

Financial Statements of the

Ontario Cannabis Retail Corporation

For the year ended March 31, 2025

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Management's Responsibility for Financial Information

Management of Ontario Cannabis Retail Corporation ("OCRC") is responsible for the integrity, consistency, objectivity and reliability of the financial statements. These financial statements were prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB"), and management has exercised its judgement and made best estimates where appropriate, particularly when the transactions affecting the current accounting period cannot be finalized with certainty until future periods. Estimates and assumptions are based on historical experience, current conditions and various other assumptions believed to be reasonable in the circumstances.

Management is responsible for establishing and maintaining a system of internal controls designed to provide reasonable assurance that the financial records are relevant, reliable and accurate, and that assets are properly accounted for and safeguarded. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

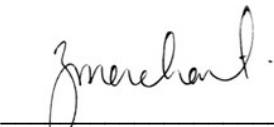
The Board of Directors oversees management's responsibilities for financial reporting through a Finance Committee, which is composed entirely of independent directors. This Committee reviews our financial statements and recommends them to the Board for approval. The Audit, Risk and Governance Committee is also responsible for reviewing our internal controls, and advising the directors on auditing matters.

The Office of the Auditor General, appointed by our legislation has audited the financial statements in accordance with Canadian generally accepted auditing standards, as stated in their Independent Auditor's Report. The Office of the Auditor General has full and unrestricted access to the Finance Committee to discuss their audit and related findings.

On behalf of management:



David Lobo
President and Chief Executive Officer



Zeela Merchant
Chief Financial Officer

June 24, 2025

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, 2025, and the statements of income and comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2025, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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



Shelley Spence, FCPA, FCA, LPA
Auditor General

Toronto, Ontario
June 24, 2025

ONTARIO CANNABIS RETAIL CORPORATION

Statement of Financial Position

(Thousands of Canadian dollars)

	Note	March 31, 2025	March 31, 2024
Assets			
Current Assets			
Cash	3	537,202	515,452
Trade and other receivables	4	1,629	3,392
Inventories	5	90,337	99,324
Prepaid services		1,078	841
		630,246	619,009
Non-current Assets			
Prepaid services		531	530
Property, equipment, and intangible assets	6	3,313	3,877
Right-of-use assets	7	38,601	41,976
		42,445	46,383
Total Assets		672,691	665,392
Liabilities and Equity			
Current Liabilities			
Trade and other payables	8	158,997	153,525
Provisions	9	658	526
Leases	7	4,074	4,012
Borrowings	10	9,386	9,386
Dividends payable	18	68,000	78,000
		241,115	245,449
Non-current Liabilities			
Provisions	9	774	509
Leases	7	34,922	38,924
Borrowings	10	34,433	42,495
		70,129	81,928
Total Liabilities		311,244	327,377
Equity			
Accumulated equity		361,447	338,015
Total Liabilities and Equity		672,691	665,392

See accompanying notes to the financial statements.

Approved by:



Gary Crawford, Chair, Board of Directors



Robert Poirier, Board Member, Chair,
Finance Committee

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

	<i>Note</i>	For the year ended March 31, 2025	For the year ended March 31, 2024
Revenue	11	1,760,979	1,639,104
Cost of sales	12	(1,414,992)	(1,300,846)
Gross profit		345,987	338,258
Other income		56	80
Selling, general and administrative expenses	13	(121,323)	(121,545)
Income from operations		224,720	216,793
Finance income	14	23,990	30,114
Interest expense	14	(2,278)	(2,593)
Total comprehensive income		246,432	244,314

See accompanying notes to the financial statements.

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

	<i>Note</i>	For the year ended March 31, 2025	For the year ended March 31, 2024
Accumulated equity at beginning of year		338,015	458,701
Total comprehensive income for the year		246,432	244,314
Dividends to the Province of Ontario	18	(223,000)	(365,000)
Accumulated equity at end of year		361,447	338,015

See accompanying notes to the financial statements.

