ONTARIO CANNABIS STORE

2019–2020 Annual Report

Letter to the Minister

The Honourable Peter Bethlenfalvy, President of the Treasury Board and Minister of Finance

Dear Minister,

In my capacity as chair of the Board of Directors, I am pleased to present this Ontario Cannabis Retail Corporation (OCRC) Annual Report.

The report covers the fiscal period from April 1, 2019, to March 31, 2020.

Connie Dejak
Chair – Board of Directors
Ontario Cannabis Retail Corporation

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Message from the Chair

Since joining the OCRC Board of Directors at the end of 2019, I have witnessed a fast-moving, emerging industry that is driving economic growth across our province during an unprecedented time of global uncertainty.

In preparing this report, the board reflected on the steps the Ontario Cannabis Store (OCS) management team has taken in fiscal 2019–20 to advance the maturity of our organization and position us as an enabler of commercial success in this new area of the economy.

Over the past year, the board has challenged management to further build out OCS.ca and strengthen its operational stability and performance, as well as consumer centricity, as Ontario's exclusive online cannabis retail platform. Additionally, with the launch of authorized cannabis retail stores this year, the agency was asked to transform into a robust wholesaler, focusing on providing retail operators with timely access to strictly regulated legal cannabis products from licensed producers across Canada.

Despite demands for the agency to exponentially expand its business in fiscal 2019–20, the board set expectations for continued sustainable growth — demonstrating prudent allocation of public resources. While large upfront infrastructure investments were necessary in 2018–19 to stand up the business, amounting to a loss of $42 million, the board set a clear expectation for the agency to return a profit in 2019–20 and to begin generating meaningful revenues for the Province of Ontario. The OCS management team responded to this challenge, and we are pleased to see the agency starting 2020–21 in a stronger financial position.

In the year ahead, we look forward to working with the agency to continue to build its business and contribute to Ontario's COVID-19 recovery efforts.

Connie Dejak
Chair – Board of Directors
Ontario Cannabis Retail Corporation

Message from the President and CEO

I want to congratulate the OCS for all the accomplishments achieved in 2019-20. As outlined in this report, the OCS consistently reached new milestones and grew sales in both of its business channels. This report speaks to the collaborative effort of an organization of talented staff who are working hard to generate value for our consumers and the people of Ontario.

In 2019-20, the OCS effectively transitioned to an open market of cannabis licensed retailers in Ontario, and positioned itself to meet future business needs as the market grows. Additionally, the OCS and its industry partners have begun to lay the foundation to aggressively capture market share from the illegal market.

In 2019-20, the OCS strengthened its financial position by returning net income to the province of $18.6 million, compared to experiencing a financial loss in the fiscal year prior. I am confident the OCS can continue to grow its returns to the province in years to come.

I want to thank the OCRC Board of Directors and the Senior Leadership Team for their hard work over the past year. I look forward to working closely with them to drive the strategic direction of the OCS in 2020–21.

Thomas Haig
President and Chief Executive Officer (Interim)
Ontario Cannabis Store

Performance Highlights

The 2019–20 fiscal year marked the first full year of OCS.ca sales and the first full year of operations for the OCS' wholesale distribution business.

An initial set of performance measures were developed for 2019–20 and continue to be refined and grown over time as the OCS establishes baseline data to inform target-setting to measure progress towards meeting corporate priorities. Current performance measures include:

- Percentage increase in cannabis market share from the illegal market;
- Growing the number of wholesale retail partners that OCS onboards;
- Increasing the number of products available through OCS.ca and to authorized stores; and
- Improving the agency's financial position, by generating more profit for the government of Ontario.

Set out below are notable performance highlights for fiscal 2019-20. Moving forward, the OCS will establish more robust multi-year targets in these areas through its multi-year business planning process and report against these through each fiscal annual report.

ONTARIO CANNABIS MARKET

- Initial authorized cannabis retail store network opened with 53 stores by fiscal year-end
- Ontario captured 24.7% of the illegal market (up from 4.6% at the end of fiscal 2018–19)
- Ontario led all provinces and territories in sales, with 25% of Canadian sales by year-end
- OCS.ca remained the largest legal cannabis e-commerce platform in Canada

COMMERCIAL

- 35.1 million grams of dried cannabis (or its equivalent) were sold through retail stores and OCS.ca
- New product categories (edibles, extracts and topicals) were introduced in January 2020
- OCS product catalogue grew to 795 stock-keeping units (SKUs)
- Average OCS.ca price per gram of dried flower dropped from $10.80 to $7.48 by year-end
- Dried flower as a category represented 71% of all sales
- Average wholesale fill-rate in the first year of operations was 99.97%
- OCS.ca received 4.4 million unique visitors
- OCS Learn content received 403,400 unique visitors
- 99.9% of the Ontario population was serviced by standard-delivery options
- 37% of the Ontario population was serviced by express-delivery options
- Zero product quality recalls were issued
- Two voluntary product labelling recalls were issued
- OCS.ca customer sentiment score grew to 6.8 (up from 5.8 in fiscal 2018–19)

FINANCIAL

- Revenue totalled $299 million (up $235 million from fiscal 2018–19)
- Sales mix was 75% wholesale and 25% OCS.ca
- Net income totalled $18.6 million (compared to a loss of $42 million in fiscal 2018–19)
- Gross margin totalled $73.2 million (up from $19.9 million in fiscal 2018–19)

OPERATING

- Selling, general and administrative expenses (SG&A) dropped as a proportion of revenue to 18% (down from 96% in 2018–19)
- OCS relocated its head office from downtown Toronto to North York, in close proximity to other provincial agencies

Overview

The Ontario Cannabis Retail Corporation (OCRC), operating as the Ontario Cannabis Store (OCS), is Ontario's exclusive wholesale distributor and online retailer of recreational (non-medical) cannabis. The OCS was established as an agency through the *Ontario Cannabis Retail Corporation Act, 2017*. The act authorizes the OCS to buy, possess and sell recreational cannabis and related products to cannabis retail stores authorized by the Alcohol and Gaming Commission of Ontario (AGCO) and through its online retail channel, OCS.ca. The act also mandates the OCS to promote social responsibility in the cannabis industry.

PROVINCIAL MANDATE

As an agency of the Government of Ontario, the OCS aims to deliver on the government's key policy priorities and fiscal objectives as they relate to the sale of recreational cannabis.

Primary provincial objectives in the sale of legal cannabis are:

1. Combatting the illegal cannabis marketplace
2. Protecting children and youth
3. Drive financial returns that benefit the people of Ontario

The OCS supports these objectives through the following key activities:

- Sourcing a robust provincial catalog of regulated cannabis products and accessories that meet consumer demand;
- Providing convenient and secure access to cannabis across the province through OCS.ca;
- Effectively distributing cannabis products and accessories to authorized cannabis retail stores to serve in-store consumer demand;
- Educating consumers on responsible consumption; and
- Partnering with the cannabis industry to strengthen social responsibility in connection with cannabis retailing.

Sales on OCS.ca began with the federal legalization of cannabis on October 17, 2018. Sales to consumers through AGCO-authorized cannabis retail stores began on April 1, 2019 — the start of the financial year this report covers.

Strategic Direction

2019–20 CORPORATE PRIORITIES

As the OCS matures as a business, it is committed to continually developing a corporate strategy that reflects its mandate and the needs of consumers. By regularly measuring business outcomes and outputs, the OCS will ensure its operations are solely focused on delivering against its corporate strategy.

