BC Liquor Distribution Branch

2025/26
Annual Service Plan Report

August 2026

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General Manager and CEO's Accountability Statement

The BC Liquor Distribution Branch 2025/26 Annual Service Plan Report compares the organization's actual results to the expected results identified in the 2025/26 – 2027/28 Service Plan published in 2025. I am accountable for those results as reported.

Erin McEwan
Interim General Manager and Chief Executive Officer
July 22, 2026

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Letter from the General Manager and CEO

The BC Liquor Distribution Branch (LDB) generated $3.69 billion in revenue and $1.01 billion in net income in 2025/26 fiscal year (FY), which helps to fund vital public services that support people living in British Columbia (B.C.). Economic conditions, continued price compression in the non-medical cannabis (cannabis) market, and changes to consumer preferences continued to affect revenue, leading the LDB to take deliberate steps to control costs, strengthen financial resilience through active management of inventory, staffing, pricing, and demand forecasting, while continuing to make disciplined investments in operating capital projects to position the organization for long-term sustainability.

The past year was shaped in part by the B.C. General Employees' Union (BCGEU) job action in fall 2025, which closed the LDB's liquor and cannabis distribution centres and retail stores for several weeks. Working closely with industry and government partners, the LDB expedited an orderly restart of operations and has continued work to identify opportunities to strengthen the supply chain.

The LDB also continued work to advance shared priorities with industry. This included introducing changes to allow eligible B.C. manufacturers the option to direct deliver packaged refreshment beverages, advancing work on interprovincial direct-to-consumer liquor sales, as well as extending the vintage replacement supports for B.C. wineries following the 2024 freeze event.

Trade tensions with the United States (U.S.) persisted through FY2025/26 and the LDB maintained the provincial government ban on the importation of U.S.-made liquor and retail sales of these products in BCLIQUOR (BCL) stores. Efforts were made to increase the availability of locally made products for consumers and support B.C. and Canadian manufacturers.

As the non-medical cannabis sector continues to mature, the LDB remained focused on working with industry and government partners to improve market access for Indigenous and small-scale B.C. producers and help foster sustainable growth while supporting government's objective of eliminating the illicit market.

Beyond its operational and financial responsibilities, the LDB takes pride in the positive impact it has on the people and communities of British Columbia, through its corporate social impact platform, Multiply the Good. In FY2025/26, thanks to the concerted efforts of LDB employees and the outstanding generosity of BCL and BC Cannabis Store customers, the LDB raised over $2.1 million for community partners and charitable organizations.

Looking ahead to an ever-changing environment, the LDB will continue to adapt with resilience and discipline as it delivers on its mandate to generate revenue for the Province, support government priorities, and serve the people in British Columbia.

Erin McEwan
Interim General Manager and Chief Executive Officer
July 22, 2026

Purpose of the Annual Service Plan Report

This annual service plan report has been developed to meet the requirements of the Budget Transparency and Accountability Act (BTAA), which sets out the legislative framework for planning, reporting and accountability for Government organizations. Under the BTAA, a Minister Responsible for a government organization is required to make public a report on the actual results of that organization's performance related to the forecasted targets stated in the service plan for the reported year.

Strategic Direction

The strategic direction set by Government in 2024 and the 2023 Minister's Letter of Direction from the Minister Responsible shaped the goals, objectives, performance measures and financial plan outlined in the BC Liquor Distribution Branch's 2025/26 – 2027/28 Service Plan and the actual results reported on in this annual report.

Purpose of the Organization

In British Columbia, the LDB is one of two branches of government that provide oversight for the beverage alcohol and cannabis industries; the other is the Liquor and Cannabis Regulation Branch (LCRB). The LDB is responsible for the wholesale distribution and retail sale of beverage alcohol and cannabis. The LCRB oversees the regulation and licensing of private retail sales of liquor and cannabis and events.

The Liquor Distribution Act (LDA) gives the LDB the sole right to purchase beverage alcohol both within B.C. and from outside the province, in accordance with the federal Importation of Intoxicating Liquors Act. The LCRB licenses private liquor stores, restaurants, pubs, and manufacturers, and enforces regulations under the Liquor Control and Licensing Act.

The Cannabis Distribution Act (CDA) establishes the LDB as the wholesale distributor for cannabis, and the operator of public cannabis retail stores, and a publicly run e-commerce retail channel. The LCRB licenses private cannabis stores and enforces some aspects of the regulations under the Cannabis Control and Licensing Act.

Effective July 17, 2025, the LDB and the LCRB moved from the Ministry of Public Safety and Solicitor General to the Ministry of Agriculture and Food. Accountable to the Minister of Agriculture and Food, the LDB:

- Has a General Manager and Chief Executive Officer who is responsible for administering the LDA and CDA, subject to direction from the Minister of Agriculture and Food;
- Oversees a province-wide mixed public-private retail and public wholesale beverage alcohol and cannabis business model;
- Distributes liquor products through two distribution centres in Delta and Kamloops, and cannabis products through a distribution centre in Richmond;

- Provides online ordering systems for wholesale customers of beverage alcohol and cannabis;
- Operates 198 BCLIQUOR stores (BCL) and 39 BC Cannabis Stores (BCCS);
- Operates an e-commerce retail channel for cannabis under the BCCS brand; and,
- Employs approximately 5,500 full- and part-time staff.

In line with government priorities, the LDB will continue to optimize the LDB's financial performance and generate net returns to the Province while building on existing strengths and improving organizational effectiveness and management practices to enhance productivity and performance. The revenue generated by the LDB helps fund essential public services like health care, education, and other community programming.

The LDB will also continue to focus on corporate social impact through Multiply the Good initiatives that align with government's social and environmental priorities, which includes collaborating with the LCRB on a shared mandate to encourage the responsible consumption of beverage alcohol and cannabis and continuing to coordinate policies and programs to that end.

In coordination and collaboration with its government's partners, the LDB will continue to support B.C. liquor manufacturers and businesses through strengthening local economies and objectives, such as promoting the use of B.C. agricultural inputs, supporting agri-tourism, encouraging the growth of small B.C. businesses, and fostering employment and economic activity.

As part of B.C.'s mixed public-private retail and public wholesale beverage alcohol and cannabis model, the LDB is committed to responding to customer needs, which includes providing an expansive product selection and offering exceptional customer service.

The LDB will continue to help government advance lasting and meaningful reconciliation, and will comply with the Declaration on the Rights of Indigenous Peoples Act. As part of this commitment, the LDB will continue supporting Indigenous Nations' participation in the cannabis industry through the cannabis direct delivery program and the BC Indigenous Cannabis Product (BCICP) program, which promote greater visibility of Indigenous cannabis producers and their products to both wholesale and retail customers.

Economic Statement

Economic activity in British Columbia advanced in 2025, after modest growth in 2024, despite facing notable headwinds. Last year, homebuilding activity in the province continued at a steady pace, and lower interest rates and easing inflation supported household spending. Meanwhile, high uncertainty around the impacts of U.S. tariffs and significantly lower population growth tempered economic activity in B.C., and across many provinces. Overall, B.C.'s real GDP rose by 2.0 per cent in 2025, up from 1.2 per cent growth in 2024. B.C. was one of only two provinces that saw an increase in the rate of real GDP growth from 2024 to 2025. On an industry basis, B.C.'s economic growth in 2025 was led by real estate, rental and leasing;

health care and social assistance services; mining, quarrying, and oil and gas extraction; and construction.

B.C.'s labour market moderated in 2025, amid slower population growth and trade-related economic uncertainty. Total employment rose by 1.1 percent (+32,200 jobs), while wages and salaries rose by 3.1 percent. The unemployment rate averaged 6.2 percent in 2025, up from 5.6 percent in 2024, as labour force growth outpaced job creation. Despite rising last year, B.C.'s unemployment rate remained below the national average of 6.8 percent. B.C. housing starts totalled 44,193 units in 2025, down 3.6 percent from 2024, but remained above the 10-year historical average. Meanwhile, B.C. home sales activity declined by 5.7 percent compared to 2024, with muted demand contributing to a 2.9 percent decrease in the average home price. Inflationary pressures continued to moderate in 2025, reflecting slower price growth for services and subdued inflation for goods. Shelter inflation was the largest contributor to headline inflation last year but slowed substantially for both rented and owned accommodation compared to recent years. Lower gasoline prices, partly due to the removal of the B.C. consumer carbon tax, also helped ease headline inflation. Overall, B.C.'s consumer price inflation averaged 2.1 percent in 2025, down from 2.6 percent in 2024. Lower inflation and easing interest rates supported robust retail sales, which grew by 6.4 percent in 2025. On the trade front, B.C.'s merchandise exports remained relatively flat as markets adjusted to shifting global trade conditions. Overall, the value of B.C.'s goods exports edged down 0.1 percent compared to 2024 as increased exports to non-U.S. destinations were offset by a continued decline in goods exports to the U.S.

Report on Performance: Goals, Objectives, and Results

The following goals, objectives and performance measures have been restated from the 2025/26 – 2027/28 service plan. For forward-looking planning information, including current and future performance targets, please see the latest service plan.

Goal 1: Sustain net returns to the Province of B.C.

Objective 1.1: Optimize the LDB's financial performance

The financial success of the LDB's wholesale and retail lines of business are key to supporting net returns to the Province of B.C.

Key results

- Strengthened wholesale liquor and cannabis supply chain resiliency through proactive inventory management and supplier collaboration, supporting product availability and reducing inventory write-offs.
- Enhanced BCL sales through improved performance of key merchandising initiatives, pricing optimization, and collaborative demand forecasting.
- Achieved BCCS gross margin target through updated merchandising programs, enhanced employee training, and effective pricing strategies.
- Managed BCL and BCCS operating costs through effective management of on-hand inventory, optimization of operations, staff scheduling, and maintaining cost controls.
- Streamlined processing of defective cannabis wholesale returns, reducing labour and transportation costs and enabling the reallocation of staff to core distribution operations.

Summary of progress made in 2025/26

Declining revenues in 2025/26 were partially offset by gross margin performance and lower-than-budget operating expenses, supported by staffing adjustments, reduced discretionary spending, and the deferral or scaling-back of projects where operationally feasible.

Inventory management remained a key focus across wholesale and retail operations, with enhanced monitoring of slow-moving products, refinements to purchasing and replenishment practices, and continued supplier engagement.

BCL continued to refine its product assortment, merchandising program, and sales initiatives by collaborating closely with suppliers, utilizing strategic pricing, and improving demand forecasting. A sustained focus on on-hand inventory management, shrink reduction (i.e., inventory loss resulting from theft, damage, errors, or other causes), and optimized staffing schedules improved operational efficiency, controlled costs, and generated operating cost savings.

