



ONTARIO CANNABIS STORE

ANNUAL REPORT

2023-2024

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, 2023, to March
31, 2024.

Sincerely,



Gary Crawford
Chair – Board of Directors
Ontario Cannabis Retail Corporation

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Ce document est également publié en français sous le nom Société Ontarienne du Cannabis Rapport Annuel 2023–24.
Il est disponible sur OCS.ca

Land Acknowledgement

In the spirit of truth and reconciliation, the OCS acknowledges that our office and warehouse occupy the ancestral, traditional and contemporary lands of many nations, including the Anishinabek Nation, the Haudenosaunee Confederacy, the Wendat and the Attiwonderonk peoples, and is now home to many diverse First Nations, Inuit and Métis communities. North York is covered by Treaty 13 and Guelph is covered by Treaty 3 signed with the Mississaugas of the Credit.

MESSAGE FROM THE CHAIR

I am honoured to have stepped into the role as Chair of the OCRC Board of Directors in July 2024. It is a privilege to be entrusted with this responsibility, and I'm excited to begin working with Board Members and Management to further advance the OCS's important mandate to enable a vibrant cannabis marketplace that displaces the illegal market, promotes social responsibility in connection with cannabis and generates important revenue for the province of Ontario.

On behalf of the Board of Directors, I am pleased to share the OCS's 2023–24 Annual Report. This report speaks to the significant progress the organization has made in its fifth year of operation following cannabis legalization. Though much work still remains ahead for the OCS, its industry partners and other key stakeholders to help advance the public policy objectives of legalization, the achievements made in 2023–24 will be foundational for future progress.

I would like to thank Connie Dejak, the outgoing Board Chair, for her five years of dedicated public service to the OCS. Her stewardship during this time was instrumental to the organization's growth, particularly as it navigated fierce competition from the illegal market, the challenges of the COVID-19 pandemic, and regulatory changes in the early years after legalization. During her time at the OCS, Connie was a passionate advocate for consumer education on responsible consumption and in promoting the economic contributions of the local legal cannabis industry in Ontario.

I also want to express my gratitude to the talented staff at the OCS. Working under the leadership of OCS President and Chief Executive Officer, their tremendous dedication to delivering on the objectives in the agency's 2023–26 Business Plan, while remaining resilient in navigating changing marketing conditions along the way, has been truly commendable.

Although I am at the beginning of my journey as Chair, I am proud to celebrate the efforts of the OCS in the past year. Most notably, the OCS has played a pivotal role in enabling the growth of Ontario's legal cannabis marketplace, which recently exceeded \$2 billion in annual retail sales and continues to steer consumers away from the illegal market.

As the OCS continues to mature, its value as a contributor to Ontario has become increasingly evident. In 2023–24, the OCS reached a significant milestone by initiating its first series of dividend payments to the province and establishing a process for ongoing remittances. I am pleased to report that the OCS

paid and accrued a total of \$365 million in dividends, helping support government priorities, such as public services and infrastructure.

As I settle into my role as Chair, I look forward to working with the Board of Directors to provide strategic direction and good governance to the organization in 2024–25 and beyond. Through our unwavering commitment to our mandate and hard work, the OCS will continue to advance our mission of enabling a vibrant cannabis marketplace that serves the interest of our province and its people.



Gary Crawford
Chair – Board of Directors
Ontario Cannabis Retail Corporation

MESSAGE FROM THE PRESIDENT AND CEO

In 2022–23, the OCS started down an ambitious path to pivot from the initial start-up of our business and the efforts required to get the legal cannabis marketplace open in Ontario after legalization. What emerged was our first multi-year strategy — a plan to scale and begin enabling a vibrant cannabis marketplace. Investments to evolve our core wholesale and distribution capabilities were at the heart of this plan, paving the way for Canada’s largest legal cannabis marketplace, which surpassed \$2 billion in annual retail sales in 2023–24.

I am pleased to present the OCS’s 2023–24 Annual Report, highlighting the significant achievements in the second year of this transformative journey.

Over the past year, the OCS sharpened its focus on expanding its product range to empower retailers to differentiate from one another and provide Licensed Producers with greater access to Canada’s largest cannabis marketplace. In turn, the OCS’s catalogue has doubled in size over the past two years, reaching an impressive 4,280 SKUs (up from 2,014 in 2021–22), while the number of federally Licensed Producers the OCS partners with grew from 239 to 295 — a 23% increase from the previous year. To support this expansion, the OCS made strategic investments to grow and improve its secondary fulfillment channel, Flow-Through, to help facilitate greater brand diversification among Authorized Cannabis Stores and create enriched retail experiences for consumers.

As the world’s largest legal cannabis wholesale distributor, the OCS distributed 98 million units of product in 2023–24 — totalling 388,944 kilograms — to a network of over 1,700 Authorized Cannabis Stores across the province. During this period, the OCS remained committed to improving its end-to-end wholesale experience to reduce friction for our retail customers.

The OCS’s investments into its wholesale and customer experience infrastructure have helped facilitate Ontario’s growing legal cannabis marketplace, with the agency achieving \$1.61 billion in wholesale revenue in 2023–24, a 12.2% increase over 2022–23. Notably, the City of Mississauga’s decision to permit legal cannabis retail stores played a key role in sales growth over the past year. This decision provides adults in Ontario’s third-largest city with access to tested, traceable, safer cannabis products from the legal market, and represents a major step forward in displacing sales from illegal alternatives. That said, retail store growth across the

Ontario has begun to slow compared with the initial years of legalization, now reflecting a balance of new openings and store closures that is observed in many other retail sectors.

In 2023–24, the OCS took significant steps to advance its multi-year Social Responsibility Strategy. First, the OCS formalized its social responsibility efforts with the launch of [Good All Around](#), its social impact platform, which connects Ontarians to the many benefits and contributions of the legal cannabis framework. The OCS also rolled out a multi-channel advertising campaign to drive awareness of its online educational platform, [Cannabis Made Clear](#), with hundreds of thousands of Ontarians visiting the website to find factual, non-biased and easy-to-understand information on legal cannabis products and responsible consumption. Additionally, the OCS launched an inaugural [Social Impact Fund](#), investing \$500,000 into community projects and cannabis research that support its Social Responsibility Strategy.

In 2023–24, the OCS continued to observe many financial challenges for industry participants as they navigate the high cost of compliance with federal regulations, stiff competition from persistent illegal operators and the macroeconomic pressures that have increased the costs of product inputs and made the cost of borrowing prohibitive. Though many of these industry challenges require the attention and support of a broad range of stakeholders, the OCS has strived to do its part as a wholesaler to make investments that will support the conditions for industry sustainability. Last September, with the support of the Government of Ontario, the OCS was pleased to implement a new wholesale pricing strategy. These changes focused on lowering the OCS’s margins and implementing a transparent fixed markup model that provides Licensed Producers with the tools they need to compete. We estimate that approximately \$60 million of OCS margins will be reinvested annually into the marketplace, compounding in years thereafter as the market grows.

Progress in executing the OCS’s multi-year “scaling to enabling” strategy has been very positive to date and the organization is seeing tangible results. The legal market is steadily gaining ground over the illegal market, Ontarians’ acceptance of legal cannabis continues to increase and our industry partners have told us they have seen measurable improvements in how they do business with the OCS. This feedback signals that we are continuing to head in the right direction and motivates our team for the further work needed to make an impact in these areas.

I want to thank our Board of Directors, particularly Connie Dejak, our outgoing Chair, for their strategic leadership and guidance to the organization in 2023–24. I look forward to working collaboratively alongside Gary Crawford, our new Chair, and all Board Members as we remain focused on the enabling Canada's largest and most vibrant cannabis marketplace.



David Lobo
President and CEO
Ontario Cannabis Store

PERFORMANCE HIGHLIGHTS

A LOOK BACK: 2023–24

In 2023–24, Canada’s cannabis industry celebrated a significant milestone with the fifth anniversary of the legalization of recreational cannabis sales on Oct. 17, 2023. Ontario’s cannabis marketplace continued to grow in 2023–24, as annual retail sales surpassed \$2 billion and consumer access to legal cannabis grew to over 1,700 Authorized Cannabis Stores.¹

To help facilitate this growth, the Ontario Cannabis Store (OCS) advanced its multi-year strategy, which, in its second year, focused on scaling its foundational wholesale capabilities to enable a vibrant cannabis marketplace in Ontario. Outlined in its [2023–26 Business Plan](#), the agency continued to anchor its operations to three strategic goals:



Building Best-in-Class Wholesale Capabilities



Enriching a Frictionless Customer Experience Through Digital Enablement



Championing the Legal Framework and a Socially Responsible Industry

Building Best-in-Class Wholesale Capabilities

As Ontario’s exclusive cannabis distributor, the OCS continues to make proactive investments to support robust wholesale infrastructure and systems to help grow its selection of innovative legal cannabis products, strengthen its delivery service levels and enhance its quality control processes. This was measured through:

45%

Growth in capacity to list SKUs

11.5

Completed inventory turns

318

Complaints per million units sold

Enriching a Frictionless Customer Experience Through Digital Enablement

As wholesaler to over 1,700 stores, the OCS continued to take steps to drive a seamless end-to-end customer journey with the creation of simple self-service tools for Authorized Cannabis Stores. This was measured through:

97.1%

Perfect Order Index score²

6/10

Retailer customer sentiment score

¹Statistics Canada. Table 20-10-0056-01 Monthly retail trade sales by province and territory (x 1,000). Data Extracted: July, 2024.

²Perfect Order Index is a standard industry metric measuring the overall effectiveness and efficiency of order fulfillment processes. This metric provides an assessment of how well a company is meeting customer expectations by delivering orders accurately, on time, and in full.

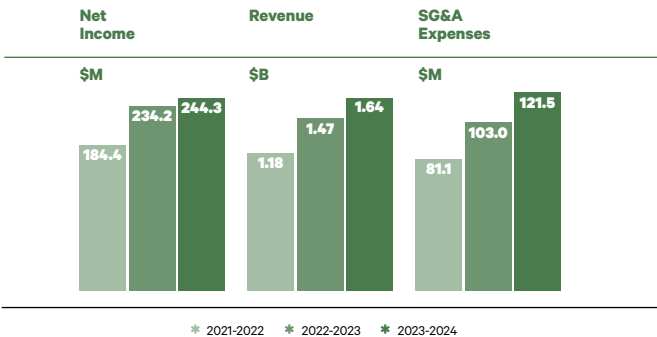
Championing the Legal Framework and a Socially Responsible Industry

The OCS continued to make progress in delivering against its multi-year Social Responsibility Strategy, which includes advancing cannabis knowledge, promoting responsible consumption, supporting a diverse and inclusive industry and establishing a foundation for sustainability. This was measured through:

69% 785K+

of frequent cannabis consumers agree that purchasing cannabis legally is preferable to illegal purchasing

unique visitors to Cannabis Made Clear — the OCS's online educational platform



Corporate Performance Objectives

In delivering on its mandate to ensure safe access to legal cannabis and displace sales from the illegal market, and to achieve its financial commitments as an agency of the Government of Ontario, the OCS has seen consistent growth year-over-year in net income and revenue.

ABOUT THE ONTARIO CANNABIS STORE

Provincial Mandate

The Ontario Cannabis Retail Corporation (OCRC), operating as the Ontario Cannabis Store (OCS), is the provincial 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* (OCRC Act). As set out in the OCRC 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, including enabling a retail system that helps combat the illegal market; keep cannabis out of the hands of children and youth; and protect communities. The OCS champions these provincial objectives by:

- Sourcing and distributing quality-tested cannabis to Authorized Cannabis Stores
- Providing safe and reliable adult access to legal cannabis through [OCS.ca](https://www.ocs.ca)
- Promoting social responsibility to facilitate a responsible approach to cannabis retail
- Providing consumers with information on safe and responsible consumption

As a government business enterprise of the Government of Ontario, the OCS also generates net profits that are remitted to the province to help fund priorities, such as public services and infrastructure.

In fulfilling its mandate, the OCS, through its Board of Directors, reports to the Minister of Finance and aims to operate efficiently and transparently. Through fiscal year 2023–24, the OCS focused on meeting priorities set out in its [Annual Letter of Direction](#) from the Minister of Finance while delivering on the objectives outlined in its [2023–26 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](#). Under the oversight of its Board of Directors, the OCS has made substantial efforts to meet these accountability requirements. All documents are fully accessible on [OCS.ca](https://www.ocs.ca).

The OCS's [accountability publications](#) include:

- Annual reports
- Business plans
- Annual Letters of Direction from Ontario's Minister of Finance
- 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

GET TO KNOW THE OCS

As a Board-governed Crown agency, strategic oversight of the corporation is managed by its Chair and Board of Directors. As outlined in the OCRC Act, the Board of Directors is appointed by the Lieutenant Governor in Council and is accountable to the Minister of Finance. Among its responsibilities, the OCRC Board of Directors appoints the agency's President and Chief Executive Officer (CEO), who is responsible for leading all daily operations. The President and CEO appoints a Senior Leadership Team of executives to assist in their management of the agency's business areas. In support of its mandate and strategic objectives, the OCS is guided by a purpose, vision, mission and set of values that define who the OCS is and what the organization seeks to achieve.

