



# 2018-2019

## ANNUAL REPORT





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*Director*

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(until Oct. 2018)*

**Andrea DeWitt,**  
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(from Oct. 2018, not  
present in the picture)*

**Nicole Picot,**  
*Deputy Minister of Finance,  
ex officio member, until-Jan. 2019  
(not present in the picture)*

**Cheryl Hanson,** *Deputy Minister  
of Finance and Treasury Board,  
ex officio member, from Feb. 2019  
(not present in the picture)*

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**CANNABIS-NB.COM**

ISSN 2562-7627  
ISBN 978-1-4605-2065-9

## EXECUTIVE MANAGEMENT

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*centered on  
a culture of  
providing a safe,  
legal, responsible  
approach to adult  
use of cannabis.*

## CHAIR'S LETTER

*Honourable Ernie Steeves  
Minister of Finance  
Province of New Brunswick,  
Fredericton, NB*

Dear Minister Steeves,

In compliance with the *New Brunswick Liquor Corporation Act*, I am pleased to submit the first annual report for Cannabis NB for the fiscal year ending March 31, 2019. As an engaged Board of Directors, we strive to provide support and leadership to Cannabis NB as well as ensuring good governance.

The CNB Board mirrors the ANBL board, with the addition of the DM Finance ex officio. The Board is comprised of a group who bring a wide range of skills, experience and competencies, while representing the geographic locations and official languages of the province.

The Corporation was mandated to implement a retail model for the legalization of cannabis centered on a culture of providing a safe, legal, responsible approach to adult use of cannabis. The Province of New Brunswick was well prepared and positioned for the national legalization, as of October 17, 2018.

The world-class retail industry is focused on providing public health education and awareness through our guided experience in store. While still in its infancy in everyday operations, the Corporation prioritizes public awareness and education while leveraging the economic opportunity in this new industry.

Respectfully submitted,

**Rachelle Gagnon**  
*Chair, Board of Directors*

## PRESIDENT'S MESSAGE

In October of 2018, Cannabis NB (a subsidiary of ANBL) opened the doors to New Brunswick's legalized recreational cannabis retail network. To be part of this historic event was both challenging and rewarding. Team members rose to the occasion and delivered a world-class retail cannabis model.

Cannabis NB's purpose goes well beyond providing revenue for the province. Our mandate is to protect the citizens of New Brunswick through education and information, to adhere to health and safety measures, to help minimize the illegal market, and to uphold and enforce federal and provincial legislation and guidelines. We appreciate the guidance and support provided by governing entities, particularly the Cannabis Management Corporation and our Board of Directors. We are also grateful for the public support and positive feedback we have received since we opened our doors on October 17.

Our network of 20 carefully selected locations is envied by others and serves as a template to be followed nationally and internationally. Establishing key relationships and expertise, both internally and externally, was instrumental to New Brunswick being recognized as a global leader in this new legal realm. We have collaborated and guided our colleagues in other jurisdictions whenever possible, demonstrating New Brunswick's friendly nature. Navigating continued and future challenges will require patience and perseverance, while upholding and maintaining the focus on the safety of the public.

Cannabis NB's future remains as exciting as it was on October 17, 2018 as this industry evolves - no two days are ever the same! Our team is well-prepared, engaged, and enthusiastic for the future. I applaud and appreciate these efforts and achievements beyond what words can capture.

Sincerely,



**Brian Harriman**  
President and CEO



*Team members  
rose to the  
occasion and  
delivered a  
world-class  
retail cannabis  
model.*

# STRATEGIC MAP

## MISSION

Customer experience is at the foundation of Cannabis NB's strategy, and ensuring that a highly engaged team is passionate about delivering that experience will ensure that the company can deliver on all organizational goals.

## MISSION STATEMENT

We ensure every customer experience is positive, memorable and built on a foundation of education and responsibility every time, everywhere for the benefit of New Brunswickers.

## VISION

The retail cannabis experience that we deliver will make customers choose us. Anywhere. Every time.

## VALUES

The corporate values at CNB are simple and direct, so that the team can always keep them top of mind and live them every day. Our focus is education, safety and making our customers advocates for what the company does, as well as how our team does it.



## ENGAGE. INFORM. INSPIRE.



### ENGAGE

Keeping our team engaged and excited about the business and our mandate ensures that they are passionate about our business and can engage our customers effectively and authentically to really understand their needs.



### INFORM

Information and education are at the heart of what we do, both for our team and our customers. Ensuring everyone has the information they need keeps our team engaged and our customers safe, and contributes to a stronger, more responsible cannabis industry overall.



### INSPIRE

By exceeding customer expectations with the in-store experience, and delivering quality information customized to their needs, we can inspire them to support a legal industry and become advocates for a safer, regulated approach.



## YEAR IN REVIEW: INTRODUCTION

Even though recreational cannabis became legal on October 17, 2018, the work to ensure a safe and successful launch began long before that date. Once the federal government made the decision to legalize recreational cannabis, New Brunswick immediately gathered a cross-departmental team to identify the resources and research needed to legalize effectively and responsibly. Recommendations were taken from both federal and provincial taskforces as well as research from legal jurisdictions. Given that this was going to be a newly legal retail sector and one of the most important public policy decisions of this kind since the end of prohibition, New Brunswick took this preliminary work very seriously. The province was also the most prepared for launch day of October 17, 2018 as most planning assumed the original launch date of July 1.

Knowing this had never been done before, challenges were expected and a focus on continuous operational improvement after launch was key. Although there were certainly challenges that were anticipated, and a few that were not, the province has been able to deliver on the mandate and ensure broad access to safe, regulated product while raising public awareness and providing education to customers.



## YEAR IN REVIEW: OPERATIONAL EXCELLENCE

In order to meet the needs of the customers and deliver an omnichannel experience, Cannabis NB utilizes an integrated eCommerce and Point of Sales solution. This allows the company to deliver an integrated customer experience between bricks and mortar retail and eCommerce, as well as providing flexibility to incorporate new customer focused functionality like in-store pick-up.

Building on this, the focus remained on the customer and the mandate in every aspect of establishing the retail operation. User experience, adaptability, education and safety were always top of mind.

## STORE DESIGN AND PROCESS

The design of the 20 Cannabis NB stores was created with the intent to meet its mandate; reduce the illicit market, keep the product out of the hands of youth, public awareness and education and provide a safe and regulated product. Compared to other types of retailers, Cannabis NB had to consider more than just profit.