BCCS achieved gross margin and cost-control targets through effective management of inventory and staffing schedules, as well as enhancements to merchandising programs and targeted marketing initiatives. Inventory was closely monitored to maintain an approximate three-week on-hand supply while minimizing write-offs of aged product. Improved staff scheduling flexibility and better alignment with customer demand, combined with targeted frontline training, enhanced retail effectiveness. In addition, the LDB implemented a new process for managing defective cannabis wholesale returns, reducing shipping, handling, and labour costs.

Performance measure(s) and related discussion

Performance Measure	2024/25 Actual	2025/26 Target	2025/26 Actual
1.1a Net income (in $ millions)[1, 2]	$1,094.2	$1,027.2	$1,005.2
1.1b Liquor distribution centres inventory turnover per year[3, 4]	12.4	13.2	10.8
1.1c Cannabis distribution centre inventory turnover per year[5, 6]	10.4	9.5	9.7
1.1d BCL sales per square foot[7, 8]	$1,420	$1,450	$1,268
1.1e BCCS sales per square foot[9, 10]	$1,018	$925	$934

[1] Data source: BCL and BCCS sales data are collected from point-of-sale cash register systems and stored in Head Office databases. Sales made directly to customers by authorized representatives on behalf of the LDB are transmitted to the LDB and stored in databases. LDB financial statements are audited annually by an independent auditor contracted by the LDB under the oversight of the Office of the Auditor General. LDB expense data is captured, stored, and reported by the LDB's financial system.
[2] PM 1.1a targets for 2026/27 and 2027/28 were stated in the 2025/26 – 2027/28 service plan as $1,022.0 and $1,024.8, respectively, and revised in the latest service plan.
[3] Data source: Inventory data is collected from applications at LDB's liquor distribution centres in Delta and Kamloops designed for this purpose and stored in Head Office databases. Inventory turnover is calculated by dividing the duty paid cost of shipments from LDB's liquor distribution centres to customers (including BCL) by the average inventory in the same period.
[4] PM 1.1b targets for 2026/27 and 2027/28 were stated in the 2025/26 – 2027/28 service plan as 13.3 and 13.3, respectively, and revised in the latest service plan.
[5] Data source: Inventory data is collected from applications at LDB's cannabis distribution centre designed for this purpose and stored in Head Office databases. Inventory turnover is calculated by dividing the duty paid cost of shipments from LDB's cannabis distribution centre to customers (including BCCS and BCCannabisStores.com) by the average inventory in the same period.
[6] PM 1.1c target for 2026/27 was stated in the 2025/26 – 2027/28 service plan as 9.8 and revised in the latest service plan.
[7] Data source: BCL sales data is collected from point-of-sale cash register systems and stored in Head Office databases.
[8] PM 1.1d targets for 2026/27 and 2027/28 were stated in the 2025/26 – 2027/28 service plan as $1,465 and $1,478, respectively, and revised in the latest service plan.
[9] Data source: BCCS sales data is collected from point-of-sale cash register systems and stored in Head Office databases. It is based on total square footage, not sales floor space.
[10] PM 1.1e targets were stated in the 2025/26 – 2027/28 service plan as $950 and $950, respectively, and revised in the latest service plan.

Net income refers to the contribution made by the LDB to the Province through sales of beverage alcohol and non-medical cannabis and serves as a significant source of revenue for the provincial government.

Net income for fiscal 2025/26 was $1,005.2 million, $22.0 million below the service plan target of $1,027.2 million. This variance was primarily attributable to halting the importation and removing all U.S.-made liquor product from BCL store shelves, continued competitive pressures, including sustained price compression in the cannabis market, and the BCGEU job action, which constrained sales activity during affected periods. Despite these external pressures, gross margin was maintained at 42.2 percent, reflecting effective pricing discipline and product mix management. Total expenses as a percentage of revenue were also lower than planned, supported by cost containment measures across employment, administration, and facilities.

Liquor distribution centres inventory turnover was 10.8 in fiscal 2025/26, below the target of 13.2. This variance was primarily driven by the job action in fall 2025 and the subsequent restart period. During this time, operations prioritized maintaining product availability and supporting customer demand, particularly in advance of the peak winter holiday season, resulting in higher average inventory levels and lower turnover.

To support improved inventory turnover and stronger performance going forward, the LDB implemented targeted strategies, including increased monitoring of slow-moving products, improved forecasting practices, and enhanced coordination with suppliers.

Cannabis distribution centre turnover was 9.7 in fiscal 2025/26, exceeding the target of 9.5 but lower than the 10.4 turns achieved in the prior year. This variance was primarily driven by the job action and subsequent restart period, during which inventory levels were increased to support customer demand. Demand softened later in the fiscal year, and inventory moderated until on-hand levels were realigned to evolving market conditions.

BCL sales per square foot reached $1,268, which was $182 below the target of $1,450. This result was partly due to continued shifts in consumer behaviour, declines in discretionary spending, as well as the sustained government directive to remove U.S.-made products from store shelves, and the impacts of job action.

BCCS sales per square foot reached $934, which was $9 above the target of $925. This result reflects effective management of on-hand inventory and retail sales, despite the impacts of job action and continued pressure from market competition.

Goal 2: Improve customer experience with the LDB

Objective 2.1: Improve retail and wholesale customer satisfaction

Delivering a high standard of service and maintaining customer satisfaction are critical priorities for the LDB.

Key results

- Strengthened understanding of key BCL customer segments through qualitative research, informing brand refinement and future enhancements to the customer experience.
- Maintained strong Mystery Shopper program results at BCL and BCCS, reflecting consistent service delivery, improved product knowledge, and targeted sales training.
- Enhanced in-store customer experience through standardized merchandising and upgraded point-of-sale technology at BCCS, supporting a more consistent and intuitive shopping experience.
- Improved customer service accessibility and efficiency through the introduction of a digital customer care platform, enabling more timely, consistent, and streamlined support across wholesale, retail, and online channels.
- Improved wholesale order accuracy to meet targets, supporting a more reliable and consistent customer experience across LDB's liquor and cannabis distribution centres.

Summary of progress made in 2025/26

BCL advanced its focus on refining its brand and customer experience through qualitative research, the results which will inform customer segmentation considerations in fiscal 2026/27. During the year, several major and partial renovations were completed to improve the in-store shopping experience, alongside adjustments to product assortments to better align with customer preferences and improve product availability. Continued focus on employee training, product knowledge, and service delivery supported strong results in BCL's Mystery Shopper program, a third-party in-store evaluation of performance against key service standards, and overall customer satisfaction. Together, these efforts contributed to BCL's recognition by Ipsos as one of B.C.'s top ten Most Loved Brands.

BCCS continued to strengthen the in-store customer experience through the implementation of standardized merchandising across product categories, increased staff-to-customer engagement, and enhancements to customer service training. The upgrade of point-of-sale hardware, including the introduction of customer-facing screens, further improve transaction transparency and the overall retail experience. These combined efforts contributed to improved customer satisfaction and strengthened Mystery Shopper program performance results.

The LDB adopted a national barcode standard in collaboration with other Canadian jurisdictions, improving scanning accuracy and operational efficiency at its cannabis distribution centre while supporting regulatory compliance and product labelling flexibility. The introduction of a new digital customer care platform enhanced service accessibility by providing a single online portal for cannabis wholesale, retail, and online customers, improving response timeliness, consistency, and service quality. It also enabled more efficient processes and fluid workflows for members of the Customer Care Centre.

Targeted strategies across its liquor and cannabis distribution centres supported continued performance in wholesale order accuracy. At the liquor distribution centres, ongoing employee communication, training, and coaching supported order accuracy performance that was on target. At the cannabis distribution centre, a process-improvement initiative was launched to enhance order-picking accuracy and efficiency. These improvements were informed by industry best practices and support a more reliable customer experience.

During a period of significant external pressures, the liquor wholesale division prioritized operational continuity to support industry stakeholders. This included coordinating the return and redistribution of affected products following government direction related to U.S. tariffs and executing a rapid restart of operations in two weeks following job action. These efforts helped restore product flow and supported both private liquor retailers and BCL stores in meeting customer demand ahead of the peak winter holiday season.

Performance measure(s) and related discussion

Performance Measure	2024/25 Actual	2025/26 Target	2025/26 Actual
2.1a Liquor Wholesale on-time delivery[1, 2]	97.3%	96.0%	94.3%
2.1b Cannabis Wholesale on-time delivery[3, 4]	99.1%	99.0%	98.2%
2.1c Liquor Wholesale accurate delivery[5, 6]	99.5%	99.6%	99.6%
2.1d Cannabis Wholesale accurate delivery[7, 8]	96.7%	97.0%	97.8%
2.1e BCL retail customer satisfaction[9, 10]	75.0%	75.0%	76.0%

[1] Data source: Delivery data is collected by LDB's own fleet of freight vehicles and third-party freight carriers and audited against bill of lading documents signed by the customers, confirming arrival times for accuracy of data.
[2] PM 2.1a targets for 2026/27 and 2027/28 were stated in the 2025/26 – 2027/28 service plan as 97.0% and 98.0%, respectively.
[3] Data source: Delivery data is collected by third-party freight carriers through their proof of delivery systems and audited against customers' reports of late deliveries made to LDB's cannabis customer care centre.
[4] PM 2.1b targets for 2026/27 and 2027/28 were stated in the 2025/26 – 2027/28 service plan as 99.0% and 99.0%, respectively.
[5] Data source: Based on an audit of four percent of orders and shipments processed by the LDB's liquor distribution centres.
[6] PM 2.1c targets for 2026/27 and 2027/28 were stated in the 2025/26 – 2027/28 service plan as 99.7% and 99.8%, respectively.
[7] Data source: Based on an audit of one hundred percent of outbound orders and shipments processed by LDB's cannabis distribution centre.
[8] PM 2.1d targets for 2026/27 and 2027/28 were stated in the 2025/26 – 2027/28 service plan as 97.5% and 97.5%, respectively, and revised in the latest service plan.

[9] Date source: The LDB contracts as professional, third-party company to conduct market research. Insights gathered from an online panel are shared with BCL via a dashboard that presents high-level visual graphs.
[10] PM 2.1e targets for 2026/27 and 2027/28 were stated in the 2025/26 – 2027/28 service plan as 75.0% and 75.0%, respectively, and revised in the latest service plan.

Weather-related disruptions on B.C.'s major highways and BCGEU job action affected on-time delivery performance across both liquor and cannabis wholesale operations in fiscal 2025/26. However, the impacts and duration of job action recovery differed between the two lines of business, reflecting differences in operating scale and volumes.

The liquor wholesale division fell short of achieving the on-time delivery target due to the combined impacts of weather-related transportation disruptions and job action and the subsequent restart period. Given the significantly higher volume of liquor distributed compared to cannabis, recovery following job action was prolonged. These factors resulted in a 94.3 percent on-time delivery rate, which was 1.7 percent below the target of 96.0 percent. During restart, distribution centres operated 24 hours per day, seven days per week, for two weeks; however, standard delivery windows could not be maintained during this time. To minimize delays to wholesale customers, product was shipped as it became available.

