



ONTARIO
CANNABIS
STORE

2021–2022

Annual Report



Letter to the Minister

The Honourable Peter Bethlenfalvy, Minister of Finance

Dear Minister,

As Chair of the Ontario Cannabis Retail Corporation (OCRC) Board of Directors, I am pleased to present the agency's Annual Report.

The report covers the fiscal period from April 1, 2021, to March 31, 2022.

Sincerely,

Connie Dejak
Chair – Board of Directors
Ontario Cannabis Retail Corporation



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Message from the Chair

Over the past year, the Ontario Cannabis Retail Corporation (OCRC), operating as the Ontario Cannabis Store (OCS), took unprecedented steps forward in continuing to build the foundation to support Canada's largest and most vibrant cannabis marketplace for many years to come. I'm pleased to share our 2021–22 Annual Report, which highlights the significant progress we have made toward fulfilling our mandate, set out by Ontario's Minister of Finance.

As Chair, I want to extend a thank you to all the OCRC Board Members for their tremendous commitment to public service and dedication to the OCS. On behalf of the Board, I also want to share our appreciation for the OCS President and Chief Executive Officer, David Lobo, who demonstrated strong and resilient leadership in 2021–22, guiding our operations through many obstacles related to the ongoing COVID-19 pandemic. David's depth of knowledge of the cannabis marketplace and experience in building our organization from inception positioned the OCS to accelerate its growth on a steep trajectory over the past year. Progress this year far exceeded progress in years prior.

Together, the Board advanced several critical priorities in 2021–22, including:

- Completion of the initial phases of a comprehensive agency governance review that is strengthening the Corporation's accountability as a public agency of the Government of Ontario
- Supporting the Auditor General of Ontario 2021 Value for Money Audit of the OCS, resulting in recommendations that set out practical opportunities to strengthen our business against our mandate

- Continuing to advocate for the legal marketplace through stakeholder education and partnering with experts on the release of public reports that highlight the economic benefits of Ontario's cannabis industry and scientifically verified harms found in illegal cannabis products
- Enriching agency oversight through the onboarding of new board members with diverse backgrounds and expertise
- Conducting a robust national search for a permanent president and CEO to ensure stability in leadership for agency operations
- Working with the OCS President and CEO to set a new multi-year corporate strategy that will drive progress on building best-in-class wholesale capabilities and a frictionless customer experience, and championing a socially responsible industry

Combined, these areas of progress have contributed to increased agency momentum toward executing on our important mandate. I look forward to working with our Board of Directors to build on our success in the year ahead.



Connie Dejak
Chair – Board of Directors
Ontario Cannabis Retail Corporation

Message from the President and CEO

Over the 2021–22 fiscal year, the Ontario cannabis industry embraced a second full year of navigating the challenges of the ongoing COVID-19 pandemic while rising to the challenge of expanding legal access and product choice for cannabis consumers. I am pleased to share with you the Ontario Cannabis Store 2021–22 Annual Report, which details our accomplishments over the past fiscal year, including our progress toward the goals and objectives included in our 2021–24 Business Plan. Together, the activities outlined in this report have brought us closer to achieving our vision of growing Canada’s largest and most vibrant cannabis marketplace.

As a government agency, the OCS is tasked with:

- Ensuring access to quality-tested, legal cannabis
- Supporting a socially responsible industry
- Keeping cannabis out of the hands of children and youth
- Delivering revenue to the Province of Ontario

Over the past fiscal year, the OCS worked with partners at the Alcohol and Gaming Commission of Ontario (AGCO) to onboard an unprecedented number of privately operated Authorized Retail stores across the province to rapidly expand access to legal cannabis. At the same time, the OCS worked with federally Licensed Producers to expand the assortment of innovative cannabis products across a range of categories that are beginning to prove to consumers the competitive advantage of legal cultivation and manufacturing. The OCS also made notable efforts to begin to build a foundation of social responsibility within its business and the legal industry, an effort that will gain focus in the year ahead.

Despite the ongoing impacts of the COVID-19 pandemic, the OCS and the AGCO supported 1,460 stores in operation by the end of fiscal year 2021–22. To support this substantial network growth, the OCS scaled its operations and saw wholesale sales surpass \$1 billion. The organization took measurable steps to introduce new programs that support evolving industry needs, pursued automation of its distribution capacity, sought

improvements to its Product Call process to list 1,260 new and innovative products, and expanded its use of data and insights to ensure decision-making remains informed by market and consumer preferences. Major initiatives, including the launch of our inaugural Buy Legal campaign, helped tackle persistent stigma around cannabis consumption and promote responsible purchasing and consumption within the regulated framework. With legal cannabis now more accessible due to the vast retailer network, the OCS achieved \$1.18 billion in sales, enabling the organization to generate \$184.4 million in net income for the province.

This was a year of growth for our industry, and I’m incredibly proud of the progress made in 2021–22 in partnership with our Authorized Retailer and Licensed Producer partners. A special thank you to our Chair, Connie Dejak, and the entire OCRC Board of Directors for their unwavering commitment to and strategic oversight of the OCS. I also extend my deep appreciation to our Senior Leadership Team and all OCS staff for their many contributions toward building our business over the past year. I look forward to working with our Board and the OCS team to continue progress toward our mission of enabling a vibrant cannabis marketplace through great customer experiences rooted in selection, service and quality.



David Lobo
President and CEO
Ontario Cannabis Store

Performance Highlights

A Look Back at 2021–22

In its fourth year of operations, the Ontario Cannabis Store successfully delivered on its objectives for the fiscal year 2021–22, as set out in its 2021–24 Business Plan. Broadly, the Business Plan established three key objectives for the

agency to pursue over the course of the year:

- Deliver on our financial commitments
- Rapidly accelerate the growth of the store network
- Be the best government agency to work for in Ontario

Deliver on Our Financial Commitments

As an agency of the Government of Ontario, the OCS is responsible for generating revenue for the province and supporting a responsible cannabis industry in Ontario.

\$184.4 MILLION

Net income

\$1.1 BILLION

Wholesale revenue

\$72.7 MILLION

OCS.ca revenue

9.7

Inventory turns

Performance Highlights: A Look Back at 2021–22

Rapidly Accelerate the Growth of the Store Network

To deliver on its mandate of ensuring safe access to legal cannabis and eliminating the illegal market, the OCS worked with relevant stakeholders throughout the year to support the growth of the Authorized Retail store network.

1,460

Authorized Retail stores opened in 233 communities

56.9% 47,805

Legal market capture

Wholesale orders

40%

Market share of Canadian recreational cannabis

2,014 1,260

Total SKUs¹

New SKUs

Be the Best Government Agency to Work for in Ontario

To establish itself as the best government agency to work for in Ontario, the OCS recognizes that recruiting and retaining a diverse, energized, engaged and inclusive workforce is paramount to its success. Over the 2021–22 fiscal year, the OCS achieved the following:

Planned for a successful return to office, adhering to evolving public health requirements

Established a Hybrid Work Policy for OCS employees

Established a performance management framework

Launched the first-ever OCS employee engagement survey

Delivered training and support for employees as they worked through the pandemic

Hosted an anti-racism discussion facilitated by Dr. Akwasi Owusu-Bempah

¹ Represents total SKUs listed as of March 31, 2022, including new SKUs added and removed from the catalogue throughout fiscal year 2021–22



About the Ontario Cannabis Store

Provincial Mandate

The Ontario Cannabis Retail Corporation (OCRC), operating as the Ontario Cannabis Store (OCS), is the government's exclusive wholesaler of recreational cannabis to private retail stores authorized by the Alcohol and Gaming Commission of Ontario (AGCO). The OCS also operates the provincial online store for recreational cannabis, which provides legal access to adults located across Ontario. The OCS was established as a government agency through the *Ontario Cannabis Retail Corporation Act, 2017* (the Act). As set out in the Act, the OCS is empowered to buy, possess and sell cannabis and related products, as well as promote social responsibility in connection with cannabis.

The OCS supports the Government of Ontario's objectives for the sale of recreational cannabis: to enable a retail system that will keep cannabis out of the hands of children and youth, protect communities and combat the illegal market.

The OCS supports these provincial objectives by:

- Sourcing and distributing quality-tested cannabis to Authorized Retail Stores
- Providing safe and reliable adult access to legal cannabis through OCS.ca
- Providing consumers with information on safe and responsible consumption
- Promoting social responsibility to facilitate a responsible approach to cannabis retail

In fulfilling its mandate, the OCS reports to the Minister of Finance and aims to operate efficiently and with transparency. Through fiscal year 2021–22, the OCS focused on meeting expectations set out in its 2021–22 mandate letter from the Minister of Finance while delivering on the objectives outlined in its 2021–24 Business Plan.

Agency Accountability

As a Crown agency of the Government of Ontario, the OCS is subject to requirements set out in the Agencies and Appointments Directive. The OCS has made substantial efforts to meet these accountability requirements. All documents are fully accessible on [OCS.ca](https://ocs.ca).

OCS accountability publications include:

- Annual reports
- Business plans
- Financial statements

- Memorandum of Understanding between the Chair of the OCRC Board of Directors and the Minister of Finance
- Travel, meal and hospitality expense reporting for executives

The OCS also publishes regular data reports to make market data and industry findings available and accessible to the public. Providing open access to legal market data helps establish an open marketplace of ideas to educate consumers and combat the illegal market. The OCS will continue to operate in the spirit of transparency and information sharing in the years to come.

Get to Know the OCS

Day-to-day operations of the OCS are overseen by the agency's President and CEO, who reports to the OCRC Board of Directors. The President and CEO appoints a Senior Leadership Team of executives to assist in the management of the agency's business areas. To guide OCS activities in the coming years, the organization developed a vision, mission and set of values that define who the OCS is and what the organization is seeking to achieve alongside its mandated objectives.

OCS Vision

Canada's largest and most vibrant cannabis marketplace.

OCS Mission

Enabling a vibrant marketplace through great customer experiences — rooted in selection, service and quality.

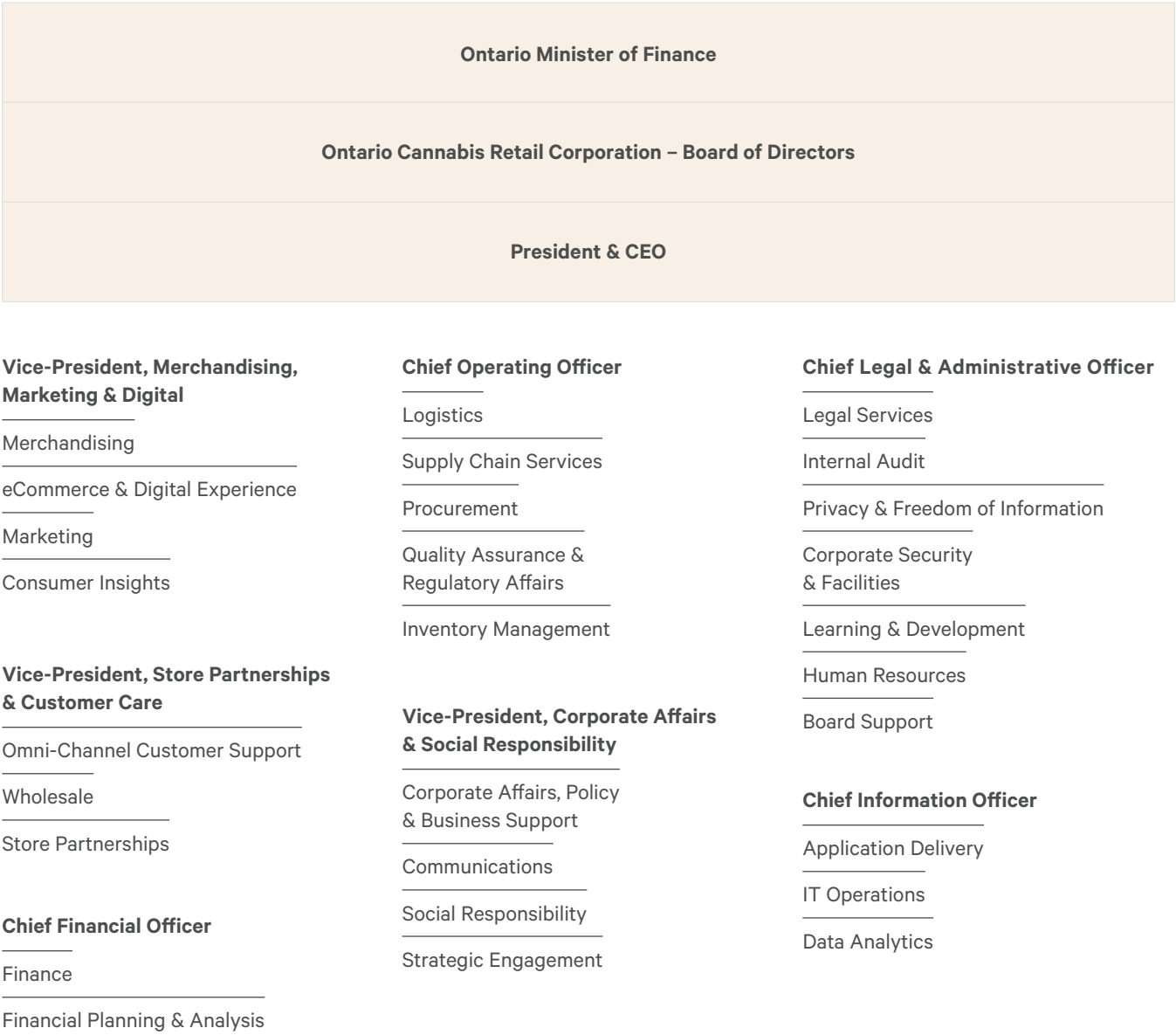
OCS Values

- **Customer Focus:** We strive to provide outstanding service and support to all internal and external customers.
- **Forward Thinking:** We challenge the status quo and embrace continuous innovation.
- **Pride in Service:** We act with the utmost integrity as proud public sector employees.
- **Teamwork:** We work together and we win together — leveraging our diverse individual strengths.

About the Ontario Cannabis Store

OCS Organizational Chart

The organizational chart below outlines each department and the functional teams within those departments as of March 31, 2022. These departments are responsible for delivering on the organization's mandate, legislated responsibilities and business objectives.





OCRC Board of Directors Remuneration²

Board Member	Position	Term	Remuneration Paid in 2021-22
Connie Dejak	Chair	Sept. 26, 2019, to Dec. 2, 2022	\$33,425.00
Clare Copeland	Vice-Chair	Dec. 12, 2019, to Dec. 11, 2022	\$5,250.00
Hanoz Kapadia	Member	May 2, 2019, to May 1, 2021	\$0.00
Donna Duncan	Member	Nov. 13, 2019, to July 5, 2022	\$4,900.00
Kam Va Philip Leong	Member	Aug. 27, 2020, to Aug. 26, 2023	\$7,500.00
Kelly Elwood	Member	Sept. 29, 2021, to Sept. 28, 2024	\$1,600.00
Michael Smoskowitz	Member	Nov. 21, 2018, to Nov. 24, 2024	\$4,900.00
Anthony Bavota	Member	Feb. 17, 2022, to Feb. 16, 2025	\$0.00
Rajesh Uttamchandani	Member	Jun. 18, 2020, to Jun. 17, 2025	\$7,400.00
Total			\$64,975.00

² Board remuneration for Hanoz Kapadia and Anthony Bavota for the 2021-22 fiscal year was paid out in fiscal year 2022-23 and will be recorded in the 2022-23 Annual Report

Legal Recreational Cannabis in Ontario

Operating Environment

Fiscal year 2021–22 marked the third anniversary of legal recreational cannabis sales in Canada. Despite the ongoing impacts of an unprecedented global pandemic, Ontario's retail cannabis marketplace continued to rapidly expand and has emerged as an important economic driver in the province. The sections below detail the steps the OCS took over the past fiscal year as Ontario's economy began to reopen and the cannabis sector continued to evolve.

