



2006–2007 ANNUAL REPORT

ALL NOVA SCOTIANS PROFIT FROM NSLC EARNINGS OF

\$188.2 MILLION

2006/2007 **\$188.2M**

2005/2006 **\$181.2M**

2004/2005 **\$170.0M**

2003/2004 **\$166.8M**

2002/2003 **\$157.9M**



The 77th NSLC Annual Report 2006–2007 was produced by the Nova Scotia Liquor Corporation and submitted to the Honourable Len Goucher, Minister Responsible for the Administration of the NSLC, for the fiscal year ended March 31, 2007.

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Cover photograph: Mic Mac Mall Store, Dartmouth, Nova Scotia.
Inside Cover: Elmsdale Store interior, Elmsdale, Nova Scotia.

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CHAIRMAN'S REPORT

On behalf of the Board of Directors, I would like to express our pleasure and satisfaction with the tremendous success enjoyed by the NSLC during Fiscal 2006–07. The President has clearly outlined the elements and parameters of this success in his report. That success is due primarily to the members of our staff, their dedication and commitment to the Corporation and to welcoming and serving our customers. It is due to the strong leadership of our President, Bret Mitchell, and our strong executive team. It is due to the on-going support, cooperation of our many suppliers from around the globe. And, it is due to the support of our customers who are the central focus of our business strategy.

Over the past few years, the NSLC has undergone a profound transition to a customer-focused, retail organization. Our vision, as outlined in our strategic plan has been to “be recognized as a superb retailer - known for our business performance, customer focus and vibrant

shopping experience eliciting the pride and enthusiasm of Nova Scotians.” As Chairman, I receive feedback frequently and regularly from our customers, our stakeholders and our shareholder, the government of Nova Scotia through our Minister. I am pleased to report that that feedback has been highly positive about our staff, our new look stores, our broadened product selection, and about our showcase events, led by our highly successful series of Port of Wines Festivals and our regional and product festivals. These events are only possible because of the excellent work of our staff and volunteer teams and the vital support of our suppliers, all of whom, I wish to thank.

I am particularly pleased to note that 2006–2007 was not only a financially successful year, but an award winning year for the Nova Scotia Liquor Corporation. Not only did we return a record profit, but we were recognized on the national and international stage as a dynamic and inventive retailer, a leader in social responsibility messaging,

and as an employer with the safety and well-being of all our employees foremost in our minds. For 76 years since the establishment of the NSLC, the NSLC has been mandated to promote the socially responsible use of our products. In recent years, we have made a considerable increase in the resources devoted to this important part of our legislated mandate. I commend and compliment our staff and partners who have delivered outstanding and successful campaigns in this regard, campaigns that have brought distinction to our Province through gold level awards at both the national and international levels from such prestigious organizations as the Retail Council of Canada and the International Association of Business Communicators. These awards are not just a tribute to those individuals who have delivered the winning programs, but to our customers, primarily Nova Scotians who have bought in to the key messages that the NSLC and others have sought to deliver with respect to social and corporate responsibility.

Studies supported during the past year have shown that our Province has a great future as one of Canada’s premier wine producing regions. We congratulate the Nova Scotian wineries that are winning medals in prestigious national and international competitions. The NSLC is proud to work cooperatively with our beverage alcohol producers, our wineries, our breweries and our single malt distillery – the only one of its kind in North America. These industries not only have a very positive economic development impact, but they significantly enhance our tourism offer to visitors from at home and abroad.

During 2006–07, for the first time, the NSLC had sales in excess of \$500 million. It would be a wonderful accomplishment if during the 2007–08 fiscal year, for the first time we can deliver a dividend in excess of \$200 million to our Shareholder the Government of Nova Scotians – money that can contribute to fulfilling the important priorities of Nova Scotians.


On behalf of the NSLC, I would like to thank the Government of Nova Scotia for its continuing support, and in particular, thank our former Minister, the Honourable Carolyn Bolivar Getson, who, notwithstanding her other important responsibilities in government, has always shown her commitment, support, diligence and friendship in fulfilling her responsibilities as Minister Responsible for the NSLC.

This past year saw the departure of two original members of the Board of the NSLC, Bob Curley of New Glasgow and Brian Butler of Fall River. Bob and Brian served the NSLC with dedication and commitment for six years. They have made their mark and we thank them for their contribution. At the beginning of the year, three new members joined the Board: Joe Macdonald of Antigonish, John Biddle of Bridgewater and Peter Green of Bedford. Already, they have demonstrated the strong contribution they have to make to our work. As Chairman, I

wish to thank all the members of the Board for their commitment and hard work.

I have no doubt that fiscal 2007–08 will be another successful year for the NSLC. We will continue to pursue the goals and commitments of our strategic plan. We will continue to place customers at the centre of our business planning, including Nova Scotia’s licensees who are major customers of the NSLC. We will continue to work to achieve the financial goals established in our business plan. We will continue to support the development of the local beverage alcohol industry. And we will continue our leadership in seeking to ensure the safe, responsible use of our products. As our slogan says: ‘make it a social occasion,’ but make it a safe, healthy social occasion.

