2009-2010 Annual Business Plan

Updated August 17, 2009

MISSION

Bringing a world of beverage enjoyment to Nova Scotia.

MANDATE

The NSLC is governed by the Liquor Control Act (LCA) of Nova Scotia. This act mandates the responsibilities of the NSLC to its shareholder, the people of Nova Scotia. The most fundamental element of the corporation's role derived from the LCA is that the NSLC is solely responsible for the receipt, distribution, and control of all beverage alcohol available throughout Nova Scotia. In order to ensure the safe and responsible consumption of alcohol, any products sold through NSLC stores, agency stores, private wine and specialty stores (PWSS), licensees, and private importations must be received through the NSLC. Through this mandate, the government ensures that the product is available only to Nova Scotians of legal drinking age. The legislation also describes four other key responsibilities of the corporation, specifically:

- attainment of acceptable levels of customer service
- promotion of social objectives regarding responsible drinking
- promotion of economic objectives regarding the beverage alcohol industry in Nova Scotia
- attainment of suitable financial revenue for the Government of Nova Scotia

The NSLC strives to balance its legislated mandate between the control aspects of the products, providing the necessary financial returns to its shareholder and ensuring a high level of service to Nova Scotians.

The NSLC exists, from a public policy perspective, to limit the harmful impacts of irresponsible behaviour relating to the use of beverage alcohol, not only through pricing policies, but also through the control of access to the product. It is important to note that the licensing and regulation of all bars, restaurants, pubs, lounges, and other licensed premises rest with the Nova Scotia Alcohol and Gaming Authority.

Through all retail channels, the NSLC is focused on ensuring that the product is sold only to those of legal drinking age and on delivering a message that reinforces the need for safe and intelligent consumption. The NSLC also has in place minimum pricing for all products to ensure that excessive discounted pricing is not used to induce harmful consumption.

Externally, in fulfilling its legislated mandate, the NSLC focuses on advocacy, raising awareness of the impact of irresponsible behaviour regarding alcohol consumption. The NSLC's approach in this regard includes partnerships with the Nova Scotia Departments of Transportation and Infrastructure Renewal, Education, Health Promotion and Protection, and Justice, as well as police services across the province.

The NSLC is mandated to provide the government with strategic public policy advice on the regulatory aspect of the Liquor Control Act and the economic development of the Nova Scotia beverage alcohol industry, providing opportunities for Nova Scotia beverage alcohol producers to optimize the retail of their products.

The NSLC has developed, based on its legislated mandate, a statement of purpose to guide all employees over the coming years. The NSLC Purpose, Vision, and Culture statement goes beyond the legislated requirements to describe and inspire our people as to the type of business we wish to become.

Purpose

Bringing a world of beverage enjoyment to Nova Scotia.

Vision

To be recognized as a superb retailer, known for our business performance, customer focus, and vibrant shopping experience, eliciting the pride and enthusiasm of Nova Scotians.

Culture

- encouraging innovation and creativity
- engaging employees in achieving success
- driven by customer needs
- demonstrating respect and dignity in all we do that makes it a fun place to work
- advocating intelligent consumption

PLANNING CONTEXT

Since incorporating in 2001, the NSLC has undergone a profound transition to become a customer–centric, leading retailer in the province. During this time (2000–2001 to 2008–2009) the NSLC has achieved remarkable sales growth of 51.2 per cent (gross not including non-liquor items) and delivered a gross profit dollar increase of 54.5 per cent to our shareholder.

Successful retailers provide their customers with a complete shopping experience that engages them with new and modern store designs, inviting atmosphere, wider product selection, offers that deliver value, and knowledgeable, well-trained staff who offer personalized service.

The NSLC's continued success depends on its ability to respond to the realities of our market by providing shoppers with a retail experience that meets and exceeds their evolving needs and expectations. The long-term earnings growth, resulting from focusing on customer expectations, will be achieved through ongoing strategic investments in all aspects of the business.

Creating the right store and customer experience for the right market to deliver the NSLC's customer promise is, and continues to be, a top priority.

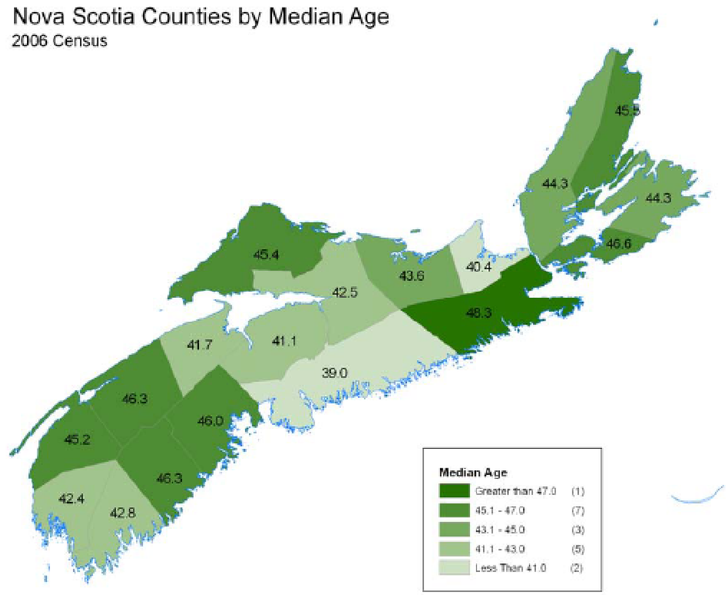
Market

Statistics Canada 2006 census data indicates that 78.5 per cent of the Nova Scotia population is of legal age to consume beverage alcohol. NSLC surveys indicate that 26 per cent do not shop for alcohol. Hence, the NSLC customer base consists of approximately 535,000 people, most of whom visit an NSLC store at least once a month.

Population growth in Nova Scotia is relatively flat. Not only is the population not growing, it is aging. The Nova Scotia Department of Finance second release from the 2006 Census on Age and Sex notes: "*The aging of the Baby Boomers coupled with out-migration to other provinces of women of child-bearing age and increasing life expectancy has made the population of Nova Scotia one of the oldest in Canada*." An aging population combined with a lack of growth (i.e., fewer younger residents) means that the NSLC customer base will grow older, as well. This will drive changes in consumption patterns and product demand. Research has indicated that consumption tends to decline as the population ages; however, consumer demand for premium products may also increase with age, somewhat balancing the impact of lower consumption.

Another population trend in Nova Scotia is a "hollowing out" of the rural areas of the province. More and more people, particularly young people, are moving to urban centres. The Halifax Regional Municipality (HRM) has benefited from this trend and has the youngest median age in the province.

In general, the more-urban counties in the central part of the province (i.e., Kings, Hants, and Antigonish) have lower median ages than the more-rural counties. There is a significant range of median ages, with HRM being the youngest at 39, and Guysborough being the oldest at 48. This variation in the composition of the population across the province is reflected in the make up of our customer base. The implication being that a "one-store fits all" approach in terms of design, format, and merchandising may not be the most appropriate approach. The NSLC has endeavoured to understand the constituency of each store and to align the store experiences, product, and service being offered accordingly.



The NSLC customer base also changes with seasonal variations. These include the substantial influx of people during the summer months, resulting from the province's tourism industry. In the fall, the return of students to university affects the HRM, Wolfville, Antigonish, and Sydney markets.

While the return of students in the fall is assured, the number of tourists visiting the province each year is not always as stable. To the end of September 2008, the Nova Scotia Department of Tourism reported that there were 1,652,000 visitors to the province, a 3 per cent decrease (50,000 fewer visitors) from the same period last year. On the brighter side, cruise ship activity was up 35 per cent in Halifax and 55 per cent in Sydney. The cruise ship numbers are not reported in the total of visitors, as they do not stay overnight.

