



2005-2006

ANNUAL REPORT



ALL NOVA SCOTIANS PROFIT FROM NSLC EARNINGS OF

\$181.2 MILLION



The 76th NSLC Annual Report 2005–2006 was produced by the Nova Scotia Liquor Corporation and submitted to the Honourable Carolyn Bolivar-Getson, Minister Responsible for the Administration of the NSLC, for the fiscal year ended March 31, 2006.

Head Office
93 Chain Lake Drive
Halifax, Nova Scotia
Canada B3S 1A3

Chairman
Peter McCreath

President and CEO
Bret Mitchell

Telephone
902.450.6752

Independent Auditors
Grant Thornton LLP

Customer Service
1.800.567.5874

Website
www.thenslc.com

Layout and Design
Pavonis Limited

Contributing Writers
Mark DeWolf

Photography
Perry Jackson Photography
AMac Photography

Cover photograph: Warner vineyard in Lakeville, Nova Scotia.

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CHAIRMAN'S REPORT



2005–2006 has been a landmark year for the Nova Scotia Liquor Corporation. During the year, the NSLC continued to become and to be recognized in its role as a customer service orientated retailer, an income generator for the province, a socially responsible member of the community, and a corporate citizen working to ensure a thriving wine, beer, and distilling industry in the province.

Since the NSLC was transformed into a Crown Corporation in 2001, our mandate has been to change the corporate culture of the NSLC and operate on a commercial basis. We have introduced a dynamic new executive team to lead the transformation. Together with our Board of Directors, the support of our ministers and the Government, and with the commitment of our employees, the NSLC is well on the way to being one of the best Canadian retailers.

In a very short period of time, the leadership team has worked diligently to lay a solid foundation from which to build. Amongst them, Ken Barbet as President was instrumental in reorganizing how we do business. Ken's decision to return home to Calgary halfway through the fiscal year came as we were transitioning from solid foundations built on a new retail philosophy to creating a streamlined operational framework using the guiding principles and strategies as outlined in our 5-year strategic plan introduced this past year.

With the organization's principles and strategies in place, and with the departure of our President, it was time to find a new leader. Someone who could ensure we deliver on our

Strategic Plan, continue to meet our customer promise and ensure the NSLC continues to grow into the future.

After a four month search by the Board of Directors, Bret Mitchell was appointed by Cabinet as President & CEO. Bret's 25 years of retail experience, including senior executive positions with Sobeys and the Forzani Group, gives us the confidence that he will properly guide and lead business, delivering on our Strategic Plan.

Bret has been given the task of not only leading the implementation of our 5-year strategic plan, the framework from which all business decisions will be made, but also creating a more efficient business structure. During the next fiscal year, Bret will oversee the implementation of SAP technology, an integrated business solutions software package that will revolutionize how we do business. From blueprint to go-live stages, Bret and his executive team have the complex task of implementing the system that will ensure the NSLC and every employee are accountable every step of the way during the process introduction.

With the new business structure in place and working effectively, it was imperative for the Board to take a closer examination of the issues of governance, as the new NSLC and specifically the Board of Directors must be accountable for policy recommendations. As such, I am proud to say that we completed our first Board of Directors evaluation of the Chairman, the Board as a whole and of each individual Director. A system has been developed to monitor and score our performance so that we are responsible for the results of our actions.

Accountability at all levels is key to a healthy and efficient business. From distribution centre staff, store clerks and managers to the executive; everyone is under greater scrutiny to perform their duties to the best of their abilities. During the last year, it has been heart warming to see this vision of a new and better NSLC accepted at all levels.

Success can be measured in many ways. The easiest to quantify was the income from operations, where we exceeded last year by \$11 million and our business plan by \$4 million, returning \$181.2 million to the province of Nova Scotia.

Success should not be measured on financial returns alone. In fact, responsibilities of the Board of Directors, includes ensuring that NSLC performs as a responsible employer, an industry partner, and as a socially responsible member of society.

This year, the NSLC was honored by the Retail Council of Canada with the prestigious "Retail Corporate Social Responsibility Initiative Award." The award, given specifically for our Holiday Social Responsibility Campaign indicates that our efforts to create a culture of intelligent beverage alcohol consumption in Nova Scotia are being noticed within the retail industry in Canada. Recognition by all of Canada's retail businesses in this regard is a first for the NSLC.

We have also made important strides in helping to develop our local wine, beer and distillate industries in the province. The development of local industry is of importance to any government organization, and our employees have taken that to heart. The NSLC is fully behind the concept of supporting locally produced products.


On a personal level, as one who truly believes in the quality of the wine, beer and spirits produced in the province of Nova Scotia, I was delighted to see the developments of this industry over the last year. The NSLC commissioned an economic impact study on behalf of the local wine industry and has been working closely with the Winery Association of Nova Scotia to ensure theirs is a prosperous, growing and vibrant industry now and in the future.

In the coming year, look for the Winery Association of Nova Scotia's new quality standards labeling system. Each bottle adorned with the new symbol, featuring a lobster claw holding a glass of wine, is guaranteed to be totally made from 100% Nova Scotia grapes.

I invite you to read further, as we are featuring each of our local wineries, breweries and distillers in this Annual Report. They all play an important role in the fabric of our local industry, but as you read on you will discover there is a unique personality and story behind every operation.

On behalf of myself and the Board of Directors, I would like to thank the executive, all employees of the NSLC, and the Government of Nova Scotia for their efforts over the last year. 2005-2006 was a prosperous year on many fronts. We look forward to even more success in 2006-2007.

Kindest Regards,


The Honourable Peter L. McCreath, PC, MA
Chairman, NSLC Board of Directors

Peter McCreath at Alexander Keith's Brewery, Halifax, Nova Scotia.

PRESIDENT'S REPORT



In my new position as president of the NSLC, I have developed a great appreciation for the commitment shown by our executive, the Board of Directors, and all NSLC employees to create a new NSLC – one that is a modern, innovative retailer with a strong vision for the future.

I invite you to take a close look at any our spectacular new retail stores, past the eye catching décor and visually impactful signage, and you will see the NSLC is delivering on its customer promise of providing service that:

- *Aligns product availability and selection with our customers needs*
- *Is a vibrant, interactive and inviting Nova Scotia shopping experience*
- *Ensures discovery and personal service with friendly and professional staff*

The message is clear; the new NSLC has a purpose, a vision and is developing a culture that encourages innovation and creativity, driven by a desire to meet customer needs and advocating the intelligent consumption of alcohol.

Fundamental to the success has been the implementation of a 5-year strategic plan. The plan, created as a cohesive effort between the executive and our Board of Directors, has clearly laid out the business objectives and strategies the NSLC will follow to accomplish its responsibilities.

The NSLC's budget called for profits of \$177.2 million. Through the execution of our Strategic Plan we were able to exceed this target by \$4 million resulting in \$181.2 million in profit. Reporting a profit of \$181.2 million is evidence that the first year of the strategic plan has been an unqualified success. Our record sales of \$486.1 million, an increase of \$35 million compared to the year previous, is a testament to our new business strategy.

In addition to the profit generated by our business during the year, the NSLC through its sales generates considerable additional revenue for the provincial and federal governments. The NSLC collected sales tax

revenue and customs and excise taxes of almost \$73 million; over \$12 million in environmental tax revenue; and paid almost \$4 million to municipalities in property taxes. In total, all three levels of government received almost \$270 million because of the business operated by the NSLC. That is \$19 million more than the previous year.

Like any business, our customers drive the business of retailing beverage alcohol. They, like consumers around the world, are becoming increasingly sophisticated shoppers, and consequently are demanding better service, more choice and more convenience. As a modern retailer, it is imperative for us to take a new approach to understanding who our clients are and develop strategies to make each individual store visit the best shopping experience for them.

To better understand our customers the NSLC conducted the most extensive qualitative and quantitative research in its history over the past year. We also accessed some of the most sophisticated research in the world conducted by the manufacturers of the products we sell. As a result, we segmented our customers based on the knowledge of why our customers buy what they buy – or as we have coined it an 'Occasion.' This innovative approach led us to create customer segments based on six types of consuming occasions. Within these six consuming occasions, we are better able to ensure that the shopping experience meets or exceeds customer expectations.

In conjunction with our research, we have implemented a consumer-driven approach to category management. Our category managers and product specialists have been actively scouring the world to find new products that better fit our customer demographic. I am happy to report the results of this process will come to fruition in the coming months.

Creating a more disciplined category management approach (working in co-ordination with our supply chain), has allowed us to develop a more efficient system of getting the beer, wine and spirits from our network of suppliers around the world to our Distribution Centre in Halifax out to our network of stores and ultimately into the hands of consumers.

Improvements in our inventory controls and cash management delivered an improvement of \$8.5 million in accelerated dividend payments to our shareholder during the year. This improvement gave the Province greater flexibility in managing its cash requirements.

With the first stage of our 5-year strategic plan in place, we can continue to build towards our ultimate goal of contributing \$215 million profit to the Province of Nova Scotia in 2010.

Perhaps the most important piece of our strategy for the 2006–2007 fiscal year will be the implementation of SAP technology in our effort to improve Gross Margin by making the NSLC a more cohesive and efficient unit at all levels. We have aptly termed the initiative Project 360, as the new system will provide "one view" for all levels of our business. SAP technology will be implemented from blueprint to going live stages and will integrate with a new point-of-sale system. The new improved system beginning at the store level and working its way through all functions will allow us to make effective business decisions, with the ultimate goal of improving our customers' shopping experience and enhancing our financial returns.

However, while we improve the efficiencies of our business, we cannot lose sight of our obligations to the Nova Scotia wine, beer and distillation industries. These producers play a significant role in the fabric of the beverage alcohol business in this province. I look forward to the results of the economic impact study the NSLC commissioned for the local wineries, so that we may make public policy recommendations to help that industry grow. Likewise, it is imperative for us to find ways to aid the growth of our local beer and distillate industries. When we support local producers, we are supporting all Nova Scotians. I encourage you to visit a local winery, drink a local beer or sample a local whisky.

I look forward to working with the Board of Directors, the Executive, and the employees of the NSLC to ensure the vision laid out in the 2005 strategic plan becomes the reality of the 2006–2007 fiscal year.

Sincerely,

Bret Mitchell

President & CEO, NSLC

Bret Mitchell at Domaine de Grande Pre, Wolfville, Nova Scotia

A HEALTHY NOVA SCOTIA BEVERAGE ALCOHOL INDUSTRY



Nova Scotia's beverage alcohol industry has never been so healthy. Nova Scotia is now home to a distillery, nine wineries, five microbreweries, two national brewers and an ever growing collection of brewpubs. The industry directly employs hundreds of Nova Scotians and contributes millions of dollars in tax revenue to the province.

The future financial health of the industry looks bright, as the industry has been buoyed by the recent announcement of the Federal Government's elimination of the excise tax on wine made from 100% Canadian grapes and a similar reduction of the tax on beer produced by small- and medium-sized breweries. Fittingly, the elimination of the excise tax came almost simultaneously with the introduction of the Winery Association of Nova Scotia's (WANS) new 100% Nova Scotia symbol, indicating the local industries commitment to produce wine made from exclusively Nova Scotian grown grapes.

The NSLC has been working diligently to ensure the industry remains a financially thriving part of our local economy. The NSLC, as part of its legislative responsibility to promote the economic objectives regarding the beverage alcohol industry in Nova Scotia, has taken on the task of studying the local industries in order to make sound policy recommendations on how to accelerate its growth.

In the 2005–2006 fiscal year, as part of this commitment, the NSLC authorized an economic impact analysis on behalf of the local wine industry.

This analysis will provide the Winery Association of Nova Scotia and the Provincial Government with the necessary information to create a strategic plan, ensuring a financially thriving industry now and in the future.

Support also extends to the retail level, where there has never been so much choice of locally produced beverage alcohol products. From our prominent Nova Scotia displays featuring a variety of fine grape and fruit wines, to our walk-in coolers filled with beer made in Nova Scotia and the key positioning offered our local spirits the NSLC is making Nova Scotia made beverage alcohol products a key element of its new retail environment.

The local industry has also been a key element of *Occasions* magazine, the NSLC's guide to the best of food and drink in the province. A Nova Scotia producer has been prominently featured in every issue. Next time, you are in one of our NSLC retail stores, we invite you to pick up a copy of the magazine and read about one of the producers that make up our beverage alcohol industry. Or, better yet, try a Nova Scotia made beverage alcohol product and make your next occasion a Nova Scotia occasion.

We invite you to read the following pages dedicated to the producers that make up the foundation of the local beverage alcohol industry. Woven together, they make a strong and vibrant industry but it is their individuality that gives the fabric of the local beverage alcohol community its colour. Each producer has its own unique story to tell.

Warner Vineyard in Lakeville, Nova Scotia

“The future
financial health
of the industry
looks bright”



BEAR RIVER

A GRAND CRU VINEYARD



BEAR
RIVER

In Europe, the greatest wines – such as those made from the Grand Cru vineyards of Burgundy or the grapes grown on the dangerously steep vineyards of Germany’s Mosel region – are passionate expressions of place. They are defined by the climate and the soil, not just of the particular region or even the town, but often by the specific qualities of the individual vineyard site.

Chris Hawes, to say the least, is passionate about wine. His Bear River Vineyards may be one of Nova Scotia’s most acclaimed vineyard sites. Certainly, when Nova Scotia is ready to divide itself into appellations (much the same way Europe and the rest of North America divides its best growing regions) his vineyard will be at the top of the list of candidates for Grand Cru status.

The winery itself is Canada’s smallest licensed winery, with a current production of 3,000 litres per year (the equivalent of a little more than 300 cases) and located 15 kilometers inland from the Bay of Fundy near the town of Digby.

In this remote location, Hawes grows a variety of classic grape varietals including Chardonnay, Pinot Noir, Pinot Gris, as well as a variety of French American hybrid grapes such as Baco Noir and Marechal Foch commonly found in other Nova Scotia vineyards. But perhaps it will be Riesling that defines Bear River Vineyards, as the rock and slate soil vineyard, perched precariously high above the Bear River Estuary, could easily pass for one of Germany’s grand vineyard sites.

While his vineyard may be reminiscent of Germany’s Mosel and the grapes a collection of classic vines, his wines aren’t designed to mimic the wines of other regions – they are expressions of the unique ecology of Bear River.

So take a trip to Bear River Vineyards, located just outside of Digby, and enjoy a wine from one of Nova Scotia’s future Grand Cru vineyards.



Bear River Vineyards produces: White wine: Chardonnay, Pinot Gris, Riesling; Red Wine: Baco Noir/Marechal Foch blend, Pinot Noir



BLOMIDON ESTATE

AN UNEXPECTED TREASURE

Blomidon Estate is one of those ‘off the beaten track’ destinations you happen upon on lazy afternoon drives in the summer. But aren’t the unexpected treasures always the most rewarding and memorable parts of any weekend getaway?

Most visitors discover the winery while en route to Blomidon Provincial Park. The vineyards and winery are located in the sleepy community of Canning. Here, the 25 acres of vines, some of which date back to the original 1986 planting when the winery was known as Cabot (subsequently Habitant Vineyards), gaze over the Minas Basin watching the world’s highest tides come in and out every day. It is this unique force of nature that helps define the vineyard’s climate. The tidal action leads to beneficial air flow, minimizing the risk of frost and protecting the Blomidon Estate Winery vines from disease. Combined with the Annapolis Valley’s above average summer heat units and a naturally south facing slope, and you have a climate for wine.

The climate is ideal. The winery grows Chardonnay amongst other grapes. In fact, Blomidon Estate has produced a Chardonnay with 100% Nova Scotia grown grapes. The 2003 Estate Chardonnay has an impressively complex nose, and a palate loaded with classic Chardonnay fruit character. The wine has been compared by many to great cool climate Chardonnay from esteemed regions around the world. But regardless of origin, it is simply a well crafted wine.

Blomidon isn’t a one hit wonder, as its *L’Acadie Blanc* and *Baco Noir* have both been recognized with national awards. Like the Chardonnay, its *L’Acadie Blanc* has received a lot of attention from local wine aficionados for its rich aromatic character – a result of coaxing the best characteristics from the grape using modern wine making techniques.

Next time you are in Wolfville, or en route to Blomidon Provincial Park, take a sojourn to Canning and try a glass of their *Estate Bottled Chardonnay* or *L’Acadie Blanc*. You might just find that your glass has been filled with a liquid treasure.



Blomidon Estate Winery produces: White wine: Chardonnay, L’Acadie Blanc, Seyval Blanc; Red Wine: Baco Noir, Baco/Cabernet, Cabernet/Merlot





GARRISON

SALUTING A BUSINESS WITH AN EYE ON THE FUTURE

With a blast of gun fire and a salute from the soldiers at the Halifax Citadel, Garrison Brewing Company entered a new era with the opening of its facility at 1149 Marginal Road, Seawall District (Pier 20-23) in Halifax this spring.

With the new facility has come new business opportunities and a bold new look. Garrison has redesigned all its packaging, including bottles, boxes and tap handles. The new logo, Halifax's "noon gun," is a tribute to the city's military heritage. The fresh new look represents an new, exciting phase for the brewery.

The impressive new space, with an open concept and airy atmosphere thanks to its high ceilings and a garage door entrance than can be opened up in the summer, comes almost a decade after owner, Brian Titus, originally



opened the Garrison Brewing Company in a nondescript building on Lady Hammond Road. Now with more than 5,000 square feet of space, Garrison Brewing Company has tripled its brewing capacity, allowing the brewery to keep up with an ever growing demand for its beer.

But there is more to this new phase of the Garrison Brewing Company than simply increased production capabilities. As the first new resident of the Halifax Port Authority's waterfront district development program, the brewery will have the envious position of being the anchor property of an exciting new wave of renovation in the area.