The 2019–20 fiscal year marked the third fiscal year of the OCS, its first full year of OCS.ca sales and the first full year of operation for its wholesale distribution business. While significant efforts were made to strengthen the OCS corporate strategy for fiscal 2020–21, meaningful steps were also taken in fiscal 2019–20 to advance our business and begin stabilizing our operations in accordance with three primary areas of focus:

1. Converting consumers from the illegal market
2. Driving service excellence; and
3. Building a modern, inclusive and engaged workforce

1. Converting Consumers from the Illegal Market

Converting consumers from the illegal market was the top priority for the OCS in the 2019–20 fiscal year. Efforts to achieve meaningful progress in this area were focused on:

- Growing the OCS product catalogue of regulated cannabis products and accessories from 517 stock-keeping units (SKUs) to 795 SKUs to increase consumer choice;
- Launching new same-day and next-day express delivery services in the Greater Toronto and Hamilton areas — ending fiscal 2019–20 with coverage of 37% of the Ontario population;
- Supporting the rollout of physical retail locations in Ontario by onboarding 53 authorized cannabis retail stores; and
- Driving the average cost per gram of dried cannabis flower from $10.80 to $7.48 on OCS.ca to better compete with the illegal market.

The Ontario market made meaningful progress in fiscal 2019–20 by capturing 24.7% of the illegal market. However, the OCS recognizes that illegal market capture will remain the agency's top priority in 2020–21 as the network of authorized retail stores grows further with the open allocation of licensing, which began on April 1, 2020.

2. Driving Service Excellence

As a retailer and wholesale distributor, the OCS is an operations-focused organization that puts the needs and preferences of its consumers (OCS.ca) and clients (AGCO-authorized cannabis retail stores) at the centre of its decision-making. Effectively servicing consumers and clients is critical to achieving the agency's mandate.

Efforts made in 2019–20 were prioritized around the stability and performance of OCS platforms — to create frictionless experiences for consumers and clients while deploying resources in the most fiscally prudent manner possible. As the OCS continues to mature as an organization and serves a broader pool of consumers and network of authorized cannabis retail stores, performance enhancements in its early years of operations will be a top priority. Fiscal 2019–20 efforts in service excellence were focused on:

- Launching an initial order management system to accept, fulfill and deliver wholesale orders to authorized retail stores within 48 to 72 hours;

- Achieving a wholesale fill-rate of 99.97%, exceeding the 96% industry standard in consumer packaged goods (CPG); and
- Implementing 250 enhancements to OCS.ca (primarily focused on performance stability and user experience).

3. Building a Modern, Inclusive and Engaged Workforce

As the OCS grows, it continues to adhere to its people and culture strategy of building an inclusive, modern and engaged workforce, recognizing that recruiting and retaining an energized and diverse workforce is key to the organization's success.

In fiscal 2019–20, the OCS focused efforts on hiring key resources from a range of public and private sectors — including many with existing cannabis industry knowledge. These staff were onboarded through a robust learning and development program that helped them integrate with the organization and quickly begin contributing to our ambitious strategic plan. New staff were primarily recruited in the operational areas of customer service, wholesale support, finance and information technology.

This also marked the first year of the OCS supporting the activities of an Employee Resource Group, an internal group aimed at supporting staff, and strengthening employee engagement and our inclusive culture.

As the market grows and the operational needs of the OCS expand over the next few years, the organization will continue to put a strong focus on employee engagement, development, retention and succession planning to support business expansion alongside revenue growth. Further, diversity and inclusion will remain a strength and area of pride for the organization. Efforts in 2020–21 and beyond will look to prioritize continued progress on addressing systemic racism and encouraging the development of an inclusive legal cannabis industry.

Operating Environment

Similar to the first few months following legalization in the previous fiscal year, the OCS operating environment in fiscal 2019–20 reflected that of a rapidly evolving industry. The OCS navigated this by working collaboratively with its growing community of commercial partners.

INTRODUCTION OF PHYSICAL RETAIL STORES

In fiscal 2019–20, the OCS underwent a notable transformational shift in focus, with the anticipated launch of physical retail store operations in Ontario.

Throughout the year, the AGCO authorized 53 cannabis retail stores to open their doors. These retailers were selected through two temporary lottery licence processes that invited a limited number of retailers to apply for retail store authorizations. In December 2019, the Government of Ontario announced it would move ahead with its preferred open allocation of licensing model. The AGCO launched its open application processes in January 2020, which prepared the Ontario market for the rollout of a robust retail store network in 2020–21.

Throughout fiscal 2019–20, the OCS worked collaboratively with the AGCO to onboard new retailers and develop its initial wholesale business to meet the needs of these initial retail partners. Retailers worked passionately with the OCS to launch their stores and demonstrated a commitment to focusing on the consumer and learning every step of the way. In some cases, retailers partnered with large national retailers that brought valued experience to Ontario based on their experience operating stores in other provinces.

ENGAGED AND COLLABORATIVE INDUSTRY

The OCS operates within an industry of start-ups, like its own business. At the same time, its commercial partners are navigating the same new comprehensive federal and provincial frameworks that OCS must navigate. As such, the OCS operated in fiscal 2019–20 with a focus on building the foundation to support meaningful relationships across this new industry.

As a provincial agency, the OCS worked with the AGCO, Health Canada and similar Crown corporations in other provinces and territories. Commercially, it strengthened its relationship with licensed producers by introducing consultative engagement forums, coordinating joint business-planning efforts and launching its first consumer-centric annual Trade Day event.

Throughout fiscal 2019–20, there remained tremendous public and media interest in the newly established cannabis industry. While building and evolving its business, the OCS strived to improve transparency and relationships with media to help the public understand its business and unwavering focus on the consumer. Of note, the launch of new cannabis product categories in January 2020 was an important milestone for the OCS in strengthening its communication efforts to ensure a smooth rollout of these products and drive consumer education around responsible consumption.

RESPONSE TO COVID-19

While the majority of the impact of COVID-19 on OCS business was felt in the start of 2020–21, the end of fiscal 2019–20, particularly March 13 to 31, OCS staff had to quickly adjust. Like so many other businesses, the OCS immediately shifted to a remote work environment while simultaneously experiencing a surge in demand online and through wholesale ordering, as consumers aimed to secure products amid a period of tremendous uncertainty. With the support of a dedicated information technology team, the OCS and its resilient staff handled these operational challenges with great success.

Key Activities

Areas of major focus for the agency in fiscal 2019–20 are set out below.

REFOCUSING COMMERCIAL OPERATIONS ON THE CONSUMER

A core policy objective of the Government of Ontario's approach to the cannabis industry is the establishment of a regulated retail framework that encourages consumers to move from the illegal market into the legal one.

To better support this objective, the OCS prioritized the development of its first commercial strategy during its first full year of operations in 2019–20. This strategy leveraged market data and consumer insights to develop and execute a plan to attract consumers to the legal market and retain them. Led by OCS staff with significant expertise in developing and executing commercial strategies for major North American consumer packaged goods (CPG) companies, the OCS commercial strategy focused on prioritization of four core pillars:

1. Promoting the Value of Legal Cannabis
2. Consumer Centricity
3. Retail Advocacy
4. Thought Leadership

Informed by these pillars, the OCS executed new strategic approaches to product pricing, product listing and catalogue growth, inventory management, consumer content development and enhancements to the OCS.ca digital experience. Direct benefits of the OCS commercial strategy were most noticeable to consumers in the fourth quarter of 2019–20, through the addition of new products and price drops on over 300 SKUs.

In late 2019–20, the OCS also began measuring the success of its commercial activities through the collection and analysis of market data. Through collecting and analyzing sales, operational and other market data, the OCS measured the legal Ontario cannabis marketplace as having captured 24.7% of the illegal market in 2019–20. Through executing its commercial strategy and serving a growing network of authorized cannabis retail stores, the OCS remains committed to continuing to gain more market share from the illegal market year-over-year.

ESTABLISHING WHOLESALE OPERATIONS

Beginning with the opening of the first 10 authorized cannabis retail stores on April 1, 2019, the OCS made efforts throughout 2019–20 to establish its wholesale operations and adapt to the needs of its new private retail partners which were selected through two lottery processes.

Given initial supply challenges from licensed producers, primarily in maintaining consistent stock of the products in highest demand from consumers, the OCS was required to establish a fair and transparent supply allocation process for all retail stores, including setting a maximum of 25 kilograms of products that could be sold to retail stores per week. With improvements in national supply levels by fall 2019, the OCS was pleased to be able to remove supply allocations and allow the market to operate more freely.