Wholesale sales account for approximately 20 per cent of the corporation's gross sales. The wholesale market includes the 2100 licensed establishments in Nova Scotia (restaurants, bars, hotels, and lounges), representing 60 per cent of the wholesale market, private wine, specialty stores and other account for 8 per cent, and NSLC agency stores represent another 32 per cent of the total wholesale market.

The vendors and agents representing product manufacturers and wholesalers are critical stakeholders in our business. There are approximately 80 beverage alcohol agencies in Nova Scotia with approximately 130 registered representatives. The NSLC manages almost 6000 products in the market and has introduced 1500 new products in the last two years. To keep the product offerings fresh and vibrant, the plan is to add 300–500 new products every year.

Nova Scotia per Capita Consumption

Data on per capita consumption rates of beverage alcohol by category in Nova Scotia indicate that 2007 consumption levels of beer and wine continue to run below the national average, even though consumption of wine has been trending steadily up for the last six years. In contrast, per capita consumption of spirits in Nova Scotia has been and continues to be above the national average; however, this has continued to drop since its peak in 2005. The data also reveals that per capita consumption of coolers is now just starting to decline in Nova Scotia, while on a national level, the data suggests that cooler consumption peaked a couple of years ago and is now declining.

Consumption of Alcoholic Beverages Per Capita LDA and Over, by Category, Nova Scotia vs. Canada (Litres 2002-2007)						
	2002	**2003**	**2004**	**2005**	**2006**	**2007**
Spirits (excludes coolers)						
Canada	5.65	5.57	5.65	5.62	5.82	5.90
Nova Scotia	7.08	6.90	7.07	7.14	7.10	7.04
Coolers						
Canada	2.96	3.23	3.19	3.13	3.02	3.04
Nova Scotia	2.90	3.14	3.56	3.47	3.71	3.55
Wines						
Canada	12.52	12.72	13.15	13.37	13.87	14.77
Nova Scotia	8.04	8.23	8.50	8.97	9.41	10.10
Beer						
Canada	91.74	90.99	91.76	90.00	91.42	92.04
Nova Scotia	86.16	85.06	87.25	84.65	86.64	86.67
Total						
Canada	**112.87**	**112.51**	**113.75**	**112.12**	**114.10**	**115.75**
Nova Scotia	**104.18**	**103.33**	**106.38**	**104.23**	**106.86**	**107.36**

Source: Brewers Association of Canada 2007 Annual Statistical Bulletin, pg35

The chart above reflects the total litres of beverage alcohol (by spirits, coolers, wines, and beers) the average person of legal drinking age (LDA) and above consumed in the year. The LDA is 19 across Canada except in Quebec, Manitoba, and Alberta where it is 18 years of age.

In terms of total consumption of alcohol, Nova Scotia represents a moderate consumption environment, consistently falling short of the national average.

Total per Capita Consumption of all Alcoholic Beverages by Province and Canada (litres, 2002-2007)						
	2002	**2003**	**2004**	**2005**	**2006**	**2007**
Total CANADA	**112.87**	**112.61**	**113.75**	**112.12**	**114.10**	**115.75**
Yukon Territory	187.06	186.55	187.58	187.40	180.63	184.04
Alberta	121.06	117.68	119.96	120.42	122.94	130.70
Québec	120.95	120.71	120.74	119.28	121.15	123.25
Newfoundland	119.38	115.22	123.55	120.18	116.82	117.76
Ontario	110.47	112.51	112.82	110.63	113.41	112.64
British Columbia	107.39	104.52	106.62	106.55	107.23	107.58
Nova Scotia	**104.18**	**103.33**	**106.38**	**104.24**	**106.86**	**107.36**
Prince Edward	109.03	103.71	105.96	105.67	106.65	106.86
Manitoba	100.73	99.57	102.17	98.09	101.13	105.55
New Brunswick	103.39	101.56	103.40	102.74	103.61	104.15
Saskatchewan	100.15	98.78	102.45	96.95	98.68	102.58
N.W.T. & Nunavut	115.33	115.22	109.07	95.86	126.02	96.32

Source: Brewers Association of Canada, 2007 Annual Statistical Bulletin, p. 35

As illustrated in the chart above, Yukon Territory, Alberta, and Quebec have the highest per capita consumption in the country, followed by Newfoundland and Labrador and Ontario. Nova Scotia falls in seventh place behind British Columbia.

Being under the national average in per capita consumption of beverage alcohol would appear to present a moderate opportunity for further growth. As always, this opportunity is balanced against one of our key strategic responsibilities—to promote social objectives regarding responsible drinking.

Economy

The Nova Scotia economic history for the past 10 years can be summarized as one of steady growth. This has provided the NSLC with a solid foundation on which to grow our revenues and profits for our shareholder. Over the past seven years the NSLC has generated over $1 billion for the shareholder—approximately $380 million more than the previous seven years. As the NSLC prepares this year's business plan, the economic environment is not nearly as robust.

<u>Retail Sales</u>

The Nova Scotia Department of Finance reported that retail sales grew by 4.5 per cent in 2008 and is forecasting it to grow by 3.2 per cent in 2009 and by 5.2 per cent in 2010.

Gross Domestic Product

The Nova Scotia Department of Finance reported real GDP growth in 2008 of 1.2 per cent and is forecasting growth of 0.2 per cent in 2009 and 1.8 per cent in 2010.

Employment

The Department of Finance reported that employment in Nova Scotia grew by 1.3 per cent in 2008 and is forecasting growth of 0.8 per cent in 2009 and 1.2 per cent in 2010.

Personal Income and CPI

Nova Scotians' personal income grew by 4.1 per cent in 2008 and is estimated to grow at 1.7 per cent in 2009 and forecasted to grow by 3.7 per cent in 2010.

The Nova Scotia Department of Finance reported that the Consumer Price Index grew 2.9 per cent in 2008 and is forecasting CPI to grow at a rate of 0.2 per cent for 2009 and 1.8 per cent for 2010.

Labour Relations

Most NSLC employees are unionized and are represented by the Nova Scotia Government and General Employees Union (NSGEU). Those in the bargaining unit include all full-time and part-time store clerks; and most casual store clerks have recently been added.

In addition, all store managers and assistant managers are unionized, as are maintenance and warehouse employees. In addition, certain office clerical roles are unionized. All three of the NSGEU collective agreements are in effect until March 31, 2010.

Effective July 2009, all casual employees with more than 400 hours become members of the bargaining unit. Negotiations for terms and conditions of employment for these new bargaining unit members are expected to begin this fall.

The labour climate continues to be generally characterized by an open and collaborative relationship, using a problem-solving approach to address workplace issues as they arise. This is reflected in a reduction in the number of concerns that reach the stage of a formal grievance and, for those that do result in grievances, the ability to settle the majority without resort to arbitration. It's fair to say that the NSLC has a positive labour relations climate.

Business Planning

The guiding force to successfully meet and exceed our business objectives are the NSLC's annual business planning process and 5 Year Strategic Plan.

These two documents provide the tools for the board, executive, management, and all employees to implement strategies that ensure that the individual targets of each business unit and the overall financial goals of the NSLC are met or exceeded.

This year's business plan represents the last year of the NSLC 5 Year Strategic Plan introduced in 2005. The organization follows a continuous planning process, ensuring that this plan is reviewed each year as the NSLC works towards its goals for 2010. The NSLC is now developing the next 5 Year Strategic Plan, which will outline the organizations goals and objectives for 2015.

The annual business plan outlines the major annual projects and priorities on which the NSLC will focus and deliver in the current year of the 5 Year Strategic Plan.