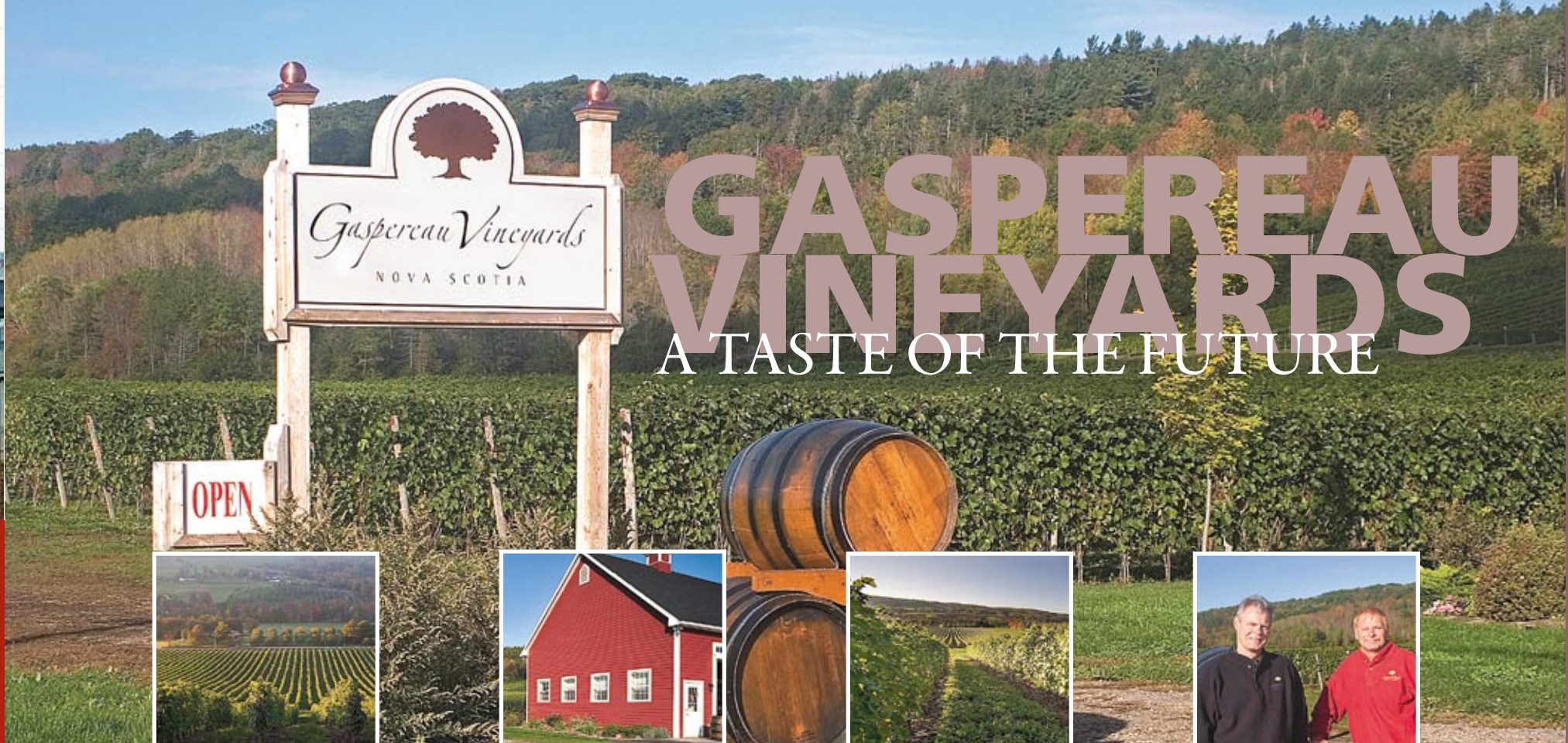


With the all the changes, one might worry the beer has changed. Thankfully, Garrison's brewing philosophy has remained true to its traditions. The brewery entered the market with an inaugural batch of Irish Red Ale. Over the years the repertoire of hand crafted ales has expanded to include a diverse range of products including seasonal beers, such as the hugely popular Raspberry Wheat to the dark and creamy Martello Stout.

Yet, despite expanding its line-up, Garrison has never waived from producing distinctive, unpasteurized, all-natural ales in small batches. This attention to quality has garnered the brewery a broad and diverse clientele.

Next time you are on Halifax's Waterfront, take a sojourn to the new Garrison Brewing Company facility. Sample one of their all-natural brews and salute a business with an eye on the future.

Garrison Brewery produces: Garrison Irish Red, Garrison Raspberry Wheat Ale, Garrison Tall Ship Amber Ale, Garrison Nut Brown Ale, Garrison Martello Stout, Garrison Jalapeno Ale, Kybeer Moka Ale



It seems Wolfville is becoming the hub of Nova Scotia's vineyard activity. Next time you drive there, instead of heading towards town center, make a left onto Gaspareau Avenue and take a drive to the future of the Nova Scotia wine industry.

As you climb up the steep hill leading out of the town, an anticipatory feeling will invariably come over you. And finally, as you come over the crest and around a sweeping corner, you will soon realize the future of the Nova Scotia wine industry is here!

At the bottom of the hill, Gaspareau Vineyards and its immaculately restored red barn, housing the winery and gift shop, welcomes you to the symbolic center of the local wine industry.

On a chance drive, in 1996, Hans Christian Jost came upon the present site of Gaspareau Vineyards. As all winemakers do, he looked at the site with a critical eye and determined the slope of the vineyard, the type of soil and its proximity to the river made it an ideal site to grow grapes. As luck would have it, there was a for sale sign on the property. Jost made an offer immediately and the rest is history.

Gaspareau Vineyards opened its door in August of 2004. While the site is planted with 35 acres of vine capable of supporting a much larger winery, Hans Christian Jost limits the

production of his Gaspareau winery. In fact, Jost wryly says he "has the attainable goal of making Gaspareau Vineyards the smallest winery in the province." To do this, his winemaking team selects only the best grapes from the vineyard, uses only the juice from the first pressing and makes the wines in small batches. The attention to detail has been evident in the quality of wine Gaspareau Vineyards is producing, including a clean and vibrant L'Acadie Blanc, a gold medal winning red wine made from the Castel grape and a luxurious Ortega Icewine.

The decisions have led to a good problem as at the end of each year the demand for Gaspareau Vineyards outstrips its supply of wine. And the demand for wines from this little valley will only increase as more wineries dot its hillsides. Amongst the wineries on the horizon is neighbouring Benjamin Bridge, soon to be Nova Scotia's first super premium sparkling wine house, and L'Acadie Vineyards, an organic vineyard operation opened by winemaker Bruce Ewart, formerly of British Columbia's acclaimed Hawthorne Mountain and Summerhill wineries. Word of these new showpiece wineries is encouraging more development in the valley, and it's once barren landscape will soon be filled with vines.

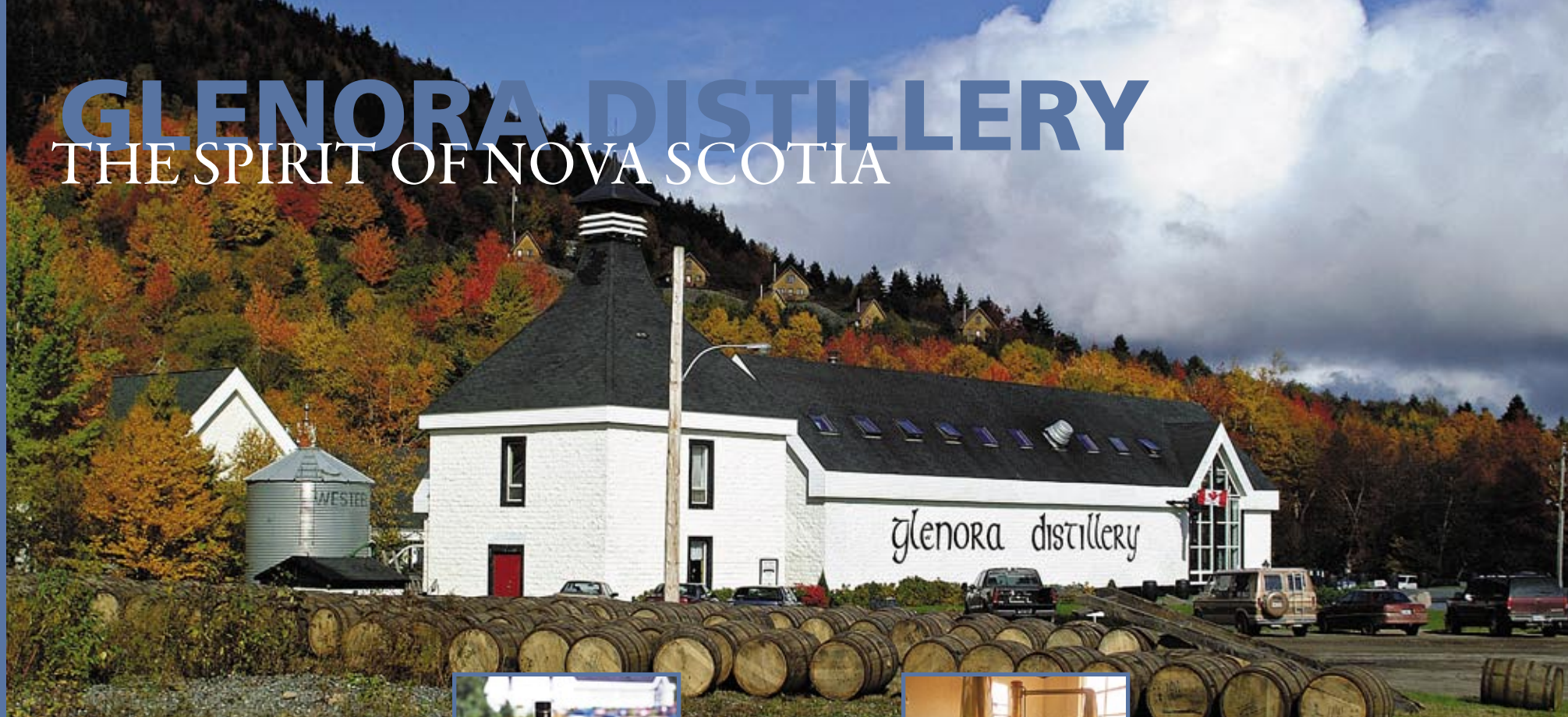
Take a trip to Gaspareau Vineyards and have a taste of the future of the Nova Scotia wine industry.

Gaspareau Vineyards produces: White wine and rosé: L'Acadie Blanc, Muscat, Rosé, Seyval Blanc; Red wine: Castel, Lucie Kuhlmann; Dessert and specialty wine: Maple Wine, Ortega Vidal Icewine, Port



GLENORA DISTILLERY

THE SPIRIT OF NOVA SCOTIA



There is something magical about Glenora Distillery, located in the bucolic setting of Inverness County in rural Cape Breton.

In this tranquil location, the distillery produces Smuggler's Cove rum – a local favourite – and Glen Breton Rare Canadian Single Malt Whisky. The latter is Canada's only single malt whisky and is made in the tradition of fine Scotch.

There is a unique quality that makes Glen Breton Rare truly Nova Scotian. The distillery, located in a glen in the Mabou Highlands, sits on the bank of MacLellan's Brook. The brook is fed by 22 natural springs and is said to be the purest water in the province. The

gentle murmur of the spring lends a serene and relaxing feeling

to the property, but it is the water itself that gives Glen Breton its uniquely Nova Scotian quality. It is as if the leaves, which fall into the brook every autumn, imparts a touch of maple sweetness in every bottle of the whisky.

It's not surprising Glen Breton Rare has a found a home in the collection of whisky aficionados around the world. But for all of Glen Breton Rare's international praise and press, the distillery is equally well known for its rum. Glenora produces Smuggler's Cove White and Smuggler's Cove Dark rums. Glenora distillery's



rums are the backbone of the operation, as both have acquired a loyal following amongst the

local rum-drinking population. And for all of Glen Breton's accolades, Smuggler's Cove has also garnered international praise, including a Gold Medal for its Dark Rum at the 2003 International Rum Festival.

For a truly memorable Glenora Distillery experience, make a trip to Inverness County and stay at the inn or in one of the chalets on the Glenora property. Breathe in the clean air of the Cape Breton Highlands, and have a taste of the spirit of Nova Scotia overlooking the pure waters of MacLellan's Brook.

Glenora Distillery produces: Glen Breton Rare Single Malt Whisky, Glen Breton 15 Year Old Special Cask (limited production), Smuggler's Cove Dark Rum, Smuggler's Cove White Rum, Smuggler's Cove Rare Find 15 Year Old Rum (limited production)

DOMAINE DE GRAND PRÉ

A COMMITMENT TO QUALITY



Domaine de Grand Pré is a showpiece winery, located in historical Grand Pré, just outside Wolfville. From the moment you step onto the cobblestone courtyard, inlaid with an intricate grape vine motif, you are aware of Domaine de Grand Pré's commitment to detail.

The winery was the vision of Swiss businessman Hanspeter Stutz, who saw the potential of Nova Scotia and especially the Annapolis Valley as a unique wine destination. After a visit to the region while consulting with the provincial government on another project, Stutz made the decision to purchase the site of Nova Scotia's original winery, Grand Pré. The winery, located in the little community of the same name was in the perfect location to attract tourists. Wolfville, one of the cultural centers of the province, is located just a few kilometres down the road.

At the time of purchase, the vineyards and winery buildings were in a state of disrepair after almost five years has passed since the original owners left the property. But Stutz could see the potential of Grand Pré and made the decision to rebuild the winery, including

the tough decision to tear out the original vineyard and replant with new, healthy vines. That decision meant the winery would not open until seven years later.

This commitment to quality also applied to the actual winery and, ultimately, the resulting wines. Stutz brought in the finest equipment from Europe and convinced his son, Juerg, to give up a life in the banking industry to go to winemaking school.

The efforts of the Stutz family and their commitment to quality is clearly evident in every glass of Domaine de Grand Pré wine. While the wines are a fine expression of Nova Scotia products, they exude a defining style that reflects the personality of Stutz and the rest of his family.

The wines of Domaine de Grand Pré, such as their award winning L'Acadie Blanc and New York Muscat are clean and technically precise. Next time you are traveling to the Annapolis Valley, visit Domaine de Grand Pré and enjoy a sample of quality wine made from 100% Nova Scotia grown grapes.



Domaine de Grand Pré produces: White wine and rosé: Seyval Blanc, New York Muscat, Verrazano Rosé; Red wine: Léon Millot, Marechal Foch, Marechal Foch Reserve; Dessert and specialty wine: Pomme d'Or Apple Icewine, Vidal Icewine, New York Muscat Icewine, Blueberry Flavoured Sparkling Wine, Peach Flavoured Sparkling Wine, Maple Flavoured Sparkling Wine

GRANITE BREWERY

THE SAGE BUSINESSMAN BEHIND A SMALL BREWERY



Kevin Keefe, the owner of the Granite Brewery, has been involved in Nova Scotia's craft brewing scene since day one. In fact, Keefe can be credited with starting the first brewpub in the province.

While he is considered the father of the small brewing industry in Nova Scotia, his motivations are far more complex than a simple desire to brew great beer. Kevin Keefe is a sage businessperson.

In the early 1970s, Keefe, who was already successful at redeveloping buildings, got into the bar business when an opportunity arose to renovate Halifax's historic Gainsborough Hotel and turn it into a tavern. The tavern was Ginger's, and it would quickly become one of Halifax's busiest bars, so busy, it was selling as many as 70 to 80 kegs a week. Keefe knew that rather than sell someone else's beer, it would be better to sell his own.

In 1984, Keefe lobbied the government, and by 1985 was setting up the Granite Brewery in the tavern. By the mid 1980s it was time to switch locations, and Keefe found another landmark building to restore. The operation moved to the

historic Henry House on Barrington Street, became known simply as the Granite Brewery and his classic Best Bitter, Keefe's Irish Stout and Peculiar, would become the preferred ales of beer aficionados across the province.

The Granite Brewery was such a success that by the end of the 90s its kitchen and brewing facilities need to expand. In order to increase production, Keefe petitioned to move his brewery to another location on Barrington Street and change his license to a microbrewery, which would allow him to transport his ales. He sold the Henry House location and, as if coming full circle, Keefe would open another bar named Ginger's in the same building that housed his new brewery.

The story could easily end there, but Keefe isn't one to stop when there is a historic building involved. Keefe is currently working on plans to renovate the 125-year-old Nova Scotia Textiles plant building in Windsor into a luxury condominium complex and microbrewery. The father of small brewing in the province might be on the verge of becoming a big player in Nova Scotia's business of beer.

Granite Brewery produces: Best Bitter, Best Bitter Special, Keefe's Irish Stout, Peculiar, Ringwood Ale



JOST

INNOVATION 25 YEARS IN THE MAKING

Hans Christian Jost, owner of Jost Vineyards, is the friendly giant of the Nova Scotia wine scene. In fact, the soft spoken Jost currently is the president of the Winery Association of Nova Scotia, and has been quietly guiding the industry through one of its most exciting development stages.

A pioneer of the Nova Scotia wine industry, Jost has been involved in the business since its inception. But had it not been for circumstance, Hans Christian Jost would not have been part of the Nova Scotia wine industry at all. When his family moved from Germany to Malagash, on the shores of the Northumberland Strait, in the 1970s, there was no intention of planting vines. The family grew anything but grapes, as they had moved to Canada to get away from the bureaucracy of the German wine industry.

