 2018	\$ <u>653</u>	\$ <u>38,916</u>	\$ <u>39,569</u>
Balance at April 1, 2016	\$ <u>1,202</u>	\$ <u>45,589</u>	\$ <u>46,791</u>
Remittances to Minister of Finance	<u>-</u>	<u>(247,000)</u>	<u>(247,000)</u>
Earnings for the year	-	239,221	239,221
Other comprehensive loss	<u>(266)</u>	<u>-</u>	<u>(266)</u>
Comprehensive earnings for the year	<u>(266)</u>	<u>239,221</u>	<u>238,955</u>
Balance at March 31, 2017	\$ <u>936</u>	\$ <u>37,810</u>	\$ <u>38,746</u>

See accompanying notes to the financial statements.

# Nova Scotia Liquor Corporation

## Statements of cash flows

Year ended March 31 (in thousands)	2018	2017
<b>Operating</b>		
Earnings for the year	\$ 238,606	\$ 239,221
Depreciation and amortization	8,357	8,627
(Gains) losses on disposal of property and equipment	(16)	49
Post employment service costs	3,730	1,103
Post employment benefit interest cost	968	944
Actuarial losses on other employment benefit	788	181
Defined benefit plans benefits paid	<u>(2,015)</u>	<u>(1,655)</u>
	<b>250,418</b>	248,470
Change in non-cash operating working capital (note 10)	<u>3,439</u>	<u>(4,673)</u>
	<b>253,857</b>	243,797
<b>Financing</b>		
Remittances to Minister of Finance	<u>(237,500)</u>	<u>(247,000)</u>
<b>Investing</b>		
Purchase of intangibles	(1,336)	(897)
Purchase of property and equipment	(6,427)	(4,594)
Proceeds on sale of property and equipment	<u>16</u>	<u>19</u>
	<b>(7,747)</b>	(5,472)
Net change in cash	<b>8,610</b>	(8,675)
Cash, beginning of year	<u>5,492</u>	<u>14,167</u>
Cash, end of year	<u>\$ 14,102</u>	<u>\$ 5,492</u>

See accompanying notes to the financial statements.



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# Nova Scotia Liquor Corporation

## Notes to the financial statements

March 31, 2018 (in thousands)

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### 1. Nature of operations

The Nova Scotia Liquor Corporation (the "Corporation") administers the Liquor Control Act, Chapter 260 of the Revised Statutes of Nova Scotia, 1989 and is a government business enterprise as defined by Public Sector Accounting Board recommendations. The immediate parent and ultimate controlling party of the Corporation is the Province of Nova Scotia. The Corporation is exempt from income tax under Section 149 of the Income Tax Act. The Corporation's principal place of business is 93 Chain Lake Drive, Halifax, Nova Scotia.

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### 2. Basis of preparation

#### Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements for the year ended March 31, 2018 (including comparatives) were approved and authorized for issue by the Board of Directors on June 15, 2018.

#### Basis of measurement

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

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### 3. Summary of significant accounting policies

#### Use of estimates and judgments

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

#### Significant management judgment

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

#### *Cash generating units*

The Corporation uses judgement in determining the grouping of assets to identify its Cash Generating Units ("CGUs") for purposes of testing for impairment of property and equipment and intangible assets. The Corporation has determined that its Retail CGUs comprise individual stores.

#### *Impairment*

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

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# Nova Scotia Liquor Corporation

## Notes to the financial statements

March 31, 2018 (in thousands)

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

#### *Capitalization of internally developed software*

Distinguishing the research and development phases of a new customized software project and determining whether the recognition requirements for the capitalization of development costs are met requires judgment. After capitalization, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalized costs may be impaired.

#### Estimation uncertainty

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

#### *Impairment*

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

#### *Useful lives of property and equipment and intangibles*

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected pattern of consumption of the future economic benefits embodied in the assets. Uncertainties in these estimates relate to technical obsolescence that may change the expected consumption pattern of certain software and IT equipment.

#### *Inventories*

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

#### *Defined benefit obligations (DBO)*

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

#### **Revenue**

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognized at the point of sale when goods are sold to the customer, exclusive of sales tax.