Evolution of Legal Cannabis: Sector Growth and Economic Impact

Ontario's cannabis industry has matured significantly since legalization, with notable advancements made over the past fiscal year. Quality-tested, legal cannabis was available to adults through 1,460 Authorized Retailers in 233 communities, including three farmgate stores at licensed production facilities, and online through OCS.ca. The number of products listed for sale grew significantly, with 1,260 new SKUs (stock keeping units, or unique product listings) introduced to market over the course of the year, which had a corresponding impact on legal sales. During 2021–22, the OCS received approximately 73.7 million units of cannabis product at its distribution centre and fulfilled 47,805 wholesale orders placed by Authorized Retailers, with adult consumers in Ontario spending over \$1.6 billion on legal cannabis. With steps taken to maintain and grow legal access points and the introduction of new and innovative products, the OCS estimates that 56.9% of all recreational cannabis purchases now occur legally.

Ontario's cannabis industry has also positively contributed to the provincial economy. Since legalization in October 2018, it is [estimated](#) that Ontario's cannabis industry has:

- Contributed \$13.3 billion to the province's GDP, \$8 billion of which was labour income
- Sustained 48,000 cumulative jobs in Ontario
- Generated \$142 million in direct taxes and \$1.2 billion in indirect taxes

Comparatively, these figures suggest the legal cannabis sector's economic contribution may now surpass that of major industries in Ontario, including breweries, clothing manufacturing, wood product manufacturing and the media sector.

Despite the early success of the sector and the rapid growth of the retail marketplace, cannabis and cannabis use remains stigmatized. This can be attributed to many things, including the decades-long prohibition that preceded legalization and a broad lack of understanding of cannabis product types, their varying effects and strengths, methods of consumption and potential associated health risks.

For its part, in an effort to combat stigma, the OCS has taken steps to establish a foundation for a socially responsible cannabis industry in Ontario. Over the past fiscal year, the OCS deployed a [Buy Legal](#) campaign and developed education resources on OCS.ca to enable consumers to make informed decisions about cannabis consumption. When purchasing through legal sources, consumers can also feel confident that products are quality-tested and subject to strict regulatory requirements that are intended to ensure products remain out of the hands of children and youth.

Continued Impacts of the COVID-19 Pandemic

During the first quarter of fiscal year 2021–22, Ontario continued to grapple with the ongoing effects of the COVID-19 pandemic. As in the year prior, the cannabis sector shifted its operations in response to escalating public health and safety measures intended to protect Ontarians. This meant that, for much of the year, Authorized Retailers were either unable to open their doors to the public or required to operate subject to various public health requirements, including limits on the number of people who could physically go into a store. To support the cannabis sector in the midst of this unprecedented landscape, the Government of Ontario continued to enable Authorized Retailers to temporarily offer curbside pickup and delivery services.

As public health and safety measures impacted business operations throughout the year, the OCS continued to enable a strong, resilient industry and support business continuity through various activities:

- Continuing to offer enhanced OCS.ca delivery options to maintain broad access to express delivery
- Refining processes and procedures in the OCS distribution centre to support higher demand for retail orders

Legal Recreational Cannabis in Ontario: Operating Environment

- Rapidly onboarding new Authorized Retailers to increase accessibility for consumers seeking to purchase legal cannabis
- Piloting and implementing new distribution models to strengthen the industry's supply chain, including Flow-Through and Hub-and-Spoke fulfilment to Authorized Retail stores

As the agency's mandate includes ensuring broad access to legal cannabis, OCS.ca remained an important avenue through which consumers could purchase legal cannabis from home. In fall 2021, the Government of Ontario, with support from the

OCS and the AGCO, passed the *Supporting People and Businesses Act, 2021*, which included amendments to Ontario's legal cannabis framework that enabled Authorized Retailers to offer curbside pickup and delivery services on a permanent basis. These changes were made effective in March 2022, alongside efforts to ease public health measures that support the gradual reopening of Ontario's economy.

Strategic Direction

Key Activities and Operational Performance

The OCS receives an annual mandate letter from the Minister of Finance, which sets out key deliverables for the agency. In 2021–22, the OCS was directed to continue efforts to expand access to legal cannabis in Ontario, support partners to enable product innovations, expand market data to support illegal market capture and advance social responsibility efforts

in the industry. The agency's plans for delivering on these expectations were outlined in its 2021–24 Business Plan. The sections detailed below provide an overview of the agency's progress toward meeting these goals and objectives for the 2021–22 fiscal year.

Corporate Priorities

Objective 1: Deliver on Our Financial Commitments

Grow our total revenue from sales
107% over the 2020–21 fiscal year

Decrease SG&A expenses as a percentage of revenue from
11.6% to 8.4%, or a 3.2% reduction over fiscal year 2020–21

Complete nine inventory turns annually
at the OCS distribution centre

Commit 0.25% of net profit each year to
social responsibility activities

Objective 2: Rapidly Accelerate the Growth of the Store Network

1,000 stores ordering by Sept. 1, 2021

Increase illegal market capture to 60%
by the end of fiscal year 2021–22

Objective 3: Be the Best Government Agency to Work for in Ontario

Achieve 75% employee satisfaction rate annually

Achieve 100% employee participation
in annual goal setting

Strategic Direction: Key Activities and Operational Performance

OBJECTIVE 1

Deliver on Our Financial Commitments

The OCS is a self-funded provincial agency that is classified as a government business enterprise, meaning that an important part of its mandate is to generate net income for the province. The agency's financial commitments were outlined in the 2021 Ontario budget, and its financial position will be consolidated in the Public Accounts of Ontario for 2021–22. Despite ongoing pandemic-related public health measures,

which impacted Authorized Retailer operations, the OCS exceeded its net income and selling, general and administrative expense (SG&A) targets due to operational efficiencies and lower spending. Gross revenues totalled \$1.18 billion, with a net income of \$184.4 million. Overall, the OCS was successful in delivering on its financial commitments. Activities that supported this progress are detailed below.

Goal	Key Performance Indicator	Description	Progress
Deliver on our financial commitments and achieve \$1.36 billion in revenue, deliver \$170 million in net income to the province and ensure SG&A does not exceed 8.4% of revenue	Grow our total revenue from sales 107% over the 2020–21 fiscal year	Measures revenue performance against the previous fiscal year	Although the OCS generated \$1.18 billion in revenue, COVID-19-related impacts limited sales growth to 81.2% over the year prior
	Decrease SG&A expenses as a percentage of revenue from 11.6% to 8.4%, or a 3.2% reduction over fiscal year 2020–21	Measures the ability to manage operating expenses while growing revenue and net income	The OCS prudently managed its operating expenses and held SG&A to 6.9% of revenue, which is 1.5% lower than its target
	Complete nine inventory turns annually at the OCS distribution centre	Measures how often inventory held in-stock is depleted and replenished, supporting product quality (e.g., newer, fresher products being added at each turn)	The OCS exceeded its target and completed 9.7 inventory turns
	Commit 0.25% of net income each year to social responsibility activities	Ensures dedicated funding is available to advance the OCS Social Responsibility Strategy and related activities	The OCS spent \$108,000 of the allotted \$175,000 on social responsibility activities. Two projects were deferred to 2022–23, impacting spending

Automating Core Financial Functions

As the OCS entered its fourth year of operations, it took steps to strengthen its core internal infrastructure and automated many of its financial functions to ensure scalability and efficiency as the agency continues to grow its product catalogue and serve its wholesale customers. This included making enhancements to the return-to-vendor process, automating the procure-to-pay and order-to-cash cycles and refining internal processes and procedures. Ultimately, this achieved shorter processing timelines and quicker turnaround for

information sharing with Licensed Producers and Authorized Retailers, enabling OCS teams to reduce time spent on administrative duties and improving service levels to relevant stakeholders.

Enhanced Product Category Management

The OCS continued to improve its end-to-end Product Call process. This is the process through which the OCS sources, lists and purchases recreational cannabis products from

Strategic Direction: Key Activities and Operational Performance

federally Licensed Producers. All products submitted to the OCS through the Product Call process are scored against consistent criteria before a decision to list is made. In 2021–22, the OCS introduced 1,260 new products — a roughly 35% increase over the number of new products added in the previous year — sourced from 149 Licensed Producers located across Canada.

To better support its objective to expand the number of products made available for wholesale purchase, provide greater clarity to Licensed Producers about the process and more efficiently consider and evaluate a higher volume of product submissions, the OCS introduced an enhanced Product Call process in Q1 2021–22. The process was designed to increase the number of innovative products that Authorized Retailers can access and offer consumers consistent, quality-tested cannabis products across a variety of price points to encourage them to make their next purchase a legal one.

Investments in Distribution Infrastructure

In 2021–22, the OCS pursued various initiatives to offer a more robust, efficient distribution infrastructure. This included introducing new automation equipment and technologies at the distribution centre (DC) to enable the agency to fulfil wholesale orders more efficiently and to manage a broader selection of SKUs from a larger number of Licensed Producers.

In tandem with ongoing automation at the DC, the introduction of Flow-Through fulfilment and Hub-and-Spoke delivery models will further enable the OCS to carry more product and deliver higher volumes of legal cannabis to Authorized Retail stores.

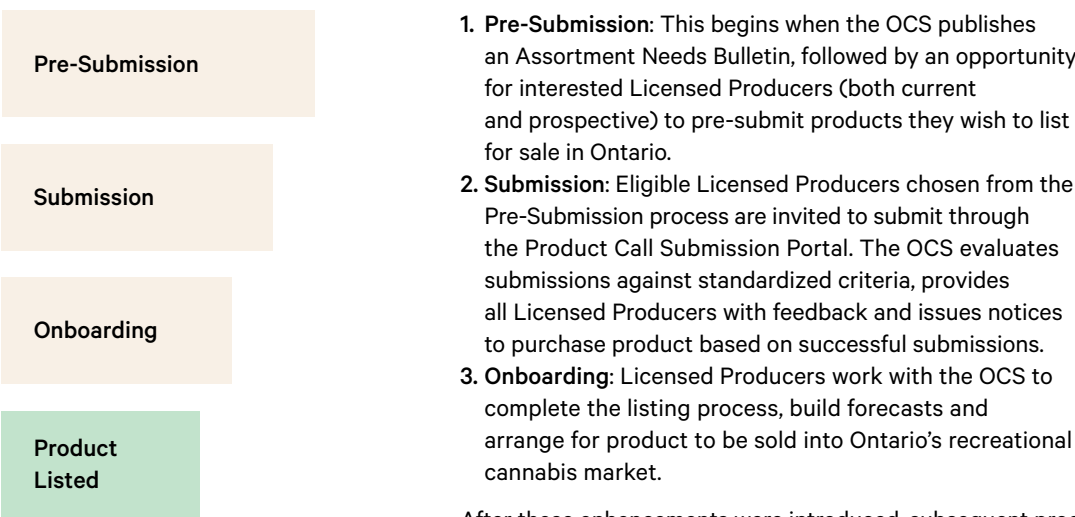
The OCS piloted Flow-Through to enable the agency to distribute and sell products to Authorized Retailers that are not held in-stock at the DC, which will expand the volume of products that can be purchased from Licensed Producers. Ultimately, this model will help the OCS:

- Offer an expanded product assortment
- Supply shorter-shelf-life and other innovative products
- Improve efficiencies at the DC

Prior to Flow-Through, all products supplied by Licensed Producers would be held in-stock at the DC before being made available to Authorized Retailers for purchase. With Flow-Through, the OCS will no longer inventory every product. Instead, Licensed Producers will regularly communicate availability of Flow-Through products to the OCS, which will inform which products Retailers can order. After a Retailer places an order for a Flow-Through product with the OCS, the Licensed Producer ships those requested products to the DC, where they are processed and distributed to the Retailer alongside their regular wholesale shipments.

Enhanced Product Call Process

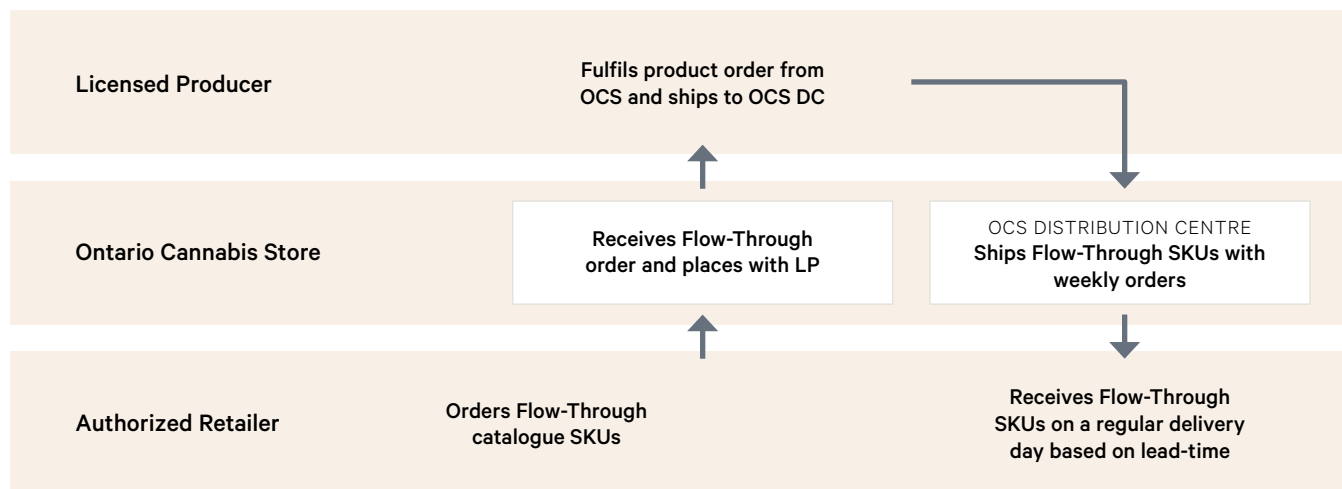
The enhanced Product Call process involves three stages:



After these enhancements were introduced, subsequent product calls considered an average of 2,300 to 2,600 pre-submissions and 700 to 900 formal submissions, and ultimately listed an average of 600 to 800 products for sale in Ontario.

Strategic Direction: Key Activities and Operational Performance

Flow-Through Process



In Q4, the OCS implemented Hub-and-Spoke, a model that allows for more efficient wholesale distribution to Authorized Retailers. In this model, store orders are routed from the DC to regional carrier hubs across Ontario, where they are sorted before being shipped directly to Retailers.