ONTARIO CANNABIS RETAIL CORPORATION

Statement of Cash Flows

(Thousands of Canadian dollars)

	Note	For the year ended March 31, 2025	For the year ended March 31, 2024
Operating activities:			
Total comprehensive income		246,432	244,314
Less:			
Depreciation of property, equipment, and intangible assets	6	705	649
Depreciation of right-of-use assets	7	4,718	4,828
Interest on borrowings	14	1,324	1,552
Interest expenses on leases	7	954	1,041
Interest paid on leases	7	(954)	(1,041)
Loss on disposal of assets	13	5	66
		253,184	251,409
Changes in non-cash balances related to operations:			
Trade and other receivables	4	1,763	(301)
Inventories	5	8,987	14,126
Prepaid expenses		(238)	9
Trade and other payables	8	5,472	17,045
Provisions	9	397	417
Net cash from operating activities		269,565	282,705
Investing activities:			
Purchase of property, equipment, and intangible assets	6	(146)	(1,043)
Purchase of right-of-use assets	7	(1,343)	(1,453)
Net cash used in investing activities		(1,489)	(2,496)
Financing activities:			
Dividends paid to the Province of Ontario	18	(233,000)	(287,000)
Repayments of lease liabilities	7	(3,940)	(4,067)
Repayments of borrowings	10	(9,386)	(9,386)
Net cash used in financing activities		(246,326)	(300,453)
Net increase/ (decrease) in cash		21,750	(20,244)
Cash, beginning of year		515,452	535,696
Cash, end of year		537,202	515,452

See accompanying notes to the financial statements.

ONTARIO CANNABIS RETAIL CORPORATION

Notes to the Financial Statements

(Thousands of Canadian dollars)

1. Corporate and general information

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

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

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

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

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

2. Basis of presentation and material accounting judgments and policies

2.1 Statement of compliance

These financial statements have been prepared in accordance with IFRS Accounting Standards 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, 2025.

2.2 Functional and presentation currency

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

2.3 Adoption of new and amended standards and interpretation

Accounting standards and amendments adopted in the current year

The OCRC has adopted the following IFRS accounting standards and amendments that were effective for annual periods beginning on or after April 1, 2024.

- **Non-current Liabilities with Covenants – Amendments to IAS 1**

The amendments to IAS 1 *Presentation of Financial Statements* modified the 2020 and 2022 amendments to IAS 1 to further clarify the classification, presentation, and disclosure requirements in the standard for non-current liabilities with covenants.

The amendments are being applied retrospectively in accordance with the requirements in IAS 1 *Presentation of Financial Statements* for annual periods beginning on or after January 1, 2024. The adoption of this amendment did not have an impact on the financial statements.

ONTARIO CANNABIS RETAIL CORPORATION

Notes to the Financial Statements

(Thousands of Canadian dollars)

- **Classification of Liabilities (Current or Non-current) – Amendments to IAS 1**

The amendments to IAS 1 *Presentation of Financial Statements* clarified that the requirement to classify liability as current when they do not have an unconditional right to defer settlement of liability for at least twelve months have been eliminated. Under the amendments, the classification of liabilities as either current or non-current would depend on the substantive rights that exist at the end of the reporting period. The amendments could affect the classification of liabilities, particularly for entities that have liabilities that can be converted into equity.

The amendments are applied retrospectively in accordance with the requirements in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* for annual periods beginning on or after January 1, 2024. The adoption of this amendment did not have an impact on the financial statements.

- **Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 Leases**

The amendment requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains.

The amendments are applied retrospectively in accordance with the requirements in IFRS 16 *Leases* for annual periods beginning on or after January 1, 2024. The adoption of this amendment did not have an impact on the financial statements.

- **Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7**

These amendments to IAS 7 and IFRS 7 require disclosures to enhance the transparency of the supplier finance agreements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024. The adoption of this amendment did not have an impact on the financial statements.

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

- **Lack of Exchangeability – Amendments to IAS 21**

The amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates* require entities to apply a consistent approach in assessing whether a currency can be exchanged into another currency, and in determining the exchange rate to use and the disclosures to provide when it cannot.

The entity cannot restate comparative information in accordance with the requirements in IAS 21 *The Effects of Changes in Foreign Exchange Rates* for annual periods beginning on or after January 1, 2025. The amendments are not expected to have an impact to OCRC.

ONTARIO CANNABIS RETAIL CORPORATION

Notes to the Financial Statements

(Thousands of Canadian dollars)

- **Annual Improvements to IFRS Accounting Standards (Volume 11)**

These amendments are part of IASB's annual improvement project and aim to enhance the consistency across several IFRS Accounting Standards by issuing clarifications, simplifications and corrections to Standards. The following five standards have been amended as part of Volume 11's improvement project.

- IFRS 1 First-time Adoption of International Financial Reporting Standards
- IFRS 7 Financial Instruments
- IFRS 9 Financial Instruments
- IFRS 10 Consolidated Financial Statements
- IAS 7 Statement of Cash Flow

The amendments are effective for annual reporting periods beginning on or after January 1, 2026. The adoption of these amendments is not expected to have a material impact to the OCRC.