With the mandate of public safety in mind, access to the store is limited to 19 years old and older only. No minors are allowed in the store even if accompanied by an adult over 19. This restricts product visibility

to minors. The Province of New Brunswick made a conscious decision to interpret the *Cannabis Act* conservatively when it came to accessing the stores at launch. Everyone coming into a Cannabis NB store is asked to show a valid piece of government issued identification upon entry into the store. This eliminates the “guess work” or subjectivity for the employee working at the reception.

With the help of an architecture firm, the look and feel of the Cannabis NB stores was designed to be clearly different from the stereotype of what a cannabis store is like. The design differentiates itself from black market organizations, and offers a professional, welcoming environment to adult customers. For the design element of the stores, the team wanted to create a concept that highlighted New Brunswick, featuring black and white photos of famous tourism destinations throughout the province. The team also anticipated the second phase of products and ensured that the store was designed from the beginning to incorporate new product types that would become legal in 2019.

Once on the sales floor, customers have a customized shopping experience as the customer service approach is a 1-to-1 consultation with a Customer Experience Representative, or Guide. This approach was chosen because it allows us to ensure that every customer

receives responsible consumption and safety information at every interaction. Each Guide gets to know their customer by following a process designed to uncover needs, experience levels, and all other relevant information needed to make a safe suggestion of product. The recommendation of “Start low, go slow” is often referred to during the customer interaction.

In order to guide the conversation while adhering to the rules around discussing effects, Cannabis NB developed their “Occasions for Cannabis Use” to use as a tool to determine what type of products are most likely to offer an appropriate experience for the customer. The three occasions: *Discover, Connect, and Refresh* help Guides direct customers to different strains/products/ingestion methods in order to help customers navigate this new world safely.

**C** CONNECT

**D** DISCOVER

**R** REFRESH



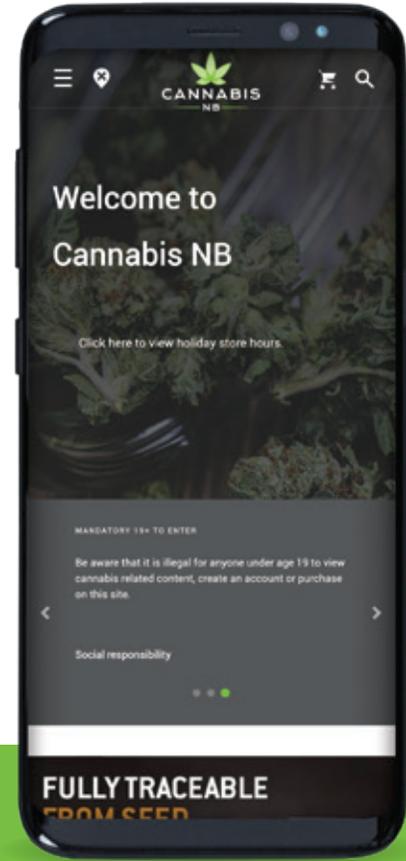
*the team wanted to create a concept that highlighted New Brunswick, featuring black and white photos of famous tourism destinations*

## CANNABIS NB WEBSITE

Cannabis-NB.com launched on October 15, 2018 as a website with responsible use information, educational information on cannabis, and general information about Cannabis NB and our stores. The transactional portion of the site went live for product sales at midnight on October 17, 2018. During these first three days of availability, Cannabis-NB.com saw significant traffic which resulted in more than 148,000 sessions and over 2.5 million pageviews.

Since the initial launch, Cannabis-NB.com has continued to serve New Brunswickers looking to learn about cannabis, find a store, or discover the products available for purchase either in store or via the website itself where customers can use their credit or debit card to make a purchase. The site served its purpose well, as it reliably offered products to interested customers, allowed for transactions to be processed consistently and, despite the site newness and very high level of traffic early on, avoided unplanned outages of significance throughout the fiscal year. While the site provided a basic level of functionality, customer feedback showed that there were some key areas of improvement that could increase satisfaction with the site. Based on ongoing customer feedback, the user flow and functionality were adjusted throughout the year to improve the user experience. This included better filter and sort options, better inventory visibility, as well as other display improvements. In combination with improved website functionality, the customer contact centre has received high praise from customers, leading to the percentage of customers who say they would recommend Cannabis NB landing at 92.3% of those surveyed.

In the first month of legalized sales, the initial surge of interest led over 3,000 New Brunswick adults to register for an account and make a purchase on the site. By the end of the fiscal year, just over 5,700 New Brunswickers had both created an account and made a purchase on Cannabis-NB.com for home delivery. Undoubtedly, the active customer count could have grown further if not for a lack of consistent product availability. More specifically, a lack of value-priced dried-flower cannabis product, has limited growth ability despite the improved functionality of the site. With improved product supply and variety, combined with improvements planned to the website and product offerings, continued positive momentum is expected for Cannabis-NB.com in the coming fiscal year.