However, from an original request by the Nova Scotia Department of Agriculture for the Jost family to plant some experimental vine cuttings to subsequent test batches of wine, it would only be a few years before Hans Wilhelm (Hans Christian's father) would make the decision to open Jost Vineyards – then the province's second winery.

When Hans Wilhelm passed away after a long battle with cancer in 1988, Hans Christian took over the role of winemaker and owner. While Hans' father was a traditionalist, Hans Christian has developed Jost with a more experimental approach. Recognizing

Nova Scotia was a wine industry in its infancy; Hans Christian began planting different grape varieties on his properties in Malagash and the Gaspereau Valley as well as various locales around the province, utilizing his many contract growers.

The results have not only benefited Jost who has produced countless wines that have won awards at national and international competitions, but the industry as a whole. Jost's vision to try out various different grape varieties in numerous areas of the province has given the industry a map, that matches grape varieties to place.

Though he would never extol his own virtues, the ever humble Jost has transformed what was once a small family business into the province's largest winery. Jost produces wine from 200 acres of Nova Scotia vineyard land. The exact number of cases Jost produces is unknown as Hans Christian despite his success is never want to discuss numbers. No matter how big Jost Vineyards becomes, the business will always be about the wine and not the accounting.

Next time you are visiting Nova Scotia's North Shore, stop in at Jost Vineyards and visit Nova Scotia's diverse viticultural map via a sampling of Jost wine, showcasing wines made from grape sourced from across the province. Stop by the NSLC and purchase a bottle of Jost's award winning Maple Wine, Vidal Ice Wine or l'Acadie Chardonnay.

Jost Vineyards produces: White wine and rosé: Amore, Avondale Blanc, Avondale Riesling Gold, Beaver Creek Geisenheim, Blush, Chablis, Christinenhof Cabinnett, Comtessa White, Côte de Bras d'Or Cayuga, Cote St. George L'Acadie Blanc, Eagle Tree Muscat, Habitant Blanc, Kellermeister, L'Acadie Blanc, L'Acadie Chardonnay, Ortega Chardonnay, Rosé, Seyval Blanc; Red Wine: Baco Noir, Cabernet Sauvignon/Marechal Foch, Comtessa Red, Côte de Bras d'Or Marble Mountain Red, Côte de Bras d'Or Marechal Foch, Cote St. George Marechal Foch, Léon Millot Limited Edition, Marechal Foch, Oak Aged Severnyji, Prima Rosa, Reserve Marechal Foch, Terra Rosa, Trilogy; Dessert and specialty wine: Framboise Dessert Wine, Geisenheim Icewine, Glowine, Late Harvest Vidal, Maple Wine, Muscat Icewine, Ortega Icewine, Port, Sangria, Vidal Icewine





KELTIC BREWERY

FRESH FLAVOURS ON TAP

The Keltic Brewing Company is a small brewery with the benefits of a big brewery style. This should come as no surprise, since its all Nova Scotian ownership group is led by former Maritime Brewing Company and Moosehead head man, Harold MacKay.

The brewery and its restaurant, Mugsy McCeol's, occupy a prominent piece of land. Located on the Millbrook Reservation, just outside Truro, the complex is under the watchful eye of a giant statue of Glooscap, the local Mi'kmaq man-god. In this highly visible location, overlooking Highway 102, thirsty travelers and locals alike are drawn to the brewery.

While the prominent location entices customers, it is the beer and friendly service in the restaurant that keeps them returning. This is a microbrewery developed to appeal to a large demographic. The restaurant is casual and comfortable, making it a good choice for a wide range of clientele. Similarly, the beers are consumer friendly. Under the guidance of supervising brewmaster Kirk Annand, brewer John Anderson – a native of Truro – the brewery produces two lagers and three ales including a Irish Red, a Honey Brown and a Blueberry Ale, all made in a refreshing style. Unlike other microbrews in the province, hopping is kept to a minimum. The result is Keltic Brewing Company's ales and lagers are lighter and less bitter on the finish.

Fresh is key, according to General Manager Maggie Wilkinson, who contends "(Keltic) stands out because we deliver the freshest beer out there, and every brewer in the world knows that fresh beer is the best."

While most of the beers are available exclusively at the brewery, the Keltic Brewing Company Lager and McCeol's Irish Red are available at select NSLC locations across the province.

Visit the brewery or pick up a six pack at a select NSLC store and serve the fresh flavours of Keltic Brewing Company at your next game day celebration.

Keltic Brewing Company produces: Keltic Lager, Keltic Light, Honey Brown Ale, Oxford Blueberry Ale (Seasonal), Pumpkin Beer (Seasonal), Raspberry Beer (Seasonal), Stout (Seasonal)

LUNENBURG COUNTY WINERY

LEAPING OVER THE GRAPE WALL



Lunenburg County wines are made from 100% Nova Scotia fruit and always have been. Fruit in this case doesn't mean grapes. The winery specializes in making wines of varying styles from a diverse mix of locally grown fruit, including blueberries, black currants, pears and even kiwi. In fact, despite having only a moderate production of 3,000 cases per year, the winery makes a dizzying 26 different wines, of which only 6 are made from grapes.

It hasn't always been easy to market their product in a wine world dominated by the grape. As Heather Sanft, President

of the Lunenburg County Winery attests, they spent the last thirteen years trying to get consumers to leap over the "grape wall" – a phrase she has coined for the grape-centric mentality of many wine consumers.

Encouraging consumers to try fruit wines is at times difficult; when they do, they are almost certainly converted. Lunenburg County has been winning awards at national and international competitions for their fruit wines since its inception. These awards include a gold medal



for their 2000 Black Dragon River, a grape wine, at the 2003 All-Canadian Wine Championships and a streak of platinum awards at the Nova Scotia Liquor Corporation's Port of Wines Festival.

But it should come as no surprise Lunenburg County makes great fruit wines. Anyone who has tasted a Nova Scotia apple, a local blueberry or strawberry picked at the peak of perfection, understands the benefits of a marginal climate does not just apply to grapes.

Lunenburg County's 20 acres of blueberries, 5 acres of grapes and small acreage of raspberries, blackcurrants, elderberries and gooseberries are planted in the remote location of Newburne, Lunenburg County (about 25 minute drive from Mahone Bay). In this ideal location, the fruit ripens in an ideal maritime climate, with warm summer temperatures refreshed by wayward ocean breezes.

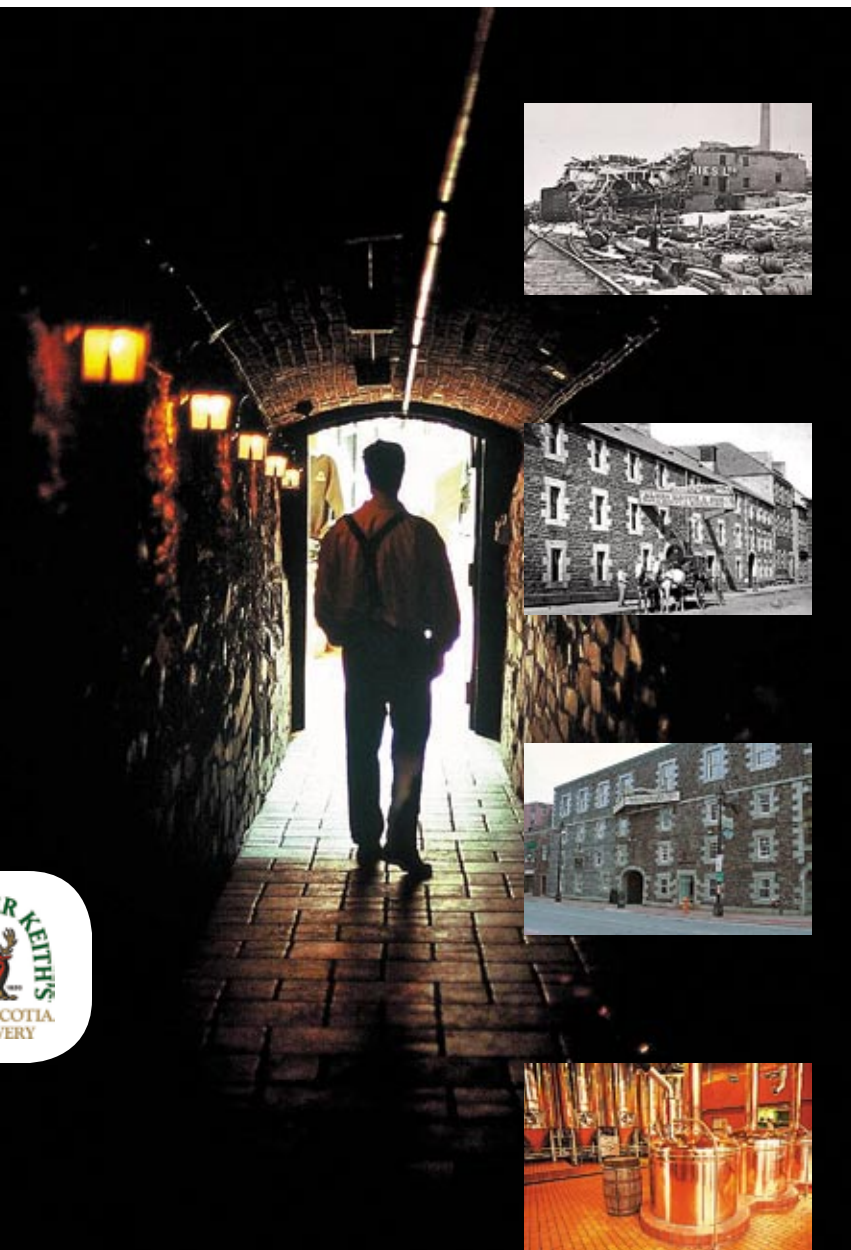
Visit Lunenburg County Winery, sample one of their fine fruit wines and take a symbolic leap over the 'grape wall.'

Lunenburg County Winery produces: Fruit Wines: Atlantic Blue, Blackcurrant, Blueberry, Dis Dat Thutter (grape and cherry blend), Elderflower, Evangeline's Apple, Fundy Peach, Indian Falls Blueberry, Lahave River Blueberry, Lake Rossignol Cranberry, Montbeliard Pear, Montbeliard Pear, Oakhill Blueberry, Razilly's Raspberry (dry, medium or sweet), Rose Bay Rhubarb, Rous Brook Rhubarb; Grape Wines: Lahave River Grape, Mushamush Muscat; Other: Honey Moon (dry or medium), Kejimikujik Maple, Oxbells and Fireflies (Maple and Apple blend)



LABATT BREWERY

FAITHFUL STEWARDS OF THE KEITH'S NAME



"Keith's"... this simple but familiar phrase resonates through every bar, restaurant or house party where beer is being served on any given day in the province of Nova Scotia. It would be an understatement to say "Keith's" is simply the most popular beer in Nova Scotia. It is part of the cultural fabric of the province.

It's been that way since Alexander Keith began making beer at the historic Keith's Brewery on Lower Water Street on Halifax's waterfront almost 200 years ago. Alexander Keith built the brewery, in 1820, in an era of economic uncertainty in the city. But it was as true then, as it is now, if you produce great beer in the province of Nova Scotia your business will prosper.

Keith's Brewery didn't just prosper; it became an institution in the city. The credit for this success is due to Alexander Keith himself. Keith wasn't merely a brewer or property owner – he was one of the city's most influential and respected figures. A three time mayor of Halifax, Keith ran the town like his business with a thoughtful approach; as one of the ad slogans for the brewery aptly says

"slowly, carefully taking the time to get it right."

Following his reign, the brewery would continue to prosper. In 1928, the brewery was sold to the Oland family. The new owners acted as faithful stewards of the "Keith's" brand, respecting the historical significance of the name. The family, subsequently built a family of beers such as Oland Export Ale and Schooner, but never allowed "Keith's" to lose its stature as the favourite beer of Nova Scotians.

As homage to Alexander Keith and the city of Halifax, Oland restored the original brewery on Lower Water Street. The brewery is now a one-of-a kind historical and brewing destination – a symbol of the tradition and history of Alexander Keith's brewing legacy in the province.

Keith's, under the helm of Oland Brewery, Labatt's and InBev is now available across Canada. Alexander Keith would be proud to know the custodians of his name are taking such great care to showcase the pride and spirit of Nova Scotia to all Canadians.

Labatt/Oland Brewery produces: Keiths IPA, Keiths Light IPA, Keiths Honey Ale, Keiths Red Amber Ale, Oland Export Ale, Oland Schooner Lager, Oland Premium Red Ale



PETITE RIVIERE

A SENSE OF PLACE



Sample a glass of Petite Riviere's *Cote de LaHave Sur Lie* and you will enjoy a taste of Nova Scotia's South Shore.

The dry white wine is a passionate expression of its uniquely Nova Scotia origins. From a whiff of salt air in the nose of the wine reminiscent of the Atlantic Ocean only five kilometres from the winery to its mineral laden palate – this wine, like all the wines of Petite Riviere, exudes a sense of place.

For anyone that has ventured to this little winery, located in a tiny village just outside the town of Bridgewater along the rugged South Shore, it would come as no surprise to find a mineral, stone like character in the wines. The winery's St. Mary's vineyard is planted on the rocky and sandy soils of one of the many drumlins that dot this scenic part of Nova Scotia. As owner, Carol Slack-Wamboldt is quick to point out that the rocks aren't quite like the giant galets of Southern

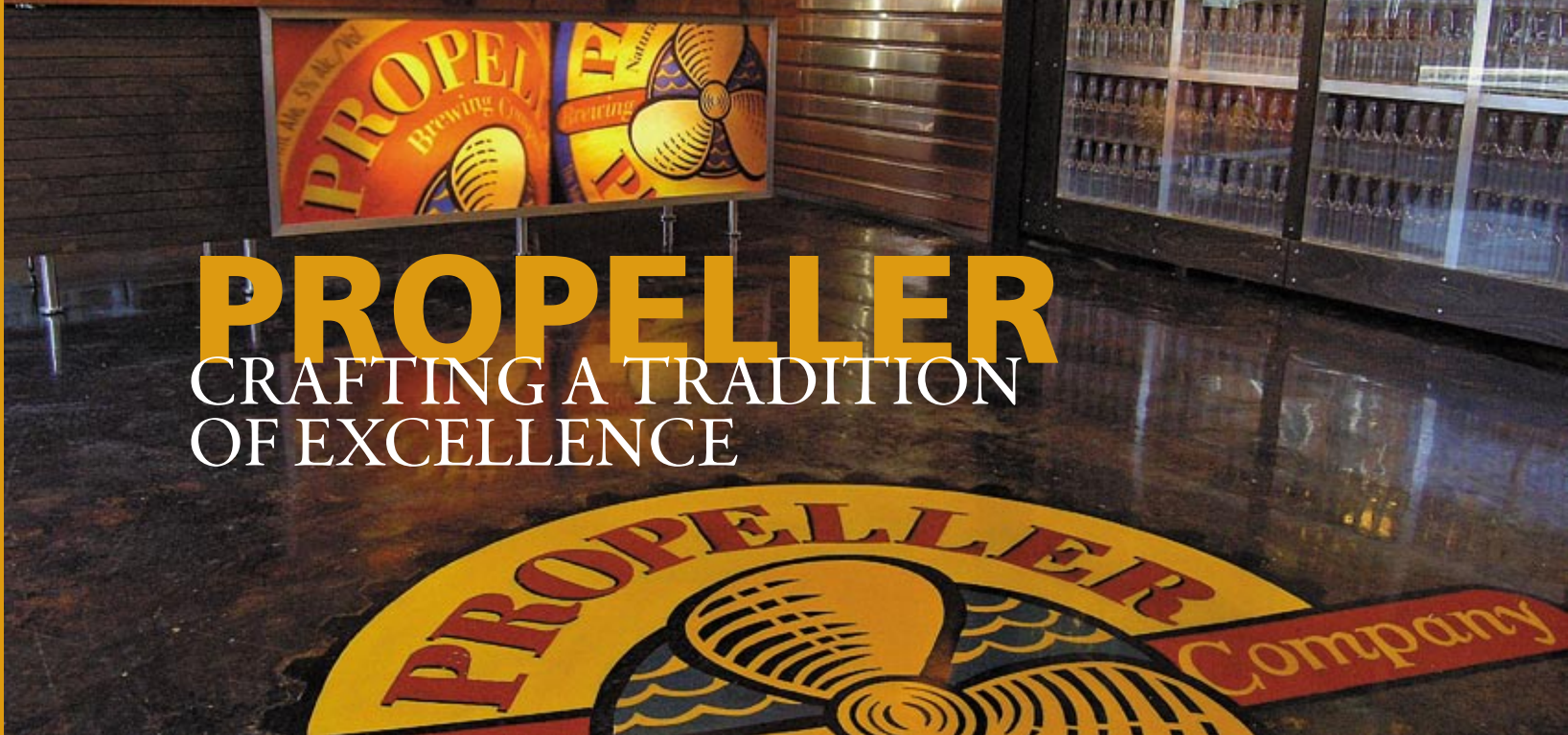
France's famous Chateauf-neuf-du-Pape region, but they certainly impart a unique character to the wine.

While the wines of Petite Riviere offers the flavour and aromas of their South Shore home, they are also uncompromisingly French in style. Elegant and restrained with a firmness of structure that lends them a particular affinity to food. In a region where the wines will be defined by their virtues on the dinner table, Petite Riviere Vineyards has already established itself as a leader in creating food-friendly wines in the province.

Whether it be a simple bowl of local mussels served with the *Cote de LaHave Sur Lie Blanc* or a more elaborate meal such as roast pheasant served with the wineries award winning oak aged red wine known as *Terres Rocheux*, dining South Shore style now includes a bottle of Petite Riviere Vineyards' wine on the table.