RETAIL ENVIRONMENT

Retailers can expect changes in consumer behaviour resulting from economic uncertainty and perception. In uncertain times, consumers look to save money and search out value more than ever before. Consumers tend to shop closer to home due to pressure on disposable income, economic uncertainty, and a desire to maximize convenience. Grocery stores and one-stop-shopping locations will benefit where sales, discounts, and private labels are the drawing cards.

The NSLC's monopoly status as the province's retailer of beverage alcohol does not exempt it from the necessity to compete for a share of Nova Scotian's discretionary income. The NSLC is fundamentally in the retail business. Like all other retailers across the province, from chains to independents, it needs to attract customers with a proposition that includes convenient locations, a broad range of products, friendly and helpful staff, and product promotions, including sales.

Over the last number of years, NSLC has made changes to all facets of the organization that reflect these retail realities. NSLC believes that these changes, and the response they have elicited from its customers, have contributed significantly to recent financial performance. Together with a healthy and growing economy, these changes have allowed NSLC to return increasing dividends to its shareholder.

As the NSLC enters the fifth and final year of its 5 Year Strategic Plan, the economic forecasts for the coming year are—at best—uncertain. NSLC does not believe that it can count on the robust growth in revenues and profits that it has generated in the previous four years of that 5 Year Strategic Plan. However, as noted in other parts of this document, modest growth is forecasted for this year, and NSLC is confident of its ability to meet or exceed the key financial objective of the current strategic plan.

In order to accomplish that objective, NSLC will continue to invest in the business and the employees—investments that it believes have made a difference to both the NSLC and its customers over the last number of years. NSLC is firmly committed to the ultimate goal of encouraging Nova Scotians to enhance their social occasions through the responsible use and enjoyment of beverage alcohol.

While economic trends tend to run in cycles about every five to seven years, the present global uncertainty looks like it may run longer and deeper than any past economic slowdown. With such economic uncertainty, retailers need to draw customers into the store by offering an engaging and entertaining experience.

Research into customer behaviour suggests that for people to spend more money when shopping, NSLC needs to design a customer experience that

- increases the amount of time customers spend in the store and
- increases the customer interaction in the store with staff and merchandising

All retailers are vying for a larger piece of the consumer's shrinking disposable income. The NSLC is no exception and is well positioned to offer affordable luxuries for every occasion.

The NSLC has successfully implemented strategies that have gained an increased share of disposable income over the past four years. In addition to the increased, varied, and improved product offering, the NSLC has made it more convenient to shop for beverage alcohol, with an expanded number of stores, increased hours of operation, Sunday store openings, and an expansion of the Agency Store Program. The co-location of approximately 50 per cent of the store network to major grocery retailers has dramatically improved customer shopping convenience and has increased customer satisfaction to the point where the NSLC is now viewed by customers as one of the top retailers in the province.

In the past three years, the NSLC has been recognized with over 54 awards by third-party organizations, both nationally and internationally. In fact, the NSLC was the only Canadian retailer to be nominated at the World Retail Awards, which were held April 2008 in Barcelona. NSLC was recognized for delivering one of the top marketing campaigns in the world for our Lots of Ways campaign, which promotes safe and alternative ways to get home safely after enjoying a social occasion. Nationally, the NSLC was recognized by the Retail Council of Canada with three awards: first in 2006 for Best Retail Corporate Responsibility Initiative for Lots of Ways; second, in 2007, for having the best new merchandising initiative in Canada with the creation of our Coolzone—the chilled beer offering in our stores; and finally, in 2007, with a Health and Safety Award for successfully implementing an innovative approach to ensuring the health and safety of our employees.

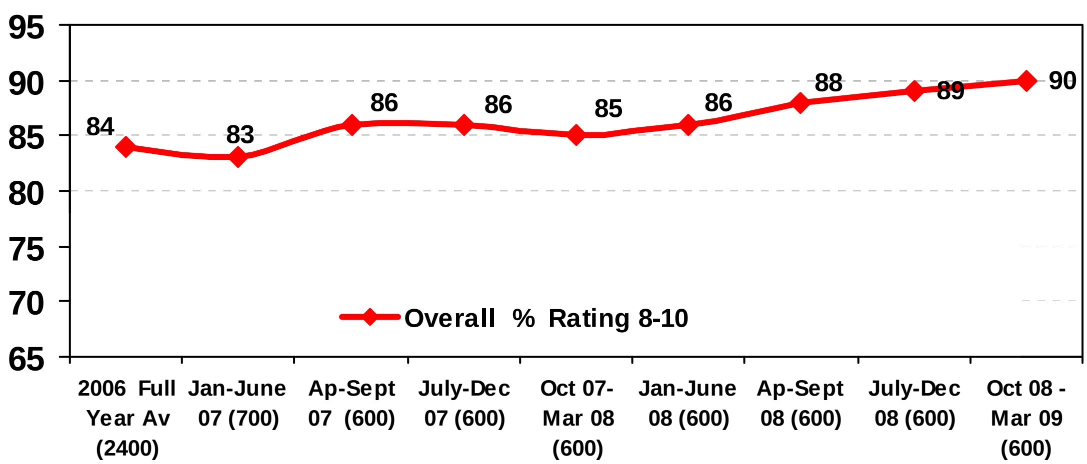
Customer Satisfaction

The NSLC measures its customer satisfaction amongst those who shop at its stores. It also conducts research amongst its customers to compare its products and services against other retail businesses in the province. This latter rating includes top-of-mind customer impressions of which are the top retailers in the province and which retailers offer the best shopping experience and a ranking of retailers by various aspects of the shopping experiences they deliver.

The results from this research indicate that the NSLC garners the second-best overall score of all major retailers in the province. Compared to all the other large, brand-name retailers our customers patronize, the NSLC rates second best for the overall shopping experience it provides.

The NSLC has measured customer satisfaction with the key elements of our current five-year plan for the past 11 quarters. Since then, NSLC's performance has increased 6 percentage points, from 84 per cent in the spring of 2006 to 90 per cent as of March 2009. As the figure below indicates, NSLC's current CSI rating is the highest ever recorded, with 90 per cent of NSLC customers giving a satisfaction rating of 8 or better on a 0–10 rating scale.

Customer Satisfaction: Overall Results
March 2006 March 2009

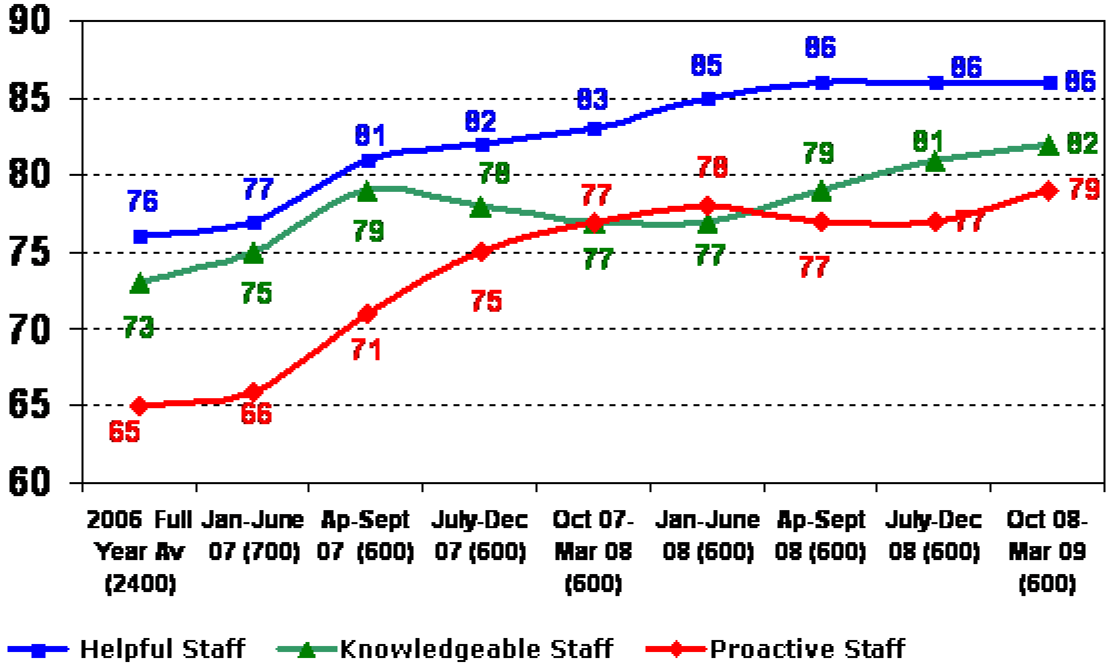


Note: For the graphs on this page the vertical scale represents % and the horizontal scale represent time frame and sample size

In managing the business, some of the indicators used to ensure maximum shareholder return while operating a modern retail business are outlined below.