First three days  
of availability,



148,000  
sessions



over 2.5 million  
pageviews

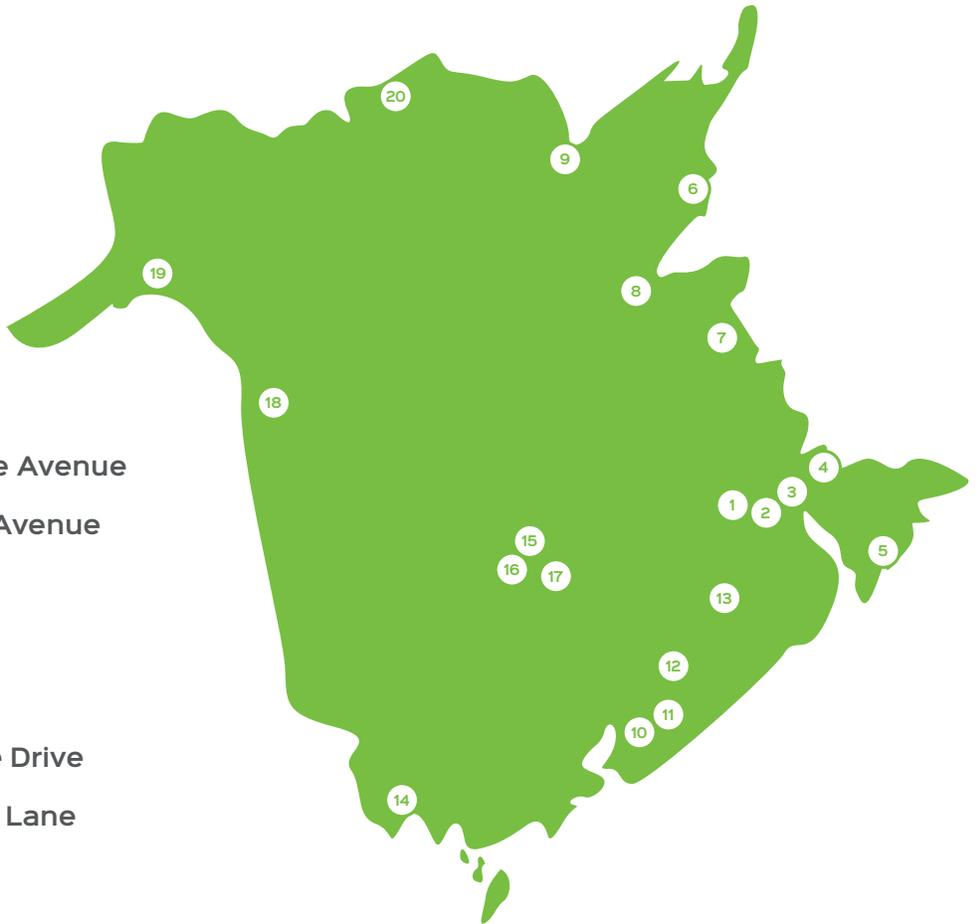
## STORE LOCATIONS

In early planning, it was identified that in order to draw customers away from the black market and reduce illicit sales, accessibility to stores and online purchase would be important. Offering customers the option to speak with a trained professional was also supported with the launch of a full network of physical stores. For this reason, Cannabis NB stores are available throughout the province.



**20**  
LOCATIONS  
throughout  
New Brunswick

- 1 Moncton, Wyse Street
- 2 Moncton, Main Street
- 3 Dieppe
- 4 Shediac
- 5 Sackville
- 6 Tracadie
- 7 Richibucto
- 8 Miramichi
- 9 Bathurst
- 10 Saint John, Lansdowne Avenue
- 11 Saint John, Rothesay Avenue
- 12 Rothesay
- 13 Sussex
- 14 St. Stephen
- 15 Fredericton, Brookside Drive
- 16 Fredericton, Woodside Lane
- 17 Oromocto
- 18 Perth-Andover
- 19 Edmundston
- 20 Campbellton





## YEAR IN REVIEW: CATEGORY MANAGEMENT

When planning for the launch of legal recreational cannabis, Cannabis NB's intent was to have a varied portfolio of products, like dry flower in multiple size options, pre-rolls, oils and seeds at various price points, from premium products to more value priced products. In preparation for launch, the Cannabis Management Corporation signed Memoranda of Understanding with four licensed producers (LPs):

- Canopy Growth Corp. / Tweed Ltd.
- Organigram Inc.
- Zenabis Ltd.
- Aphria Inc. (Formerly Nuuvera Corp.)

These four licensed producers were selected in consultation with Opportunities New Brunswick on the good faith agreement that these licensed producers would directly contribute to the economic development of New Brunswick by basing some of their business operations within the province of New Brunswick.

After Royal Assent of the *Federal Cannabis Act* and the incorporation of Cannabis NB, in July 2018, Cannabis NB began the process to transition these four licensed producers out of the Memoranda of Understanding and into legal Supply Agreements.

These Supply Agreements outline terms of operation such as purchase prices, payment process, capacity and availability, order procedure, warranty of goods, quality assurance, package / label requirements, insurance, and indemnification.

In late June 2018, ANBL, on behalf of Cannabis NB, released an Expression of Interest for additional cannabis supply. Mid July 2018, Cannabis NB began supply negotiations with additional licensed producers and signed a fifth Supply Agreement with CannTrust Inc.

For launch, Cannabis NB planned to stock over 360 SKUs including dried flower, extracts, and accessories. Due to licensing delays, quality and assurance issues, and

packaging challenges faced by licensed producers, the national market experienced a cannabis supply shortage.

Because of this national supply shortage, between October 17, 2018 and March 31, 2019, Cannabis NB was only able to source a fraction of the original planned SKUs. At the end of the year, approximately 215 SKUs had appeared in stores, though many were not in the original order. Of the 215 SKUs that appeared in stores, less than one third had any consistency in supply, with some only appearing once over the course of the year. Overall, Cannabis NB received less than 25% of the inventory required to fully stock all 20 store locations as well as the e-commerce platform at launch.

In late October 2018, Cannabis NB released a second Expression of Interest looking for additional partners to bridge the supply gap. Supply negotiations with additional licensed producers are ongoing, but, as of March 31, 2019, Cannabis NB has secured three additional Supply Agreements with:

- The Supreme Cannabis Company Inc. / 7ACRES
- UP Cannabis Inc.
- Blissco Holdings Ltd.

As of March 31, 2019, 7ACRES commenced shipments of cannabis products. UP Cannabis Inc. began shipments to Cannabis NB in April 2019 and Blissco Holdings Ltd. is expected to begin shipments to Cannabis NB early in the new fiscal year. Discussions are ongoing with several other LPs.

Cannabis NB will continue to work with existing partners and new partners to help stabilize supply and normalize operations in order to offer customers in New Brunswick the best options regardless of what they are looking for.





## YEAR IN REVIEW: CUSTOMER ENGAGEMENT

Receiving feedback from customers is crucial to the success of Cannabis NB. Not only is the company new, but so is the entire legal industry. Therefore, hearing concerns, questions and comments is very important in order to continuously improve and adapt the business to keep meeting customer needs.

### IN-STORE RECEIPT SURVEY

In keeping with Cannabis NB's mandate of providing education and awareness to customers, a receipt survey was developed in order to rate and gauge the effectiveness of the interaction between the Customer Experience Representative and the customer, with the goal to illustrate that teams are prepared, capable, confident and that the in-store customer experience is achieving its aim.

From October 17, 2018 to March 31, 2019, over 30,000 customers responded to a receipt survey with the following results, providing valuable feedback:

*"How comfortable was your experience at Cannabis NB?"*

95.8% of respondents answered either "Comfortable" or "Very comfortable".

*"I felt my guide understood my needs."*

98.1% of respondents answered with "Yes".

*"I felt my safety was a priority"*

96.7% of respondents answered with "Yes".

## CUSTOMER SATISFACTION SURVEY

Via its contact center, Cannabis NB had 6097 customer interactions between Oct. 17 to March 31st. Beyond these telephone interactions, in an effort to evaluate the customers satisfaction rate during their interaction with Cannabis NB, a voluntary customer satisfaction survey was implemented in February 2019. This would allow Cannabis NB to gather valuable feedback from customers specific to the interaction they had with either the contact centre and/or our website.

When a customer sends an email query via the website, and the Cannabis NB team has been able to follow up and address the query, a link is sent to the customer via email inviting them to take the survey. When a customer calls the contact centre, at the end of the interaction, the agent will ask the customer if they'd like an email sent with the survey link.