OCS PURPOSE

(Why We Exist)

To foster a vibrant cannabis marketplace that connects all Ontarians to the benefits of legal cannabis.

OCS VISION

(The World We Are Contributing To)

Canada's largest and most vibrant cannabis marketplace.

OCS MISSION

(Our Role)

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

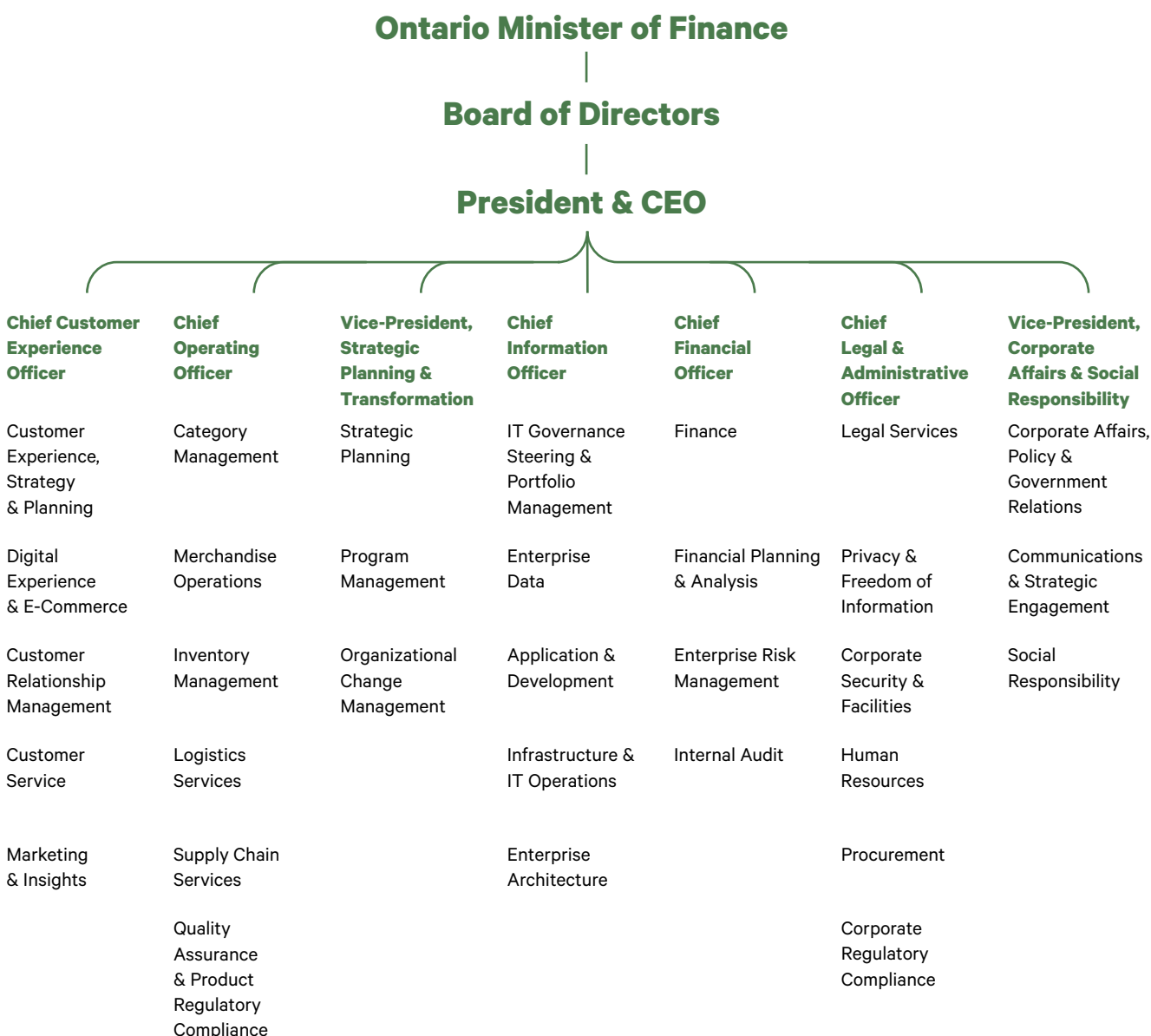
OCS VALUES

(How We Achieve Our Role)

- | | |
|-------------------------|--|
| 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. |

OCS ORGANIZATIONAL CHART

The organizational chart below outlines each department and their subject matter areas of accountability as of March 31, 2024:



OCRC BOARD OF DIRECTORS REMUNERATION

Board Member	Position	Term	Remuneration Paid in 2023–24
Connie Dejak ³	Chair	Dec. 2, 2022, to Dec. 1, 2025	\$15,424.00
Kam Va Philip Leong	Vice-Chair	Aug. 27, 2023, to Aug. 26, 2026	\$7,400.00
Kelly Elwood	Member	Sep. 29, 2021, to Sep. 28, 2024	\$3,000.00
Michael Smoskowitz	Member	Nov. 25, 2021, to Nov. 24, 2024	\$2,700.00
Anthony Bavota	Member	Feb. 17, 2022, to Feb. 16, 2025	\$3,200.00
Rajesh Uttamchandani ⁴	Member	June 18, 2020, to June 17, 2025	\$3,500.00
Graham Coulson	Member	Jan. 19, 2023, to Jan. 18, 2026	\$4,449.00
Benson Lau	Member	Jan. 19, 2023, to Jan. 18, 2026	\$2,900.00
Jon Reid	Member	Apr. 27, 2023, to Apr. 26, 2027	\$2,200.00
TOTAL			\$44,773.00

Committees

Governance Committee (Anthony Bavota, Chair)

Audit and Finance Committee (Kam Va Philip Leong, Chair)

Innovation and Competition Committee (Kelly Elwood, Chair)

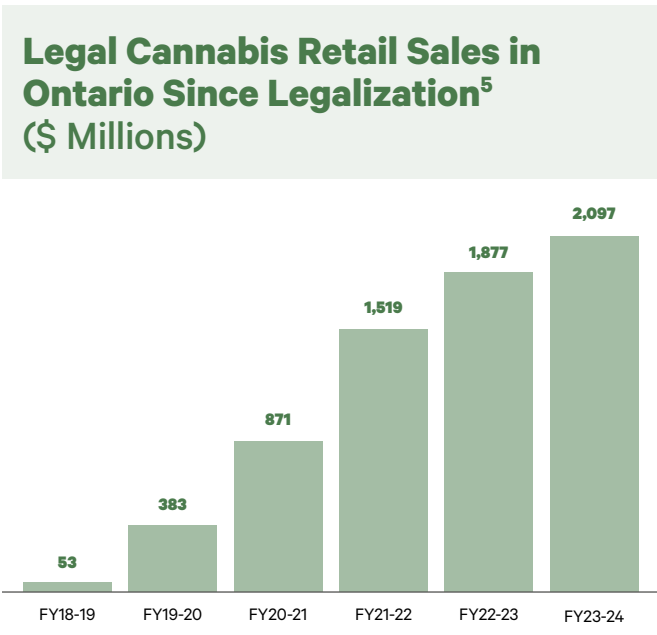
Human Resources and Compensation Committee (Rajesh Uttamchandani, Chair)

³ Connie Dejak resigned as Chair of the board effective July 25, 2024.

⁴ Rajesh Uttamchandani resigned as a member of the board effective May 14, 2024.

LEGAL RECREATIONAL CANNABIS IN ONTARIO: OPERATING ENVIRONMENT

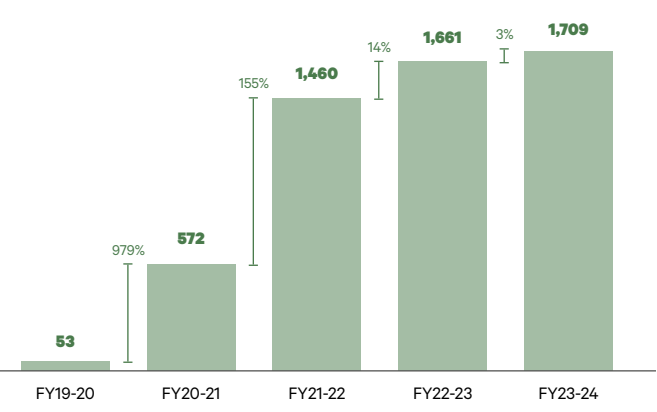
In its fifth year post-legalization, Ontario's legal cannabis marketplace surpassed \$2 billion in annual retail sales. However, as the marketplace matures, and competition from the illegal market remains persistent, growth patterns have begun to shift towards more moderate rates typical of established retail sectors. This section explores the evolving trends in the marketplace, the economic environment and the regulatory advancements that shaped the operating landscape throughout 2023–24.



Evolving Legal Cannabis Marketplace

By March 31, 2024, Ontario's adult population could make legal purchases through 1,709 Authorized Cannabis Stores in more than 350 municipalities across the province. In 2023–24, the rate of store closures slowed compared to the previous period, with 134 closures, down from 144 in 2022–23. Meanwhile, the rate of store openings continued to outpace closures, with a total of 182 new stores operating as of March 31, 2024. Overall, this represented a growth of 48 net-new stores in 2023–24 (a 3% increase year-over-year). This reflects a stabilization of the retail market compared to the initial years of legalization, where net-new stores grew by 201 (a 14% increase year-over-year) and 888 (a 155% increase year-over-year) stores in the preceding two years.

Number of Authorized Cannabis Stores in Ontario



A key factor behind the growth in Authorized Cannabis Stores in 2023–24 was the City of Mississauga's decision to permit legal cannabis retail stores to open in its community in April 2023. With this change, Ontario's third-largest city provided its residents with legal access to recreational cannabis products. This was a significant step in transitioning sales away from the illegal market. As of March 31, 2024, there were 41 stores authorized to open in the City of Mississauga. The Township of Muskoka Lakes and the Municipality of Powassan also permitted legal cannabis retail stores to open during 2023–24. Despite the addition of stores in these communities, bricks-and-mortar cannabis retail continues to be unavailable to adults located in 60 municipalities across Ontario. However, through [OCS.ca](https://www.ocs.ca), adults across Ontario have access to legal cannabis products, including those people located in municipalities that do not permit legal cannabis retail stores to open and operate.

The OCS works closely with its suppliers (federally Licensed Producers) from across Canada to source and supply quality tested, regulated products for Authorized Cannabis Stores and adult consumers across the province. In 2023–24, the OCS continued to onboard new Licensed Producers to successfully curate a diverse catalogue of high-quality, high-demand products. At the end of the fiscal year, the OCS partnered with 295 Licensed Producers — an increase of 56 (23%) year-over-year — including many craft and small-scale producers to offer 4,280 unique products by March 31, 2024.

⁵ Statistics Canada. Table 20-10-0056-01 Monthly retail trade sales by province and territory (x 1,000). Data extracted: July, 2024.

Recognizing that Ontario represents approximately 40% of annual legal cannabis sales in Canada, the OCS continued to observe a growing demand among Licensed Producers for access to the Ontario market. Over the past year, the OCS received Product Call submissions from 200 to 230 Licensed Producers, averaging 2,200 to 2,700 unique product submissions each quarter. To facilitate market entry for suppliers, and foster a more innovative product offering, the OCS increased its product onboarding capabilities, adding upwards of 1,000 new products to its catalogue each quarter. Through its Product Lifecycle Management program, the OCS continued to work with suppliers to retire products that no longer met the catalogue's evolving assortment needs.

Since legalization, significant work has been done to correct misconceptions about cannabis and the people who consume it. As a result, public perceptions about cannabis continue to evolve. According to recent studies conducted by Angus Reid for the OCS, approximately two-thirds of Ontarians feel positive about cannabis consumption in the province, with about three-quarters agreeing that cannabis helps generate tax-paying jobs and that overall, Ontario benefits financially from legal cannabis. Furthermore, 74% of Ontarians report a positive view on the impact of legalization. Ontarians also take comfort in knowing that legal cannabis comes from a safe source, saying Authorized Cannabis Stores have better quality control (73%), product safety (73%) and products free from harmful contaminants (72%).

Transitioning consumers away from the illegal market has long been one of the main goals of legalization. Since then, purchases made through illegal sources have significantly declined, now representing only an estimated one-third of total sales. However, despite these positive trends, the illegal market remains resilient. Illegal and unlicensed brick-and-mortar stores continue to operate, while hundreds of "mail-order marijuana" websites (or "MoMs") deliver products across the province. These activities are illegal, and yet there still remains some confusion, with 38% of Ontarians believing all cannabis sellers in Ontario are legal, given these stores are open and operating. The OCS is grateful for the Government of Ontario's announcement in its [2024 budget](#) to provide additional funding to the Ontario Provincial Police (OPP) over the next three years to help combat the illegal market. Although it does not have a law enforcement mandate, the OCS is committed to working with all levels of government to provide market intelligence and other resources, where appropriate, to support efforts by law enforcement bodies to shut down illegal market activities.

Evolving Economic and Marketplace Conditions

Over the past year, the cannabis sector continued to experience serious economic challenges marked by rising input costs, interest rate hikes, supply chain challenges and geopolitical tensions. Despite an easing of Ontario's Consumer Price Index from 6.5% in 2022–23 to 3.2% in 2023–24 (measured on an average basis), these economic pressures persisted throughout the industry.⁶ From cultivation and processing to distribution and retail, operating expenses continued to escalate, squeezing profit margins and prompting businesses to reassess their business strategies. Meanwhile, in a competitive market, cannabis prices remained flat or decreased due to hyper-competition, further straining profitability for industry participants.