- **IFRS 18 Presentation and Disclosures in Financial Statements**

IFRS 18 replaces IAS 1, while retaining many of its requirements and introducing new rules to improve financial reporting, focusing on providing relevant information to users of the financial statements. New requirements have been introduced with respect to specified categories and subtotals in the statement of profit and loss, disclosures of management-defined performance measures in the notes of the financial statements, and aggregation and disaggregation of financial information.

The amendments are to be applied retrospectively in accordance with the requirements in IFRS 18 *Presentation and Disclosures in Financial Statements* for annual periods beginning on or after January 1, 2027. The OCRC is currently assessing the impact of adopting this standard on the financial statements.

- **IFRS 19 Subsidiaries without Public Accountability: Disclosures**

IFRS 19 allows eligible subsidiaries to apply IFRS Accounting Standards with the reduced disclosure requirements of IFRS 19. A subsidiary may choose to apply the new standard in its consolidated, separate or individual financial statements provided that, at the reporting date, it does not have public accountability, and its parent produces consolidated financial statements.

Eligible subsidiaries can choose to apply the standard for reporting periods beginning on or after January 1, 2027, with earlier application permitted. The adoption of these amendments is not expected to have an impact to the OCRC.

- **Canadian Sustainability Disclosure Standards ('CSDS') 1 and CSDS 2 - Disclosure of Sustainability-related Financial Information and Climate-related Disclosures**

CSDS 1 and CSDS 2, the Canadian requirements of IFRS S1 and S2 standards, provides the framework for disclosure requirements about the climate and sustainability-related risks and opportunities. These standards are effective for voluntary adoption for reporting period beginning on or after January 1, 2025.

The adoption of these standards is voluntary unless mandated by regulators in the issuer's country. The OCRC will assess and adopt these sustainability standards as they become mandated for non-financial institution issuers.

ONTARIO CANNABIS RETAIL CORPORATION

Notes to the Financial Statements

(Thousands of Canadian dollars)

2.4 Trade and other receivables

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

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

The carrying amount of vendor chargeback and trade receivables is reduced through the use of an allowance where there is objective evidence that OCRC will not be able to collect amounts due. OCRC makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the receivable. OCRC assesses impairment of vendor chargeback and trade receivables on an individual basis as they possess separate credit risk characteristics.

OCRC establishes an allowance on vendor chargebacks and trade receivables taking into consideration, external indicators, current economic trends, historical experience, and forecasts of future economic conditions. When receivables are deemed uncollectible, they are written off against the allowance. The loss is recognized as selling, general, and administrative expenses in the Statement of Income and Comprehensive Income.

2.5 Inventories

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

Cost includes all direct expenditures to bring the inventory to its present location and condition net of vendor allowances. Inventories are written down to net realizable value when the cost of inventories is higher.

2.6 Property and equipment

Capital expenditures with a future useful life beyond the current year are measured at historical cost less accumulated depreciation and accumulated impairment losses. An asset is impaired when its carrying amount exceeds its recoverable amount. Historical cost includes expenditures that are directly attributable to the acquisition of the asset.

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

ONTARIO CANNABIS RETAIL CORPORATION

Notes to the Financial Statements

(Thousands of Canadian dollars)

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

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

Computer hardware	4 years
Furniture and fixtures	10 years
Leasehold improvements	5 to 16 years

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

2.7 Leases

A lease conveys the right to direct the use and obtain substantially all of the economic benefits of an identified asset for a period of time in exchange for consideration. The OCRC assesses whether a contract is or contains a lease, at inception of the contract. At contract inception, each identified lease component and any associated non-lease component are accounted for as a separate lease component. Non-lease components, also referred to as variable lease payments, such as property taxes, management fees and utilities are to be expensed as incurred throughout the lease term. With the exception of short-term leases and leases of low-value assets, OCRC recognizes a lease liability on the lease commencement date. The initial amount of the lease liability comprises the present value of the lease payments during the lease term. The lease term is the non-cancellable period for which OCRC has the right to use the asset, including extension or termination option periods that OCRC is reasonably certain to exercise.

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

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

ONTARIO CANNABIS RETAIL CORPORATION

Notes to the Financial Statements

(Thousands of Canadian dollars)

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

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

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

2.8 Trade and other payables

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

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

2.9 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.