Results of the survey from February to end of the fiscal year were consistently positive with an average score of 9.4 out of 10. These key overview questions had particularly strong results:

**“Based on your most recent experience with a Cannabis NB agent, did you feel that your agent was knowledgeable about the company / product / policies?”**

**100% satisfied.  
All responses were 7 and above.**

**“Based on your most recent experience with a Cannabis NB agent, did the agent communicate in a clear manner, and was he / she professional and courteous?”**

**9.6 out of 10.**

## CUSTOMER QUOTES



*I love the atmosphere as soon as you walk in; people are friendly. You feel at ease to ask for what you want and to ask even the “stupid” questions. Continue the awesome work!*



*Great store with great people working at that location. Thanks for the great experience we will be back, and the best was that we got exactly what we wanted!*



*Staff continue to be friendly and helpful with recommendations and product description. I rely on their knowledge. At checkout, staff continue to encourage safety with friendly reminders on vehicle storage and safe use, not driving under the influence.*



*Such a great surprise to see/hear that all of the guides are so informative, wonderful, and the building is so clean what an educational place!*



*Great experiences every time I go here. The staff is knowledgeable and makes me feel comfortable and welcomed there!*



## YEAR IN REVIEW: PERFORMANCE CULTURE

In order to foster a culture of engagement, teamwork and leadership, Cannabis NB established multiple programs to celebrate employees' accomplishments to recognize the success of the interaction with the customer and are not necessarily based on financial results. These programs are based on Cannabis NB's values and culture and foster pride in the team who have positive customer interactions.

### G.U.I.D.E. PROGRAM

In preparing for cannabis legalization, the creation of a customer service program to train and align the frontline team members was a critical strategic step. The organization developed the G.U.I.D.E. (G.U.I.D.E.; Greet, Understand, Inform, Deliver & Ensure) program in May 2018. This program was created to align first and foremost with the organizational mandates of safety and security. Creating a curated approach to service, ensuring 1-on-1 excellence in each customer interaction, and empowering team members to approach each customer by asking the right questions allows team members to gather the right information to provide smart suggestions and to ensure the right product for the customer's occasion.

Customer Experience Representatives, known as Guides, help customers navigate the world of legal adult-use recreational cannabis in store, following their completion of the e-learning course and in-store onboarding. The program was offered to frontline team members, as well as the leadership team to ensure that everyone spoke the same language and aligned with the organizational vision to allow customer experience to shine through all their actions.

### "BUD OF THE WEEK" PROGRAM

In an effort to create a longstanding culture of engagement and teamwork, and leadership acknowledgement of effort and living the values of the organization, the "Bud of the week" recognition award seeks to recognize the team member in each store who best embodies exemplary contributions to the brand and the values of the organization each week.

Further, it creates a culture of celebration and success by enabling and encouraging team members to recognize each other, which in turn develops leadership, teamwork,

builds pride, prestige, and fosters a sense of belonging. It is, after all, a team member to team member recognition, which means that once awarded, it must be passed on by the recipient to someone else the following week.

As the goal is to foster engagement, the winners are recognized in store during their morning huddle with their team, which has been personalized to each store.

## EMPLOYEE ENGAGEMENT SURVEY

Cannabis NB launched its first employee engagement survey in March 2019, administered by Gallup. With a 99% participation rate, a realistic snapshot of engagement was achieved. The overall average score of the survey was 4.39 out of 5, and 70% of team members are actively engaged. Cannabis NB ranks in the 75th percentile of Gallup global clients overall: which by Gallup standards is a world-class ranking.

The impact of the “*Bud of the week*” Program on engagement has been largely positive; anecdotal discussions with team members indicate that this recognition is a clear driver of positivity. Gallup engagement survey scores have showcased highly positive results, seen by the result of question 4: “*In the last seven days, I have received recognition or praise for doing good work*” scoring 4.33 out of 5, and question 5: “*My supervisor, or someone at work, seems to care about me as a person*” scoring 4.66 out of 5.

The excitement about contributing to a new industry and new organization translates into enthusiasm in the team. Additionally, training, rewards and recognition incentives, frequent internal communication, support and presence from leadership and a commitment to team values are believed to be significant success factors to the engagement of the team. In order to sustain this momentum, current best practices will be continued while leveraging opportunities for further innovation.

## EMPLOYEE COMMITTEES

Cannabis NB’s culture is one of knowledge sharing, commitment to excellence, developing innovative ideas and implementation. These attributes have been refined through the sense of ownership developed by including team members in customer facing roles in many committees.

There are 5 committees with representation from all 20 stores: Product Knowledge, Engagement, Wellness, Accessories, and Health and Safety. Customer Experience Representatives from each store are invited to monthly calls to learn more about the topics from industry experts, to brainstorm, share ideas and best practices, and to raise questions. These team members then cascade information shared in the conference calls to the rest of their store’s team during daily meetings, answering questions from team members and collecting more ideas and questions for the next committee call.

In addition to improving communications within each store and between stores, committee members cultivate leadership and teamwork within their respective committees and within their stores. Committee members are champions of the subject matter in which they bring expertise to their peers, which enables them to be both organized and creative, to lead informally and to lend support to peers in order to deliver the best customer experience consistently throughout the province.



# CUSTOMER SERVICE AWARDS

*These awards were presented to individuals and store employees at the 2019 Spring Leadership Conference based on outstanding customer service performance.*



## CUSTOMER SERVICE EXCELLENCE AWARDS

Safety Mandate

TEAM DIEPPE

Comfortable Experience

TEAM RICHIBUCTO

Understanding of Needs

TEAM CAMPBELLTON

Mark Steeves  
MONCTON - WYSE

Angela Comeau  
TRACADIE

Lindsey Oram  
SUSSEX

## OVERALL ACCESSORY SALES AWARD

SHEDIAC

Ryan Lavigne  
FREDERICTON - BROOKSIDE

Gerrard Allain  
MONCTON - MAIN

## "ACCESSORY OF THE MONTH" AWARD

EDMUNDSTON

Suzanne Lagacé  
EDMUNDSTON

## PRODUCT SAFETY AWARD

WITH 0.00089% / \$3.55 - SUSSEX

Stacey Grant  
FREDERICTON - WOODSIDE

Colin Gallant  
ROTHESAY - KV



## YEAR IN REVIEW: CORPORATE CITIZENSHIP

Cannabis NB has important and collaborative relationships with various government agencies and departments at all levels, federal, provincial and municipal. An ongoing line of communications is necessary to extend and deliver on the education mandate and help all stakeholders navigate this new industry.