NSLC Retail Staff Evaluations

March 2006-March 2009



Note: For the graphs on this page the vertical scale represents % and the horizontal scale represent time frame and sample size

While success in the retail store system can be quantitatively attributed to the increase in volume and sales of the individual product offering segments, as well as extended hours of operation, it can qualitatively be associated with increased customer satisfaction. The NSLC regularly monitors its Customer Satisfaction Index (CSI) using 23 driving factors of success. Among the ratings NSLC is most proud of are the customer assessments of staff. Using the same 0–10 scale, the figure above shows steady improvement in the number of customers giving us an 8–10 rating across three key dimensions that track appraisals of our retail staff, namely, their helpfulness, knowledge levels, and the extent to which they proactively engage with customers in an effort to serve them better. These results suggest that our increased focus on training staff on how we wish them to interact with customers, their selling expertise, and product knowledge is paying off in terms of improved customer experience. These ratings are all up significantly over the last few years. This strategy is one of the most effective to increase sales and trade the customer up the quality ladder.

Performance

In addition to the increased customer satisfaction, the growth in the return to the NSLC's shareholder has been unparalleled in its 78-year history. In fiscal 2008–2009, the NSLC exceeded budget expectations on both top-line and bottom-line growth, achieving net income from operations of $212.6 million on net sales of $559.5 million. The topline grew by 5.5 per cent with bottom-line growth at 7.0 per cent, compared to the previous fiscal year.

Additionally, the NSLC wholesale market (which includes licensees, private wine stores, and agency stores) showed good growth in fiscal 2008–2009. With sales of $110.6 million, the wholesale market represents approximately 20 per cent of our gross sales. This is a 7.6 per cent increase as compared to the previous fiscal year. The growth was largely due to increased sales for both agency stores (+19.9 per cent) and private wine stores (+10.2 per cent). Sales to licensees have increased by 1.5 per cent as compared to the 3.9 per cent drop during the same time period in the previous fiscal year.

Corporate Responsibility

The province's sustainable prosperity initiative points out that Nova Scotians want to achieve prosperity and growth in an environmentally sustainable manner. They are looking for Nova Scotia businesses to meet today's needs, while not compromising our future.

Nova Scotians are no different than consumers and investors globally, who are seeking greater efforts by business to act in a corporately responsible manner. Higher standards are expected and are being delivered in the business approach to the environment, trade standards, labour standards, adherence to basic human rights, and sustainable growth.

In addition to extensive efforts in the area of socially responsible consumption of beverage alcohol, NSLC is also developing all aspects of its business and future planning to ensure sustainable prosperity with a new Corporate Social Responsibility Plan. This CSR plan goes beyond the promotion of socially responsible consumption of alcohol to a new level of attention to the organization's impact in society. The first step in the CSR plan was the announcement in April 2008 to eliminate the 290,000 pounds (131500 kg) of plastic bags that land in provincial landfills every year, a result of the 10 million plastic bags used in NSLC retail stores. This leadership position has now been emulated in other liquor jurisdictions across Canada and has set the standard for other retailers to follow.

The NSLC, as part of our broader environmental efforts, has recently conducted a Greenhouse Gas Emissions Inventory, more commonly referred to as "carbon footprint." This carbon footprint is a measurement of the sum of the environmental costs of all NSLC buildings and infrastructure, supply chain, transportation of people and products, and processes and operations.

This measurement will provide the baseline to reduce our overall impact on the environment by developing and implementing strategies to reduce emissions across all areas of the business.

Other environmental efforts will include the development of a no-idling policy for trucking suppliers, safe product-dumping procedures at retail, waste diversion and recycling, and safe disposal of equipment. We will be reporting our progress on corporate responsibility initiatives this fiscal year in the NSLC's first annual sustainability report. This report will analyse the NSLC's environmental and corporate responsibility efforts and will include the progress made in reducing its overall carbon footprint.

NSLC CUSTOMERS

The key for any successful retail organization is to know its customers, their needs and expectations, and how to meet these needs and to anticipate how best to serve them in the future. Through both quantitative and qualitative research, the NSLC has identified and segmented our customer base in order to offer a better retail shopping experience. Driving this segmentation is a behavioural approach that recognizes that NSLC customers buy products for specific occasions. The NSLC customer buys for one or more of the following distinct reasons:

- **Celebration:** For holidays and special occasions
- **Socializing**: With groups of friends, relatives, or colleagues
- **Simple Pleasures:** At home or after a meal
- **Weekenders**: Socializing on weekends
- **Savouring**: Before and during the mealtime experience
- **Unwinding:** At the end of the day, through the week, alone time

These different occasions capture why NSLC customers purchase products. In order to fully understand customer needs and expectations, the NSLC has to also answer who is purchasing for these occasions, what they are purchasing for each occasion, when are they buying, and how much they are spending. The NSLC segments its approximately 535,000 customers based on their behaviours (captured in answers to the aforementioned questions) and then groups them into four customer segments:

- **Adventurers**: Buy different products across categories, shop more frequently, and spend more on average
- **Loyalists:** Buy the same product, shop more frequently, and spend more on average
- **Discoverers:** Buy different products across categories, shop occasionally, and spend less on average

- **Maintainers:** Buy the same product, shop occasionally, and spend less on average

By understanding the needs and expectations of its customers, the NSLC is well positioned to deliver on its business objectives.

There are many opportunities to increase revenues with all customer segments; analysis reveals that close to 4 in 10 of our customers (37 per cent) are good candidates for sales growth. More specifically, 8 per cent of the customer base is considered to exhibit the “best potential” for growth, and a further 29 per cent is considered to exhibit “very good” potential for growth.

Growth Composite by Customer Type

% within Quadrant Type of Customer

		Type of Customer				
		Loyalists" (HV)	Adventurers (HO)	Maintainers " (LV)	Discoverers (LO)	Total
Growth Composite	0 Extremely Low Potential	33%	11%	38%	15%	25%
	1 Below Average Potential	40%	28%	42%	43%	39%
	2 Very Good Potential	23%	44%	17%	33%	29%
	3 Best Potential	3%	17%	3%	10%	8%
Total		100%	100%	100%	100%	100%

Two discernable demographic characteristics serve to distinguish the high-potential segments from the remaining customer base. Firstly, high potentials tend to be younger (64 per cent under 45 years of age) and female. Secondly, they are more likely to live in Halifax. Fully 43 per cent of all Adventurers and 44 per cent of all Discoverers live in HRM.

The unique characteristics of each customer segment and number of like customer segments by store suggest that the NSLC is able to tailor its activities (e.g., store design, category assortment, displays, impulse opportunities, sales training, added-value offerings, etc.) to appeal to key customers. However, as a monopoly, it remains our responsibility to provide appropriate levels of customer service for all customer segments, in all stores.