Education and Social Responsibility

The OCS Social Responsibility Strategy, which launched in 2020–21, has three foundational pillars: establishing a foundation for sustainability, supporting a diverse and inclusive industry, and advancing cannabis knowledge and promoting responsible consumption. To deliver on the objectives of the Social Responsibility Strategy:

- Content on advancing cannabis knowledge and promoting responsible consumption was developed and made available on OCS.ca.
- Climate Smart training was completed in Q3 2021–22 to understand how to measure the carbon footprint of the OCS. Work measuring the agency's carbon footprint began in Q4 and will continue through 2022–23.

- Processes to share data with researchers and academics were established to support ongoing knowledge building related to cannabis and public health.
- A Buy Legal marketing campaign was launched, which sought to build awareness of and drive existing cannabis consumers to the legal framework. The campaign increased new user traffic to OCS.ca by 39% and drove over 3,000 consumers directly to Authorized Retailers.

In pursuit of the agency's Social Responsibility objectives, two initiatives were deferred to fiscal year 2022–23. As a result, Social Responsibility funds were underspent in fiscal year 2021–22. The first, a Life-Cycle Assessment of the seed-to-sale process, will provide an understanding of the environmental impact of the cannabis industry in Ontario. The second is a study that will provide industry data on diversity at the retail level in Ontario.

Strategic Direction: Key Activities and Operational Performance

OBJECTIVE 2

Rapidly Accelerate the Growth of the Store Network

Ensuring adult Ontarians have access to legal, quality-tested recreational cannabis enables ongoing consumer conversion away from illegal sources, which is a core objective of cannabis

legalization. Consistent with this objective, the OCS has taken steps to improve its ability to support Authorized Retailers.

Goal	Key Performance Indicator	Description	Progress
Enable 1,000 stores to begin ordering from the OCS by Sept. 1, 2021	1,000 stores ordering by Sept. 1, 2021	Quantifiable target to meet the government's mandate to expand access to cannabis retail stores in communities	Over 1,000 stores were ordering from the OCS by Aug. 20, 2021
	Increase illegal market capture to 60% by the end of fiscal year 2021–22	Achieve the OCS's legislated mandate to further transition sales away from illegal sources, year over year	Ontario's estimated legal market share reached 56.9% by the end of the fiscal year. While tremendous progress was made over 2020–21 as the retail market expanded, ongoing pandemic-related impacts affected the pace of legal market growth toward the end of 2021–22

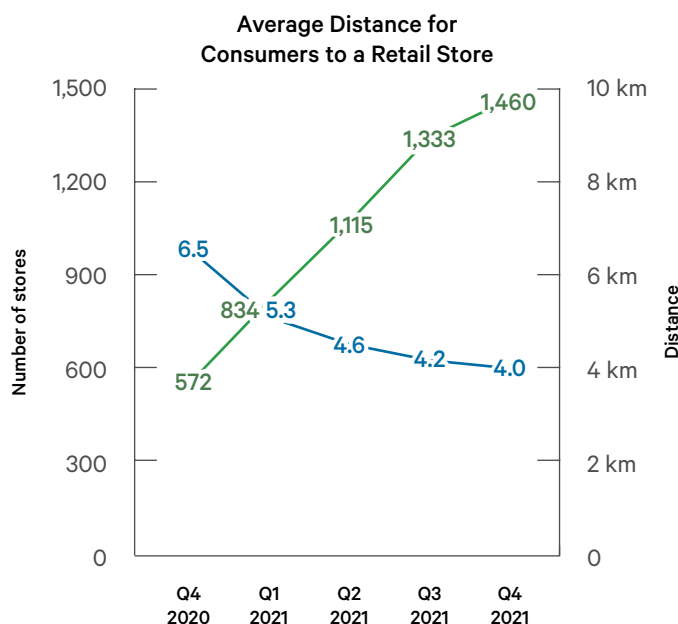
Retail Store Expansion

Over the course of the fiscal year, 888 stores joined the legal network, an increase from 572 at the end of the previous fiscal year. This resulted in 1,460 stores at the end of 2021–22. During this time, legal cannabis grew far more accessible, with three additional communities (Georgina, Tecumseh and Erin) opting in to cannabis retail, and the average distance for consumers to travel to an Authorized Retail store decreasing by 2.5 kilometres to 4 kilometres in 233 communities across Ontario.

Average Distance for Consumers to a Retail Store

In 2021–22, the OCS supported a pilot project with the first three farmgate stores — Authorized Retail stores located at licensed production facilities in Ontario — authorized by the AGCO. During the pilot, the agency's operating framework for farmgate retail was tested and refined to enable a larger network of farmgate stores down the road.

Over the course of 2021–22, consumers had increased access to a larger retail store network with a broad assortment of products. Together, retail network growth and increased acceptance of cannabis use have contributed to increased illegal market capture, which reached 56.9% in 2021–22, up from 44.1% in 2020–21.



Strategic Direction: Key Activities and Operational Performance

Number of Stores by Region

	2019–20	2020–21	2021–22
East	12	123	342
GTA	9	51	162
North	6	31	98
Toronto	12	179	394
West	14	188	464

Retail Store Partnerships

After an Authorized Retailer is licensed and authorized to open a store, a dedicated OCS Store Partnerships team guides them through an onboarding process, provides education on OCS wholesale policies and provides them with data and insights relevant to their operations. Following onboarding, Retailers are offered education on legal cannabis products, training on how to use the wholesale self-service systems, including the OCS B2B Portal for ordering, and guidance on how to prepare for their first wholesale order. Once their businesses are up and running, the OCS provides Retailers with ongoing service, support and resources.

The OCS is committed to continual improvement of its operations and, as a result, regularly deploys surveys to Retailers to obtain feedback aimed at improving wholesale ordering, delivery and fulfilment processes. Results are aggregated on a quarterly basis and shared with Retailers, with the data used to inform decision-making and ongoing improvements to OCS operations.

Reliable and Consistent Supply

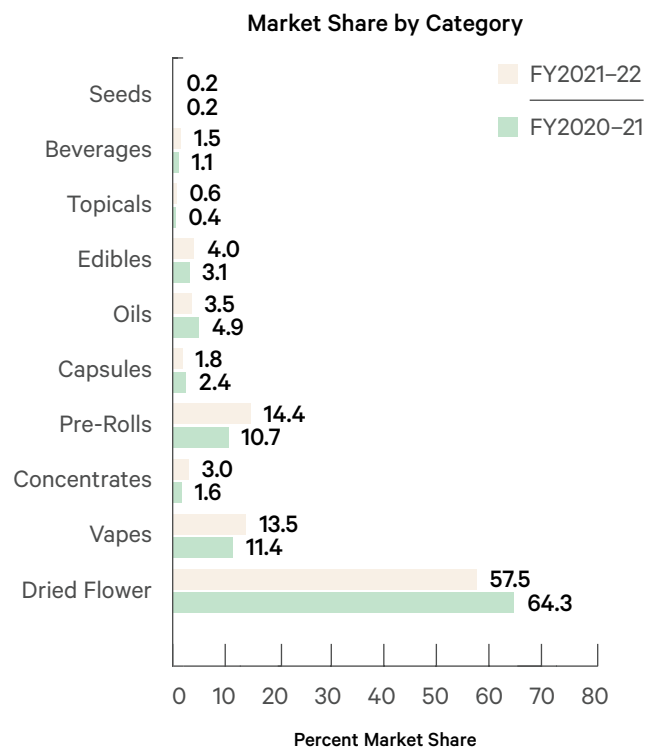
At the end of the fiscal year, the OCS partnered with 149 Licensed Producers (an increase of 58 compared to 2020–21) to offer 2,014 unique products across 10 distinct categories to adult consumers throughout the province. Many of the new Licensed Producer partners include craft and micro producers, contributing to the growing diversity of Ontario's cannabis marketplace.

When cannabis was legalized in October 2018, only 70 products were available to consumers on OCS.ca. Through successive product calls, the OCS works to onboard additional Licensed Producers to improve the variety, selection and reliability of products available to its retail partners to support the development of a differentiated retail cannabis market in the province.

With reliable, consistent and innovative supply, consumer preferences began to shift to align with an increasingly diverse product offering. Of the 2,014 unique SKUs listed at the end of the fiscal year, 1,260 were new this year, compared to 920 the year prior. Not only do unique product offerings attract consumers from the illegal market, but they also help ensure future purchases remain legal. The chart below shows the shift in purchasing behaviours year-over-year.

Market Share by Category

As the number of Licensed Producers, available SKUs and retail customers increased throughout the year, reliability became increasingly important. The OCS relies on consistent, uninterrupted access to supply from Licensed Producers to ensure wholesale orders are fulfilled in their entirety and on time. Throughout the year, the OCS leveraged data points on average Licensed Producer fill rates and on-time fill rates to manage and reduce the impact of reliability challenges on Retailers, an approach that will be maintained as demand from a broader group of craft and micro producers continues to increase.



Strategic Direction: Key Activities and Operational Performance

Expanded Data and Insights

As Ontario's retail cannabis market continued to expand during 2021-22, so too did the data and insights available to the OCS and industry stakeholders for understanding key market trends and the ongoing impact of cannabis legalization.

The OCS continued to develop and publish quarterly insights reports as resources for the entire cannabis industry in Ontario. These reports, typically published following the conclusion of each fiscal quarter, provide historical facts and figures, including consumer insights, sales and pricing trends, OCS operational performance indicators and quality assurance metrics. The OCS also engaged Deloitte Canada to assess the economic and social contributions of the legal cannabis industry in Ontario and across Canada. The report, [*An Industry Makes its Mark*](#), suggested that Ontario's legal cannabis industry has emerged as an important economic driver in Ontario, contributing \$13.3 billion to the province's GDP and sustaining

an estimated 48,000 jobs since legalization. Another report, which was prepared by the National Research Council Canada on behalf of the OCS and the Ontario Provincial Police, evaluated illegal edible cannabis products seized across the province to verify the amount of THC these products claimed to contain, as well as their safety relative to legal cannabis products.

Reliable data, research and market insights position partners across the industry to respond to emerging market trends and contribute to informed purchasing decisions. The OCS will continue to identify opportunities that enable industry partners to leverage data and analytics, and will assess the ongoing social and economic impacts of cannabis legalization in Ontario while continuously strengthening data security and governance.

Strategic Direction: Key Activities and Operational Performance

OBJECTIVE 3

Be the Best Government Agency to Work for in Ontario

The OCS recognizes that recruiting and retaining a diverse, committed and energized workforce is essential to its success. Therefore, in 2021–22, the OCS worked hard to establish itself as the best government agency to work for in Ontario,

focusing on understanding employee needs, establishing a strong performance management program and building effective workforce management processes and tools that position the organization for long-term success.

Goal	Key Performance Indicator	Description	Progress
Have an engaged, productive workforce	Achieve 75% employee satisfaction rate annually	Measures employee satisfaction as outlined in the annual employee engagement survey	The OCS achieved an 82% satisfaction rating in its 2021–22 employee engagement survey
	Achieve 100% employee participation in annual goal setting	Measures participation of employees in setting performance goals	The OCS achieved 100% employee participation in annual goal setting by the end of the 2021–22 fiscal year

Employee Engagement

The OCS developed and launched an employee engagement survey to establish a baseline of data that will inform future engagement initiatives. This survey was facilitated by an independent third party to maintain confidentiality and anonymity. The OCS enjoyed a high survey response rate and established a meaningful forum for employees to provide management with open, honest feedback.

The survey participation rate reached 94% with an overall employee satisfaction rate of 82%. In addition, management took steps to analyze feedback from the survey specific to each department, share results with teams and create action plans to meaningfully respond to areas of concern identified across the business.

Performance Management

The OCS understands that harnessing and retaining talent is important as the organization continues to scale its operations. In 2021–22, the OCS made improvements to its performance management programs, including the development of a cyclical performance calibration and succession-planning process.

The OCS recognizes that succession planning is essential to both business continuity — from filling critical vacancies to developing an internal talent pipeline — and creating an environment in which employees can continue to grow and succeed.

Agency Risks and Mitigation Plan

In 2021–22, the OCS continued to make significant progress toward implementing and enhancing its enterprise risk management framework. The framework enables the OCS to successfully identify, assess, monitor, mitigate and report on risks to the OCRC Board of Directors and the Minister of Finance.

Set out below are the key risks and mitigation strategies for fiscal year 2021–22.

COVID-19

The COVID-19 pandemic continued to have an impact on Ontario businesses, including Authorized Retailers. Throughout much of the fiscal year, Retailers were required to adhere to public health measures. Given the new and evolving operating environment for Authorized Retailers, it was important for them to maintain market presence and ensure continued adult access to legal products. Therefore, the OCS worked closely with Authorized Retailers and the AGCO to support allowances for temporary curbside pickup and home-delivery services, and supported steps taken by the Ontario government to make these allowances permanent. In fall 2021, the government passed Bill 13, the *Supporting People and Businesses Act, 2021*, which included key amendments to Ontario's legal cannabis framework. These changes were made effective in March 2022, as the Ontario government enabled a gradual reopening and businesses shifted their focus toward recovery. To enable the development of a vibrant and sustainable cannabis marketplace, the OCS will continue to work with stakeholders as they continue to navigate ongoing impacts from COVID-19.

Servicing a Growing Market

By August 2021, Ontario's cannabis market reached a significant milestone, with 1,000 Authorized Retail stores operating across the province. The market continued to grow, and by the end of the fiscal year, 1,460 Authorized Retail stores had opened their doors. For the market to succeed, the OCS needed to rapidly enhance operations to onboard Retailers and support an increase in wholesale demand. To meet consumer demand and service expectations, the OCS continued to identify opportunities to enhance its operational capabilities. In 2021–22, the OCS initiated a pilot for a new Flow-Through fulfilment model and introduced a Hub-and-Spoke delivery model to increase product variety and improve service delivery to Retailers.

The OCS will continue to invest in wholesale and distribution infrastructure, as well as improvements to processes that

support supply chain efficiencies and increase Retailer access to new and innovative products.

Evolving Market Factors

The relative nascency of the legal cannabis industry has required concerted efforts to transition consumers away from illegal sources. In 2021–22, the OCS continued to identify strategies to capture illegal market sales, meet evolving customer preferences and tackle stigma surrounding cannabis.

Due to the rapidly evolving industry, the OCS faced the risk of making investments that would not contribute to increased capture of sales from the illegal market. To mitigate this risk, the OCS focused on enabling data-driven decisions by conducting customer and market analysis to better understand consumer preferences and purchasing behaviour. These market insights were used by both the OCS and Authorized Retailers to address evolving consumer demand and continue to pull sales away from the illegal market.

As with any evolving market, changes can be expected. As more participants enter the legal cannabis market, competition will increase among Authorized Retailers and Licensed Producers. Over the course of the 2021–22 fiscal year, the impacts of increased competition began to emerge, with greater transactional activity and business closures beginning to occur throughout the industry. The OCS will continue to monitor the external environment and focus its efforts to support a vibrant legal cannabis market in Ontario.

Global Supply Chain Constraints

As industries and jurisdictions around the globe began to shift toward a period of economic recovery following the COVID-19 pandemic, inflationary and supply chain pressures became a growing concern throughout the fiscal year. The OCS worked closely with its third-party logistics partner to manage the impact of rising operational costs, limitations on the supply of corrugated cardboard and other critical wholesale distribution materials and the rapid rise in fuel costs. The OCS also leveraged its operational scale and maximized efficiencies to refrain from the immediate passage of these increased costs to Authorized Retailers and Licensed Producers. These steps were intended to support the ongoing development and recovery of the industry and align with the agency's focus on enabling a vibrant cannabis marketplace.