### SOCIAL RESPONSIBILITY

As a central part of its values, Social Responsibility started for Cannabis NB before the selling legalization date with our GoodToKnowNB.ca educational website. Launching in early October 2018, this website has offered a source of reliable information to help New Brunswick adults understand the laws around legalized cannabis, while also providing tips and recommendations on responsible consumption. Within the site's "Good Conversations" section, New Brunswick adults have been invited to submit their questions on legalized cannabis and what it means for them – over 60 such questions have been answered and published to the site so that others with similar queries can benefit.

In order to help broaden the message to other New Brunswick adults, a digital advertising campaign ran that introduced New Brunswickers to GoodToKnowNB.ca

while also displaying some of the questions likely to have a broad interest. Over the course of the campaign, over 17,000 clicks were registered by viewers interested to find more information. Including the digital ad campaign, promotion of the site across our main Cannabis-NB.com site and our social media accounts, GoodToKnowNB.ca has attracted over 22,000 sessions and 57,000 pageviews from visitors.

### STAKEHOLDER OUTREACH

The new industry brings much curiosity and willingness to learn about what it means in New Brunswick. As part of Cannabis NB's social responsibility mandate, the organization has participated in various educational opportunities in front of age gated audiences as well as had dozens of meetings with key stakeholders since before the launch of October 17, 2018. Various interest groups and organizations like first responders, municipal and provincial politicians and officials, health professionals and associations, academic groups, and community groups have demonstrated interest in learning more about the retail model, the regulations and the educational process.



## YEAR IN REVIEW: GOVERNANCE

### LABOUR RELATIONS

Three applications for union certification were filed by the New Brunswick Union to represent the teams in the Miramichi, Campbellton, and Lansdowne Saint John retail locations. The Labour and Employment Board returned a decision stating that based on a review of the application and a hearing (per the standard process), they have decided that an individual store at Cannabis NB does not meet the requirement to be a bargaining unit according to the *Public Service Labour Relations Act*. Any future application for certification must consider all of Cannabis NB employment group 'Customer Experience Representative' to be the bargaining unit.

There were no Human Rights complaints filed in 2018-2019.

### OFFICIAL LANGUAGES

There were 2 language complaints received in 2018-2019 fiscal year. Cannabis NB has made adjustments to address the issue and is working with the Office of the Commissioner of Official Languages for New Brunswick to determine and incorporate any additional measures that are deemed appropriate.

### RIGHT TO INFORMATION AND PROTECTION OF PRIVACY ACT REQUESTS

During the fiscal 2018-2019 year, there were 15 requests received under the *Right to Information and Protection of Privacy Act*. Fifteen of the requests were answered (or are ongoing). There were no abandoned and/or transferred requests.

### NOTICES OF MOTIONS - LEGISLATIVE ASSEMBLY

There was one motion involving Cannabis NB during the 2018-2019 fiscal year. Bill C-20 was used to amend the *New Brunswick Liquor Corporation Act*, thereby, granting the ability for ANBL to create the subsidiary of Cannabis NB. In doing such, Cannabis NB was legislated with ability to responsibly buy, distribute and sell cannabis and/or other such things deemed necessary, in the Province. The changes made to the *New Brunswick Liquor Corporation Act* come into effect on October 17, 2018.

### PUBLIC INTEREST DISCLOSURE ACT

As provided under section 18(1) of the *Public Interest Disclosure Act*, the chief executive shall prepare a report of any disclosures of wrongdoing that have been made to a supervisor or designated officer of the portion of the public service for which the chief executive officer is responsible. There were no disclosures made during the 2018-2019 fiscal year pursuant to the policy.

## SALES OVERVIEW / ANALYSIS

The following are the sales overview of a one-time and unique fiscal year of being in operation for only six months instead of a full fiscal year, from October 17, 2018 to March 31, 2019.

STORE	TOTAL SALES
Moncton, Wyse Street	\$ 1,648,946
Moncton, Main Street	\$ 1,526,687
Dieppe Blvd.	\$ 949,066
Shediac	\$ 586,712
Sackville	\$ 537,588
Tracadie	\$ 651,790
Richibucto	\$ 360,807
Miramichi	\$ 969,743
Bathurst	\$ 928,657
Saint John, Lansdowne Ave.	\$ 1,114,078
Saint John, Rothesay Ave.	\$ 1,078,866
Rothesay	\$ 846,949
Sussex	\$ 573,454
St. Stephen	\$ 504,051

STORE	TOTAL SALES
Fredericton, Brookside Drive	\$ 1,148,654
Fredericton, Woodside Lane	\$ 1,491,877
Oromocto	\$ 742,924
Perth-Andover	\$ 590,118
Edmundston	\$ 843,632
Campbellton	\$ 753,392
E-commerce	\$ 781,184

PERCENTAGE SALES	%
Sales Percentage Online	4.2%
Sales Percentage In-Store	95.8%
<b>Total</b>	<b>100.0%</b>

## SALES, PERCENTAGE AND VOLUMES BY CATEGORY

PRODUCT CATEGORY	SALES (\$)	PERCENTAGE	UNIT OF MEASURE	VOLUME (QTY)
Extracts (Oil & Capsules)	\$ 1,996,570	10.7%	Litres	1,773.65
Dried Flower	\$ 15,986,491	85.8%	Kg	1,549.74
Accessories	\$ 627,959	3.4%	Units	87,678.00
Seed	\$ 18,154	0.1%	Units	1,396.00
<b>Total</b>	<b>\$ 18,629,174</b>			

# MANAGEMENT AND AUDITOR'S REPORT

## MANAGEMENT REPORT

The preparation of financial information is an integral part of management's responsibilities, and the accompanying financial statements are the responsibility of the management of the Corporation. This responsibility includes the selection of appropriate accounting policies and making judgements and estimates consistent with International Financial Reporting Standards in Canada. Financial information presented elsewhere in this Annual Report is consistent with these financial statements.

The Corporation maintains the necessary internal controls designed to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded. The Internal Audit department performs audits designed to test the adequacy and consistency of the Corporation's internal controls, practices and procedures.

The Board of Directors is assisted in its responsibilities by its Audit Committee. This committee reviews and recommends approval or the financial statements and Annual Report, meets periodically with management, the Director of Strategic Compliance and Audit and the external auditors, concerning internal controls and all other matters relating to financial reporting.

KPMG, the external auditors of the Corporation, have performed an independent audit of the financial statements of the Corporation in accordance with Canadian generally accepted auditing standards. The Auditor's Report outlines the scope of this independent audit and the opinion expressed.