Cannabis wholesale on-time delivery was also affected by job action, though to a lesser degree. Lower distribution volumes compared to liquor enabled faster recovery following job action. On-time delivery performance was primarily impacted by weather-related transportation disruptions, resulting in a 98.2 percent on-time delivery rate that fell short of target. The continued use of scorecards to monitor third-party carrier performance, along with proactive communication with customers and carriers to adjust delivery schedules, helped mitigate further erosion of performance during periods of disruption.

The wholesale order accuracy rate of 99.6 percent was achieved, meeting the target, with performance improving by 0.1 percent compared with the previous year. This improvement was supported by increased resourcing in the quality assurance function and implementation of enhanced error-tracking practices.

The cannabis wholesale division achieved an order accuracy rate of 97.8 percent, exceeding the target of 97.0 percent. This result reflects the effectiveness of analyzing customer-reported shipping errors to identify areas for improvement, complemented by ongoing employee coaching and training to improve processes.

BCL achieved a customer satisfaction rate of 76.0 percent, exceeding its target of 75.0 percent. This result reflects a strong in-store assortment and enhanced depth and breadth of product knowledge among sales associates, enabling them to better serve customers.

Goal 3: Create positive social impact

Objective 3.1: Minimize the impact of LDB operations on the environment

The LDB is reducing waste and single-use plastics from landfills and is aligned with the CleanBC Roadmap to 2030, supporting B.C.'s path to net-zero emissions by 2050. Its work contributes to government's legislated targets to reduce greenhouse gas emissions from buildings by 40 percent below 2007 levels and from fleet vehicles by 40 percent below 2010 levels by 2030.

Key results

- Exceeded waste diversion target, achieving a waste diversion rate of 87.6 percent, supported by the year-over-year increase of diverted waste by nearly 65 metric tonnes through expanded recycling programs.
- Transformed the management of unsellable liquor inventory at the Delta distribution centre by diverting product to biodigesters for renewable energy generation, adding 225 metric tonnes of combined liquid waste and packaging materials to the LDB's overall diversion volumes.
- Increased the proportion of zero emission vehicles (ZEVs) in the LDB's light-duty fleet to 23 percent, up from 22 percent in the prior year.
- Reduced greenhouse gas emissions of 365 tonnes year over year, supported by operational efficiencies, reduced fleet usage, and energy-saving initiatives such as light-emitting diode (LED) lighting installations.
- Met new federal plastics reporting requirement through the successful submission of data to the inaugural Federal Plastics Registry (FPR) report, establishing compliance for plastic packaging from imported liquor products entering B.C.'s residential waste stream.

Summary of progress made in 2025/26

Waste diversion performance was driven largely by the implementation of a liquid waste diversion project at the distribution centre in Delta. Through a transition to a specialized contracted service, unopened unsellable liquor products were diverted from traditional disposal to biodigesters, converting liquid contents into renewable energy, while associated packaging materials were recycled. Waste diversion efforts were further strengthened by the expansion of the paper recycling program across BCL stores to 26 locations.

The composition of the LDB's light-duty fleet continued to shift toward lower-emission vehicles. As of January 2026, the fleet included nine ZEVs, representing 23 percent of total light-duty vehicles. The year-over-year change reflects both the addition of one ZEV and a reclassification of certain light-duty vehicles, which were reported as vehicles in 2024/25 and reclassified as trucks in 2025/26.

The decrease of greenhouse gas emissions was influenced primarily by reduced operations during job action and methodological updates under the Carbon Neutral Government program, including revised electricity emission factors and refrigerant leak estimation methods. Operational actions supporting reduced emissions included decreased light- and heavy-duty vehicle fleet usage, lower office paper consumption, and the installation of LED lighting at 12 BCL locations. These results are reported in the LDB's Climate Change Accountability Report (CCAR) in accordance with B.C.'s Climate Change Accountability Act and the Carbon Neutral Government Regulation.

Throughout fiscal 2025/26, the LDB delivered employee education and engagement initiatives aimed at increasing awareness of organizational and broader environmental sustainability practices. For example, Earth Week featured virtual and in-person activities at select worksites, encouraging employees to reflect on their environmental footprints. The LDB's urban beekeeping program continued in its seventh year with a honey harvest that resulted in a honey donation to the Greater Vancouver Food Bank. During Go-by-Bike Week, employees collectively cycled 326 kilometres, a year-over-year increase of 182 kilometres, representing an estimated 71 kilograms of greenhouse gas emissions avoided.

Objective 3.2: Encourage the responsible use of beverage alcohol and non-medical cannabis

The LDB continues to support government's mandate of prioritizing public health and safety and promote responsible consumption and awareness of the risks associated with consuming liquor and cannabis.

Key results

- Continued to refine and deliver annual ID-checking training for BCL and BCCS employees to improve consistent ID-checking of its customers and prevent sales to minors.
- Achieved 100 percent compliance for BCCS under the LCRB's Minors as Agents Program, reflecting effective training and consistent execution of ID-checking practices.
- Continued regular in-store and online campaigns across BCL and BCCS to reinforce social responsibility and responsible consumption.

Summary of progress made in 2025/26

Both BCL and BCCS continued to promote social responsibility and responsible consumption in fiscal 2025/26 through regular campaigns and efforts. Year-round messaging focused on reducing harms associated with alcohol and cannabis consumption, preventing youth access to liquor and cannabis, raising awareness of the risks of impaired driving, promoting moderation, and encouraging safe consumption practices.

Objective 3.3: Increase positive social impact

The LDB delivers several social impact activities across the organization to affect social, environmental, and economic change and to benefit all people living in B.C.

Key results

- Raised over $1.65 million across BCL and BCCS through four recurring in-store fundraising campaigns and donated over 13,000 Share-a-Bears to local charities, including a portion to BC Emergency Health Services.
- Supported emergency response and recovery efforts of the Canadian Red Cross Tumbler Ridge B.C. Tragedy Appeal, raising over $479,000 over a three-week period.
- Produced and released the balance of seven online episodes to complete its 12-module Indigenous Learning Journey Program, providing a consistent foundational level of learning for all employees and enabling the LDB to advance to role-specific Indigenous learning.
- Achieved deliverables of the 2025/26 Reconciliation, Equity, Diversity and Inclusion (REDI) plan, including increasing executive leadership capability, implementing engagement structures, and executing organization-wide reconciliation, equity, inclusion, and accessibility initiatives.

Summary of progress made in 2025/26

In fiscal 2025/26, the LDB unified its charitable giving under the Multiply the Good platform, bringing together Food Banks BC, Do You Proud, Dry Grad, and Share-a-Bear campaigns to increase reach and impact across B.C. Through recurring in-store fundraising campaigns, the LDB raised over $1.4 million for Food Banks BC, over $81,000 for QMUNITY through the Do You Proud campaign, and nearly $153,000 to support alcohol- and drug-free high school graduation celebrations through Dry Grad. The LDB also piloted a partnership with BC Emergency Health Services (BCEHS) to distribute a portion of Share-a-Bears purchased and donated at BCL stores to children across B.C. utilizing ambulatory services. In its 36th year, the Share-a-Bear campaign resulted in the donation of more than 13,000 stuffed bears by customers, contributing to over 700,000 bears donated since the initiative began in 1989.

In response to the Canadian Red Cross Tumbler Ridge B.C. Tragedy Appeal, the LDB mobilized a one-time, ad-hoc in-store fundraising campaign in its role as an official Disaster Partner. The campaign, delivered across BCL and BCCS locations, raised more than $479,000 to support immediate emergency response and long-term recovery efforts.

Throughout the year, the LDB advanced its three-year REDI roadmap by strengthening executive learning and advancing initiatives across the organization. The LDB delivered executive-level learning on REDI topics, including reconciliation, sexual orientation and gender identity, accessibility, and anti-racism.

Reconciliation efforts were supported through the development of a Human Resources Reconciliation Action Plan, alongside foundational steps toward an Indigenous cultural safety program and the establishment of an Indigenous employee network. To embed REDI into operations, the LDB introduced key enabling structures, including a cross-functional REDI working group to build internal capacity and an Equity, Diversity, and Inclusion (EDI) committee to elevate the perspectives of equity-deserving and rights-holding employees.

The LDB also launched its first employee resource group, Women Leaders in Cannabis, developed leader resources to support pronoun use and trans and gender-diverse employees, and initiated a multi-year, enterprise-wide accessibility program to guide future work toward more accessible workplaces and services in line with key legislation.

Performance measure(s) and related discussion

Performance Measure	2024/25 Actual	2025/26 Target	2025/26 Actual
3.1a Waste diversion rate[1, 2]	86.4%	87.0%	87.6%
3.2a BCL and BCCS compliance with ID-checking requirements[3, 4]	89.7%	100.0%	93.5%

[1] Data source: Diversion rates are determined based on measured weights reported by LDB-contracted waste and recycling service providers. Excluded from this performance measure are BCL and BCCS locations that are overseen by landlords that do not provide their waste collection and diversion data to the LDB.
[2] PM 3.1a target for 2026/27 was stated in the 2025/26 – 2027/28 service plan as 88.0% and revised in the latest service plan.
[3] Data source: The LCRB administers an ID-checking compliance program and provides the results of BCL and BCCS compliance to the LDB.
[4] PM 3.2a target for 2026/27 and 2027/28 was stated in the 2025/26 – 2027/28 service plan as 100% and 100%, respectively.

In fiscal 2025/26, the LDB expanded its waste collection and processing of recyclables at worksites supported by contracted waste and recycling service providers. Diverted materials included cardboard, wood, paper, mixed containers, metals, organics, electronics, Styrofoam, clear soft plastics such as shrink wrap, and unsellable liquor.

The LDB achieved a waste diversion rate of 87.6 percent, slightly exceeding its target of 87.0 percent. While total reported waste increased, this change reflects the expansion of the paper recycling program at BCL stores and the introduction of a liquid waste diversion initiative at the liquor distribution centre in Delta. These initiatives contributed to near-perfect diversion rates and, as a result, positively augmented overall diversion performance despite adding to total waste volumes.

Under the Minors as Agents Program, the LCRB has the authority to issue a contravention notice when an establishment being inspected for ID-checking does not take reasonable steps to verify the age of the minor employed by the LCRB to purchase liquor and cannabis.

In fiscal 2025/26, BCCS achieved a 100 percent ID-checking compliance rate across inspections conducted by the LCRB at five BCCS locations, while BCL achieved a 92.3 percent compliance rate across inspections at 26 BCL locations. Collectively, BCL and BCCS achieved a 93.5 percent store compliance rate. In response, BCL continued to actively remind and coach store teams on the importance of requesting two pieces of identification from customers who appear under 30 years of age, maintained third-party audits of ID-checking practices, and initiated exploratory work to enhance its point-of-sale system by introducing an employee-facing prompt to complete the ID check.

Financial Report

For the auditor's report and audited financial statements, see Appendix C. These documents can also be found on the LDB website.

