BC Liquor Distribution Branch

2023/24
Annual Service Plan Report

Revised August 2024

For more information on the BC Liquor Distribution Branch, please contact us at:

3383 Gilmore Way

Burnaby, B.C. V5G 4S1

604-252-7400

communications@bcldb.com

Or visit our website at: www.bcldb.com

Published by the BC Liquor Distribution Branch

General Manager and CEO's Accountability Statement

The BC Liquor Distribution Branch 2023/24 Annual Service Plan Report compares the organization's actual results to the expected results identified in the 2023/24 – 2025/26 Service Plan published in 2023. I am accountable for those results as reported.

R. Blain Lawson
General Manager and Chief Executive Officer
July 30, 2024

Table of Contents

Letter from the General Manager and CEO

Amidst the changing operational landscape in 2023/24, the BC Liquor Distribution Branch (LDB) continued to deliver on its priorities by remaining committed to providing excellent service to our customers and industry stakeholders, while taking steps to offset adverse economic conditions and shifting consumer behaviour.

The LDB generated $3.94 billion in revenue and $1.15 billion in net income in fiscal 2023/24 – which helps to fund vital public services that support the citizens and communities of British Columbia (B.C.). While operating expenses were below budget, persistent inflationary pressure on consumers' discretionary spending and lower beverage alcohol consumption led to a net income slightly below target.

With the current economic conditions expected to continue, net income targets have been updated for the coming fiscal years. These forecasts reflect lowered revenue expectations and the need to invest in capital projects that support long-term revenue growth, business modernization, and customer service. In the meantime, the LDB continues to explore measures to increase net income and reduce operating expenses.

Over the past year, the LDB continued to work closely with liquor industry stakeholders through the Business Technical Advisory Panel (BTAP) to close off the 2018 report and recommendations before refocusing priorities to better align with the changing environment. Government worked in partnership with industry to establish a new set of shared priorities which the LDB started working on in January 2024.

B.C.'s liquor industry is important to the economy and the LDB remains committed to supporting its growth. In recognition of the extreme weather events and forest fires that have caused grape shortages throughout the province, the LDB is working with other ministries across government to identify and explore options that provide short-term and medium-term solutions to support B.C. grape growers and wineries.

Furthermore, the LDB continues to work closely with cannabis industry partners and government counterparts to ensure the continued development of a successful and sustainable cannabis industry for all stakeholders, and to support government's mandate to eliminate the illicit market. As part of its efforts to support Indigenous and small-scale producer participation and help grow a robust, diverse, and sustainable regulated cannabis industry in B.C., the LDB remains committed to a review of central distribution cannabis mark-up, as well as of the direct delivery program, including program eligibility and mark-up.

Social and environmental responsibility is a core element of the LDB's mission, focusing on reducing environmental impacts, promoting responsible use of alcohol and cannabis, giving back to communities, and supporting diversity. In 2023/24, thanks to the concerted efforts of our employees and the outstanding generosity of our customers, the LDB raised over $2.1 million for community partners and charitable organizations.

With both challenges and exciting opportunities in the years ahead, the LDB will continue to adapt to its changing operating environment to generate income for the Province and support government's goals of making life better for people in B.C.

R. Blain Lawson
General Manager and Chief Executive Officer
July 30, 2024

Purpose of the Annual Service Plan Report

This annual service plan report has been developed to meet the requirements of the Budget Transparency and Accountability Act (BTAA), which sets out the legislative framework for planning, reporting and accountability for Government organizations. Under the BTAA, a Minister Responsible for a government organization is required to make public a report on the actual results of that organization's performance related to the forecasted targets stated in the service plan for the reported year.

Strategic Direction

The strategic direction set by Government in 2020, and expanded upon in the 2021/22 Mandate Letter from the Minister Responsible and the most recent Minister's Letter of Direction (see Appendix A), shaped the goals, objectives, performance measures and financial plan outlined in the BC Liquor Distribution Branch's 2023/24 – 2025/26 Service Plan and the actual results reported on in this annual report.

Purpose of the Organization

In B.C., the LDB is one of two branches of government that provide oversight for the beverage alcohol and non-medical cannabis (cannabis) industries; the other is the Liquor and Cannabis Regulation Branch (LCRB). The LDB is responsible for the wholesale distribution and retail sale of beverage alcohol and cannabis. The LCRB oversees the regulation and licensing of private retail sales of liquor and cannabis and events.

The Liquor Distribution Act (LDA) gives the LDB the sole right to purchase beverage alcohol both within B.C. and from outside the province, in accordance with the federal Importation of Intoxicating Liquor Act. The LCRB licenses private liquor stores, restaurants, pubs, and manufacturers, and enforces regulations under the Liquor Control and Licensing Act.

The Cannabis Distribution Act (CDA) establishes a government wholesale distribution model for cannabis, public cannabis retail stores, and a publicly run e-commerce retail channel. The LCRB licenses private cannabis stores and enforces some aspects of the regulations under the Cannabis Control and Licensing Act.

Accountable to the Minister of Public Safety and Solicitor General, the LDB:

- Has a General Manager and Chief Executive Officer who is responsible for administering the LDA and the CDA, subject to direction from the Minister of Public Safety and Solicitor General;
- Oversees a province-wide mixed public-private retail and public wholesale beverage alcohol and cannabis business model;
- Distributes liquor products through two distribution centres in Delta and Kamloops, and cannabis products through a distribution centre in Richmond;

- Provides online ordering systems for wholesale customers of beverage alcohol and cannabis;
- Operates 198 BCLIQUOR stores (BCL) and 39 BC Cannabis Stores (BCCS);
- Operates an e-commerce retail channel for cannabis under the BCCS brand; and,
- Employes approximately 5,600 full- and part-time staff.

As part of B.C.'s mixed public-private retail and public wholesale beverage alcohol and cannabis business model, the LDB is committed to focusing on customer needs, which includes providing an expansive product selection and offering exceptional customer service.

The LDB and LCRB have a shared mandate to encourage the responsible consumption of beverage alcohol and cannabis and work closely together to coordinate policies and programs to that end.

The LDB is committed to government's goals of making life better for people in B.C., improving services, and ensuring a sustainable province for future generations. The revenue generated by the LDB helps fund essential public services like health care, education, and other community programming.

The LDB will continue to help government advance lasting and meaningful reconciliation. For example, the LDB will continue supporting Indigenous Nations' participation in the cannabis industry through the cannabis direct delivery program and the BC Indigenous Cannabis Product program, which promote greater visibility of Indigenous cannabis producers and their products to both wholesale and retail customers.

Operating Environment

Shift in consumer trends

In 2023/24, the LDB continued to see a shift in consumer trends and spending where increasing shelter, food, clothing, and transportation costs are leading consumers to take a cautious approach to discretionary spending. These adverse economic factors are exacerbated by changing consumer habits. Surveys suggest that younger people are drinking less than previous generations, and public concerns continue over the health and safety risks related to alcohol consumption.

Business Technical Advisory Panel

Since BTAP presented its initial 24 liquor policy recommendations to government in April 2018, the LDB and its cross-government partners have consulted and engaged with BTAP and industry on implementing over half of the recommendations as well as emergency recommendations brought forward to support industry during the COVID-19 pandemic. In recognition of the changing operating environment, including an economic downturn and changing consumer preferences, government and BTAP completed a prioritization exercise in 2023 to identify and establish a new set of shared policy priorities for the liquor industry.

In January 2024, government confirmed the list of refreshed liquor policy priorities that will guide its work with BTAP moving forward. This includes a review of LDB's manufacturer sales agreements to ensure they are meeting their original policy objectives, which include promoting the use of B.C. agricultural inputs, supporting agri-tourism, encouraging the growth of small B.C. businesses, and fostering employment and economic activity. This also includes a liquor supply chain risk assessment, with a focus on building the LDB's resiliency in the face of unprecedented challenges.

Although not a BTAP recommendation, given the significance of the emerging climate challenges impacting both grape growers and wineries, the LDB is prioritizing additional work to assess requests from the wine industry and is continuing to work closely with its government partners on a collaborative response to support the industry.

Digital modernization

In 2023/24, the LDB began upgrading its network infrastructure across all stores and distribution centres. Additionally, the LDB commenced planning to identify projects that can contribute to its digital modernization efforts. This planning phase involved evaluating the scope of potential projects and determining resources required.

Cannabis industry

The LDB continued to support the development of a successful and sustainable legal cannabis industry, while prioritizing public health and safety and advancing reconciliation. The LDB's commitment to supporting Indigenous and local producers is exemplified by the BC Indigenous Cannabis Product program, which promotes greater visibility of Indigenous cannabis producers and their products to retail customers, and the direct delivery program, which helps expand the reach of smaller-scale producers and cultivators into B.C.'s retail cannabis market. Since it began in August 2022, the direct delivery program has grown to include around 100 participating cultivators making over $13 million in direct sales in fiscal 2023/24. Acknowledging there is room to grow, the LDB remains committed to a review of central distribution cannabis mark-up, as well as of the direct delivery program, including program eligibility and mark-up to ensure both are meeting their policy objectives.

In April 2023, the LDB made several changes for cannabis licensed producers (LPs) in response to industry requests, including eliminating the requirement for LPs to maintain mandatory insurance coverage for product recall expenses, reducing the reporting requirement for LPs participating in the direct delivery program from weekly to bi-weekly, and changing payment terms until further notice from 30 to 14 days to improve cash flow of LPs. As the cannabis industry continues to mature, its growth supports greater competitiveness in the marketplace. While the industry is seeing increased sales volume, there has been a continued decline in the price per gram, which supports the elimination of the illicit market.

Economic Statement

Following two years of strong recovery from the pandemic, economic growth in British Columbia moderated in 2023. After expanding by 3.9 per cent in 2022, B.C.'s real GDP increased by 1.6 per cent in 2023, the second highest growth rate among provinces (tied with Saskatchewan and Ontario) and outperforming the national average. Growth in B.C.'s real GDP was supported by service-producing industries such as real estate, rental and leasing; professional, scientific and technical services; transportation and warehousing; and healthcare and social assistance. Despite steady growth in the construction and mining, quarrying and oil and gas extraction sectors, output for goods-producing industries decreased in 2023, partly due to lower manufacturing activity. While B.C.'s economy continued to expand in 2023, some sectors such as transportation and warehousing and accommodation and food services have yet to fully return to pre-pandemic levels.

B.C.'s labour market continued to grow in 2023, with employment growth of 1.6 per cent and wages and salaries increasing by 6.9 per cent. However, B.C.'s unemployment rate rose to 5.2 per cent in 2023 from 4.6 per cent in the previous year as the labour force, supported by record high immigration, grew faster than employment. High interest rates tempered consumer spending on goods in 2023 and nominal retail sales edged down 0.1 per cent. In 2023, price pressures in B.C. moderated among a broad number of goods and services but remained elevated. B.C.'s inflation rate averaged 3.9 per cent in 2023, down from 6.9 per cent in 2022. B.C. home construction activity strengthened in 2023. Housing starts totalled 50,490 units in 2023, the highest annual pace on record and up 8.1 per cent compared to the previous year. High interest rates continued to weigh on home sales activity last year. B.C. MLS home sales decreased by 9.2 per cent in 2023, while the MLS average home sale price was 2.6 per cent lower than 2022. On the external front, B.C.'s international merchandise exports declined by 13.5 per cent in 2023, due to weaker global demand and lower commodity prices compared to 2022.

Report on Performance: Goals, Objectives, and Results

The following goals, objectives and performance measures have been restated from the 2023/24 – 2025/26 service plan. For forward-looking planning information, including current targets for 2024/25 – 2026/27, please see the latest service plan on the BC Budget website.

Goal 1: Sustain net returns to the Province of B.C.

Objective 1.1: Optimize LDB's financial performance

The success of the LDB's wholesale and retail lines of business are key to this objective.

Key results

- Fell slightly short of achieving 2023/24 net income target by $2.1 million.
- Improved in-stock performance of liquor and cannabis products through effective management of inventory and strategic product assortment.
- Reduced cannabis inventory write-offs and markdowns by effectively managing slow moving and aging inventory.
- Upgraded technology systems and business processes related to wine and spirits importation in alignment with the Assessment and Revenue Management Project required by the Canada Border Services Agency (CBSA).
- Implemented a variety of efforts to enhance sales at BCL and BCCS, including effective flash sales, training for employees, and enhanced inventory management.
- Gained approval and kicked off BCL's website re-platform and refresh project to improve overall stability and efficiency and the customer experience online.