Kindest Regards,


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



Peter McCreath at NSLC’s Store of the Year, Portland Street, Dartmouth

PRESIDENT'S REPORT



Bret Mitchell at NSLC's Store of the Year, Glace Bay

As President of the NSLC, I have a great appreciation for the dedication of all NSLC employees. Our whole team, from retail store clerks to distribution center workers and management have all contributed to our amazing achievements over this past year. I am glad to report that we exceeded our year financial goals, showing a record profit of \$188.2 million on sales of \$504.7 million. These both represented close to a 4% increase as compared to the previous fiscal year and in excess of almost \$4 million in profit above our budget.

Walk into our stores, and it's not hard to understand why we have had such a successful year. Our stores are vibrant, alive with energy and create a culture of discovery for our ever developing customer base. While on face value, we could pat ourselves on the back for creating these highly engaging retail environments, of which every Nova Scotian can be proud, there is an intelligence and thoughtfulness to the design that transcends merely the decorative elements. We have designed every store to be the right store for the right market.

In some cases the right store for the right market, is simply an agency store that provides a convenient outlet for those Nova Scotians in the remotest corners of our province. Or one of our smaller 'Community' stores which not only provide convenience but play an important economic role in the health of many of our smaller communities. In other markets, our larger Flagship stores deliver just what the NSLC customer is seeking. With our convenient Wine Basket outlets there has been a clear strategy to not only design stores that match the demographic of the community, but also to provide exceptional customer convenience and impulse buying opportunities.

Creating the right store for the right market was and continues to be one of our priorities, and the theme for this year's annual report. Together the Marketing, Merchandising, Operations and Development business units drive the NSLC to deliver on the customer promise that aligns product availability and selection, with our customer needs, in a vibrant shopping experience while ensuring service from professional and friendly staff.

It's been a pleasure to be part of this journey of change. I can say unequivocally that the NSLC no longer responds to trends; it leads them. With this new mentality it has become imperative for us to take a more disciplined approach to category management. In the last fiscal year, we succeeded in creating a more refined process of product selection based on consumer analysis to ensure every new item works in conjunction with our sales focus. A greater emphasis was placed on the profitability of each product in the system, a Return on Investment (ROI) hurdle rate model for prioritizing capital expenditures was created. Exit strategies were developed for under-performing items to ensure a minimum of unproductive inventory in both our store network and at our Distribution Centre. Our category management team in co-operation with our supply chain and suppliers has also developed effective replenishment strategies to ensure we are working at our desired inventory levels. It is these efficiencies, along with our improved merchandising and marketing techniques, that have made us a more efficient and profitable retailer.

This past year, many accolades and awards were presented to the NSLC's social responsibility messaging. The multi-international award winning 'Lots of Ways' campaign, while created in Nova Scotia, was used effectively by other liquor jurisdictions to promote the intelligent consumption of alcohol.

The beer agreement between Nova Scotia and Quebec is another example of cooperation between the provinces where Nova Scotian brewers will no longer have to pay certain fees on products entering the Quebec market and vice versa for products produced in Quebec. We are now essentially treating each other's brewers as if they manufactured product locally. This agreement allows our local breweries to expand operations as they extend their markets into Quebec protecting Nova Scotia industry and employment.

Occasions, the NSLC's celebration of food and drink, expanded to include a unique, specific market version of the popular magazine in New Brunswick, Prince Edward Island and Newfoundland and Labrador. This makes

Occasions the largest circulation magazine in Atlantic Canada. This will improve its quality and effectiveness at informing consumers and increasing sales.

Our focus on operating expenses will continue. Last year, our ratio was 14.7%, which was slightly under our budgeted 14.8%. In effort to become a more cohesive and effective unit at all levels, with the end goal of improving our Gross Margin even further, we implemented an Enterprise Resource Planning system with the use of SAP technology – the world's largest provider of integrated business software. This new system, which went live just before the end of the fiscal year, integrated all our data and merges all our processes under a single unified system. The system was launched on time and on budget and is expected to greatly improve our efficiency and ultimately our profitability. This implementation has been heralded as one of the best implementation of SAP technology anywhere.

I look forward to the NSLC team utilizing this exciting new system to full effect in the upcoming year when the retail software portion of this technology and the SAP product ordering, forecasting and replenishment components are integrated into the system. These new systems will allow us to provide an unprecedented ability to maximize the effectiveness of our supply chain, with the goal of an overall fill rate of 98% and overall inventory turns of 12.

This past year has been a rewarding experience for all involved and the new fiscal year looks even brighter. I look forward to working with the Board of Directors, the Executive, and all employees of the NSLC in 2007–2008 on another year full of exciting new initiatives.