Petite Riviere Vineyards produces: White wine and rosé: Côtes de LaHave Sur Lie, Côtes de LaHave Rosé; Red wine: Côtes de LaHave Rouge, Barrel Aged Reserve, Terres Rocheux





PROPELLER

CRAFTING A TRADITION OF EXCELLENCE

The style of Propeller’s hand crafted ales is unabashedly flavourful. These aren’t beers simply to wash down; they are made to be enjoyed and savoured. Some might even say the beers should be praised.

Despite only being in existence for nine years, the Propeller Brewing Company has developed a loyal following amongst Nova Scotia craft beer lovers. Its success can be attributed to owner John Allen’s dedication to producing ales made in the craft brewing tradition of adding no additives or preservatives, brewing in small batches, using premium ingredients and not pasteurizing the beer.

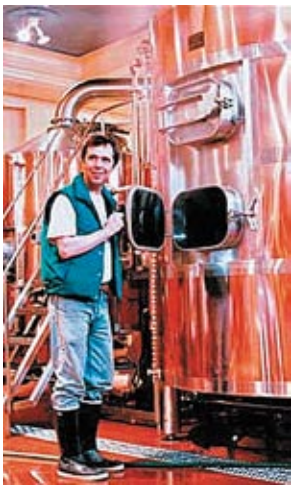
The results have been great beer from the first release of its Pale Ale and Extra Special Bitter (ESB). The brewery’s two flagship ales remain today their most popular, and the brewery has never waived from their original style. The nose of the Pale Ale is like smelling an English hop garden – wonderfully aromatic and slightly spicy. The Extra Special Bitter, on the other hand, is the fuller bodied of the two, with a sweeter,

maltier impression on the nose and on the palate. Both have won medals at competitions, but it was the ESB that would garner the most acclaim for Propeller when it won a Gold Medal at the 2006 World Beer Championships.

The original two brews were later joined by an authentic style London Porter, originally made available as draught and later by a Honey Wheat Ale, made with Annapolis Valley honey. Both were originally intended to be occasional brews, but were so successful that they have joined the Pale Ale and ESB as regular products available at the brewery, at licensed establishments and the NSLC.

With the brewery now running at full capacity, producing 300,000 litres of beer annually, plans are to expand. A new retail shop has already been opened.

Next time you are at your favourite local pub, or the NSLC, order a pint of one of Propeller’s fine ales and sample the wares of brewery crafting one small batch at a time.



SAINTE-FAMILLE

IT’S ABOUT THE PEOPLE BEHIND THE BUSINESS



“where there are great peaches, there are great grapes.”



If you believe a great winery isn’t just about great wines, but is also a reflection of the people that make it; then take a visit to Sainte-Famille winery outside of Falmouth. It might just be your style of winery.

The Sainte-Famille property was purchased by Doug and Sue Corkum in 1979 without any intention of it becoming a winery. At the time, the gregarious couple was simply attempting to raise their family away from the hustle and bustle of the city and perhaps plant some strawberries for a u-pick farm. As luck would have it, the u-pick business wasn’t viable at the time and they happened to meet Roger Dial – father of the Nova Scotia wine industry – who convinced them to grow grapes. Sainte-Famille was in an ideal location for viticulture, as the site located on a gently sloping hill overlooking the Avon River Valley experiences some of the warmest summer temperatures in the province.

In the spring of 1980 they planted an acre to Marechal Foch. Over the years the acreage increased, and soon they were a supplier of premium grapes for Grand Pré and later Jost Vineyards. The quality of grapes from the vineyard came as no surprise to

anyone familiar with the history of the location. Prior to Sainte-Famille the site was the Lawrence family farm – famous for growing great peaches. Ask any winemaker around the world, and they will tell you that where there are great peaches, there are great grapes.

The closure of Grand Pré in 1988 forced Doug and Sue to make the difficult decision to turn their vineyard operation into a winery. Construction started in September 1989, and the winery opened in June 1990.

Since then, Sainte-Famille has quietly been establishing itself as one of Nova Scotia’s favourite wineries. Its Michurinetz Rose and its Old Vine Foch have cult followings. But for many what makes Sainte-Famille so popular isn’t the quality of its wines, it’s the warm reception you get from Sue when you walk through the doors of the winery or the big hello from Doug at the Halifax’s Farmer’s Market on Saturday mornings.

Sainte-Famille isn’t a great winery just because of its wines; it’s the people behind the business.

Sainte-Famille produces: White wine and rosé: Avon Blanc, L’Acadie Blanc, L’Acadie Blanc Reserve, Premium Chablis, Seyval Blanc, Seyval Blanc Reserve, Siegfried, Michurinetz Rosé; Red Wine: Avon Rouge, Baco Noir, Marechal Foch, Marechal Foch Reserve, Pheasant Run; Dessert and specialty wine: Crimson Spice Mulled Wine, Late Harvest Vidal, Vidal Icewine



SLEEMAN MARITIMES

PART OF THE SLEEMAN BREWING COMPANY FAMILY



While the Sleeman family has its roots firmly planted in Ontario John Sleeman, President of Sleeman Brewing Company seems to have a Maritime sense of family pride that is evident in the way he does business.

The Sleeman brewing story began in 1934, when John H. Sleeman, an ambitious brewer from England, arrived in Canada. In 1851, Sleeman opened a brewery in Guelph, Ontario, having chosen an ideal location based on the purity and hardness of water – critical for quality beer production. The business prospered and John H. Sleeman would eventually pass on the tradition of making fine beer and his work ethic to his children and grandchildren. By the turn of the century, his heirs had opened a second operation in Guelph and launched the brewery's signature cream ale in the clear glass bottles Sleeman is famous for.

Ambition may have gotten the better of his great grandson, George A. Sleeman in the early 1930s as the brewery was forced to close after being caught bootlegging in Detroit.

Fifty years later, John Sleeman would revive the family business. In keeping with the family tradition, he brewed the signature Sleeman Cream Ale in small batches, adhering to the recipe he inherited from his

family. Despite early popularity, building a thriving beer business in the face of regulatory constraints is not easy. When cash flow was tight, John would fund the payroll via his credit card to ensure every worker was paid. The meaning of family at Sleeman Brewing Company isn't limited to relatives.



With the success of Sleeman's Cream Ale and popular beers including Sleeman Clear, Original Dark, Original Draught and the Honey Brown Lager that followed, it was time to extend the family to include new facilities and new employees.

John Sleeman acquired the assets of the Maritime Brewing Company, Dartmouth, in 2001. Sleeman's utilizes the brewery to produce Black Pearl, Maclays, a variety of Sleeman's products, Old Milwaukee and contract brews for Barbados' Banks Brewery and Upper Canada Brewing Company.

Most importantly, however, the move has meant a boost for the local economy, producing 38 jobs, or 38 new members of the Sleeman family.

Sleemans Maritime produces: Maritime Black Pearl, Maclays Traditional Pale Ale, Sleeman Honey Brown Lager, Sleeman Cream Ale, Sleeman Original Draft, Sleeman Original Dark, Sleeman Clear, John Sleeman Presents Fine Porter

WILLIAMSDALE WINERY

PURE, NATURAL FLAVOURS



In the calm and pristine setting of Cumberland County, Williamsdale Winery produces flavourful blueberry wines made from local wild blueberries.

Many consumers would be familiar with the winery's Blue Myrtle blueberry dessert wine, available across the province at NSLC stores, but most might not realize the winery has been crafting wines for close to 20 years. And while other wineries have gotten the attention of the local press, Williamsdale has simply made it its business to make their wine away from the limelight. This is even despite being the first winery to make a blueberry sparkling wine – a style now mimicked by others. This lack of attention doesn't seem to bother them, as the winery's unpretentious nature is evidenced in every bottle of wine produced. Williamsdale Winery wines aren't made with wine critics in mind; they are simply honest products showcasing the wonderful flavour of Nova Scotia wild blueberries.

The flavour of Williamsdale wines has everything to do with their location. The winery is located in secluded corner of Nova Scotia. It isn't close to any major urban centres. In fact, the

towns of Amherst and Truro, both a 35-minute drive away are the closest major population centres. The only neighbouring community with a modicum of name recognition is Oxford – the 'Wild Blueberry Capital of Canada.'

Yet, despite its seemingly off-the-beaten track location, 'place' is a defining character of Williamsdale Winery. The winery is located at Blue Dale Farm, on the banks of the River Philip. Here, wild blueberries grow on gentle hillside slopes where they bask in clean, rural air, enjoy the warmth of the summer sun and are nourished by water from mountain springs.

This unspoiled, natural setting ensures the purity and quality of the wild blueberries grown on the farm. The winery even employs a non-chemical fermentation process to ensure the health advantages offered by their wild blueberries aren't affected by the winemaking process.

Next time you need a respite from urban life, take a trip to Williamsdale Winery in Cumberland County and taste the pure, natural flavours wine made from Nova Scotia grown wild blueberries has to offer.

Williamsdale Winery produces: Williamsdale Maple Myrtle Dessert Wine, Williamsdale Blue Myrtle Dessert Wine





MANAGEMENT DISCUSSION & ANALYSIS

The management discussion analysis provides an opportunity to assess the business performance of the NSLC in fiscal 2005–2006. The achievements of the NSLC as an entity and the individual business units are measured in relationship to the short terms goals as outlined in the 2005–2006 Annual Business Plan and as part of the long term strategies of the NSLC detailed in the 5-Year Strategic Plan.

Five strategic pillars drive the plan. With each pillar, there is a specific goal for the organization. Not least of which is the financial performance of the organization and impact on customer satisfaction.

THE NSLC’S FIVE STRATEGIC PILLARS

Stewardship	Customer	Reputation	People	Financial
To provide Nova Scotians with the corporate stewardship entrusted to the NSLC under the Liquor Control Act.	To match the customer experience with the customer promise.	To be recognized as a leading retailer in Nova Scotia.	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.	To reach a 4.1% compound annual growth rate over the next five years. To contribute \$215 million to the Province in 2010. To effectively use our capital.

2005–2006 DISCUSSION

FINANCIAL PERFORMANCE

The NSLC budgeted to return \$177.2 million to our shareholder for the fiscal year 2005–2006. To achieve this target required net sales of \$468.5 million for the year. The NSLC achieved record net operating income of \$181.2 million on record sales of \$486.1 million in the fiscal year ending March 31, 2006. This is an increase of 6.6% in net income compared to the previous year – \$4 million more than forecast.

Earnings Before Depreciation and Amortization were \$185.8 million, an increase of 6.8% over 2004–2005.

NSLC sales measured by hectolitres (100 liters) sold – the indicator of product volume purchased by the NSLC’s retail and wholesale customers – grew by 3.1% for the year with 786,255 hectolitres sold compared to 762,515 hectolitres last year. Sales in all product categories showed significant growth over last year: wine by 10.2%; beer by 8.2%; ready-to-drink by 9.4%; and spirits by 6.2%.

In addition to growth in sales, understanding customer purchasing trends is critical. Growth in the volume of product purchased indicates customers buying more. The gross profit per litre (GPL) is a reflection of pricing changes and customers buying higher priced products. For the fiscal year all categories increased except ready-to-drink, which declined slightly. Wine GPL increased by 5.6% and volume 5.5%; from the beer category GPL increased by 6.5% and volume increased by 2.9%; and spirits category GPL increased by 6.0% and volume was flat for year ending March 31, 2006.

The NSLC wholesale market comprises 18% of current sales and was \$87.6 million, year-to-date, up 5.5% from the \$83.0 million posted during the same period last year. The wholesale market includes licensees (restaurants, bars and pubs), agency stores and private wine and specialty stores (PWSS).

The growth in our wholesale business was driven entirely by the addition of 15 agency stores during the year. However, licensee sales declined by 3.2% during the year compared to the previous year.

The NSLC’s Operating Expense Ratio including amortization and depreciation for the past year was 14.7%, slightly higher than the 14.2% reported during the same period last year and the budget of 14.0%. Operating expenses exceeded budget because of a Supreme Court of Canada ruling on Worker’s Compensation affecting many employers; the disposition of the NSLC’s old Yarmouth store and accelerated expenditures to improve the store network.

SUPPLY CHAIN

The NSLC’s supply chain, which manages the warehousing and distribution of products – the backbone of any retail operation – had a successful fiscal 2005–2006. The new Warehouse Management System (WMS), implemented in 2004–2005, improved warehouse inventory turns and fill rates to the stores. The new system has allowed the supply chain to increase domestic inventory turns in the Distribution Centre to 21.9 times per year and decreased inventory by \$4.5 million.

These increased efficiencies have extended to its retail support system. Overall fill rates to stores improved to 98.5% and accuracy on these store orders improved to a near perfect 99.94%.

Improved efficiencies have also led to improved tracking and inventory management. On a year-end inventory of \$13 million, there was only a loss of or unaccountability of \$1,200, representing less than .01% of the total costs of managing the supply chain.

In fiscal 2005–2006, the supply chain forged ahead with the eventual implementation of a system wide integration of the NSLC’s IT systems, with early planning and research of the implementation of an Enterprise Resource Planning platform (ERP) and analyzing the integration of SAP technology. The integration of supply chain management systems with ERP and SAP is scheduled for March 31, 2007.

RETAIL

Store Network

The NSLC continued to expand its retail network, in keeping with the strategy outlined in the Five-year Strategic Plan and 2005–2006 Annual Business Plan. Fifty percent of the NSLC’s store network has been renewed over the past three years with leading design, merchandising and marketing features.

The NSLC’s strategy on store development remains focused on providing our customer with greater convenience through a one-stop-shopping approach. Through the natural link of retail beverage alcohol and food, the NSLC has renewed its stores by locating them with major grocery retailers throughout the province. This provides our customers with a convenient shopping experience for food and beverage alcohol while effectively using our capital in store renewal.

During the last fiscal year, 19 stores were completed and another five were under development and due to open early 2006–2007. Our expectation is to renovate or relocate an additional 18 stores in 2006–2007.

The sales of beverage alcohol through small businesses on behalf of the NSLC in small communities greatly enhances the customer convenience factor and provides a cost effective distribution network to areas where it is not economically feasible to locate a full NSLC retail store. This Agency Store retail channel for the NSLC was expanded in 2005–2006 adding an additional 15 Agency Stores to the existing network of eight. Towards the end of the year, the NSLC identified an additional 31 potential communities where Agency Store service might add to both the convenience of NSLC customers and incremental sales in the market area. The NSLC expects to see 17 new Agency Stores open in the summer of 2006 because of this initiative. The NSLC will also partner with Nova Scotia Tourism to provide an outlet in the Visitor Information Centre in Yarmouth. The NSLC plans

to continue to examine rural communities to ensure they are served well by the organization and identify opportunities to increase sales.

During fiscal 2004–2005 the NSLC extended the hours of operations for all 108 stores to 10 p.m. across the province in order to accommodate the changing lifestyles of today. The NSLC expected that additional hours would increase sales in most stores and improve customer satisfaction. A review of results revealed that in some locations no incremental sales or revenues were generated and that overall, the experiment returned negative financial results to the NSLC in some communities. For 23 of the NSLC’s 108 communities store hours are being adjusted for winter months only seeing the stores close at 6 p.m. on Monday through Wednesday and staying open to 9 p.m. on Thursday through Saturday. For all other stores the extended hours produced incremental sales and their hours will not change during the winter months.

CORPORATE SERVICES

The NSLC has a number of corporate services that enable the supply chain, retail and wholesale functions to operate efficiently and effectively.

Finance

Improvement was made to the transparency of the NSLC’s financial performance with the introduction of clear and concise disclosure of quarterly financial results publicly and weekly reports internally. The development of key financial drivers for the business as well as the introduction of forecasting was implemented for the organization. A greater effort was made to improve budget planning by involving more levels of management in this process.

Improvements in our inventory controls and cash management delivered an improvement of \$8.5 million in accelerated dividend payments to our shareholder during the year. This improvement gave the Province greater flexibility in managing its cash requirements.

The Finance Business Unit began the development and management of a Balance Scorecard approach to business metrics for the organization based on the Five Year Strategic Plan. It is expected that the 2006-2007 year will provide the first baseline data for the Balanced Scorecard.

Human Resources

Following the negotiation of three new collective agreements with our unionized workers in 2004–2005, the Human Resources Business Unit began the process of promoting a cultural change within the organization as it relates both to unionized and non-unionized staff. Systems were put in place to effectively and clearly communicate performance targets for individuals as means of measuring each employees success in their role. This system has aided the NSLC in its recruitment and selection process as well as providing a means to more clearly articulate the expectations needed for success in each role.

Information Technology

As part of the Corporation’s strategy to become a modern retail organization, the IT Business Unit continued in its efforts to support business process improvements by introducing new technologies that enabled the creation of an intranet site, a new internet site – www.thenslc.com, and a new shelf management system.

Key to the future success of the organization is the replacement of key business software and hardware systems. The IT Business Unit is leading the organization through a conversion of hardware, software and business processes over to an SAP platform. Combined with this initiative which will go live in April 2007, is the replacement of both the hardware and software of the NSLC’s Point-of-Sale system. The process mapping of requirements and rendering process for this replacement began this past year and will also see the new system go live in 2007.

Together, these two initiatives under the banner of Project 360 represent fundamental and essential changes to all aspects of the business. The first

portion of the project goes live in the first half of 2007 and includes new supply chain procurement, inventory management, order entry, financial information and retail sales processes. The second project includes implementing SAP to manage human resources, payroll and merchandising.

Merchandising and Marketing & Communications

The Merchandising and Marketing & Communications Business Units work in tandem on promotional activity, marketing initiatives and communication efforts designed to deliver on the customer promise and the Strategic Plan.