Summary of progress made in 2023/24

The LDB's net income for the year was $1,148.2 million, slightly below the target by $2.1 million (short by 0.2 per cent). Effective management of operating expenses allowed the LDB to only narrowly miss the targeted net return to the Province.

During fiscal year 2023/24, both the liquor and cannabis wholesale divisions improved their availability of stocked liquor and cannabis products. Notably, LDB's liquor wholesale division successfully converted 85 per cent of total sales volume, non-stocked wholesale product to stocked in its warehouses. This achievement, along with maintaining an in-stock target of 95 per cent, supports reduced lead times and improved product availability during high-demand periods for customers. Additionally, the cannabis wholesale division updated its product assortment by adding over 2,600 new products, achieving a 37 per cent increase in registered cannabis products compared to the previous year. These efforts improved the availability and consistent supply of cannabis product assortment matchings for customers, and ultimately led to effective management of inventory costs.

Related to inventory management performance, in fiscal 2023/24, the cannabis wholesale division also minimized cannabis inventory write-offs and markdowns by closely monitoring and managing slow moving and aging product.

BCL improved the execution of flash sales by refining featured products, pricing, duration, and related marketing support. The flash sales delivered strong results as internal processes were improved and consumer awareness levels continued to grow. Additionally, BCL focused on inventory management practices to reduce shrinkage and maximize net income. Overall, inventory management practices were strengthened through the development of standardized operating procedures across various functions (e.g., receiving product deliveries, counting in-stock products). Service delivery was also improved through sales training and ongoing leadership coaching.

BCCS introduced an online cannabis knowledge training program for all employees. This aimed to provide staff with additional cannabis knowledge to better educate and serve customers. By the end of the fiscal year, 100 per cent of BCCS management staff and 75 per cent of regular and part-time staff had completed the training. BCCS increased its gross margin year over year and carefully monitored all controllable expenses (e.g., consistently reviewing staffing levels to support customer traffic and sales in stores).

The BCL website re-platform and refresh project kicked off in November 2023. The project team has now completed the modernized designs for a majority of key pages of the BCL website. This includes flexibility to add videos and different types of content. To date, a key milestone was achieved in the project with the successful migration of the platform which allows BCL to facilitate online pre-orders and draws for products on a new system. All of these updates will help enhance the online experience for BCL customers.

Performance measures and related discussion

Performance Measure	2022/23 Actual	2023/24 Target	2023/24 Actual
1.1a Net income (in $ millions)[1, 2]	$1,198.3	$1,150.3	$1,148.2
1.1b Liquor distribution centres inventory turnover per year[3, 4, 5]	13.3	13.6	12.7
1.1c Cannabis distribution centre inventory turnover per year[5, 6, 7]	9.2	9.0	9.6
1.1d BCL sales per square foot[8, 9]	$1,491	$1,497	$1,471
1.1e BCCS sales per square foot[10, 11]	$841	$800	$965

[1]Data source: BCL and BCCS sales data are collected from point-of-sale cash register systems and stored in head office databases. Sales made directly to customers by authorized representatives on behalf of the LDB are transmitted to the LDB and stored in databases. LDB financial statements are audited annually by an independent auditor contracted by the LDB under the oversight of the Office of the Auditor General. LDB expense data is captured, stored, and reported by the LDB's financial system.

[2]PM 1.1a targets for 2024/25 and 2025/26 were stated in the 2023/24 – 2025/26 service plan as $1,170.4 and $1,194.2, respectively, and revised in the latest service plan.
[3]Data source: Inventory data is collected from applications at LDB's liquor distribution centres in Delta and Kamloops designed for this purpose and stored in head office databases. Inventory turnover is calculated by dividing the duty paid cost of shipments from LDB's liquor distribution centres to customers (including BCL) by the average inventory in the same period.
[4]PM 1.1b targets for 2024/25 and 2025/26 were stated in the 2023/24 – 2025/26 service plan as 13.6 and 13.6, respectively, and revised in the latest service plan.
[5]PM 1.1b and 1.1c actuals were not reported in the 2022/23 annual report, as they were not established performance measures in the 2022/23 – 2024/25 service plan. For 2022/23 forecasts, please see the 2023/24 – 2025/26 service plan on the BC Budget website.
[6]Data source: Inventory data is collected from applications at LDB's cannabis distribution centre designed for this purpose and stored in head office databases. Inventory turnover is calculated by dividing the duty paid cost of shipments from LDB's cannabis distribution centre to customers (including BCCS and BCCannabisStores.com) by the average inventory in the same period.
[7]PM 1.1c targets for 2024/25 and 2025/26 were stated in the 2023/24 – 2025/26 service plan as 9.0 and 9.0, respectively.
[8]Data source: BCL sales data is collected from point-of-sale cash register systems and stored in head office databases.
[9]PM 1.1d targets for 2024/25 and 2025/26 were stated in the 2023/24 – 2025/26 service plan as $1,512 and $1,519, respectively, and revised in the latest service plan.
[10]Data source: BCCS sales data is collected from point-of-sale cash register systems and stored in head office databases. It is based on total square footage, not sales floor space.
[11]PM 1.1e targets for 2024/25 and 2025/26 were stated in the 2023/24 – 2025/26 service plan as $800 and $800, respectively. Its target for 2025/26 was revised in the latest service plan.

1.1a Net Income

Net income refers to the contribution made by the LDB to the Province through sales of beverage alcohol and non-medical cannabis. The LDB's contribution serves as a significant source of revenue for the provincial government. The LDB's net income for the year was $1,148.2 million, below the target by $2.1 million (0.2 per cent). Compared to the prior year, net income declined by $50.1 million (4.2 per cent).

Fiscal year 2023/24 was marked with relatively tough economic conditions. Interest rate increases as well as high inflation put significant pressure on consumers' disposable income and prompted some decline in discretionary spending. This year's shortfall in net income was due to lower-than-planned liquor revenue which was partially offset by lower-than-targeted operating expenses, mostly due to increased employment vacancies, reduced amortization resulting from fewer BCCS openings, and reduced expenses in warehouses and consulting services. This decrease in both operating expenses and overall revenue allowed the LDB to maintain the operating expense ratio below the targeted level of 15.7 per cent.

1.1b and 1.1c Inventory Turnover

Liquor

The inventory turnover rate refers to the number of times inventory is shipped to wholesale customers (including BCL) and replaced within a fiscal year. The LDB's liquor distribution centres inventory turnover fell slightly short of target, achieving 12.7 turns compared to the target of 13.6. This variance can be attributed to changing market conditions influenced by inflation and shifts in consumer preferences towards lower-priced products. These factors directly impacted the turnover rate by affecting inventory demand and movement.

Despite falling short of target, the LDB's liquor wholesale division has strategically maintained an optimal on-hand inventory. This approach helps to mitigate supply chain disruptions and adapt to evolving market conditions. However, while this approach supports customer service and minimizes disruptions, it also affects the overall value of inventory, which is a factor in calculating the turnover rate.

Although the target was not met, proactive measures such as collaborating with suppliers to use data analysis for demand forecasting, optimizing product availability, and addressing slow-moving products are expected to reduce overstocking and enhance operational efficiency in the future.

Cannabis

For the wholesale cannabis distribution centre inventory turnover rate, cannabis operations achieved a rate of 9.6, exceeding last year's result of 9.2 and its target of 9.0. The inventory turnover rate serves as an indicator of how well the wholesale product assortment aligns with market demands. It measures the number of times inventory has been shipped to wholesale customers (including BCCS) and replaced within a fiscal year. Exceeding the target was possible through careful management of older inventory and consistent sourcing and assortment of products that were in high demand by cannabis retailers.

1.1d and 1.1e Sales per Square Foot

Liquor

BCL sales per square foot for 2023/24 were $26 below the target of $1,497. A number of factors may have contributed to this shortfall where BCL saw a decline in the number of customers and number of units sold in BCL this past fiscal. Overall sales were negatively impacted, especially in the beer and wine categories. BCL consumer behaviour may have been influenced by one or more of the following factors of inflation and declining disposable income, health-conscious lifestyle trends and lower alcohol consumption, and / or the growth of non-alcoholic beverage options.

Cannabis

BCCS achieved a sales per square foot of $965, surpassing its target of $800. This achievement can be attributed to several factors, including the strategic addition of two new store locations—one in Delta and another in North Vancouver. Additionally, there was sales growth in key markets and consistent financial performance of existing store locations.

Goal 2: Improve customer experience with the LDB

Objective 2.1: Improve retail and wholesale customer satisfaction

Delivering a high standard of service and maintaining customer satisfaction are critical priorities for the LDB.

Key results

- Enhanced customer service for cannabis wholesale through operational efficiencies and order quality control measures and for liquor wholesale through replacement of legacy systems.
- Continued to implement the BCL multi-year brand modernization strategy by developing and launching new brand guidelines and completing additional store renovations.
- Built on the LDB's customer-centric culture by strengthening employee training programs and leveraging market research to gain customer insights and meet customer needs.

Summary of progress made in 2023/24

In fiscal 2023/24, the cannabis wholesale division implemented several operational and order quality control measures to enhance customer service. For instance, the cannabis distribution centre was reorganized to create additional staging areas for quality control functions. This helped establish a dedicated area for quality control processes which enhanced order accuracy. Furthermore, the cannabis wholesale division implemented other initiatives to improve on-time delivery and order accuracy for customers such as conducting regular reviews of scorecards with carriers and refining inventory rotation logic at the cannabis distribution centre.

At the Liquor Wholesale Customer Centre (WCC), a legacy call centre management system was replaced with a new system to improve service and quality of customer interactions. The new system excels in trend analysis and helps balance the workload of customer centre representatives. It also ensures efficient and quality handling of customer calls and emails. The WCC achieved an 85 per cent call answering rate within 20 seconds during regular business periods. Furthermore, WCC achieved and maintained a target of 90 per cent call quality.

BCL continued its multi-year brand modernization strategy by developing and launching new brand guidelines to be utilized across internal BCL departments and shared with current marketing vendors. This is to ensure the omnichannel brand and customer experience are consistent between in-store, web, digital and advertising touchpoints. BCL also continued to renovate and upgrade stores to align with its modernization strategy and enhance the customer shopping experience. In addition, the number of associates with formal product knowledge certification continued to increase as a result of an enhanced registration process and campaigns to promote the learning programs. Furthermore, BCL launched new portable devices for associates to use on the sales floor. These devices streamline service delivery by providing associates with the information they need to help customers locate their products of choice without having to leave the sales floor.

In support of the LDB's customer centric culture, cannabis operations implemented several initiatives to improve the retail customer experience. This included introducing an online cannabis knowledge training program for all BCCS employees. Additionally, in August 2023, BCCS completed a detailed market research survey of 1,200 B.C. adult cannabis users. This comprehensive external market research was conducted to gain customer insights and refine customer service strategies.

Performance measures and related discussion

Performance Measure	2022/23 Actual	2023/24 Target	2023/24 Actual
2.1a Liquor Wholesale on-time delivery[1, 2, 3]	87.1%	95.0%	96.5%
2.1b Cannabis Wholesale on-time delivery[3, 4, 5]	96.7%	98.0%	97.8%
2.1c Liquor Wholesale accurate delivery[3, 6, 7]	99.6%	98.8%	99.6%
2.1d Cannabis Wholesale accurate delivery[3, 8, 9]	95.1%	95.0%	95.1%
2.1e BCL retail customer satisfaction[10, 11, 12]	In-store survey: 86.0%	n/a	Online survey: 74.7%

[1]Data source: Delivery data is collected by LDB's own fleet of freight vehicles and third-party freight carriers and audited against bill of lading documents signed by the customer, confirming arrival times for accuracy of data.
[2]PM 2.1a targets for 2024/25 and 2025/26 were stated in the 2023/24 – 2025/26 service plan as 95.0% and 95.0%, respectively.
[3]PM 2.1a, 2.1b, 2.1c, and 2.1d actuals were not reported in the 2022/23 annual report, as they were not established performance measures in the 2022/23 – 2024/25 service plan. For 2022/23 forecasts, please see the 2023/24 – 2025/26 service plan on the BC Budget website.
[4]Data source: Delivery data is collected by third-party freight carriers through their Proof of Delivery systems and audited against customers' reports of late deliveries.
[5]PM 2.1b targets for 2024/25 and 2025/26 were stated in the 2023/24 – 2025/26 service plan as 98.5% and 99.0%, respectively.
[6]Data source: Based on an audit of four per cent of orders and shipments processed by the LDB's liquor distribution centres.
[7]PM 2.1c targets for 2024/25 and 2025/26 were stated in the 2023/24 – 2025/26 service plan as 98.8% and 98.8%, respectively.
[8]Data source: Based on an audit of all orders and shipments processed by LDB's cannabis distribution centre.
[9]PM 2.1d targets for 2024/25 and 2025/26 were stated in the 2023/24 – 2025/26 service plan as 96.0% and 97.0% respectively.
[10]Data source: The LDB contracts a professional, third-party company to conduct market research. Data from insights shared by an online panel are shared with the BCL via a dashboard that includes high-level graphs.
[11]PM 2.1e targets for 2024/25 and 2025/26 were stated in the 2023/24 – 2025/26 service plan as 87.0% and n/a, respectively, and revised in the latest service plan.
[12]PM 2.1e target for 2023/24 is yet to be established. In 2023/24, per previous discussion notes in the 2023/24 - 2025/26 service plan, BCL changed its customer surveying methodology from in-store to online to align with current best practices. For fiscal 2022/23, to bridge the transition, both an in-store survey (86.0% result) and an online intercept (72% result) were completed. As expected, the change in methodology will change results for future years.