Discussion of Results

Total LDB revenue for the year was $3,694.9 million, $153.5 million (4.0 percent) below budget and $203.5 million (5.2 percent) lower than the prior year, driven primarily by the impacts and countermeasures of U.S. tariffs, BCGEU job action, lower liquor sales and cannabis price compression. These decreases were partially offset by growth in select cannabis categories and a shift in direct delivery sales, which reduced distribution costs while maintaining margins.

Gross margin was 42.2 percent, continuing a gradual multi-year decline. Margin pressure reflects changes in product and channel mix, including lower-margin categories, increased direct delivery, and sustained cannabis price compression. These pressures are expected to persist.

Operating expenses totaled $574.4 million, $36.1 million (5.9 percent) below budget and $9.6 million (1.6 percent) lower than the prior year, reflecting staffing adjustments, reduced discretionary spending, and deferred initiatives, partially offset by inflationary pressures and costs associated with maintaining service levels during and after the job action. The operating expense ratio increased to 15.5 percent of revenue (compared to 15.0 percent in fiscal 2024/25), largely due to lower revenue against relatively fixed costs.

Net income was $1,005.2 million, representing a $22.0 million shortfall from the budget of $1,027.2 million and a decrease of $89.0 million (8.1 percent) from the prior year, but remained above the third-quarter forecast for fiscal 2025/26 of $950.0 million, as published in the latest service plan. This performance reflects stronger-than-anticipated recovery from the job action, together with disciplined management of operating expenses.

Liquor sales volumes declined 2.4 percent year over year, consistent with broader national and international consumer trends, while cannabis sales volumes increased 2.8 percent. However, this increase did not translate into proportional revenue gains, as declines in average selling prices and gross profit margins offset the impact of higher volumes.

Overall, the LDB demonstrated resilience in a challenging and evolving environment by mitigating impacts and sustaining significant net contributions to government.

Capital

Capital expenditures in fiscal 2025/26 totaled $16.3 million, compared to a budget of $31.7 million. The variance reflects the deferral or rescoping of planned capital projects due to operational pressures, resource constraints associated with the job action, and continued prioritization of critical investments.

Capital spending focused primarily on maintaining existing infrastructure, technology systems, and retail assets required to support core operations.

Debt at year-end consisted entirely of lease liabilities and totaled $215.7 million, consistent with the LDB’s established capital financing approach.

Financial Summary

($millions)	2024/25 Actual	2025/26 Budget	2025/26 Actual	2025/26 Variance
Revenues				
Revenue	3,898.4	3,848.4	3,694.9	(153.5)
Cost of Sales	2,238.6	2,225.7	2,134.3	(91.4)
Gross Profit	**1,659.8**	**1,622.7**	**1,560.6**	**(62.1)**
Expenses				
Operating Expenses – Employment	361.3	371.2	360.6	(10.6)
Operating Expenses – Amortization	66.9	69.5	67.4	(2.1)
Operating Expenses – Administration	71.9	82.0	66.2	(15.8)
Operating Expenses – Bank Charges	42.2	41.7	40.3	(1.4)
Operating Expenses – Facilities[1]	34.6	39.2	33.0	(6.2)
Operating Expenses – Lease Financing	7.1	6.9	6.9	0.0
Total Expenses	**584.0**	**610.5**	**574.4**	**(36.1)**
Other Income	18.4	15.0	19.0	4.0
Net Income	**1,094.2**	**1,027.2**	**1,005.2**	**(22.0)**
Gross Margin (%)	42.6%	42.2%	42.2%	0.0%
Total Expenses to Revenue (%)	15.0%	15.9%	15.5%	-0.4%
Net Income to Revenue (%)	28.1%	26.7%	27.2%	0.5%
Capital Expenditures	21.9	31.7	16.3	(13.4)
Debt[2]	233.1	213.7	215.7	2.0
Retained Earnings	-	-	-	-

The above financial information was prepared based on current International Financial Reporting Standards.
[1] Facilities costs consist of common area maintenance, property taxes, utilities, repairs and maintenance.
[2] The LDB does not have any loans. Debt consists of lease liabilities as of March 31.

Variance and Trend Analysis

The LDB operates in a mixed public/private retail model where consumers may purchase products through multiple channels. As of March 31, 2026, there were approximately 1,834 locations in B.C. selling beverage alcohol and 551 licensed locations where non-medical cannabis could be purchased.

Beverage alcohol sales in the province continued to decline in fiscal 2025/26, with total volumes decreasing by 2.4 percent compared to the prior year. Beer remained the largest category by volume, followed by refreshment beverages, wine, and spirits. All major categories experienced year-over-year volume declines, reflecting longer-term shifts in consumer preferences, demographic trends, and moderating discretionary spending. Weather variability and broader economic conditions also continued to influence category performance, particularly for beer, refreshment beverages, and locally produced wine.

Total provincial cannabis volumes increased by 2.8 percent in fiscal 2025/26, reaching 158,729-kilogram equivalent, compared to 154,408-kilogram equivalent in the prior year. Growth was driven primarily by increased sales of pre-rolls, extracts and concentrates, and other cannabis products, partially offset by a decline in dried flower volumes. These trends reflect the continued evolution in consumer preferences toward convenience-oriented and higher-potency product formats.

As sales shift between product categories with different mark-up rates, and between wholesale, retail, and direct delivery channels, it impacts the LDB’s gross margin and its contribution to government.

Table 1: Provincial Sales by Major Category in Litres (000s)/Gram Equivalent (000s)

For the five fiscal years ended March 31, 2026

						Change vs. Previous Year (2025/26 vs. 2024/25)	
	2021/22	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**Change**	**%**
Liquor							
Spirits	30,427	30,955	29,299	28,226	26,500	(1,726)	(6.1)
Wine	77,345	73,194	68,747	65,581	63,521	(2,060)	(3.1)
Refreshment	88,764	85,116	84,105	80,850	79,927	(923)	(1.1)
Beer	269,811	267,083	252,955	240,721	235,590	(5,131)	(2.1)
Other	495	482	708	928	811	(117)	(12.6)
Total Liquor (litres)	**466,842**	**456,830**	**435,814**	**416,306**	**406,349**	**(9,957)**	**(2.4)**

						Change vs. Previous Year (2025/26 vs. 2024/25)	
	2021/22	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**Change**	**%**
Cannabis							
Flower	44,821	46,044	54,181	57,582	54,654	(2,928)	(5.1)
Pre-roll	15,459	19,772	24,756	28,180	31,290	3,110	11.0
Extracts & Concentrates[1]	11,623	26,994	45,487	56,318	59,402	3,084	5.5
Other[1]	12,409	13,667	10,924	12,328	13,383	1,055	8.6
Total Cannabis (gram equivalent)	**84,312**	**106,477**	**135,348**	**154,408**	**158,729**	**4,321**	**2.8**

Data source: LDB Oracle Financial System.
Note 1: Gram equivalents have been restated to correct for conversion rates on liquid cannabis products.

LDB revenue[1]

In fiscal 2025/26, LDB revenue totalled $3,694.9 million, representing a decrease of $153.5 million (4.0 percent) compared to fiscal 2024/25. The decline reflects reduced sales volumes, continued pricing pressure in the cannabis market, and operational impacts associated with the job action during the year.

Revenue includes sales through LDB retail and wholesale channels, as well as a blended margin contribution from non-LDB channels. As in prior years, shifts in channel and product mix influenced overall revenue performance.

<u>Beverage alcohol</u>

Beverage alcohol revenue in fiscal 2025/26 was $3.1 billion, representing a decrease of $187.2 million (5.7 percent) compared to fiscal 2024/25 and $132.2 million (4.1 percent) below budget. The decline was driven primarily by lower sales volumes, which were 2.4 percent below the prior year and 1.7 percent below budget.

Revenue was lower than both budget and prior year across all major product categories. While the LDB wholesale distribution channel and direct delivery revenues exceeded budget, only direct delivery channels were higher than the prior year, reflecting continued operations during the job action. Among customer types, grocery stores were the only segment with revenue above the prior year.

[1] Revenue includes sales from LDB channels and a blend of sales/margin from non-LDB channels.

The LDB's beverage alcohol sales channels include BCL stores, LDB wholesale operations, and direct delivery from B.C. manufacturers and third-party warehouses. Retail sales through BCL stores continued to represent the largest single sales channel, accounting for approximately 43.1 percent of total beverage alcohol revenue.

During fiscal 2025/26, the volume of transactions at BCL declined by 10.5 percent compared to the prior year, while the average retail transaction value was down 1.1 percent. In addition to changes in customer purchasing behaviour, product mix, and pricing, these declines were also influenced by BCGEU job action, the impacts of U.S. tariffs, and the removal of U.S.-made products from BCL stores. Together, these factors indicate that customers were visiting less frequently and, on average, spending slightly less per transaction than in the prior year.

Cannabis

Cannabis revenue in fiscal 2025/26 totalled $607.5 million (representing 16.4 percent of total LDB revenue). While total cannabis volumes increased modestly, revenue growth continued to be constrained by declining average selling prices, reflecting ongoing competition within the legal market and continued pressure from the illicit market. The LDB remains committed to working with its government partners to reduce the illicit market while supporting the long-term sustainability of the legal cannabis sector.

The share of sales through private retail channels experienced a greater increase this fiscal compared to BCCS retail and e-commerce. Product mix continued to shift toward pre-rolls, extracts and concentrates, consistent with multi-year trends in consumer preferences.

In fiscal 2025/26, total transactions through BCCS and e-commerce were 2.7 million, compared to 3.0 million in the prior year. The average retail transaction value was $43.85 (0.2 percent above the prior year).

Operating Expenses

The LDB continued to maintain disciplined expense management in fiscal 2025/26 by closely monitoring staffing levels, discretionary spending, and operational efficiencies across the organization.

Total operating expenses amounted to $574.4 million, which was $36.1 million (5.9 percent) below budget and $9.6 million (1.6 percent) lower than expenses incurred in fiscal 2024/25. The expense ratio for fiscal 2025/26 was 15.5 percent of revenue, compared to 15.0 percent in the prior year.

Employment expenses decreased by $0.7 million compared to fiscal 2024/25 and were $10.6 million below budget, reflecting staffing adjustments, unfilled vacancies, impacts of the job action and adjustments resulting from the new collective agreement. Administrative, facilities, and bank charge expenses were also below budget, primarily due to reduced discretionary spending, deferred initiatives, and lower transaction volumes.

These savings were partially offset by inflationary pressures and ongoing investments required to maintain service levels, regulatory compliance, and system stability.

Remittances to Government agencies

During fiscal year 2025/26, the LDB paid $1,418.0 million to various government agencies.