Brian Harriman  
PRESIDENT AND  
CHIEF EXECUTIVE OFFICER



Lori Stickles  
VICE PRESIDENT AND  
CHIEF FINANCIAL OFFICER

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Cannabis NB Ltd.

### **Opinion**

We have audited the financial statements of the Cannabis NB Ltd. (the Corporation), which comprise:

- the statement of financial position as at March 31, 2019
- the statement of operations and comprehensive loss and changes in deficiency for the period from incorporation until March 31, 2019
- the statement of cash flows for the period from incorporation until March 31, 2019
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2019, and its financial performance and its cash flows for the period from incorporation until March 31, 2019 in accordance with International Financial Reporting Standards.

### **Basis for Opinion**

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

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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

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

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

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 management either intends to liquidate the Corporation or 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.

**Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' 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.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Chartered Professional Accountants  
Fredericton, Canada  
August 2, 2019

# 2018-2019 FINANCIAL STATEMENTS

## STATEMENT OF FINANCIAL POSITION (IN 000'S)

AS AT

	<b>MARCH 31 2019</b>
<b>Assets</b>	
<i>Current Assets</i>	
Cash	\$ 536
Trade and other receivables	114
Inventories	2 200
Prepaid expenses	<u>914</u>
	3 764
Property and equipment (note 5)	4 647
Intangible assets (note 6)	4 271
	<u>\$ 12 682</u>
<b>Liabilities</b>	
<i>Current Liabilities</i>	
Trade and other payables	\$ 6 214
Due to New Brunswick Liquor Corporation (note 13)	<u>18 982</u>
	25 196
<b>Deficiency</b>	
Deficit	(12 514)
	<u>\$ 12 682</u>

Commitments and Contingencies (notes 12 and 13)  
See accompanying notes to the financial statements

**APPROVED ON BEHALF OF THE BOARD:**



Director



Director

## STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS AND CHANGES IN DEFICIENCY (IN 000'S)

Period from  
incorporation  
until MARCH 31  
2019

Total sales (note 8)	\$ 18 629
Cost of sales	12 024
Gross profit	6 605
Other income	168
Operating expenses (note 9)	19 287
Net loss and comprehensive loss, being balance of deficiency at the end of the period	<b>\$ (12 514)</b>

See accompanying notes to the financial statements

## STATEMENT OF CASH FLOWS (IN 000'S)

Period from  
incorporation  
until MARCH 31  
2019

### **Operating**

Net loss and comprehensive loss	\$ (12 514)
Items not involving cash:	
Depreciation	403
Amortization of intangible assets	136
Change in non-cash working capital (note 7)	3 405
Cash used in operations	<u>(8 570)</u>

### **Investing**

Additions to property and equipment	(4 849)
Additions to intangible assets	(3 090)
Net cash used for capital investments	<u>(7 939)</u>

### **Financing**

Advances from New Brunswick Liquor Corporation	17 045
Net cash provided for financing activities	<u>17 045</u>

<b>Increase in cash, being cash at end of period</b>	<b>\$ 536</b>
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See accompanying notes to the financial statements

# NOTES TO THE FINANCIAL STATEMENTS (000'S)

## 1. Nature of Operations and Reporting Entity

Cannabis NB Ltd. (the Corporation) is incorporated under the Business Corporations Act. The Corporation is an investee of New Brunswick Liquor Corporation (ANBL), a Crown Corporation, which owns 100% of the common shares issued by the Corporation, and oversees the day-to-day management of the Corporation. The Corporation's main office is located in Fredericton, New Brunswick. The Corporation is exempt from Income Taxes under Section 149 of the Income Tax Act.

On October 1, 2018, the Corporation entered a five-year agreement with Cannabis Management Corporation (CMC), a Crown Corporation, for the distribution and sale of recreational use cannabis. The agreement entitles CMC to all net profits from the Corporation's operations, upon repayment of all amounts owing to ANBL. The Corporation is currently economically dependent on ANBL for financing start-up costs and operations until such time as the Corporation is profitable.

## 2. Basis of Presentation

### Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements from Incorporation until March 31, 2019 were approved and authorized for issue by the Board of Directors on July 17, 2019.

### Fiscal year

The Corporation's fiscal year ends on the Sunday closest to March 31. All references to 2019 represent the fiscal year from Incorporation (July 3, 2018) to March 31, 2019. Under an accounting convention common in the retail industry, the Corporation follows a 52-week reporting cycle, which periodically necessitates a fiscal year of 53 weeks. The year ended March 31, 2019 contained 39 weeks, as it was a partial year. Typically, the inclusion of an extra week occurs every fifth or sixth fiscal year due to the Corporation's floating year-end date. The first 53 week year will occur in fiscal 2022.

### Basis of measurement

The financial statements have been prepared on the historical cost basis except for financial instruments,

which are measured as described below. These financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

## 3. Summary of Significant Accounting Policies

### Use of estimates and judgements

The preparation of financial statements requires management to make certain judgements, estimations and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosures of contingent assets and liabilities. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised, and any future years affected.

### Significant management judgements

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

#### *Impairment of property and equipment and intangible assets*

Judgement is used in determining the aggregate grouping of assets identified as Cash Generating Units (CGUs) for purposes of testing for impairment of property and equipment and intangibles. Judgement is required in determining the lowest level at which independent cash inflows are generated. The Corporation has defined CGUs as its retail stores. In addition, judgement is used to determine whether a triggering event has occurred requiring an impairment test to be conducted.

### Significant estimations and assumptions

The following are areas where estimates and assumptions have the most significant effect on recognition and measurement of the assets, liabilities, income and expenses of the Corporation. Actual results may be substantially different.

#### *Net realizable value of inventories*

Estimates are required in the determination of the net realizable value of inventories, taking into account the most reliable evidence available at each reporting date.

Future selling prices may be impacted by changes in the market.

*Useful lives of property, equipment and intangibles*

The Corporation is required to estimate the useful lives and depreciation method for property and equipment and intangible assets. Management determines the estimated useful lives based on historical experience and the expected pattern of consumption of the future economic benefits of the asset. As this information is based on estimates and is subject to change, they are reviewed at the end of each year, with the effect of any changes in estimate accounted for on a prospective basis.

**Cash**

Cash includes cash and bank deposits.

**Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost is defined as average cost. Net realizable value is the estimated selling price in the ordinary course of business, less any applicable selling expenses. Cost includes expenditures incurred in acquiring the inventories and bringing them to their existing location and condition. The amount of inventory expensed during the year is shown as cost of sales on the statements of operations and comprehensive income.