2.1a and 2.1b Wholesale On-Time Delivery

Liquor

Despite external challenges faced in fiscal 2023/24, the liquor wholesale division exceeded its on-time delivery target by 1.5 per cent to achieve a performance of 96.5 per cent. To improve service reliability and minimize disruptions, the liquor distribution centres introduced secondary freight carriers to augment the service of primary, contracted freight carriers.

Labour actions taken by bargaining groups representing federal public servants and B.C.'s port workers temporarily affected import clearances. This required the LDB to take proactive measures by monitoring the situations in April and July and working closely with the CBSA, third-party warehouses, and freight forwarders to assess risks and communicate any potential delays in import clearances and product delivery to customers. During the B.C. wildfire season, several communities and regions across the province were affected, disrupting transportation routes and distribution to some of the LDB's customers. The liquor wholesale division collaborated with freight carriers to maintain the highest level of service possible. Additionally, proactive steps were taken to inform and communicate with customers to anticipate temporary delivery delays in certain areas.

Cannabis

In fiscal year 2023/24, the cannabis wholesale division achieved a 97.8 per cent on-time delivery rate, slightly below its target of 98.0 per cent. Throughout the fiscal year, the division implemented several initiatives to improve its on-time delivery rate. For example, in April 2023, the cannabis distribution centre developed and implemented scorecards containing key metrics to monitor carrier performance in delivering cannabis orders. These scorecards are reviewed with carriers on a monthly basis with the aim of improving on-time delivery for customers and, consequently, increasing customer service.

In addition to scorecard reviews, the division implemented other initiatives to improve its on-time delivery rate. For instance, during 2023/24, the cannabis distribution centre redesigned its order shipping area staging plan to expedite truck loading and enable faster departure times for carriers. Furthermore, the cannabis distribution centre performed weekly analysis on route conditions and worked with carriers' dispatch teams to adjust routes to improve on-time order delivery. The combined efforts noted above led to an improvement in the on-time delivery rate, increasing from 95.6 per cent in the first quarter of the fiscal year 2023/24 to 97.8 per cent at the end of the fiscal year. It is important to note that the on-time delivery rate for cannabis wholesale in the fourth quarter of 2023/24 reached 98.7 per cent, exceeding the 98.0 per cent target.

2.1c and 2.1d Wholesale Accurate Delivery

Liquor

The liquor wholesale division exceeded its accurate delivery target by 0.4 per cent to achieve a performance of 99.6 per cent. Data and insights collected from its internal audit of orders and shipments were leveraged in the coaching of employees to support greater delivery accuracy across different stages of order picking, assembly, and shipping. These efforts resulted in improved operational efficiency.

Cannabis

In terms of wholesale accurate delivery, the cannabis wholesale division exceeded its target of 95.0 per cent. To achieve this, during 2023/24, the cannabis distribution centre updated its inventory rotation logic to improve product accuracy and prioritize the shipment of cannabis orders based on packaging dates.

2.1e BCL Retail Customer Satisfaction

BCL continues to strive to improve the customer experience not only in-store but across all channels by creating a consistent, omnichannel brand and customer experience for each BCL touchpoint. As a result, BCL exceeded its internally established customer satisfaction goal of 73.0 per cent in 2023/24, ending the fiscal year at 74.7 per cent. This result can also be attributed to available product selection and improvements in customer perceptions of staff attentiveness. Additionally, BCL continues to respond to consumer requests and questions through its Facebook and Instagram channels as another medium for customer support.

Goal 3: Create positive social impact

Objective 3.1: Minimize the impact of LDB operations on the environment

Aligned with the CleanBC Roadmap to 2030 and government's legislated target to reduce greenhouse gas emissions by 40.0 per cent below 2007 levels by 2030, the LDB is taking solid steps to move towards net zero emissions from its fleet and buildings and eliminate waste and single-use plastics from entering the landfill.

Key results

- Implemented practices and initiatives to successfully reduce waste at all LDB worksites by a total of 326 metric tonnes compared to fiscal 2022/23.
- Expanded the number of zero emission vehicles (ZEVs) in LDB's light duty fleet vehicles by adding two for a total of six ZEVs.
- Held educational events and workshops for employees promoting Earth Day, Go-By-Bike Week, Waste Reduction Week and the LDB's corporate beehives.
- Expanded annual reporting in support of B.C.'s Carbon Neutral Government Program by including electricity used to charge LDB's zero emission fleet vehicles.

Summary of progress made in 2023/24

In 2023/24, the LDB made strides towards minimizing the impact of its operations on the environment by decreasing waste generated, expanding the number of ZEVs, holding educational events for employees, and expanding reporting.

The LDB reduced its waste output by 326 metric tonnes in 2023/24, going from 3,384 metric tonnes in 2022/23 to 3,058 metric tonnes this fiscal year. A number of contributing factors helped the LDB reach this achievement, including the adoption of more sustainable methods at worksite renovations (e.g., increased recycling, reusing materials) and a reduction in the use of non-recyclable materials within its operations. For example, in fiscal 2023/24, the packaging used to ship orders to customers of the BCCS e-commerce retail channel were changed to fully-recyclable.

In 2023/24, the LDB furthered its shift towards incorporating ZEVs into its light duty vehicle fleet of sport utility vehicles and passenger vehicles. A total of two ZEVs were added for a total of six out of 27 light duty vehicles, accounting for 22 per cent of its light duty vehicle fleet.

Led by the LDB's Social Impact department, employees across the LDB had the opportunity to participate in a variety of educational events throughout the year. For example, employees were invited to attend an educational showcase coinciding with Earth Day to learn how to reduce their reliance on single use plastics. In addition to this, throughout the year events and workshops were held to build employee awareness around waste reduction, Go-By-Bike Week, and the importance of pollinators.

Since 2010, the LDB has been measuring its greenhouse gas emissions and purchasing BC-based carbon offsets in order to become carbon neutral on an annual basis. During 2023/24, in alignment with CleanBC requirements, the LDB expanded reporting to include electrical kilowatt-hours used to charge the zero-emission fleet. Tracking the electricity used to charge a growing fleet of electric vehicles will allow the LDB to explore charging station sizes, peak power demand, and energy utilization factors during changing seasons.

Objective 3.2: Encourage the responsible use of beverage alcohol and non-medical cannabis

The LDB will continue to support government's mandate of prioritizing public health and safety and promoting responsible consumption and awareness of the risks associated with consuming liquor and cannabis.

Key results

- Updated employee training around enforcement of ID-checking requirements in BCL and BCCS to prevent sales to minors or intoxicated persons.
- Promoted social responsibility and responsible consumption through campaigns within BCL and BCCS and outside of stores.

Summary of progress made in 2023/24

In 2023/24, both BCL and BCCS made continued efforts to update employee training to support the consistent enforcement of ID-checking requirements. In addition to providing a revised two-ID training program for employees, BCCS reminded employees at the start of shifts, and through weekly newsletters, the importance of checking two pieces of ID for anyone that looks under the age of 30. At BCL, the two-ID training for employees was also refreshed and in-store campaigns continued to elevate focus and awareness on the importance of these identification checking requirements.

Both BCL and BCCS reinforced social responsibility and responsible consumption in 2023/24 through education campaigns. For example, BCCS implemented its Don't Drive High Campaign in the winter of 2023 across many restaurants and bars in the province. This included sharing campaign messaging on both digital advertising boards and printed posters at restaurants and bars throughout cities in B.C. Campaign materials were also displayed within BCCS throughout the province. BCL shared its social responsibility marketing campaigns in-store and online to educate customers about various important topics throughout the year including fetal alcohol spectrum disorder, drinking and driving, and responsible alcohol consumption. Additionally, BCL started the journey of updating their social responsibility campaigns in-store and online throughout the year to match with the modernized brand. BCL also continued to follow Canada's latest guidance on alcohol and health from the Canadian Centre on Substance Use and Addiction, revising marketing materials to reflect the changes, as needed.

Objective 3.3: Increase positive social impact

The LDB already delivers a number of social impact activities across the organization. Going forward, the LDB will build on these existing activities to further affect change from a social, environmental, and economic standpoint and to benefit all people living in B.C.

Key results

- Developed an Indigenous Learning Journey Framework to guide and support the continued roll out of Indigenous learning to all employees across the organization.
- Supported five in-store charitable campaigns at BCCS and BCL to increase awareness and raise over $2.1 million for community partners and charitable organizations.
- Launched a new department of Reconciliation, Equity, Diversity and Inclusion (REDI) within the HR division to set the foundation for developing a multi-year diversity and inclusion strategy, roadmap, and related programs and initiatives.

Summary of progress made in 2023/24

In fiscal year 2023/24, the LDB partnered with Called to Action Collaborative, an Elder-led Indigenous collaborative network, to develop an Indigenous Learning Journey Framework. This framework aims to guide and support the continued roll out of Indigenous learning to all employees across the LDB. The framework was developed based on the findings of an organization-wide learning needs assessment, which included interviews with key leaders and a survey of select team members within specific departments within the LDB. The framework includes program outlines covering a variety of learning formats, including self-led online delivery, podcast style interviews, group discussions, as well as multi-day workshops led by Indigenous facilitators. Additionally, in partnership with Called to Action Collaborative, the LDB organized an in-person Elder-led workshop with the LDB's executive team and members of the LDB's Indigenous Learning Journey team. The purpose of the in-person workshop was to celebrate the last two years of the LDB's Indigenous Learning Journey, the work and partnership between the LDB and Called to Action Collaborative, as well as to set the stage for the next phases as the LDB begins implementing the Indigenous Learning Journey across the organization.

In 2023/24, the REDI department was established with the appointment of a director to lead this new area of responsibility. Work has started on developing plans to ensure that the LDB is in alignment with core government commitments and legislation such as its Declaration on the Rights of Indigenous Peoples Act, The Truth and Reconciliation Commission Calls to Action, and the Public Service Agency's Where We All Belong: Equity, Diversity & Inclusion Strategy. Initial steps have been taken to develop LDB-specific strategies which will seek to drive meaningful reconciliation, an increasingly diverse workforce, improved inclusion in the workplace, and the reduction of barriers to accessibility. Some examples of these steps include the development of a department structure and resourcing (e.g., advisor level positions) to support the development and implementation of new initiatives, policies, and programs. Work has been done to raise awareness of the new department across the organization and positioning the department as a centre for excellence in Reconciliation and Equity, Diversity, and Inclusion and a strategic partner to teams and employees. Additionally, work has also started on the development of a strategic planning process including, executive visioning, stakeholder engagement, creation of an Equity, Diversity & Inclusion (EDI) committee, the development of key performance indicators, and an assessment of the current state (e.g., an EDI audit, benchmarking, and employee survey).

The LDB's network of BCL and BCCS continued to support in-store charitable campaigns to raise funds and awareness for community partners and charitable organizations. In total, over $2.1 million in donations were raised across five separate charitable campaigns. In 2023/24, over $1.16 million was raised through two campaigns (i.e., spring and winter) for Food Banks BC in support of local food banks across the province. Additionally, the LDB was selected as the recipient of the 2024 Food Banks BC Spirit of Giving Award in the category of Community Partner. Stores also raised $605,724 for the Canadian Red Cross British Columbia Fires Appeal to support immediate and ongoing relief efforts for communities in B.C. impacted by the 2023 summer wildfires. In addition, the LDB's Do You Proud campaign ran for its second year in support of the 2SLGBTQIA+ community, celebrating the stories of the people who make up the LDB community across our various workplaces. In addition to raising awareness, BCL and BCCS raised $64,525 to support QMUNITY, B.C.'s 2SLGBTQIA+ resource centre. A total of $273,324 was also raised at BCL to support Dry Grad, which helps fund supervised alcohol and drug free celebrations for graduating high school students across B.C.