Marketing & Communications

The new corporate logo and signage system launched in the 2004–2005 fiscal year was implemented system wide in 2005–2006 and the ‘Make it a Social Occasion’ tag line reinforced through the use of effective in-store marketing campaigns, advertising using traditional media outlets and expansion of NSLC run events in the Halifax Regional Municipality and outlying regions. Also helping to reinforce this message was the NSLC’s marketing magazine, Occasions, which had its first full year of production.

New innovative store signage was introduced in June 2005 aimed at delivering a stronger sales message based on a clear value proposition to customers. In addition, the design of a new digital video signage system unique in North America was tested in the new NSLC flagship store in Bayer’s Lake which produced a three to five times lift over traditional signage. This system will be rolled-out to key stores in the next year.

The Marketing & Communications Business Unit also developed and implemented successful social responsibility awareness campaigns in the summer and Christmas seasons. The latter, honored by Canadian Retailers the Retail Council of Canada as the best “Retail Corporate Social Responsibility Initiative” in Canada.

Merchandising

The Merchandising Business Unit is responsible for product selection, pricing, product promotion and placement. In 2005–2006, the NSLC made a decision to move to the Category Management discipline. Supporting this decision, the Merchandising Business Unit has developed the first annual Beer, Wine and Spirit category management plans as a means of better managing the business for improved results, and enhancing the customer experience. One of the immediate benefits of the category management discipline is the adoption of a new process of category reviews (product selection). The benefits of the new process include: (1) better product selection on behalf of the Nova Scotia consumer; and (2) a transparent process that, in addition to the category management plans, allows our vendor partners to understand our direction and better support our goals in the process. The longer term results of adopting the Category Management discipline will come to fruition in the upcoming years with a particular focus on improvements in product promotions and placement (shelf management) at the store level.

Category Segments

Sales in all product categories showed significant growth over last year. The continued focus on moving customers up the quality ladder and bringing new purchasing options and promotions to their attention is impacting sales significantly. When comparing 2005–2006 to the previous year wine sales grew by 10.2%; beer by 8.2%; ready-to-drink by 9.4%; and spirits by 6.2%.

Category Sales

	2005–2006			2004–2005	
Category	Actual	Budget	Change	Actual	Change vs. 05/06
Spirits	\$146.5 M	\$143.0 M	+2.5%	\$138.0 M	+6.2%
Wine	\$ 81.8 M	\$ 78.8 M	+3.7%	\$ 74.2 M	+10.2%
Beer	\$242.6 M	\$233.2 M	+4.0%	\$224.3 M	+8.2%
RTD	\$ 17.5 M	\$ 15.9 M	+9.9%	\$ 16.0 M	+9.0%

All product category sales exceeded budget with beer making up almost \$9.4 million of the positive variance \$17.6 million to budget.

In addition to growth in sales, understanding customer purchasing trends is critical. Growth in the volume of product purchased indicates customers buying more. The gross profit per litre (GPL) is a reflection of pricing changes and customers buying higher priced products. For the fiscal year all categories increased except ready-to-drink, which declined slightly. Wine GPL increased by 5.6% and volume 5.5%; from the beer category GPL increased by 6.5% and volume increased by 2.9%; and spirits category GPL increased by 6.0% and volume was flat for year ending March 31, 2006.

WHOLESALE

The NSLC wholesale market comprises 18% of current sales and was \$87.6 million for fiscal 2005–2006, up 5.5% from the \$83.0 million posted during the same period last year. The wholesale market includes licensees (restaurants, bars and pubs), agency stores and private wine and specialty stores (PWSS).

The growth in our wholesale business was driven entirely by the addition of 15 agency stores during the year. However, licensee sales declined by 3.2% during the year compared to the previous year.

The Agents who retail beverage alcohol on behalf of the NSLC in smaller communities are considered an important and growing part of its wholesale market. These businesses purchase products at a discount from the NSLC (a wholesale rate) and offer them to the public at the exact same price as offered by the NSLC. The continued expansion of this program delivers on average a 4% incremental lift in sales in a given market. This past year the NSLC increased this aspect of its wholesale market by going from eight Agents to 23.

The decline in licensee sales this past year is a serious concern for management. With this in mind the NSLC has decided to dedicate more resources to this important aspect of its wholesale business and will be expanding the number of employees dedicated to serving this aspect of the business. The NSLC will be introducing new marketing and promotion activities aimed at increasing the opportunities for licensees to purchase product. As well, new supply chain efforts are being designed to provide greater benefit for licensees. Finally, the Government of Nova Scotia’s decision to remove starting January 1, 2007 the 3.5% surcharge on beverage alcohol purchase of licensees that funds the Alcohol and Gaming Authority should improve the health of the Nova Scotia licensee community.

AUDITORS' REPORT

Grant Thornton LLP
Chartered Accountants
Management Consultants

Auditors' Report

To the Members of the Board of
Nova Scotia Liquor Corporation

We have audited the balance sheet of the Nova Scotia Liquor Corporation as at March 31, 2006 and the statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2006 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Dartmouth, Nova Scotia
June 2, 2006

Grant Thornton LLP
Chartered Accountants

Suite 301
238A Brownlow Avenue
Dartmouth, NS B3B 2B4
T (902) 463-4900
F (902) 469-2860
E Dartmouth@GrantThornton.ca
W www.GrantThornton.ca

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March 31 (in thousands)

ASSETS

Current

Cash
Receivables
Inventories
Prepays

Property and equipment (Note 3)
Assets under capital lease, net of accumulated
depreciation of \$10,719 (2005 – \$10,286)

LIABILITIES

Current

Payables and accruals
Payable to Minister of Finance
Current portion of obligation under capital lease
Current portion of employee future benefit obligations

Obligations under capital lease (Note 4)
Employee future benefit obligations (Note 5)

Commitments and Contingency (Note 6)
See accompanying notes to the financial statements.

On behalf of the Board

Peter L. McCreath

The Honourable Peter L. McCreath, PC, MA, FRSA
Chair, Board of Directors

James G. MacLean

Mr. James G. MacLean, B.Sc., LL.B.
Audit Committee Chair

2006

2005

\$ 2,478
2,480
30,011
771

35,740

26,604

112

\$ 62,456

\$ 9,527
3,080
33,338
898

46,843

18,666

545

\$ 66,054

\$ 31,573
8,275
737
684

41,269

5,313

15,874

\$ 62,456

\$ 26,847
16,765
642
635

44,889

6,051

15,114

\$ 66,054

BALANCE SHEET

STATEMENT OF
EARNINGS AND
RETAINED EARNINGS

Year Ended March 31 (in thousands)	2006	2005
Net sales	\$ 486,084	\$ 450,955
Cost of goods sold	233,008	216,982
	253,076	233,973
Store operating expenses	45,876	41,994
	207,200	191,979
Depreciation	4,554	3,992
Supply chain expense	4,834	5,161
Corporate services expense	17,428	13,534
Other revenue	(5,741)	(4,834)
Other expenses	4,909	4,092
	25,984	21,945
Net earnings	\$ 181,216	\$ 170,034
Retained earnings, beginning of year	\$ —	\$ —
Net earnings	181,216	170,034
Distributions to the Province	(181,216)	(170,034)
Retained earnings, end of year	\$ —	\$ —

See accompanying notes to the financial statements.

STATEMENT OF
CASH FLOWS

March 31 (in thousands)	2006	2005
Increase (decrease) in cash and cash equivalents		
OPERATING		
Net earnings	\$ 181,216	\$ 170,034
Depreciation	4,554	3,992
Loss on disposal of property and equipment	254	—
Increase in employee future benefit obligations	809	816
	186,833	174,842
Change in non-cash operating working capital (Note 7)	8,780	(6,367)
	195,613	168,475
FINANCING		
Principal payments on obligations under capital lease	(643)	(558)
Remittances to Minister of Finance	(189,700)	(157,200)
	(190,343)	(157,758)
INVESTING		
Proceeds on sale of property and equipment	566	—
Purchase of property and equipment	(12,885)	(6,775)
	(12,319)	(6,775)
(Decrease) increase in cash and cash equivalents	(7,049)	3,942
Cash and cash equivalents, beginning of year	9,527	5,585
Cash and cash equivalents, end of year	\$ 2,478	\$ 9,527

See accompanying notes to the financial statements.

March 31, 2006 (thousands)

1. NATURE OF OPERATIONS

The Nova Scotia Liquor Corporation administers the Liquor Control Act, Chapter 260 of the Revised Statutes of Nova Scotia, 1989 and is a government business enterprise as defined by Public Sector Accounting Board recommendations. The Corporation was created June 1, 2001, by Chapter 4 of the Government Restructuring (2001) Act, via continuance of the Nova Scotia Liquor Commission as a body corporate. The Corporation is exempt from income tax under Section 149 of the Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INVENTORIES

Inventories of stock in warehouse and stores are valued at the lower of cost and net realizable value. Customs and excise tax have not been included where payment is due upon shipment from a bonded warehouse.

DEPRECIATION

Property and equipment are recorded at cost. Depreciation is provided on the straight-line basis at the following annual rates:

Furniture, fixtures, portable equipment,	
other equipment and capital leasehold improvements	10%
Computers – stand-alone	33%
Computers – integrated systems	20%
Land and buildings	4%

In the year of addition, depreciation is charged at the full annual rate.

Land costs, which normally would not be depreciated, are depreciated due to the retention of proceeds by the Province of Nova Scotia.

Work in progress includes assets not yet being used, but already purchased. These assets are depreciated when they are available for use.

ASSETS UNDER CAPITAL LEASE

Assets under capital lease are depreciated over their estimated useful lives using the straightline method.

EMPLOYEE FUTURE BENEFITS

The Corporation has a Public Service Award Program covering substantially all of its permanent employees. The benefit is based on years of service and the employee's compensation during the final year of employment. This program is funded in the year of retirement of eligible employees.

The Corporation pays 65% of the cost of health care plans for substantially all retirees or surviving spouses of retirees. This program is funded each year by the payment of the required premiums.

The Corporation accrues its obligations under these employee benefit plans as the employees render the services necessary to earn the future benefits. The Corporation has adopted the following policies.

- The cost of the benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of expected salary escalation, retirement ages and expected health care costs.
- The excess of the net actuarial gain or loss over 10% of the benefit obligation is amortized over the average remaining service period of active employees, which is 10 years.

Permanent employees are members of the Nova Scotia Public Service Superannuation Plan. The cost of pension benefits is the responsibility of the Province of Nova Scotia and accordingly no provision is included in the Corporation's financial statements for pension related amounts. The pension related assets and liabilities are accounted for in the Public Accounts of Nova Scotia.

USE OF ESTIMATES

The presentation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those reported.

FINANCIAL INSTRUMENTS

The Corporation's financial instruments include cash and cash equivalents, receivables, payables and accruals, payable to Minister of Finance and obligations under capital lease. Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from financial instruments. The fair value of these financial instruments approximate their carrying values except for the obligation under capital lease. The fair value of the obligation under capital lease was not determinable because exit costs are not known. These exit costs would be a significant component of the fair value calculation, as the implicit rate of the lease of 13.8% is in excess of the current market cost of capital for the Corporation.

3. PROPERTY AND EQUIPMENT

	2006	2005
Furniture and fixtures	\$ 8,743	\$ 7,891
Other equipment	8,126	7,192
Computers	12,713	10,802
Land and buildings	11,673	13,508
Capital and leasehold improvements	32,639	28,190
Work in progress	5,790	2,614
	79,684	70,197
Less: accumulated depreciation	53,080	51,531
	\$ 26,604	\$ 18,666

4. OBLIGATION UNDER CAPITAL LEASE

The Corporation has an obligation under a capital lease, which matures in 2012. The obligation represents the total present value of future minimum lease payments discounted at the rate implicit in the lease which is 13.8%. The future minimum lease payments, together with the balance of the obligation under capital lease as of March 31, 2006, are as follows:

2007	\$ 1,536
2008	1,536
2009	1,536
2010	1,536
2011	1,536
2012	1,152
Total minimum lease payments	8,832
Less: amount representing interest	2,782
Balance of obligation	6,050
Less: current portion of obligation	737
	\$ 5,313

Corporate services expense includes interest of \$895 (2005 – \$978) related to this obligation.

5. EMPLOYEE FUTURE BENEFITS

The Corporation has two employee future benefit plans for which it is responsible as described in Note 2.

Information about these benefit plans, in aggregate, based on the April 1, 2005 actuarial valuation extrapolated to March 31, 2006 is as follows:

	2006	2005
Accrued benefit obligation:		
Balance, beginning of year	\$ 16,588	\$ 15,900
Current service cost	645	628
Interest cost	988	976
Benefits paid	(834)	(795)
Past service costs	-	100
Actuarial loss (gain)	212	(221)
Balance, end of year	17,599	16,588
Less: current portion	(684)	(635)
Past service costs	(90)	(100)
Unamortized net actuarial loss	(951)	(739)
Accrued benefit liability	\$ 15,874	\$ 15,114

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations are as follows:

	2006	2005
Discount rate	5.95%	6.05%
Rate of compensation increase	2.90%	2.90%

The assumed health care cost trend rate at April 1, 2006 was 9%, decreasing at 1% per annum to an ultimate rate of 5.0% per annum.

The Corporation's net benefit plan expense was \$1,636 (2005 – \$1,618).

6. COMMITMENTS AND CONTINGENCY

The Corporation leases buildings, premises and equipment under operating leases which expire at various dates between 2007 and 2011. Some of these operating leases contain renewal options at the end of the initial lease term.

The following schedule approximates future minimum rental payments required under operating leases that have initial lease terms in excess of one year, as of March 31, 2006:

2007	\$ 3,987
2008	\$ 3,045
2009	\$ 2,572
2010	\$ 2,170
2011	\$ 1,444

There is a legal claim outstanding for which no accrual has been made as the outcome and any resulting liability is undeterminable at this time.

7. SUPPLEMENTAL CASH FLOW INFORMATION

	2006	2005
Change in non cash operating working capital		
Receivables	\$ 600	\$ (1,460)
Inventory	3,327	(2,387)
Prepays	127	(69)
Payables and accruals	4,726	(2,451)
	\$ 8,780	\$ (6,367)
Cash and cash equivalents consist of:		
Cash on hand and balances with banks	\$ 2,478	\$ 9,527
Interest and bank charges paid	\$ 380	\$ 237

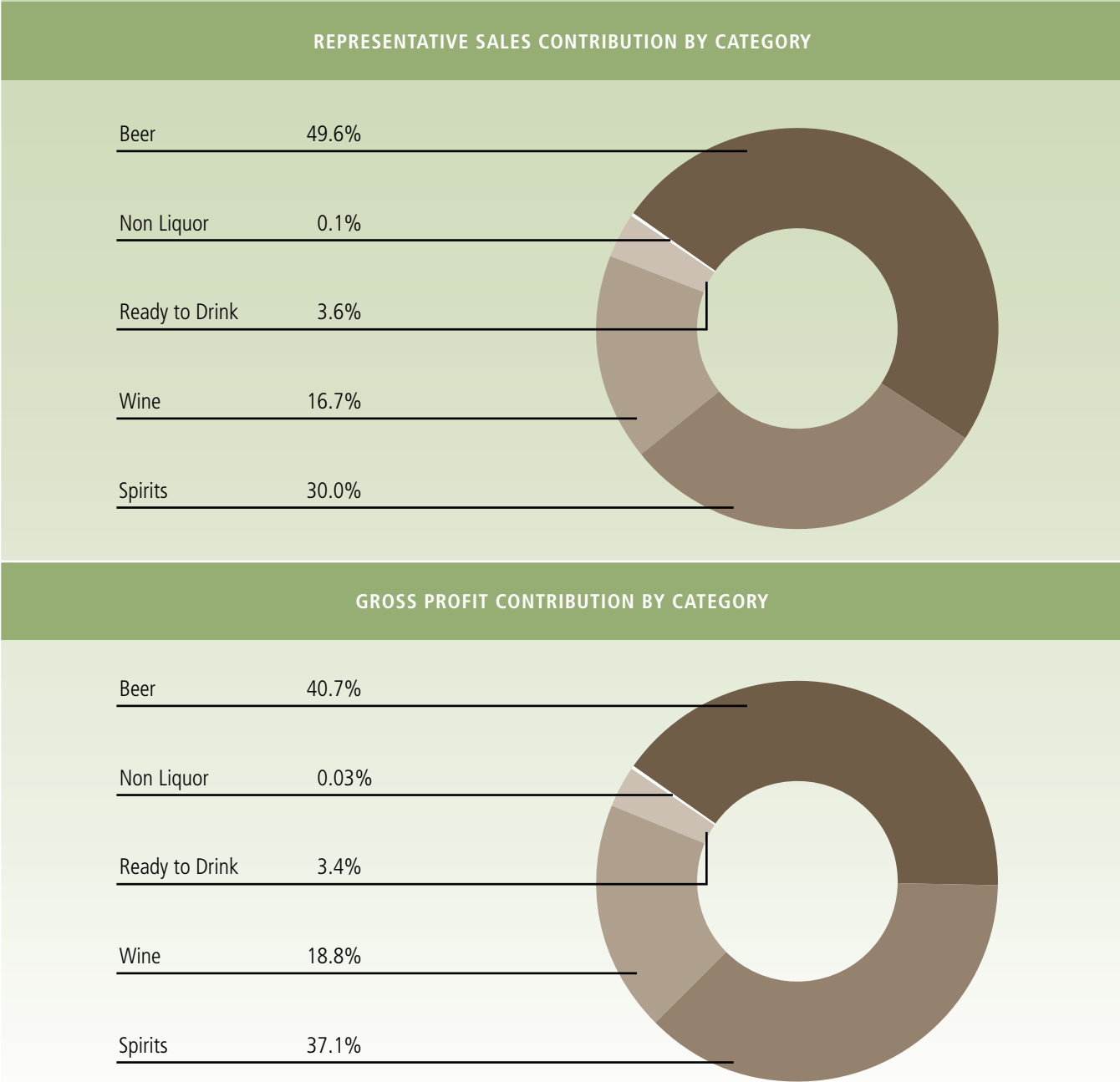
8. DISPOSALS

During the fiscal year, surplus properties were disposed resulting in a net loss of \$254. Included in this amount is a loss of \$700 resulting from a sale of property further to an Order in Council of the Province.