This challenging operating environment over the past year is demonstrated by the number of insolvencies, bankruptcies and closures across the sector. In addition, over the past year, the Canada Revenue Agency (CRA) began taking action to recover payments from Licensed Producers that are in arrears. In its enforcement of the *Excise Act*, the CRA began directing the OCS, and other provincial wholesalers, to garnish payment for Licensed Producers that are delinquent on their excise duty payments. The OCS will continue to adhere to the notices and make payments to the CRA, as required.

As Ontario's exclusive cannabis distributor, the OCS recognizes the role it can play to improve conditions for industry. To that end, in September 2023, the OCS adjusted its wholesale pricing model, which included strategic reductions to its product margins and a new fixed markup model. With this change, the OCS estimated it would contribute approximately \$35 million into the marketplace in 2023–24, with a full fiscal year reduction in 2024–25 estimated at approximately \$60 million and compounding annually in years thereafter as the market grows.

Throughout 2023–24, the OCS became aware of reports and online petitions suggesting that delta-9-tetrahydrocannabinol (THC) values on some regulated dried flower products may be overstated. Claims like these, often referred to as "THC inflation," pose a threat to consumer confidence in the legal regulatory framework. In response, the OCS launched a temporary THC testing pilot program for dried cannabis products, including pre-rolls. The OCS looks forward to leveraging the data from this initiative to validate these industry claims and further engage government and industry partners while continuing to encourage the development of broader testing and sampling standards across Canada.

⁶ Statistics Canada. Table 18-10-0004-01 Consumer Price Index, monthly, not seasonally adjusted.

Evolving Regulatory Landscape

Under the *Cannabis Act*, the federal government was required to initiate a legislative review of the legal cannabis framework and its administration and operation within three years of legalization. In September 2022, the legislative review was launched with the appointment of a five-member independent Expert Panel tasked with conducting an extensive review over an 18-month period. In March 2024, the Expert Panel tabled a [Final Report of the Legislative Review of the Cannabis Act](#) in Parliament. The report identifies 54 recommendations and 11 observations to strengthen and improve the administration of the *Cannabis Act*.

At the onset of the review, the OCS published a discussion paper — [Opportunities to Improve the Canadian Federal Cannabis Framework: Perspectives from the Ontario Cannabis Store](#) — outlining several challenges and opportunities Health Canada could consider as part of its evaluation. The OCS is committed to working alongside the Government of Ontario to respond to the outcome of the final report of the Expert Panel. The OCS is grateful to Health Canada for its ongoing engagement and encourages the federal government to act with urgency to further refine the regulatory framework to reduce overly burdensome requirements placed on legal businesses while providing additional tools for the legal market to compete with illegal operators without jeopardizing the health and safety of Canadians.

In 2023–24, the OCS continued to monitor and take steps to respond to direction issued by Health Canada regarding the status of cannabis products containing minor intoxicating cannabinoids and ingestible extracts, including supporting the discontinuation of sales for any non-compliant products, and creating pathways for the re-introduction of compliant products into the Ontario market.

In Ontario, the provincial government also continues to consider opportunities to strengthen its legal cannabis framework to support its objectives for an open retail cannabis market. In June 2023, legal amendments were introduced that establish regulation-making authority to permit the transfer of cannabis retail store licences. These amendments will also allow for the transfer and sale of cannabis inventory between licensees, in certain circumstances specified by regulation. These regulations come into effect Jan. 1, 2025 and are expected to reduce administrative burden for retailers when selling an Authorized Cannabis Store.

The Government of Ontario also introduced legal amendments that increase the number of stores licensed retail operators, and their affiliates, can operate from 75 to 150. These changes

took effect Jan. 1, 2024, and respond to the growth in the legal retail cannabis market since limits were first implemented. The cap of 75 was initially set as it represented 10% of a projected marketplace with only 750 Authorized Cannabis Stores. The new limit of 150 now accommodates an expanded marketplace of over 1,700 Authorized Cannabis Stores and is slightly below 10% of the total number of stores. Alongside these changes, the Government of Ontario also introduced amendments that would support engagement with First Nations on the regulation of cannabis within their communities.

STRATEGIC DIRECTION: KEY ACTIVITIES AND OPERATIONAL PERFORMANCE

Each year, the Chair of the OCRC Board receives an Annual Letter of Direction from the Minister of Finance that outlines the Government of Ontario's priorities and expectations for the OCS. In 2023–24, the OCS was directed to continue efforts to enable a vibrant legal marketplace that helps combat the illegal market, supports the introduction of a diverse and innovative

assortment of quality tested products into the market, and advances social responsibility efforts in the industry. The OCS's plans for delivering on these expectations were set out in its 2023–26 Business Plan. The following sections provide an overview of the agency's progress toward meeting these goals and objectives during the 2023–24 fiscal year.



Corporate Priorities

Building Best-in-Class Wholesale Capabilities

- Increase capacity to list SKUs by 30% (year-over-year)
- Complete 10 inventory turns annually at the OCS distribution centre
- Reduce complaints per million units sold by 3% (year-over-year)

Enriching a Frictionless Customer Experience Through Digital Enablement

- Achieve a 95% Perfect Order Index score
- Target 6/10 retailer customer sentiment score

Championing the Legal Framework and a Socially Responsible Industry

- Achieve 60% agreement among frequent cannabis consumers that purchasing cannabis legally is preferable to purchasing illegally
- Target 10,000 views on Cannabis Made Clear, the OCS's Social Responsibility platform

CORPORATE PRIORITIES

Building Best-in-Class Wholesale Capabilities

Last year, the OCS shipped 395 million grams of cannabis from its distribution centre across the province — a 23% increase from the previous year. In the second year of its multi-year strategy, the OCS focused efforts on establishing a foundation for reliable wholesale operations to facilitate growth in the

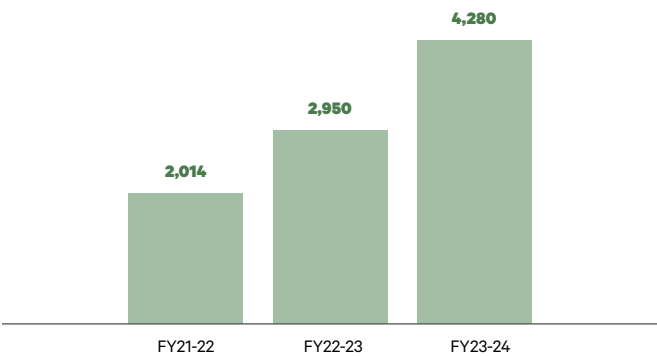
legal marketplace. In 2023–24, investments were made to further grow a product catalogue that prioritizes innovation and increases product options available to adult consumers. In addition, the OCS worked to strengthen its delivery service levels and enhanced its quality control processes. To create greater transparency and support a vibrant marketplace better positioned to compete with illegal operators, the OCS also implemented a new wholesale pricing model.

Goal	Key Performance Indicator	Description	Progress
 Building Best-in-Class Wholesale Capabilities	30% growth in capacity to list SKUs (year-over-year)	Measures growth in the OCS's ability to expand its product assortment	The OCS continued to make significant strides toward this goal, achieving a 45% growth in capacity to list SKUs (year-over-year)
	Complete 10 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 11.5 inventory turns
	Reduce complaints per million units sold by 3% (year-over-year)	Measures consumer satisfaction	The OCS received 318 complaints per million units (up from 310 in 2022–23), falling short of its target

Build Capacity to Enable Product Assortment Innovation and Diversity

Over the past two years, a core focus of the OCS has been to expand its product catalogue to provide Authorized Cannabis Stores with more opportunities to differentiate their retail assortment, and Licensed Producers with more access to the Ontario market. To achieve this objective, the OCS scaled its capacity to onboard upwards of 1,000 unique SKUs per quarter, up from under 800 in the year before. This culminated in a product catalogue that grew to 4,280 unique SKUs by the end of the fiscal year, marking a 45% increase from the previous year (up from 2,950 in 2022–23). In turn, the OCS has observed an increase in the diversity of store-level product assortment, suggesting that retailers are differentiating their product offerings from their closest geographical competitors. Additionally, by building capacity to onboard more SKUs, the OCS helped facilitate an increase in the number of Licensed Producers able to sell into Ontario’s market. By the end of 2023–24, the OCS partnered with 295 Licensed Producers, marking an increase of 56 (23%) compared to 2022–23. Complementing efforts to onboard more products, the OCS remained focused on enhancing transparency and consistency around how it sources products through its Product Call process (the process through which it evaluates and considers cannabis product submissions). The OCS is proud to report that these efforts resulted in Licensed Producers reporting 85% overall satisfaction with the Product Call process.

SKU Count



In contrast to more mature markets, the OCS has observed that products in its catalogue generally experience a quick rise in sales followed by a sharp decline in sales. This means that about 80% of SKUs are phased out within around one year of introduction due to underperformance, most often at the request of Licensed Producers. At the same time, last year, more SKUs were added than were removed (as noted

above). These trends have resulted in a dynamic and fast-moving product catalogue that is constantly being refreshed to help retailers create enticing assortments in their stores for consumers.

To manage this effectively and ensure a balanced and innovative product offering, the OCS implemented an improved Product Lifecycle Management program. This program is designed to follow a product’s end-to-end journey across each fulfillment path to an Authorized Cannabis Store (i.e., General Listing, Flow-Through and Farmgate). Through this program, the OCS shares evaluation criteria with its suppliers to explain how their products will move between the different fulfillment types. Looking ahead, the OCS will focus on further enhancing and optimizing the Product Lifecycle Management program, intending to deliver solutions that increase its efficiency and effectiveness for suppliers and retailers in the years to come.

Improve Demand-Based Inventory, Fulfillment and Delivery Service Levels

Throughout 2023–24, the OCS made strategic investments into its Flow-Through distribution channel, a key driver in expanding its product offerings. In addition to the products the OCS holds in-stock, Flow-Through allows retailers to order from an expanded catalogue of wholesale exclusive items that are not stocked in the OCS’s distribution centre and not available for purchase on OCS.ca. This enables Licensed Producers to introduce more innovation in the Ontario marketplace including small-batch, niche, short-life-cycle and seasonal products. It also provides Licensed Producers with an opportunity to prove and/or develop a better understanding of market demand for a particular product.

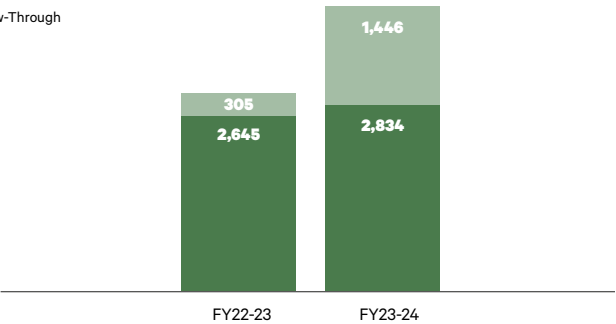
Guided by feedback from industry partners, the OCS made several enhancements to Flow-Through with a particular focus on reducing lead times and increasing convenience. Key improvements to the program included providing retailers with estimated lead times and delivery dates through the OCS’s Business-to-Business (B2B) Wholesale Portal, which equips retailers with critical insights about when products will arrive, thereby supporting better financial planning and resource allocation. Furthermore, an additional Flow-Through ordering window was introduced on Mondays, alongside retailers’ regular weekly ordering window, to provide more options for ordering. As part of this initiative, all Flow-Through orders received free shipping for six months (for both the regular and additional order window).

As a result of these efforts, the OCS was able to grow and transition products to its Flow-Through catalogue. As of March 31, 2024, out of the OCS’s 4,280 SKUs, 34% (1,446 SKUs) were available on Flow-Through compared to only 10% (305) in the prior year. Overall, the OCS shipped 4.9 million units (up from

1.4 million units in 2022–23) through the Flow-Through model to 1,634 Authorized Cannabis Stores (96% of all Authorized Cannabis Stores) in 2023–24.

OCS SKU Count by Fulfillment Model

* Stocked
* Flow-Through



Recognizing the need for efficiency and scalability to support an increasingly competitive market, the OCS actively pursued improvements to its wholesale operations at its Distribution Centre. Over the past year, the OCS implemented several infrastructure changes at the Distribution Centre to allow Licensed Producers to utilize a wider range of delivery vehicles, including smaller vehicles, when completing their shipments. This included upgrading the receiving infrastructure with new ramps for high room cargo van deliveries and adding a smaller receiving window at ground level to accommodate alternative vehicle delivery types. These improvements support small and craft producers who previously may have been required to partner with larger companies for small shipments, potentially reducing their shipping costs.

Furthermore, based on feedback from Licensed Producers, the OCS streamlined its appointment booking process at the Distribution Centre to accommodate purchase orders with different fulfilment types and to improve flexibility for its suppliers when making deliveries. These changes garnered positive feedback from Licensed Producers and demonstrate the OCS's commitment to leveraging feedback to continuously improve its distribution services and the overall wholesale experience for its partners.