In 2023/24, the LDB made strides in developing a strategy that unifies the organization's social and environmental initiatives which aim to provide positive benefits to employees, Indigenous partners, stakeholders, and customers. The strategy is guided by four pillars: people, communities, the environment, and partners. It will help ensure that all programs and activities executed under this strategy will align with one or more of these pillars.

Performance measures and related discussion

Performance Measure	2022/23 Actual	2023/24 Target	2023/24 Actual
3.1a Waste diversion rate[1, 2, 3]	88.1%	89.0%	86.3%
3.2a BCL and BCCS store compliance with ID-checking requirements[4, 5, 6]	98.0%	100.0%	94.1%

[1]Data source: Diversion rates are determined based on measured weights reported by contracted waste and recycling service providers.
[2]PM 3.1a targets for 2024/25 and 2025/26 were stated in the 2023/24 – 2025/26 service plan as 90.0% and 91.0%, respectively.
[3]Waste diversion was stated in the 2022/23 annual report as three performance measures representing liquor operations (the LDB's liquor distribution centres in Delta and Kamloops, and BCL), cannabis operations (the LDB's cannabis distribution centre and BCCS), and head office and Burnaby dry goods distribution centre operations. 2022/23 actuals were 88%, 84%, and 89%, respectively. For the 2022/23 forecast, please see the 2023/24 – 2025/26 service plan on the BC Budget website.
[4]Data source: The Liquor and Cannabis Regulation Branch (LCRB) administers an ID-checking compliance program and provides the results of BCL and BCCS compliance to the LDB.
[5]PM 3.2a targets for 2024/25 and 2025/26 were stated in the 2023/24 – 2025/26 service plan as 100.0% and 100.0%, respectively.
[6]PM 3.2a actual for 2022/23 is the result from LCRB's administration of its ID-checking compliance program at BCL only. At the time, LCBR's ID-checking compliance program was not administered in cannabis stores.

3.1a Waste Diversion Rate

In 2023/24, the LDB continued its waste collection and processing of recyclables at worksites supported by contracted waste and recycling service providers. Materials collected and diverted from landfill include cardboard, wood, mixed containers, organics, paper, electronics, Styrofoam, metal, and clear soft plastics (e.g., shrink wrap).

The LDB's waste diversion rate performance measure captures all LDB worksites (i.e., distribution centres, BCL, BCCS, and head office). In 2023/24, the diversion rate fell short of the 89 per cent target by 2.7 per cent for an actual of 86.3 per cent. The target was established by factoring in planned enhancements for the paper recycling program. However, due to team and staffing changes, the deployment of this work was paused. Work has started to implement additional recycling initiatives and employee education across all LDB worksites. It should be noted that liquor and cannabis distribution warehouses achieved waste diversion rates of 97 per cent and 92 per cent, respectively. This success can be attributed to effective in-person employee education and the implementation of recycling and waste collection recommendations from a waste audit completed in 2022/23.

3.2a BCL and BCCS store compliance with ID-checking requirements

Under the Minors as Agents Program, the LCRB has the authority to issue a contravention notice when an establishment being inspected for ID-checking does not take reasonable steps to verify the age of the minor employed by the LCRB to purchase liquor and cannabis. Throughout 2023/24, the LCRB performed 64 and 21 ID-compliance checks across BCL and BCCS stores, respectively. BCL and BCCS together reached 94 per cent store compliance with ID-checking requirements, which was short of the target of 100 per cent. To improve on the result, BCCS developed a revised two-ID training program, which has now become an annualized training requirement for all BCCS staff. Also to improve results, BCL launched a refreshed online two-ID training which all associates completed.

Financial Report

For the auditor's report and audited financial statements, see Appendix D. These documents can also be found on the LDB website.

Discussion of Results

In fiscal 2023/24, the LDB's net income and contribution to the Government of B.C. amounted to $1,148.2 million. This represented a decrease of $50.1 million or 4.2 per cent compared to the previous year.

Although inflation slowed down from the prior year, some liquor product categories still experienced higher-than-historical increases in the average price per litre. However, these price increases did not offset the significant drop in liquor sales volumes caused by a decline in consumption.

Regarding cannabis operations, the LDB continued to expand the BCCS chain, opening two new stores in the Lower Mainland during the fiscal year. By the end of fiscal 2023/24, the BCCS chain had exceeded $370 million in sales since the start of legalization in October 2018. In August 2022, the LDB implemented a cannabis direct delivery program to facilitate the participation of Indigenous and small-scale producers in the legal cannabis market. The net income of LDB Cannabis Operations, before head office expense allocations, amounted to $49.8 million. Both head office expenses and net income related to cannabis operations are included in the total LDB net income of $1,148.2 million.

Capital

Global supply chain and labour challenges had an impact on the LDB's capital expenditures. For fiscal 2023/24, the total capital expenditures were $18.3 million, which were $10.0 million lower than planned but $2.2 million higher than the previous year.

The spending of $10.2 million included laptops and tools for connectivity, furniture, fixtures, and mobile equipment. Investments in retail stores continued with $8.1 million spent on tenant improvements and the establishment of the last two new BCCS locations.

Financial Summary

($millions)	2022/23 Actual	2023/24 Budget	2023/24 Actual	2023/24 Variance
Revenues				
Revenue	3,873.6	4,033.8	3,939.5	(94.3)
Cost of Sales	2,163.4	2,264.2	2,237.0	(27.2)
Gross Margin	**1,710.2**	**1,769.6**	**1,702.5**	**(67.1)**
Expenses				
Operating Expenses – Employment	316.5	369.1	350.8	(18.3)
Operating Expenses – Amortization	73.9	72.6	67.5	(5.1)
Operating Expenses – Administration	60.3	107.3	68.6	(38.7)
Operating Expenses – Bank Charges	41.4	45.6	41.8	(3.8)
Operating Expenses – Facilities[1]	30.8	32.9	33.5	0.6
Operating Expenses – Lease Financing	6.9	6.8	6.8	-
Total Expenses	**529.8**	**634.3**	**569.0**	**(65.3)**
Other Income	17.9	15.0	14.7	(0.4)
Net Income	**1,198.3**	**1,150.3**	**1,148.2**	**(2.1)**
Gross Profit (%)	44.2%	43.9%	43.2%	(0.7%)
Total Expenses to Revenue (%)	13.7%	15.7%	14.4%	(1.3%)
Net Income to Revenue (%)	30.9%	28.5%	29.1%	0.6%
Capital	**16.1**	**28.3**	**18.3**	**(10.0)**
Debt[2]	**242.4**	**253.8**	**233.0**	**(20.8)**
Retained Earnings	**-**	**-**	**-**	**-**

The above financial information was prepared based on International Financial Reporting Standards.
[1] Facilities costs consist of common area maintenance, property taxes, utilities, repairs and maintenance.
[2] The LDB does not have any loans. Debt consists of lease liabilities as of March 31.

Variance and Trend Analysis

British Columbia beverage alcohol and cannabis marketplace

The LDB operates in a mixed private/public retail model where consumers can purchase products from many different places. As of March 31, 2024, there were 2,003 locations where beverage alcohol could be purchased and 523 locations selling non-medical cannabis.

Beverage alcohol sales in the province saw a volume decrease of 4.6 per cent compared to the previous year. In terms of sales volumes, the beer category still holds the highest position, followed by refreshment beverages, wine, and spirits. All categories experienced a volume decline in comparison to the prior year. These shifts can be attributed to various factors, including product availability (supply chain disruptions), changes in consumer preferences (with a growing interest in refreshment beverages and tendencies toward a healthy lifestyle), weather patterns (as hotter or colder weather affects beer and refreshment beverage sales), and consumer confidence due to the ongoing economic downturn, influencing the demand for value-priced products. Sales through BCL stores and LDB wholesale operations account for 56.6 per cent of litres sold in the province.

Provincial cannabis sales reached 135,348-kilogram equivalent, reflecting a significant increase of 27.1 per cent compared to the previous year. This growth indicates the continued expansion of the cannabis industry. Sales through BCCS stores, LDB e-commerce and wholesale operations account for 97.8 per cent of cannabis gram equivalent sold in the province, with the remainder of the volumes distributed through direct delivery channels.

As sales shift between product categories with different mark-up rates and between LDB wholesale and retail channels, it impacts the LDB’s gross margin and its contribution to government.

Table 1: Provincial Sales by Major Category in Litres (000s)/Gram Equivalent (000s)

For the five fiscal years ended March 31, 2024

						Change vs. Previous Year (2023/24 vs. 2022/23)	
	2019/20	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**Change**	**%**
Liquor							
Spirits	28,411	29,835	30,427	30,955	29,299	(1,656)	(5.3)
Wine	78,525	79,758	77,345	73,194	68,747	(4,447)	(6.1)
Refreshment	65,860	85,170	88,764	85,116	84,105	(1,011)	(1.2)
Beer	284,224	270,542	269,811	267,083	252,955	(14,128)	(5.3)
Other	276	368	495	482	708	226	46.9

						Change vs. Previous Year (2023/24 vs. 2022/23)	
	2019/20	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**Change**	**%**
Total Liquor (litres)	**457,296**	**465,673**	**466,842**	**456,830**	**435,814**	**(21,016)**	**(4.6)**
Cannabis							
Flower	12,692	33,706	44,821	46,044	54,181	8,137	17.7
Pre-roll	2,353	8,066	15,459	19,772	24,756	4,984	25.2
Extracts & Concentrates[1]	2,066	5,405	11,623	26,994	45,487	18,493	68.5
Other[1]	495	6,794	12,409	13,667	10,924	(2,743)	(20.1)
Total Cannabis (gram equivalent)	**17,606**	**53,971**	**84,312**	**106.477**	**135,348**	**28,871**	**27.1**

Data Source: LDB Oracle Financial System.
[1] Gram equivalents have been restated to correct for conversion rates on liquid cannabis products.

LDB Revenue[1]

In fiscal year 2023/24, the LDB revenue amounted to $3,939.5 million, representing an increase from previous year of $65.9 million (1.7 per cent). The increase was driven by strong growth in cannabis sales, which partially offset lower liquor revenue.

Beverage alcohol

The LDB's beverage alcohol revenue was $3,364.9 million in fiscal 2023/24, showing a drop of $23.1 million (0.7 per cent) compared to the prior year. The decline was due to lower litre volumes across all product categories.

The LDB's sales channels include sales through BCL stores, LDB wholesale operations, and direct delivery from B.C. manufacturers and third-party warehouses. Retail sales through BCL remain the largest sales channel and represent 46.4 per cent of total LDB sales. BCL's share of sales was flat compared to the prior year.

During 2023/24, the customer count at BCL decreased by 0.4 per cent, from 34.9 million customers in the prior year to 34.8 million. This decline can be attributed to decreased consumption. The average retail customer transaction value at BCL also decreased 0.3 per cent, from $45.44 to $45.29. See Appendix C for information on BCL operating results before head office expenses.

[1] Revenue includes sales from LDB channels and a blend of sales/margin from non-LDB channels.

Cannabis

The LDB's cannabis revenue reached $574.5 million in fiscal year 2023/24, representing an increase of $89.0 million (18.3 per cent) compared to the prior year. This growth was attributed to the opening of new retail stores and an expanded product selection. Dried flowers, pre-rolls, and extracts and concentrates accounted for 91.8 per cent of all cannabis revenue. Notably, the extracts and concentrates category experienced the highest increase of $57.4 million (36.3 per cent) compared to the prior year, possibly indicating continuing shifting consumer preferences.

In fiscal year 2023/24, there were 2.8 million transactions through BCCS and e-commerce sales, marking a 34.2 per cent increase compared to the 2.1 million transactions in the prior year. The average retail transaction value in fiscal year 2023/24 was $45.42, a decrease of 5.6 per cent compared to the average transaction value of $48.11 in the prior year. This decrease can be attributed to increased competition and reflects the industry-wide declining price per gram. The LDB remains focused on being competitive with the illicit market and encouraging purchases from the legal market.