Creating the right store for the right market was and continues to be one of the NSLC’s key priorities. Walk into any NSLC retail outlet, and they all share a similar vision and standard, yet provide an individual experience. The multi-store retail strategy, together with customer research, ensures a better understanding of the customers’ needs and helps the NSLC align its network and service offerings.

Generally, as the Nova Scotia population base shows relatively flat growth and is ageing, NSLC’s opportunity for growth lies in creating the right store in the right location, diversifying the beverage alcohol product available to the market, educating the consumer on the products available, and encouraging trial of better-quality products, all while continuing to reinforce intelligent consumption.

ORGANIZATIONAL ELEMENTS

The NSLC has five key organizational elements to its business: 1) Supply Chain; 2) Retail; 3) Wholesale; 4) Corporate Services; and 5) Regulatory

Supply Chain

Like all retail businesses, the backbone of the NSLC is an effective and efficient supply chain. The logistics of getting the product from its point of manufacture anywhere in the world to the Halifax Distribution Centre in Bayers Lake and then out to retail stores is an enormous undertaking, which speaks to the efficiency of the business. In addition, the work of Supply Chain must also meet the needs of licensees, agency stores, and private wine and specialty stores, which each have unique customer requirements. The ongoing goal of the supply chain is to improve the speed of all deliveries, while carrying a minimal level of inventory and simultaneously meeting the needs of all its customers. In an effort to optimize cash flow efficiencies the NSLC has implemented responsible inventory management practices, while maintaining a target fill rate of 98 per cent (retail 97 per cent and wholesale 98.5 per cent).

Retail

The NSLC is the province's single largest corporate retail banner responsible for the sale of beverage alcohol in the province. It does so through 106 retail stores, ranging from the Wine Baskets located in grocery stores to the high-end Port of Wines store and 54 agency stores. The NSLC is constantly examining market retail patterns to ensure that the store network is best designed to meet the constantly evolving needs of the consumer—the right store—with the right products in the right location.

A key element to retail success is the knowledge, experience, and talent of retail store staff. The NSLC employs over 1500 people in communities across the province and strives to support and enhance their skills to deliver superior customer service in a vibrant shopping environment.

Wholesale

With the exclusive responsibility to acquire and distribute beverage alcohol in Nova Scotia, the NSLC also serves as a wholesaler. The wholesale market makes up approximately 20 per cent of NSLC's revenue. The NSLC wholesale market involves supplying beverage alcohol products to the province's 2100 licensees (restaurants, bars, lounges, and hotels licensed to sell beverage alcohol) representing 11.7 per cent of net sales; NSLC agency stores (6.2 per cent of net sales); and private wine and specialty stores (PWSS) (1.6 per cent of net sales) with beverage alcohol products.

At the end of fiscal 2008–09, the NSLC wholesale market is showing good growth with sales of $110.6 million. This is a 7.6 per cent increase as compared to the previous fiscal year. The growth was largely due to increased sales for both agency stores (+19.9 per cent) and private wine stores (+10.2 per cent). Sales to licensees have increased by 1.5 per cent as compared to the 3.9 per cent *drop* during the same time period in the previous fiscal year.

Corporate Services

The NSLC has a number of corporate services that enable the supply chain, retail, and wholesale functions to operate efficiently and effectively. These include the strategic planning and financial management of the business; the merchandising and marketing of products; the development of human resource needs; the development and maintenance of our facilities and the store network; the use of information technology to improve the efficiency of the business and facilitate the shopping experience; and the transparent communication of the goals of the organization, both internally and externally. The use of SAP technology has greatly improved the execution and efficiencies of all parts of the NSLC through access to improved and more accurate data.

Regulatory

The NSLC is responsible for aspects of the Liquor Control Act relating to regulating the activities of manufacturers, their representatives, and non-consumer (commercial/industrial/institutional) uses of alcohol. Every manufacturer or their agent must be authorized by the NSLC to represent and/or market particular products and brands in the province.

A major component of the NSLC's regulatory obligations includes activity related to wineries, breweries, and distilleries manufacturing products within Nova Scotia. The NSLC recognizes the value that these local manufacturers add to the Nova Scotia economy and the great potential that their products offer in both local and world markets. All local producers are able, once permitted by the NSLC, to operate a retail outlet at their place of manufacture. In addition, the NSLC issues special permits for some of these producers to retail their product in areas such as farmers markets.

In 2007, as part of the Nova Scotia wine development strategy, the NSLC introduced the Nova Scotia wine industry pricing policy to help accelerate the growth of this rapidly developing industry in our province. The policy will aid the excellent local wineries in competing against their international counterparts within the Nova Scotia market and stores. The NSLC is committed to working with industry and government in this exciting area of our business.

STRATEGIC PLAN

In 2005, the NSLC released its first 5 Year Strategic Plan for the organization, identifying business objectives through 2010 and outlining the customer promise. During this planning year we are in the process of finalizing our next 5 Year Strategic Plan, which will guide the organization to achieving our goals from 2010–2015.

Our existing **Customer Promise** states:

The NSLC will provide our customers with service that

- *aligns product availability and selection with our customer needs*
- *is a vibrant, interactive, and inviting, Nova Scotia shopping experience*
- *ensures discovery and personal service with friendly and professional staff*

The focus of the strategic plan is to "transform the NSLC from a place to buy something into a place to shop."

The NSLC has identified five strategic pillars to guide its operations during the period of the 2005–2010 strategic plan:

- **Stewardship**
  As a Crown corporation the NSLC is legislated to deliver its business according to the Liquor Control Act. This pillar sets out how the NSLC will deliver on the responsibility entrusted to it by Nova Scotians.

- **Customer**
  This pillar outlines how the NSLC will deliver on its customer promise.

- **Reputation**
  The overall reputation of an organization impacts its financial success. This pillar sets out the NSLC commitment to enhance reputation and measure progress.

- **People**
  Having the right people, working in an enjoyable and effective work environment, drives success. This pillar sets out how, as a modern retail business, the NSLC will develop its people.

- **Financial**
  This pillar sets out the organization's top- and bottom-line performance expectations.

Each pillar is accompanied by five-year strategies that are the organization's focus in achieving its goals as outlined in the strategic plan. Each of these strategies has alignment with the priorities of the current fiscal year. The detailed strategies can be found in the NSLC 5 Year Strategic Plan. What follows are the highlights of this year's priorities.

PRIORITIES FOR 2009 - 2010

STEWARDSHIP

Five-Year Goal

- **To provide Nova Scotians with the corporate stewardship entrusted to the NSLC under the Liquor Control Act**

2009–2010 Priorities

- Develop the next 5 year Strategic Plan 2010-2015.

- Continue emphasis on improving Crown corporation governances by adopting national best practices.

- Develop a framework and social legislative strategy for NSLC and board to bring forward policy advice in areas of beverage alcohol legislation and industry economic development.

- Implement Phase 2 of the Nova Scotia wine industry strategy, in conjunction with government and industry stakeholders, allocating internal funding and developing implementation measures.

- Implement a community relations strategy that is supportive of the communities we serve.

CUSTOMER

Five-Year Goal

- **To match the customer experience with the customer promise**

2009–2010 Priorities

- Continue to evolve the product specialist's role to support the network plan and advance team development through training.

- Initiate next phase assortment and promotional improvements: develop promotional effectiveness metrics, integrate marketing into the promotional process, and map store display space.

- Reinvigorate product availability and selection via assortment and merchandising: close wine assortment gaps identified in the multi-format retail strategy.

- Upgrade and enhance the physical merchandising and operational components of the cold rooms.