#### **Customer loyalty program**

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

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# Nova Scotia Liquor Corporation

## Notes to the financial statements

March 31, 2018 (in thousands)

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

#### Vendor rebates

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

#### Cash

Cash comprises cash on hand and demand deposits.

#### Inventories

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

#### Intangible assets

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

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

Enterprise resource planning	5 years
Other intangible assets	3 years

#### Property and equipment

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

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

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

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

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

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# Nova Scotia Liquor Corporation

## Notes to the financial statements

March 31, 2018 (in thousands)

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

#### *Impairment of non-financial assets*

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

If the recoverable amount of the asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in earnings. There are no impairment losses as at March 31, 2018 and 2017.

#### **Leased assets**

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

#### Lease incentives

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

#### **Employee benefits**

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

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

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

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

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# Nova Scotia Liquor Corporation

## Notes to the financial statements

March 31, 2018 (in thousands)

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

#### Financial instruments

All financial instruments are classified into one of five categories: fair value through profit and loss, held to maturity, loans and receivables, available for sale financial assets, or other financial liabilities. All financial instruments are initially measured in the statement of financial position at fair value plus transaction costs.

Subsequent measurement and changes in fair value will depend on their initial classification, as follows:

- Fair value through profit and loss financial instruments are measured at fair value and changes in fair value are recognized in net earnings;
- Available for sale financial assets are measured at fair value with changes in fair value recorded in other comprehensive income until the financial asset is derecognized or impaired at which time the amounts would be recorded in profit or loss; and
- Loans and receivables, held to maturity investments, and other financial liabilities are measured at amortized cost using the effective interest method.

The Corporation has classified its financial instruments as follows:

<u>Asset/liability</u>	<u>Classification</u>
Cash	Loans and receivables
Receivables	Loans and receivables
Payables and accruals	Other financial liabilities

#### Financial instruments risk

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

#### **Foreign currency translation**

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

#### **Provisions**

Provisions are recognized when the Corporation has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. A provision is a liability of uncertain timing or amount. There are no provisions as at March 31, 2018 and 2017.

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# Nova Scotia Liquor Corporation

## Notes to the financial statements

March 31, 2018 (in thousands)

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

At the date of authorization of these financial statements, certain new IFRS standards, amendments and interpretations to existing standards have been published by the IASB, but are not yet effective and have not been adopted early by the Corporation.

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

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

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

The new standard IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Management has assessed this new standard and has determined that there is no significant impact to the financial statements.

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

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

The new standard IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Management is assessing the impact of this revised standard on the financial statements.

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

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

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

# Nova Scotia Liquor Corporation

## Notes to the financial statements

March 31, 2018 (in thousands)

### 5. Accounting standards and policies adopted during fiscal 2018

#### IFRS 15 Revenue from Contracts with Customers

The IASB released a new standard IFRS 15 Revenue from Contracts with Customers which replaces IAS 18 Revenue, IAS 11 Construction Contracts and certain revenue-related interpretations. The new standard provides a single, principle based five-step model to be applied to all contracts with customers requiring an entity to recognize revenue 1) in a manner that depicts the transfer of goods or services to customers and 2) at an amount that reflects the consideration the entity expects to be entitled to in exchange for those goods or services.

Management completed their assessment and has determined that there is no significant impact to the Corporation. The Corporation adopted IFRS 15 in its financial statements for the annual period beginning on April 1, 2017. The Corporation has elected to apply the modified retrospective method on transition, which means that comparative periods have not been restated. On transition, cumulative impacts related to adoption are required to be recognized in opening equity; however no adjustments were required for the Corporation.