Operating Expenses

The LDB maintains diligent expense management by monitoring its discretionary and staffing expenses across all operational areas.

Total operating expenses, including finance costs, amounted to $569.0 million in fiscal year 2023/24. This figure was $65.3 million lower than budget but $39.2 million higher than expenses incurred in fiscal year 2022/23. The expense rate for 2023/24 stood at 14.4 per cent of revenue, higher than the 13.7 per cent rate of the prior year.

The majority of the LDB's operating expenses consist of labour, amortization, bank charges, and other administrative costs. The $39.2 million increase in expenses compared to fiscal year 2022/23 was primarily driven by higher employment costs. Employment expenses increased by $34.3 million from the prior year, mainly due to wage rate increases as per the collective agreement. However, employment costs were $18.3 million (5.0 per cent) below the planned amount mostly due to unfilled vacancies.

Amortization expenses decreased by $6.4 million from the prior year, resulting from assets that became fully amortized during the prior and current fiscal years.

Administrative costs were $2.9 million higher than the prior year but $41.7 million below budget. The increase was largely driven by higher merchandising and data processing costs, accounting for most of the difference compared to the previous year. The lower spending compared to the budget was mainly due to a decrease in professional fees by $26.3 million.

Remittances to Government Agencies

During fiscal year 2023/24, the LDB paid $1,603.5 million to various government agencies.

Table 2: Remittances to Government Agencies ($000s)

	2019/20	2020/21	2021/22	2022/23	2023/24
FEDERAL GOVERNMENT					
Custom Duties and Excise Tax	177,374	200,462	196,627	199,814	195,637
GST	80,137	85,336	88,641	88,313	89,226
Total	**257,511**	**285,798**	**285,268**	**288,127**	**284,863**
PROVINCIAL GOVERNMENT					
LDB Net Income	1,107,170	1,160,916	1,189,309	1,198,299	1,148,153
Provincial Sales Tax	151,302	171,702	172,212	167,008	168,638
Liquor Control and Licensing	428	426	429	480	429
Total	**1,258,900**	**1,333,044**	**1,361,950**	**1,365,787**	**1,317,220**
MUNICIPAL GOVERNMENT					
Property Taxes	998	770	1,499	1,471	1,347
Business Licenses	60	69	108	90	95
Total	**1,058**	**839**	**1,607**	**1,561**	**1,442**
Total Remittances	**1,517,469**	**1,619,681**	**1,648,825**	**1,655,475**	**1,603,525**

Risks and Uncertainties

The LDB proactively monitors the evolving landscape of cannabis and liquor, including broader government policy changes, market dynamics, and associated risks.

There is significant uncertainty surrounding the economic forecasts. Key factors influencing the LDB include consumer behaviour, especially as concerns regarding inflation and potential economic slowdown persist. According to Statistics Canada, in March 2024, the Canadian Consumer Price Index increased by 3.3 per cent year over year, which marked the smallest increase in the past three years. As consumers become more price-conscious, they are likely to prioritize products that offer value for money. Additionally, supply chain disruptions and labour shortages may impact the LDB’s ability to ensure timely product delivery.

There are other risks beyond the LDB’s control, such as climate change, global supply-chain challenges, and future pandemics. These risks undergo regular review, and steps are taken to mitigate their impact. Consideration is also given to emerging factors such as shifts in consumer consumption patterns to low- or non-alcoholic substitutes or lower consumption overall that are potentially influenced by guidelines from the Canadian Centre on Substance Use and Addiction.

The LDB has established an Enterprise Risk Management (ERM) framework that adheres to internationally recognized standards and aligns with Provincial ERM requirements. Risk mitigations are reviewed on a quarterly basis and action is taken where needed. The LDB is committed to integrating risk management practices into its organizational processes, continually expanding its risk management capabilities.

Appendix A: Minister's Letter of Direction

VIA EMAIL Ref: 655915

August 18, 2023

R. Blain Lawson
General Manager and Chief Executive Officer
BC Liquor Distribution Branch
Ministry of Public Safety and Solicitor General
3383 Gilmore Way
Burnaby BC V5G 4S1

Dear Blain Lawson:

I would like to extend my thanks to you and your executive leadership team for your dedication, expertise, and service to the people of British Columbia.

This letter, which I am sending in my capacity as Minister responsible for the BC Liquor Distribution Branch (LDB), sets out overarching principles relevant to the public sector and specific direction on priorities and expectations for the LDB for the remainder of Government's term.

Government must continue to advance results that people can see and feel in these key areas: strengthened health care, safer communities, attainable and secure housing, and a clean and fair economy that delivers affordability and prosperity. In doing so, you will continue working towards lasting and meaningful reconciliation by supporting opportunities for Indigenous Peoples to be full partners in the province we are building together and delivering on specific commitments as outlined in the *Declaration on the Rights of Indigenous Peoples Act* action plan.

As required by the *Climate Change Accountability Act*, please ensure the LDB implements targets and strategies for minimizing greenhouse gas emissions and managing climate risk, including achieving carbon neutrality each year and aligning with the CleanBC target of a 50 per cent reduction in public sector building emissions and a 40 per cent reduction in public sector fleet emissions by 2030. As a branch of government, the LDB is expected to report out on these plans and activities.

Our province's history, identity and strength are rooted in its diverse population. Yet racialized and marginalized people face historic and present-day barriers that limit their full participation in their communities, workplaces, government and their lives. The public sector has a moral and ethical

…/2

responsibility to tackle systemic discrimination in all its forms – and every branch of government has a role in this work. The adoption of the Gender-Based Analysis Plus (GBA+) lens is required to ensure gender equity is reflected in your operations and programs.

British Columbians expect that government operate in a responsible manner to deliver quality services equitably in all regions of the province. This requires strategic stewardship of planning, operations, and policies in the areas of financial, risk, and human resource management including information security and privacy protection.

The LDB must also demonstrate continued diligence and education to maintain an effective fraud risk management strategy, including, for example, strategies for minimizing large cash transactions.

In addition to continuing to make progress on your 2021 mandate letter, and working with the Crown Agencies Secretariat in the Ministry of Finance, I expect you to ensure the important priorities and areas of focus listed in this letter are incorporated into the practices of your organization and develop plans to address the following continuing priorities within your approved net income targets:

- Strengthening the LDB's focus on corporate social impact/responsibility through initiatives that align with government's social and environmental priorities;

- Continuing commitment to improve organizational effectiveness and management practices by building on existing strengths to enhance a productive work culture and bolster overall performance; and,

- Working with other government partners to refresh and refocus the LDB's work with the Business Technical Advisory Panel on areas that are mutually beneficial and straightforward to advance.

I look forward to continuing to work with you to meet the high standards set for us by all British Columbians.

Sincerely,

Mike Farnworth
Minister of Public Safety and Solicitor General
and Deputy Premier

pc: Mary Sue Maloughney
Associate Deputy Minister, Crown Agencies Secretariat
Ministry of Finance

Kim Horn
Executive Lead, Crown Agencies Secretariat
Ministry of Finance

Appendix B: Progress on Letters of Priorities

The following is a summary of progress made on priorities as stated in the 2021/22 Mandate Letter from the Minister Responsible and the most recent Minister's Letter of Direction (see Appendix A).

2021/22 Mandate Letter Priority	Status as of March 31, 2024
Continue to work with government and the Business Technical Advisory Panel (BTAP) members to evaluate and implement permanent and temporary policy and regulatory changes to support sectors impacted by the COVID-19 pandemic.	• In response to the COVID-19 pandemic and in consultation with BTAP, government introduced a number of both temporary and permanent policy reforms. As previously reported, the LDB provided a range of support to the liquor manufacturing and hospitality industries, including wholesale pricing of liquor products for hospitality customers and temporary authorization of liquor manufacturers in B.C. to produce, sell and donate hand sanitizer. • While there have been no further requests from industry in response to the COVID-19 pandemic, recent cold snaps in December 2022 and January 2024 resulted in grape shortages for the B.C. wine industry. In response, during the 2023/24 fiscal year, the LDB allowed Land Based Wineries (LBW) to temporarily convert to commercial winery status to source non-BC grapes and produce a 2023 vintage, and on a case-by-case basis allowed temporary exemptions to LBW concerned about meeting the criterion that 25 per cent of their manufacturing inputs must come from their owned or leased land.

2021/22 Mandate Letter Priority	Status as of March 31, 2024
Continue to identify and deliver greater benefits to consumers and industry by implementing the approved recommendations from the BTAP report received by government on April 30, 2018, and by finding efficiencies at LDB liquor distribution centres.	• Since BTAP presented its initial 24 liquor policy recommendations to government in April 2018, the LDB and its cross-government partners have completed over half of the recommendations as well as emergency recommendations brought forward to support industry during the COVID-19 pandemic. • In April 2023, in response to a changing liquor landscape and evolving industry priorities, government closed off the 2018 report and worked with BTAP members to establish a new set of shared policy priorities for the liquor industry moving forward. • In January 2024, government confirmed the list of new policy priorities with BTAP, including cross ministry initiatives such as, sharing hospitality concerns raised in BTAP discussions across government, and supporting information sharing and collaboration with industry and public health. • Work is underway on most of the refreshed BTAP priorities; for the LDB this includes undertaking comprehensive stakeholder engagement as part of the review of LDB's manufacturer sales agreements, modernizing LDB's technology systems and working with the Ministry of Agriculture and Food to explore possible amendments to the Wines of Marked Quality Regulation of B.C.

2021/22 Mandate Letter Priority	Status as of March 31, 2024
Continue to establish LDB Cannabis Operations' wholesale and retail lines of business and support government's key priorities of protecting public health and safety, promoting social responsibility and eliminating the illicit market.	• In April 2023, the LDB eliminated the requirement for licensed producers to maintain insurance coverage for product recall expenses and changed payment terms from 30 to 14 days to improve LP cash flow. • Continued to expand the direct delivery program first launched in August 2022 to enable eligible small-scale and Indigenous licensed cannabis producers to directly deliver their products to licensed cannabis retail stores in B.C. and reduced the reporting requirement from weekly to bi-weekly to reduce administrative burden. • Continued to onboard new private licensed cannabis retail stores that opened in the province to the BC Cannabis Wholesale platform. There are approximately 523 private licensed cannabis stores on the platform. • Maintained a monthly calendar of social responsibility campaigns focused on educating customers about the importance of responsible consumption. Campaigns featured strategic messaging about keeping cannabis away from youth, the risks of drug impaired driving, safe consumption practices and fire safety. Social responsibility campaign materials are displayed in prominent, high-traffic areas in all BCCS and are promoted via BCCS' digital channels (website and social media). See Goal 3, Objective 3.2 for more information. • Continued a seasonal social responsibility campaign aimed at educating customers on the risks of drug impaired driving. The campaign was launched in 2022 in partnership with the Policing and Security Branch.

2021/22 Mandate Letter Priority	Status as of March 31, 2024
In collaborating with stakeholders, continue to reinforce BC Liquor Stores' focus on corporate social responsibility by promoting awareness of the risks associated with alcohol misuse.	• Maintained a monthly calendar of social responsibility campaigns focused on educating customers about the importance of moderation and responsible consumption practices. Campaigns featured strategic messaging about the risks associated with underage drinking, drinking and driving, binge-drinking, Fetal Alcohol Spectrum Disorder, and alcohol consumption and summer/winter activities. See Goal 3, Objective 3.2 for more information. • Social responsibility campaign materials are displayed in prominent, high-traffic areas in all BCL stores and are promoted via BCL's digital channels (website and social media). See Goal 3, Objective 3.2 for more information.
Optimize the LDB's financial performance and sustain net returns to the Province of British Columbia in accordance with government policy, Treasury Board directives and the appropriate legislation and regulation.	• While operating expenses were below budget, persistent inflationary pressure on consumer's discretionary spending and lower beverage alcohol consumption led to a net income slightly below the 2023/24 target by $2.1 million. • $1.15 billion of net income was generated to help fund vital public services. See Goal 1, Objective 1.1 for more information. • The LDB lines of business continued to achieve set objectives to support sales growth and increase efficiencies. Key highlights and discussion of results are included in the "Report on Performance" sections of this annual report.