**Property and equipment**

Property and equipment are carried at historical cost less any accumulated depreciation and impairment losses. Historical cost includes the acquisition or construction cost as well as the costs directly attributable to bringing the asset to the location and condition necessary for its use in operations. When property and equipment include significant components with different useful lives, they are recorded and amortized separately. Depreciation is computed using the straight-line method based on the estimated useful life of the assets. Useful life is reviewed on an annual basis.

*Derecognition*

An item of property and equipment is derecognized when disposed of or when no future economic benefits are expected to arise from the continued use of the asset. A gain or loss arising on derecognition of an asset is calculated as the difference between the net disposal proceeds and the carrying amount of the asset at the date of disposal and is included in the statement of operations and comprehensive income in the year in which the item is derecognized.

*Subsequent costs*

The Corporation recognizes in the carrying amount of an item of property and equipment the cost of replacing part of such an item when that cost is incurred if it is possible that the future economic benefits embodied with the item will flow to the Corporation and the cost of the item can be measured reliably. All other costs are recognized in the statement of operations and comprehensive income as an expense as incurred.

*Depreciation*

Depreciation of an asset begins when it is available for use. This means when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation is charged to the statement of operations and comprehensive income on a straight-line basis over their estimated useful lives after considering their estimated residual value using the following rates per annum:

Furniture, fixtures and equipment	5 years
Automotive	4 years
Retail equipment	5 years
IT equipment	5 years

*Impairment*

The carrying amounts of the Corporation's non-financial assets (property and equipment and intangible assets) are reviewed at the end of each year to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash generating unit to which the asset belongs.

Assets are grouped based on their cash generating units (CGU) which is the smallest group of assets which generate cash 'inflows' from their continuing use which are independent from cash inflows of other assets. The Corporation has defined CGUs as its retail stores.

The recoverable amount of a CGU is the greater of its value in use and its fair value less estimated costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

### 3. Summary of Significant Accounting Policies (continued)

#### Property and equipment (continued)

##### *Impairment (continued)*

Impairment losses recognized in prior periods are reversed if the recoverable amount in a later period exceeds the carrying amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. At March 31, 2019 there were no indications of impairment.

#### Intangible assets

Intangible assets include purchased computer software which are recorded at cost and amortized on a straight-line basis over the estimated useful life, as these assets are considered to have finite useful lives. Useful lives are reviewed at each reporting date. The Corporation assesses the carrying value of the intangible assets for impairment on an annual basis. At March 31, 2019 there were no indicators of impairment. Computer software is amortized on a straight-line basis over 10 years.

Intangible assets include assets purchased or under construction, all or a portion of which may not be in use at the end of the year. As a result, no depreciation is taken on these assets. Assets not in use totaled \$1 448.

#### Leased assets

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

##### Corporation as Lessee

Assets held under finance leases are initially recognized at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included on the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Corporation's accounting policy on borrowing costs. Finance leased assets are depreciated on a straight-line basis over the estimated useful life of the asset. Operating

lease payments are recognized as an expense on a straight-line basis over the lease term.

##### Lease Incentives

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

#### Financial instruments

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the financial instrument. A financial asset or financial liability is measured initially at fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of financial instruments that are not classified as fair value through profit or loss.

#### Classification and measurement of financial assets

The classification and measurement approach for financial assets reflect the business model in which assets are managed and their cash flow characteristics. Financial assets are classified and measured based on these categories: amortized cost, fair value through other comprehensive income ("FVOCI"), or fair value through profit and loss ("FVTPL").

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

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

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

- The financial asset is held within a business model in which assets are managed to achieve a particular objective by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at FVTPL unless it is measured at amortized cost or at FVOCI.

Financial assets are not reclassified subsequent to their initial recognition unless the Corporation identifies changes in its business model in managing financial assets. The Corporation currently classifies its cash and trade and other receivables as assets measured at amortized cost.

Financial liabilities are classified and measured based on two categories: amortized cost or FVTPL. The Corporation currently classifies trade and other payables and due to New Brunswick Liquor Corporation as financial liabilities measured at amortized cost.

#### *Derecognition*

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Corporation neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial assets. The difference between the carrying amount of the financial asset and the sum of the consideration received and receivable is recognized in income.

The Corporation derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in income.

#### *Impairment of financial assets*

The Corporation recognizes loss allowances for expected credit losses (ECL) on financial assets that are not measured at FVTPL:

The Corporation measures loss allowances at an amount equal to lifetime ECL, except for the following for which they are measured as 12-month ECL:

- financial instruments that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument.

#### *Measurement of ECL*

ECL are a probability weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Corporation expects to receive); and
- financial assets that are credit impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

#### *Measurement of ECL*

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

#### *Presentation of allowance for ECL in the statement of financial position*

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

#### **Provisions**

A provision is recognized in the statement of financial position when the Corporation has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects the current market assessments of the time value of money and the risk specific to the obligation. The increase in provision due to the passage of time is recognized as an interest expense.

#### **Post-employment benefits**

##### *Pension plan*

Most employees of the Corporation are members of the New Brunswick Public Service Pension Plan (NBPSPP), a multi-employer, shared risk pension plan. Contributions are made by both the Corporation and the employees. Since sufficient information is not readily available to account for the Corporation's participation in the plan using defined benefit pension plan accounting, these financial statements have

### 3. Summary of Significant Accounting Policies (continued)

#### Post-employment benefits (continued)

##### *Pension plan (continued)*

been prepared using accounting for defined contribution pension plans. Contributions made by the Corporation during the year to the NBPSPP totaled \$445. In addition, some employees of the Corporation are members of the Part-Time & Seasonal Pension Plan for Employees of the Province of New Brunswick. Contributions made by the Corporation during the year to this plan totaled \$7.

#### Revenue

Revenue is measured at the fair value of the consideration received or receivable. The Corporation recognizes revenue when it transfers control over a good to a customer. For contracts that permit the customer to return an item, revenue is recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. The Corporation recognizes revenue at the time the point of sale is made or when goods are delivered to the customers.

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

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretation Committee (IFRIC) that are not effective for the year ended March 31, 2019 and although early adoption is permitted, they have not been applied in preparing these financial statements.

#### *IFRS 16 Leases*

On January 13, 2016 the IASB issued IFRS 16 Leases. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 *Revenue from Contracts with Customers* at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17 Leases.

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. It is expected that IFRS 16 will have a significant impact on the financial statements as the Corporation will recognize new assets and liabilities for its operating leases of buildings and premises. In addition, the nature and timing of expenses related to those leases will change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of use assets and interest expense on lease liabilities. On a go-forward basis, there will be a decrease in operating lease expense and an increase in depreciation and amortization and interest expense.