2.10 Borrowings

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

2.11 Employee benefits

Pension benefits costs

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

ONTARIO CANNABIS RETAIL CORPORATION

Notes to the Financial Statements

(Thousands of Canadian dollars)

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

Short-term employee benefits

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

Long-term employee benefits

Long-term employee benefits are employee benefits that are not expected to be wholly settled within twelve months of the annual reporting period in which they are earned by employees.

Long-term employee benefits include Workplace Safety and Insurance Board ("WSIB") and Long-Term Disability ("LTD"). These plans provide long-term income protection benefits to employees when they are no longer providing active service.

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

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

2.12 Revenue

Revenue from sale of goods is measured at the fair value of consideration received from the sale of goods in the ordinary course of OCRC's activities less any applicable taxes, actual and expected returns. Revenue from wholesale and e-commerce is recognized when the customer receives the product or upon estimated receipt by the customer, as this is when OCRC has discharged their performance obligations.

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

2.13 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.

2.14 Finance income and interest expense

Finance income consists of interest income on cash balances.

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

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

ONTARIO CANNABIS RETAIL CORPORATION

Notes to the Financial Statements

(Thousands of Canadian dollars)

2.15 Financial instruments

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

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

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

OCRC has classified and measured its financial instruments as follows:

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

Amortized cost

This measurement category applies to financial instruments in which assets are held for collection of contractual cash flows in which the cash flows represent solely payments of principal and interest.

Fair value measurements

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

2.16 Use of Estimates and Judgments

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

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

Inventories

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

ONTARIO CANNABIS RETAIL CORPORATION

Notes to the Financial Statements

(Thousands of Canadian dollars)

Property and equipment

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

To determine whether an item of property and equipment is impaired, Management exercises judgement and considers whether:

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

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

Leases

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

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

Provisions

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

3. Cash

Cash as at March 31, 2025, includes interest-bearing bank accounts.

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(Thousands of Canadian dollars)

4. Trade and other receivables

Trade and other receivables include the following:

	March 31, 2025	March 31, 2024
Interest receivable	1,480	2,377
Vendor chargeback receivables	680	1,693
Trade receivables	574	1,000
Sundry receivables	-	325
Loss allowance for expected credit losses	(1,105)	(2,003)
	1,629	3,392

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

The amount of lifetime expected credit losses on trade and other receivables is \$1,102 (2024 - \$2,003). Information about the OCRC's exposure to credit risks and analysis relating to the allowance for expected credit losses is included in note 16.

5. Inventories

The cost of inventories sold and recognized as cost of sales during the year ended March 31, 2025, was \$1,379,204 (2024 - \$1,265,864). This includes inventory write-downs recognized during the year of \$3,816 (2024 - \$6,478). The write downs are included in inventory cost of sales. No inventory is pledged as security.

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

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6. Property, equipment, and intangible assets

The following table presents the net book value and changes in the cost and accumulated depreciation of property, equipment, and intangible assets for the year ended March 31, 2025:

	Computer hardware	Furniture and fixtures	Computer software	Leasehold improvements	Total
Cost					
Balance at April 1, 2024	1,649	1,726	11	2,817	6,203
Additions	84	-	-	62	146
Disposals	(413)	-	-	-	(413)
Balance at March 31, 2025	1,320	1,726	11	2,879	5,936
Accumulated depreciation					
Balance at April 1, 2024	878	617	11	820	2,326
Depreciation	282	172	-	251	705
Disposals	(408)	-	-	-	(408)
Balance at March 31, 2025	752	789	11	1,071	2,623
Carrying amount					
As at April 1, 2024	771	1,109	-	1,997	3,877
As at March 31, 2025	568	937	-	1,808	3,313

Property, equipment, and intangible assets continuity for the year ended March 31, 2024:

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

ONTARIO CANNABIS RETAIL CORPORATION

Notes to the Financial Statements

(Thousands of Canadian dollars)

7. Leases

a) Lease liabilities

The following table presents the changes in the lease liability for the year ended March 31, 2025:

	Office premises	Distribution centre premises	Distribution centre equipment	Total
Balance, as at April 1, 2024	8,646	29,843	4,447	42,936
Principal payments	(745)	(1,307)	(1,888)	(3,940)
Balance, as at March 31, 2025	7,901	28,536	2,559	38,996

	March 31, 2025	March 31, 2024
Current portion	4,074	4,012
Long-term portion	34,922	38,924
	38,996	42,936

Interest expense on these lease obligations for the year ended March 31, 2025, was \$954 (2024 - \$1,041). Total cash outflow for the year ended March 31, 2025, was \$4,894 (2024 - \$5,108) including interest.