Minister's Letter of Direction	Status as of March 31, 2024
Strengthening the LDB's focus on corporate social impact/responsibility through initiatives that align with government's social and environmental priorities.	• Through its network of BCL and BCCS, the LDB supported five in-store charitable campaigns throughout fiscal 2023/24 and raised: o $1.16 million for Food Banks BC, o $605,724 for Canadian Red Cross, and o $64,525 for QMUNITY. • Through its network of BCL, the LDB raised $273,324 from its Dry Grad campaign in fiscal 2023/24 in support of B.C. school districts' organization of alcohol and drug-free high school graduation celebrations. • See Goal 3, Objectives 3.1 and 3.3 for more information.
Continuing commitment to improve organizational effectiveness and management practices by building on existing strengths to enhance a productive work culture and bolster overall performance.	• Exceeded targets of on-time and accurate delivery to liquor customers through employee training proactivity and collaboration with external vendors and partners. • Recorded the best quarter to date of on-time delivery to cannabis customers, exceeding target, through effective collaboration with freight carriers and improving distribution centre efficiencies. • The LDB lines of business continued to make changes and improvements to their operations and achieved a number of their objectives and targets. Key highlights and discussion results are included in the "Report on Performance" sections of this annual report (e.g., see Goal 2, Objective 2.1).
Working with other government partners to refresh and refocus the LDB's work with the Business Technical Advisory Panel on areas that are mutually beneficial and straightforward to advance.	• Work is underway on most of the refreshed BTAP priorities, for LDB this includes undertaking a comprehensive stakeholder engagement as part of the review of LDB's manufacturer sales agreements and modernizing LDB's technology systems. Also, in response to BTAP's request, the LDB reviewed and expanded single bottle picks in 2023. • The LDB works closely with the LCRB on BTAP recommendations to support industry. For example, the LCRB implemented a suite of policy changes to improve the onsite experience for visitors at wineries, breweries, and distilleries.

Appendix C: Subsidiaries and Operating Segments

Table 1 provides an overview of BCL operating results, considering it as a customer of LDB Wholesale Operations, similar to other private store operators. To avoid double counting, all internal transactions between BCL and LDB Wholesale Operations have been excluded from LDB's financial results. In the fiscal year 2023/24, BCL net income decreased by $8.4 million compared to the prior year. The net income rate declined by 60 basis points, reaching 10.0 per cent of sales.

Table 1: BCL financial results

(Unaudited $millions)	**2022/23 Actual**	**% sales**	**2023/24 Actual**	**% sales**
Sales	1,582.7	100.0	1,575.3	100.0
Gross Margin	373.6	23.6	375.5	23.8
Expenses	208.7	13.2	218.9	13.9
Other Income	2.4	0.2	2.3	0.1
Net Income	**167.3**	**10.6**	**158.9**	**10.1**

BCL sales include all customer transactions, including counter customers and private stores that occur in the stores. However, sales and the associated gross margin from licensed establishments (hospitality customers) are excluded from the BCL results since those sales are attributed to LDB Wholesale Operations. Consequently, the costs related to these hospitality sales are also removed from the BCL results.

The gross margin reflects the retail markup applied to the wholesale price of the product transferred from LDB Wholesale Operations to BCL.

It is important to note that the financial results presented in this particular schedule do not include any allocation of head office expenses.

Appendix D: Auditor's Report and Audited Financial Statements

Financial Statements of

BC LIQUOR
DISTRIBUTION BRANCH

And Independent Auditor’s Report thereon

For the year ended March 31, 2024

KPMG LLP
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada
Telephone (604) 691-3000
Fax (604) 691-3031

INDEPENDENT AUDITORS REPORT

To the Minister of Public Safety and Solicitor General, Province of British Columbia

Opinion

We have audited the accompanying financial statements of British Columbia Liquor Distribution Branch, which comprise:

- the statement of income and comprehensive income for the year then ended
- the statement of due to the Province of British Columbia for the year then ended
- the statement of financial position for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of material accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Company 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.

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

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

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 the 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company 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.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
May 15, 2024

BC LIQUOR DISTRIBUTION BRANCH

Statement of Income and Comprehensive Income
(in thousands of dollars)

For the year ended March 31, 2024, with comparative information for 2023

	Note	2024	2023
Revenue	4	$ 3,939,482	$ 3,873,632
Cost of sales		(2,237,005)	(2,163,411)
Gross profit		1,702,477	1,710,221
Expenses:			
Administration	5, 11, 15	(550,153)	(513,784)
Marketing	5	(11,015)	(7,930)
Transportation	5	(1,078)	(1,159)
		(562,246)	(522,873)
Profit before other income and finance costs		1,140,231	1,187,348
Other income		14,676	17,871
Finance costs	11	(6,754)	(6,920)
Total Income and comprehensive income		$ 1,148,153	$ 1,198,299

The accompanying notes are an integral part of these financial statements.

BC LIQUOR DISTRIBUTION BRANCH

Statement of Due to the Province of British Columbia
(in thousands of dollars)

For the year ended March 31, 2024, with comparative information for 2023

	Note	2024	2023
Balance, beginning of year		$ 71,098	$ 42,107
Total income and comprehensive income		1,148,153	1,198,299
Net payments to the Province of British Columbia	13	(1,104,177)	(1,169,308)
Balance, end of year		$ 115,074	$ 71,098

The accompanying notes are an integral part of these financial statements.

BC LIQUOR DISTRIBUTION BRANCH

Statement of Financial Position
(in thousands of dollars)

For the year ended March 31, 2024, with comparative information for 2023

	Note	2024	2023
Assets			
Current:			
Cash		$ 34,976	$ 9,978
Accounts receivable	6	24,676	20,226
Prepaid expenses and deposits	7	6,393	11,090
Inventories	8	239,636	233,078
		305,681	274,372
Non-current:			
Prepaid expenses and deposits	7	5,330	1,247
Intangible assets	9	9	3,514
Property and equipment	10	85,550	86,572
Right-of-use assets	11	210,419	219,414
		301,308	310,747
Total assets		$ 606,989	$ 585,119
Liabilities			
Current:			
Accounts payable and accrued liabilities	12, 15	$ 206,847	$ 223,840
Current portion of lease liabilities	11	46,553	43,680
Due to the Province of British Columbia	13	115,074	71,098
		368,474	338,618
Non-current:			
Non-current portion of lease liabilities	11	186,478	198,718
Other long-term liabilities	14	52,037	47,783
		238,515	246,501
Total liabilities		$ 606,989	$ 585,119

Commitments and contingencies 16,17

The accompanying notes are an integral part of these financial statements.

Approved for issue on May 15, 2024 by:

R. Blain Lawson
General Manager and Chief Executive Officer

Elena Perlova, CPA, CGA.
Acting Chief Financial Officer

BC LIQUOR DISTRIBUTION BRANCH

Statement of Cash Flows
(in thousands of dollars)

For the year ended March 31, 2024, with comparative information for 2023

	Notes	2024	2023
Cash provided by (used in):			
Operating:			
Total income and comprehensive income		$ 1,148,153	$ 1,198,299
Items not involving cash:			
Depreciation and amortization	9, 10, 11	67,503	73,871
Loss (gain) on disposal of property and equipment		(91)	3,378
Finance costs	11	6,754	6,920
Accrued employee benefits		4,255	2,629
Changes in non-cash operating items:			
Non-current assets		(4,083)	(381)
Working capital		(23,304)	(49,881)
		1,199,187	1,234,835
Investing:			
Acquisition of intangible assets	9	-	(1,433)
Acquisition of property and equipment	10	(18,345)	(14,717)
Proceeds from disposal of property and equipment		82	64
		(18,263)	(16,086)
Financing:			
Payment of lease liabilities	11	(51,919)	(52,092)
Lease incentives		170	1,203
Net payments to the Province of British Columbia	13	(1,104,177)	(1,169,308)
		(1,155,926)	(1,220,197)
Increase (decrease) in cash		24,998	(1,448)
Cash, beginning of year		9,978	11,426
Cash, end of year		$ 34,976	$ 9,978
Supplementary information:			
Non-cash operating and finance activities:			
Addition of lease liabilities	11	$ 35,659	$ 56,442

The accompanying notes are an integral part of these financial statements.

1. Description of operations

The British Columbia Liquor Distribution Branch ("the LDB") is one of two branches of the Province of British Columbia ("the Province") responsible for the beverage alcohol and cannabis industry in British Columbia and reports to the Ministry of Public Safety and Solicitor General effective April 1, 2023 (previously reporting to the Ministry of Finance).

The LDB obtains its authority for liquor operations from the British Columbia Liquor Distribution Act ("the Act"). As stated in Section 2 of the Act, the LDB has the exclusive right to purchase liquor for resale and reuse in the Province in accordance with the provisions of the Importation of Intoxicating Liquors Act (Canada).

The General Manager and Chief Executive Officer of the LDB are also appointed as the administrator for the wholesale distribution, the operation of retail stores, and the on-line sales system of cannabis products under the Cannabis Distribution Act.

The LDB is reported in the public accounts on a modified equity basis, in a manner similar to a commercial Crown corporation. The LDB does not reflect any equity on its statement of financial position as all income is owned and payable to the Province of British Columbia.

The LDB is exempt from Canadian federal and British Columbia provincial income taxes.

2. Basis of accounting

(a) 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"). These financial statements were authorized for issuance by those charged with governance on May 15, 2024.

(b) Basis of measurement

The financial statements have been prepared on a historical cost basis. The accounts have been prepared on a going concern basis.

(c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the LDB's functional currency. All financial information has been rounded to the nearest thousand.

(d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting judgments, estimates and assumptions that could materially affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results could differ from those estimates.

2. Basis of accounting (continued)

(d) Use of estimates and judgments (continued)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. In determining and applying accounting policies, judgment is often required where the choice of specific policy, assumption or account estimate to be followed could materially affect the reported results or net position of the LDB, should it later be determined that a different choice would be more appropriate. Management considers the following to be areas of judgment and estimation for the LDB due to greater complexity and/or being particularly subject to the exercise of judgment:

(i) Property and equipment and intangible assets

The determination of the useful economic life of property and equipment and intangible assets is subject to management estimation. The LDB regularly reviews all of its depreciation and amortization rates and residual values to take account of any changes in circumstances or that could affect prospective depreciation, amortization charges, and asset carrying values.

(ii) Leases and right-of-use assets - renewals

Management exercises judgment in determining the appropriate lease term on a lease-by-lease basis. Management considers all facts and circumstances that create an economic incentive to exercise a renewal option or to not exercise a termination option including investments in major leaseholds, store performances, past business practice and the length of time remaining before the option is exercisable. The periods covered by renewal options are only included in the lease term if management is reasonably certain to renew. Management considers reasonably certain to be a high threshold. Changes in the economic environment or changes in the retail industry may impact management's assessment of lease terms, and any changes in management's estimate of lease terms may have a material impact on the LDB's statement of financial position and statement of comprehensive income.

(iii) Leases and right-of-use assets - discount rates

In determining the carrying amount of right-of-use assets and lease liabilities, the LDB is required to estimate the incremental borrowing rate specific to each leased asset or portfolio of leased assets if the interest rate implicit in the lease is not readily determined. Management determines the incremental borrowing rate using a base risk-free interest rate estimated by reference to the Government of Canada bond yield with an adjustment that reflects the LDB's credit rating, the security, lease term and value of the underlying leased asset, and the economic environment in which the leased asset operates. The incremental borrowing rates are subject to change due to changes in the business and macroeconomic environment.

3. Material accounting policies

The accounting policies below have been applied consistently to all periods presented in these financial statements unless otherwise indicated.

(a) Foreign currency translation

The LDB, in the normal course of business, purchases product in foreign currency. Any foreign currency transactions are translated into Canadian dollars at the rate of exchange in effect at the transaction date. Any foreign currency denominated monetary assets and liabilities are stated using the prevailing rate of exchange at the date of the statement of financial position. The resulting foreign currency gains or losses are recognized on a net basis within administrative expenses in the statement of comprehensive income.

(b) Financial instruments

(i) Recognition and initial measurement

Trade receivables and trade payables are initially recognized when they originate. All other financial assets and financial liabilities are initially recognized when the LDB becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (“FVTPL”), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and measurement of financial assets and financial liabilities

Financial Assets

On initial recognition, a financial asset is classified and measured at: amortized cost, fair value through other comprehensive income (“FVOCI”) - debt instrument, FVOCI - equity instrument, or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the LDB changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows;
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. Material accounting policies (continued)

(b) Financial instruments (continued)

(ii) Classification and measurement of financial assets and financial liabilities (continued)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the LDB may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized costs or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

For the purposes of assessing whether contractual cash flows are solely payments of principal and interest, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the LDB considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of the contractual cash flows such that this would not meet this condition.