Table 2: Remittances to Government Agencies ($000s)

	2021/22	2022/23	2023/24	2024/25	2025/26
FEDERAL GOVERNMENT					
Custom Duties and Excise Tax	196,627	199,814	195,637	193,782	185,456
GST	88,641	88,313	89,226	66,751	80,176
Total	**285,268**	**288,127**	**284,863**	**260,533**	**265,632**
PROVINCIAL GOVERNMENT					
LDB Net Income	1,189,309	1,198,299	1,148,153	1,094,238	1,005,199
Provincial Sales Tax	172,212	167,008	168,638	165,805	145,984
Liquor Control and Licensing	429	480	429	429	429
Total	**1,361,950**	**1,365,787**	**1,317,220**	**1,260,473**	**1,151,612**
MUNICIPAL GOVERNMENT					
Property Taxes[1]	1,499	1,471	1,347	1,904	604
Business Licenses	108	90	95	109	110
Total	**1,607**	**1,561**	**1,442**	**2,013**	**714**
Total Remittances	**1,648,825**	**1,655,475**	**1,603,525**	**1,523,019**	**1,417,958**

Note 1: Remittances in fiscal 2025/26 were lower due to a reduction in the assessed value of an LDB worksite.

Risks and Uncertainties

The LDB operates in a dynamic environment and is exposed to financial, operational, and external risks and emerging trends. Key trends observed across jurisdictions and sectors include continued declines in beverage alcohol consumption, sustained price compression in the legal cannabis market, and heightened consumer price sensitivity driven by broader economic conditions. Labour availability and labour cost pressures were heightened by the job action and the ratified 20th BCGEU Main Agreement in fiscal 2025/26. Such disruptions can affect wholesale distribution, retail operations, customer service levels, and overall financial performance.

Regulatory and policy changes at the provincial or federal level—including taxation, mark-up structures, licensing frameworks, and distribution models—may influence demand, margins, and industry competitiveness. Supply chain risks, including supplier concentration, transportation disruptions, and global market volatility, may affect product availability and inventory management.

As part of the Province’s response to U.S. tariffs, the LDB halted the importation of all U.S.-made liquor products on March 10, 2025, and BCL stores suspended the retail sale of these products. These countermeasures materially reduced the availability of U.S.-made products in LDB retail channels and required adjustments to product assortment, supplier selection, and inventory planning to maintain service levels and customer choice.

In addition, supply chain disruptions—whether driven by tariff-related trade barriers, broader global logistics volatility, extreme weather events or third-party work stoppages—may affect the LDB’s ability to ensure timely product delivery and maintain consistent product availability. In fiscal 2025/26, BCGEU job action disrupted LDB wholesale distribution and retail operations, and sales performance continued to be affected after job action ended as distribution centres worked to clear the backlog of orders and restore normal fulfilment.

The LDB manages these risks through its Enterprise Risk Management framework, aligned with provincial and international standards. Risks are monitored on an ongoing basis, and mitigation strategies are integrated into business planning, operational decision-making, and financial forecasting.

Appendix A: Progress on Minister's Letter of Direction Priorities

The following is a summary of progress made on priorities as stated in the 2025 Minister's Letter of Direction from the Minister Responsible.

2025 Minister's Letter of Direction Priority	Status as of March 31, 2026
Optimizing the LDB's financial performance and sustain net returns to the Province of British Columbia in accordance with government policy, Treasury Board directives and the appropriate legislation and regulation. This includes a review of spending and operations for efficiency aligned in spirit and intent of government's financial and hiring directives.	• In fiscal 2025/26, the LDB achieved net income of $1,005.2 million to help fund vital public services; $22.0 million below the service plan target of $1,027.2 million. • LDB net income projections for FY2026/27 and FY2027/28 have been adjusted to reflect current economic conditions and consumer spending trends. • The LDB conducted a business review to identify efficiencies as a complement to similar work occurring more broadly across the BC Public Service. This work includes spending guidelines and directives to support alignment with government direction on areas such as training, travel, engagement, recognition, and hiring. • See Goal 1, Objective 1.1 for more information on the LDB's financial performance. • Key highlights and discussion of results are included in the "Report on Performance" sections of this annual report.
Continuing to improve organizational effectiveness and management practices by building on existing strengths to enhance a productive work culture and bolster overall performance.	• The LDB strengthened its continuous process improvement capacity through LeanBC—the Province's centralized program that supports the BC Public Service—with 26 employees attaining Lean Advanced Practitioner certification and a further 94 completing intermediate Lean education. • Completed the transition to a new LDB executive organizational structure, including hiring a Chief Operating Officer.

	• Exceeded accurate delivery targets in wholesale liquor and cannabis through ongoing operational initiatives focused on proactive employee coaching. • BCL exceeded its target for customer satisfaction attributed to strong in-store product assortment and enhanced employee product knowledge. • Key highlights and discussion results are included in the "Report on Performance" sections of this annual report (e.g., see Goal 2, Objective 2.1).
Continuing to strengthen LDB's focus on corporate social impact through initiatives that align with government's social and environmental priorities, including BCLIQUOR (BCL) stores' and BC Cannabis Stores' (BCCS) promoting responsible consumption of beverage alcohol and non-medical cannabis.	• The LDB continued its support of four in-store charitable campaigns in fiscal 2025/26. At the LDB's network of BCL and BCCS stores, Spring and Holiday campaigns for Food Banks BC combined to raise more than $1.4 million for food banks across the province, while the Do You Proud campaign raised $81,575 for QMUNITY, B.C.'s 2SLGBTQQIA+ resource centre. A BCL store campaign for Dry Grad raised nearly $153,000 in support of B.C. school districts' organization of alcohol and drug-free high school graduation celebrations. • An ad-hoc campaign at BCL and BCCS raised over $479,00 in partnership with the Canadian Red Cross, supporting those affected by the Tumbler Ridge B.C. Tragedy through coordinated work with municipal and provincial authorities, community leaders, and Red Cross partners. • Delivered on environmental priorities, including waste diversion, greenhouse gas emissions reduction, and Federal Plastics Registry reporting compliance. • BCL maintained a monthly calendar of social responsibility campaigns focused on educating customers about the importance of moderation and responsible consumption practices. Campaigns featured strategic messaging about the risks associated with underage drinking, drinking and driving, binge-drinking, Fetal Alcohol Spectrum Disorder, and alcohol consumption and summer/winter activities. • BCCS maintained a monthly calendar of social responsibility messages focused on educating

	customers about the importance of responsible consumption. Strategic messaging aimed at keeping cannabis away from youth, the risks of drug impaired driving, and safe consumption practices. In addition, BCCS maintained 100 percent compliance with LCRB's Minors as Agents Program.
Responding to tariffs and continuing to support B.C. liquor manufacturers and businesses through strengthening local economies, reducing barriers to interprovincial trade, and supporting impacted businesses and workers.	• In line with the province's three-pronged approach in response to the implementation of U.S. tariffs (respond with counteractions, strengthen B.C.'s economy, and diversify trade markets), the LDB reallocated resources to focus its policy efforts on new government priorities. • The LDB continued to follow the Government of B.C.'s March 10, 2025, directive halting the importation of all U.S.-made liquor products into B.C. and retail sales at BCLIQUOR (BCL). • The LDB continued to make existing U.S. product available to private liquor stores, restaurants, bars and pubs, with inventory depleting over fiscal 2025/26. • The LDB continued to implement programs to support local industries, including stocking and promoting additional B.C. and Canadian products across wine, spirits, beer, and refreshment beverage categories. • BCL launched a "Support Local. Buy Canadian." campaign across digital and traditional channels, complemented by in-store identification of Canadian products and ongoing promotion through established programs and dedicated local product sections. • On the recommendation of Canada's trade ministers, B.C. joined federal, provincial and territorial governments in advancing a national approach to a direct-to-consumer liquor sales to reduce interprovincial trade barriers. In June 2025, B.C. signed a memorandum of understanding (MOU) with participating jurisdictions. B.C. also entered into related bilateral MOUs with Alberta, Manitoba, and Ontario supporting work toward reciprocal direct-to-consumer market access.

Continuing the implementation of temporary support to allow B.C. grape wineries in production and sale of the 2024 vintage made with grapes and grape juice from outside the province.	• In response to the severe freezing conditions in January 2024 that caused significant damage to British Columbia's vineyards, the LDB continued the implementation of temporary measures to support the production of a 2024 vintage. • Although the 2025 grape crop represented a significant recovery from the 2024 freeze event, the supports were extended for one year to give impacted wineries an opportunity to produce a successful 2025 vintage while their vines continue to recover, with the expectation that participating wineries prioritize the use of locally grown grapes and the production of BC VQA and 100 percent B.C. wines.
2023 Minister's Letter of Direction Priority	**Status as of March 31, 2026**
Working with other government partners to refresh and refocus the LDB's work with the Business Technical Advisory Panel on areas that are mutually beneficial and straightforward to advance.	• The LDB announced the introduction of changes to allow eligible B.C. manufacturers the option to direct deliver packaged refreshment beverages with implementation in spring 2026.

Appendix B: Subsidiaries and Operating Segments

The LDB operates through distinct wholesale and retail lines of business for liquor and cannabis. The following unaudited financial information summarizes the results of BCL retail segment for fiscal years 2024/25 and 2025/26.

These results reflect retail operations only and exclude allocations of head office expenses.

Table 1: BCL financial results

(Unaudited $millions)	2024/25 Actual	% sales	2025/26 Actual	% sales
Sales	1,521.3	100.0	1,344.6	100.0
Gross Profit	366.7	24.1	329.6	24.5
Expenses	225.2	14.8	220.1	16.4
Other Income	2.1	0.1	1.9	0.1
Net Income	**143.6**	**9.4**	**111.4**	**8.3**

BCL sales include all customer transactions that occur in the stores. However, sales and the associated gross profit from licensed establishments (hospitality customers) are excluded from the BCL results since those sales are attributed to LDB Wholesale Operations. Consequently, the costs related to these hospitality sales are also removed from the BCL results.

Appendix C: Auditor's Report and Audited Financial Statements

Financial Statements of

BC LIQUOR DISTRIBUTION BRANCH

And Independent Auditor's Report thereon

For the year ended March 31, 2026

KPMG LLP
777 Dunsmuir Street, 11th floor
Vancouver, BC V7Y 1K3
Canada
Tel 604 691 3000
Fax 604 691 3031

INDEPENDENT AUDITOR'S REPORT

To the Minister of Agriculture and Food, Province of British Columbia

Opinion

We have audited the accompanying financial statements of British Columbia Liquor Distribution Branch, which comprise:

- the statement of income and comprehensive income for the year ended March 31, 2026
- the statement of due to the Province of British Columbia for the year then ended
- the statement of financial position for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of material accounting policy information

(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 Company as at March 31, 2026, 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.