The Corporation intends to adopt this standard using the modified retrospective approach with the cumulative effects of initial application recorded in opening deficiency as at March 31, 2019 with no restatements of the comparative period. The Corporation continues to assess the impact of IFRS 16.

**5. Property and Equipment** (In 000's)

<b>Cost</b>	<b>FURNITURE, FIXTURES &amp; EQUIPMENT</b>	<b>AUTOMOTIVE</b>	<b>RETAIL EQUIPMENT</b>	<b>IT EQUIPMENT</b>	<b>TOTAL</b>
<b>Balance at Incorporation, July 3, 2018</b>	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	2 290	61	43	2 656	5 050
Disposals	-	-	-	-	-
<b>Balance at March 31, 2019</b>	\$ 2 290	\$ 61	\$ 43	\$ 2 656	\$ 5,050

**Accumulated Depreciation**

<b>Balance at Incorporation, July 3, 2018</b>	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation	183	7	4	209	403
Disposals	-	-	-	-	-
<b>Balance at March 31, 2019</b>	\$ 183	\$7	\$ 4	\$ 209	\$ 403

**Carrying Amounts**

At Incorporation July 3, 2018	\$ -	\$ -	\$ -	\$ -	\$ -
At March 31, 2019	\$ 2 107	\$ 54	\$ 39	\$ 2 447	\$ 4 647

**6. Intangible Assets**

	<b>MARCH 31 2019</b>
Software	
<b>Cost</b>	
Opening	\$ -
Additions	4 407
Closing	<u>4 407</u>
<b>Accumulated Amortization</b>	
Opening	-
Amortization	136
Closing	<u>136</u>
<b>Carrying Amount</b>	<u><u>\$ 4 271</u></u>

**7. Changes in Non-Cash Operating Working Capital**

	<b>MARCH 31 2019</b>
Trade and other receivables	\$ (114)
Inventories	(2 200)
Prepaid expenses	(495)
Trade and other payables	6 214
	<u>\$ 3 405</u>

Significant non-cash transactions includes the transfer of property and equipment in the amount of \$201, other assets in the amount of \$419 and intangibles in the amount of \$1 317 (Note 13).

**8. Sales**

	<b>Period from incorporation until MARCH 31 2019</b>
Dried Flower	\$ 15 986
Extracts	1 997
Accessories	628
Seeds	18
	<u>\$ 18 629</u>

**9. Operating Expenses**

**Period from  
incorporation  
until MARCH 31  
2019**

Salaries - stores	\$	5 920
Salaries - administration		2 319
Rent		1 885
Start-up costs (Note 13)		1 760
Employee benefits		1 552
Professional fees		1 035
Information systems		1 006
Contact centre		939
Security		487
Depreciation		403
Supplies and minor equipment		313
Travel		302
Shipping		286
Training and development		252
Electricity, heating fuel, telecommunications		193
Advertising and promotions		145
Other		143
Amortization of intangibles		136
Repairs and maintenance		107
Bank charges and fees		81
Insurance		12
Shortages		11
	<b>\$</b>	<b>19 287</b>

**10. Financial Risk Management Objectives and Policies**

*Liquidity risk*

Liquidity risk is the risk the Corporation will be unable to meet its financial obligations as they become due. The Corporation manages this risk through monitoring of future cash flows to ensure that they will have sufficient cash from operations to meet these obligations. The Corporation received funding from ANBL to finance start-up costs and operations during the fiscal year. Amounts owing to ANBL are considered current liabilities and repayment is guaranteed under the terms of the agreement with CMC. All financial liabilities are due within one year.

*Credit risk*

Credit risk is the risk the Corporation will incur a loss because a customer fails to meet an obligation. The Corporation's exposure is related to the value of trade and other receivables. The Corporation has mitigated the exposure to this risk through limited extension of credit and contractual relationships with business partners. As at March 31, 2019 there are no significant financial receivables greater than 30 days, and two customer accounts which amount to 23% and 59% of total receivables respectively.

*Capital Management*

The Corporation is authorized to issue an unlimited number of common shares without nominal or par value. The amount issued on incorporation is one common share to ANBL at a nominal amount. The Corporation's main objectives for managing capital is to ensure sufficient liquidity in support of its financial obligations and to make payments to CMC. Corporate assets and operations are currently being financed by ANBL. ANBL is responsible for the oversight of management, including its policies related to financial and risk management issues.

**11. Commitments**

The Corporation leases buildings and premises under operating leases which expire in 2033. In addition to leases, the Corporation has contractual commitments for call centre services. The table below outlines the commitments as at March 31, 2019.

Due within one year or less	\$ 4 174
Between one and five years	14 701
More than five years	25 602
	<u>\$ 44 477</u>

**12. Contingencies**

The Corporation indemnifies its Directors and Officers against any and all claims or losses reasonably incurred in the performance of their service to the Corporation.

**13. Related Party Transactions**

The ultimate controlling party of the Corporation is the Province of New Brunswick. The Corporation is related through common ownership with all provincial departments, agencies and Crown Corporations. Transactions with these entities occur in the normal course of business and are recorded at the exchange amount unless disclosed in these financial statements. Transactions with the Province of New Brunswick are deemed to be collectively insignificant to these financial statements.

The Corporation receives services from ANBL, which are allocated to the Corporation through a Shared Service Allocation Methodology. These services include human capital in the areas of executive management; corporate governance; property management; information technology services; strategic compliance; financial services; people and culture; community and engagement; and customer strategy and engagement, as well as the associated portion of benefits. In addition, ANBL allocates occupancy costs to the Corporation for a share of space for the Corporation's employees. These transactions are recorded on a cost recovery basis and are recognized in operating expenses as salaries-administration, employee benefits and rent. During the period ended March 31, 2019, ANBL charged the Corporation \$1 691 (comprised of \$1 514 for salaries-administration and \$177 in rent for occupancy costs). In addition, ANBL charged the Corporation \$1 760 for initial startup work prior to July 3, 2018 and transferred property, plant and equipment (\$201), other assets (\$419) and intangibles (\$1 317) at cost.

During the period, ANBL provided financing to fund its startup and operations. At March 31, 2019, the Corporation owed ANBL \$18 982. Trade and other payables include \$523 which represents the current portion of the shared service allocation as described above. The total amount outstanding is non-interest bearing, unsecured, with no set term of repayment. Amounts owing to ANBL are considered current liabilities and repayment is guaranteed under the terms of the agreement with CMC.

*Compensation of key management personnel*

Members of the Board of Directors and Executive Team are considered to be key management personnel. Total compensation and benefits amounted to \$192.