### 6. Intangibles

	Enterprise Resource Planning (ERP)	Other Intangibles	Assets under Development	Total
<b>Cost</b>				
At March 31, 2017	\$ 28,069	\$ 3,942	\$ 82	\$ 32,093
Additions	-	2	1,334	1,336
Transfers	-	70	(70)	-
Disposals	-	-	-	-
At March 31, 2018	<u>28,069</u>	<u>4,014</u>	<u>1,346</u>	<u>33,429</u>
<b>Amortization</b>				
At March 31, 2017	(26,011)	(3,062)		(29,073)
Amortization expense	(700)	(374)	-	(1,074)
Disposals	-	-	-	-
At March 31, 2018	<u>(26,711)</u>	<u>(3,436)</u>	<u>-</u>	<u>(30,147)</u>
<b>Carrying amounts</b>				
At March 31, 2017	<u>\$ 2,058</u>	<u>\$ 880</u>	<u>\$ 82</u>	<u>\$ 3,020</u>
At March 31, 2018	<u>\$ 1,358</u>	<u>\$ 578</u>	<u>\$ 1,346</u>	<u>\$ 3,282</u>

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

# Nova Scotia Liquor Corporation

## Notes to the financial statements

March 31, 2018 (in thousands)

### 7. Property and equipment

	<u>Furniture &amp; Fixtures</u>	<u>Other Equipment</u>	<u>Small Computers</u>	<u>Software &amp; Hardware</u>	<u>Land</u>	<u>Buildings</u>	<u>Capital &amp; Leasehold Improvements</u>	<u>Assets under Construction (AUC or WIP)</u>	<u>Total</u>
<b>Cost</b>									
At March 31, 2017	\$ 20,604	18,026	7,221	983	690	41,614	39,979	3,118	132,235
Additions	603	544	166	73	-	803	1,995	2,243	6,427
Transfers	274	422	767	-	-	332	863	(2,658)	-
Disposals	-	(42)	(233)	-	-	-	-	-	(275)
At March 31, 2018	<u>21,481</u>	<u>18,950</u>	<u>7,921</u>	<u>1,056</u>	<u>690</u>	<u>42,749</u>	<u>42,837</u>	<u>2,703</u>	<u>138,387</u>
<b>Depreciation</b>									
At March 31, 2017	(14,841)	(13,014)	(5,245)	(603)	-	(31,034)	(26,861)	-	(91,598)
Depreciation expense	(1,242)	(1,028)	(937)	(228)	-	(1,153)	(2,695)	-	(7,283)
Disposals	-	42	233	-	-	-	-	-	275
At March 31, 2018	<u>(16,083)</u>	<u>(14,000)</u>	<u>(5,949)</u>	<u>(831)</u>	<u>-</u>	<u>(32,187)</u>	<u>(29,556)</u>	<u>-</u>	<u>(98,606)</u>
<b>Carrying amounts</b>									
At March 31, 2017	\$ <u>5,763</u>	\$ <u>5,012</u>	\$ <u>1,976</u>	\$ <u>380</u>	\$ <u>690</u>	\$ <u>10,580</u>	\$ <u>13,118</u>	\$ <u>3,118</u>	\$ <u>40,637</u>
At March 31, 2018	\$ <u>5,398</u>	\$ <u>4,950</u>	\$ <u>1,972</u>	\$ <u>225</u>	\$ <u>690</u>	\$ <u>10,562</u>	\$ <u>13,281</u>	\$ <u>2,703</u>	\$ <u>39,781</u>

Depreciation of property and equipment is reported as an operating expense in the statement of earnings.



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# Nova Scotia Liquor Corporation

## Notes to the financial statements

March 31, 2018 (in thousands)

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### 8. Lease commitments

#### Operating leases as a lessee

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

	Minimum lease payments due			Total
	Within 1 year	1 to 5 years	After 5 years	
\$	7,477	\$ 31,447	\$ 16,883	\$ 55,807

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### 9. Employee remuneration

#### Retirement benefit plan

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

The total expense recognized in the statement of earnings is \$3,511 (2017 - \$3,377) and represents contributions paid or payable by the Corporation at rates specified in the plans.

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

The Public Service Award (PSA) plan is a defined benefit plan covering substantially all of the Corporation's permanent unionized employees, as well as all full time non-union employees hired before August 1, 2005. Previous to fiscal year 2016, the actuarial assumptions in the financial statements in regards to the PSA had been that the benefit is based on the number of years of service and the employee's compensation during the final year of employment. Under the management of the Corporation's parent, the Province of Nova Scotia, the PSA plan has been closed effective April 1, 2015, for union employees, such that services earned toward this benefit are frozen as of that date and August 11, 2015 for non-union employees. On January 11, 2018 an administrative directive was issued by the Public Service Commissioner providing non-union employees with a one-time option to elect an immediate pay-out of their Service Award entitlement based on service at December 31, 2016 and salary at March 31, 2018. Actuarial assumptions included in the financial statements have taken this into consideration. This program remains to be funded in the year of retirement of eligible employees.