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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical 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 IFRS Accounting Standards as issued by the International Accounting Standards Board, 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's 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 auditor's 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Company 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.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
May 20, 2026

BC LIQUOR DISTRIBUTION BRANCH

Statement of Income and Comprehensive Income
(in thousands of dollars)

For the year ended March 31, 2026, with comparative information for 2025

	Notes	2026	2025
Revenue	4	$ 3,694,872	$ 3,898,403
Cost of sales		(2,134,249)	(2,238,577)
Gross profit		1,560,623	1,659,826
Expenses:			
Salaries and benefits	15	360,557	361,301
Amortization	9, 10, 11	67,400	66,906
Administration	5	139,557	148,735
		567,514	576,942
Operating income before other income		993,109	1,082,884
Other income		18,990	18,410
Operating income		1,012,099	1,101,294
Finance costs	11	(6,900)	(7,057)
Total income and comprehensive income		$ 1,005,199	$ 1,094,237

The accompanying notes are an integral part of these financial statements.

BC LIQUOR DISTRIBUTION BRANCH

Statement of Due to the Province of British Columbia
(in thousands of dollars)

For the year ended March 31, 2026, with comparative information for 2025

	Notes	2026	2025
Balance, beginning of year		$ 88,099	$ 115,074
Total income and comprehensive income		1,005,199	1,094,237
Net payments to the Province of British Columbia	13	(1,026,094)	(1,121,212)
Balance, end of year		$ 67,204	$ 88,099

The accompanying notes are an integral part of these financial statements.

BC LIQUOR DISTRIBUTION BRANCH

Statement of Financial Position
(in thousands of dollars)

For the year ended March 31, 2026, with comparative information for 2025

	Notes	2026	2025
Assets			
Current:			
Cash		$ 4,056	$ 3,690
Accounts receivable	6	20,729	16,015
Prepaid expenses and deposits	7	7,461	9,615
Inventories	8	234,811	248,035
		267,057	277,355
Non-current:			
Prepaid expenses and deposits	7	989	2,140
Intangible assets	9	-	2
Property and equipment	10	81,678	86,300
Right-of-use assets	11	192,776	210,220
		275,443	298,662
		$ 542,500	$ 576,017
Liabilities			
Current:			
Accounts payable and accrued liabilities	12, 15	$ 206,732	$ 198,723
Current portion of lease liabilities	11	48,095	47,651
Due to the Province of British Columbia	13	67,204	88,099
		322,031	334,473
Non-current:			
Lease liabilities	11	167,643	185,457
Other long-term liabilities	14	52,826	56,087
		220,469	241,544
Commitments and contingencies	16, 17		
		$ 542,500	$ 576,017

The accompanying notes are an integral part of these financial statements.

Approved for issue on May 20, 2026 by:

Erin McEwan
Interim General Manager and Chief Executive Officer

Julia Aspinall, CPA
Chief Financial Officer

BC LIQUOR DISTRIBUTION BRANCH

Statement of Cash Flows
(in thousands of dollars)

For the year ended March 31, 2026, with comparative information for 2025

	Notes	2026	2025
Cash provided by (used in):			
Operating:			
Total income and comprehensive income		$ 1,005,199	$ 1,094,237
Items not involving cash:			
Depreciation and amortization	9, 10, 11	67,400	66,906
Loss (gain) on disposal of property and equipment		(37)	15
Finance costs	11	6,900	7,057
Accrued employee benefits		(3,261)	4,050
Changes in non-cash operating items:			
Non-current assets		1,151	3,190
Working capital	6, 7, 8, 12	18,673	(11,084)
		1,096,025	1,164,371
Investing:			
Acquisition of property and equipment	10	(16,327)	(21,864)
Proceeds from disposal of property and equipment		57	84
		(16,270)	(21,780)
Financing:			
Payment of lease liabilities	11	(53,958)	(52,890)
Lease incentives		663	225
Net payments to the Province of British Columbia	13	(1,026,094)	(1,121,212)
		(1,079,389)	(1,173,877)
Increase (decrease) in cash		366	(31,286)
Cash, beginning of year		3,690	34,976
Cash, end of year		$ 4,056	$ 3,690
Supplementary information:			
Non-cash operating and finance activities:			
Addition of lease liabilities	11	$ 29,025	$ 45,918

The accompanying notes are an integral part of these financial statements.

1. Description of operations

The British Columbia Liquor Distribution Branch ("the LDB") is one of two branches of the Province of British Columbia ("the Province") responsible for the beverage alcohol and cannabis industry in British Columbia and reports to the Ministry of Agriculture and Food effective July 17, 2025 (previously reporting to the Ministry of Public Safety and Solicitor General).

The LDB obtains its authority for liquor operations from the British Columbia *Liquor Distribution Act* ("the Act"). As stated in Section 2 of the Act, the LDB has the exclusive right to purchase liquor for resale and reuse in the Province in accordance with the provisions of the *Importation of Intoxicating Liquors Act* (Canada).

The General Manager and Chief Executive Officer of the LDB are also appointed as the administrator for the wholesale distribution, the operation of retail stores, and the on-line sales system of cannabis products under the *Cannabis Distribution Act*.

The LDB is reported in the public accounts on a modified equity basis, in a manner similar to a commercial Crown corporation. The LDB does not reflect any equity on its statement of financial position as all income is owned and payable to the Province of British Columbia.

The LDB is exempt from Canadian federal and British Columbia provincial income taxes.

During the year ended March 31, 2026, LDB operations were affected by a five-week BCGEU job action strike and by measures taken in response to U.S. tariffs.

2. Basis of accounting

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") Accounting Standards as issued by the International Accounting Standards Board ("IASB"). These financial statements were authorized for issuance by those charged with governance on May 20, 2026.

(b) Basis of measurement

These financial statements have been prepared on a historical cost basis. The accounts have been prepared on a going concern basis.

(c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the LDB's functional currency. All financial information has been rounded to the nearest thousand.

2. Basis of accounting (continued)

(d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting judgments, estimates and assumptions that could materially affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. In determining and applying accounting policies, judgment is often required where the choice of specific policy, assumption or account estimate to be followed could materially affect the reported results or net position of the LDB, should it later be determined that a different choice would be more appropriate. Management considers the following to be areas of judgment and estimation for the LDB due to greater complexity and/or being particularly subject to the exercise of judgment:

(i) Property and equipment

The determination of the useful economic life of property and equipment is subject to management estimation. The LDB regularly reviews all of its depreciation and amortization rates and residual values to take account of any changes in circumstances or that could affect prospective depreciation, amortization charges, and asset carrying values.

(ii) Leases and right-of-use assets – renewals

Management exercises judgment 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, store performances, past business practice and the length of time remaining before the option is exercisable.

The periods covered by renewal options are only included in the lease term if management is reasonably certain to renew. Management considers reasonably certain to be a high threshold. Changes in the economic environment or changes in the retail industry may impact management’s assessment of lease terms, and any changes in management’s estimate of lease terms may have a material impact on the LDB’s statement of financial position and statement of comprehensive income.

2. Basis of accounting (continued)

(d) Use of estimates and judgments (continued)

(iii) Leases and right-of-use assets - discount rates

In determining the carrying amount of right-of-use assets and lease liabilities, the LDB is required to estimate the incremental borrowing rate specific to each leased asset or portfolio of leased assets if the interest rate implicit in the lease is not readily determined. Management determines the incremental borrowing rate using a base risk-free interest rate estimated by reference to the Government of Canada bond yield with an adjustment that reflects the LDB’s credit rating, the security, lease term and value of the underlying leased asset, and the economic environment in which the leased asset operates. The incremental borrowing rates are subject to change due to changes in the business and macroeconomic environment.

3. Material accounting policies

The accounting policies below have been applied consistently to all periods presented in these financial statements unless otherwise indicated.

(a) Foreign currency translation

The LDB, in the normal course of business, purchases product in foreign currency. Any foreign currency transactions are translated into Canadian dollars at the rate of exchange in effect at the transaction date. Any foreign currency denominated monetary assets and liabilities are stated using the prevailing rate of exchange at the date of the statement of financial position. The resulting foreign currency gains or losses are recognized on a net basis within administrative expenses in the statement of comprehensive income.

(b) Financial instruments

(i) Recognition and initial measurement

Trade receivables and trade payables are initially recognized when they originate. All other financial assets and financial liabilities are initially recognized when the LDB becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (“FVTPL”), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

3. Material accounting policies (continued)

(b) Financial instruments (continued)

(ii) Classification and measurement of financial assets and financial liabilities

Financial Assets

On initial recognition, a financial asset is classified and measured at: amortized cost, fair value through other comprehensive income ("FVOCI") - debt instrument, FVOCI - equity instrument, or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the LDB changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

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

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

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

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the LDB may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

For the purposes of assessing whether contractual cash flows are solely payments of principal and interest, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (*e.g.*, liquidity risk and administrative costs), as well as a profit margin.

3. Material accounting policies (continued)

(b) Financial instruments (continued)

(ii) Classification and measurement of financial assets and financial liabilities (continued)

In assessing whether the contractual cash flows are solely payments of principal and interest, the LDB considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of the contractual cash flows such that this would not meet this condition.

In making this assessment, the LDB considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the LDB's claim to cash flows from specified assets (*e.g.*, non-recourse features).

A prepayment feature is consistent with the payments solely of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

The following accounting policies apply to subsequent measurement of financial assets:

- Financial assets at FVTPL: these assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
- Financial assets at amortized cost: these assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income and impairment are recognized in profit or loss. Any gain or loss on derecognition are recognized in profit or loss.

3. Material accounting policies (continued)

(b) Financial instruments (continued)

(ii) Classification and measurement of financial assets and financial liabilities (continued)

- Debt investments at FVOCI: these assets are subsequently measured at fair value. Interest income calculated using the effective interest method and impairment are recognized in profit or loss. Other net gains are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Financial Liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

(iii) Derecognition

The LDB 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 LDB neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The LDB derecognizes a financial liability when its contractual obligations are discharged, or cancelled, or expire. The LDB also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the LDB currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

3. Material accounting policies (continued)

(c) Property and equipment

Property and equipment are measured at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the LDB and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Construction in process is carried at cost less any impairment loss. Cost includes professional fees, materials, direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When these assets are ready for their intended use, they are transferred into the appropriate category. At this point, depreciation commences on the same basis as the other property and equipment.

<u>Depreciation of non-financial assets</u>

No depreciation is provided on land or assets in the course of construction. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their net book values over their estimated useful lives, as follows:

Asset	Rate
Buildings and building improvements	2.5 - 5% per annum
Leasehold improvements	Shorter of term of lease or estimated useful lives
Furniture, fixtures, vehicles and equipment	10 - 25% per annum
Information systems	25% per annum

The assets' net book values and useful lives are reviewed and adjusted, if appropriate, at each date of the statement of financial position.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the statement of comprehensive income.

3. Material accounting policies (continued)

(d) Intangible assets

Acquired intangible assets

Where purchased computer software is not an integral part of a related item of property and equipment, the software is capitalized as an intangible asset. Acquired computer software licenses for which the LDB has control are capitalized on the basis of the costs incurred to acquire and bring them into use.