Working with its third-party supply chain logistics service provider, the OCS consistently introduced new service enhancements to improve its distribution. By the end of the 2019–20 fiscal year, the OCS was able to manage service levels with 99%+ fill-rates and maintain consistent deliveries to authorized cannabis retail stores within 48 to 72 hours of orders being received. In 2020–21, as more stores are onboarded, the OCS fill-rate is expected to trend closer to the 96% standard in CPG industries.

To support OCS.ca deliveries, the OCS worked with its third-party supply chain logistics service provider to launch Domain Express in the third quarter of 2019–20. Operating as a service that has contracts with local couriers across the province, Domain Express introduced same-day and next-day delivery options to populous area within the Greater Toronto Area. In an effort to maximize convenience for consumers, the OCS intends to further expand Domain Express across the province in 2020–21.

In the third quarter of 2019–20, the OCS also launched a comprehensive industry consultation with licensed producers and authorized cannabis retail stores on the future of cannabis distribution in Ontario. As mandated by the Government of Ontario, the consultation considered opportunities to expand private involvement in the distribution of cannabis as the retail store network increases in future years. Based on industry feedback, the OCS received support to continue to expand its privately operated centralized distribution system to support the future growth of the retail store network in Ontario.

EXPANDING THE OCS PRODUCT CATALOGUE

On October 17, 2019, federal regulations came into force allowing for the legal sale of three new categories of cannabis products: edibles, extracts and topicals. Following a 60-day federal notification period mandated on licensed producers, the OCS began receiving these new products from licensed producers in late December 2019 and began distributing them to authorized cannabis retail stores in early January 2020. By late January, these products were also made available to consumers through OCS.ca. Referred to as “Cannabis 2.0,” this new product class was launched with significant enthusiasm from consumers. As with the launch of initial cannabis categories after legalization in October 2018, the interest in Cannabis 2.0 products resulted in demand exceeding supply in the first few months after launch (through to the end of fiscal 2019–20).

In addition to Cannabis 2.0, the OCS consistently added new product SKUs of dried flower, oils and capsules, and pre-rolls to its product catalogue throughout 2019–20 by entering into commercial relationships with additional licensed producers across Canada.

ENHANCING THE CUSTOMER EXPERIENCE

As part of its ongoing evolution toward becoming a mature retailer and wholesaler, the OCS prioritized a range of infrastructure and service enhancements throughout the 2019–20 fiscal period.

Focusing on the needs of consumers, the OCS worked with its IT partners to roll out hundreds of performance and stability enhancements to OCS.ca. The introduction of more robust consumer survey functionality and customer-care features on OCS.ca was also prioritized to better capture consumer feedback and consistently strengthen consumer sentiment scores.

Through its commercial strategy, as well as ongoing improvements in supply chain management and quality assurance activities, the OCS made significant efforts in the fourth quarter of the fiscal year to address two areas of concern to the agency: aged inventory, and inconsistency in cannabis THC percentages on dried flower products. The OCS worked with its licensed producer partners to improve the consistency of THC percentages from crop to crop, as well as to return products to producers that were not purchased by consumers within a specific period of time. While enhanced activities in this area began late in the 2019–20 fiscal year, they are not expected to fully improve consumer sentiment until the beginning of the second quarter of the 2020–21 fiscal year.

INVESTING IN DATA ANALYTICS & CONSUMER INSIGHTS

Since October 2018, the OCS has recognized that access to good market data and consumer insights are critical to its mandate of capturing market share from the illegal market.

In 2019–20, the OCS made investments in establishing and building out its internal data analytics and consumer insights functions. These capabilities better inform OCS business strategy and provide its commercial partners, licensed producers and authorized retail cannabis stores with key data necessary to improve business operations. The OCS first made changes and improvements through a data analytics program to ensure licensed producers could access the data necessary to improve their new businesses. The OCS then prioritized efforts to launch a publicly available quarterly and annual data publication for the entire industry, followed by the launch of a data program planned for 2020–21 for Ontario's growing network of retail stores.

Through these efforts, the OCS has begun to democratize data in the cannabis industry to ensure all its commercial partners, regardless of their organizational size and capacity, are able to make informed consumer-centric data-driven decisions to support the advancement of the industry.

BUILDING PARTNERSHIPS & PROMOTION RETAIL ADVOCACY

In the fast-paced cannabis industry, which is constantly evolving as it aims to mature, it is a necessity for the OCS to work closely with its industry partners. Only through effective collaboration and information sharing with licensed producers, authorized cannabis retail stores and other federal, provincial and territorial organizations can the legal marketplace strengthen its value proposition to consumers.

Throughout fiscal 2019–20, the OCS developed and strengthened relationships across the industry through these notable efforts.

- **OCS Trade Day (October 16 and 17, 2019)** — This inaugural OCS trade event brought together over 700 industry participants to review results from the first year of legalization, discuss priorities for 2020 and engage in consumer-driven learning. A comprehensive licensed producer trade floor allowed newly authorized cannabis retail stores to strengthen their knowledge of legal cannabis products and attributes.
- **OCS Retail Advisory Panel** — In December 2019, the OCS launched a new industry advisory panel to seek retail-focused feedback on its operations and better understand the needs of the industry. The panel is composed of representatives from licensed producers and authorized cannabis retail stores from all regions of the province, including Indigenous partners. Membership is expected to evolve each year to reflect the growth of the industry.
- **Operational Specific Consultations** — To inform its ongoing improvement, the OCS held several operational industry consultations, including engaging licensed producers and authorized cannabis retail stores on distribution, pricing and the OCS data program.
- **Canadian Cannabis Jurisdictional Leadership (CCJL)** — For a second year, the OCS worked closely with its provincial and territorial counterparts to engage in information sharing and align on best practices to grow the legal market across Canada.
- **Federal and Provincial Engagement** — Operating within an industry regulated by both federal and provincial authorities, the OCS continued to build and strengthen its relationships with Health Canada, the Ontario Ministry of Finance, the Ontario Ministry of the Attorney General, the AGCO and the Ontario Provincial Police throughout fiscal 2019–20.
- **Partnerships with Indigenous Communities** — The OCS began building relationships with Indigenous communities across Ontario, as well as Indigenous authorized cannabis retail stores. Through a sustained commitment and effort, the OCS intends to build on this progress in future years with the goal of ensuring Indigenous licensed producers and authorized cannabis retail stores are achieving commercial success in Ontario's vibrant legal cannabis marketplace.

Agency Risks

Over the course of fiscal 2019–20, OCS operations were impacted by three areas of risk:

1. Strategic Direction and Agency Governance
   - Changes in the strategic direction of the organization and the transition of key leadership roles
2. Market Maturity
   - Unpredictability in the cannabis marketplace, including volatile supply levels and delays in retailer readiness
3. Events in the Marketplace
   - Uncertainty around commercial viability of some suppliers and consumer demand for new product categories

STRATEGIC DIRECTION AND AGENCY GOVERNANCE

In fiscal 2019–20, the OCS underwent several notable changes that helped strengthen its strategic direction and agency governance. While these efforts have had a positive impact on advancing the agency's growth, further work related to governance practices and procedures was required mid-year.

As a Crown corporation of the Government of Ontario, classified as a Government Business Enterprise, the OCS is accountable to the Ontario Minister of Finance. In summer 2019, under the direction of a newly appointed Minister of Finance, the OCS was provided a renewed and enhanced mandate to take the commercial steps necessary to capture market share from the illegal market and further promote social responsibility around cannabis retailing.

With the completion of an operational decoupling from the Liquor Control Board of Ontario (LCBO) in the first quarter of 2019–20, the agency also went through a change in leadership in the strategic roles of both the chair of the OCRC Board of Directors, and the president and CEO of the OCS. The incoming individuals in these roles helped focus the agency on delivering its strategic plan, particularly in the area of advancing its commercial priorities.