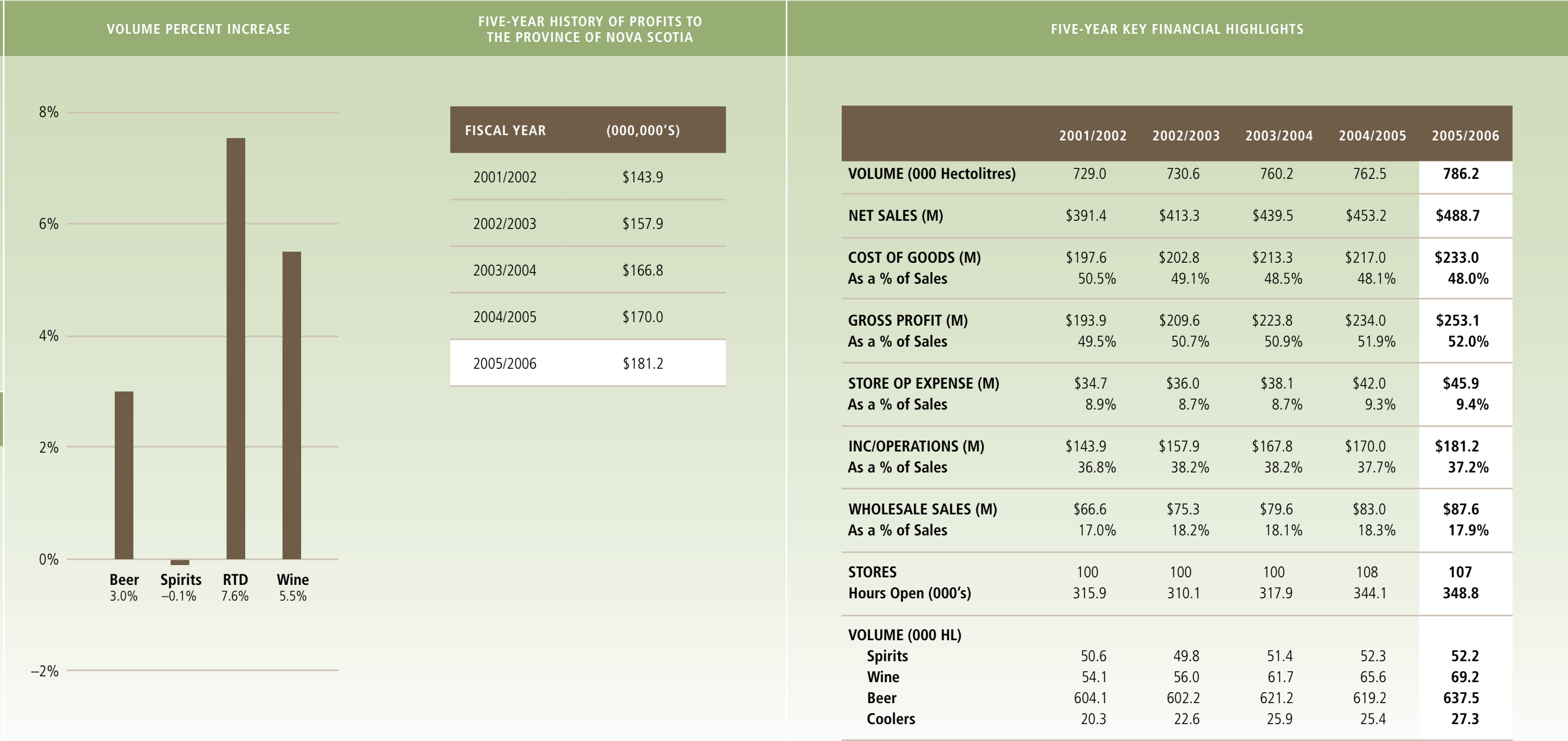
9. COMPARATIVE FIGURES

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

FINANCIAL PERFORMANCE



FIVE-YEAR HISTORY



SALES BY STORES

HALIFAX REGION

STORE NUMBER & NAME	SPIRITS	WINE	BEER	RTD	OTHER	TOTAL
104 - Agricola Street	2,180,910.17	1,937,540.00	4,244,027.92	230,556.04	3,162.65	\$8,596,196.78
106 - Barrington Street	1,616,981.52	1,924,464.85	2,175,899.76	142,949.74	6,861.51	5,867,157.38
108 - Bayers Lake	3,039,049.27	3,202,992.93	4,060,653.15	378,394.12	19,177.00	10,700,266.47
110 - Joseph Howe	2,552,736.99	1,776,217.89	4,050,189.62	302,574.24	3,528.36	8,685,247.10
120 - Clyde Street	1,549,615.24	1,312,570.56	2,135,842.23	157,251.42	6,430.85	5,161,710.30
123 - Queen Street	989,395.02	915,692.17	943,336.50	90,036.08	2,635.15	2,941,094.92
145 - Halifax Shopping Centre	1,137,480.06	851,942.40	832,138.14	135,161.98	5,813.64	2,962,536.22
150 - HSC Annex	1,414,584.24	1,193,382.70	2,080,240.75	141,573.18	1,852.10	4,831,632.97
152 - Kempt Road	276,369.46	149,031.99	540,667.42	36,585.12	1,260.79	1,003,914.78
154 - Young Street	1,577,457.12	1,197,353.63	2,358,874.38	137,917.06	1,408.09	5,273,010.28
160 - Port of Wines	331,948.69	3,439,584.32	175,051.58		45,674.90	3,992,259.49
165 - Quinpool IGA	1,559,564.31	1,708,128.73	1,754,241.67	122,680.95	3,757.83	5,148,373.49
170 - Rockingham Ridge	2,367,839.47	1,987,084.20	3,258,581.68	248,735.82	4,269.01	7,866,510.18
176 - Downsview Plaza	3,177,902.76	1,151,060.95	7,152,286.29	516,944.22	2,633.88	12,000,828.10
178 - Lower Sackville	1,387,485.74	638,685.40	1,687,906.41	182,850.33	1,129.73	3,898,057.61
180 - Scotia Square	773,113.09	665,876.49	806,102.13	69,062.07	5,330.85	2,319,484.63
185 - Spryfield	2,475,694.26	1,020,075.96	4,271,325.29	309,978.44	2,645.58	8,079,719.53
193 - Mill Cove	1,401,745.60	1,405,506.30	1,545,438.41	146,497.89	3,118.23	4,502,306.43
195 - Tantallon	2,431,246.25	2,024,369.05	3,877,242.68	292,652.29	4,091.91	8,629,602.18
202 - Bedford Place	1,750,298.20	1,683,848.20	2,820,944.73	209,109.57	2,999.72	6,467,200.42
209 - Bridge Plaza	2,700,677.56	1,452,069.50	5,088,021.25	311,600.89	9,707.93	9,562,077.13
210 - Burnside	758,973.48	334,803.32	1,366,066.70	91,793.35	4,277.18	2,555,914.03
213 - Penhorn Mall	1,208,663.28	661,805.54	940,308.43	131,172.92	1,149.55	2,943,099.72
219 - Westphal	3,658,618.98	1,886,410.73	6,366,219.70	506,274.71	3,276.58	12,420,800.70
220 - Mic Mac Mall	1,164,206.19	1,065,265.45	779,806.44	115,832.96	1,623.12	3,126,734.16
226 - Portland Street	728,849.51	641,023.33	811,144.91	60,943.28	1,541.67	2,243,502.70
227 - Forest Hills	3,592,618.32	1,953,712.77	5,718,580.31	510,214.47	4,314.64	11,779,440.51
270 - Porters Lake	1,495,662.88	600,821.74	2,659,836.66	185,742.91	631.44	4,942,695.63
290 - Eastern Passage	1,030,007.96	359,890.48	2,316,196.92	157,711.79	1,062.84	3,864,869.99
297 - Musquodoboit Harbour	688,675.07	226,163.20	985,664.61	62,981.78	868.99	1,964,353.65
099 - Halifax Licensee	6,198,652.88	8,574,876.38	16,189,757.03	766,471.70	4,992.17	31,734,750.16
HALIFAX REGION TOTAL	\$57,217,023.57	\$47,942,251.16	\$93,992,593.70	\$6,752,251.32	\$161,227.89	\$206,065,347.64

SALES BY STORES

EASTERN & NORTHERN REGION

MARCH 31, 2006

Largest Sales - All Stores - All Categories	Antigonish	Largest Spirits Sales	Antigonish
Largest Sales Halifax Region	Westphal	Largest Wine Sales	Port of Wines
Largest Sales Eastern & Northern	Truro	Largest Beer Sales	Downsview Plaza
Largest Sales Cape Breton Area	Antigonish	Largest RTD Sales	Sydney River
Largest Sales Valley & South Shore	Yarmouth		

STORE NUMBER & NAME	SPIRITS	WINE	BEER	RTD	OTHER	TOTAL
201 - Airport	518,206.90	459,596.01	517,353.56	26,004.76	3,332.22	\$1,524,493.45
222 - Kennetcook	376,284.64	46,910.76	879,653.75	38,055.66	152.57	1,341,057.38
223 - Elmsdale	2,171,429.97	928,397.10	4,402,682.68	313,693.10	2,542.60	7,818,745.45
225 - Fall River	1,161,323.88	868,798.36	1,455,482.01	136,914.52	1,733.46	3,624,252.23
280 - Sheet Harbour	482,402.13	114,518.88	722,356.22	41,945.12	583.81	1,361,806.16
285 - Stewiacke	933,603.72	170,585.37	2,063,619.56	124,896.21	490.05	3,293,194.91
286 - Middle Musquodoboit	411,520.77	67,968.15	620,023.00	45,827.46	319.62	1,145,659.00
301 - Amherst	756,561.79	282,795.47	1,712,778.40	135,294.77	620.91	\$2,888,051.34
302 - Amherst Mall	1,369,348.19	769,895.98	2,721,703.96	270,832.94	3,573.52	5,135,354.59
310 - Bible Hill	1,084,270.43	287,765.46	2,047,645.30	127,701.27	593.98	3,547,976.44
322 - Joggins	95,417.28	17,034.91	318,937.15	13,739.36	122.77	445,251.47
338 - Oxford	313,582.88	82,442.28	634,122.76	43,807.42	362.77	1,074,318.11
343 - Parrsboro	378,946.71	140,182.80	922,226.19	70,777.84	1,049.77	1,513,183.31
345 - New Glasgow	1,918,471.13	858,872.27	3,537,477.62	276,599.39	4,697.62	6,596,118.03
347 - West New Glasgow	1,330,923.66	691,421.49	2,070,200.37	176,332.19	1,146.40	4,270,024.11
348 - Pictou	1,386,002.72	527,784.74	2,215,031.28	159,269.49	926.78	4,289,015.01
353 - Pugwash	467,329.27	183,326.85	793,813.25	61,574.06	601.27	1,506,644.70
358 - River John	233,472.03	83,447.37	512,940.24	27,745.60	236.84	857,842.08
367 - Springhill	465,167.48	106,355.71	1,155,430.60	86,791.62	704.72	1,814,450.13
370 - Sherbrooke	269,677.02	86,625.75	481,321.01	28,643.49	489.96	866,757.23
375 - Stellarton	1,339,905.70	329,318.82	2,569,679.79	143,225.46	918.72	4,383,048.49
382 - Tatamagouche	566,520.20	315,418.91	1,175,508.68	72,409.78	880.99	2,130,738.56
387 - Trenton	553,617.51	145,818.81	1,203,806.58	66,782.15	436.24	1,970,461.29
392 - Truro	3,779,919.32	1,484,430.16	6,443,903.37	523,769.18	3,780.65	12,235,802.68
394 - Truro Mall	1,795,195.17	621,238.84	2,939,648.89	200,035.81	1,105.26	5,557,223.97
397 - Westville	617,536.06	127,534.73	1,607,389.79	86,164.33	714.75	2,439,339.66
EASTERN & NORTHERN REGION	\$24,776,636.56	\$9,798,485.98	\$45,724,736.01	\$3,298,832.98	\$32,118.25	\$83,630,809.78

SALES BY STORES

VALLEY & SOUTH SHORE REGION

STORE NUMBER & NAME	SPIRITS	WINE	BEER	RTD	OTHER	TOTAL
115 - Chester	1,296,045.53	819,771.36	1,814,194.21	110,544.35	1,694.50	\$4,042,249.95
125 - Hubbards	632,968.54	366,619.38	894,313.01	67,833.17	938.06	1,962,672.16
130 - Hantsport	422,812.16	120,561.61	777,280.97	44,747.74	397.25	1,365,799.73
196 - Windsor	2,074,057.93	715,465.57	3,704,832.63	276,853.83	1,758.91	6,772,968.87
501 - Annapolis	741,298.59	394,097.75	1,027,113.97	69,611.89	2,408.54	2,234,530.74
504 - Barrington Passage	1,172,891.89	196,831.48	1,401,160.91	150,913.14	726.11	2,922,523.53
505 - Bridgewater	2,914,081.20	1,265,004.74	4,453,787.24	269,903.94	7,678.65	8,910,455.77
506 - Bridgewater Mall	1,526,987.61	609,822.01	1,024,799.93	111,948.90	1,476.67	3,275,035.12
509 - Caledonia	260,975.23	67,635.67	426,322.77	28,850.22	404.71	784,188.60
511 - Berwick	1,096,884.77	337,527.33	2,052,205.64	124,368.60	761.14	3,611,747.48
515 - Bridgetown	457,764.89	168,300.71	793,166.55	54,555.24	735.87	1,474,523.26
520 - Digby	1,746,507.58	719,100.39	2,685,207.99	201,283.99	1,382.45	5,353,482.40
546 - Kentville	2,066,689.47	802,887.53	3,937,609.87	239,230.30	2,105.93	7,048,523.10
548 - Kingston	1,763,425.31	814,807.99	3,419,131.41	272,700.77	1,414.24	6,271,479.72
555 - Liverpool	1,769,841.42	627,297.87	2,177,750.69	162,205.85	1,072.72	4,738,168.55
560 - Lockeport	342,961.75	51,653.83	385,583.15	27,887.75	241.68	808,328.16
565 - Lunenburg	1,502,663.14	779,204.04	1,620,976.76	98,288.43	2,283.56	4,003,415.93
570 - Mahone Bay	1,032,349.44	615,028.06	1,320,320.36	74,884.25	1,953.09	3,044,535.20
572 - Meteghan	920,050.01	279,177.19	1,604,080.55	97,043.90	849.23	2,901,200.88
573 - Middleton	968,519.05	293,003.74	1,845,312.59	107,646.00	670.67	3,215,152.05
574 - New Minas	2,039,667.45	1,106,165.06	2,915,680.98	279,581.58	5,318.79	6,346,413.86
575 - New Germany	492,746.39	111,780.28	810,065.89	46,504.01	511.35	1,461,607.92
585 - Shelburne	983,637.85	301,425.06	1,338,884.42	101,766.00	1,077.26	2,726,790.59
590 - West Pubnico	448,992.25	101,466.40	411,837.09	33,914.70	335.03	996,545.47
591 - Weymouth	450,390.63	128,725.76	803,841.46	49,509.13	391.42	1,432,858.40
595 - Wolfville	1,333,924.01	1,017,910.98	1,982,016.70	121,339.21	2,411.71	4,457,602.61
598 - Yarmouth	3,364,714.81	1,124,101.86	4,661,378.02	366,742.51	3,190.27	9,520,127.47
VALLEY & SOUTH SHORE TOTAL	\$33,823,848.90	\$13,935,373.65	\$50,288,855.76	\$3,590,659.40	\$44,189.81	\$101,682,927.52

SALES BY STORES

CAPE BRETON REGION

STORE NUMBER & NAME	SPIRITS	WINE	BEER	RTD	OTHER	TOTAL
303 - Antigonish	4,523,756.91	1,831,395.24	6,644,451.70	490,974.14	6,342.85	\$13,496,920.84
312 - Canso	354,450.26	46,147.67	687,709.46	47,285.66	364.80	1,135,957.85
317 - Guysborough	473,789.66	137,270.94	689,127.90	38,072.14	417.76	1,338,678.40
340 - Mulgrave	260,662.12	41,177.30	495,017.42	24,728.76	390.03	821,975.63
407 - Arichat	572,693.43	122,724.03	906,481.73	42,437.31	705.53	1,645,042.03
408 - Baddeck	1,294,163.30	572,660.87	1,983,659.26	149,501.60	3,474.39	4,003,459.42
413 - Cheticamp	593,491.84	278,056.28	1,135,717.90	110,962.80	2,087.40	2,120,316.22
418 - Dominion	526,622.84	79,483.97	1,399,496.98	75,536.88	595.00	2,081,735.67
426 - Glace Bay	2,540,284.56	569,485.61	5,451,183.89	382,776.75	3,127.61	8,946,858.42
431 - Ingonish	639,017.32	327,987.71	1,057,353.23	79,121.64	1,682.13	2,105,162.03
436 - Inverness	745,767.90	248,318.08	1,448,078.25	76,792.53	1,044.04	2,520,000.80
441 - Louisbourg	363,723.66	95,970.21	644,225.51	38,645.68	1,031.16	1,143,596.22
445 - New Waterford	1,264,761.12	219,741.02	3,062,395.46	182,600.19	1,788.08	4,731,285.87
451 - North Sydney	2,371,083.40	672,205.66	3,875,580.75	361,086.34	3,951.80	7,283,907.95
455 - Port Hawkesbury	2,193,847.72	840,004.76	3,232,611.85	228,613.46	7,346.86	6,502,424.65
460 - Port Hood	828,115.88	207,669.12	1,018,162.57	64,305.10	1,460.65	2,119,713.32
477 - St. Peters	680,958.49	184,138.41	1,295,282.77	75,054.45	985.31	2,236,419.43
479 - Sydney	1,962,264.24	689,912.13	2,744,693.79	203,860.02	4,358.60	5,605,088.78
480 - Mayflower Mall	801,129.26	323,181.45	479,777.34	70,073.93	2,388.55	1,676,550.53
481 - Sydney K-Mart Plaza	2,068,811.28	536,938.10	3,530,722.06	235,655.30	3,802.19	6,375,928.93
483 - Whitney Pier	686,173.84	111,478.59	1,271,598.74	67,003.50	929.48	2,137,184.15
490 - Sydney Mines	1,055,288.56	189,810.08	2,486,521.59	179,333.81	1,155.15	3,912,109.19
496 - Sydney River	3,892,729.76	1,792,412.97	7,051,170.34	621,003.88	8,785.36	13,366,102.31
CAPE BRETON REGION TOTAL	\$30,693,587.35	\$10,118,170.20	\$52,591,020.49	\$3,845,425.87	\$58,214.73	\$97,306,418.64