Intangible assets acquired by the LDB that have finite lives are measured at cost less accumulated amortization and accumulated impairment losses.

Internally generated intangible assets

Direct costs associated with the production of identifiable and unique internally generated software products controlled by the LDB that will generate economic benefits exceeding costs beyond one year are capitalized. Direct costs include software development employment costs including those of contractors used.

Development expenditures incurred are capitalized only if the following can be demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale as intended by management;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset; and
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Development expenditures that do not meet these criteria are recognized as an expense as incurred.

Assets that are under construction over a period of time and not available for use, are carried at cost, less any impairment loss, in a development in progress account until put into use. When completed and ready for intended use these assets are amortized on the same basis as other acquired intangible assets.

Costs associated with the implementation of Software as a Service (“SaaS") solutions and maintenance of existing software programs are recognized as an expense as incurred.

3. Material accounting policies (continued)

(d) Intangible assets (continued)

Amortization of intangible assets

Amortization of intangible assets is calculated using the straight-line method to allocate their cost to their net book values over their estimated useful lives, as follows:

Asset	Rate
Intangible assets – computer software development costs	25% per annum

(e) Leases and right-of-use assets

At the inception of a contract, the LDB assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset the LDB assesses whether:

- the contract involves the use of an identified asset. This may be specified explicitly or implicitly and, should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the LDB has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- the LDB has the right to direct the use of the asset. The LDB has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases, where the decision about how and for what purpose the asset is used is predetermined, the LDB has the right to direct the use of the asset if either:
  - the LDB has the right to operate the asset; or
  - the LDB designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassignment of a contract that contains a lease component, the LDB allocates the consideration of the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which LDB is a lessee, the LDB has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

3. Material accounting policies (continued)

(e) Leases and right-of-use assets (continued)

As a lessee, the LDB recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located where a contractual obligation exists, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Incremental borrowing rate	2026	2025
Buildings	3-4% per annum	3-4% per annum
Office equipment	1% per annum	1% per annum

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the LDB's incremental borrowing rate. Generally, the LDB uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the LDB is reasonably certain to exercise, lease payments in an optional renewal period if the LDB is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the LDB is reasonably certain not to terminate early.

3. Material accounting policies (continued)

(e) Leases and right-of-use assets (continued)

The lease liability is measured at amortized cost using the effective interest method. The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the LDB's estimate of the amount expected to be payable under a residual value guarantee, or if the LDB changes its assessment of whether it will exercise a purchase, extension, or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

<u>Short-term leases and leases of low-value assets</u>

The LDB has applied the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12-months or less and leases of low-value assets, which includes computer equipment. The LDB recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(f) Inventories

The LDB's inventories are valued at the lower of cost and net realizable value. Inventories are determined on a weighted average cost basis. Cost of inventories are comprised of the cost of purchase to bring inventories to an LDB distribution centre and includes supplier invoiced value, freight, duties, and non-recoverable taxes. Net realizable value represents the estimated selling price for inventories less the estimated costs to sell.

Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence or damage. When circumstances that previously caused inventories to be written down below cost no longer exist, the amount of the write-down previously recorded is reversed.

(g) Impairment

The LDB recognizes loss allowances for expected credit loss ("ECL") on financial assets measured at amortized cost and contract assets. The financial assets at amortized cost consist of accounts receivable.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the LDB considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the LDB's historical experience and informed credit assessment, which includes forward-looking information.

3. Material accounting policies (continued)

(g) Impairment (continued)

Allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

The LDB assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The LDB considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the LDB in full.

Lifetime ECLs are those amounts that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs is a probability-weighted estimate of credit losses. Credit losses are measured 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 LDB expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the LDB 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.

Evidence that a financial asset is credit-impaired includes the following observable data: significant financial difficulty of the debtor; a breach of contract such as a default; or being more than 30 days past due.

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

If the LDB has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof, the gross carrying amount of the financial asset is written off.

(i) Financial assets

Assets that are subject to depreciation and amortization are reviewed at each statement of financial position date to determine whether there is any indication that assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (the “cash-generating unit”), which are based on the LDB’s individual stores.

3. Material accounting policies (continued)

(g) Impairment (continued)

(ii) Non-financial assets

Non-financial assets that suffered an impairment loss are reviewed for possible reversal of the impairment at each reporting date. An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable 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. This reversal would be recognized immediately in the statement of comprehensive income.

(h) Employee benefit plans

The LDB and its employees contribute to the Public Service Pension Plan in accordance with the *Public Service Pension Plans Act*. Defined contribution plan accounting is applied to the jointly trusteed pension plan because sufficient information is not available to apply defined benefit accounting. Accordingly, contributions are expensed as they become payable. Employees are also entitled to specific retirement benefits as provided for under collective agreements and terms of employment. These benefits are accounted for as an expense and a liability in the period incurred based on the allocation of liability from the Province.

(i) Provisions

Provisions are recognized if, as a result of a past event, the LDB has a legal or constructive obligation upon which a reliable estimate can be made, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are calculated on a discounted basis where the effect is material to the original undiscounted provision. The carrying amount of the provision increases in each period to reflect the passage of time and the unwinding of the discount. The unwinding of the discount is recognized as a finance cost.

(j) Revenue recognition

Revenue is measured based on the consideration to which LDB expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. For direct delivery programs where LDB accounts for the transactions as an agent, the revenue represents only the net margin charged on direct delivery sales. The LDB recognizes revenue when performance obligations are satisfied, which occurs when control of goods is transferred to the customer. Revenue from the sale of goods is measured at the amount that reflects the best estimate of the consideration expects to receive in exchange for those goods.

Revenue is stated net of discounts, commission, estimated returns and excludes provincial sales tax, federal goods and services tax, container recycling fees and container deposits.

3. Material accounting policies (continued)

(k) Other income

Revenue that is ancillary to the sales of beverage alcohol is recognized as other income. Other income includes revenue from beverage container handling fees, border point collections and customs clearing administrative fees.

(l) Changes in accounting standards

(i) *New standards, interpretations and amendments adopted*

Effective date: April 1, 2025

- *IAS 21, (The Effects of Changes in Foreign Exchange Rates) lack of exchangeability*

(ii) *New standards, interpretations and amendments not adopted yet*

Effective date: April 1, 2026

- *IFRS 9 (Financial Instruments and IFRS 7, Financial Instruments: Disclosures) Amendments to the Classification and Measurement of Financial Instruments*
- Annual Improvements to IFRS Accounting Standards – Amendments to:

  IFRS 9, Financial Instruments;

  IAS 7, Statement of Cash flows

Effective date: April 1, 2027

- *IFRS 18, Presentation and Disclosure in Financial Statements*

Other than the upcoming disclosure requirement relating to IFRS 18, the LDB does not anticipate a material impact on the LDB's financial statements in relation to the other amendments.

IFRS 18 is expected to have a significant impact on the structure and comparability of these financial statements and enhance disclosures on management-defined performance measures. The standard will amend the presentation of the income statement to improve consistency. There will be no impact on total income and comprehensive income.

4. Revenue

Total revenue of liquor and cannabis includes sales to various customers including retail customers, licensed establishments, licensee retail stores, and agency stores. These amounts do not include subsequent resale by hospitality establishments, licensee retail stores, and agency stores. Revenue in 2026 was affected by job actions, as well as response measures to US tariffs.

(Tabular amounts in thousands of dollars)

4. Revenue (continued)

	2026	2025
Liquor	$ 3,087,329	$ 3,274,491
Cannabis	607,543	623,912
Total sales	$ 3,694,872	$ 3,898,403

5. Operating expenses

Job actions had an impact on operating expenses in 2026. The LDB's operating expenses are comprised of:

	2026	2025
Salaries and benefits	$ 360,557	$ 361,301
Amortization	67,400	66,906
Bank charges	40,299	42,197
Other administrative expenses	23,910	26,137
Rents and property taxes	19,813	20,234
Data processing	18,264	16,902
Professional services	12,282	16,013
Marketing	10,720	10,715
Repairs and maintenance	9,590	11,483
Loss prevention	3,691	4,000
Transportation	988	1,054
Total operating expenses	$ 567,514	$ 576,942

6. Accounts receivable

	2026	2025
Trade accounts receivable and other items	$ 24,276	$ 18,560
Provision for doubtful accounts	(3,547)	(2,545)
Accounts receivable	$ 20,729	$ 16,015

(Tabular amounts in thousands of dollars)

6. Accounts receivable (continued)

Receivables past invoice due date but not impaired are $5.6 million (2025 - $3.7 million). During the year the LDB expensed $1.9 million (2025 - $1.1 million) as bad debts expense.

7. Prepaid expenses and deposits

Prepaid expenses and deposits include insurance, software maintenance, and cash paid pertaining to wine to be received in subsequent periods. The LDB purchases select wine products up to three years in advance to secure future delivery of these products as part of its ongoing business practices. These products are normally purchased in foreign currency and are translated to Canadian dollars at the spot exchange rate in effect at the transaction date. At March 31, 2026, the LDB has recorded $4.2 million (2025 - $7.5 million) of prepaid wine futures for delivery

	2026	2025
Non-refundable deposit of wine futures	$ 4,193	$ 7,464
Other prepaid expenses	4,257	4,291
	8,450	11,755
Less: long term portion	(989)	(2,140)
Current portion	$ 7,461	$ 9,615

8. Inventories

	2026	2025
Store inventory	$ 92,115	$ 90,891
Warehouse inventory	142,696	157,144
Total inventory	$ 234,811	$ 248,035

During the year, inventories that were recognized as cost of sales amounted to $2.1 billion (2025 - $2.2 billion).