Like other new start-up organizations, OCS management also consistently reviewed and adjusted its organizational structure with the intention of deploying resources where they were most needed to best deliver on immediate and future priorities. This planned growth in staffing filled organizational gaps as the OCS became a stand-alone agency, separate from the LCBO. With support from the OCS human resources team, new staff were onboarded in a manner that further enhanced the corporate culture of diversity and inclusion.

Further, to continue to strengthen the agency's resiliency to operate within an industry that is growing in complexity, the OCRC Board of Directors and OCS management took meaningful steps in 2019–20 to establish more robust agency governance and oversight processes. Though these efforts will continue into 2020–21, initial steps taken in this fiscal year included building out a dedicated Internal Audit team, new risk management processes and enhanced OCRC Board protocols.

MARKET MATURITY

As expected from a newly established industry, unpredictability and rapid change in the cannabis marketplace was a constant theme the OCS had to navigate through fiscal 2019–20.

Consumer demand continued to evolve throughout fiscal 2019–20, as new consumers migrated from the illegal market to the legal one, and consumers navigated a growing level of choice across several product segments. The OCS worked with its licensed producer partners to better understand consumer trends, evolving perspectives on quality and how to better align supply with demand.

In the third quarter, the OCS saw a transition from a push to a pull market, with improved supply and consumers beginning to vote more clearly with their dollars. As new businesses themselves, licensed producers underwent significant changes in management and operational structures. The OCS also continued to onboard new licensed producers to further fill out its product catalogue, and it helped these new producers navigate the learning curve of operating in a strictly regulated marketplace. The OCS will continue to improve its approach to inventory management by working with licensed producers in fiscal 2020–21 to ensure the agency's growing network of authorized cannabis retail stores have adequate supply to serve consumers.

Despite anticipating the opening of retailers from a second licence lottery in early fall 2019, the OCS had to adapt to longer-than-expected opening timelines as new retailers built out their stores and, in many cases, underwent ownership changes as independent retailers partnered with national retail chains to support day-to-day operations. Over the course of fiscal 2020–21, the OCS will continue to build upon existing wholesale processes to support the rapid expansion of authorized cannabis retail stores in Ontario.

EVENTS IN THE MARKETPLACE

As a new legal industry, the marketplace underwent several prominent events in fiscal 2019–20 that introduced risk and required careful navigation from the OCS.

In working with its licensed producer partners to source legal cannabis products, the OCS navigated a series of circumstances, including one of its larger suppliers having its cultivation and processing licences suspended by Health Canada following regulatory violations. In addition, several other OCS suppliers struggled financially during this fiscal year and were required to take severe legal measures to remain operational. Many other licensed producers also underwent significant restructuring and change in leadership in the fourth quarter. Nevertheless, the OCS was able to manage these circumstances due to the broad network of suppliers it has listed since legalization, as well as a commitment from these producers to prioritize their service levels to the Ontario market during these challenging periods.

In fall 2019, several months prior to the expected launch of Cannabis 2.0 sales, the legal cannabis industry underwent a period of uncertainty around the impending launch of vape products. Several prominent vape-related casualties in the United States sparked a significant period of public health attention on the risks related to these products. After months of investigation, the causes of these incidents were attributed to the use of specific ingredients and manufacturing practices, primarily in the persistent illegal cannabis marketplace. With robust Health Canada regulations on manufacturing practices and acceptable ingredients, the OCS worked with its licensed producer partners to evaluate these new products proposed for the Ontario market and ultimately began the sale of these products in January 2020. This product launch was strongly centred on consumer education, particularly highlighting the potency of these higher THC concentrated products. At the time of this report, the OCS has not received any severe health-related complaints associated with vape products, but it continues to publish responsible consumption resources for consumers that are built on the principles of lower-risk cannabis use guidelines.

Board of Directors

The OCS is governed by the OCRC Board of Directors, consisting of at least three and up to seven members appointed by the Lieutenant Governor in Council. The list below includes all OCRC Board Members as of March 31, 2020:

Board Member	Status	Term	Remuneration
Clare Copeland	Active	12/12/19 - 12/12/22	$0.00
Connie Dejak	Active	09/26/19 - 07/25/21	$1,525.00
Donna Duncan	Active	12/12/19 - 11/12/22	$0.00
Hanoz Kapadia	Active	05/21/19 - 05/21/21	$1,000.00
Michael Smoskowitz	Active	11/21/18 - 11/20/21	$1,000.00
Rajesh Uttamchandani	Active	03/29/18 - 06/17/22	$1,800.00
Total			**$5,325.00**

Corporate Structure

Day-to-day operations of the OCS are overseen by the OCRC president and chief executive officer, who reports into the OCRC Board of Directors. A senior leadership team of executives is appointed by the president and CEO to assist in the management of all business areas. The list below includes all members of the senior leadership team and their functional responsibilities as of March 31, 2020.

- OCRC Board of Directors
  - President & CEO
    - Chief Commercial Officer
      - Merchandising
      - Digital Experience
      - Customer Care & Experience
      - Customer Strategy & Insights
      - Data Science & Business Analytics
    - Chief Operating Officer
      - Supply Chain Management
      - Quality Assurance & Regulatory Compliance
      - Procurement
    - Chief Information Officer
      - Application Delivery
      - Operations
      - Governance, Risk & Information Security
    - Chief Financial Officer
      - Finance
      - Financial Planning & Analysis
    - General Council & Corporate Secretary
      - Legal Services
      - Internal Audit & Risks
      - Privacy & Freedom of Information
      - Corporate Security
    - Vice President – Corporate Affairs, Communications & Social Responsibility
      - Corporate Affairs & Policy
      - Communications & Social Responsibility
    - Vice President – Education & Stakeholder Engagement
      - Learning & Development
      - Strategic Engagement
    - Senior Director – Human Resources
      - Total Rewards
      - Talent Management
      - People & Culture

Management and Discussion Analysis

This discussion, which presents OCS's results for the fiscal year ended March 31, 2020 (2019–20), should be read in conjunction with our Financial Statements and the accompanying notes.

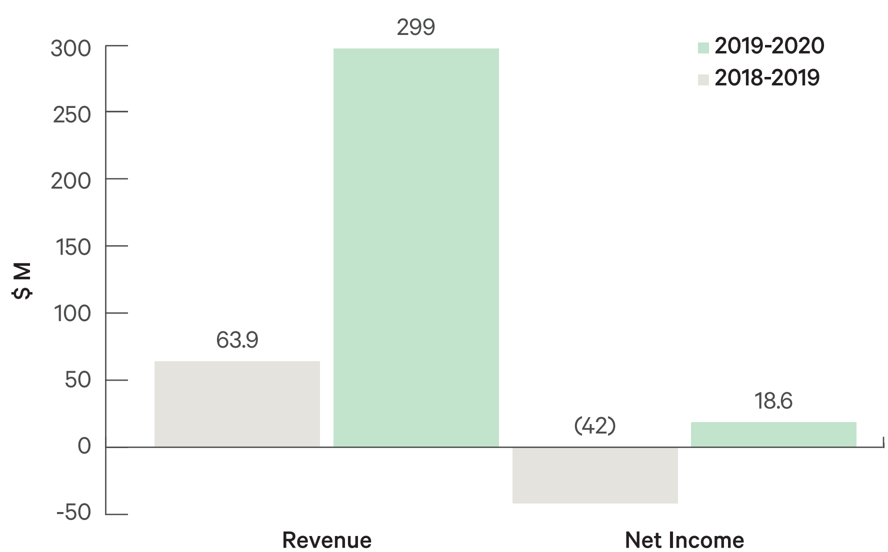
Over the past year, the OCS has been working to build out its organization, including its wholesale functions, to support the growing network of authorized retailers across the province. As a result, the organization has undertaken key investments to support the expansion of its wholesale function to ensure the business is prepared to support the long-term stability and success of cannabis retail expansion in Ontario.