Management Discussion and Analysis

Financial Results Overview

This financial information discussion, which presents the OCS's results for the fiscal year ended on March 31, 2022 (2021-22), should be read in conjunction with the OCRC Financial Statements and the accompanying notes, which have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Performance Summary

The industry experienced significant growth in 2021-22, with 1,460 Authorized Retail stores open as of March 31, 2022 (compared to 572 as of March 31, 2021). The OCS invested in key initiatives to expand its wholesale function and support the growing network of Authorized Retail stores across the province. By the end of the fiscal year, the OCS had partnered with 149 Licensed Producers and 1,460 Authorized Retail stores.

Further investments to the OCS's distribution centre and delivery network were made to support increased wholesale sales and enable more efficient warehouse, transportation and logistics management practices. With further investments, the OCS expects to continue experiencing increases in

warehousing and logistics efficiencies, such as automation, Hub-and-Spoke network expansions and bottleneck reductions, which will enable improved service and lower costs per unit.

Wholesale revenue and net income showed a healthy increase year-over-year, despite challenging business conditions due to fluctuating and revolving COVID-19 public health restrictions. OCS.ca channel revenue declined due to a shift in customer buying habits from OCS.ca to wholesale channels, as consumer access to legal access points increased alongside new store openings and expanded retailer delivery services, and as COVID-19 operating restrictions for Retailers were eased.

As of March 31, 2022, the OCS held \$74.9 million in inventory (compared to \$72.8 million as of March 31, 2021). Inventory levels were consistent year-over-year despite large increases in revenue. This was due to enhanced inventory management practices and new inventory channel initiatives such as Flow-Through. In addition, the OCS increased product offerings by 45.3% year-over-year to meet consumer consumption habit changes and demand for a wider variety of products.

Management Discussion and Analysis

Revenue

Omni-Channel Revenue

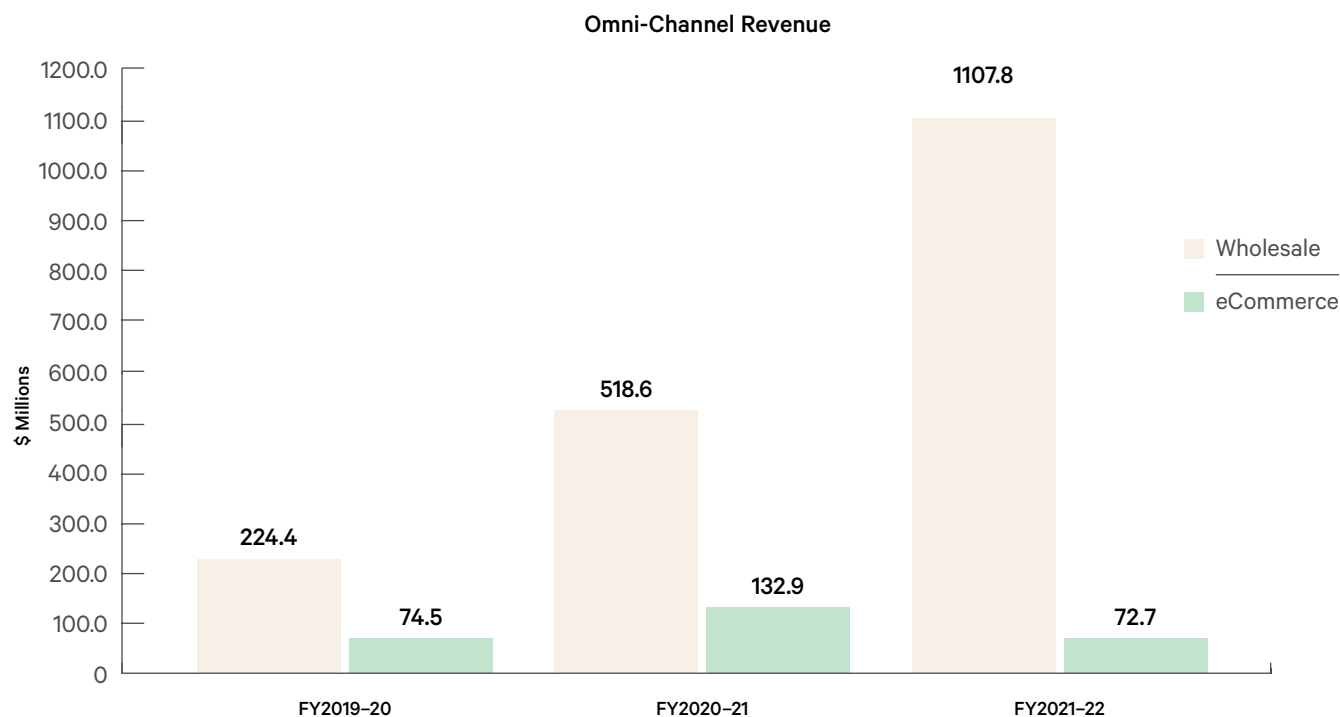
The OCS has two distinct customer channels: its wholesale distribution business (through which Authorized Retailers purchase product from the OCS to resell to consumers) and its eCommerce business on OCS.ca (through which consumers purchase products directly from the OCS). The two channels are referred to collectively as “omni-channel.”

OCS omni-channel revenue totalled \$1,180.8 million for 2021–22 (\$651.7 million in 2020–21), representing revenue growth of \$529.1 million. This growth in revenue was largely due to the increase in wholesale channel sales as the number of stores increased, while OCS.ca saw a drop in revenue to almost half of what was registered in the prior fiscal year due to shifts in consumer purchasing habits. Revenue generated from

the wholesale channel more than doubled in 2021–22 compared to the prior year. The addition of product offerings across several subcategories (2,014 SKUs in 2021–22 versus 1,386 SKUs in 2020–21) also contributed to the increase in year-over-year revenue.

The omni-channel gross margin (revenue from both channels, less product, delivery and transaction-fee costs) was \$266.3 million (22.6%).

The increase in revenue had a corresponding impact on the trade and other payable balance as of March 31, 2022, which increased by \$44.9 million (35.3%).



Management Discussion and Analysis

Wholesale Channel Revenue

During 2021–22, the wholesale channel accounted for 93.8% of total revenue, compared to 79.6% in 2020–21. Wholesale

revenue was \$1,107.8 million in 2021–22, compared to \$518.6 million in 2020–21, an increase of 113.6%.

	FY2021–22		FY2020–21	
Category	Revenue (\$ Millions)	Revenue Share (%)	Revenue (\$ Millions)	Revenue Share (%)
Dried Flower	597.3	53.9	307.4	59.3
Pre-Rolls	176.6	15.9	66.2	12.8
Oils & Capsules	44.5	4.0	22.4	4.3
Vapes & Concentrates	207.9	18.8	88.5	17.1
Edibles	50.1	4.6	20.1	3.9
Beverages	20.1	1.8	8.4	1.6
Topicals	6.7	0.6	3.3	0.6
Accessories	4.6	0.4	2.3	0.4
Total	1,107.8	100.0	518.6	100.0

In 2021–22, the wholesale business experienced shifts to its product mix, with more customers purchasing products other than dried flower. Dried flower continues to make up the largest sales category, with 53.9% of revenues in 2021–22 (compared to 59.3% in 2020–21). Pre-rolls sales saw the largest year-over-year category increase, making up 15.9% of revenues in 2021–22 (compared to 12.8% in 2020–21) due to changes in customer consumption habits. Vapes and concentrates made up 18.8% of revenue in 2021–22 (compared to 17.1% in 2020–21) mainly due to the introduction of infused pre-roll products in the second half of the year, which enjoyed uptake from both Authorized Retailers and end consumers.

The year-over-year increase in wholesale revenue was mostly due to the rapid growth in the number of Authorized Retail stores operating across the province (155.2%). The number of Authorized Retail stores more than doubled in all regions, with the highest growth registered in the GTA (217.6%) and North (216.1%) regions.

The Flow-Through pilot project commenced in the second half of 2021–22, with three participating Licensed Producers and seven product offerings, which resulted in \$0.3 million in wholesale revenues. The OCS will continue to monitor the Flow-Through pilot project in 2022–23 and review product offerings and sales once the pilot phase is complete and made available to all Licensed Producers.

Stores by Region	North	GTA	East	Toronto	West	Total
FY2021–22	98	162	342	394	464	1,460
FY2020–21	31	51	123	179	188	572

Management Discussion and Analysis

OCS.ca Channel Revenue

OCS.ca revenue for 2021–22 was \$72.7 million (\$132.9 million in 2020–21). The year-over-year revenue decrease of 45.3% reflects a decrease in the number of total orders to 0.8 million, with an average order value of \$87.59 in 2021–22 (compared to 1.5 million orders with an average order value of \$88.63 in 2020–21). This decrease was mainly driven by a higher number

of consumers shifting to in-store purchases as additional stores opened and public health measures eased throughout the year. In addition, OCS.ca played a pivotal role in becoming a key acquisition point in shifting consumers toward the legal market by providing tools and resources to research and shop across the store network.

	FY2021–22		FY2020–21	
Category	Revenue (\$ Millions)	Revenue Share (%)	Revenue (\$ Millions)	Revenue Share (%)
Dried Flower	36.2	49.8	71.8	54.0
Pre-Rolls	4.8	6.6	7.2	5.4
Oils & Capsules	8.5	11.7	15.8	11.9
Vapes & Concentrates	14.7	20.3	25.0	18.8
Edibles	4.7	6.5	6.7	5.1
Beverages	1.5	2.0	2.4	1.8
Topicals	1.1	1.5	1.1	0.8
Accessories	1.2	1.6	2.9	2.2
Total	72.7	100.0	132.9	100.0

In 2021–22, OCS.ca revenues from the dried flower category totalled \$36.2 million or 49.8%, a notable decrease in sales of \$71.8 million (or 54% in revenue share) in comparison to 2020–21. Like the wholesale channel, the OCS.ca channel's dried flower share of revenue mix declined as the OCS continued to increase the diversity of product offerings in other categories.

Similarly, vapes, pre-rolls and edibles continued to increase in popularity in 2021–22. These categories saw a notable increase in revenue mix share but an overall decline in revenues.

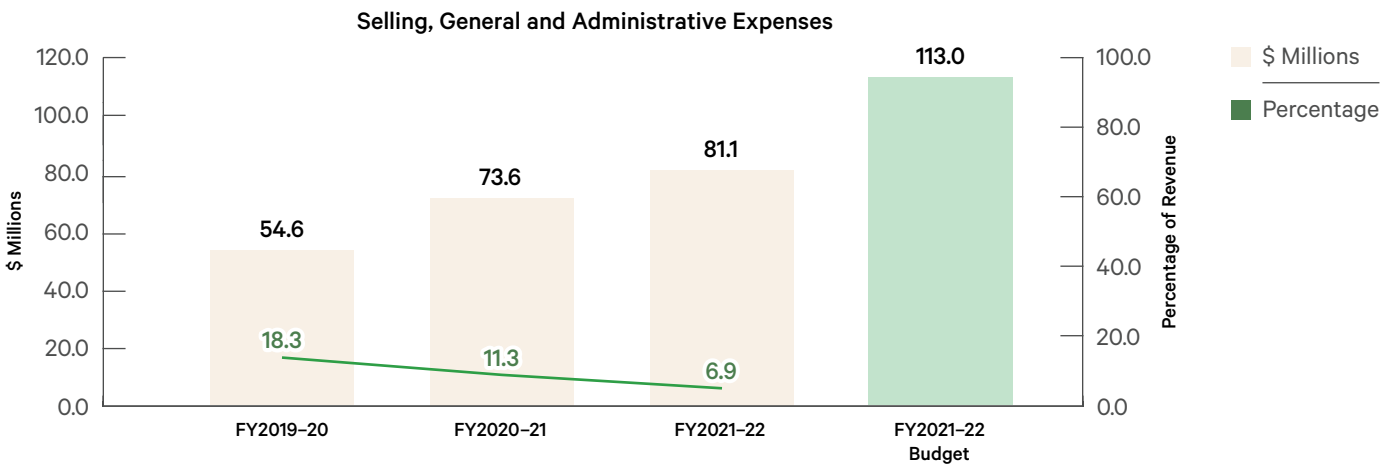
Beverages and topicals also saw notable increases in revenue mix share. Cannabis accessories, oils and capsules made up the remainder of sales on OCS.ca, although they saw a drop in overall sales mix as compared to 2020–21.

Management Discussion and Analysis

Selling, General and Administrative Expenses

Selling, general and administrative (SG&A) expenses consist of salaries and benefits, warehousing and logistics, IT systems and support, and other expenses. The 2021–22 SG&A expenses were \$81.1 million (compared to \$73.6 million in 2020–21), an increase of \$7.5 million but a reduction as a proportion of

revenue to 6.9% (11.3% in 2020–21). The proportion of revenue of 6.9% is favourable against the budgeted 8.4% due to realized operational efficiencies and careful expense management practices.



The increase in wholesale channel sales of 113.6% increased order-fulfilment costs in areas such as warehousing and logistics. Warehousing and logistics costs were \$28.9 million in 2021–22, an increase of \$3.1 million (or 12.2%) compared to 2020–21.

Overall warehousing and logistics costs decreased as a percentage of revenue to 2.4% in 2021–22 (compared to 4% in 2020–21) due to operational efficiencies and previous investments being fully utilized.

The OCS continued to make investments and add resources to support ongoing operations and future growth in a fiscally prudent manner. In 2021–22, OCS salaries and benefits were \$32.9 million, compared to \$27.7 million in 2020–21, as head count was added to support OCS operations, most notably the rapid increase in the Authorized Retailer network. Year-end head count was 277 as of March 31, 2022, compared to 235 as of March 31, 2021.