9. Intangible assets

		Software development
March 31, 2025		
Opening net book value	$	9
Amortization charge		(7)
Net book value	$	2
Cost	$	94,712
Accumulated amortization		(94,710)
Net book value	$	2
March 31, 2026		
Opening net book value	$	2
Amortization charge		(2)
	$	-
Cost	$	94,712
Accumulated amortization		(94,712)
Net book value	$	-

(Tabular amounts in thousands of dollars)

10. Property and equipment

	Land and land improvements	Buildings and building improvements	Leasehold improvements	Furniture fixtures vehicles and equipment	Information systems	Construction in process (CIP)	Total
March 31, 2025							
Opening net book value	$ 896	$ 1,361	$ 57,410	$ 12,893	$ 7,765	$ 5,225	$ 85,550
Additions	-	275	1,372	6,019	3,708	10,490	21,864
CIP capitalization (transfer)	-	-	8,862	2,042	-	(10,904)	-
Disposals (cost)	-	-	(6,384)	(4,826)	(946)	-	(12,156)
Disposals (accumulated depreciation)	-	-	6,300	4,789	946	-	12,035
Depreciation charge	(23)	(123)	(11,784)	(5,192)	(3,871)	-	(20,993)
	$ 873	$ 1,513	$ 55,776	$ 15,725	$ 7,602	$ 4,811	$ 86,300
Cost	$ 920	$ 7,365	$ 163,478	$ 73,548	$ 53,417	$ 4,811	$ 303,539
Accumulated depreciation	(47)	(5,852)	(107,702)	(57,823)	(45,815)	-	(217,239)
Net book value	$ 873	$ 1,513	$ 55,776	$ 15,725	$ 7,602	$ 4,811	$ 86,300
March 31, 2026							
Opening net book value	$ 873	$ 1,513	$ 55,776	$ 15,725	$ 7,602	$ 4,811	$ 86,300
Additions	53	697	589	6,240	2,174	6,574	16,327
CIP capitalization	-	-	4,786	819	-	(5,605)	-
Disposals (cost)	-	-	(2,781)	(3,830)	(7,355)	-	(13,966)
Disposals (accumulated depreciation)	-	-	2,781	3,811	7,354	-	13,946
Depreciation charge	(25)	(127)	(12,015)	(5,599)	(3,163)	-	(20,929)
	$ 901	$ 2,083	$ 49,136	$ 17,166	$ 6,612	$ 5,780	$ 81,678
Cost	$ 973	$ 8,062	$ 166,072	$ 76,777	$ 48,236	$ 5,780	$ 305,900
Accumulated depreciation	(72)	(5,979)	(116,936)	(59,611)	(41,624)	-	(224,222)
Net book value	$ 901	$ 2,083	$ 49,136	$ 17,166	$ 6,612	$ 5,780	$ 81,678

(Tabular amounts in thousands of dollars)

11. Leases and right-of-use assets

The LDB has various real estate (property) leases for retail stores, office space and warehouses. The leases have varying terms, escalation clauses, and renewal rights. The leases for retail stores, office space and warehouses typically run for a period of five to ten years. Some leases also require the LDB to make payments related to property taxes levied on the lessor and insurance payments made by the lessor. These amounts are generally determined annually.

The LDB also leases office equipment with terms of five years.

(a) Right-of-use assets

	Property	Equipment	Total
March 31, 2025			
Opening net book value	$ 209,419	$ 1,000	$ 210,419
Additions	45,918	-	45,918
Disposals (cost)	(1,950)	-	(1,950)
Disposals (accumulated depreciation)	1,739	-	1,739
Depreciation charge	(45,633)	(273)	(45,906)
	$ 209,493	$ 727	$ 210,220
Cost	$ 464,420	$ 2,310	$ 466,730
Accumulated amortization	(254,927)	(1,583)	(256,510)
Net book value	$ 209,493	$ 727	$ 210,220
March 31, 2026			
Opening net book value	$ 209,493	$ 727	$ 210,220
Additions	29,025	-	29,025
Disposals (cost)	(35)	-	(35)
Disposals (accumulated depreciation)	35	-	35
Depreciation charge	(46,196)	(273)	(46,469)
	$ 192,322	$ 454	$ 192,776
Cost	$ 493,409	$ 2,311	$ 495,720
Accumulated amortization	(301,087)	(1,857)	(302,944)
Net book value	$ 192,322	$ 454	$ 192,776

(Tabular amounts in thousands of dollars)

11. Leases and right-of-use assets (continued)

(b) Amounts recognized in statement of comprehensive income

	2026	2025
Depreciation on right-of-use assets	$ 46,469	$ 45,906
Interest expense on lease liabilities	6,900	7,057
Rent expense related to short-term leases	44	28

(c) Amounts recognized in statement of cash flows

	2026	2025
Total cash outflow for leases	$ 53,958	$ 52,890

(d) Lease liabilities

Undiscounted cash flow of future lease payments

	2026	2025
Less than one year	$ 54,330	$ 54,323
Between one to five years	140,421	152,777
More than five years	41,582	49,366
	$ 236,333	$ 256,466

Lease liabilities included in the statement of financial position

	2026	2025
Current	$ 48,095	$ 47,651
Non-current	167,643	185,457
	$ 215,738	$ 233,108

The weighted-average incremental borrowing rate applied for leases that are 10-years or more is 4% (2025 - 4%). Leases that are less than 10-years use a discount rate of 3% (2025 - 3%).

(Tabular amounts in thousands of dollars)

12. Accounts payable and accrued liabilities

	2026	2025
Trade payables	$ 127,351	$ 120,451
Accrued liabilities	71,737	71,353
Other payables	7,644	6,919
	$ 206,732	$ 198,723

13. Due to Province of British Columbia

The LDB uses the Province's financial and banking systems to process and record its transactions. The amount due to the Province represents the accumulated net financial transactions with the Province. During the year, the total receipts from the Province were $3.14 billion (2025 - $3.30 billion) and the total payments to the Province were $4.17 billion (2025 - $4.42 billion) for a net repayment to the Province of $1.03 billion (2025 - $1.12 billion).

14. Other long-term liabilities

The LDB's other long-term liabilities are comprised of:

	2026	2025
Retirement benefit obligation (note 15(b))	$ 20,685	$ 22,215
WorkSafe BC claims accruals (note 15(c))	30,300	30,700
Other	1,841	3,172
	$ 52,826	$ 56,087

15. Employees' benefit plans and other employment liabilities

(a) Public Service Pension Plan

The LDB and its employees contribute to the Public Service Pension Plan, a jointly trusteed pension plan. The Public Service Pension Board of Trustees, representing plan members and employers, is responsible for administering the plan, including investment of the assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. At March 31, 2025, the plan has about 80,000 active members and approximately 58,000 retired members.

15. Employees’ benefit plans and other employment liabilities (continued)

(a) Public Service Pension Plan (continued)

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary’s calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The latest actuarial valuation as at March 31, 2023, indicated a funding surplus of $4,491 million for basic pension benefits on a going concern basis.

LDB paid $24.4 million (2025 - $24.0 million) for employer contributions to the plan in fiscal 2026 which was recorded in salaries and benefits expenses. The next valuation will be as at March 31, 2026.

Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plan.

(b) Retirement benefits

Employees are entitled to specific non-pension retirement benefits as provided for under collective agreements and terms of employment. The future liability for this obligation amounts to $20.7 million (2025 - $22.2 million), which represents future employees’ retirement benefits outside of the Plan and is included in other long-term liabilities.

(c) WorkSafe BC outstanding claims

The LDB self-funds worker’s compensation claims. The LDB recognizes a liability and an expense for claims that are in progress at the year-end. This liability of $30.3 million (2025 - $30.7 million) is valued by independent actuaries.

16. Contractual commitments

(a) BC Liquor store and BC Cannabis store license fees

The LDB pays the Liquor Control and Licensing Branch an annual license fee for each LDB retail store. The BC Liquor store fee is based on annual store sales. The BC Cannabis fee is annual fixed fee. The LDB paid $0.5 million (2025 - $0.5 million) for license fees during the year.

16. Contractual commitments (continued)

(b) Payroll processing

The LDB has an agreement with the BC Public Service Agency for payroll processing. The LDB paid $1.2 million (2025 - $1.2 million) for processing services. The agreement expired in 2025 and is being reassessed.

Other contractual commitments have been disclosed elsewhere in the notes to the financial statements.

(c) Custom duty

The LDB is the sole importer of beverage alcohol in the Province. The LDB, as the importer of record, has the future liability for customs duty on import beer of $0.6 million (2025 - $0.5 million) based upon the value of the agents' inventories at March 31, 2026.

17. Contingencies

The LDB in the normal course of operations is the defendant in various legal actions and it is not expected that the ultimate outcome of these claims will have a material effect on the financial position or operating results of the LDB.

18. Capital management

The LDB does not retain any equity. Net income is returned to the Province. The LDB has no externally imposed capital requirements.

19. Related party transactions

(a) Province of British Columbia

All transactions with the Province of BC and its ministries, agencies, and Crown corporations occurred in the normal course of business and are recorded at the exchange amount, which is representative of fair value unless otherwise disclosed in these notes.

(b) Key management compensation

The LDB's Senior Executive Team ("SET") is considered key management. As of March 31, 2026, there were 6 (2025 - 10) key management members. The LDB executive leadership team underwent restructuring in August 2024.

(Tabular amounts in thousands of dollars)

19. Related party transactions (continued)

(b) Key management compensation (continued)

	2026	2025
Salaries and short-term benefits	$ 1,211	$ 2,123
Post-employment benefits	103	169
	$ 1,314	$ 2,292

Other related party transactions have been disclosed elsewhere in the notes to the financial statements.

20. Fair value of financial instruments

Fair value measurements recognized in the statement of financial position are categorized in accordance with the following levels:

(i) Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

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

(iii) Level 3: Inputs for the asset or liability that is not based on observable market data (unobservable inputs)

All of the LDB's financial instruments are classified within Level 1 or Level 2, apart from the Worksafe BC liabilities (Level 3), because these instruments are valued using quoted market prices or alternative pricing sources and models utilizing observable market inputs.

The LDB's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities and due to the Province of British Columbia.

The carrying amounts for cash, accounts receivable, accounts payable and accrued liabilities and due to the Province of British Columbia approximate their fair values due to the short-term nature of these items.

21. Financial risk factors

The LDB is exposed to the following risks related to its financial assets and liabilities:

- Credit risk
- Liquidity risk
- Market risk

21. Financial risk factors (continued)

It is management's opinion that the LDB is not exposed to significant credit, liquidity or market risk arising from these instruments.

The LDB does not have any financial instruments to be disclosed with actuarial value.

(a) Credit risk

Credit risk is the risk of financial loss to the LDB due to customer inability to pay for product or a counterparty to a financial instrument failing to meet its contractual obligations. The LDB's exposure to credit risk is related only to the value of accounts receivable in its normal course of business, as well as cash held at financial institutions and counterparty risk associated with lease agreements, including future lease payments. The LDB manages this risk by minimizing the amount of transactions which require recovery. See accounts receivable note 3(b), note 3(g) and note 6 for further disclosure on credit risk.

As at March 31, 2026, the cash balances are held with a major Canadian bank and therefore not exposed to significant credit risk.

(b) Liquidity risk

Liquidity risk is the risk that the LDB will not be able to meet its financial obligations as they fall due.

The LDB manages liquidity risk primarily by monitoring cash flows and by maintaining the ability to borrow funds through the Province.

(c) Market risk

Market risk is the risk that changes in the market prices, such as foreign exchange rates and interest rates, will affect the LDB's income or the value of its financial instruments.

While the majority of the LDB's transactions are in Canadian dollars, the LDB also transacts in Euros and US dollars. These transactions are in the normal course of business. The LDB's exposure to foreign currency risk could impact the accounts payable of the LDB. A 10% movement in the exchange rate between the Canadian dollar and the other currencies listed above would not have a material impact on the LDB.

The LDB currently does not hold any debt or equity securities and as such is not exposed to interest rate risk. As the LDB has no significant interest-bearing assets and liabilities, the LDB's income and operating cash flows are substantially independent of changes in market interest rates.

22. Comparative information

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.