The OCS began 2019–20 serving 10 authorized retail stores and then ended the fiscal year with 53 authorized retail stores. During this period, wholesale revenue accounted for 75% of total revenue earned by the OCS during the 2019–20 fiscal period.

In addition to the growth in wholesale revenue, in January 2020, the OCS began selling Cannabis 2.0 products, as licensed producers were able to bring these new products to market. These new product categories accounted for 17% of total sales in the fourth quarter of 2019–20 across both online and wholesale channels.

NET INCOME

March 31, 2020, marked the end of the first full fiscal year of commercial operations for the OCS. The 2019–20 fiscal year was a successful financial year for the OCS, which reported total comprehensive income of $18.6 million, versus a loss of $42 million in 2018–19. This surpassed the agency's forecast of $10 million and further represented a year-over-year turnaround of $60.6 million and a profitable position in the agency's first full year of sales. Even with slower than expected revenue growth due to delayed store openings, the agency achieved this outcome by carefully managing its expenses.



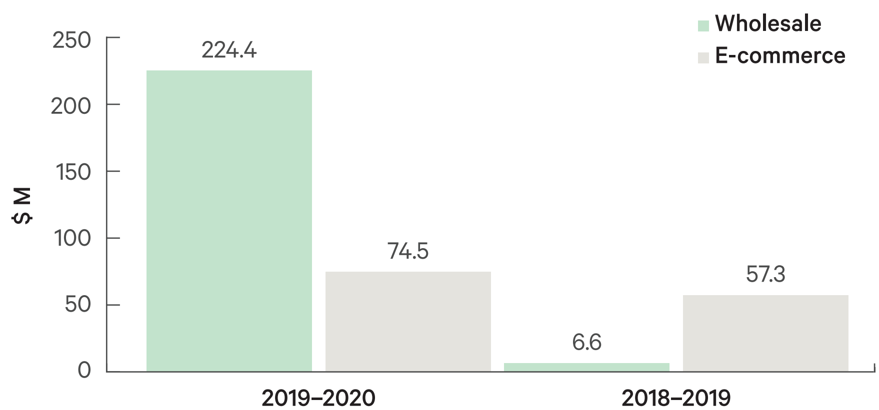
REVENUE

OCS gross revenue totalled $299 million for the 2019–20 fiscal year, resulting in growth of $235 million compared to 2018–19.

CHANNEL REVENUE

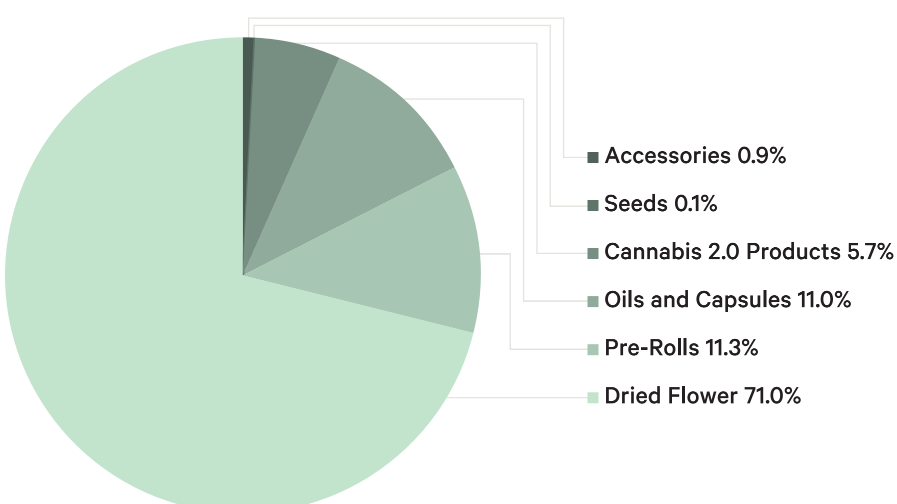
The OCS has two distinct customer channels: its wholesale distribution business (where authorized cannabis retail stores purchase product from the OCS to resell to consumers) and its online OCS.ca business (where consumers purchase products directly from the OCS).

The initial rollout of retail stores in 2019–20 through two AGCO lottery licence processes resulted in a transition in the proportion of revenue from the OCS wholesale channel compared to the online channel. During the 2019–20 fiscal year, the wholesale channel accounted for 75% of total revenue, compared to 10% in 2018–19.



CATEGORY REVENUE

The OCS sells various categories of cannabis products and an assortment of accessories as legally permitted by federal legislation. In 2019–20, dried cannabis flower accounted for the largest share of product sold, followed by pre-rolls, and oils and capsules. Oils and capsules were more popular on the online channel, while pre-rolls were more popular through the wholesale channel.



GROSS MARGIN

For the 2019–20 fiscal year, gross margin was $73.2 million (24%), compared to $19.9 million (31%) for the 2018–19 fiscal year. As the sales channel mix transitioned from predominately online sales in the 2018–19 fiscal year to predominately wholesale sales in the 2019–20 fiscal year, there was a decline in the gross margin percentage. The decline is primarily due to a fixed 25% markdown on wholesale products offered to authorized cannabis retail stores.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative (SG&A) expenses consist of warehousing and logistics, IT systems and support, shared services, salaries and benefits, and other expenses. SG&A expenses were $54.6 million, a decrease of more than $6 million compared to the 2018–19 fiscal year.

SG&A costs were higher during the 2018–19 fiscal year, when, under previous government direction, the OCS was required to set up its own physical retail stores and general infrastructure. As a percentage of revenue, SG&A expenses for the 2019–20 fiscal year were only 18%, compared to 96% during the 2018–19 fiscal year.

INVENTORY

Inventory is defined as products or goods that are provided by a supplier (a producer licensed by Health Canada) to a purchaser (the OCS) under validated purchase orders. Inventory includes product stored at a privately operated distribution centre under contract of the OCS, as well as inventory that is in transit from the OCS to authorized cannabis retail stores and Ontario consumers at the end of the reporting period. Inventory was recorded at the lower of cost and net realizable value.

As the market matured and availability of supply increased during the third quarter of 2019–20, the OCS was able to begin introducing standard inventory management practices. This led to inventory turns of over five times during the 2019–20 fiscal year, compared to inventory turns of under two times during the 2018–19 fiscal year. At March 31, 2020, the OCS had $37.7 million of inventory, compared to $46.5 million as of March 31, 2019.

LEASES

The OCS signed two leases during the 2019–20 fiscal year, for a head office and a warehouse facility. In addition, a lease was assigned by the LCBO to the OCS for a warehouse facility.

All three contractual obligations were capitalized as they reflect a right-of-use (ROU) asset in accordance with accounting standards. These ROU assets were recorded on the balance sheet with a corresponding lease liability of $13.9 million, including future interest charges.

Additional property, plant and equipment assets had also been purchased in conjunction with the head office lease in the form of furniture and fixtures, and leasehold improvements.

Ontario Cannabis Retail Corporation Financial Statements and Notes

MARCH 31, 2020

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 is being established and will independently evaluate the effectiveness of internal controls on an ongoing basis and will report its findings to management and the Finance & Governance Committee of the Board.