- Implement Phase 2 of the customer-centric online strategy.

- Evolve and enhance the customer event strategy.

REPUTATION

Five-Year Goal

- **To be recognized as a leading retailer in Nova Scotia**

2009–2010 Priorities

- Develop the NSLC Corporate Social Responsibility plan (CSR) and environ-mental strategy and implement Phase 1.

- Plan and implement the new Energy and Environment Investment program, including energy conservation, waste separation/diversion, pilot LEED/green store design, and network gap analysis and ROI.

- Evolve the national Check 25 program, a preventative measure to underage access, by reviewing current practices and implementing further improvements to the program.

PEOPLE

Five-Year Goals

- **To have a highly motivated and engaged workforce**
- **To develop our workforce, including our leaders, to meet the evolving needs of the corporation**
- **To have a highly productive workforce**

2009–2010 Priorities

- Enhance employee engagement by addressing key learnings from the 2008 employee opinion survey.

- Implement the next phase of the store management development program, including business, people, and performance management skills.

- Further review and update casual employment practices, including recruitment, selection and retention.

- Strengthen the healthy workplace culture through the use of wellness profiles and a healthy workplace committee.

- Assess, and develop an approach to address, labour relations issues related to five-year strategic goals.

- Enhance the internal website’s capabilities to support learning, business processes, and improved internal communications.

FINANCIAL

Five-Year Goals

- **To reach a 4.1 per cent annual growth rate over the next five years (ending 2010)**
- **To contribute $215 million to the province by 2010**
- **To effectively use our capital**

2009–2010 Priorities

- Continue implementation of the multi- year corporate-wide SAP benefits realization plan (Phase 2)—EDI, inventory management and optimization, and POS promotional capability improvements.

- Improve business performance through enhanced business intelligence and financial metrics.

- Optimize inventory productivity in the DC and the retail store network.

- Deliver $573.5 million in net sales, surpassing targets as outlined in the 5 Year Strategic Plan.

- Return $217.0 million net income from operations to the shareholder

- Implement recommendations (Phase 2) of the Multi-format Retail Strategy, closing identified gaps in services and assortment by store.

- Implement the Capital Investment Strategy, which includes Year 1 of the Multi-format Investment Plan and Year 3 of the three-year network plan.

- Develop the next three-year network plan.

- In the current economic environment, optimize our return to the shareholder by taking steps in two areas; modelling and reviewing our volume and pricing strategies and continuing to monitor traditional measures to manage our cost.

- Explore new avenues for growing the NSLC business model.

STRATEGIC ENABLERS

There are important strategic enablers, allowing us to deliver on our 2009–2010 priorities in support of our 5 Year Strategic Plan and, ultimately, allowing us to meet our customer and shareholder expectations. These important enablers are the capital and operating expense plan, customer experience, business planning process, and business analytical capabilities.

Capital and Operating Expense Plan

Prior to becoming a Crown corporation in 2001, NSLC's growth was impeded by the lack of investment in the business. The result was technology and a store network barely able to keep pace with the demands of a modern retail business to a degree that fundamental elements of the business were at risk.

The NSLC has increased spending since becoming a Crown corporation to invest in the long-term health of the business. These investments include capital expenditures for the replacement of the core technology that runs the business, now SAP; a new point-of-sale system; and the renewal of the store network.

The capital investment from 2004 to 2007 in SAP has increased planned depreciation and amortization for the next three years until the 2010–2011 fiscal year. In addition, during 2007–2008 the NSLC made an additional major capital investment with the replacement of the point-of-sale system. This will impact the amortization and depreciation expense line beginning in 2008–2009 and will continue over the next four years.

Additionally, from 2004 to 2007, the NSLC partnered with major grocery chains in many of its locations to provide a convenient and improved shopping experience. Some of the capital investment was provided by these grocery partners, and for the most part, the NSLC has optimized this opportunity. In future, continued store enhancements that meet the ROI hurdle rate model for capital expenditures will be funded by the NSLC.

On an ongoing basis, the business requires operating expenditure investments to enhance the customer experience at retail, manage the supply chain, introduce modern marketing and merchandising practices, improve financial reporting and analysis, and train employees.

IT Enablers

There are a number of key IT corporate initiatives that enable efficient and effective management of the NSLC. Some of the key IT initiatives for 2009–10 are a business intelligence roadmap to ensure that data and analytics are managed for efficiencies from a common data source and automation of the suggested order quantity (SOQ) process at retail to assist stores in the forecasting and replacement of stock. Similarly, but on a larger scale within supply chain, the adoption of technology-enabled business processes will support requirements planning. Efficiencies will be gained with electronic data interchange (EDI) in the form of advanced shipping notices that will support and enhance relationships with our suppliers, freight forwarders, and Canada Customs. This will increase our visibility to track and manage inventory throughout the supply chain. The NSLC is also in the process of developing an electronic portal that will improve information flow between suppliers and agents to enhance partnerships and operating efficiencies for the industry. These IT initiatives enable the NSLC, through technology, to evolve and manage our business more effectively and to eliminate costs.

Customer Experience

The NSLC brand presents an overall impression of the organization to our customers through all customer touch points. Brand touch points include the physical store environment, staff interaction, the logo, product selection and availability, promotions and advertising, impressions left by news media, events, online, many intangible elements, etc. Every place a customer can interact with a company is a touch point, and that touch point affects how you are perceived. Perception impacts a customer's willingness to respond to a retailer's effort to get them to purchase products.

Brand = Promise + Performance + Perception

The NSLC brand will continue to evolve and move the organization closer to delivering on the customer promise.

Business Planning

The NSLC has developed its business planning process to help guide the organization in meeting its commitments under the 5 Year Strategic Plan.

The corporate business planning process analyses the business as it currently stands and provides a blueprint as to how the NSLC will reach the goals set out in the 5 Year Strategic Plan. These include a vision of the customer experience, the service culture to which the NSLC aspires, definition and segmentation of the customer base, the optimal cross-category strategy for profitability, and how to achieve and maximize financial performance through the use of pricing and gross margin.

The annual business plan, category management plans, and annual business unit plans are then aligned with the 5 Year Strategic Plan to ensure that we deliver on stated objectives.

Leading retail businesses use customer research and data together with category management to drive customer satisfaction and increased profitability. Based on customer needs and performance analysis, the category management plans strategically define and drive product selection, product pricing, product placement (e.g., which stores, where in store, where on shelf), and product promotion.

As we approach 2010, the end of our current 5 Year Strategic Plan, we are now developing the NSLC's next 5 Year Strategic Plan for the 2010–2015 timeframe.

Business Process Improvement

Technology supports key business processes, such as product ordering, financial management, human resource manage-ment, data warehousing, and customer behavioural insights, to name a few. These systems and the resulting new business processes improve decision making and enhance the execution of strategies and operational needs. Realizing the benefits of the SAP implementation continues to improve our evolving business processes and provides the necessary tools and information to help NSLC achieve its goals and objectives.

RISK FACTORS

Risk, simply put, is anything that impacts the ability to achieve objectives. Therefore, it is important to outline the risk factors that can impact the NSLC's ability to meet its commitments and objectives.

Enterprise Risk Management

As part of its annual business plan development, the NSLC has incorporated a formal process to examine potential risks that may impair or hinder its ability to execute the plan or realize its goals. Called the Enterprise Risk Management (ERM) process, it is a form of due diligence that systematically isolates the challenges that may affect our business using three criteria:

- the identified risk must be significant enough to make a material difference to the plan
- it must be something that the NSLC can either control or influence
- it must be something that, in its judgment, the NSLC is not currently controlling or influencing in an adequate fashion

Using this process, a total of six separate risks have been identified for the coming year. Plans have been developed to address each of these, and the executive and board will be monitoring progress against those plans over the course of the year.