Building on past efforts made to reduce product quality complaints and support the sale of reliable and high-quality products, the OCS continued working collaboratively with Licensed Producers to help raise performance and quality standards. As more innovative products are brought to market, product complaints — measured by complaints per million

units sold — have remained consistent year-over year. Notably, the large majority of complaints stem from the vape product category, comprising 72% of all claims despite representing about 15% of total sales. To reduce product complaints, over the past year, the OCS prioritized sharing improved data insights into product performance and customer feedback with Licensed Producers, aiming to drive continuous quality improvement across its product catalogue. Looking forward, the OCS remains focused on introducing a new Quality Management System designed to improve its capacity to manage, track and resolve quality complaints in a timely manner.

Increase Transparency Around Pricing Policies

In September 2023, the OCS transitioned to a fixed markup pricing model (from a variable pricing approach) to increase transparency into how wholesale pricing decisions are made and provide greater consistency for industry partners. Under this model, a fixed markup is set for each product category (e.g., dried flower, pre-rolls and beverages), and applied as a percentage above the landed cost (which includes producer margin and excise duty) to arrive at the wholesale price. Alongside these structural changes, the OCS reduced its margins to support a vibrant marketplace that is better positioned to compete with illegal operators.

Enriching a Frictionless Customer Experience Through Digital Enablement

As the world’s largest wholesaler and distributor of legal cannabis, the OCS does business with over 1,700 Authorized

Cannabis Stores located across the province. In the second year of its multi-year strategy, the OCS continued work to establish a frictionless end-to-end journey for wholesale customers through technology enhancements to the ordering portal, higher standards of customer support and investments in research and market insights.

Goal	Key Performance Indicator	Description	Progress
 Enriching a Frictionless Customer Experience Through Digital Enablement	Target 95% Perfect Order Index score	An industry metric measuring the overall effectiveness and efficiency of order fulfillment processes. The higher the value, the better the order fulfillment performance	Achieved a 97.1% Perfect Order Index score
	Target 6/10 retailer customer sentiment score	Measures the level of satisfaction Authorized Cannabis Stores have in OCS operations	6/10 retailer customer sentiment score

Simplified Self-Serve Tools for Retailers

The OCS serves its wholesale customers through its B2B Wholesale Portal, an integrated ordering platform that guides Authorized Cannabis Stores’ end-to-end digital experience from pre-purchase (browsing and ordering products) to post-purchase (receiving products and resolving issues). Focusing on the ordering experience, in 2023–24, the OCS continued to engage directly with Authorized Cannabis Stores to prioritize enhancements to this core technology platform. These improvements provide retailers with easier access to important operational or order-related information — including updates on product availability — and improved product search functionality.

In parallel with technology investments, the OCS prioritized improvements to its customer function, which allowed it to reduce retailer customer service response times by 44% and customer product quality complaint resolution times by 60%.

Modernizing the OCS.ca Experience

Alongside efforts to improve the wholesale ordering experience, the OCS also made improvements to its online retail store, OCS.ca, intending to help consumers better navigate the growing

assortment of products that are available online or in stores. Notably, this included adding wholesale-exclusive products, available only to retailers through Flow-Through to the platform. Adults visiting OCS.ca can navigate and learn about 1,446 products available at Authorized Cannabis Stores, as of March 31, 2024.

The OCS also continued to target e-commerce enhancements to modernize the online shopping experience on OCS.ca, including a large-scale migration to the primary Shopify global platform. New capabilities resulting from this migration will help the OCS introduce a series of foundational e-commerce tools in the future aimed at increasing access to communities without legal stores, driving consumer traffic to existing Authorized Cannabis Stores and diverting online sales away from illegal e-commerce platforms.

Convenient Access to Data

The OCS remains committed to collecting and sharing data insights with its industry partners to support growth within a vibrant, legal recreational cannabis market. The OCS’s Retail Data Program is central to this approach. Through this

program, the OCS provides retailers with aggregated data that presents insight into their sales performance as well as sales trends across the broader legal market. This program, alongside other data publications, is designed to empower Authorized Cannabis Stores with essential market analytics, enabling informed businesses decisions and helping to streamline product forecasting. In 2023–24, the OCS continued to enhance the quality and depth of these reports for retailers, ensuring receipt of up-to-date and comprehensive insights.

Over the past year, the OCS also continued to make notable investments into proprietary research, focusing on consumer insights that are pivotal to understanding the legal marketplace. This includes comprehensive consumer segmentation and journey research, which illustrates Ontario consumers' consumption habits and patterns, purchasing behaviours, as well as attitudes and opinions surrounding cannabis. The OCS provides these insights and research to Authorized Cannabis Stores, to enable them to refine their marketing strategies and elevate customer engagement across the legal sector. Overall, these efforts underscore the OCS's focus on leveraging its scale, resources and data to foster industry growth.

Over the past few years, the AGCO and the OCS jointly developed a new approach to cannabis data reporting to enhance efficiencies, support rapid compliance and reduce regulatory burden for Authorized Cannabis Stores. The OCS and AGCO have worked to implement a new streamlined point-of-sale (POS) data platform that integrates directly with retailers' in-store POS systems to automatically extract, standardize and automate monthly reporting, eliminating manual processes. The AGCO established new Registrar's Standards for Cannabis Retail Stores that will make integration with this platform a requirement for Authorized Cannabis Stores. On March 22, 2024, the AGCO announced these rules will be in effect as of July 1, 2024.

Champion the Legal Framework and a Socially Responsible Industry

Social responsibility is embedded in the OCS’s mandate and is fundamental to achieving its vision to grow Canada’s largest and most vibrant cannabis marketplace. The OCS took

significant strides over the past year in delivering against its multi-year Social Responsibility Strategy, which includes advancing cannabis knowledge, promoting responsible consumption, supporting a diverse and inclusive industry and establishing a foundation for sustainability.

Goal	Key Performance Indicator	Description	Progress
 Champion the Legal Framework and a Socially Responsible Industry	60% agreement among frequent cannabis consumers that legal purchasing is preferable to illegal purchasing	Measures how well Ontarians are educated on the benefits of legal cannabis	69% agreement among frequent cannabis consumers that purchasing cannabis legally is better than illegal
	Target 10,000 views on OCS Social Responsibility platform	Measures the number of unique visitors to OCS’s Social Responsibility platform, Cannabis Made Clear	Exceeded target by achieving more than 785,000 unique visits

Educating Ontarians

To champion the legal framework and drive awareness about the benefits of purchasing legal cannabis, the OCS launched another successful “Buy Legal” educational campaign called Trailblazers in October 2023. Featuring both Licensed Producers and Authorized Cannabis Stores, the campaign focused on educating consumers about the wide range of tested and quality assured products available in the legal market. The campaign also showcased the increased convenience and accessibility of the legal cannabis market since legalization. Since the launch of the OCS’s Buy Legal campaigns, the OCS has observed a shift in public perceptions toward legal cannabis. For instance, according to a recent study conducted by Angus Reid for the OCS, 69% of cannabis consumers say that purchasing cannabis legally is better than illegal purchasing – a significant increase from 59% in 2022–23.

In the past year, the OCS continued to provide Authorized Cannabis Stores with access to cannabis education materials, delivered directly to their stores free of charge. These materials enable store employees to provide customers with consistent evidence-based information that focuses on the risks of cannabis and approaches to harm reduction. The OCS also

published this educational information across social media platforms to advance cannabis knowledge for Ontarians.

Promoting Responsible Consumption

In September 2023, the OCS was proud to launch its new social impact platform, Good All Around. [Good All Around](#) connects Ontarians to the benefits of the legal cannabis framework through investments in socially responsible initiatives, innovative community partnerships and open access to fact-based, educational information. This online platform is intended to provide transparency and accountability around how the agency is driving positive change and championing a socially responsible cannabis industry.

In Q1, the OCS launched its [Social Impact Fund](#), which provides grant funding to community projects and research initiatives across OCS’s three key pillars of social responsibility (education, diversity and sustainability). The OCS invited incorporated not-for-profits, registered charitable organizations and research teams affiliated with academic or research institutions to apply for project funding, ranging from \$25,000 to \$100,000 over eight to 12 months in length. The inaugural funding recipients were announced on Nov. 28, 2023, with six

projects being selected, totalling \$500,000 in funding. This year's projects include studies on the physical health impacts of cannabis exposure, digital storytelling about cannabis harm reduction and cannabis workforce empowerment programs.

The more Ontarians know about cannabis, the better positioned they are to make informed, responsible decisions. To that end, the OCS rolled out multi-channel advertising campaigns in 2023 to drive awareness to its online educational platform, [Cannabis Made Clear](#). Launched in 2022, Cannabis Made Clear provides evidence-based information that is reviewed by third-party experts to ensure the highest standards of accuracy and credibility. The content serves to educate and guide the public in making informed decisions about cannabis. Cannabis Made Clear's multi-channel public education campaign is accessible to all ages to foster a broader educational message aimed at empowering everyone to navigate cannabis-related conversations. The OCS also sponsored 17 industry events over the past year, where educational resources were disseminated to attendees. These included Cannabis Wiki, KIND Summer and Winter Fairs, Hall of Flowers, Lift Expo and CannExpo. These efforts have helped shift perception among adult Ontarians of the role the OCS plays in providing access to information on responsible use.⁷

The OCS recognizes the financial barriers that equity deserving groups may face in participating in cannabis industry events, which offer valuable networking opportunities with industry partners, government stakeholders and consumers. To help address these barriers, in 2023–24, the OCS partnered with event organizers to sponsor 22 small businesses or businesses owned by equity deserving groups through its Sponsorship Equity Fund. Around 90% of businesses supported through this fund believed their participation in the event positively impacted their business. Additionally, the OCS covered the cost of the AGCO-mandated retail employee training program for 31 individuals, prioritizing those who identify with equity-deserving and 2SLGBTQ+ groups. The OCS also sponsored four events celebrating the Black community, culture and teachings, two events celebrating women in the cannabis industry and partnered with two Black-led organizations as part of the OCS's Social Impact Fund.

Over the past year, the OCS has been preparing for the release of its first [Social Impact Report](#). Published in 2024–25, the report outlines the OCS's strategic social responsibility objectives and illustrates how the organization is driving positive change in the areas of environmental sustainability, diversity and inclusion, and cannabis literacy.

The OCS is dedicated to reducing its impact on the environment and becoming a leader in sustainable practices

within the cannabis industry. Over the past year, the OCS conducted a simplified Life Cycle Assessment to assess the environmental impact across a cannabis product's life cycle from seed to sale. This initiative helped the OCS better understand its contribution to the overall carbon footprint of cannabis production and sale in Ontario. The OCS is pleased with progress made to date and remains committed to continuing efforts to create a more sustainable future in Ontario's cannabis sector.

⁷ 2023 survey conducted by the OCS and Angus Reid.

AGENCY RISKS AND MITIGATION PLAN

Throughout 2023–24, the OCS continued to make significant progress toward implementing and enhancing its enterprise risk management framework. Through its oversight role, the agency's enterprise risk management framework helps the Board of Directors identify, assess, monitor, mitigate and report on risks to the Minister of Finance, as required. Set out below are the key risks and mitigation strategies the OCS actively managed over the past year.

Evolving Economic and Marketplace Conditions

Over the past five years, the cannabis industry has witnessed substantial growth and transformation. However, despite the increase in overall sales, not all participants within the legal cannabis market have been able to achieve financial stability. As a result, some Licensed Producers and Authorized Cannabis Stores have filed for protection under the *Companies' Creditors Arrangement Act*. As the OCS and its industry partners continue to operate in an evolving legal marketplace, broader economic and marketplace risks may impact financial sustainability in the industry.

In September 2023, the OCS implemented a fixed mark-up pricing model that will create greater transparency and consistency for Licensed Producers. As noted in this Annual Report, this change was accompanied by strategic reductions to OCS wholesale product margins, which are expected to support industry profitability and to better position Authorized Cannabis Stores to compete with illegal operators. In addition, the OCS continues to invest in improving its service levels to Authorized Cannabis Stores and creating a business-friendly environment for Licensed Producers supplying Ontario's market. This includes targeted proactive investments in core infrastructure and self-service digital tools that will minimize friction and facilitate a more positive wholesale and distribution experience.

Enforcement Against the Illegal Market

Despite legal market growth since legalization, illegal activity remains a pervasive component of the cannabis industry, with continued illegal sales through individual dealers, storefronts and "mail-order-marijuana" (or MoM) websites. Cannabis produced and sold illegally is not subject to the suite of public health and safety controls contained within federal and provincial cannabis legal frameworks. For example, this means that illegal operators can advertise and promote their products and services, often in a manner that appeals to youth; they can offer products in larger, more cost-efficient formats; they

can sell edible cannabis products that exceed legal limits on THC amounts; and they have few restrictions on how they can make sales (e.g., offering 24-hour deliveries). In many cases, illegal cannabis is promoted and sold to Ontarians alongside other illegal substances, increasing the risk of harmful use. Illegal market activity also creates an uneven playing field and reinforces a competitive advantage for the illegal market over those who have invested time, resources and capital into the legal industry.