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

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

On behalf of management:

Cal Bricker
President and Chief Executive Officer

Zeela Merchant
Chief Financial Officer

June 24, 2020

Office of the Auditor General of Ontario
Bureau de la vérificatrice générale de l'Ontario

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, 2020, and the statements of income (loss) and comprehensive income (loss), changes in equity (deficit) and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

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

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

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

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

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Auditor's Responsibility for the Audit of the Financial Statements

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

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

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

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Bonnie Lysyk

Toronto, Ontario
June 24, 2020

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

ONTARIO CANNABIS RETAIL CORPORATION
Statement of Financial Position

(Canadian dollars)

	Note	**March 31, 2020**	March 31, 2019
Assets			
Current Assets			
Cash	*3*	**82,597,338**	18,803,382
Trade and other receivables	*4*	**2,176,827**	5,045,954
Inventories	*5*	**37,651,903**	46,476,584
Prepaid expenses		**440,667**	805,630
		122,866,735	71,131,550
Non-current Assets			
Prepaid services		**133,546**	221,747
Property, plant and equipment and intangible assets	*6*	**2,691,755**	803,357
Right-of-use asset	*7*	**13,421,506**	35,902
		16,246,807	1,061,006
Total assets		**139,113,542**	72,192,556
Total Liabilities and Equity (Deficit)			
Current Liabilities			
Trade and other payables	*8*	**71,447,742**	53,976,268
Provisions	*9*	**2,009,877**	1,996,942
Leases	*7*	**1,460,753**	-
Borrowings	*10*	**9,386,099**	-
		84,304,471	55,973,210
Non-Current Liabilities			
Leases	*7*	**12,416,624**	-
Borrowings	*10*	**72,578,209**	65,048,857
		84,994,833	65,048,857
Total Liabilities		**169,299,304**	121,022,067
Equity (Deficit)			
Accumulated deficit		**(30,185,762)**	(48,829,511)
Total Liabilities and Equity (Deficit)		**139,113,542**	72,192,556

See accompanying notes to the financial statements.

Approved by:

Clare Copeland, Acting Chair, Board of Directors

Hanoz Kapadia, Board Member, Chair of Finance and Governance Committee

ONTARIO CANNABIS RETAIL CORPORATION

Statement of Income(Loss) and Comprehensive Income(Loss)

(Canadian dollars)

	Note	**For the year ended March 31, 2020**	For the year ended March 31, 2019
Revenue	*11*	**299,026,852**	63,949,040
Cost of sales	*12*	**(225,778,099)**	(44,085,893)
Gross margin		**73,248,753**	19,863,147
Other income	*14*	**1,533,560**	-
Selling, general and administrative expenses	*13*	**(54,591,637)**	(61,325,879)
Income from operations		**20,190,676**	(41,462,732)
Finance income	*15*	**730,250**	496,075
Finance costs	*15*	**(2,277,177)**	(1,055,950)
Total comprehensive income(loss)		**18,643,749**	(42,022,607)

See accompanying notes to the financial statements.

ONTARIO CANNABIS RETAIL CORPORATION
Statement of Changes in Equity (Deficit)

(Canadian dollars)

	For the year ended March 31, 2020	For the year ended March 31, 2019
Accumulated deficit at beginning of year	**(48,829,511)**	(6,806,904)
Total comprehensive income(loss) for the year	**18,643,749**	(42,022,607)
Accumulated deficit at end of year	**(30,185,762)**	(48,829,511)

See accompanying notes to the financial statements.

ONTARIO CANNABIS RETAIL CORPORATION
Statement of Cash Flows
(Canadian dollars)

	Note	For the year ended March 31, 2020	For the year ended March 31, 2019
Operating activities:			
Total comprehensive income(loss)		**18,643,749**	(42,022,607)
Less:			
Depreciation	*6, 7*	**1,968,648**	174,201
Impairment	*13*	**-**	8,989,770
Termination of leases	*13*	**-**	983,004
Interest on borrowings	*15*	**1,915,452**	1,055,950
Interest expenses on leases	*15*	**361,725**	-
Interest paid on leases		**(283,648)**	-
(Gain)loss on disposal of assets		**(50,457)**	90,696
		22,555,469	(30,728,986)
Changes in non-cash balances related to operations:			
Trade and other receivables	*4*	**2,869,127**	(3,875,952)
Inventories	*5*	**8,824,681**	(46,476,584)
Prepaid expenses		**453,164**	448,268
Trade and other payables	*8*	**17,471,474**	42,247,970
Provisions	*9*	**12,935**	1,996,942
Net cash generated (used in) from operating activities		**52,186,850**	(36,388,342)
Investing activities:			
Purchase of property, plant and equipment and intangible assets	*6*	**(2,558,045)**	(7,696,376)
Right-of-use-asset	*7*	**-**	(35,902)
Proceeds from sale of assets		**267,808**	23,710
Net cash used in investing activities		**(2,290,237)**	(7,708,568)
Financing activities:			
Proceeds from borrowings	*10*	**15,000,000**	39,000,000
Tenant allowances	*7*	**-**	28,900
Lease payments	*7*	**(1,102,657)**	(1,081,727)
Net cash generated from financing activities		**13,897,343**	37,947,173
Net increase(decrease) in cash		**63,793,956**	(6,149,737)
Cash, beginning of year		**18,803,382**	24,953,119
Cash, end of year		**82,597,338**	18,803,382

See accompanying notes to the financial statements.

Index to Notes to Financial Statements

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 OCRC to buy, possess and sell non-medical cannabis and related products and gives OCRC the exclusive right in the province to sell non-medical cannabis to end-use e-commerce customers and to wholesale customers licensed by the Alcohol and Gaming Commission of Ontario ("AGCO") to sell cannabis in privately run stores.

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

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

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

2. Basis of presentation and significant accounting judgments and policies

2.1 Statement of compliance

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

The audited financial statements were approved by the Board of Directors and authorized for issue on June 24, 2020.

2.2 Basis of presentation

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

2.3 Functional and presentation currency

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

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

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

2.5 Revenue

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

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

2.6 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.

2.7 Finance income and costs

Finance income comprises interest income on cash balances.

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

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

2.8 Other income

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

2.9 Trade and other receivables

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

Trade receivables related to customers are not currently applicable to OCRC, as payment is received from customers prior to shipment of goods. Other receivables are made up of chargeback receivables from vendors, sundry receivables, HST receivable and interest receivable on cash balances.

The carrying amount of chargeback receivables is reduced through the use of an allowance where there is objective evidence that OCRC will not be able to collect amounts due from a vendor chargeback. OCRC establishes an allowance on vendor receivables taking into consideration, current economic trends, past experience and forecasts of future economic conditions. When receivables are deemed uncollectible it is written off against the allowance. The loss is recognized as selling, general, and administrative expenses in the Statement of Income(Loss) and Comprehensive Income(Loss).

2.10 Inventories

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

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

2.11 Property, plant 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, construction or development of the asset.

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

Property, plant and equipment under construction and not available for use are carried at cost, less any recognized impairment loss. Such assets are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets commence when the assets are ready for their intended use.

The cost of subsequently replacing part of an item of property, plant 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, plant 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, plant and equipment are recognized as expense as incurred.

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

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

2.12 Intangible assets

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

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

2.13 Impairment of property, plant and equipment and intangible assets

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

- The asset value has declined significantly;
- significant changes with adverse effects on OCRC have taken place, impacting the use of the assets;
- 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 of 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.

2.14 Leases

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 at the lease commencement date. Subsequently, the lease liability is measured by increasing the liability to reflect interest and decreasing the liability to reflect payments. The lease liability is remeasured to reflect reassessment or modification or to reflect in-substance fixed lease payments.

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

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

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.

2.15 Trade and other payables

Trade and other payables are classified as other financial liabilities and 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.

2.16 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.

2.17 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.

Borrowing costs directly attributable to the acquisition or construction of a qualifying asset are recognized in the cost of the qualifying asset. Qualifying assets are those that require a substantial period to prepare for their intended use.

2.18 Employee Benefits

<u>Pension benefits costs</u>

OCRC provides defined pension benefits for all its permanent employees (and to non-permanent employees who elect) through the Public Service Pension Fund (“PSPF”). The Province, which is the sole sponsor of the PSPF and a joint sponsor of the fund, determines OCRC’s annual contribution to the fund. 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.

OCRC’s contributions to both plans are accounted for on a defined contribution basis with OCRC’s contribution charged to the Statement of income and other comprehensive income in the period the contributions become payable.

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

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

2.19 Financial instruments

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

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

Amortized cost

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

Financial instruments measured at fair value must be classified according to a three-level hierarchy based on the type of inputs used to make the measurements. This hierarchy is as follows:

Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

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

Level 3: inputs for the asset or liability that are not based on observable market inputs (unobservable inputs).