Management Discussion and Analysis

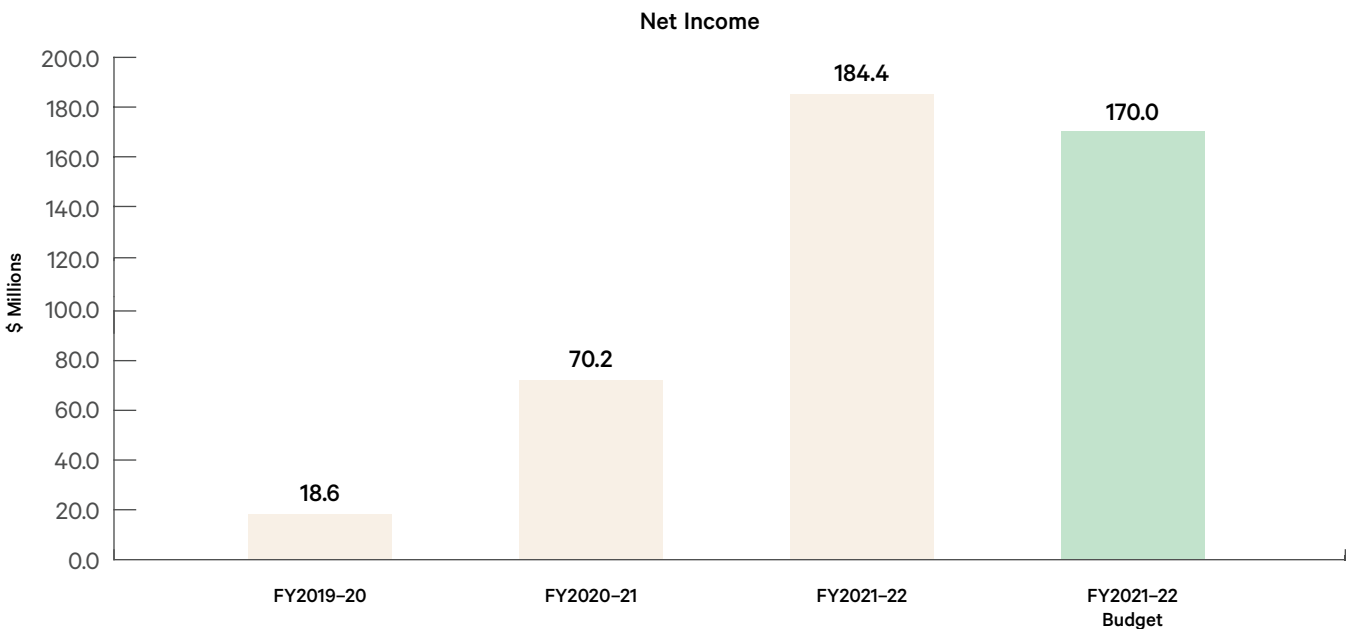
Net Income

Fiscal 2021–22 was another profitable year for the OCS, with reported total comprehensive income of \$184.4 million, compared to \$70.2 million in 2020–21. It was the most profitable year to date for the OCS, resulting in an accumulated equity position of \$224.5 million as of March 31, 2022, compared to the \$40 million accumulated equity position in 2020–21.

This fiscal year represented the third consecutive year of profitability for the OCS, and the \$184.4 million total comprehensive income was \$14.4 million higher than the agency’s commitment of \$170 million in the 2021 Ontario

Budget. Despite lower-than-expected revenues, the OCS recorded favourable net income due to careful expense management and strategic expenditure planning with a focus on prioritizing spending in the right areas of the business to support and maintain growth.

The OCS expects total comprehensive income will continue to increase in the next fiscal year as revenues continue to grow and expense management practices will be further prioritized to maintain spending.



Management Discussion and Analysis

Cash

The following table presents cash as of March 31, 2022, and March 31, 2021, and cash flows from operating, investing and financing activities for the fiscal year ended 2021–22.

Net cash flows provided by (used in)	March 31, 2022 (\$ million)	March 31, 2021 (\$ million)	Variance (\$)	Variance (%)
Operating activities	233.5	97.8	135.7	138.8%
Investing activities	(0.8)	(1.5)	0.7	(46.7%)
Financing activities	(13.2)	(12.5)	(0.7)	5.6%
Net increase in cash	219.5	83.8	135.7	161.9%

Cash flows from operating activities for the fiscal year ended March 31, 2022, were \$233.5 million, compared to \$97.8 million for the fiscal year ended March 31, 2021. The increase in cash flows from operating activities was driven by a significant increase in net income and a favourable working capital position.

Cash flows used in investing activities for the fiscal year ended March 31, 2022, were (\$0.8) million, compared to (\$1.5) million for the fiscal year ended March 31, 2021. The decrease in cash flows used in investing activities was driven by lower expenditures for property and equipment, offset by purchases of right-of-use assets in the current fiscal year.

Cash flows used in financing activities for the fiscal year ended March 31, 2022, were (\$13.2) million, compared to (\$12.5) million for the fiscal year ended March 31, 2021. The increase in cash flows used in financing activities was driven by an increase in lease payments for new right-of-use assets entered into during the fiscal year.

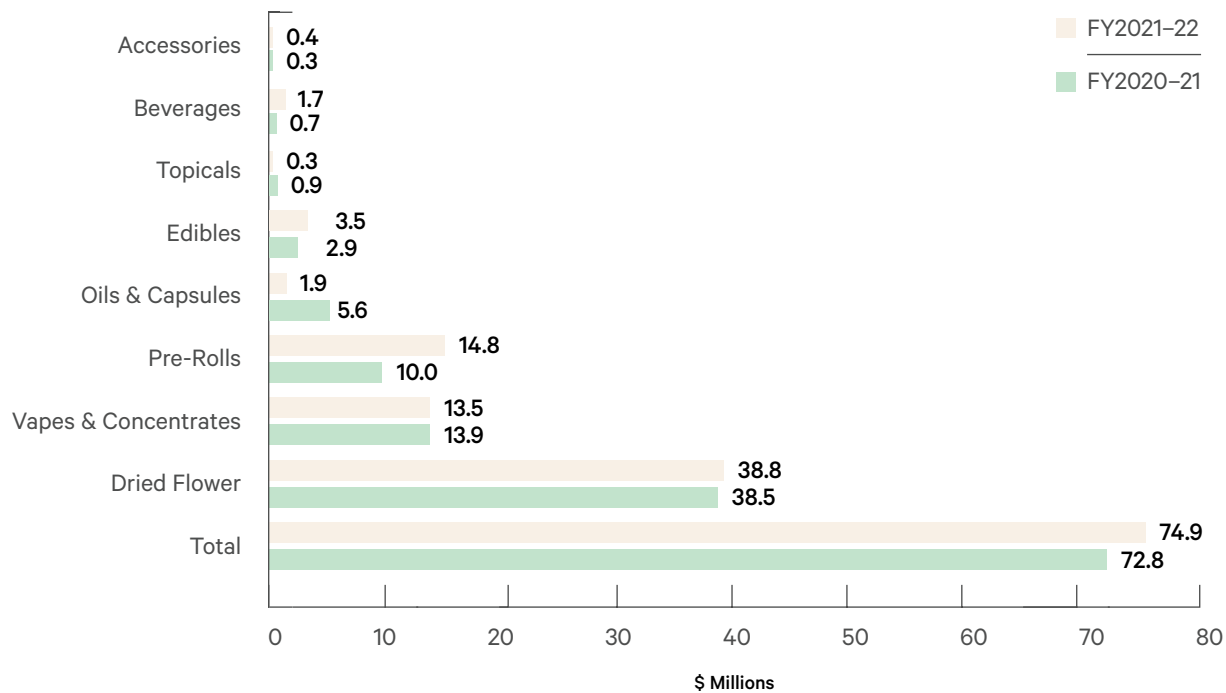
Management Discussion and Analysis

Inventory

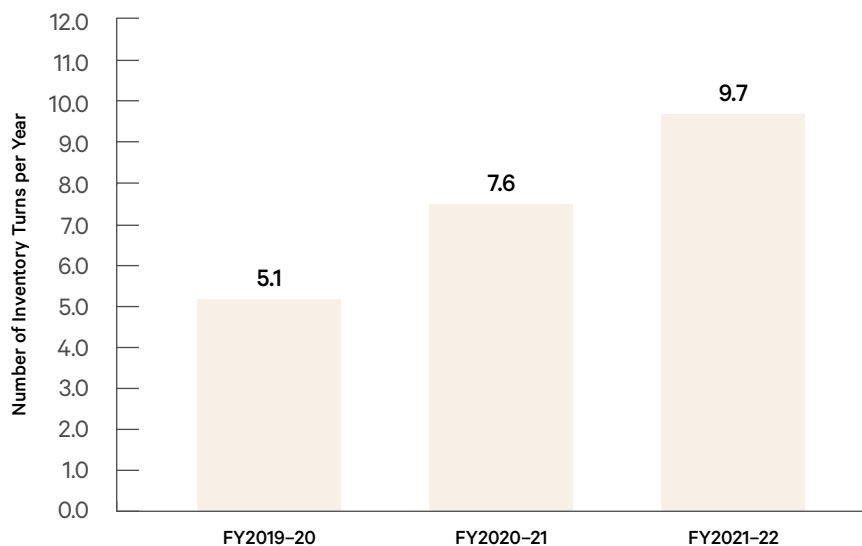
Inventory is defined as products or goods that are provided by a supplier (either a producer authorized by Health Canada or a vendor that supplies cannabis-related products, such as accessories) to a purchaser (the OCS) under validated purchase orders. Inventory includes product stored at a privately operated distribution centre under contract to the OCS, as well as inventory that is in transit from the OCS to Authorized Retailers and end consumers. Inventory levels are managed to ensure a steady quality supply of fresh product.

As of March 31, 2022, inventory on hand was \$74.9 million (compared to \$72.8 million as of March 31, 2021). This slight increase of \$2.1 million was due to the OCS enhancing inventory management practices while maintaining appropriate inventory levels to fulfil the increased demand caused by an increase in the number of Authorized Retailers.

Inventory by Product



Inventory Turns



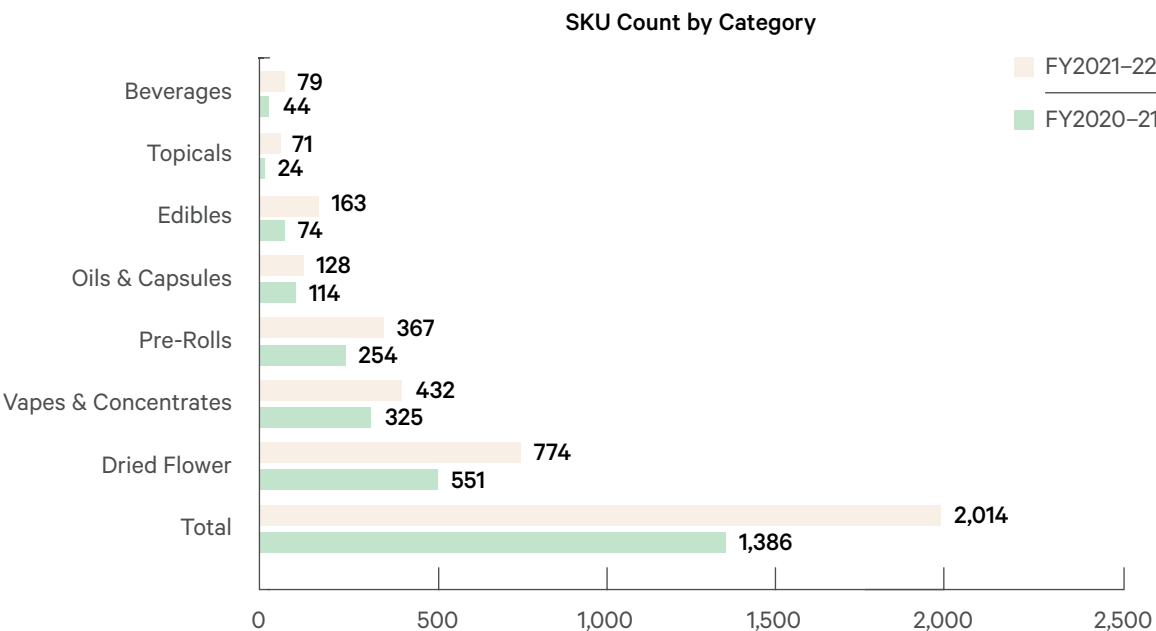
Management Discussion and Analysis

In 2021–22, the OCS focused on continuing to improve product freshness and making more innovative product offerings available for purchase. To support this, the OCS developed and implemented more rigorous inventory management practices, including increasing inventory turns and reducing aged inventory criterions from 180 days to 120 days. These practices resulted in 9.7 inventory turns by the end of 2021–22 (compared to 7.6 by the end of 2020–21) and \$3.9 million worth of product held in inventory for more than 120 days (compared to \$9.3 million in 2020–21).

The OCS offered more product types and diverse options for customers by increasing innovative product offerings available for purchase to 2,014 by the end of 2021–22 (compared to

1,386 by the end of 2020–21), for an increase of 45.3% year-over-year. Store penetration of SKUs remains dispersed and the differentiation of assortment continues to increase as the OCS expands its catalogue across all categories.

The OCS will continue to monitor these two key inventory metrics to support product quality and freshness targets in 2022–23 while ensuring the increase and diversification of product offerings continues to align with consumer demands.



Management Discussion and Analysis

Leases

The recording of the Right of Use (ROU) asset recognizes that the OCS receives the economic benefits from the use of the distribution centre and the equipment within, and exercises control over the use of the assets. During the year ended March 31, 2022, the OCS entered into additional equipment leases to support the growth of the wholesale channel and to enhance automation initiatives. The ROU assets and their corresponding lease liabilities, both initially valued at \$6.38 million and \$5.97 million respectively, were recorded on the Statement of Financial Position. The ROU assets will be amortized over their lease terms, ranging from 36 to 60 months. A few equipment leases ended during the year ended March 31, 2022. These ROU assets were purchased at the end of their lease terms at determined fair market values for a total of \$0.3 million.

As of March 31, 2022, the total ROU assets were \$49.9 million, with a corresponding lease liability of \$51 million, including future interest charges. This was an increase from March 31, 2021, when the total ROU assets were \$47.3 million with a corresponding lease liability of \$48.4 million, including future interest charges. This increase in lease liability demonstrates the future value the OCS will obtain for the assets, as well as the payments the OCS has committed to making in future years.

Payments to Governments

Harmonized Sales Tax

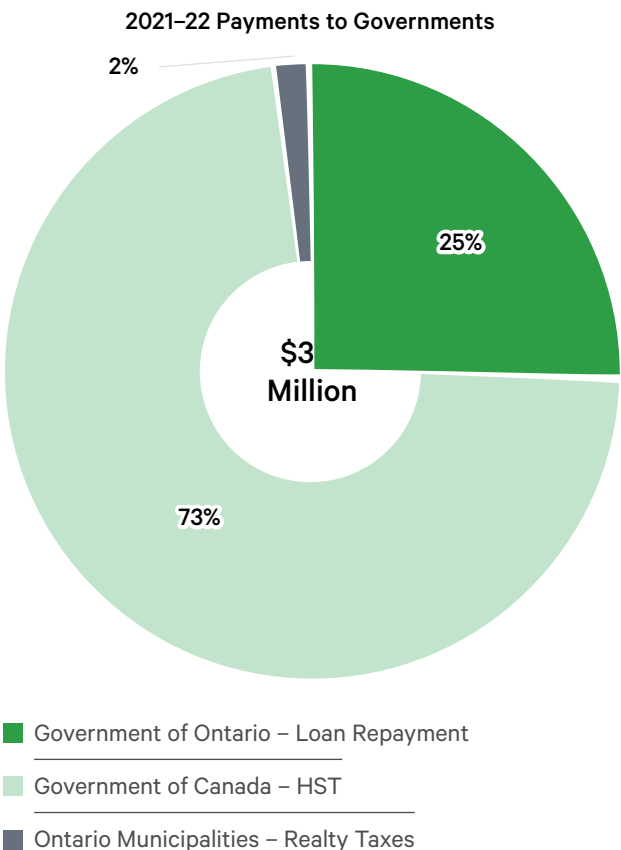
The federal government received \$27 million in harmonized sales tax (HST) remittances in 2021–22, compared to \$7.3 million in 2020–21. The Ontario provincial sales tax component of the HST was \$16.6 million in 2021–22, compared to \$4.5 million in 2020–21.