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

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

# Nova Scotia Liquor Corporation

## Notes to the financial statements

March 31, 2018 (in thousands)

### 9. Employee remuneration (continued)

#### Defined benefit plans and other long term employee benefits (continued)

Morneau Shepell carried out the most recent actuarial valuation utilizing plan membership data up to December 31, 2017 (for the Retiree Health, Service Awards, and Sick Leave benefits). The present value of the benefit obligations were then calculated by extrapolating these valuations out to March 31, 2018. The next actuarial valuations will be performed as of December 31, 2020.

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

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

	Valuation at					
	March 31, 2018			March 31, 2017		
	<u>Retiree health</u>	<u>Service award</u>	<u>Sick leave</u>	<u>Retiree health</u>	<u>Service award</u>	<u>Sick leave</u>
Discount rate(s)	3.6%	3.25%	3.25%	3.8%	3.0%	3.1%
Expected rate(s) of salary increase	n/a	2.5%	2.5%	n/a	2.5%	2.5%
Ultimate weighted average health care trend rate	4.5%	n/a	n/a	4.3%	n/a	n/a

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

	Valuation at							
	March 31, 2018				March 31, 2017			
	<u>Retiree health</u>	<u>Service award</u>	<u>Sick leave</u>	<u>Total</u>	<u>Retiree health</u>	<u>Service award</u>	<u>Sick leave</u>	<u>Total</u>
Current service cost	\$ 447	\$ 2,802	\$ 481	\$ 3,730	\$ 430	\$ 214	\$ 459	\$ 1,103
Interest on obligation	655	117	196	968	620	128	196	944
Actuarial (gains) losses	<u>374</u>	<u>(91)</u>	<u>788</u>	<u>1,071</u>	<u>210</u>	<u>56</u>	<u>181</u>	<u>447</u>
	<b>\$ 1,476</b>	<b>\$ 2,828</b>	<b>\$ 1,465</b>	<b>\$ 5,769</b>	<b>\$ 1,260</b>	<b>\$ 398</b>	<b>\$ 836</b>	<b>\$ 2,494</b>

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

	Valuation at	
	<u>March 31, 2018</u>	<u>March 31, 2017</u>
Present value of unfunded defined benefit obligation		
Current portion	\$ 2,119	\$ 1,103
Non-current portion	<u>28,953</u>	<u>26,215</u>
Total	<b>\$ 31,072</b>	<b>\$ 27,318</b>

# Nova Scotia Liquor Corporation

## Notes to the financial statements

March 31, 2018 (in thousands)

### 9. Employee remuneration (continued)

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

	<u>2018</u>	<u>2017</u>
Benefit obligations, beginning of year	\$ 27,318	\$ 26,479
Current service cost	3,730	1,103
Interest cost	968	944
Actuarial losses	1,071	447
Benefits paid	<u>(2,015)</u>	<u>(1,655)</u>
Benefit obligations, end of year	<u>\$ 31,072</u>	<u>\$ 27,318</u>

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

	<u>2018</u>	<u>2017</u>
Effect on aggregate of current service cost and interest cost		
One percentage point increase	\$ 399	\$ 259
One percentage point decrease	(409)	(193)
Effect on accrued benefit obligation		
One percentage point increase	3,561	3,285
One percentage point decrease	<u>(2,752)</u>	<u>(2,532)</u>

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

	<u>2018</u>	<u>2017</u>
Receivables	\$ (2,021)	\$ (755)
Inventories	1,850	(2,092)
Prepays	50	(572)
Payables and accruals	<u>3,560</u>	<u>(1,254)</u>
	<u>\$ 3,439</u>	<u>\$ (4,673)</u>

# Nova Scotia Liquor Corporation

## Notes to the financial statements

March 31, 2018 (in thousands)