2.20 Use of estimates and judgments

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

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

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

<u>Leases</u>
Management exercises judgement in determining the appropriate lease term on a lease by lease basis. Management considers all facts and circumstances that create an economic incentive to exercise a renewal option or to not exercise a termination option including investments in major leaseholds, past business practice and the length of time remaining before the option is exercisable. The periods covered by renewal options are only included in the lease term if management is reasonably certain to renew. Management considers reasonably certain to be a high threshold. Changes in the economic environment or changes in the cannabis industry my impact management's assessment of lease term, and any changes in management's estimate of lease terms may have a material impact on the OCRC Statement of Financial Position and Statement of Income(Loss) and Comprehensive Income(Loss).

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

<u>Provisions</u>
Provisions have been made for certain employee benefits, sales returns, contract terminations and deferred revenue. These provisions are estimates and 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, 2020 includes interest-bearing bank accounts. OCRC did not hold any cash equivalents as at March 31, 2020 (2019 – nil).

(Canadian dollars)

4. Trade and other receivables

Trade and other receivables include the following:

	March 31, 2020	March 31, 2019
Chargeback receivables	**1,516,050**	-
Loss allowance for expected credit losses	**(751,811)**	-
Recoverable input tax credits	**987,386**	5,012,411
Sundry receivables	**342,719**	-
Interest receivable	**82,483**	33,543
	2,176,827	5,045,954

The carrying amount of trade and other receivables approximates its fair value due to its short-term nature. Chargeback receivables is made up of vendor chargeback balances from price protection or returned products. The carrying amount of chargeback receivables is reduced through the use of an allowance at levels considered adequate to absorb credit losses. Subsequent recoveries of receivables previously provisioned are credited to Selling, General and Administrative Expenses.

The amount of lifetime expected credit losses on trade and other receivables, specifically chargeback receivables, is $751,811 (2019 – nil).

5. Inventories

The cost of inventories sold and recognized as cost of sales during the year ended March 31, 2020 was $215,430,943 (2019 - $36,623,012). During the year ended March 31, 2020 $2,111,961 (2019 – nil) was written down to net realizable value. No inventory is pledged as security.

(Canadian dollars)

6. Property, plant and equipment and intangible assets

The following table presents the net book value and changes in the cost and accumulated depreciation of property, plant and equipment and intangible assets for the year ended March 31, 2020:

	Motor Vehicles	Computer hardware	Furniture and fixtures	Computer software	Leasehold Improvements	Store Fixtures in Progress	Total
Cost							
Balance at March 31, 2019	261,585	643,629	3,319	6,429	-	8,694,289	9,609,251
Additions	-	211,209	1,346,625	4,387	995,824	-	2,558,045
Disposals	(261,585)	(71,838)	-	-	-	(8,694,289)	(9,027,712)
Balance at March 31, 2020	**-**	**783,000**	**1,349,944**	**10,816**	**995,824**	**-**	**3,139,584**
Accumulated depreciation and impairment							
Balance at March 31, 2019	41,181	69,403	-	1,021	-	8,694,289	8,805,894
Depreciation	34,543	225,883	119,334	2,743	70,258	-	452,761
Disposals	(75,724)	(40,813)	-	-	-	(8,694,289)	(8,810,826)
Balance at March 31, 2020	**-**	**254,473**	**119,334**	**3,764**	**70,258**	**-**	**447,829**
Carrying amount							
As at March 31, 2019	223,723	574,226	-	5,408	**-**	-	**803,357**
As at March 31, 2020	**-**	**528,527**	**1,230,610**	**7,052**	**925,566**	**-**	**2,691,755**

7. Leases

The following table presents the changes in the lease liability for the year ended March 31, 2020

	Office Premises	Distribution Centre Premises	Total
Balance, as at April 1, 2019	**-**	**-**	**-**
Additions	11,541,127	3,360,829	14,901,956
Finance charges on rent free period	78,078	-	78,078
Principal payments	(381,293)	(721,364)	**(1,102,657)**
Balance, as at March 31, 2020	**11,237,912**	**2,639,465**	**13,877,377**

	March 31, 2020	March 31, 2019
Current portion	**1,460,753**	-
Long-term portion	**12,416,624**	-
	13,877,377	**-**

Interest expense on these lease obligations for the year ended March 31, 2020 was $361,725. Total cash outflow for the year ended March 31, 2020 was $1,386,305 including interest.

The future undiscounted contractual lease payments are as follows:

(Canadian dollars)

2021	1,806,563
2022	1,480,242
2023	1,535,859
2024	1,554,398
2025	1,013,226
Thereafter	8,917,259
	16,307,547
Less: imputed interests	2,430,170
	13,877,377

Short-term leases
Expenses relating to short-term leases (short-term office accommodation and storage facilities) accounted for on a straight-line basis over the lease term were $563,061 for the year ended March 31, 2020 (2019 - $1,121,445). As at March 31, 2020, commitments for short-term leases are $13,189.

Office leases
During the year ended March 31, 2020, OCRC entered into a lease for office premises. The lease payments were discounted at a rate of 2.7%, reflecting OCRC's incremental borrowing rate, which is the applicable rate of the Ontario Financing Authority ("OFA") at the lease commencement date.

Distribution centre leases
During the year ended March 31, 2020, OCRC entered into a lease and were assigned another lease for distribution centre premises. The lease payments were discounted at a rate of 2.435% and 2.215%, reflecting OCRC's incremental borrowing rate, which is the applicable rate of the Ontario Financing Authority ("OFA") at the lease commencement date.

Variable lease payments
Total variable lease expenses that are not included in the measurement of lease liabilities are $258,851.

(Canadian dollars)

The following table presents the changes in the cost of right-of-use assets for the year ended March 31, 2020:

	Office Premises	Distribution Centre Premises	Total
Cost			
Balance at April 1, 2019	35,902	-	35,902
Additions	11,540,662	3,360,829	14,901,491
Balance at March 31, 2020	**11,576,564**	**3,360,829**	**14,937,393**
Accumulated depreciation			
Balance at April 1, 2019	-	-	-
Depreciation	759,119	756,768	**1,515,887**
Balance at March 31, 2020	**759,119**	**756,768**	**1,515,887**
Carrying amount			
As at March 31, 2019	35,902	-	**35,902**
As at March 31, 2020	**10,817,445**	**2,604,061**	**13,421,506**

8. Trade and other payables

Trade and other payables include the following:

	March 31, 2020	March 31, 2019
Inventory payables and accruals	**77,183,495**	45,046,208
Chargebacks offset against inventory payables	**(14,446,262)**	(919,071)
Other trade payables and accrued expenses	**7,958,572**	5,904,015
Payable to LCBO	**-**	3,447,503
Deferred revenue	**745,340**	340,011
Customer deposits	**6,597**	157,602
	71,447,742	53,976,268

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

(Canadian dollars)

9. Provisions

The following table represents the changes to OCRC's provisions:

	Contract terminations	Short term employee benefits	Other	Total
Balance at April 1, 2019	1,213,009	655,035	128,898	1,996,942
Additional provisions recognised during the year	517,760	1,303,446	89,871	1,911,077
Reversal of provision	(1,158,624)	-	-	(1,158,624)
Utilization of provision	(41,085)	(655,035)	(43,398)	(739,518)
Balance at March 31, 2020	**531,060**	**1,303,446**	**175,371**	**2,009,877**

All provisions are classified as current. The contract terminations provision includes claims where it is probable that the OCRC will have to make a payment to settle the claim. The employee benefits provision includes vacation entitlements earned by employees and other short-term employee benefits expected to be paid in the following year. Other provisions include long term employee benefits (refer to Note 2.18) and a sales returns allowance. The sales returns allowance is estimated based on historical sales return trends.