Maturity analysis of lease liabilities

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

	March 31, 2025
Less than one year	4,872
One to five years	13,012
Thereafter	27,561
Total undiscounted lease payments	45,445
Less: Imputed interest on lease	(6,449)
Total discounted lease payments	38,996

Office premises lease

OCRC entered into an office lease during the year ended March 31, 2020. The lease term is for 5 years with two optional extension terms of 5 years each. During the year ended March 31, 2024, the OCRC exercised the first of the two available extension options. The lease payments were discounted using OCRC's incremental borrowing rate, which is the applicable rate of the OFA at the lease commencement date.

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(Thousands of Canadian dollars)

Distribution centre premises lease

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

Distribution centre equipment lease

Between the years ended March 31, 2019, to March 31, 2022, the OCRC entered into equipment leases for use at the distribution centre. The lease terms range from 36 months to 60 months with optional one year extension terms. The lease payments were discounted using OCRC's incremental borrowing rate, which is the applicable rate of the OFA at the lease commencement date.

Low-value leases

Expenses relating to low-value leases (low-value distribution centre office furniture, fixtures, and information technology equipment) accounted for on a straight-line basis over lease terms ranging between 36 months to 60 months were \$44 for the year ended March 31, 2025 (2024 - \$165). As at March 31, 2025, commitments for low-value leases are \$2 (2024 - \$46).

Variable lease payments

Total variable lease expenses that are not included in the measurement of lease liabilities are \$677 (2024 - \$530).

b) Right-of-use assets

The following table presents the changes in the cost of right-of-use assets for the year ended March 31, 2025:

	Office premises	Distribution centre premises	Distribution centre equipment	Total
Cost				
Balance at April 1, 2024	11,603	33,539	13,821	58,963
Additions	-	-	1,343	1,343
Disposals	(26)	-	-	(26)
Balance at March 31, 2025	11,577	33,539	15,164	60,280
Accumulated depreciation				
Balance at April 1, 2024	3,818	6,048	7,121	16,987
Depreciation	763	1,649	2,306	4,718
Disposals	(26)	-	-	(26)
Balance at March 31, 2025	4,555	7,697	9,427	21,679
Carrying amount				
As at April 1, 2024	7,785	27,491	6,700	41,976
Balance at March 31, 2025	7,022	25,842	5,737	38,601

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

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at fair market values. In addition, the OCRC purchased right-of-use assets that are distribution centre equipment.

The following table presents the changes in the cost of right-of-use assets for the year ended March 31, 2024:

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

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

8. Trade and other payables

Trade and other payables include the following:

	March 31, 2025	March 31, 2024
Inventory payables and accruals	137,580	133,260
Other trade payables and accrued expenses	21,428	22,689
Sales tax payable	3,251	3,685
Vendor chargebacks offset against inventory payables	(3,262)	(6,109)
	158,997	153,525

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9. Provisions

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

Provisions continuity for the year ended March 31, 2025:

	Contract terminations	Long-term employee benefits	Other	Total
Balance at April 1, 2024	318	509	208	1,035
Additional provisions recognised during the year	600	265	58	923
Utilization of provision	(318)	-	(204)	(522)
Reversal of unused provisions	-	-	(4)	(4)
Balance at March 31, 2025	600	774	58	1,432

Provisions continuity for the year ended March 31, 2024:

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

	March 31, 2025	March 31, 2024
Current portion	658	526
Long-term portion	774	509
	1,432	1,035

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

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10. Borrowings

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

At March 31, 2025, changes in the carrying value of borrowings are as follows:

	OFA Loan	
Balance, as at April 1, 2024		51,881
Principal payments		(9,386)
Interest accretion		1,324
Balance, as at March 31, 2025		43,819

	March 31, 2025	March 31, 2024
OFA Loan	43,819	51,881
Less: current portion of borrowings	(9,386)	(9,386)
Non-current borrowings	34,433	42,495

11. Revenue

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

	For the year ended March 31, 2025	For the year ended March 31, 2024
Wholesale revenue	1,733,809	1,605,094
E-commerce revenue	26,608	33,375
Data subscription program	562	635
	1,760,979	1,639,104

Credit losses incurred on e-commerce transactions were \$15 for the year ended March 31, 2025 (2024 - \$15). Refer to Note 16.