The six key risks identified are

- business continuity—ability to operate following an emergency
- merchandising and marketing—need to upgrade decision making capabilities with better data, tools, and resources
- knowledge, retention, and acquisition—of people with key skills
- teamwork and integration—of functional areas to achieve corporate goals
- successful technology implementations— to leverage business processes
- change management capability—managed to keep pace with volume and extent of changes over time

It should be noted that as NSLC is a publicly owned Crown corporation, changes in statutes, regulations, public policy, or other directives from our shareholder could have a material impact on the annual plans and budgets.

The economic uncertainty is a special potential risk that we all face in the upcoming year and is covered in the next section, Economic Risk. The products sold by the NSLC are purchased with the discretionary income of customers. General economic conditions of the province affect discretionary income and could reduce NSLC sales and overall profitability, as in any retail business.

Economic Risk

Looking ahead to the coming year, NSLC believes that one of the most significant risks NSLC faces is the risk posed by the global economic downturn that has been brought about by the U.S. financial crisis and attendant credit crisis.

In an effort to understand how its business may be affected in the coming year, NSLC has examined how it performed during past downturns in the economy.

In the downturn that occurred during the late 1980s and early 1990s, the rate of unemployment in the province grew by 50 per cent, from just over 8 per cent in 1989 to almost 13 per cent in 1993.[1] It took another six years from this peak—until 1999—for the unemployment rate across the province to fall to the level it was at a decade earlier.

Over the course of the first half of the 1990s, real gross domestic product for the province grew at an anemic pace and actually declined slightly in 1991. It didn't show any significant growth until well into the decade, finally shaking off the effects of the downturn in 1997.[2] (FIG 1)

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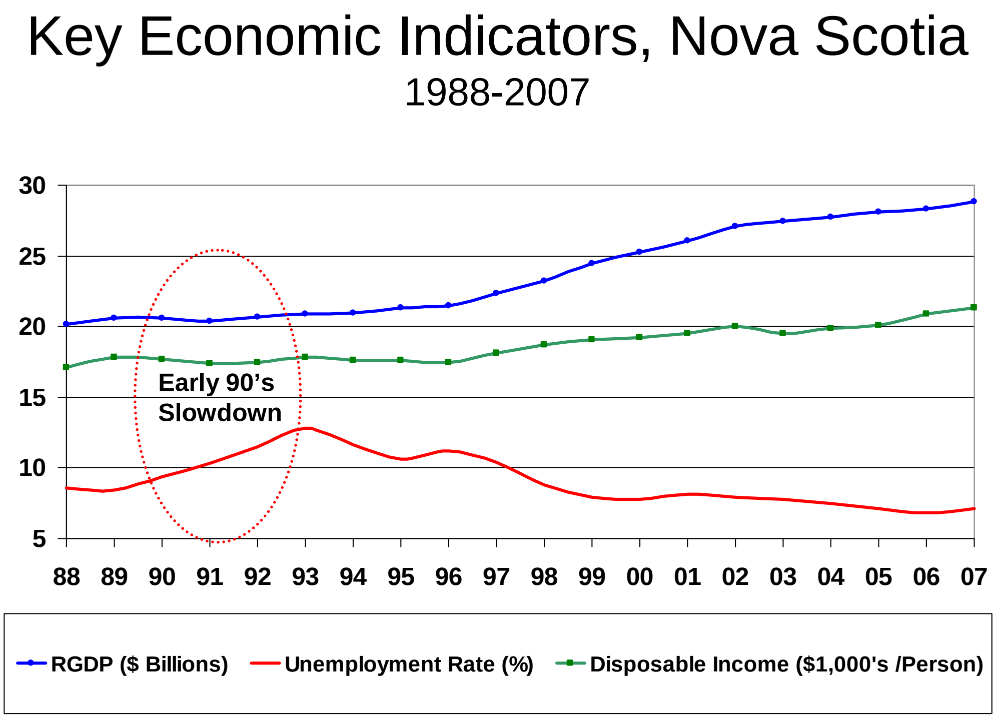
[1] Statistics Canada. Table 282-0087 - Labour force survey estimates (LFS), by sex and age group, seasonally adjusted, population 25 years and older, computed annual average

[2] RGDP Source: Statistics Canada. *Table 384-0002 - Gross Domestic Product (GDP), expenditure-based, provincial economic accounts, annual (dollars)*, Prices = Chained (2002) dollars; CANSIM (database).

Figure 1



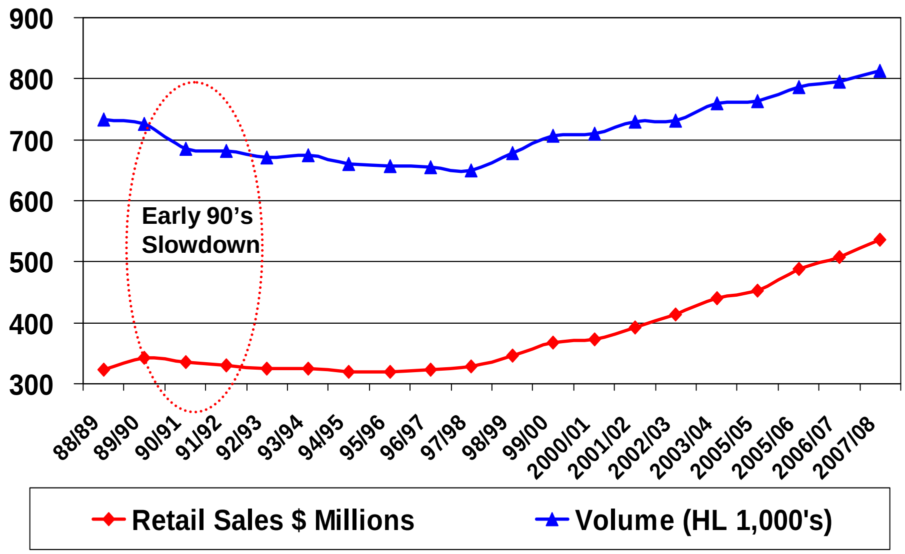
With unemployment up and economic growth largely flat, NSLC revenues declined slightly over much the same period of time. Total revenues peaked in fiscal 1989–90 at just under $350 million. Revenues dipped to a low of $320 million over two straight fiscal years in the middle of the decade and did not recover until the 1998–99 fiscal year, when they returned to the same $350 million mark they had hit 10 years previously.[3] It's worth noting that the upturn in the province's RGDP in 1997 didn't translate into appreciably higher sales at the NSLC until 1999. (FIG 2)

[3] NSLC Annual Reports, 1988/89 – 2007/08

Figure 2

Retail Sales and Volumes Sold

1988/89 - 2006/07



During this same period of time, the volume of alcohol sold by the NSLC as measured in hectolitres declined as well, but at a steeper pace than the decline in overall revenues. The sharpest decline occurred at the outset of that period. Total volumes sold fell by 37437 hectolitres between the 1989–90, and 1990–91 fiscal years, a year-over-year drop of 5.1 per cent. Throughout that period, management of the day offset declining sales volumes with price increases, effectively cushioning overall revenues at the expense of volume. Volumes recovered when sales recovered, with both posting healthy gains in the 1998–99 fiscal year. Both revenue and volume have trended upward ever since, although volume increases have lagged increases in overall retail sales. In fact, since 1988–89, the NSLC's ratio of dollar sales/liter has increased from $4.42 to $6.39 in the 2006–07 fiscal year.