The OCS supports the Government of Ontario's announcement in its [2024 budget](#) to provide additional Ontario Provincial Police (OPP) funding over the next three years to help combat the illegal market. Although the OCS is taking steps to champion the legal framework and support adult access to regulated products, it does not have a mandate to engage in law enforcement activities. Through its Buy Legal advertising campaigns and Cannabis Made Clear, the OCS continues to increase public awareness of the legal cannabis market and promote responsible consumption.

Cyber Security

Over the past several years, the number and severity of cyber incidents in Canada and across the globe continue to increase. Like many agencies and retail organizations operating in Ontario, the OCS is not exempt from potential cyber threats.

The OCS has implemented several internal controls and monitoring tools and is measuring its cyber defences against internal standards, including Center for Internet Security (CIS) and ISO frameworks. Through its dedicated information security team and regular employee training and awareness, the OCS is taking steps to reduce cyber security incidents. The OCS has also prioritized more robust business continuity planning and mitigation preparation to ensure a fast recovery in the event of an incident. The OCS requires its vendors to have similar internal controls, monitoring tools and business continuity programs in place to protect against and recover from any cyber threats.

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, 2024 (fiscal year 2023–24), should be read in conjunction with the 2023–24 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

As Ontario's cannabis marketplace continues to mature, the OCS has adapted to a changing landscape characterized by more gradual growth patterns compared to the initial years of legalization. Over the past year, the OCS continued to focus on executing against its 2023–26 Business Plan. These efforts have yielded positive results, allowing the agency to generate \$244.3 million in net income for 2023–24, up \$10.1 million or 4.3% from the previous year's \$234.2 million.

2023–24 represented a significant milestone as the OCS made its first dividend payment to the Government of Ontario. By the end of Q4 2023–24, the OCS paid and accrued \$365 million in dividends to the province, demonstrating the role it plays in funding key government priorities, such as public services and infrastructure.

During 2023–24, the OCS continued to observe modest increases to wholesale channel revenues. The OCS made considerable efforts to improve its wholesale service levels for Authorized Cannabis Stores in 2023–24, while enabling more capabilities to support the availability of unique or innovative products driven by an expanded Flow-Through product catalogue. In September 2023, the OCS also transitioned its wholesale pricing model to a fixed mark-up structure, as discussed throughout this Annual Report, including a strategic margin reduction, which is reflected in the 2023–24 financials.

Selling, general and administrative (SG&A) expenses remained consistent year-over-year as a percentage of omni-channel revenues, reflecting appropriate management of costs.

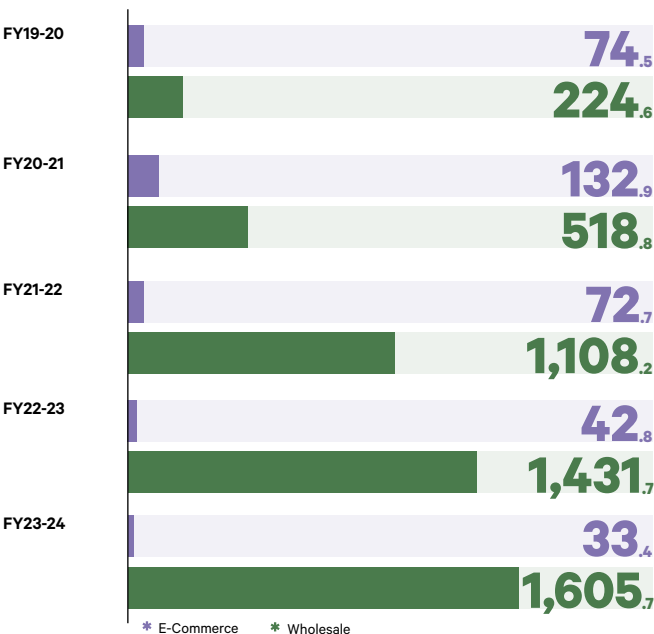
Revenue

Omni-Channel Revenue

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

The total revenue for the OCS omni-channel in 2023–24 reached \$1,639.1 million, marking a growth of \$164.6 million or 11.2% compared to \$1,474.5 million in 2022–23.

Omni-Channel Revenue (\$ Millions)



Wholesale Channel Revenue

By the end of 2023–24, the wholesale channel accounted for 97.9% of total revenue compared to 97.1% at the end of 2022–23. Wholesale revenue was \$1,605.1 million in 2023–24 compared to \$1,431.2 million in 2022–23, an increase of 12.2%.

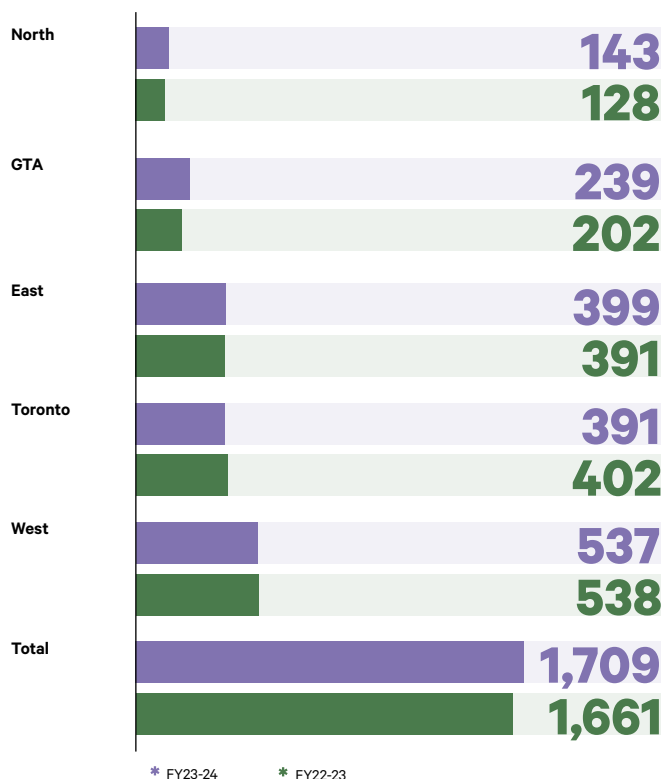
Wholesale Channel Revenue

Category	Revenue (\$M)	Revenue Share (%)	Revenue (\$M)	Revenue Share (%)
	FY2023-2024		FY2022-2023	
Dried Flower	661.6	41.2	610.9	42.7
Vapes & Concentrates	477.8	29.8	380.1	26.6
Pre-Rolls	315.2	19.6	277.6	19.4
Edibles	62.8	3.9	64.2	4.5
Oils & Capsules	40.8	2.5	49.5	3.4
Beverages	37.8	2.4	38.9	2.7
Topicals	4.6	0.3	5.2	0.4
Accessories	4.5	0.3	4.8	0.3
Total	1,605.1	100	1,431.2	100

During the fiscal year 2023–24, the OCS continued to observe a notable trend in the product mix purchased through its wholesale channel. Authorized Cannabis Stores increasingly diversified their product purchases across categories other than dried flower. Although dried flower continues to represent the largest sales category, accounting for 41.2% of revenues in 2023–24 (down from 42.7% in 2022–23), there was a minor upward shift in other product categories, such as vapes & concentrates and pre-rolls. This shift partly reflects the increased amount of diversification and innovation within the OCS's product catalogue over the past year, providing customers with greater choice and alternatives to dried flower.

The ongoing net growth of Ontario's Authorized Cannabis Store network continued to support year-over-year increases in the OCS's wholesale revenues. As of March 31, 2024, the total number of stores reached 1,709 compared with 1,661 stores the year prior— a net increase of 48 stores (2.9%). The Greater Toronto Area (GTA) and Toronto regions experienced the most growth, with rates of 18.3% and 11.7%, respectively. As mentioned above, the growth in Authorized Cannabis Stores year-over-year was mainly driven by store openings in the City of Mississauga. As of March 31, 2024, 41 stores were authorized to open in this municipality.

Stores by Region



Over the past year, the OCS continued to grow the number of wholesale products available to Authorized Cannabis Stores through its Flow-Through distribution channel. By March 31, 2024, 1,446 unique SKUs from 213 Licensed Producers were available through Flow-Through compared to 305 SKUs in the prior year. Wholesale revenues from the Flow-Through channel totaled \$110.5 million compared to \$29.4 million in the prior year, representing a year-over-year increase of \$81.1 million or 275.6%. Moving forward, the OCS will continue to monitor and invest in its Flow-Through capabilities while identifying

opportunities to improve the existing end-to-end wholesale experience for its industry partners.

OCS.ca Channel Revenue

OCS.ca revenue for 2023–24 was \$33.4 million (\$42.8 million in 2022–23). The revenue decrease of 22.0% reflects a 0.1 million decrease in the total number of orders to 0.4 million (compared to 0.5 million orders in 2022–23), with an average order value of \$84.48 (compared to \$83.95 in 2022–23). This decrease was mainly driven by the continued shift in consumers purchasing through Authorized Cannabis Stores and a prioritization by the OCS to grow its Flow-Through distribution channel, which offers products exclusive to Authorized Cannabis Stores.

OCS.ca Channel Revenue

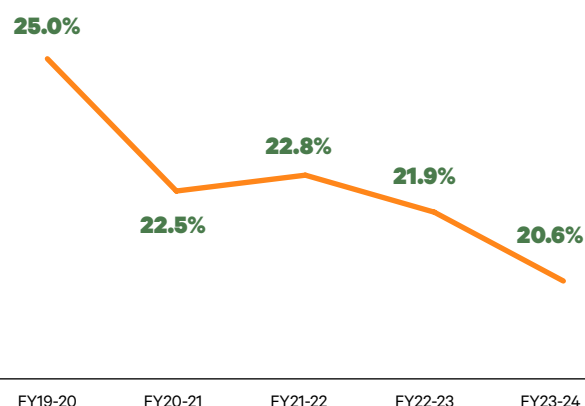
Category	FY2023-2024		FY2022-2023	
	Revenue (\$M)	Revenue Share (%)	Revenue (\$M)	Revenue Share (%)
Dried Flower	11.7	35.0	16.1	37.6
Vapes & Concentrates	8.2	24.5	10.4	24.3
Oils & Capsules	4.3	12.9	5.5	12.9
Pre-Rolls	3.9	11.7	4.3	10.1
Edibles	3.3	9.9	4.0	9.3
Beverages	1.0	3.0	1.3	3.0
Topicals	0.7	2.1	0.7	1.6
Accessories	0.3	0.9	0.5	1.2
Total	33.4	100	42.8	100

In 2023–24, OCS.ca revenues from the dried flower category totalled \$11.7 million (35% in revenue share), representing a decrease from \$16.1 million (37.6% in revenue share) in 2022–23. Like in the wholesale channel, the OCS.ca channel's dried flower share of revenue mix continued to shift as the OCS increased the diversity and innovation of product offerings in its catalogue. Similarly, vapes, pre-rolls and edibles continued to increase in popularity in 2023–24. These categories saw a notable increase in revenue mix share but an overall decline in revenues. Topicals and oils & capsules are continuing to see increases or stability in revenue mix share. Cannabis accessories made up the remainder of sales on OCS.ca, although they saw a drop in overall sales mix as compared to 2022–23.

Gross and Product Margin

Gross margin is the margin earned on the sale of inventory including additional costs to fulfill the sale such as transaction and delivery costs. Gross margin totalled \$338.3 million in 2023–24, representing an increase of 4.6% compared to \$323.3 in 2022–23, mainly due to increased revenue volumes. As a percentage of omni-channel revenues, gross margin percentage declined 130 basis points (1.3%), mainly due to the implementation of the new pricing model. While the new pricing model included a reduction in wholesale margins, OCS.ca margins were maintained to give Authorized Cannabis Stores greater ability to establish retail prices that are competitive with OCS.ca.

Omni-Channel Gross Margin (%)



Product margins, for the margins earned on the sale of inventory excluding any additional costs to fulfill the sale, declined across all product categories due to the pricing model implemented in September 2023. The new model introduced a fixed mark-up structure based on product subcategories.

Selling, General and Administrative Expenses

SG&A expenses consist of people, warehousing and logistics, media and research, and other expenses. As a government business enterprise, the OCS aims to balance expenses that help to achieve its strategic priorities against the responsible deployment of funds that can otherwise be redeployed to priorities of the Government of Ontario. In 2023–24, SG&A expenses were \$121.5 million (compared to \$103.0 million in 2022–23), an increase of \$18.5 million, or 18.0%. This reflects a slight increase of SG&A expenses as a proportion of revenue from 7% in 2022–23 to 7.4%.

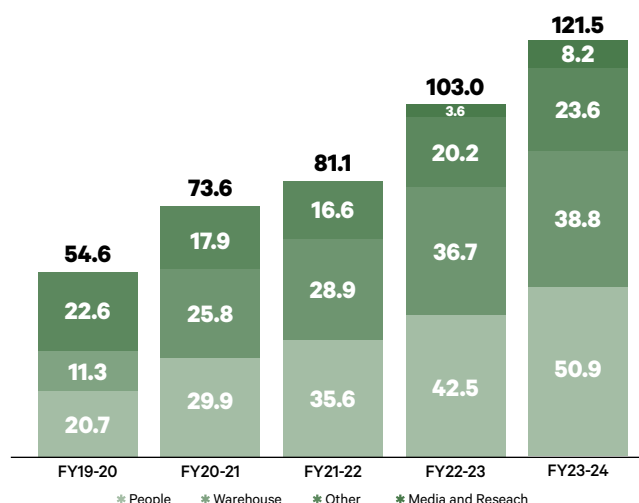
In 2023–24, people costs (including contractor services), totalled \$50.9 million, or 41.9% of total SG&A expenses. This represented an increase compared to the previous year when salaries and benefits accounted for \$42.5 million, or 41.3% of SG&A expenses. The increase to salaries and benefits was primarily driven by the addition of personnel, with the OCS's total headcount increasing from 322 to 338 year-over-year. Investments in personnel were aimed at supporting the business's transformation, providing enhanced support on active and new initiatives, and strengthening operational functions.