In making this assessment, the LDB considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features;
- terms that limit the LDB's claim to cash flows from specified assets (e.g., non-recourse features).

3. Material accounting policies (continued)

(b) Financial instruments (continued)

(ii) Classification and measurement of financial assets and financial liabilities (continued)

A prepayment feature is consistent with the payments solely of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

The following accounting policies apply to subsequent measurement of financial assets:

- Financial assets at FVTPL: these assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
- Financial assets at amortized cost: these assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
- Debt investments at FVOCI: these assets are subsequently measured at fair value. Interest income calculated using the effective interest method and impairment are recognized in profit or loss. Other net gains are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

3. Material accounting policies (continued)

(b) Financial instruments (continued)

(iii) Derecognition

The LDB derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the LDB neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The LDB derecognizes a financial liability when its contractual obligations are discharged, or cancelled, or expire. The LDB also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the LDB currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(c) Property and equipment

Property and equipment are measured at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the LDB and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

3. Material accounting policies (continued)

(c) Property and equipment (continued)

Construction in process is carried at cost less any impairment loss. Cost includes professional fees, materials, direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When these assets are ready for their intended use, they are transferred into the appropriate category. At this point, depreciation commences on the same basis as the other property and equipment.

(d) Intangible assets

Acquired intangible assets

Where purchased computer software is not an integral part of a related item of property and equipment, the software is capitalized as an intangible asset. Acquired computer software licenses for which the LDB has control are capitalized on the basis of the costs incurred to acquire and bring them into use.

Intangible assets acquired by the LDB that have finite lives are measured at cost less accumulated amortization and accumulated impairment losses.

Internally generated intangible assets

Direct costs associated with the production of identifiable and unique internally generated software products controlled by the LDB that will generate economic benefits exceeding costs beyond one year are capitalized. Direct costs include software development employment costs including those of contractors used.

Development expenditures incurred are capitalized only if the following can be demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale as intended by management;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset; and
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Development expenditures that do not meet these criteria are recognized as an expense as incurred.

3. Material accounting policies (continued)

(d) Intangible assets (continued)

Assets that are under construction over a period of time and not available for use, are carried at cost, less any impairment loss, in a development in progress account until put into use. When completed and ready for intended use these assets are amortized on the same basis as other acquired intangible assets.

Costs associated with the implementation of Software as a Service (“SaaS") solutions and maintenance of existing software programs are recognized as an expense as incurred.

(e) Depreciation and amortization of non-financial assets

No depreciation is provided on land or assets in the course of construction. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their net book values over their estimated useful lives, as follows:

Asset	Rate
Buildings and building improvements	2.5 - 5% per annum
Leasehold improvements	Shorter of term of lease or estimated useful lives
Furniture, fixtures, vehicles and equipment	10 - 25% per annum
Information systems	25% per annum
Intangible assets - computer software development costs	25% per annum

The assets’ net book values and useful lives are reviewed and adjusted, if appropriate, at each date of the statement of financial position.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the statement of comprehensive income.

3. Material accounting policies (continued)

(f) Leases and right-of-use assets

At the inception of a contract, the LDB assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset the LDB assess whether:

- the contract involves the use of an identified asset. This may be specified explicitly or implicitly and, should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the LDB has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- the LDB has the right to direct the use of the asset. The LDB has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases, where the decision about how and for what purpose the asset is used is predetermined, the LDB has the right to direct the use of the asset if either:
    - the LDB has the right to operate the asset; or
    - the LDB designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassignment of a contract that contains a lease component, the LDB allocates the consideration of the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which LDB is a lessee, the LDB has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

As a lessee, the LDB recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located where a contractual obligation exists, less any lease incentives received.

3. Material accounting policies (continued)

(f) Leases and right-of-use assets (continued)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Incremental borrowing rate	2024	2023
Buildings	4% per annum	3 - 4% per annum
Office equipment	1% per annum	1% per annum

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the LDB's incremental borrowing rate. Generally, the LDB uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the LDB is reasonably certain to exercise, lease payments in an optional renewal period if the LDB is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the LDB is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the LDB's estimate of the amount expected to be payable under a residual value guarantee, or if the LDB changes its assessment of whether it will exercise a purchase, extension, or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

3. Material accounting policies (continued)

(f) Leases and right-of-use assets (continued)

Short-term leases and leases of low-value assets

The LDB has applied the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, which includes computer equipment. The LDB recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(g) Inventories

The LDB’s inventories are valued at the lower of cost and net realizable value. Inventories are determined on a weighted average cost basis. Cost of inventories comprises of cost of purchase to bring inventories to an LDB distribution centre and includes supplier invoiced value, freight, duties, and non-recoverable taxes. Net realizable value represents the estimated selling price for inventories less the estimated costs to sell.

Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence or damage. When circumstances that previously caused inventories to be written down below cost no longer exist, the amount of the write-down previously recorded is reversed.

(h) Impairment

The LDB recognizes loss allowances for expected credit loss (‘ECL’) on financial assets measured at amortized cost and contract assets. The financial assets at amortized cost consist of accounts receivable.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the LDB considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the LDB’s historical experience and informed credit assessment, which includes forward-looking information.

Allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

The LDB assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The LDB considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the LDB in full.

Lifetime ECLs are the those amounts that result from all possible default events over the expected life of a financial instrument.

3. Material accounting policies (continued)

(h) Impairment (continued)

Measurement of ECLs is a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the LDB expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the LDB assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data: significant financial difficulty of the debtor; a breach of contract such as a default; or being more than 30 days past due.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

If the LDB has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof, the gross carrying amount of the financial asset is written off.

(i) financial assets

Assets that are subject to depreciation and amortization are reviewed at each statement of financial position date to determine whether there is any indication that assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (the "cash-generating unit"), which are based on the LDB's individual stores.

(ii) non-financial assets

Non-financial assets that suffered an impairment loss are reviewed for possible reversal of the impairment at each reporting date. An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization if no impairment loss had been recognized. This reversal would be recognized immediately in the statement of comprehensive income.

3. Material accounting policies (continued)

(i) Employee benefit plans

The LDB and its employees contribute to the Public Service Pension Plan in accordance with the Public Service Pension Plans Act. Defined contribution plan accounting is applied to the jointly trusteed pension plan because sufficient information is not available to apply defined benefit accounting. Accordingly, contributions are expensed as they become payable. Employees are also entitled to specific retirement benefits as provided for under collective agreements and terms of employment. These benefits are accounted for as an expense and a liability in the period incurred based on the allocation of liability from the Province.

(j) Provisions

Provisions are recognized if, as a result of a past event, the LDB has a legal or constructive obligation upon which a reliable estimate can be made, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are calculated on a discounted basis where the effect is material to the original undiscounted provision. The carrying amount of the provision increases in each period to reflect the passage of time and the unwinding of the discount. The unwinding of the discount is recognized as a finance cost.

(k) Revenue recognition

Revenue is measured based on the consideration to which LDB expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. For direct delivery programs where LDB accounts for the transactions as an agent, the revenue represents only the net margin charged on direct delivery sales. The LDB recognizes revenue when performance obligations are satisfied. Revenue from the sale of goods are measured at the amount that reflects the best estimate of the consideration expected to receive in exchange for those goods.

Revenue is stated net of discounts, commission, estimated returns and excludes provincial sales tax, federal goods and services tax, container recycling fees and container deposits.

(l) Other income

Revenue that is ancillary to the sales of beverage alcohol is recognized as other income. Other income includes revenue from beverage container handling fees, border point collections and customs clearing administrative fees.

3. Material accounting policies (continued)

(m) Changes in accounting standards

(i) *New standards, interpretations, and amendments adopted by the LDB*

- *IAS 8 Accounting Policies, Changes to Accounting Estimates and Errors amendments*

  These amendments introduce a new definition of 'accounting estimates'. The amendments are designed to clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. In the amendment, accounting estimates are defined as "monetary amounts in financial statements that are subject to measurement uncertainty". This amendment is effective for the annual reporting period beginning April 1, 2023. These amendments are not expected to have a significant impact on the LDB's financial statements.

(ii) *New IFRS standards, amendments and interpretations to existing standards that are relevant to the LDB but are not yet effective*

The following are new standards that are effective for the annual period beginning after April 1, 2024 and have not been adopted.

- *IAS 1 (Presentation of financial statements) amendment*

  The amendment issued in 2020 affects only the presentation of liabilities in the statement of financial position as current or non-current. There are no changes to the amount or timing of recognition of any asset, liability income or expense, or the information that the entities disclose about those items. The amendment was to be effective for annual reporting periods beginning on or after January 1, 2023; however, the IASB has proposed further amendments to IAS 1 regarding liabilities with covenants, and the deferral of the effective date of the 2020 amendments to no earlier than January 1, 2024. This amendment is effective for the annual reporting period April 1, 2024. These amendments are not expected to have a significant impact on the LDB's financial statements.

(Tabular amounts in thousands of dollars)

4. Revenue

Total sales of liquor and cannabis include sales to various customers including retail customers, licensed establishments, licensee retail stores, and agency stores. These amounts do not include subsequent resale by hospitality establishments, licensee retail stores, and agency stores.

	2024	2023
Retail customers	$ 1,687,548	$ 1,670,875
Licensee retail stores and independent wine stores	1,713,006	1,667,075
Hospitality customers	400,635	399,372
Agency stores	102,949	104,782
Other customers	35,344	31,528
Total sales	$ 3,939,482	$ 3,873,632

(Tabular amounts in thousands of dollars)

5. Operating expenses

The LDB's operating expenses are comprised of:

	2024	2023
Administration costs	$ 550,153	$ 513,784
Marketing	11,015	7,930
Transportation	1,078	1,159
	$ 562,246	$ 522,873
Salaries, wages and benefits	$ 350,788	$ 316,536
Depreciation and amortization	67,503	73,871
Bank charges	41,848	41,391
Other administrative expenses	26,859	24,884
Rents and property taxes	19,698	17,708
Data processing	15,566	13,162
Professional services	13,644	13,025
Marketing	11,015	7,930
Repairs and maintenance	10,327	9,155
Loss prevention	3,920	4,052
Transportation	1,078	1,159
Total operating expenses	$ 562,246	$ 522,873

6. Accounts receivable

	2024	2023
Trade accounts receivable and other items	$ 27,430	$ 21,586
Provision for doubtful accounts	(2,754)	(1,360)
Accounts receivable	$ 24,676	$ 20,226

Receivables past invoice due date but not impaired are $4 million (2023 - $3.7 million). During the year the LDB expensed $1.6 million (2023 - $0.2 million) as bad debts expense.

(Tabular amounts in thousands of dollars)

7. Prepaid expenses and deposits

Prepaid expenses and deposits include insurance, software maintenance, and cash paid pertaining to wine to be received in subsequent periods. The LDB purchases select wine products up to three years in advance to secure future delivery of these products as part of its ongoing business practices. These products are normally purchased in foreign currency and are translated to Canadian dollars at the spot exchange rate in effect at the transaction date. At March 31, 2024, the LDB has recorded $8.6 million (2023 - $9.4 million) of prepaid wine futures for delivery in fiscal years 2025 and 2026.

	2024	2023
Non-refundable deposit of wine futures	$ 8,611	$ 9,441
Other prepaid expenses	3,112	2,896
	11,723	12,337
Less: long term portion	(5,330)	(1,247)
Current portion	$ 6,393	$ 11,090

8. Inventories

	2024	2023
Store inventory	$ 94,117	$ 92,373
Warehouse inventory	145,519	140,705
Total inventory	$ 239,636	$ 233,078

During the year, inventories that were recognized as cost of sales amounted to $2.2 billion (2023 - $2.2 billion).