Taken together, these data suggest three important findings from that period in time. First, NSLC revenues were negatively impacted by the economic decline. It took 10 years for the NSLC to achieve the same total sales revenues it enjoyed prior to the downturn in the late 1980s/early 1990s. The second and perhaps more compelling insight is the length of time that particular downturn lingered in Nova Scotia. While other parts of the country saw a significant turnaround in their economies by 1994–95, Nova Scotia would take another four to five years before the full effect of that turnaround took hold. Third, the decline in volumes at the outset of that economic downturn is instructive. The NSLC today is a much different organization than in 1989. NSLC does not predict a meaningful decline in volumes in the coming year and through strategic merchandising will optimize our profitability.

If the 1989 downturn came on hard and stayed late, the downturn at the beginning of the millennium never really materialized. The annualized, seasonally adjusted unemployment rate hovered to within a fraction of either side of 8 per cent from 1999 to 2003.[4] (Since then, it has declined to a low of 6.8 per cent, but over the first 11 months of 2008, it has been creeping back up and currently stands at 7.8 per cent for the month of November, up 0.3 per cent in a month.)

Since the 1998–99 fiscal year, total revenues to the NSLC have increased to over $500 million in fiscal 2006–07, an increase of almost 50 per cent. RGDP has been growing steadily since 1997, from just over $22 billion, to just under $29 billion at the end of 2007.[5] Personal disposable income has also been rising steadily, from 1996 when it was just under $17,500.00 per person, to $21,300.00 at the end of 2007.[6]

In sum, the last 10 years have been characterized by steady growth in the Nova Scotia economy, which in turn has provided a solid foundation for the growth in revenues and profit the NSLC has generated for its shareholder. Indeed, over the last several years, the NSLC has exceeded its financial targets and delivered even more profit to Nova Scotians than it had committed.

Looking ahead, the economic picture is far from certain. The NSLC is taking steps to ensure that it mitigates the risks posed by the global economy as much as possible.

One thing that the NSLC can be certain of is the fact that the NSLC of today is a different organization than it was the last time the province faced challenging economic times. NSLC has evolved into a modern retailer and has at its disposal a broader array of measures that it can employ to manage the effects of a downturn in its business. From state-of-the-art inventory management and control, to engaging stores, active marketing and merchandising programs, and a much more sophisticated understanding of our customers shopping habits and purchasing preferences, the NSLC is better equipped than in the past to respond to the uncertain business environment it is entering.

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[4] Statistics Canada. Table 282-0087 - Labour force survey estimates (LFS), by sex and age group, seasonally adjusted, population 25 years and older, computed annual average

[5] RGDP Source: Statistics Canada. *Table 384-0002 - Gross Domestic Product (GDP), expenditure-based, provincial economic accounts, annual (dollars)*, Prices = Chained (2002) dollars; CANSIM (database).

[6] Source: Statistics Canada; Personal disposable income per person; *Table 384-0013 - Selected economic indicators, provincial economic accounts, computed annual average (dollars unless otherwise noted)*, CANSIM (database).

Nonetheless, the NSLC's plan for the coming fiscal year will be based on conservative estimates of growth. NSLC is entering the last year of its 5 Year Strategic Plan. That plan committed the NSLC to delivering to its shareholder a profit of $215 million in the final year. Notwithstanding an uncertain economic environment, NSLC expects its business to grow in the coming year and that it will be able to more than deliver on that commitment.

NSLC budget assumptions take into account the uncertain economic condition it now faces. Its revenue and profitability estimates are aggressive, but realistic, given these conservative assumptions. NSLC does not envisage the growth rates that it has had in the past four years but plans to meet and/or exceed its financial targets.

PERFORMANCE MEASURES

The NSLC will meet or exceed the following key financial performance measures for the organization:

Net Income (millions)

Actual 05-06	Actual 06-07	Actual 07-08	Actual 08-09	Budget 09-10	4 Year CAGR
$181.3	$188.2	$198.7	$ 212.6	$ 217.0	4.60%

Net Sales (millions)

Actual 05-06	Actual 06-07	Actual 07-08	Actual 08-09	Budget 09-10	4 Year CAGR
$486.1	$504.7	$530.6	$ 559.5	$ 573.5	4.22%

Operating Expense Ratio (including depr'n) %

Actual 05-06	Actual 06-07	Actual 07-08	Actual 08-09	Budget 09-10	4 Year CAGR
14.8%	14.7%	15.4%	15.3%	15.5%	5.49%

Operating Expense Ratio (excluding depr'n) %

Actual 05-06	Actual 06-07	Actual 07-08	Actual 08-09	Budget 09-10	4 Year CAGR
13.8%	13.7%	14.0%	13.7%	13.8%	4.21%

FINANCIAL

	Actual	Actual	Actual	Actual		*Budget*	
	2005/ 2006	2006/ 2007	2007/ 2008	2008/ 2009		2009/ 2010	%
	$	$	$	$	% Sales	$	Chg
Spirits	146,511,096	148,457,956	153,513,558	160,878,622		163,844,886	
Wine	81,794,281	87,609,246	97,095,979	104,476,332		109,825,449	
Beer	242,597,682	251,363,331	263,737,652	276,188,679		281,113,029	
Ready To Drink	17,487,170	20,536,527	21,958,794	23,899,411		24,917,989	
Non liquor	295,271	196,624	109,955	183,477		195,209	
Total Gross Sales	488,685,500	508,163,684	536,415,938	565,626,519	101.1%	579,896,561	2.5%
Less: Discounts	2,601,763	3,445,895	5,863,669	6,111,955	1.1%	6,366,392	
Net Sales	486,083,737	504,717,789	530,552,269	559,514,564	100.0%	573,530,169	
Cost of Sales	233,107,815	242,344,875	250,065,446	261,364,917	46.7%	267,709,991	
Gross Profit	252,975,922	262,372,914	280,486,823	298,149,647	53.3%	305,820,178	
Less: Store Operating Exp	45,875,122	47,066,297	48,844,827	49,085,992	8.8%	50,983,131	
Gross Operating Profit	207,100,800	215,306,617	231,641,996	249,063,656	44.5%	254,837,047	
Less: Supply Chain	4,834,430	5,261,682	5,994,062	4,760,762	0.9%	5,324,575	
Corporate Services	17,401,405	17,161,160	19,686,367	21,479,351	3.8%	21,333,394	
Other Expenses	4,875,266	6,130,390	5,594,455	6,000,520	1.1%	6,468,167	
Add: Other Revenue	5,741,118	6,320,501	5,630,063	4,521,749	0.8%	4,801,338	
Total Exp (Excl Stores)	21,369,983	22,232,731	25,644,821	27,718,884	5.0%	28,324,798	
Op Income (before Depr)	185,730,817	193,073,886	205,997,175	221,344,771	39.6%	226,512,249	
Less: Depreciation	4,475,489	4,832,930	7,325,729	8,731,567	1.6%	9,503,056	
Income From Ops	181,255,328	188,240,956	198,671,446	212,613,204	38.0%	217,009,193	2.1%
Total Exp (not Depr'n)	67,245,105	69,299,028	74,489,648	76,804,876	13.7%	79,307,929	13.8%
Total Expenses	71,720,594	74,131,958	81,815,377	85,536,443	15.3%	88,810,985	

Volume					% Chg		% Chg
Spirits	5,223,280	5,123,551	5,194,496	5,265,000	1.4%	5,261,227	-0.1%
Wine	6,921,600	7,209,359	7,780,021	8,115,830	4.3%	8,454,411	4.2%
Beer	63,750,550	64,164,780	65,199,217	65,712,340	0.8%	65,528,020	-0.3%
Ready To Drink	2,730,090	2,991,671	3,208,510	3,343,440	4.2%	3,422,670	2.4%
Total	78,625,520	79,489,361	81,382,244	82,436,600	1.3%	82,666,329	0.3%