Warehouse and logistics expenses amounted to \$38.8 million, or 31.9% of total SG&A expenses. This figure reflected a slight dollar increase compared to the previous year's \$36.7 million, or 35.6% of total SG&A expenses. The rise in warehouse and logistics expenses was primarily driven by growing wholesale revenues, which resulted in higher warehouse variable costs.

Media and research expenses amounted to \$8.2 million, or 6.7% of total SG&A expenses. This reflects an increase compared to the previous year's \$3.6 million, or 3.5% of total SG&A expenses. The rise in media and research expense was primarily driven by advertising spending to increase awareness of the OCS's online educational platform, Cannabis Made Clear and promote its "Buy Legal" educational campaign, called Trailblazers.

All other expenses totalled \$23.6 million, or 19.5% of total SG&A expenses. This represented an increase compared to the previous year's \$20.2 million, which accounted for 19.6% of total SG&A expenses. The increase in other expenses was a result of strategic investments aimed at scaling the OCS's wholesaling operations, enhancing customer support operations, and driving efficiencies and capabilities in key areas.

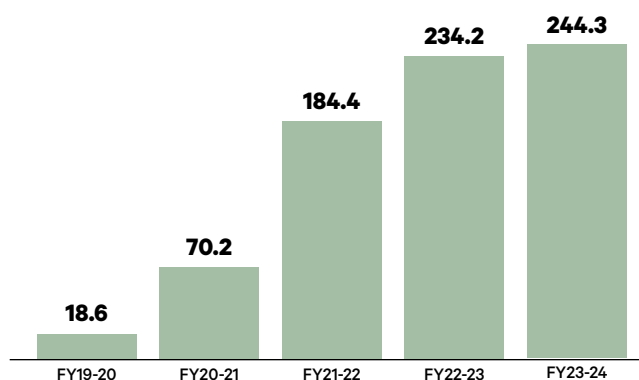
Selling, General and Administrative Expenses (\$ Millions)



Net Income

2023–24 represented the fifth consecutive year of profitability for the OCS. The recorded favourable net income was due to increases in total volume sold and gross margin, increased flexibility in fulfillment methods, and prudent SG&A expenses (as a percentage of revenue). Although net income for the current year grew by 4.3%, a decrease from the 27% growth observed in the prior fiscal year, this reflects the OCS's path toward increasing maturity, characterized by consistent and stable growth in both revenues and net income and a new wholesale pricing model.

Net Income (\$ Millions)



Cash

The following table presents cash as of March 31, 2024, and March 31, 2023, as well as cash flows from operating, investing and financing activities for the fiscal year 2023–24.

Net cash flows provided by (used in):	March 31, 2024 (\$ Millions)	March 31, 2023 (\$ Millions)	Variance (\$)	Variance (%)
Operating activities	282.7	163.9	118.8	72.5%
Investing activities	(2.5)	(0.6)	(1.9)	349.7%
Financing activities	(300.5)	(13.6)	(286.9)	2,114.3%
Net (Decrease) Increase in Cash	(20.3)	149.7		

Cash flows from operating activities for the fiscal year ending on March 31, 2024, were \$282.7 million compared to \$163.9 million for the fiscal year ending on March 31, 2023. The increase in cash flows from operating activities was driven by an increase in comprehensive net income and favourable changes in working capital.

Cash flows used in investing activities for the fiscal year ending on March 31, 2024, were (\$2.5) million compared to (\$0.6) million for the fiscal year ending on March 31, 2023. The increase in cash flows used in investing activities was mainly driven by more capital purchases of property and equipment and right-of-use assets in the current fiscal year compared to the prior year.

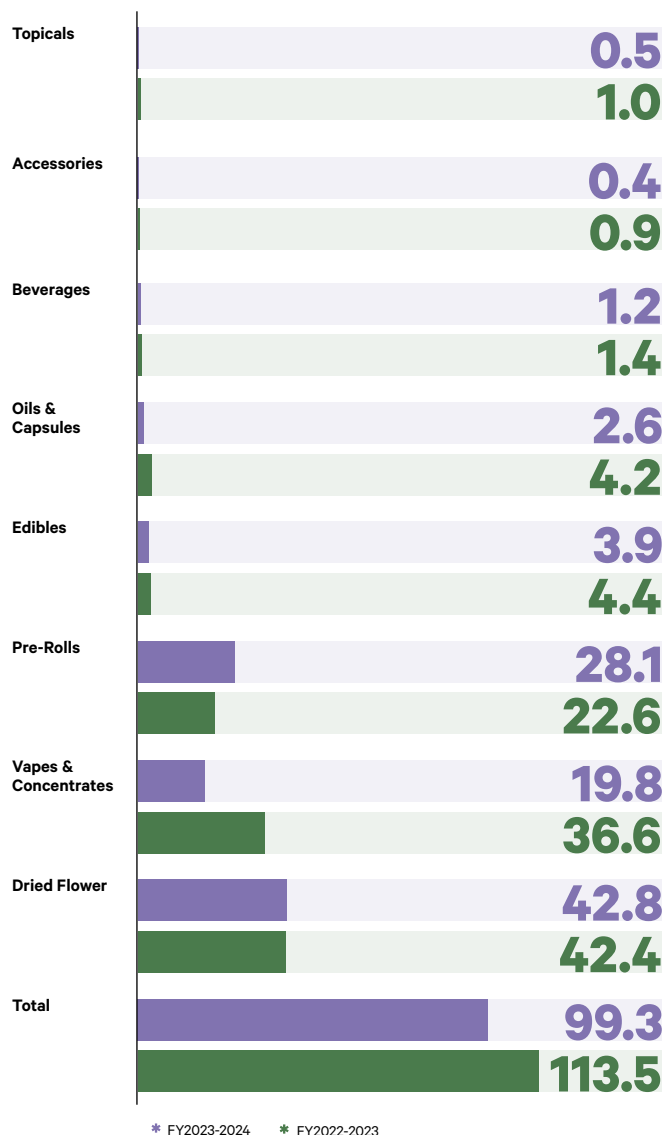
Cash flows used in financing activities for the fiscal year ending on March 31, 2024, were (\$300.5) million compared to (\$13.6) million for the fiscal year ending on March 31, 2023. The \$287 million increase in cash flows used in financing activities was solely driven by \$287 million in total dividend payments made to the Government of Ontario.⁸

Inventory

Inventory is defined as products or goods that are provided by a supplier (either a Licensed 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 Cannabis Stores and end consumers. Inventory levels are managed to ensure a steady quality supply of fresh product.

⁸ This does not include the \$78M that was accrued during 2023–24, which was paid in May 2024.

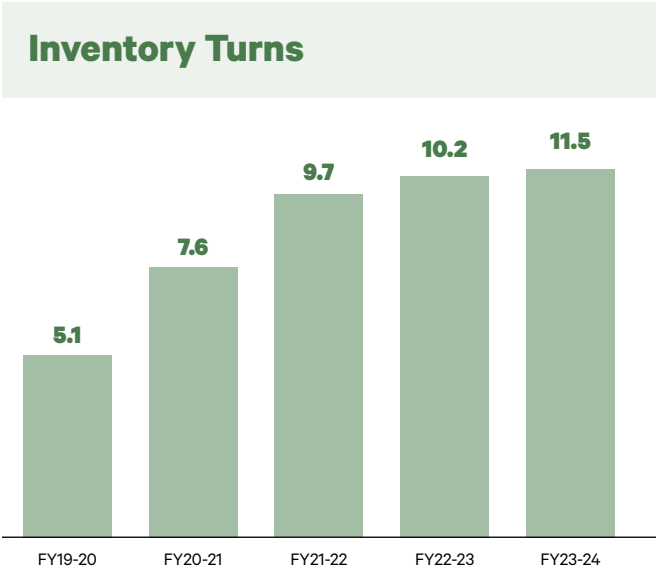
Inventory by Product (\$ Millions)



As of March 31, 2024, inventory on hand was \$99.3 million (compared to \$113.5 million as of March 31, 2023). The decreased inventory was primarily due to the strategic utilization of the OCS's inventory planning system's resources and capabilities and the rescheduling of spring Product Call deliveries to the first week of April 2024. These measures, along with improvements in the OCS's purchasing processes, have contributed to an efficient management of inventory levels.

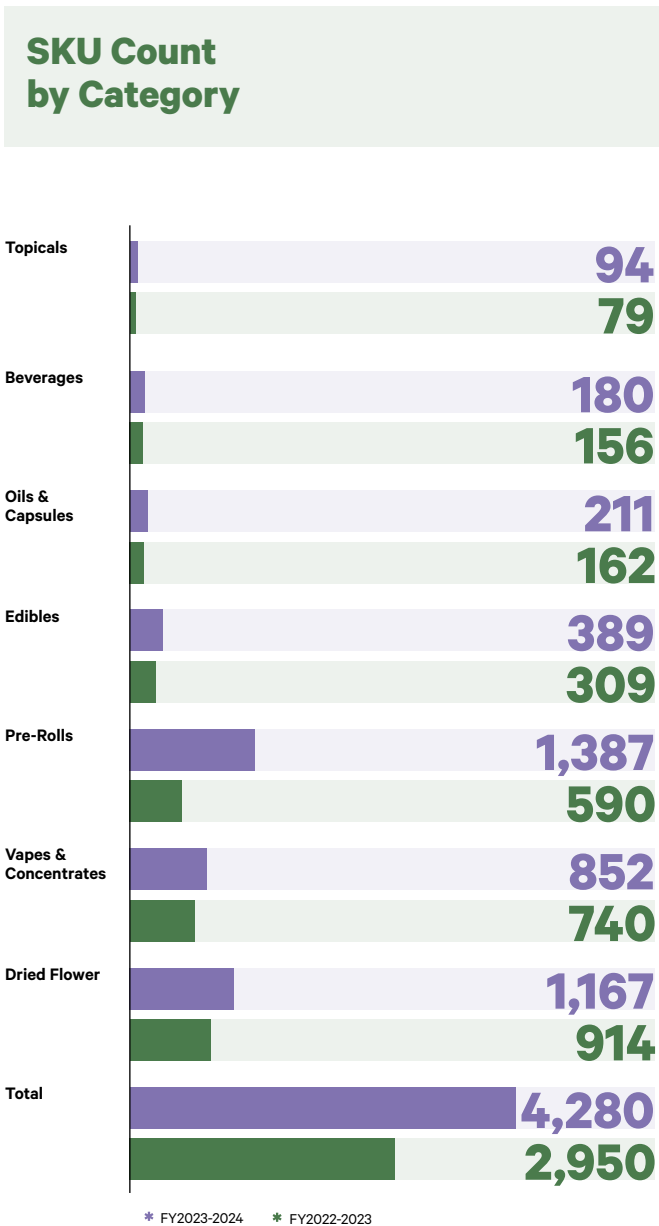
In 2023–24, the OCS continued to make investments in its wholesale and distribution infrastructure to enhance supply chain efficiencies and improve retailer access to new and innovative product offerings. To support this, the OCS made improvements to its B2B Wholesale Portal, enhanced its Flow-Through distribution model and increased efficiency at its distribution centre.

Together, these initiatives resulted in efficiency, scalability and capabilities in inventory movement and monitoring practices. By the end of fiscal year 2023–24, the OCS achieved an inventory turn rate of 11.5 compared to 10.2 at the end of fiscal year 2022–23. The OCS was able to increase inventory turns through more rigorous weeks of supply inventory life cycle monitoring and having overall less inventory on hand or turned over quickly due to the Flow-Through distribution model.



The OCS continued to expand its product catalogue, increasing its total SKU count to 4,280 by the end of 2023–24, marking a 45.1% year-over-year growth from 2,950 at the end of 2022–23.

The OCS will continue to monitor these inventory management metrics and fulfilment methods to ensure a balanced and innovative product offering.



Payments to Governments

Dividend Payments

In the 2023–24 fiscal year, the OCS made its inaugural dividend payment to the province of Ontario, transferring funds into the Consolidated Revenue Fund. In September 2023, the OCS transferred \$150 million from its cash balance as of March 31, 2023, and over the fiscal year, it transferred its 2023–24 net profits. In 2023–24, the OCS paid and accrued a total of \$365 million in dividends, with \$287 million paid before the year-end and the remaining \$78 million paid shortly after the close of the fiscal year in May 2024.

Ontario Financing Authority Loan

The OCS continued to repay its loan facility provided by the Ontario Financing Authority. In 2023–24, \$7.6 million in loan principal was repaid, as well as \$1.8 million in interest, for a total payment of \$9.4 million. The balance of the loan as of March 31, 2024, was \$51.9 million. The OCS plans to make the established scheduled payments on time while ensuring liquidity and capital requirements are being maintained.