(Tabular amounts in thousands of dollars)

9. Intangible assets

	Software development	Development in process	Total
March 31, 2023			
Opening net book value	$ 11,431	$ 2,519	$ 13,950
Additions	1	1,432	1,433
Assets reclassified	49	(49)	-
Completion of development-in-progress	3,902	(3,902)	-
Assets written-off	(3,417)	-	(3,417)
Amortization charge	(8,452)	-	(8,452)
	$ 3,514	$ -	$ 3,514
Cost	$ 94,712	$ -	$ 94,712
Accumulated amortization	(91,198)	-	(91,198)
Net book value	$ 3,514	$ -	$ 3,514
March 31, 2024			
Opening net book value	$ 3,514	$ -	$ 3,514
Amortization charge	(3,505)	-	(3,505)
	$ 9	$ -	$ 9
Cost	$ 94,712	$ -	$ 94,712
Accumulated amortization	(94,703)	-	(94,703)
Net book value	$ 9	$ -	$ 9

(Tabular amounts in thousands of dollars)

10. Property and equipment

	Land & land improvements	Buildings & building improvements	Leasehold improvements	Furniture fixtures vehicles and equipment	Information systems	Construction in process (CIP)	Total
March 31, 2023							
Opening net book value	$ 630	$ 1,072	$ 67,113	$ 14,342	$ 9,654	$ 1,782	$ 94,593
Additions	-	77	1,240	3,066	2,085	8,249	14,717
CIP capitalization	-	-	6,124	1,082	238	(7,444)	-
Disposals (cost)	-	-	-	(1,204)	(246)	-	(1,450)
Disposals (accumulated depreciation)	-	-	-	1,183	243	-	1,426
Depreciation charge	(2)	(91)	(11,329)	(6,340)	(4,952)	-	(22,714)
	$ 628	$ 1,058	$ 63,148	$ 12,129	$ 7,022	$ 2,587	$ 86,572
Cost	$ 647	$ 6,686	$ 169,431	$ 70,241	$ 50,049	$ 2,586	$ 299,640
Accumulated depreciation	(19)	(5,628)	(106,283)	(58,112)	(43,026)	-	(213,068)
Net book value	$ 628	$ 1,058	$ 63,148	$ 12,129	$ 7,023	$ 2,586	$ 86,572
March 31, 2024							
Opening net book value	$ 628	$ 1,058	$ 63,148	$ 12,129	$ 7,023	$ 2,586	$ 86,572
Additions	273	404	979	4,654	3,931	8,104	18,345
CIP capitalization	-	-	4,751	714	-	(5,465)	-
Disposals (cost)	-	-	(15,533)	(5,296)	(3,325)	-	(24,154)
Disposals (accumulated depreciation)	-	-	15,533	5,273	3,325	-	24,131
Depreciation charge	(5)	(101)	(11,468)	(4,581)	(3,189)	-	(19,344)
	$ 896	$ 1,361	$ 57,410	$ 12,893	$ 7,765	$ 5,225	85,550
Cost	$ 920	$ 7,090	$ 159,628	$ 70,313	$ 50,655	$ 5,225	$ 293,831
Accumulated depreciation	(24)	(5,729)	(102,218)	(57,420)	(42,890)	-	(208,281)
Net book value	$ 896	$ 1,361	$ 57,410	$ 12,893	$ 7,765	$ 5,225	$ 85,550

(Tabular amounts in thousands of dollars)

11. Leases and right-of-use assets

The LDB has various real estate (property) leases for retail stores, office space and warehouses. The leases have varying terms, escalation clauses, and renewal rights. The leases for retail stores, office space and warehouses typically run for a period of five to ten years. Some leases also require the LDB to make payments related to property taxes levied on the lessor and insurance payments made by the lessor. These amounts are generally determined annually.

The LDB also leases office equipment with terms of five years.

(a) Right-of-use assets

	Property	Equipment	Total
March 31, 2023			
Opening net book value	$ 205,505	$ 172	$ 205,677
Additions	55,078	1,364	56,442
Depreciation charge	(42,442)	(263)	(42,705)
	$ 218,141	$ 1,273	$ 219,414
Cost	$ 392,262	$ 2,310	$ 394,572
Accumulated depreciation	(174,121)	(1,037)	(175,158)
Net book value	$ 218,141	$ 1,273	$ 219,414
March 31, 2024			
Opening net book value	$ 218,141	$ 1,273	$ 219,414
Additions	35,659	-	35,659
Disposals (cost)	(1,651)	-	(1,651)
Disposals (accumulated depreciation)	1,651	-	1,651
Depreciation charge	(44,381)	(273)	(44,654)
	$ 209,419	$ 1,000	$ 210,419
Cost	$ 420,452	$ 2,310	$ 422,762
Accumulated amortization	(211,033)	(1,310)	(212,343)
Net book value	$ 209,419	$ 1,000	$ 210,419

(Tabular amounts in thousands of dollars)

11. Leases and right-of-use assets (continued)

(b) Right-of-use asset provision

One of the properties that the LDB leases has been vacant. The lease ended in July 2023.

The provision for the right-of-use asset is as follows.

	2024	2023
Balance, April 1	$ 610	$ 2,399
Lease payments	(613)	(1,838)
Finance costs	3	49
Balance, March 31	$ -	$ 610

(c) Amounts recognized in statement of comprehensive income

	2024	2023
Depreciation on right-of-use assets	$ 44,654	$ 42,705
Interest expense on lease liabilities	6,754	6,920
Rent expense related to short-term leases	388	84

(d) Amounts recognized in statement of cash flows

	2024	2023
Total cash outflow for leases	$ 51,919	$ 52,092

(Tabular amounts in thousands of dollars)

11. Leases and right-of-use assets (continued)

(e) Lease liabilities

Undiscounted cash flow of future lease payments

	2024	2023
Less than one year	$ 53,101	$ 52,017
Between one to five years	150,402	154,669
More than five years	54,163	77,768
	$ 257,666	$ 284,454

Lease liabilities included in the statement of financial position

	2024	2023
Current	$ 46,553	$ 43,680
Non-current	186,478	198,718
	$ 233,031	$ 242,398

The weighted-average incremental borrowing rate applied for leases that are 10 years or more is 4.0% (2023 - 3.9%). Leases that are less than 10 years use a discount rate of 3.5% (2023 - 3.0%).

12. Accounts payable and accrued liabilities

	2024	2023
Trade payables	$ 126,363	$ 139,417
Accrued liabilities	73,737	77,691
Other payables	6,747	6,732
	$ 206,847	$ 223,840

(Tabular amounts in thousands of dollars)

13. Due to Province of British Columbia

The LDB uses the Province's financial and banking systems to process and record its transactions. The amount due to the Province represents the accumulated net financial transactions with the Province. During the year, the total receipts from the Province were \$3.33 billion (2023 - \$3.21 billion) and the total payments to the Province were \$4.43 billion (2023 - \$4.38 billion) for a net repayment to the Province of \$1.10 billion (2023 - \$1.17 billion).

14. Other long-term liabilities

The LDB's other long-term liabilities are comprised of:

	2024	2023
Retirement benefit obligation (note 15(b))	$ 21,864	$ 21,453
WorkSafe BC claims accruals (note 15(c))	27,800	24,500
Other	2,373	1,830
	$ 52,037	$ 47,783

15. Employees' benefit plans and other employment liabilities

(a) Public Service Pension Plan

The LDB and its employees contribute to the Public Service Pension Plan, a jointly trusteed pension plan. The Public Service Pension Board of Trustees, representing plan members and employers, is responsible for administering the plan, including investment of the assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. At March 31, 2023, the plan has about 71,000 active members and approximately 55,000 retired members.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

15. Employees' benefit plans and other employment liabilities (continued)

(a) Public Service Pension Plan (continued)

The latest actuarial valuation as at March 31, 2023, indicated a funding surplus of $4.491 million for basic pension benefits on a going concern basis.

LDB paid $22.9 million (2023 - $19.3 million) for employer contributions to the plan in fiscal 2024 which was recorded in administration expenses. The next valuation will be as at March 31, 2026.

Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plan.

(b) Retirement benefits

Employees are entitled to specific non-pension retirement benefits as provided for under collective agreements and terms of employment. The future liability for this obligation amounts to $21.9 million (2023 - $21.5 million), which represents future employees' retirement benefits outside of the Plan and is included in other long-term liabilities. The amount expensed in the current year was $0.4 million (2021 - $0.3 million).

(c) WorkSafe BC outstanding claims

The LDB self-funds worker's compensation claims. The LDB recognizes a liability and an expense for claims that are in progress at the year-end. This liability of $27.8 million (2023 - $24.5 million) is valued by independent actuaries.

16. Contractual commitments

(a) BC Liquor store and BC Cannabis store license fees

The LDB pays the Liquor Control and Licensing Branch an annual license fee for each LDB retail store. The BC Liquor store fee is based on annual store sales. The BC Cannabis fee is annual fixed fee. The LDB paid $0.5 million (2023 - $0.5 million) for license fees during the year.

(b) Payroll processing

The LDB has an agreement with the BC Public Service Agency for payroll processing. The LDB paid $1.2 million (2023 - $1.1 million) for processing services. The agreement expires in July 2025.

Other contractual commitments have been disclosed elsewhere in the notes to the financial statements.

17. Contingent items

(a) The LDB is the sole importer of beverage alcohol in the Province. The LDB, as the importer of record, has the future liability for customs duty on import beer of $0.5 million (2023 - $1.0 million) based upon the value of the agents' inventories at March 31, 2024.

(b) The LDB in the normal course of operations is the defendant in various legal actions and it is not expected that the ultimate outcome of these claims will have a material effect on the financial position or operating results of the LDB.

18. Capital management

The LDB does not retain any equity. Net income is returned to the Province. The LDB has no externally imposed capital requirements.

(Tabular amounts in thousands of dollars)

19. Related party transactions

(a) Province of British Columbia

All transactions with the Province of BC and its ministries, agencies, and Crown corporations occurred in the normal course of business and are recorded at the exchange amount, which is representative of fair value unless otherwise disclosed in these notes.

(b) Key management compensation

The LDB's executive management committee is defined as key management. At March 31, 2024 there were 10 (2023 - 9) members on the executive committee.

	2024	2023
Salaries and short-term benefits	$ 1,919	$ 1,609
Post-employment benefits	138	101
	$ 2,057	$ 1,710

Other related party transactions have been disclosed elsewhere in the notes to the financial statements.

20. Fair value of financial instruments

Fair value measurements recognized in the statement of financial position are categorized in accordance with the following levels:

(i) Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

(ii) Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

(iii) Level 3: Inputs for the asset or liability that is not based on observable market data (unobservable inputs)

All of the LDB's financial instruments are classified within Level 1 or Level 2, apart from the Worksafe BC liabilities (Level 3), because these instruments are valued using quoted market prices or alternative pricing sources and models utilizing observable market inputs.

20. Fair value of financial instruments (continued)

The fair values of the LDB's financial instruments were determined to be the current assets and liabilities.

The carrying amounts for cash, accounts receivable, accounts payable and accrued liabilities and due to the Province of British Columbia approximate their fair values due to the short-term nature of these items.

21. Facilities

The LDB has access to a line of credit facility of $40,000,000 that is shared with other Provincial ministries and agencies. The balance drawn down as at March 31, 2024 was $nil (2023 - $nil)

22. Financial risk factors

The LDB is exposed to the following risks related to its financial assets and liabilities:

- Credit risk
- Liquidity risk
- Market risk

It is management’s opinion that the LDB is not exposed to significant credit, liquidity or market risk arising from these instruments.

The LDB does not have any financial instruments to be disclosed with actuarial value.

(a) Credit risk

Credit risk is the risk of financial loss to the LDB due to customer inability to pay for product or a counterparty to a financial instrument failing to meet its contractual obligations. The LDB’s exposure to credit risk is related only to the value of accounts receivable in its normal course of business, and the LDB manages this risk by minimizing the amount of transactions which require recovery.

Credit risk is the risk of financial loss to the LDB arising from its cash held at financial institutions and the failure of another party to meet its contractual obligations related to lease agreements, including future lease payments. See accounts receivable note 3(b) and 6 for further disclosure on credit risk.

As at March 31, 2024, the cash balances are held with a major Canadian bank and therefore not exposed to significant credit risk.

22. Financial risk factor (continued)

(b) Liquidity risk

Liquidity risk is the risk that the LDB will not be able to meet its financial obligations as they fall due.

The LDB manages liquidity risk primarily by monitoring cash flows and by maintaining the ability to borrow funds through the Province.

(c) Market risk

Market risk is the risk that changes in the market prices, such as foreign exchange rates and interest rates, will affect the LDB's income or the value of its financial instruments.

While the majority of the LDB's transactions are in Canadian dollars, the LDB also transacts in Euros and US dollars. These transactions are in the normal course of business. The LDB's exposure to foreign currency risk could impact the accounts payable of the LDB. A 10% movement in the exchange rate between the Canadian dollar and the other currencies listed above would not have a material impact on the LDB.

The LDB currently does not hold any debt or equity securities and as such is not exposed to interest rate risk. As the LDB has no significant interest-bearing assets and liabilities, the LDB's income and operating cash flows are substantially independent of changes in market interest rates.