12. Cost of sales

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

	For the year ended March 31, 2025	For the year ended March 31, 2024
Cost of goods sold	1,379,204	1,265,864
Delivery fees	35,548	34,742
Transaction fees	240	240
	1,414,992	1,300,846

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Notes to the Financial Statements

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13. Selling, general and administrative expenses

Selling, general and administrative expenses include the following:

	For the year ended March 31, 2025	For the year ended March 31, 2024
Salaries and benefits	49,004	47,302
Warehouse and logistics	42,575	38,775
Information systems and technology support	7,886	7,520
Media and research	5,152	8,174
Depreciation of right-of-use assets	4,718	4,828
Contract services	2,986	3,550
Professional services	2,102	2,276
Insurance	1,691	1,600
Social responsibility	1,677	1,233
Occupancy	944	1,059
Depreciation of property, equipment and intangible assets	705	649
E-commerce transaction processing	563	683
Employee expenses	415	573
Provision (recovery) of bad debts	411	2,729
Recruitment services	115	37
Loss on disposal of fixed assets	5	66
Other expenses	374	491
	121,323	121,545

14. Finance income and interest expense

Finance income and interest expense include the following:

	For the year ended March 31, 2025	For the year ended March 31, 2024
Interest income on bank balances	23,990	30,114
Lease liabilities interest expense (Note 7)	(954)	(1,041)
OFA loan interest expense (Note 10)	(1,324)	(1,552)
	21,712	27,521

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15. Post-employment and long-term employee benefits

(i) Employee pension benefits

During the year, OCRC made pension contributions to the plans that amounted to \$3,199 (2024 - \$3,108). These amounts are included in salaries and benefits expenses and reported in selling, general and administrative expenses in the Statement of Income and Comprehensive Income.

(ii) Long-term employee benefit plans

Long-term employee benefits provided by OCRC include long-term income protection benefits. As at March 31, 2025, the liability for long-term income protection benefits recognized amounted to \$774 (2024 - \$509), which is included in selling, general and administrative expenses in the Statement of Income and Comprehensive Income.

16. Financial risk management

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

(a) Credit risk

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

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

OCRC is exposed to credit risk under circumstances where chargebacks are issued from OCRC to vendors, resulting in balances due to OCRC.

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

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

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OCRC estimates lifetime expected credit losses, specifically on vendor chargeback and trade receivables, as at March 31, 2025, to be \$1,105 (2024 - \$2,003). The changes in the vendor chargeback and trade receivables loss allowances were as follows:

	March 31, 2025	March 31, 2024
Beginning balance	2,003	916
Loss allowance recognized during the year	485	2,759
Loss allowance reversed during the year	(64)	(29)
Loss allowance written-off during the year	(1,319)	(1,643)
Ending balance	1,105	2,003

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

	March 31, 2025	March 31, 2024
Less than 60 days past due	119	888
61-180 days past due	238	146
Greater than 180 days past due	897	1,659
Total	1,254	2,693
Less: Loss allowance	(1,105)	(2,003)
Vendor chargeback & trade receivables (net)	149	690

(b) Liquidity risk

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

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

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

(c) Interest rate risk

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

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

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17. Capital management

OCRC is a corporation without share capital. Its capital structure consists of borrowings and accumulated equity. Total managed capital as at March 31, 2025, is \$405,266 (2024 - \$389,896).

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

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

18. Related parties

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

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

(a) Province of Ontario

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

During the year ended March 31, 2025, the OCRC has paid \$155,000 and accrued \$68,000 in dividends to the Province, totaling \$223,000 (March 31, 2024 - \$287,000 paid and \$78,000 accrued, totaling \$365,000).

(b) Ontario Financing Authority

The carrying value of the 10-year term loan with OFA (refer to note 10) as at March 31, 2025, is \$43,819 (2024 - \$51,881) including accrued interest of \$300 (2024 - \$359).

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

Contributions to pension plans pertaining to employee future post-employment benefits and accrued benefit costs for long-term employee benefit plans are disclosed in note 15.

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(d) Key management personnel

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

Key management personnel compensation for the year ended March 31, 2025, was \$3,849 (2024 - \$3,230), comprised of salaries and benefits, directors per diem fees, and other short-term employee benefits.

19. Contingencies

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

20. Subsequent event

On June 12, 2025, the Minister of Finance issued a Letter of Direction under section 19 of the *Ontario Cannabis Retail Corporation Act, 2017*, revising OCRC's obligations related to payments into the Consolidated Revenue Fund. As a result, the OCRC made a one-time payment into the Consolidated Revenue Fund in the amount of \$355,000 on June 23, 2025.

21. Comparative figures

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