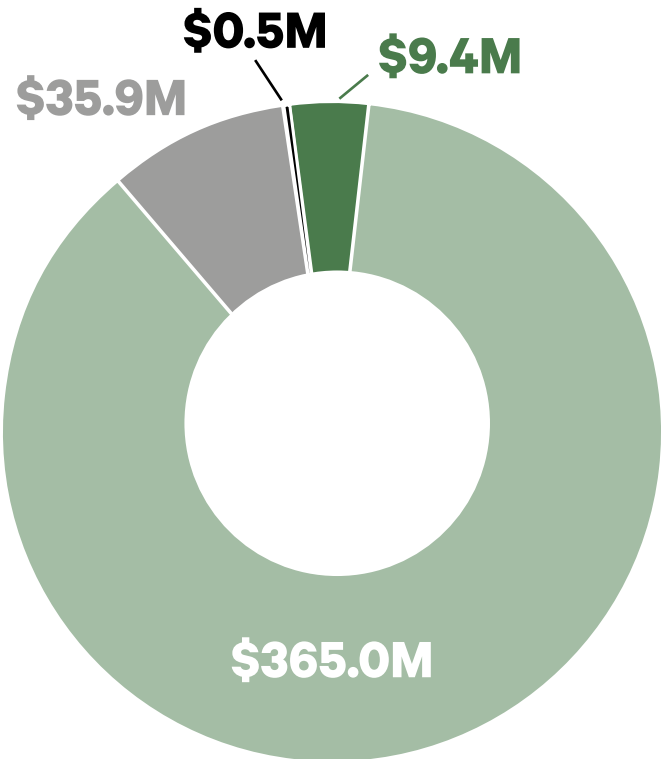
Realty Taxes

The OCS paid \$0.5 million in 2022–23 (compared to \$0.2 million in 2022–23) in realty taxes for its leased premises residing in the Toronto and Guelph municipality regions.

Harmonized Sales Tax Remittance

The federal government received \$35.9 million in harmonized sales tax (HST) remittances in 2023–24 compared to \$27.6 million in 2022–23. The Ontario provincial sales tax component of the HST was \$22.1 million in 2023–24 compared to \$17 million in 2022–23.

2023–24 Payments to Governments



* Government of Ontario - Loan Repayment
* Government of Ontario - Payments to Consolidated Revenue Fund
* Government of Canada - Harmonized Sales Tax
* Ontario Municipalities - Realty Taxes

Financial Statements of the

Ontario Cannabis Retail Corporation

For the year ended March 31, 2024

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 Audit & Finance Committee of the Board.

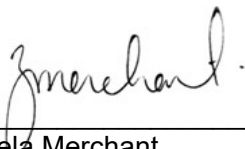
The Board of Directors, through the Audit & Finance Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Audit & Finance Committee, comprised of OCRC Board members only, generally meets periodically with management, the 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 Audit & Finance 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
President and Chief Executive Officer



Zeela Merchant
Chief Financial Officer

June 26, 2024



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, 2024, and the statements of income and comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (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 IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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.

Auditor's Responsibilities 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 26, 2024

Shelley Spence, CPA, CA, LPA
Auditor General

ONTARIO CANNABIS RETAIL CORPORATION

Statement of Financial Position

(Thousands of Canadian dollars)

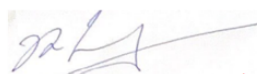
	Note	March 31, 2024	March 31, 2023
Assets			
Current Assets			
Cash	3	515,452	535,696
Trade and other receivables	4	3,392	3,091
Inventories	5	99,324	113,450
Prepaid services		841	939
		619,009	653,176
Non-current Assets			
Prepaid services		530	441
Property, equipment, and intangible assets	6	3,877	3,549
Right-of-use assets	7	41,976	45,351
		46,383	49,341
Total Assets		665,392	702,517
Liabilities and Equity			
Current Liabilities			
Trade and other payables	8	153,525	136,480
Provisions	9	526	145
Leases	7	4,012	4,143
Borrowings	10	9,386	9,386
Dividends payable	18	78,000	-
		245,449	150,154
Non-current Liabilities			
Provisions	9	509	473
Leases	7	38,924	42,860
Borrowings	10	42,495	50,329
		81,928	93,662
Total Liabilities		327,377	243,816
Equity			
Accumulated equity		338,015	458,701
Total Liabilities and Equity		665,392	702,517

See accompanying notes to the financial statements.

Approved by:



Connie Dejak, Chair, Board of Directors



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

ONTARIO CANNABIS RETAIL CORPORATION**Statement of Income and Comprehensive Income***(Thousands of Canadian dollars)*

	<i>Note</i>	For the year ended March 31, 2024	For the year ended March 31, 2023
Revenue	11	1,639,104	1,474,484
Cost of sales	12	(1,300,846)	(1,151,144)
Gross margin		338,258	323,340
Other income		80	67
Selling, general and administrative expenses	13	(121,545)	(103,043)
Income from operations		216,793	220,364
Finance income	14	30,114	16,769
Interest expense	14	(2,593)	(2,887)
Total comprehensive income		244,314	234,246

See accompanying notes to the financial statements.

ONTARIO CANNABIS RETAIL CORPORATION**Statement of Changes in Equity***(Thousands of Canadian dollars)*

	<i>Note</i>	For the year ended March 31, 2024	For the year ended March 31, 2023
Accumulated equity at beginning of year		458,701	224,455
Total comprehensive income for the year		244,314	234,246
Dividends to the Province of Ontario	<i>18</i>	(365,000)	-
Accumulated equity at end of year		338,015	458,701

See accompanying notes to the financial statements.

ONTARIO CANNABIS RETAIL CORPORATION

Statement of Cash Flows

(Thousands of Canadian dollars)

	Note	For the year ended March 31, 2024	For the year ended March 31, 2023
Operating activities:			
Total comprehensive income		244,314	234,246
Less:			
Depreciation of property, equipment, and intangible assets	6	649	596
Depreciation of right-of-use assets	7	4,828	4,827
Interest on borrowings	14	1,552	1,760
Interest expenses on leases	7	1,041	1,127
Interest paid on leases	7	(1,041)	(1,140)
Loss on disposal of assets	13	66	5
		251,409	241,421
Changes in non-cash balances related to operations:			
Trade and other receivables	4	(301)	(2,122)
Inventories	5	14,126	(38,507)
Prepaid expenses		9	(134)
Trade and other payables	8	17,045	(35,645)
Provisions	9	417	(1,123)
Net cash from operating activities		282,705	163,890
Investing activities:			
Purchase of property, equipment, and intangible assets	6	(1,043)	(555)
Purchase of right-of-use assets	7	(1,453)	-
Net cash used in investing activities		(2,496)	(555)
Financing activities:			
Dividends paid to the Province of Ontario	18	(287,000)	-
Repayments of lease liabilities	7	(4,067)	(3,961)
Prepayments of right-of-use assets under construction	7	-	(222)
Repayments of borrowings	10	(9,386)	(9,386)
Net cash used in financing activities		(300,453)	(13,569)
Net increase in cash		(20,244)	149,766
Cash, beginning of year		535,696	385,930
Cash, end of year		515,452	535,696

See accompanying notes to the financial statements.

ONTARIO CANNABIS RETAIL CORPORATION

Notes to the Financial Statements

(Thousands of Canadian dollars)

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ONTARIO CANNABIS RETAIL CORPORATION

Notes to the Financial Statements

(Thousands of 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 recreational cannabis and related products, as well as promote social responsibility in connection with cannabis. The OCRC is the exclusive wholesaler of recreational cannabis to private retail stores authorized by the Alcohol and Gaming Commission of Ontario ("AGCO"). The OCRC also operates the provincial online store for recreational cannabis, which provides legal access to adults located across Ontario.

As an Ontario Crown corporation, OCRC is exempt from income taxes. Under *the Act*, OCRC transfers most of its net profits to the Province of Ontario ("Province") Consolidated Revenue Fund in the form of a dividend.

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 material 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 26, 2024.

2.2 Functional and presentation currency

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

2.3 Adoption of new and amended standards and interpretation

Accounting standards and amendments adopted in the current year

The OCRC has adopted the following IFRS amendments that were effective for annual periods beginning on or after January 1, 2023.

- Amendments to IAS 1, *Presentation of Financial Statements – Disclosure of Accounting Policies*, requiring entities to disclose material, rather than significant, accounting policy information.

The adoption of this amendment did not have a material impact on our financial statements.

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.

ONTARIO CANNABIS RETAIL CORPORATION

Notes to the Financial Statements

(Thousands of Canadian dollars)

2.4 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.

Vendor chargeback receivables and trade receivables are presented net of allowances for expected credit losses. Other receivables are made up sundry receivables, and interest receivable on cash balances.

The carrying amount of vendor chargeback and trade receivables is reduced through the use of an allowance where there is objective evidence that OCRC will not be able to collect amounts due. 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 receivable. OCRC assesses impairment of vendor chargeback and trade receivables on an individual basis as they possess separate credit risk characteristics. OCRC establishes an allowance on vendor chargebacks and trade receivables taking into consideration, external indicators, current economic trends, historical experience, and forecasts of future economic conditions. When receivables are deemed uncollectible, they are written off against the allowance. The loss is recognized as selling, general, and administrative expenses in the Statement of Income and Comprehensive Income.

2.5 Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is determined using 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 higher.

2.6 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, where the effect of any changes in estimated useful lives and depreciation method is 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.

ONTARIO CANNABIS RETAIL CORPORATION

Notes to the Financial Statements

(Thousands of Canadian dollars)

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 the assets become available for use.

2.7 Impairment of property and equipment

After recognition of an asset, an item of property and equipment 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 and equipment 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.

2.8 Leases

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. The OCRC assesses whether a contract is or contains a lease, at inception of the contract. At contract inception, each identified lease component and any associated non-lease component are accounted for as a separate lease component. Non-lease components, also referred to as variable lease payments, such as property taxes, management fees and utilities are to be expensed as incurred throughout the lease term.

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.

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 ("OFA") 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 may be remeasured to reflect the reassessment or modifications or to reflect in-substance

ONTARIO CANNABIS RETAIL CORPORATION

Notes to the Financial Statements

(Thousands of Canadian dollars)

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 they become available for use. Right-of-use assets under construction are subsequently transferred to its applicable category and depreciation would commence over the lease term.

At the end of each distribution centre equipment lease term, the OCRC may purchase the underlying asset from the lessor at fair market value. These purchased distribution centre equipment are considered right-of-use assets and continue to be classified as such as the OCRC continues to direct its use over its economical useful life. Purchased right-of-use assets are measured at the purchase cost. After purchasing a right-of-use asset, its cost is either recorded or continues to be recorded as a right-of-use asset, and the purchase costs are included in the total carrying amount of the right-of-use assets. The right-of-use asset is then depreciated on a straight-line basis over its remaining economic useful life. Right-of-use 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.

2.9 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.

2.10 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.

2.11 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.

ONTARIO CANNABIS RETAIL CORPORATION

Notes to the Financial Statements

(Thousands of Canadian dollars)

2.12 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 Plan ("PSPP") and the Ontario Public Service Employees Union ("OPSEU") Pension Plan. The Province, which is the sole sponsor of the PSPP and a joint sponsor of the OPSEU Pension Plan, 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.

Long-term employee benefits

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.

Long-term employee benefits 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.

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.

Provisions for long-term employee benefits are measured at the present value of the estimated future cash flows.

2.13 Revenue

Revenue from sale of 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 e-commerce is recognized when the customer receives the product or upon estimated receipt by the customer, as this is when OCRC has discharged their performance obligations.

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.

ONTARIO CANNABIS RETAIL CORPORATION

Notes to the Financial Statements

(Thousands of Canadian dollars)

2.14 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.

2.15 Finance income and interest expense

Finance income consists of interest income on cash balances.

Interest expense consists of interest expense on borrowings and lease liabilities.

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

2.16 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
Dividends payable	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.

Fair value measurements

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

ONTARIO CANNABIS RETAIL CORPORATION

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(Thousands of Canadian dollars)

2.17 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 material 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 requires the OCRC to utilize estimates related to fluctuations in shrink, future prices, the impact of vendor chargebacks on cost, seasonality, and costs necessary to sell the inventory.

Property and equipment

Management exercises judgement in determining the estimated useful lives of property and equipment. The estimates are based on analysis of pertinent factors including the expected use of the asset and asset category.

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 practices 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 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 OFA at the lease commencement date.

Provisions

Provisions have been made for certain employee benefits, contract terminations, and other claims. Since 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, 2024, includes interest-bearing bank accounts.

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Notes to the Financial Statements

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4. Trade and other receivables

Trade and other receivables include the following:

	March 31, 2024	March 31, 2023
Vendor chargeback receivables	1,693	910
Trade receivables	1,000	460
Loss allowance for expected credit losses	(2,003)	(916)
Sundry receivables	325	346
Interest receivable	2,377	2,291
	3,392	3,091

Vendor chargeback receivables are credit memo from price protection or returned products. Trade receivables are made up of wholesale customer balances. The carrying amount of vendor chargeback and trade receivables are reduced through the use of an allowance at levels considered adequate to absorb credit losses. Subsequent recoveries of receivables previously allowed for are credited to Selling, General and Administrative Expenses.