Ontario Financing Authority Loan

The OCS continued to repay its loan facility provided by the Ontario Financing Authority. In 2021–22, \$7.4 million in loan principal was repaid, as well as \$2 million in interest, for a total payment of \$9.4 million. The OCS plans on making the established payments on time while ensuring liquidity and capital requirements are being maintained.

Realty Taxes

The OCS paid \$0.7 million in 2021–22 (compared to \$0.3 million in 2020–21) in realty taxes for its leased premises residing in the Toronto and Guelph municipality regions.





Financial Statements **of the Ontario Cannabis Retail** **Corporation for the** **Year Ended March 31, 2022**

Responsibility for Financial Reporting

The preparation, presentation and integrity of the financial statements are the responsibility of management. This responsibility includes the selection and consistent application of appropriate accounting principles and methods in addition to making the estimates, judgments, and assumptions necessary to prepare the financial statements in accordance with International Financial Reporting Standards. The accompanying financial statements of the Ontario Cannabis Retail Corporation (OCRC) have been prepared in accordance with International Financial Reporting Standards and include amounts that are based on management's best estimates and judgement.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded, and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. An internal audit function independently evaluates the effectiveness of these internal controls on an ongoing basis reports its findings to management and the Finance & Governance Committee of the Board.

The Board of Directors, through the Finance & Governance Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Finance & Governance Committee, comprised of OCRC Board members only, generally meets periodically with management, the internal auditors, and the Office of the Auditor General of Ontario to satisfy itself that each group has properly discharged its respective responsibilities. Also, the Office of the Auditor General of Ontario meets with the Finance & Governance Committee without management present.

The financial statements have been audited by the Office of the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with International Financial Reporting Standards. The Independent Auditor's Report outlines the scope of the Auditor General's examination and opinion.

On behalf of management:



David Lobo
Interim President and Chief Executive Officer



Zeela Merchant
Chief Financial Officer

June 29, 2022



INDEPENDENT AUDITOR'S REPORT

To the Board of the Ontario Cannabis Retail Corporation

Opinion

I have audited the financial statements of the Ontario Cannabis Retail Corporation (the Corporation), which comprise the statement of financial position as at March 31, 2022, and the statements of income and comprehensive income, changes in equity (deficit) and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

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

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

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

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

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Auditor's Responsibility for the Audit of the Financial Statements

My 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I 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 I identify during my audit.

Toronto, Ontario
June 29, 2022

Bonnie Lysyk, MBA, FCPA, FCA, LPA
Auditor General

ONTARIO CANNABIS RETAIL CORPORATION

Statement of Financial Position

(Canadian dollars)

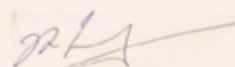
	Note	March 31, 2022	March 31, 2021
Assets			
Current Assets			
Cash	3	385,930,236	166,393,918
Trade and other receivables	4	968,847	822,005
Inventories	5	74,943,246	72,761,569
Prepaid Services		961,227	1,047,275
		462,803,556	241,024,767
Non-current Assets			
Prepaid Services		283,945	102,874
Property, equipment, and intangible assets	6	3,595,277	3,707,196
Right-of-use assets	7	49,929,987	47,320,067
		53,809,209	51,130,137
Total Assets		516,612,765	292,154,904
Liabilities and Equity			
Current Liabilities			
Trade and other payables	8	172,124,982	127,155,991
Provisions	9	1,741,203	1,795,081
Leases	7	3,953,520	2,993,508
Borrowings	10	9,386,099	9,386,099
		187,205,804	141,330,679
Non-current Liabilities			
Leases	7	46,997,254	45,432,498
Borrowings	10	57,955,082	65,367,518
		104,952,336	110,800,016
Total Liabilities		292,158,140	252,130,695
Equity			
Accumulated equity		224,454,625	40,024,209
Total Liabilities and Equity		516,612,765	292,154,904

See accompanying notes to the financial statements.

Approved by:



Connie Dejak, Chair, Board of Directors



Philip Leong, Board Member, Chair, Finance and Governance Committee

ONTARIO CANNABIS RETAIL CORPORATION

Statement of Income and Comprehensive Income

(Canadian dollars)

	Note	For the year ended March 31, 2022	For the year ended March 31, 2021
Revenue	11	1,180,849,381	651,705,806
Cost of sales	12	(914,518,780)	(505,750,968)
Gross margin		266,330,601	145,954,838
Other income	13	22,036	144,217
Selling, general and administrative expenses	14	(81,053,592)	(73,622,749)
Income from operations		185,299,045	72,476,306
Finance income	15	2,117,967	736,612
Finance costs	15	(2,986,596)	(3,002,947)
Total comprehensive income		184,430,416	70,209,971

See accompanying notes to the financial statements.

ONTARIO CANNABIS RETAIL CORPORATION

Statement of Changes in Equity (Deficit)

(Canadian dollars)

	For the year ended March 31, 2022	For the year ended March 31, 2021
Accumulated equity (deficit) at beginning of year	40,024,209	(30,185,762)
Total comprehensive income for the year	184,430,416	70,209,971
Accumulated equity at end of year	224,454,625	40,024,209

See accompanying notes to the financial statements.

ONTARIO CANNABIS RETAIL CORPORATION

Statement of Cash Flows

(Canadian dollars)

	Note	For the year ended March 31, 2022	For the year ended March 31, 2021
Operating activities:			
Total comprehensive income		184,430,416	70,209,971
Less:			
Depreciation of property, equipment, and intangible assets	6	568,394	439,116
Depreciation of right-of-use assets	7	4,063,285	3,602,200
Interest on borrowings	15	1,973,663	2,175,408
Interest expenses on leases	15	1,012,933	827,539
Interest paid on leases		(1,012,933)	(615,990)
Write-off of right-of-use assets	7	43,894	-
Loss on disposal of assets	14	7,858	7,586
		191,087,510	76,645,830
Changes in non-cash balances related to operations:			
Trade and other receivables	4	(146,842)	1,354,822
Inventories	5	(2,181,677)	(35,109,666)
Prepaid expenses		(95,023)	(575,936)
Trade and other payables	8	44,968,991	55,270,066
Provisions	9	(53,878)	223,387
Net cash from operating activities		233,579,081	97,808,503
Investing activities:			
Purchase of property, equipment, and intangible assets	6	(464,333)	(1,462,143)
Purchase of right-of-use assets	7	(337,994)	-
Net cash used in investing activities		(802,327)	(1,462,143)
Financing activities:			
Lease payments	7	(3,440,794)	(2,731,216)
Prepayments of right-of-use assets under construction	7	(413,543)	(432,465)
Repayments of borrowings	10	(9,386,099)	(9,386,099)
Net cash used in financing activities		(13,240,436)	(12,549,780)
Net increase in cash		219,536,318	83,796,580
Cash, beginning of year		166,393,918	82,597,338
Cash, end of year		385,930,236	166,393,918

See accompanying notes to the financial statements.

ONTARIO CANNABIS RETAIL CORPORATION

Notes to Financial Statements

(Canadian dollars)

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ONTARIO CANNABIS RETAIL CORPORATION

Notes to Financial Statements

(Canadian dollars)

1. Corporate and general information

The Ontario Cannabis Retail Corporation ("OCRC") is a corporation without share capital incorporated under the *Ontario Cannabis Retail Corporation Act*, S.O. 2017, Chapter 26, Schedule 2 ("the Act"). OCRC was established on December 12, 2017, as an agent of the Crown.

The Act authorizes the OCRC to buy, possess and sell non-medical cannabis and related products, establishes it as Ontario's online non-medical cannabis retailer, and provides it with the exclusive right to wholesale non-medical cannabis to privately-run cannabis retail stores licensed by the Alcohol and Gaming Commission of Ontario ("AGCO").

As an Ontario Crown corporation, OCRC is exempt from income taxes. Under *the Act*, OCRC will transfer its net profits to the Province of Ontario ("Province") at such times and in such manner as may be directed.

OCRC's fiscal year begins on April 1 in each year and ends on March 31 in the following year.

OCRC's head office is located at 4100 Yonge Street, 2nd Floor, Toronto, Ontario, Canada, M2P 2B5.

2. Basis of presentation and significant accounting judgments and policies

2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The audited financial statements were approved by the Board of Directors and authorized for issue on June 29, 2022.

2.2 Basis of presentation

These financial statements have been prepared on the basis of historical cost. Cost is recorded based on the fair value of the consideration given in exchange for the assets.

2.3 Functional and presentation currency

These financial statements are presented in Canadian dollars, OCRC's functional currency.

2.4 Accounting standards, amendments and interpretations issued, but not yet effective

There are no IFRS standards that are not yet effective that would be expected to have a material impact on OCRC.

2.5 Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost. The carrying amount of trade and other receivables is reduced through the use of an allowance for lifetime expected credit losses.

Trade receivables related to customers are not currently applicable to OCRC, as payment is received from customers prior to shipment of goods. Other receivables are made up of chargeback receivables, net of allowances for expected credit losses, sundry receivables, recoverable input tax credits and interest receivable on cash balances.

ONTARIO CANNABIS RETAIL CORPORATION

Notes to Financial Statements

(Canadian dollars)

The carrying amount of chargeback receivables is reduced through the use of an allowance where there is objective evidence that OCRC will not be able to collect amounts due from a vendor chargeback. OCRC makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. OCRC assess impairment of chargeback receivables on an individual basis as they possess separate credit risk characteristics. OCRC establishes an allowance on vendor chargeback receivables taking into consideration, external indicators, current economic trends, historical experience, and forecasts of future economic conditions. When receivables are deemed uncollectible it is written off against the allowance. The loss is recognized as selling, general, and administrative expenses in the Statement of Income and Comprehensive Income.

2.6 Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is determined by the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Cost includes all direct expenditures to bring the inventory to its present location and condition net of vendor allowances. Inventories are written down to net realizable value when the cost of inventories is not estimated to be recoverable.

2.7 Property and equipment

Capital expenditures with a future useful life beyond the current year 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 asset.

Depreciation is recognized in the Statement of Income and Comprehensive Income over the expected useful lives of each major component of property and equipment, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The cost of subsequently replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits related to the part will flow to OCRC, and its cost can be measured reliably. The carrying amount of the replaced item of property and equipment is derecognized, if it is disposed, or if there are no future economic benefits expected. The costs of the day-to-day servicing of property and equipment are recognized as expense as incurred.

The estimated useful lives of property and equipment are as follows:

Computer hardware	4 years
Furniture and fixtures	10 years
Leasehold improvements	Initial building lease term + 1 renewal term

Property and equipment that is work-in-progress is measured at historical cost. Depreciation commences when they are available for use.

ONTARIO CANNABIS RETAIL CORPORATION

Notes to Financial Statements

(Canadian dollars)

2.8 Intangible assets

Intangible assets with finite lives are measured at cost less accumulated depreciation and any accumulated impairment losses. These intangible assets are depreciated on a straight-line basis over their estimated useful lives.

Intangible assets include externally acquired software, which has an estimated useful life of three to four years.

2.9 Impairment of property, equipment, and intangible assets

After recognition of an asset, an item of property, equipment and intangible asset shall be carried at its cost less any accumulated depreciation and accumulated impairment losses. An asset is impaired when its carrying amount exceeds its recoverable amount. To determine whether an item of property, equipment and intangible assets is impaired, OCRC considers whether:

- the asset value has declined significantly.
- significant changes with adverse effects on OCRC have taken place, impacting the use of the asset.
- the carrying value of a net asset is significantly higher than its market value.
- evidence is available of obsolescence or physical damage, having a significant impact on OCRC's financial position.

If any such indications exist, the recoverable amount of the asset or cash-generating unit (CGU) which is the higher of its fair value less cost of disposal and its value in use, must be determined. A CGU is the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or group of assets. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the amount of the asset or CGU is reduced to its recoverable amount.

Any impairment loss is recognized as an expense in the period in which it occurs.

2.10 Leases

The OCRC assesses whether a contract is or contains a lease at inception of the contract. A lease conveys the right to direct the use and obtain substantially all of the economic benefits of an identified asset for a period of time in exchange for consideration.

With the exception of short-term leases and leases of low-value assets, OCRC recognizes a lease liability on the lease commencement date. The initial amount of the lease liability comprises the present value of the lease payments during the lease term. The lease term is the non-cancellable period for which OCRC has the right to use the asset, including extension or termination option periods that OCRC is reasonably certain to exercise.

ONTARIO CANNABIS RETAIL CORPORATION

Notes to Financial Statements

(Canadian dollars)

The lease payments are discounted using the interest rate implicit in the lease if that rate can be readily determined. If that rate cannot be readily determined, the lease payments are discounted using OCRC's incremental borrowing rate, which is the applicable rate of the Ontario Financing Authority at the lease commencement date. Subsequently, the lease liability is measured by increasing the liability to reflect interest and decreasing the liability to reflect payments. The lease liability is remeasured to reflect reassessment or modification or to reflect in-substance fixed lease payments. The revised lease payments are discounted using the OCRC's incremental borrowing rate at the date of reassessment when the rate implicit in the lease cannot be readily determined. The amount of the remeasurement of the lease liability is reflected as an adjustment to the carrying amount of the right-of-use asset. The exception being when the carrying amount of the right-of-use asset has been reduced to zero then any excess is recognized in Statement of Income and Comprehensive Income.

Right-of-use assets are measured at cost, comprised of the initial amount of the lease liability; lease payments made at or before the lease commencement date, less any incentives received; initial direct costs; and an estimate of dismantling or restoration costs to be incurred. Depreciation of right of-use-assets is recognized in the Statement of Income and Comprehensive Income over the lease term, using the straight-line method.

Right-of-use assets under construction are capitalized when lease payments are made prior to the commencement date. Right-of-use assets under construction are not depreciated until such time they are available for use. Right-of-use assets under construction is subsequently transferred to its applicable category and depreciation would commence over the lease term.

At the end of each equipment lease term, the OCRC may purchase the underlying asset from the lessor at a third-party determined fair market value. The purchase costs can be measured reliably, and the future economic benefits are probable. Upon purchases of the right-of-use assets, the cost continues to be recorded as a right-of-assets and the purchase costs are added to the total right-of-use assets carrying amount and is depreciated on a straight-line basis over its remaining economic useful life. Purchased distribution centre equipment assets have estimated useful lives ranging between eight to twenty years.

Short-term leases and leases of low-value assets are accounted for by recognizing the lease payments on a straight-line basis over the lease term.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and to instead account for any lease and associated non-lease components as a single arrangement. OCRC has not used this practical expedient, as a result the OCRC accounts for each lease component and any associated non-lease component as a separate lease component. Non-lease components, also referred to as variable lease payments, such as property taxes, management fees and utilities have been expensed as incurred throughout the year.

2.11 Trade and other payables

Trade and other payables are classified and measured at amortized cost as they are generally short-term in nature and due within one year of the Statement of Financial Position date. Trade payables are non-interest bearing and are initially measured at fair value and subsequently remeasured at amortized cost.

Vendor chargebacks are offset against liabilities when OCRC has a legally enforceable right to offset the receivable amount and intends to settle on a net basis.

ONTARIO CANNABIS RETAIL CORPORATION

Notes to Financial Statements

(Canadian dollars)

2.12 Provisions

Provisions are recognized when there is a present legal or constructive obligation because of a past event, for which it is probable that an outflow of economic benefit will be required to settle the obligation and where a reliable estimate can be made of the amount of the obligation.