10. Borrowings

At March 31, 2020, changes in borrowings are as follows:

	March 31, 2020	March 31, 2019
OFA Loan	81,964,308	65,048,857
Less: current portion of borrowings	(9,386,099)	-
Non-current borrowings	**72,578,209**	65,048,857

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

During fiscal 2019-20, OCRC drew $15,000,000 (prior cumulative advances to March 31, 2018 - $64,000,000), on facility one bringing the total cumulative loan balance to $81,405,414 (March 31, 2019 - $65,048,857) inclusive of interest, as at December 31, 2019. Consistent with the terms of the loan agreement, the cumulative loan balance of facility one was fully repaid with funds advanced from facility two on January 1, 2020. Facility two is a non-revolving 10-year term loan and bears interest at 2.79 per cent per annum, compounded semi-annually, and is repayable in equal semi-annual instalments of $4,693,049 commencing on June 30, 2020. The loan is unsecured and is due January 1, 2030.

The fair value of borrowings at March 31, 2020 approximates their carrying amount as the OFA loan is at market terms.

(Canadian dollars)

11. Revenue

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

	For the year ended 31 March 2020	For the year ended 31 March 2019
E-commerce revenue	**74,460,709**	57,285,429
Wholesale revenue	**224,443,643**	6,581,111
Data subscription program	**122,500**	82,500
	299,026,852	63,949,040

Credit losses incurred on e-commerce transactions were $46,634 for the year ended March 31, 2020 (2019 - $87,585). Refer to Note 17.

12. Cost of sales

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

	For the year ended 31 March 2020	For the year ended 31 March 2019
Cost of goods sold	**215,430,943**	36,786,046
Delivery fees	**9,186,402**	6,434,104
Transaction fees	**1,160,754**	865,743
	225,778,099	44,085,893

(Canadian dollars)

13. Selling, general and administrative expenses

Selling, general and administrative expenses include the following:

	For the year ended 31 March 2020	For the year ended 31 March 2019
Salaries and benefits	**19,453,511**	9,274,672
Warehouse and logistics (Note 19)	**10,035,237**	-
Information systems and technology support	**9,765,910**	5,246,275
Shared services (Note 19)	**6,456,231**	24,876,323
Depreciation	**1,968,648**	174,201
E-commerce transaction processing	**1,645,040**	2,998,985
Contract services	**1,254,778**	640,058
Occupancy	**1,143,295**	1,177,401
Provision for bad debts	**755,111**	-
Professional services	**751,157**	2,408,062
Insurance	**398,538**	581,496
Recruitment services	**37,973**	570,212
Consulting services	**20,300**	905,757
Impairment	**-**	8,989,770
Contract terminations	**213,760**	1,408,934
Termination of leases	**-**	983,004
Other expenses	**692,148**	1,090,729
	54,591,637	61,325,879

14. Other income

Other income includes the following:

	For the year ended 31 March 2020	For the year ended 31 March 2019
Trade day income	**316,140**	-
Reversal of provision for contract terminations	**1,166,963**	-
Gain on disposal of fixed assets	**50,457**	-
	1,533,560	-

15. Finance income and costs

Finance income and costs include the following:

	For the year ended 31 March 2020	For the year ended 31 March 2019
Interest income on bank balances	**730,250**	496,075
Lease liabilities interest expense	**(361,725)**	(22,987)
OFA loan interest expense (Note 11)	**(1,915,452)**	(1,032,963)
	(1,546,927)	(559,875)

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

(i) Employee pension benefits

OCRC provides defined pension benefits to all permanent employees and to non-permanent employees who elect to participate through the Public Service Pension Fund (“PSPF”). The Province, which is the sole sponsor of the PSPF, determines OCRC’s annual contributions to the fund. As the sponsor is responsible for ensuring that the funds are financially viable, any surpluses or unfunded liabilities arising from statutory actuarial funding valuations are not assets or obligations of OCRC.

OCRC’s contributions to the plan are accounted for on a defined contribution basis with OCRC’s contribution charged to the Statement of Income(Loss) and Comprehensive Income(Loss) in the period the contribution becomes payable. During the year, OCRC made pension contributions to the plan that amounted to $1,216,229 (2019 - $515,711). These amounts are included in salaries and benefits expenses and reported in selling, general and administrative expenses in the Statement of Income(Loss) and Comprehensive Income(Loss).

(ii) Other long-term employee benefit plans

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

As at March 31, 2020, the liability for long-term income protection benefits recognized amounted to $90,000 (2019 - $85,500), which is included in the Statement of Income(Loss) and Comprehensive Income(Loss).

17. Financial risk management

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

(a) Credit risk

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

OCRC minimizes credit risk on its cash accounts by restricting its banking and cash management to arrangements with Schedule A banks. With respect to trade receivables, OCRC requires both e-commerce and wholesale customers to pay for purchases prior to shipment. 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. There are no trade receivables from customers as at March 31, 2020.

OCRC is exposed to credit risk under circumstances where chargebacks are issued from OCRC to vendors, resulting in balances due to OCRC. OCRC mitigates such risk by reviewing the receivables position against future planned inventory purchases for eventual offset against the receivable, where applicable. OCRC also analyses the vendors financial health and assesses their ability to meet their obligations based on information available, as well as actively processing collections activities to assist in mitigating the risk of non-payment resulting from chargebacks to vendors. A risk assessment is completed on a periodic basis, and a provision for bad debts is booked based on the outcome of the risk assessment.

OCRC estimates lifetime expected credit losses, specifically on chargeback receivables, as at March 31, 2020 to be $751,811. Incurred credit losses are due to fraudulent e-commerce customer transactions that occur subsequent to shipment of product. Refer to Notes 4 and 12.

(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.

(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 on its cash deposited in bank accounts, 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 11). In OCRC's assessment, the impact of changes in interest rates would not have a significant impact on net income.

(Canadian dollars)

18. Capital management

OCRC is a corporation without share capital. Its capital structure consists of borrowings and accumulated deficit.

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

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

19. Related parties

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

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

(a) Ontario Financing Authority

On February 14, 2018, OCRC entered into a loan with the OFA and the Minister of Finance to finance OCRC's set-up costs, including the shared services provided by LCBO. The amount of the loan at March 31, 2020 is $81,946,308 (2019 - $65,048,857) including accrued interest of $558,894 under Facility two (refer to note 10).

(b) Liquor Control Board of Ontario ("LCBO")

In support of OCRC's establishment and operations, LCBO provided shared services, goods and other property to OCRC that were recoverable by LCBO on a cost basis.

Costs invoiced to OCRC by LCBO were as follows:

	For the year ended March 31, 2020	For the year ended March 31, 2019
Shared services:		
Shared administrative services	**6,526,158**	23,940,802
Property, plant and equipment	**(185,912)**	3,170,448
Prepaid software licenses and support	**-**	97,241
Reimbursement of OCRC own expenses	**5,966**	609,645
	6,346,212	27,818,136

For the year ended March 31, 2020, LCBO is in a receivable position with OCRC, in the amount of $4,263 (2019 - $3,447,503 payable) included in trade and other receivables for transactions with LCBO, due to a net credit for proceeds of disposal of vehicles.

LCBO entered into an arrangement with a warehousing services provider on behalf of OCRC. The warehousing services provider leases a warehouse facility from a third party. On July 1, 2019 the Warehousing services agreement with the service provider was assigned from LCBO to OCRC. Prior to that date, all warehousing and logistics expenses were paid by LCBO and included in the shared services expenses. All warehousing and services costs since the contract was assigned have been paid by OCRC.

(c) Key management personnel

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

Key management personnel compensation for the year ended March 31, 2020 was $2,010,083 (2019 - $316,511), comprised of salaries and benefits, directors' per diem fees, and other short-term employee benefits.

20. Contingent liabilities

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

21. Subsequent events

Distribution Centre Lease

OCRC executed a lease for a new distribution center on June 9, 2020. The lease is for a 10-year term. During the lease term minimum rent commitments are $20,158,131.

22. Comparative figures

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

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