### 11. Related party transactions

The immediate parent and ultimate controlling party of the Corporation is the Province of Nova Scotia. Remittances to the Province of Nova Scotia are disclosed in the statements of changes in equity. Other transactions with the Province of Nova Scotia are deemed to be collectively insignificant to these financial statements with the exception of 3313086 Nova Scotia Limited. Transactions with 3313086 Nova Scotia Limited, controlled by the Province of Nova Scotia, were entered into during the course of the fiscal year and included as a receivable (\$1,356) in the statements. 3310386 Nova Scotia Limited was established on December 20, 2017 to facilitate planning activities related to the implementation of cannabis distribution and retailing within the Province of Nova Scotia. Upon passing of the Nova Scotia Cannabis Control Act, that company was dissolved and, under the provisions of the Act, specific responsibilities and authorities related to cannabis distribution and retailing assigned to the Corporation.

#### Compensation of key management personnel

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

The following is compensation expense for key management personnel:

	<u>2018</u>	<u>2017</u>
Short term benefits	\$ 1,417	\$ 1,614
Post-employment benefits	114	122
Other long term benefits	11	19
Total compensation	<u>\$ 1,542</u>	<u>\$ 1,755</u>

### 12. Revenue

<u>2018</u>						
Channel	Spirits	Wine	Beer	Ready to Drink	Non-Liquor	Total
Retail	143,016	121,305	216,033	31,030	102	511,486
Licensee	8,654	7,339	34,744	2,368	20	53,125
Agency	12,707	5,216	26,175	3,469	9	47,576
Private Wine and Specialty Stores	1,113	10,058	1,128	293	-	12,592
Other Wholesale	237	586	46	14	-	883
<b>Total</b>	<b>165,727</b>	<b>144,504</b>	<b>278,126</b>	<b>37,174</b>	<b>131</b>	<b>625,662</b>

<u>2017</u>						
Channel	Spirits	Wine	Beer	Ready to Drink	Non-Liquor	Total
Retail	140,972	116,812	214,036	28,948	106	500,874
Licensee	8,942	7,273	35,342	2,195	16	53,768
Agency	12,307	4,864	25,657	3,139	8	45,975
Private Wine and Specialty Stores	738	8,640	925	229	-	10,532
Other Wholesale	193	458	34	11	-	696
<b>Total</b>	<b>163,152</b>	<b>138,047</b>	<b>275,994</b>	<b>34,522</b>	<b>130</b>	<b>611,845</b>

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# Nova Scotia Liquor Corporation

## Notes to the financial statements

March 31, 2018 (in thousands)

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<b>13. Operating expenses</b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Salaries and employee benefits	\$ 59,715	\$ 58,550
Occupancy	8,433	7,545
Depreciation and amortization	8,357	8,627
Service contracts and licenses	5,202	4,826
Debit, credit and gift card fees	4,767	4,931
Post employment current service costs (note 9)	3,730	1,103
Utilities	2,647	2,716
Maintenance and repairs	2,278	1,697
Freight	2,058	2,044
Marketing and merchandising	2,016	2,057
Supplies and sundry	1,813	1,710
Travel, training and meetings	983	984
Actuarial loss on other employment benefit (note 9)	788	181
Corporate/social responsibility	783	804
Guard services	585	569
Waste diversion	535	523
Legal, audit and consulting	324	1,518
Market surveys	254	268
Insurance	249	248
Other	243	135
Memberships and subscriptions	205	221
Industry support	150	100
Publications	126	158
Telephone	112	145
Postage and courier	93	64
Bank charges and armoured car	82	81
	<b><u>\$ 106,528</u></b>	<b><u>\$ 101,805</u></b>

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### 14. Capital management

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

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### 15. Subsequent event

On April 17, 2018 the Nova Scotia Cannabis Control Act was passed in the Nova Scotia Legislature. This legislation provides the framework for how the legalization of cannabis will come into effect upon proclamation of the federal legislation. The Act gives the Corporation the authority to prepare for legalization, including the ability to wholesale, store, distribute and sell cannabis, while complying with federal requirements and promoting responsible consumption. Upon passing of the Nova Scotia Cannabis Control Act, 3313086 Nova Scotia Limited was dissolved and all its right, title and interest in any real or personal property was vested and all its obligations and liabilities became those of the Corporation.