2.13 Borrowings

Borrowings are financial liabilities with original maturity dates greater than one year. They are initially measured at fair value less transaction costs and subsequently measured at amortized cost, using the effective interest method.

2.14 Employee benefits

Pension benefits costs

OCRC provides defined pension benefits for all its permanent employees (and to non-permanent employees who elect) through the Public Service Pension Fund ("PSPF") and the Ontario Public Service Employees Union (OPSEU) Pension Fund. The Province, which is the sole sponsor of the PSPF and a joint sponsor of the OPSEU Pension Fund, determines OCRC's annual contribution to the funds. As sponsors are responsible for ensuring that the pension fund is financially viable, any surpluses and unfunded liabilities arising from statutory actuarial funding valuations are not assets or obligations of the OCRC.

The OCRC does not have a net obligation in respect of the defined benefit pension plans as the plan are established by the Province of Ontario. The Province of Ontario controls all entities included in the pension plans. The OCRC has classified these plans as state plans as there is no contractual agreement or stated policy for charging the net defined benefit cost of the plans to the OCRC. As such, the OCRC records these post-employment benefits as a defined contribution plan and is charged to the Statement of Income and Other Comprehensive Income in the period the contributions become payable.

Short-term employee benefits

Short-term employee benefits are benefits that are expected to be wholly settled within twelve months of the annual reporting period in which they are earned by employees.

Other long-term employee benefits

Employee benefits other than those provided by the Province include Workplace Safety and Insurance Board ("WSIB") and Long-Term Disability ("LTD"). These plans provide long-term income protection benefits to employees when they are no longer providing active service.

As a Schedule 2 employer, the OCRC is a self-insured employer and therefore must pay for the full cost of claims as the payments are due and cover all WSIB related administrative expenses. The WSIB maintains full authority over the Schedule 2 claims entitlement process.

Other long-term employee benefits are employee benefits that are not expected to be wholly settled within twelve months of the annual reporting period in which they are earned by employees. Provisions for long-term employee benefits are measured at the present value of the estimated future cash flows.

ONTARIO CANNABIS RETAIL CORPORATION

Notes to Financial Statements

(Canadian dollars)

2.15 Revenue

Revenue from sale of wholesale and eCommerce goods is measured at the fair value of consideration received from the sale of goods in the ordinary course of OCRC's activities less any applicable taxes, actual and expected returns. Revenue from wholesale and eCommerce is recognized when the customer receives the product or upon estimated receipt by the customer.

Revenue from the data subscription program is measured at the fair value of consideration received from participants in the program, less any applicable taxes. Revenue from the data subscription program is recognized at the time the annual fee is charged.

2.16 Cost of sales

Cost of sales includes the cost of inventories expensed during the year and other costs incurred to fulfill performance obligations to customers.

2.17 Other income

Other income comprises income from trade day which is recognized when the event is held and income from fees charged. The income from trade day and fees charged can be measured reliably.

2.18 Finance income and costs

Finance income comprises interest income on cash balances.

Finance costs consist of interest expense on borrowings and lease liabilities.

Interest income and expense are calculated using the effective interest method.

2.19 Financial instruments

Financial assets and financial liabilities are recognized when OCRC becomes a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are initially measured at fair value, plus or minus transaction costs that are directly attributable to their acquisition.

The measurement of financial instruments in subsequent periods and the recognition of changes in fair value depend on the category in which they are classified.

OCRC has classified and measured its financial instruments as follows:

<u>Financial Asset/Liability</u>	<u>Measurement</u>
Cash	Amortized cost
Trade and other receivables	Amortized cost
Trade and other payables	Amortized cost
Borrowings	Amortized cost

Amortized cost

This measurement category applies to financial instruments in which assets are held for collection of contractual cash flows in which the cash flows represent solely payments of principal and interest. Cash, trade and other receivables, trade and other payables and borrowings are measured at amortized cost.

ONTARIO CANNABIS RETAIL CORPORATION

Notes to Financial Statements

(Canadian dollars)

Fair value measurements

The OCRC does not have financial instruments measured at fair value.

2.20 Use of Estimates and Judgments

The preparation of financial statements in accordance with IFRS requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the carrying amount of assets and liabilities, disclosures of contingent assets and liabilities as at the date of the financial statements, and the carrying amount of revenues and expenses for the reporting period. These estimates are changed periodically and, as adjustments become necessary, they are recognized in the financial statements in the period in which they become known.

The judgments and key sources of estimation uncertainty that have a significant effect on the amounts recognized in these financial statements are disclosed in the relevant notes to which the estimates and judgments relate.

Inventories

Inventories are carried at the lower of cost and net realizable value which required the OCRC to utilize estimates related to fluctuations in shrink, future retail prices, the impact of vendor chargebacks on cost, seasonality, and costs necessary to sell the inventory.

Leases

Management exercises judgement 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, 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 cannabis industry may impact Management's assessment of lease term, and any changes in Management's estimate of lease terms may have a material impact on the OCRC Statement of Financial Position and Statement of Income and Comprehensive Income.

In determining the carrying amount of right-of-use assets and lease liabilities, OCRC is required to estimate the incremental borrowing rate specific to each leased asset if the interest rate implicit in the lease is not readily determined. Management determines the incremental borrowing rate using the applicable rate of the Ontario Financing Authority ("OFA") at the lease commencement date.

Provisions

Provisions have been made for certain employee benefits, sales returns, contract terminations and deferred revenue. These provisions are estimates, the actual costs and timing of future cash flows are dependent on future events. Any difference between expectations and the actual future liability will be accounted for in the period where such determination is made.

3. Cash

Cash as at March 31, 2022, includes interest-bearing bank accounts. OCRC did not hold any cash equivalents as at March 31, 2022 (2021 - \$nil).

ONTARIO CANNABIS RETAIL CORPORATION

Notes to Financial Statements

(Canadian dollars)

4. Trade and other receivables

Trade and other receivables include the following:

	March 31, 2022	March 31, 2021
Chargeback receivables	252,112	344,916
Loss allowance for expected credit losses	(30,667)	(217,468)
Recoverable input tax credits	-	326,560
Sundry receivables	379,267	283,735
Trade receivables	33,807	-
Interest receivable	334,328	84,262
	968,847	822,005

The carrying amount of trade and other receivables approximates its fair value due to its short-term nature. Chargeback receivables is made up of vendor chargeback balances from price protection or returned products. The carrying amount of chargeback receivables is reduced through the use of an allowance at levels considered adequate to absorb credit losses. Subsequent recoveries of receivables previously provisioned are credited to Selling, General and Administrative Expenses. The amount of lifetime expected credit losses on trade and other receivables, specifically chargeback receivables, is \$30,667 (2021 - \$217,468). Information about the OCRC's exposure to credit risks and analysis relating to the loss allowance for expected credit losses is included in note 17.

5. Inventories

As at March 31, 2022, the carrying amount of inventory was written down by an allowance of \$4,014,564 (2021 - \$870,624) to net realizable value. No inventory is pledged as security.

The cost of inventories sold and recognized as cost of sales during the year ended March 31, 2022, was \$890,246,064 (2021 - \$483,829,965). This includes inventory write-downs recognized during the year of \$4,014,564 (2021 - \$870,624).

Inventory write-downs recognized in prior periods and reversed in the year were \$870,624 (2021 - \$2,111,961). The reversal of write-downs was the result of selling through or charging back the cost of the inventory to the vendor upon return or destruction.

The write-downs and reversals are included in inventory cost of sales.

ONTARIO CANNABIS RETAIL CORPORATION

Notes to Financial Statements

(Canadian dollars)

6. Property, equipment, and intangible assets

The following table presents the net book value and changes in the cost and accumulated depreciation of property, equipment, and intangible assets.

Property, equipment, and intangible assets continuity for the year ended March 31, 2022:

	Computer hardware	Furniture and fixtures	Computer software	Leasehold improvements	Leasehold improvements in progress	Total
Cost						
Balance at March 31, 2021	894,906	1,343,335	15,002	1,165,824	1,173,752	4,592,819
Additions	158,480	48,333	-	61,160	196,360	464,333
Transfer	-	-	-	1,330,476	(1,330,476)	-
Disposals	(24,518)	(2,776)	-	-	-	(27,294)
Balance at March 31, 2022	1,028,868	1,388,892	15,002	2,557,460	39,636	5,029,858
Accumulated depreciation						
Balance at March 31, 2021	457,800	252,150	7,799	167,874	-	885,623
Depreciation	234,973	133,068	3,561	196,792	-	568,394
Disposals	(18,660)	(776)	-	-	-	(19,436)
Balance at March 31, 2022	674,113	384,442	11,360	364,666	-	1,434,581
Carrying amount						
As at March 31, 2021	437,106	1,091,185	7,203	997,950	1,173,752	3,707,196
As at March 31, 2022	354,755	1,004,450	3,642	2,192,794	39,636	3,595,277

ONTARIO CANNABIS RETAIL CORPORATION

Notes to Financial Statements

(Canadian dollars)

Property, equipment, and intangible assets continuity for the year ended March 31, 2021:

	Computer hardware	Furniture and fixtures	Computer software	Leasehold improvements	Leasehold improvements in progress	Total
Cost						
Balance at March 31, 2020	783,000	1,349,944	10,816	995,824	-	3,139,584
Additions	114,205	-	4,186	170,000	1,173,752	1,462,143
Disposals	(2,299)	(6,609)	-	-	-	(8,908)
Balance at March 31, 2021	894,906	1,343,335	15,002	1,165,824	1,173,752	4,592,819
Accumulated depreciation						
Balance at March 31, 2020	254,473	119,334	3,764	70,258	-	447,829
Depreciation	204,649	132,816	4,035	97,616	-	439,116
Disposals	(1,322)	-	-	-	-	(1,322)
Balance at March 31, 2021	457,800	252,150	7,799	167,874	-	885,623
Carrying amount						
As at March 31, 2020	528,527	1,230,610	7,052	925,566	-	2,691,755
As at March 31, 2021	437,106	1,091,185	7,203	997,950	1,173,752	3,707,196

7. Leases

a) Lease liabilities

The following table presents the changes in the lease liability for the year ended March 31, 2022:

	Office premises	Distribution centre premises	Distribution centre equipment	Total
Balance, as at March 31, 2021	10,661,128	33,406,582	4,358,296	48,426,006
Additions	-	-	5,965,562	5,965,562
Principal payments	(611,556)	(1,155,507)	(1,673,731)	(3,440,794)
Balance, as at March 31, 2022	10,049,572	32,251,075	8,650,127	50,950,774
			March 31, 2022	March 31, 2021
Current portion			3,953,520	2,993,508
Long-term portion			46,997,254	45,432,498
			50,950,774	48,426,006

Interest expense on these lease obligations for the year ended March 31, 2022, was \$1,012,933 (2021 - \$827,538). Total cash outflow for the year ended March 31, 2022, was \$4,453,727 (2021 - \$3,347,205) including interest.

ONTARIO CANNABIS RETAIL CORPORATION

Notes to Financial Statements

(Canadian dollars)

Maturity analysis of lease liabilities

The maturity analysis of lease liabilities reflecting the future contractual lease payments that are expected to be made over the next five years and thereafter are as follows:

	March 31, 2022
Less than one year	5,077,102
One to five years	18,568,432
Thereafter	36,860,918
Total undiscounted lease payments	60,506,452
Less: Imputed interest on lease	(9,555,678)
Total discounted lease payments	50,950,774

Short-term leases

Expenses relating to short-term leases (short-term office accommodation and storage facilities) accounted for on a straight-line basis over the lease term were \$nil for the year ended March 31, 2022 (2021 - \$13,189). As at March 31, 2022, commitments for short-term leases are \$nil (2021 - \$nil).

Low-value leases

Expenses relating to low-value leases (low-value distribution centre office furniture, fixtures, and information technology equipment) accounted for on a straight-line basis over lease terms ranging between 36 months to 60 months were \$361,965 for the year ended March 31, 2022 (2021 - \$273,573). As at March 31, 2022, commitments for low-value leases are \$419,623 (2021 - \$318,364).

Office lease

OCRC entered into an office lease during the year ended March 31, 2020. The lease term is for 5 years with two optional extension terms of 5 years each. The lease payments were discounted using OCRC's incremental borrowing rate, which is the applicable rate of the Ontario Financing Authority ("OFA") at the lease commencement date.

Distribution centre lease

OCRC entered into a distribution centre lease during the year ended March 31, 2021. The lease term is for 10 years with two optional extension terms of 5 years each. The lease payments were discounted using OCRC's incremental borrowing rate, which is the applicable rate of the Ontario Financing Authority ("OFA") at the lease commencement date.

Distribution centre equipment - leased

During the year ended March 31, 2022, OCRC entered into additional equipment leases for use at the distribution centre. The lease terms range from 36 months to 60 months with optional one year extension terms. The lease payments were discounted using OCRC's incremental borrowing rate, which is the applicable rate of the Ontario Financing Authority ("OFA") at the lease commencement date.

Distribution centre equipment - purchased

A few equipment leases expired during the year and the OCRC elected to purchase the underlying assets at an arm's length fair market value determined at the end of the lease term. The measurable purchase costs were added to the right-of-use asset's carrying amount at the end of the lease term. The purchased right-of-use assets' remaining carrying values are depreciated over their remaining economic useful lives.

ONTARIO CANNABIS RETAIL CORPORATION

Notes to Financial Statements

(Canadian dollars)

Variable lease payments

Total variable lease expenses that are not included in the measurement of lease liabilities are \$671,274 (2021 - \$509,383).

Committed leases

As at March 31, 2022, the OCRC had no committed leases (2021 - \$4,660,538).

b) Right-of-use assets

The following table presents the changes in the cost of right-of-use assets for the year ended March 31, 2022:

	Office premises	Distribution centre premises	Distribution centre equipment ¹	Distribution centre equipment under construction	Total
Cost					
Balance at March 31, 2021	11,576,564	34,582,065	5,345,113	252,159	51,755,901
Additions	-	-	6,014,361	707,643	6,722,004
Modifications	-	-	(4,905)	-	(4,905)
Transfers	-	-	915,908	(915,908)	-
Disposals	-	(1,043,388)	-	-	(1,043,388)
Write off	-	-	-	(43,894)	(43,894)
Balance at March 31, 2022	11,576,564	33,538,677	12,270,477	-	57,385,718
Accumulated depreciation					
Balance at March 31, 2021	1,518,238	2,095,591	822,005	-	4,435,834
Depreciation	759,119	1,696,870	1,607,296	-	4,063,285
Transfers	-	-	-	-	-
Disposals	-	(1,043,388)	-	-	(1,043,388)
Balance at March 31, 2022	2,277,357	2,749,073	2,429,301	-	7,455,731
Carrying amount					
As at March 31, 2021	10,058,326	32,486,474	4,523,108	252,159	47,320,067
Balance at March 31, 2022	9,299,207	30,789,604	9,841,176	-	49,929,987

¹ The distribution centre equipment consists of leased and purchased right-of-use assets.