GRAND TOTAL SALES	\$146,511,096.38	\$81,794,280.99	\$242,597,205.96	\$17,487,169.57	\$295,750.68	\$488,685,503.58
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AGENCY STORES	SPIRITS	WINE	BEER	RTD	OTHER	TOTAL
TOTAL AGENCY STORES	\$3,599,239.11	\$748,292.14	\$6,796,153.45	\$497,890.32	-	\$11,641,575.02

SOURCE OF GROSS SALES REVENUE

Overall, all categories but Other increased from last year, and total sales are up 7.8%. Wine showed the largest increase, up 10.3% over last year.
(Dollars to the nearest 000s)

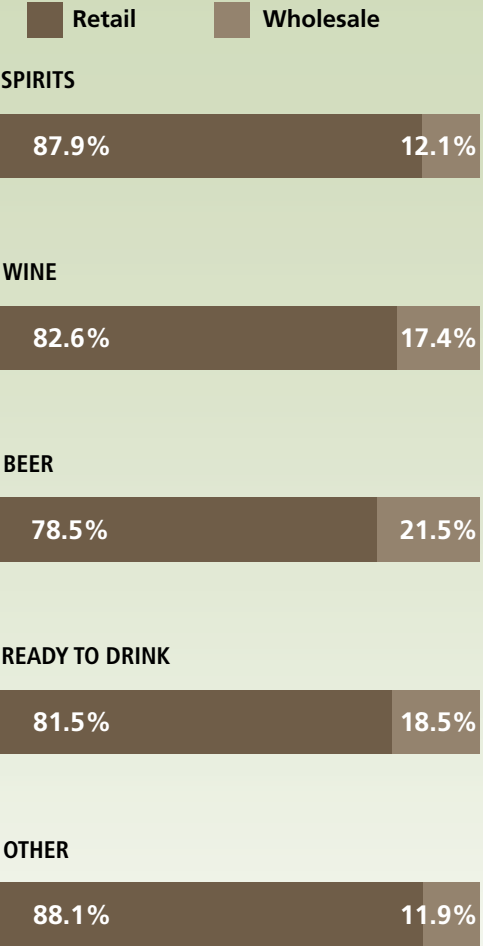
2005–2006	\$	%
Spirits	\$146,511.1	30.0%
Wine	\$81,794.3	16.7%
Beer	\$242,597.7	49.6%
RTD	\$17,487.2	3.6%
Other	\$295.2	0.1%
TOTAL	\$488,685.5	100.0%

RETAIL – WHOLESALE SALES

Retail sales flow from sales at the NSLC’s 108 stores. Wholesale sales include licensees, private wine specialty stores, and agency stores.
(Dollars to the nearest 000s)

2005–2006		
SPIRITS	\$	%
Retail	\$128,737.9	87.9%
Wholesale	\$17,773.2	12.1%
Total	\$146,511.1	100.0%
WINE	\$	%
Retail	\$67,535.0	82.6%
Wholesale	\$14,259.3	17.4%
Total	\$81,794.3	100.0%
BEER	\$	%
Retail	\$190,328.6	78.5%
Wholesale	\$52,269.1	21.5%
Total	\$242,597.7	100.0%
RTD	\$	%
Retail	\$14,247.1	81.5%
Wholesale	\$3,240.0	18.5%
Total	\$17,487.1	100.0%
OTHER	\$	%
Retail	\$260.2	88.1%
Wholesale	\$35.1	11.9%
Total	\$295.3	100.0%
TOTAL	\$	%
Retail	\$401,108.8	82.1%
Wholesale	\$87,576.7	17.9%
TOTAL SALES	\$488,685.5	100.0%

RETAIL – WHOLESALE SALES

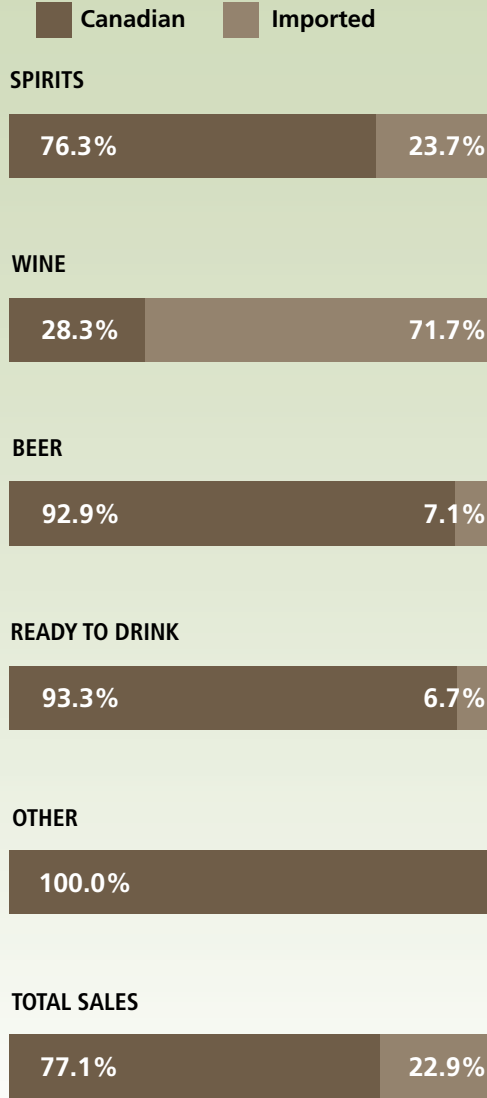


CANADIAN AND IMPORTED SALES 2005–2006

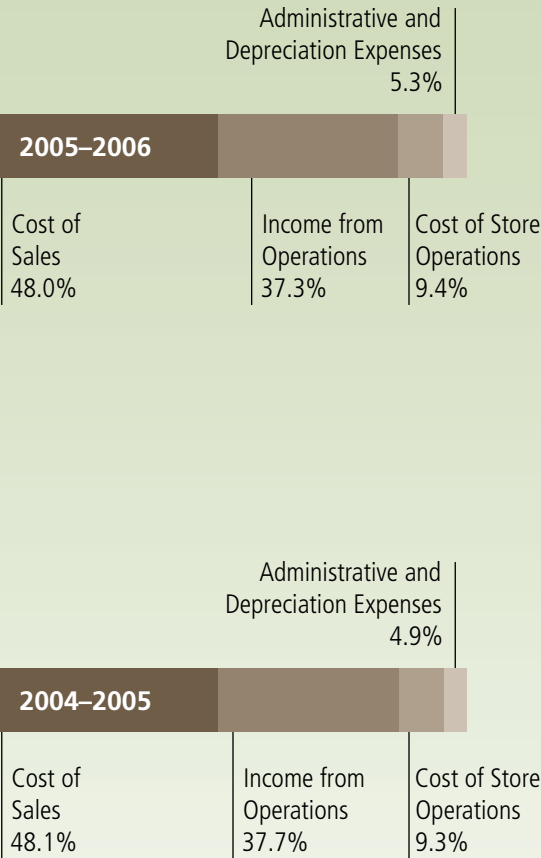
Canadian products account for 77.1% of all products sold; 22.9% are imported.
(Dollars to the nearest 000s)

2005–2006		
SPIRITS	\$	%
Canadian	\$111,757.7	76.3%
Imported	\$34,753.4	23.7%
Total	\$146,511.1	100.0%
WINE	\$	%
Canadian	\$23,173.0	28.3%
Imported	\$58,621.3	71.7%
Total	\$81,794.3	100.0%
BEER	\$	%
Canadian	\$225,356.9	92.9%
Imported	\$17,240.8	7.1%
Total	\$242,597.7	100.0%
RTD	\$	%
Canadian	\$16,313.2	93.3%
Imported	\$1,174.0	6.7%
Total	\$17,487.1	100.0%
OTHER	\$	%
Canadian	\$295.3	100.0%
Imported	\$0.0	0.0%
Total	\$295.3	100.0%
TOTAL	\$	%
Canadian	\$376,896.0	77.1%
Imported	\$111,789.5	22.9%
TOTAL	\$488,685.5	100.0%

CANADIAN AND IMPORTED SALES



DISTRIBUTION OF SALES REVENUE DOLLARS



FIVE-YEAR SALES COMPARISON

(Dollars to the nearest 000s)

BY CLASS OF SALES							
YEAR	SPIRITS	WINE	BEER	COOLERS	OTHER	SPECIAL ORDERS	TOTAL
2005/2006	\$146,511.1	\$81,794.3	\$242,597.7	\$17,487.2	\$295.2	\$0.0	\$488,685.5
2004/2005	\$138,031.1	\$74,152.2	\$224,344.5	\$16,048.8	\$633.5	\$0.0	\$453,210.1
2003/2004	\$135,605.1	\$69,766.5	\$217,654.7	\$15,993.3	\$527.5	\$0.0	\$439,547.1
2002/2003	\$131,886.4	\$60,925.6	\$206,291.0	\$13,779.0	\$443.4	\$0.0	\$413,325.4
2001/2002	\$128,458.1	\$53,984.1	\$197,343.4	\$11,291.3	\$353.8	\$481.1	\$391,911.8

CANADIAN VS. IMPORTED – GROSS LIQUOR REVENUE							
YEAR	SPIRITS	WINE	BEER	COOLERS	OTHER	SPECIAL ORDERS	TOTAL
Cdn 2005/2006	\$111,757.7	\$23,173.0	\$225,356.9	\$16,313.2	\$295.2	N/A	\$376,896.0
Imp 2005/2006	\$34,753.4	\$58,621.3	\$17,240.8	\$1,174.0	\$0.0	N/A	\$111,789.5
Cdn 2004/2005	\$106,585.2	\$21,301.8	\$210,017.9	\$15,397.0	\$633.5	N/A	\$353,935.4
Imp 2004/2005	\$31,445.9	\$52,850.4	\$14,326.6	\$651.8	\$0.0	N/A	\$99,274.7
Cdn 2003/2004	\$106,301.7	\$20,253.8	\$204,716.3	\$15,066.2	\$527.5	N/A	\$346,865.5
Imp 2003/2004	\$29,303.4	\$49,512.7	\$12,938.4	\$927.1	\$0.0	N/A	\$92,681.6
Cdn 2002/2003	\$105,446.5	\$19,436.3	\$195,391.5	\$13,779.0	\$434.9	N/A	\$334,488.2
Imp 2002/2003	\$26,439.9	\$41,489.3	\$10,899.5	\$0.0	\$8.5	N/A	\$78,837.2
Cdn 2001/2002	\$103,732.7	\$17,711.9	\$188,881.0	\$11,291.3	\$353.8	N/A	\$321,970.7
Imp 2001/2002	\$24,725.4	\$36,272.2	\$8,462.5	\$0.0	\$0.0	N/A	\$69,460.1

WHOLESALE SALES							
YEAR	SPIRITS	WINE	BEER	COOLERS	OTHER	SPECIAL ORDERS	TOTAL
2005/2006	\$17,773.2	\$14,259.3	\$52,269.1	\$3,240.0	\$35.1	N/A	\$87,576.7
2004/2005	\$16,797.7	\$14,282.3	\$48,541.3	\$3,311.9	\$61.0	N/A	\$82,994.2
2003/2004	\$15,967.3	\$13,866.0	\$46,589.0	\$3,127.6	\$36.3	N/A	\$79,586.2
2002/2003	\$15,436.4	\$9,392.7	\$47,295.6	\$3,120.6	\$22.4	N/A	\$75,267.7
2001/2002	\$13,641.8	\$7,725.0	\$42,970.6	\$2,290.6	\$0.0	N/A	\$66,628.0

NOTE: “Other” is Non-Liquor

FIVE-YEAR VOLUME COMPARISON

SALES IN HECTOLITRES - FIVE YEARS									
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(Approximate Hectolitres)
Imported wine has been steadily increasing in volume since 1995/96.
Imported beer volume increased 14.9% from last year.

	2005/2006		2004/2005		2003/2004		2002/2003		2001/2002	
SPIRITS										
Canadian	41,268.4		41,775.8		41,248.7		40,457.2		40,002.1	
Imported	10,964.4		10,518.5		10,137.9		9,328.0		10,571.6	
TOTAL	52,232.8	6.6%	52,294.3	6.9%	51,386.6	6.8%	49,785.2	6.8%	50,573.7	6.9%

WINE										
Canadian	27,123.6		26,656.2		25,340.1		24,268.9		24,571.8	
Imported	42,092.3		38,972.4		36,408.9		31,745.2		29,489.7	
TOTAL	69,215.9	8.8%	65,628.6	8.6%	61,748.9	8.1%	56,014.1	7.7%	54,061.5	7.4%

BEER										
Canadian	598,021.5		584,854.5		589,569.3		573,838.3		581,159.1	
Imported	39,484.0		34,367.5		31,586.0		28,394.0		22,961.1	
TOTAL	637,505.5	81.1%	619,222.0	81.2%	621,155.3	81.7%	602,232.3	82.4%	604,120.2	82.9%

READY TO DRINK										
Canadian	25,767.9		24,434.6		24,537.1		22,611.0		20,284.3	
Imported	1,533.0		935.8		1,327.7		0.0		0.0	
TOTAL	27,300.9	3.5%	25,370.4	3.3%	25,864.8	3.4%	22,611.0	3.1%	20,284.3	2.8%

GRAND TOTAL	786,255.1	100.0%	762,515.3	100.0%	760,155.6	100.0%	730,642.6	100.0%	729,039.7	100.0%
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BOARD OF DIRECTORS



Left to right: Vicki Harnish (Deputy Minister), Frank Elliott (Director), Brian Butler (Director), Bret Mitchell (President & CEO), Paula Minnikin (Director), Peter L. McCreath (Chairman of the Board), Jim MacLean (Director), Bob Curley (Director), and Greg Beaulieu (Corporate Secretary)

PETER MCCREATH, CHAIRMAN OF THE BOARD OF DIRECTORS

Peter has served as Chairman of the Board of the NSLC since his appointment in December 2001. He has a depth of experience in education, journalism, banking, communications and public affairs. He holds degrees from the University of Toronto, Dalhousie University, and Saint Mary's University. From 1988 to 1993 he was a Member of Parliament and in 1993 was appointed as a member of Cabinet and the Queen's Privy Council. Peter began his career serving 19 years as a high school teacher as well as holding a staff position within the Nova Scotia Teacher's Union.

In addition to his long record of public and community service, he is a writer and historian who authored a number of books, including one on Alexander Keith, the Nova Scotian brewmaster whose product is one of the NSLC's top brands. He resides in Hubbards, Nova Scotia.

BRIAN BUTLER, DIRECTOR

Brian brings experience from many years working for manufacturers in the beverage alcohol industry. A resident of Fall River, he is Chair of the NSLC's Industry Committee, which has responsibility for issues affecting the beverage alcohol industry in Nova Scotia. Initially appointed in December 2001, he was

reappointed in January 2004 for a three-year term. He has maintained a long-term interest in public service and is currently involved in the security industry.

BOB CURLEY, DIRECTOR

Bob has extensive experience in the cable television and telecommunications industry. Bob is retired and is a resident of Pictou County with a long record of community service and involvement. A graduate of Saint Mary's University, he chairs the NSLC's Governance Committee. He was initially appointed in December 2001, and was reappointed in January 2004 for a three-year term.

FRANK ELLIOTT, DIRECTOR

Frank is an entrepreneur and businessman who is a lifelong resident of Cumberland County. His background is in the retail and services industry, and he has a long record of community involvement which includes 14 years as a member (including six as Chair) of the Amherst Police Commission. He was appointed to the Board in January 2004 for a four-year term, and serves as a member of the Intelligent Consumption Committee.

JIM MACLEAN, DIRECTOR

Jim is a lawyer who has had a private practice in Lower Sackville for the past 25 years. He is a graduate of Mount Allison University and the University of New Brunswick. He serves as Chairman of the NSLC's Audit Committee and takes a keen interest in matters relating to corporate ethics and internal control. Initially appointed to the Board in December 2001, he was reappointed for a three-year term in 2005, he is a resident of Halifax.

PAULA MINNIKIN, DIRECTOR

Paula is an executive in the information technology industry who has an extensive background with several Nova Scotia technology companies. She is currently Managing Director of Strophe Atlantic. She is a graduate of Carleton University, and has a keen interest in youth and amateur sport.