The amount of lifetime expected credit losses on trade and other receivables is \$2,003 (2023 - \$916). Information about the OCRC's exposure to credit risks and analysis relating to the allowance for expected credit losses is included in note 16.

5. Inventories

The cost of inventories sold and recognized as cost of sales during the year ended March 31, 2024, was \$1,265,864 (2023 - \$1,151,144). This includes inventory write-downs recognized during the year of \$6,478 (2023 - \$10,481). The write downs are included in inventory cost of sales. No inventory is pledged as security.

Write-downs from the prior period are reversed in the year as a result of selling through or charging back the cost of the inventory to the vendor upon return or destruction.

ONTARIO CANNABIS RETAIL CORPORATION

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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 for the year ended March 31, 2024:

	Computer hardware	Furniture and fixtures	Computer software	Leasehold improvements	Leasehold improvements in progress	Total
Cost						
Balance at April 1, 2023	1,430	1,384	11	2,642	60	5,527
Additions	464	25	-	53	501	1,043
Disposals	(245)	(122)	-	-	-	(367)
Transfers	-	439	-	122	(561)	-
Balance at March 31, 2024	1,649	1,726	11	2,817	-	6,203
Accumulated depreciation						
Balance at April 1, 2023	867	521	10	580	-	1,978
Depreciation	255	153	1	240	-	649
Disposals	(244)	(57)	-	-	-	(301)
Balance at March 31, 2024	878	617	11	820	-	2,326
Carrying amount						
As at April 1, 2023	563	863	1	2,062	60	3,549
As at March 31, 2024	771	1,109	-	1,997	-	3,877

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Notes to the Financial Statements

(Thousands of Canadian dollars)

Property, equipment, and intangible assets continuity for the year ended March 31, 2023:

	Computer hardware	Furniture and fixtures	Computer software	Leasehold improvements	Leasehold improvements in progress	Total
Cost						
Balance at April 1, 2022	1,029	1,389	15	2,557	40	5,030
Additions	450	-	-	9	96	555
Transfer	(49)	(5)	(4)	-	-	(58)
Disposals	-	-	-	76	(76)	-
Balance at March 31, 2023	1,430	1,384	11	2,642	60	5,527
Accumulated depreciation						
Balance at April 1, 2022	674	385	11	365	-	1,435
Depreciation	241	138	2	215	-	596
Disposals	(48)	(2)	(3)	-	-	(53)
Balance at March 31, 2023	867	521	10	580	-	1,978
Carrying amount						
As at April 1, 2022	355	1,004	4	2,192	40	3,595
As at March 31, 2023	563	863	1	2,062	60	3,549

7. Leases

a) Lease liabilities

The following table presents the changes in the lease liability for the year ended March 31, 2024:

	Office premises	Distribution centre premises	Distribution centre equipment	Total
Balance, as at April 1, 2023	9,380	31,081	6,542	47,003
Principal payments	(734)	(1,238)	(2,095)	(4,067)
Balance, as at March 31, 2024	8,646	29,843	4,447	42,936
			March 31, 2024	March 31, 2023
Current portion			4,012	4,143
Long-term portion			38,924	42,860
			42,936	47,003

Interest expense on these lease obligations for the year ended March 31, 2024, was \$1,041 (2023 - \$1,127). Total cash outflow for the year ended March 31, 2024, was \$5,108 (2023 - \$5,088) including interest.

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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, 2024
Less than one year	4,894
One to five years	14,739
Thereafter	30,705
Total undiscounted lease payments	50,338
Less: Imputed interest on lease	(7,402)
Total discounted lease payments	42,936

Office premises 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 OFA at the lease commencement date.

Distribution centre premises 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 OFA at the lease commencement date.

Distribution centre equipment lease

Between the years ended March 31, 2019, to March 31, 2022, the OCRC entered into 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 OFA at the lease commencement date.

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 \$165 for the year ended March 31, 2024 (2023 - \$209). As at March 31, 2024, commitments for low-value leases are \$46 (2023 - \$211).

Variable lease payments

Total variable lease expenses that are not included in the measurement of lease liabilities are \$530 (2023 - \$584).

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Notes to the Financial Statements

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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, 2024:

	Office premises	Distribution centre premises	Distribution centre equipment	Distribution center equipment under construction	Total
Cost					
Balance at April 1, 2023	11,603	33,539	12,146	222	57,510
Additions	-	-	1,453	-	1,453
Transfers	-	-	222	(222)	-
Balance at March 31, 2024	11,603	33,539	13,821	-	58,963
Accumulated depreciation					
Balance at April 1, 2023	3,048	4,399	4,712	-	12,159
Depreciation	770	1,649	2,409	-	4,828
Balance at March 31, 2024	3,818	6,048	7,121	-	16,987
Carrying amount					
As at April 1, 2023	8,555	29,140	7,434	222	45,351
Balance at March 31, 2024	7,785	27,491	6,700	-	41,976

The distribution centre equipment consists of leased and purchased right-of-use assets. During the year, the OCRC elected to purchase distribution centre equipment assets upon expiry of the leases at fair market values. In addition, the OCRC purchased right-of-use assets that are distribution centre equipment.

ONTARIO CANNABIS RETAIL CORPORATION

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(Thousands of Canadian dollars)

The following table presents the changes in the cost of right-of-use assets for the year ended March 31, 2023:

	Office premises	Distribution centre premises	Distribution centre equipment	Distribution centre equipment under construction	Total
Cost					
Balance at April 1, 2022	11,577	33,539	12,270	-	57,386
Additions	26	-	-	222	248
Modifications	-	-	(124)	-	(124)
Balance at March 31, 2023	11,603	33,539	12,146	222	57,510
Accumulated depreciation					
Balance at April 1, 2022	2,277	2,750	2,429	-	7,456
Depreciation	771	1,649	2,407	-	4,827
Modifications	-	-	(124)	-	(124)
Balance at March 31, 2023	3,048	4,399	4,712	-	12,159
Carrying amount					
As at April 1, 2022	9,300	30,789	9,841	-	49,930
Balance at March 31, 2023	8,555	29,140	7,434	222	45,351

The distribution centre equipment consists of leased and purchased right-of-use assets. During the year, the OCRC elected to purchase distribution centre equipment assets upon expiry of the leases at fair market values.

8. Trade and other payables

Trade and other payables include the following:

	March 31, 2024	March 31, 2023
Inventory payables and accruals	133,260	128,683
Vendor chargebacks offset against inventory payables	(6,109)	(9,999)
Other trade payables and accrued expenses	22,689	13,457
Sales tax payable	3,685	4,339
	153,525	136,480

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9. Provisions

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

Provisions for the year ended March 31, 2024:

	Contract terminations	Long-term employee benefits	Other	Total
Balance at April 1, 2023	90	473	55	618
Additional provisions recognised during the year	318	36	208	562
Utilization of provision	(90)	-	(55)	(145)
Balance at March 31, 2024	318	509	208	1,035

Provisions continuity for the year ended March 31, 2023:

	Contract terminations	Long-term employee benefits	Other	Total
Balance at April 1, 2022	-	480	93	573
Additional provisions recognised during the year	90	-	55	145
Unused and reversal of provisions	-	(7)	-	(7)
Utilization of provision	-	-	(93)	(93)
Balance at March 31, 2023	90	473	55	618

	March 31, 2024	March 31, 2023
Current portion	526	145
Long-term portion	509	473
	1,035	618

The contract terminations provision includes claims where it is probable that the OCRC will have to make a payment to settle the claim. The long-term employee benefits provision includes employee benefits other than those provided by the Province which includes Workplace Safety and Insurance Board ("WSIB") and Long-Term Disability ("LTD") and is measured at the present value of the estimated future cash flows. Other is the provision of other claims and allowances where it is probable that the OCRC will have to make a payment to settle the claim.

ONTARIO CANNABIS RETAIL CORPORATION

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10. Borrowings

During the year ended March 31, 2020, OCRC entered into a non-revolving 10-year term loan ("OFA Loan") with the OFA for \$81,405 that bears interest at 2.79 per cent per annum, compounded semi-annually, and is repayable in equal semi-annual instalments of \$4,693. The loan is unsecured and is due January 1, 2030.

At March 31, 2024, changes in the carrying value of borrowings are as follows:

	OFA Loan	
Balance, as at April 1, 2023		59,715
Principal payments		(9,386)
Interest accretion		1,552
Balance, as at March 31, 2024		51,881

	March 31, 2024	March 31, 2023
OFA Loan	51,881	59,715
Less: current portion of borrowings	(9,386)	(9,386)
Non-current borrowings	42,495	50,329

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 or is estimated to receive the product.

	For the year ended March 31, 2024	For the year ended March 31, 2023
Wholesale revenue	1,605,094	1,431,212
E-commerce revenue	33,375	42,789
Data subscription program	635	483
	1,639,104	1,474,484

Credit losses incurred on e-commerce transactions were \$15 for the year ended March 31, 2024 (2023 - \$34). Refer to Note 16.

12. Cost of sales

Cost of sales includes the cost of product sold, determined using 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, 2024	For the year ended March 31, 2023
Cost of goods sold	1,265,864	1,117,114
Delivery fees	34,742	33,789
Transaction fees	240	241
	1,300,846	1,151,144

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13. Selling, general and administrative expenses

Selling, general and administrative expenses include the following:

	For the year ended March 31, 2024	For the year ended March 31, 2023
Salaries and benefits	47,302	39,335
Warehouse and logistics	38,775	36,663
Media and research	8,174	3,643
Information systems and technology support	7,520	6,862
Depreciation of right of use assets	4,827	4,827
Contract services	3,550	3,126
Provision for (recovery of) bad debts	2,729	930
Professional services	2,312	2,172
Insurance	1,600	1,429
Social responsibility	1,233	914
Occupancy	1,059	945
E-commerce transaction processing	683	1,067
Depreciation of property, equipment, and intangible assets	649	596
Loss on disposal of fixed assets	66	5
Other expenses	1,066	529
	121,545	103,043

14. Finance income and interest expense

Finance income and interest expense include the following:

	For the year ended March 31, 2024	For the year ended March 31, 2023
Interest income on bank balances	30,114	16,769
Lease liabilities interest expense (Note 7)	(1,041)	(1,127)
OFA loan interest expense (Note 10)	(1,552)	(1,760)
	27,521	13,882

15. Post-employment and long-term employee benefits

(i) Employee pension benefits

During the year, OCRC made pension contributions to the plans that amounted to \$3,108 (2023 - \$2,625). 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) Long-term employee benefit plans

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

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(Thousands of Canadian dollars)

As at March 31, 2024, the liability for long-term income protection benefits recognized amounted to \$509 (2023 - \$473), which is included in selling, general and administrative expenses in the Statement of Income and Comprehensive Income.

16. Financial risk management

OCRC's Treasury Policy and Customer Credit Risk Management Policy regarding financial risk management and internal controls sets 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 e-commerce 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.

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 vendor and customer 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. Vendor chargeback and trade receivables are derecognized when there is no reasonable expectation of recovery.

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

OCRC estimates lifetime expected credit losses, specifically on vendor chargeback and trade receivables, as at March 31, 2024, to be \$2,003 (2023 - \$916). The changes in the vendor chargeback and trade receivables loss allowances were as follows:

	March 31, 2024	March 31, 2023
Beginning balance	916	31
Loss allowance recognized during the year	2,759	952
Loss allowance reversed during the year	(29)	(22)
Loss allowance written-off during the year	(1,643)	(45)
Ending balance	2,003	916

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The details of OCRC's aging of vendor chargeback and trade receivables are as follows:

	March 31, 2024	March 31, 2023
Less than 60 days past due	888	991
61-180 days past due	146	280
Greater than 180 days past due	1,659	99
Total	2,693	1,370
Less: Loss allowance	(2,003)	(916)
Vendor chargeback & trade receivables (net)	690	454

(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).

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

17. 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, 2024, is \$389,896 (2023 - \$518,416).

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 and provide continuous dividends to the Province of Ontario ("Province").

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.

ONTARIO CANNABIS RETAIL CORPORATION

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18. 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) Province of Ontario

As required in Order in Council 1376/2023, OCRC transfers its earnings by quarterly payments each fiscal year equal to net income less finance income to the Province's Consolidated Revenue Fund through a dividend.

During the year ended March 31, 2024, the OCRC paid dividends of \$287,000 (2023 - \$nil) to the Province and accrued \$78,000 as at March 31, 2024 (2023 - \$nil).

(b) Ontario Financing Authority

The carrying value of the 10-year term loan with OFA (refer to note 10) as at March 31, 2024, is \$51,881 (2023 - \$59,715) including accrued interest of \$359 (2023 - \$408).

(c) 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 long-term employee benefit plans are disclosed in note 15.

(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 Audit and Finance Committee and the Human Resources and Compensation Committee.

Key management personnel compensation for the year ended March 31, 2024, was \$3,230 (2023 - \$3,114), comprised of salaries and benefits, directors per diem fees, and other short-term employee benefits.

19. 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.

ONTARIO CANNABIS RETAIL CORPORATION

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20. Comparative figures

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