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Notes to Financial Statements

(Canadian dollars)

The following table presents the changes in the cost of right-of-use assets for the year ended March 31, 2021:

	Office premises	Distribution centre premises	Distribution centre equipment	Distribution centre equipment under construction	Total
Cost					
Balance at March 31, 2020	11,576,564	3,360,829	-	-	14,937,393
Additions	-	33,538,675	5,164,807	432,465	39,135,947
Modifications	-	(1,635,186)	-	-	(1,635,186)
Transfers	-	-	180,306	(180,306)	-
Disposals	-	(682,253)	-	-	(682,253)
Balance at March 31, 2021	11,576,564	34,582,065	5,345,113	252,159	51,755,901
Accumulated depreciation					
Balance at March 31, 2020	759,119	756,768	-	-	1,515,887
Depreciation	759,119	2,021,076	822,005	-	3,602,200
Disposals	-	(682,253)	-	-	(682,253)
Balance at March 31, 2021	1,518,238	2,095,591	822,005	-	4,435,834
Carrying amount					
As at March 31, 2020	10,817,445	2,604,061	-	-	13,421,506
Balance at March 31, 2021	10,058,326	32,486,474	4,523,108	252,159	47,320,067

8. Trade and other payables

Trade and other payables include the following:

	March 31, 2022	March 31, 2021
Inventory payables and accruals	164,682,928	118,489,276
Chargebacks offset against inventory payables	(4,317,445)	(4,176,653)
Other trade payables and accrued expenses	8,968,740	12,579,257
Input tax credits payable	2,476,049	-
Deferred revenue	58,085	125,741
Customer deposits	256,625	138,370
	172,124,982	127,155,991

The fair values of trade and other payables approximate their carrying amounts due to their short-term nature.

ONTARIO CANNABIS RETAIL CORPORATION

Notes to Financial Statements

(Canadian dollars)

9. Provisions

The following tables represent the changes to OCRC's provisions:

Provisions continuity for the year ended March 31, 2022

	Short term employee benefits	Other	Total
Balance at March 31, 2021	1,254,320	540,761	1,795,081
Additional provisions recognised during the year	1,168,597	251,606	1,420,203
Utilization of provision	(1,254,320)	(219,761)	(1,474,081)
Balance at March 31, 2022	1,168,597	572,606	1,741,203

Provisions continuity for the year ended March 31, 2021

	Contract terminations	Short term employee benefits	Other	Total
Balance at March 31, 2020	531,060	1,303,446	175,371	2,009,877
Additional provisions recognised during the year	-	1,254,320	450,761	1,705,081
Reversal of provision	(134,044)	-	-	(134,044)
Utilization of provision	(397,016)	(1,303,446)	(85,371)	(1,785,833)
Balance at March 31, 2021	-	1,254,320	540,761	1,795,081

All provisions are classified as current. The employee benefits provision includes short-term employee benefits expected to be paid in the following year. Other provisions include long term employee benefits (refer to Note 2.14) and a sales returns allowance. The sales returns allowance is estimated based on historical sales return trends.

10. Borrowings

At March 31, 2022, changes in borrowings are as follows:

	OFA Loan
Balance, as at March 31, 2021	74,753,617
Principal payments	(9,386,099)
Interest accretion	1,973,663
Balance, as at March 31, 2022	67,341,181

	March 31, 2022	March 31, 2021
OFA Loan	67,341,181	74,753,617
Less: current portion of borrowings	(9,386,099)	(9,386,099)
Non-current borrowings	57,955,082	65,367,518

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Notes to Financial Statements

(Canadian dollars)

On February 14, 2018, OCRC entered into a loan agreement with the Ontario Financing Authority (OFA) and the Ministry of Finance, involving two facilities, for the purpose of financing OCRC's set-up and initial operations. Under facility one, OCRC is provided an advance, of which OCRC may draw funds from the OFA to a maximum principal amount of \$150,000,000, with an end date of December 31, 2019. The facility one principal amount, plus interest accrued, is to be repaid using the advance from facility two on January 1, 2020.

The total cumulative loan balance under facility one, inclusive of interest, as at December 31, 2019, was \$81,405,414. Consistent with the terms of the loan agreement, the cumulative loan balance of facility one was fully repaid with funds advanced from facility two on January 1, 2020. Facility two is a non-revolving 10-year term loan and bears interest at 2.79 per cent per annum, compounded semi-annually, and is repayable in equal semi-annual instalments of \$4,693,049 commencing on June 30, 2020. The loan is unsecured and is due January 1, 2030.

The fair value of borrowings at March 31, 2022 approximates their carrying amount.

11. Revenue

Revenue is comprised of sales of cannabis products and accessories, net of returns, and delivery fees and is recognized at the time the customer receives the product.

	For the year ended March 31, 2022	For the year ended March 31, 2021
Wholesale revenue	1,107,774,064	518,569,666
E-commerce revenue	72,692,817	132,936,140
Data subscription program	382,500	200,000
	1,180,849,381	651,705,806

Credit losses incurred on e-commerce transactions were \$34,645 for the year ended March 31, 2022 (2021 - \$56,891). Refer to Note 17.

12. Cost of sales

Cost of sales includes the cost of product sold, determined by the weighted average cost method, as well as other costs incurred by OCRC to fulfill its contractual obligations to customers.

	For the year ended March 31, 2022	For the year ended March 31, 2021
Cost of goods sold	890,246,064	483,829,965
Delivery fees	23,944,919	21,122,683
Transaction fees	327,797	798,320
	914,518,780	505,750,968

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Notes to Financial Statements

(Canadian dollars)

13. Other income

Other income includes the following:

	For the year ended March 31, 2022	For the year ended March 31, 2021
Fees	19,475	5,255
Gain on disposal of fixed assets	2,561	-
Reversal of provision for contract terminations	-	113,760
Trade day income	-	25,202
	22,036	144,217

14. Selling, general and administrative expenses

Selling, general and administrative expenses include the following:

	For the year ended March 31, 2022	For the year ended March 31, 2021
Salaries and benefits	32,924,294	27,674,869
Warehouse and logistics	28,883,587	25,754,284
Information systems and technology support	5,189,081	7,928,148
Depreciation of right-of-use assets	4,063,285	3,602,200
Depreciation of property, equipment, and intangible assets	568,394	439,116
Professional services	2,779,425	1,375,067
Contract services	2,704,347	2,223,263
E-commerce transaction processing	1,404,645	2,576,359
Insurance	1,245,831	1,163,930
Occupancy	843,972	907,631
Other expenses	395,460	414,842
Recruitment services	140,080	87,855
Loss on disposal of fixed assets	7,858	7,586
Recovery of bad debts	(96,667)	(532,401)
	81,053,592	73,622,749

15. Finance income and costs

Finance income and costs include the following:

	For the year ended March 31, 2022	For the year ended March 31, 2021
Interest income on bank balances	2,117,967	736,612
Lease liabilities interest expense (Note 7)	(1,012,933)	(827,539)
OFA loan interest expense (Note 10)	(1,973,663)	(2,175,408)
	(868,629)	(2,266,335)

ONTARIO CANNABIS RETAIL CORPORATION

Notes to Financial Statements

(Canadian dollars)

16. Post-employment and other long-term employee benefits

(i) Employee pension benefits

During the year, OCRC made pension contributions to the plans that amounted to \$2,349,725 (2021 - \$1,753,005). These amounts are included in salaries and benefits expenses and reported in selling, general and administrative expenses in the Statement of Income and Comprehensive Income.

(ii) Other long-term employee benefit plans

Other long-term employee benefits provided by OCRC include long-term income protection benefits.

As at March 31, 2022, the liability for long-term income protection benefits recognized amounted to \$480,000 (2021 - \$321,000), which is included in the Statement of Income and Comprehensive Income.

17. Financial risk management

OCRC's Treasury Policy and Customer Credit Risk Management Policy regarding financial risk management and internal controls set out a prudential framework for the identification, measurement, management, and control of financial risks. These policies are a fundamental part of OCRC's long-term strategy covering areas such as credit risk, liquidity risk and interest rate risk. OCRC's financial risk management approach is to minimize the potential adverse effects from these risks on its financial performance. OCRC is exposed to the following financial risks:

(a) Credit risk

Credit risk is the risk of financial loss due to a financial counterparty or another third party failing to meet its financial or contractual obligations to the OCRC.

OCRC minimizes credit risk on its cash accounts by restricting its banking and cash management to arrangements with Schedule I banks. Payment for orders from Licensed Retailers is collected via pre-authorized debit upon shipment, or prepaid, making the likelihood of credit loss very low. Payment for orders from eCommerce customers is authorized at checkout, making the likelihood of credit loss very low. In addition, OCRC employs various fraud detection tools to identify high-risk e-commerce transactions. These practices enable OCRC to minimize credit risk related to customers. Trade receivables from customers totaled \$33,807 as at March 31, 2022 (2021 - \$nil).

OCRC is exposed to credit risk under circumstances where chargebacks are issued from OCRC to vendors, resulting in balances due to OCRC. OCRC mitigates such risk by reviewing the receivables position against future planned inventory purchases for eventual offset against the receivable, where applicable. OCRC also analyses the vendors financial health and assesses their ability to meet their obligations based on information available, as well as actively processing collections activities to assist in mitigating the risk of non-payment resulting from chargebacks to vendors. A risk assessment is completed on a periodic basis, and a provision for expected credit losses is booked based on the outcome of the risk assessment. Chargeback receivables are derecognized when there is no reasonable expectation of recovery.

OCRC applies the IFRS 9 simplified model of recognizing lifetime expected credit losses for all chargeback receivables as these items do not have a significant financing component.

ONTARIO CANNABIS RETAIL CORPORATION

Notes to Financial Statements

(Canadian dollars)

OCRC estimates lifetime expected credit losses, specifically on chargeback receivables, as at March 31, 2022, to be \$30,667 (2021 - \$217,468). The changes in the chargeback receivables loss allowance were as follows:

	March 31, 2022	March 31, 2021
Beginning balance	217,468	751,811
Loss allowance recognized during the year	8,568	22,204
Loss allowance unused and reversed during the year	(195,369)	(556,547)
Ending balance	30,667	217,468

The details of OCRC's aging of chargeback receivables is as follows:

	March 31, 2022	March 31, 2021
Less than 60 days past due	46,216	19,571
61-180 days past due	-	46,674
Greater than 180 days past due	205,896	278,671
Total	252,112	344,916
Less: Loss allowance	(30,667)	(217,468)
Chargeback receivables (net)	221,445	127,448

Incurred credit losses are due to fraudulent e-commerce customer transactions that occur subsequent to shipment of product. Refer to Notes 4 and 11.

(b) Liquidity risk

Liquidity risk is the risk that OCRC may not have cash available to satisfy financial liabilities as they fall due.

OCRC seeks to limit its liquidity risk by actively monitoring and managing its available cash reserves to ensure that it has sufficient access to liquidity at all times to meet financial obligations when due as well as those relating to unforeseen events. In addition, OCRC has developed policies and practices to maximize working capital.

Trade and other payables are all due within one year of the Statement of Financial Position date. Refer to note 7 for the maturity analysis of lease liabilities reflecting the remaining contractual lease payments and refer to note 10 for information relating to the remaining semi-annual payments on borrowings until its maturity in 2030.

(c) Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with an instrument will fluctuate due to changes in market interest rates. OCRC is exposed to minimal interest rate risk related to lease obligations as the rates are determined at commencement date, and minimal risk on its loan liability balance owed to the OFA, as a 10-year amortizing interest rates is applied (refer to note 10).

ONTARIO CANNABIS RETAIL CORPORATION

Notes to Financial Statements

(Canadian dollars)

In OCRC's assessment, the impact of changes in interest rates would not have a significant impact on net income.

18. Capital management

OCRC is a corporation without share capital. Its capital structure consists of borrowings and accumulated equity. Total managed capital as at March 31, 2022, is \$291,795,806 (2021 - \$114,777,826).

OCRC's objectives in managing its capital are to preserve capital and to maintain sufficient liquidity to meet future financial commitments, including the repayment of borrowings from the OFA. By achieving these objectives, OCRC is able to fund its future growth.

The Board of Directors is responsible for oversight of Management, including policies related to financial risk management. OCRC's Management is responsible for overseeing its capital structure and mitigating financial risk in response to changing economic conditions.

The OCRC is not subject to any externally imposed capital requirements.

19. Related parties

The related parties of OCRC consist of the Province and its government departments, agencies, ministries, Crown Corporations, and key management personnel of OCRC, close family members of these individuals, or entities controlled or jointly controlled by these individuals.

The following transactions were carried out with related parties and recorded at the exchange amount.

(a) Ontario Financing Authority

On February 14, 2018, OCRC entered into a loan with the OFA and the Minister of Finance to finance OCRC's set-up costs, including the shared services provided by LCBO. The amount of the loan at March 31, 2022, is \$67,341,181 (2021 - \$74,753,617) including accrued interest of \$462,973 (2021 - \$511,113) under Facility two (refer to note 10).

(b) Ontario Pension Board, & Ontario Public Service Employees Union and Workplace Safety Insurance Board

Contributions to pension plans pertaining to employee future post-employment benefits and accrued benefit costs for other long-term employee benefit plans are disclosed in note 16.

(c) Stewardship Ontario

OCRC is responsible under the *Waste-Free Ontario Act, 2016*, to pay municipalities through Stewardship Ontario, an industry funded waste diversion organization for costs associated with container waste and non-container waste recycled through municipal Blue Box systems. The OCRC started to contribute to Stewardship Ontario during the year ended March 31, 2021.

For the year ended March 31, 2022, OCRC contributed \$100,497 (2021 - \$56,626) and these expenditures are included in selling, general and administrative expenses in the Statement of Income and Other Comprehensive Income.

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Notes to Financial Statements

(Canadian dollars)

(d) Key management personnel

Key management personnel are those individuals having authority and responsibility for planning, directing and controlling the activities of OCRC. Key management personnel include members of the Board of Directors as well as the President and Chief Executive Officer and top senior officers of OCRC. Board members receive a per diem remuneration for attending regularly scheduled meetings and for serving on the Finance and Governance Committee and the Human Resources and Compensation Committee.

Key management personnel compensation for the year ended March 31, 2022, was \$3,502,725 (2021 - \$3,925,246), comprised of salaries and benefits, directors per diem fees, and other short-term employee benefits.

20. Contingencies

Standby Letter of Credit

In order to meet the contribution payment demand requirements as set out in the Ontario Public Service Employees Union (OPSEU) agreement, the OCRC entered into an irrevocable standby letter of credit with one of its financial institutions in the amount of \$350,000 on September 24, 2021. The beneficiary of this letter of credit is the OPSEU. The purpose of this letter of credit is to have funds available to be drawn and payable to the OPSEU in the event a contribution payment is missed during the first contractual year the OCRC became a participant in the OPSEU OP Trust pension plan. This standby letter of credit is irrevocable, bears commission at a daily rate of 0.50% paid up front and expires on September 23, 2022.

No amounts have been drawn against the standby letter of credit as at March 31, 2022.

Other Contingencies

OCRC is involved in various legal actions arising out of the ordinary course and conduct of business. In view of the inherent difficulty of predicting the outcome on such matters, OCRC cannot state what the eventual outcome on such matters will be. However, based upon legal assessment and information presently available, OCRC does not believe that liabilities, if any, arising from pending litigation will have a material effect on the financial statements. Settlements, if any, concerning these contingent liabilities will be accounted for in the period in which the settlement occurs.

21. Comparative figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