A resident of Halifax, she serves as Chair of the NSLC's Intelligent Consumption Committee. Initially appointed to the Board in 2001, Paula was reappointed to a three-year term in 2005.

VICKI HARNISH, DEPUTY MINISTER (NON-VOTING DIRECTOR)

Vicki has worked for the Government of Nova Scotia, mainly in policy and planning fields, for more than 25 years. She started with the Department of Mines and Energy where she spent several years as the Director of Energy Economics. She then moved to become Executive Director of the Planning Secretariat, Department of Natural Resources. In January 2001, Vicki served as Executive Officer of Treasury and Policy Board, the central agency responsible for advising the

Nova Scotia Cabinet and its subcommittees on both policy and budget issues. In June 2002, Vicki was appointed the new Public Service Commissioner. Ms. Harnish has held the position of Deputy Minister, Finance since January 2004.

Vicki is a graduate from Mount Saint Vincent University with a degree in economics and mathematics. She also holds a Masters Degree in Public Administration from Dalhousie University. Vicki was appointed to the Board as an ex-officio member in March, 2006.

BRET MITCHELL, PRESIDENT & CEO (NON-VOTING DIRECTOR)

Bret Mitchell is a seasoned retail executive with over 25 years experience. Bret is the President & CEO of the Nova Scotia Liquor Corporation, the fourth largest retailer of beverage alcohol in Canada.

Prior to joining the NSLC Bret was the Chief Merchandising Officer for the Forzani Group. In this role his responsibilities included marketing, advertising, merchandising, and purchasing for Sport Check and Coast Mountain Sports. He also was responsible for the warehousing, logistics and distribution of all Forzani Group banners. His accomplishments included creating and implementing a five year brand strategy for Sport Check.

Bret began his responsibilities with the NSLC January 12, 2006.

BOARD OF DIRECTORS COMMITTEE MEMBERSHIP

Audit & Finance:

Jim MacLean, Chair
Paula Minnikin
Peter McCreath
Outside members: Rachel Martin (Maritime Equipment Leasing), Mike Casey (Hemming Weir Casey Inc.)
Staff Support: Bret Mitchell, Carrie Cussons, Greg Beaulieu, Michael Knox

Governance:

Bob Curley, Chair
Brian Butler
Peter McCreath
Vicki Harnish
Staff Support: Greg Beaulieu, Roddy Macdonald, Bret Mitchell

Industry:

Brian Butler, Chair
Jim MacLean
Peter McCreath
Staff Support: Greg Beaulieu

Intelligent Consumption:

Paula Minnikin, Chair
Frank Elliott
Outside members: Jan Wescott (Association of Canadian Distillers), Irene Lane (Labatt), Barbara Miles (Nova Scotia Health Promotion and Protection), Danny Hewitt (Restaurant Association of Nova Scotia)
Staff Support: Rick Perkins, Jennifer Gray

EXECUTIVE OFFICERS



Left to right: Hoyt Graham (Director, Development), Roddy Macdonald (Vice President, Human Resources), Rick Perkins (Vice President, Marketing & Communications), Brad Doell (Director, Supply Chain), Craig Sutherland (Vice President, Operations), Carrie Cussons (Vice President, Finance), Mark Brown (Vice President, Information Services), Bret Mitchell (President & CEO), Greg Beaulieu (Corporate Secretary), and Adriana Dolnyckyj (Director, Merchandising)

BRET MITCHELL, PRESIDENT & CEO

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Bret's career includes seventeen years of progressively more senior positions in the grocery retail business. He began his career with A&P in 1976. In 1991 he joined Sobeys holding several merchandising and operations roles rising to Vice President, Corporate Category Management based in Stellarton, Nova Scotia in 1998. Bret was then promoted to Vice President, National Procurement and Category Management in 1999 and led the integration in Ontario of Sobeys and the Oshawa Group in category management, grocery and general merchandising. In 2000, Bret assumed the role of Senior Vice President, Merchandising and Marketing for Sobeys Ontario Division based in Toronto. In 2002 Bret moved to the position of Senior Vice President,

National Merchandising, Fresh Foods, Retail Brands and Business Process Improvement.

Bret began his responsibilities with the NSLC January 12, 2006.

CARRIE CUSSONS – VICE PRESIDENT, FINANCE

Carrie joined the NSLC in mid 2004 as Vice President, Finance. She joined the NSLC after having served as Vice President, Finance and Controller of The CCL Group Inc. since 1996. During this time she also managed CCL's graphic design practice.

Carrie's career began at the accounting firm Ernst & Young where she held progressive senior positions including Audit Manager. Carrie worked with Ernst & Young for seven years.

Carrie obtained her Chartered Accounting designation in 1991 and is a member of Financial Executives International.

RODDY MACDONALD – VICE PRESIDENT, HUMAN RESOURCES

Roddy has served as the NSLC's Vice President of Human Resources since 2002. He also served as Acting Vice President, Operations, for the NSLC from September 2003 through March 2004.

Roddy's career has included senior HR management roles in the Halifax Regional Municipality government where he led the HR Client Services Division for the city. Roddy joined the HRM with the amalgamation of the previous municipalities in 1996 where he was responsible for labour relations activities during the amalgamation. Prior to amalgamation Roddy served for three years in progressively more senior HR roles in the City of Dartmouth. Roddy began his career in HR with companies in the trucking and automotive sectors. Roddy has served on the executive of the Human Resources Association of Nova Scotia.

MARK BROWN – VICE PRESIDENT, INFORMATION SERVICES

Mark joined the NSLC in 2003 to lead in the renewal of all our technology systems. He has designed and is implementing a new three-year strategy for the NSLC's IT needs.

Prior to joining the NSLC, Mark spent two years as the Senior Project Leader on a number of IT initiatives for the Victorian Workcover Authority in Melbourne, Australia. Prior to going to Australia Mark spent 10 years with Nova Scotia's Worker's Compensation Board holding a number of IT related positions including serving as the Director, Corporate Service Development. Mark began his career holding a number of IT positions in Toronto in the financial services sector.

RICK PERKINS – VICE PRESIDENT, MARKETING & COMMUNICATIONS

Rick joined the NSLC's executive team in late 2003. Rick is responsible for all marketing, communications, advertising, business planning, and research for the NSLC. In addition Rick serves as the organization's Freedom of Information and Protection of Privacy (FOIPOP) Administrator.

Rick has more than 20 years of corporate communications and marketing experience in the public and private sectors. Prior to joining the NSLC, Rick was co-founder of one of Toronto's most successful investor relations and corporate marketing firms. His career also includes serving as the Vice President, Communications for the world's second largest asset-based finance company as well as senior communications positions within one of Canada's largest banks. For the first decade of his career Rick served in senior policy positions within the Government of Canada.

HOYT GRAHAM – DIRECTOR, DEVELOPMENT

Hoyt joined the NSLC in this capacity in 2002 and is responsible for the development of the NSLC's store network as well as the day-to-day management and maintenance of all NSLC property.

Prior to joining the NSLC, Hoyt was the Manager of Engineering, Construction and Development for Husky Oil's retail and commercial division in Calgary. In this capacity, Hoyt was responsible for the planning and development of Husky's network of 585 convenience stores and service stations across Canada. Hoyt holds a Master degree in Engineering.

CRAIG SUTHERLAND – VICE PRESIDENT, OPERATIONS

In December, 2005, Craig assumed the responsibilities for the Operations Business Unit moving over from his former position of VP, Supply Chain. Craig and is responsible for all NSLC retail stores and agency stores leading the development of a sales culture at the NSLC.

Prior to joining the NSLC, Craig served in senior supply chain management roles with Atlantic Wholesalers for seven years. His responsibilities included serving as the Distribution Manager for Nova Scotia and the Transportation Manager for Atlantic Canada. In these roles Craig focused on improving on-time delivery percentages, increasing productivity and reducing lost-time accidents.

Craig began his career with Sobeys Food Services Group where he held increasingly senior roles including Operations Manager and Warehouse Supervisor.

BRAD DOELL – DIRECTOR, SUPPLY CHAIN

On December 1st, Brad joined the Executive as Director, Supply Chain reporting to the President. Leading the Supply Chain Business Unit, Brad ensures the highest levels of instock positioning for the NSLC making sure the products are instore on time and with sufficient quantities.

Brad joined the NSLC in 2004 as Manager, Distribution Operations with specific responsibilities for driving efficiencies and business process improvements in our Distribution Centre. Prior to joining the NSLC Brad's career included roles of increasing responsibility and leadership in the area of supply chain management. His career included management roles with Corporate Express, a leading office products company; and 12 years with Atlantic Wholesalers in distribution roles.

ADRIANA DOLNYCKYJ – DIRECTOR, MERCHANDISING

Adriana joined the NSLC in 2005 as Director, Merchandising where she is responsible for the NSLC's product selection, pricing and promotion programs.

For more than 15 years Adriana has held senior marketing and strategic management positions with both large and small companies targeting international and domestic markets. Prior to joining the NSLC Adriana was with Aliant and its predecessor MT&T for eight years. In her many roles within Aliant, Adriana's most recent positions included that of Merchandising Strategist responsible for determining the merchandising system for consumer and business products across Aliant's 250 retail outlets; and Corporate Brand Manager responsible for developing the brand strategy and the very successful launch of the Aliant brand in 2003.

Adriana is active in the community and most recently served as Chair of the Judging Committee for the 2005 ICE Awards which recognize creative excellence within the Atlantic Canadian marketing and advertising sector.

GREG BEAULIEU, CORPORATE SECRETARY

Greg has served as the organization's Corporate Secretary since 2003. He has additional responsibilities for the internal audit department, regulatory issues such as permitting, and manages the NSLC legal counsel requirements.

Prior to joining the NSLC, Greg was responsible for managing issues related to the NSLC within the provincial government from 1999 to 2003. His government career includes positions with responsibility for information technology in the Nova Scotia Department of Municipal Affairs; project management of the implementation of the Nova Scotia Personal Property Registry, an innovative public-private partnership; and senior policy analysis roles in the Nova Scotia Department of Finance, Department of Tourism, and Priorities and Planning Secretariat.



Nelson Angel, Image Design; Rick Perkins, Vice-President – Marketing and Communications, NSLC; and Jennifer Gray, Manager – Social Responsibility, NSLC accept the Award for Canada's Best Retail Corporate Social Responsibility Initiative from Mike Harris, Corporate Governance Leader, PriceWaterhouseCoopers sponsors of the award. The award was presented in Toronto at the Annual Excellence in Retailing Awards hosted by the Retail Council of Canada.

The NSLC received the Retail Council of Canada's Award of Excellence for the Best Corporate Social Responsibility Campaign of all retailers in Canada at the annual awards dinner held in Toronto on June 6, 2006.

This prestigious award is a result of the NSLC's December 2005 Social Responsibility Campaign. The main objective of this campaign was to send a clear message, 'Plan Ahead to Get Home Safely.' We were successful in achieving this award because we developed a multi-channel awareness campaign, highlighted with extensive use of partnerships, designed to break through the busy holiday clutter and get noticed. This campaign not only got noticed, but had a lifespan well beyond the paid media presence.

To reach the target audience the NSLC used bracelets, calling cards, themed advertisements, Public Service Announcements and strategic in-store media and donated media space. The campaign components consisted of:

KEYS IN THE BOTTLE

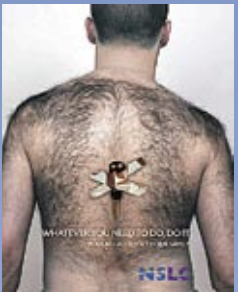
This execution exchanges the expected ship-in-a-bottle mantle piece



with a set of keys in a bottle. The keys-in-a-bottle message communicates implicitly and explicitly for use as print advertisements, billboards, and on the back of buses.

HAIRY BACK

Young males aged 19–24 have been identified by local police as a demographic of specific concern. The 'hairy back' was developed with this group in mind. It is no doubt creatively aggressive but we believe it grabs the attention of this group and highlights the campaign objective – Plan Ahead to Get Home Safely. A select group of bars, restaurants and universities were identified and the 'hairy back' was placed as an in-stall advertisement positioned over urinals. A perfect place to get noticed!



BRACELETS

Capitalizing on the mass appeal of cause-related bracelets, a customized bracelet was created to support the delivery of the NSLC's message. 50,000 Plan Ahead to Get Home Safely® bracelets were distributed to customers on a single day in NSLC stores. A key partnership with the Restaurant Association of Nova Scotia and licensees was forged where they served any patron wearing the bracelet a free non-alcoholic beverage during December.



A 'teaser' poster was prominently displayed in 107 retail stores and 24 Agency Stores on December 1st to create excitement, demand and awareness with consumers regarding this campaign. Before close of business on Saturday December 10th, our employees had distributed 50,000 bracelets to customers. This campaign was a huge hit with customers and employees alike.

CALLING CARD

As part of supporting increased roadside police spot checks during December by police services throughout Nova Scotia, the NSLC developed valuable partnerships with Aliant, the Nova Scotia Departments of Transportation and Justice, RCMP, municipal police agencies and Military Police to distribute the Calling Cards.



This initiative was designed to change the tired approach of ice scrapers and coupons to a more contemporary connection. We created a calling card offer to all drivers who passed through the spot check without incident with 20 minutes free calling anywhere in Canada (good for 12 months). During December 20,000 calling cards were distributed. Police thought this item was fabulous! Not only was it very effective for the police to distribute, it was the first time they ever saw drivers attempt to go through the spot checks 2 or 3 times in one night to get another card!

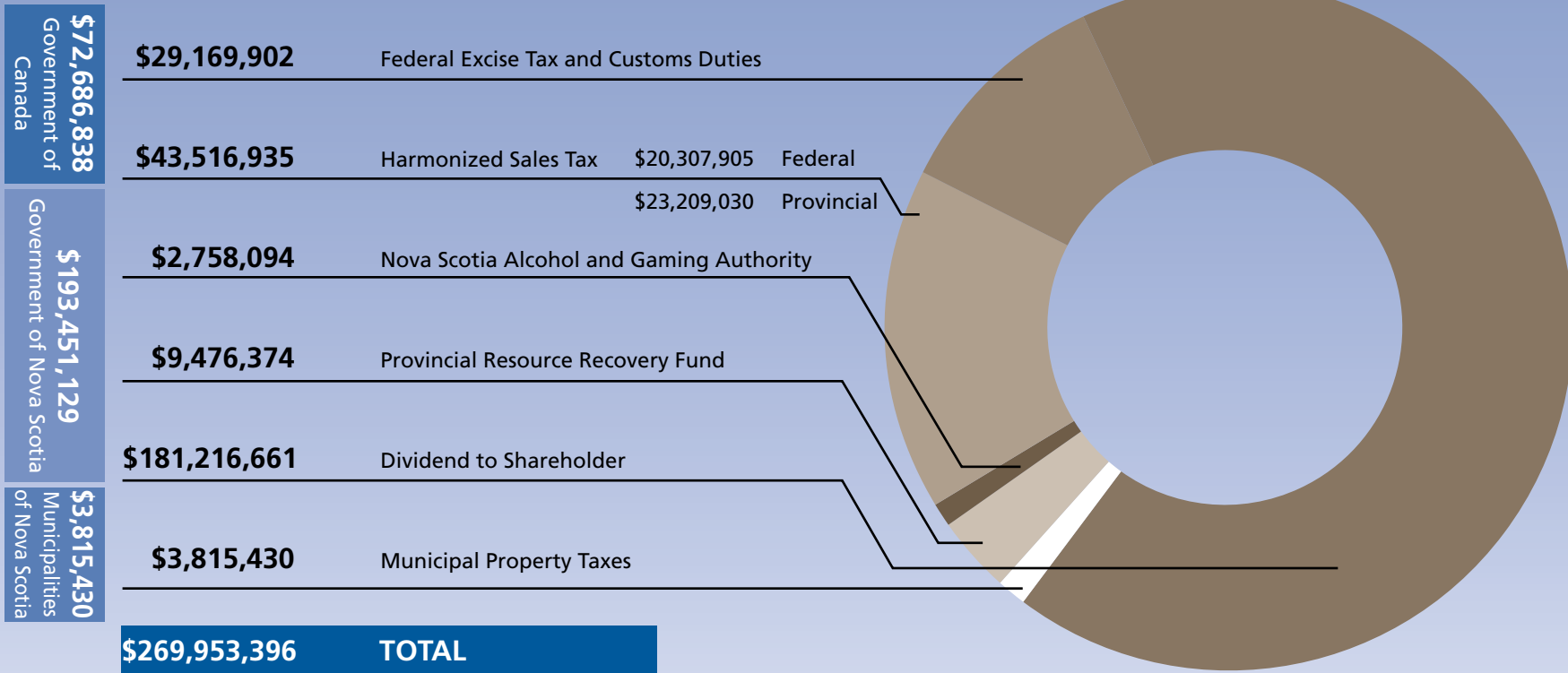
The NSLC staged two press conferences in a two week period in December and each received significant press coverage. The first press conference was to launch the spot check campaign with the calling cards. The second with the Restaurant Association was to launch the bracelet campaign.

Our media relations efforts helped extend the campaign message and effectiveness. News releases, media events, and photo opportunities resulted in major television coverage as well as several feature articles, editorials, and photos in several provincial daily newspapers.

The message was communicated through a broad mix of paid media, in-store messaging, strategic partnerships and aggressive public relations. A combination of targeted media and mass media designed to create maximum awareness was developed as part of this campaign and proven to be successful.



The NSLC through its sales generates considerable additional revenue for the provincial and federal governments. The NSLC collected revenue and customs and excise taxes of almost \$73 million; over \$12 million in environmental tax revenue; and paid almost \$4 million to municipalities in property taxes. In total all three levels of Government received almost \$270 million because of the business operated by the NSLC.



NOVA SCOTIA