Sincerely,

Bret Mitchell
President & CEO, NSLC

THE RIGHT STORES IN THE RIGHT MARKET

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Walk into any one of the NSLC's retail outlets and they all share a similar vision and standard, yet provide an individual experience. After successfully developing a greater understanding of its consumer base by extensive qualitative and quantitative research, the NSLC began the task of segmenting its customers based on purchasing decisions for specific uses or occasions. Over the past three years, the NSLC began implementing this new understanding at the store level. The retail strategy in 2006–2007 was to build a new, or convert an existing location, so that it is 'the right store in the right market,' utilizing customer and market data.

The NSLC, like any successful retail organization, is under constant pressure to provide service that meets and exceeds the individual needs of its customer. Over the past year, the NSLC has not only accomplished this task but excelled at it, as evidenced by the NSLC's financial performance and the high ranking the NSLC has received from independent customer surveys. When measuring its customer satisfaction, against other retailers, the NSLC ranked as one of the top six retailers in the province. The success was capped off when the NSLC was awarded the best In-store Retail Merchandising Award by the Retail Council of Canada (RCC), for the implementation of the 'Cool Zone' merchandising strategy – which aligns customer demand with corporate objectives, the Cool Zone was created as a 2000–3000 square foot warehouse and retail space where customers can shop, browse and interact with employees. The NSLC was the first to develop a walk-in fridge of this magnitude in the country.



Scotia Square Store, Halifax

Aligns product availability with our customers needs

Is a vibrant, interactive and inviting Nova Scotia shopping experience

Ensures discovery and personal service with friendly and professional staff

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Mic Mac Mall Store, Dartmouth

The development of the 'Cool Zone,' along with other interactive shopping zones are part of a 5 year goal to match the customer experience with the consumer promise of providing service that:



In the past fiscal year, the NSLC has enhanced the impact of the Visual Merchandising System to better deliver the NSLC brand message, redeveloped its website to provide customers up to date product information, including inventory levels, and advise them of monthly in-store promotions and specials. It has also introduced new management plans for all categories and sub-categories as well as introducing new shelf management procedures ensuring greater visibility and accessibility and a better execution of merchandising and marketing programs at store level.



With this greater understanding of the customer and a more refined and strategic approach to marketing the right product to the right market, in 2006–2007 the NSLC refined its categorization of stores in an effort to ensure the size and product selection of any store meets the demographic of its community. This greater understanding of the consumers' needs has also led to increased store hours and the development of 55 agency stores in an effort not only to increase revenue but also in the context of expanded customer access and convenience. In many small communities, just having convenient access to beverage alcohol, in a controlled environment, is akin to 'the right store in the right market.'

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

FLAGSHIP STORE



Step into the NSLC's flagship store, Bayers Lake, and you will take a giant leap into the future of beverage alcohol retailing. In the ultra competitive urban retail environment, the NSLC's flagship store is a leading edge retail shopping experience in North America which has set a new standard for beverage alcohol retailing in Canada.

When passing through Bayers Lake's inviting entrance it's immediately evident this isn't a traditional shopping experience. Every detail from the lighting and visual graphic imagery to the modern LCD screen video technology was chosen for its appeal to today's customer. These elements combine to make a vibrant, exciting customer experience, showcasing the best of what the NSLC has to offer. There are no checkout lines, no barrage of cash registers blocking the view and the staff is ready to give directions to whatever you're seeking – but it's a lot more fun and rewarding to explore all the products and services offered on your own. The open concept feel, the bright colours, creative product groupings and attractive displays all work together to give a sense that this is the way specialty shopping was intended to be.



Bayers Lake Store, Halifax



FLAGSHIP STORE



Somewhere between the cellar-inspired Vineyards section, the massive and colourful Cool Zone, the dance club-esque Fab Cocktails area and the rich, elegant On the Rocks spirit section, it becomes clear that there has been a lot of attention lavished to even the finest detail. The use of space and light, innovative product shelving, fine cabinetry, and custom built sample bars let everyone know that it's not just the products being featured, but also the vision and skills of the NSLC and craftspeople who brought it to life. This new convenient location offers customers a full service liquor store, while being on the leading edge of technology product information and trends. With video displays containing interesting and entertaining facts about new products, internet kiosks for individual research on beers, wines, spirits and ready to drink beverages, tasty drink mix ideas offered on the shelves and tasting notes to help customers better understand the products. The store also has a knowledgeable and approachable staff to assist customers.



SIGNATURE STORES

Signature stores are the crown jewels of the NSLC retail operation. Located in prime urban retail locations, often attached to or located near a major grocery store, these stores also offer customers the greatest product selection. Signature stores carry a full assortment of beverage alcohol products including popular brands of beer, wine, ready-to-drink beverages and spirits as well as specialty listings that appeal to the most discriminating customer.



Portland Street Store, Dartmouth



SIGNATURE STORES

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Elmsdale Store



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However, the success, of these stores goes well beyond size and selection. The NSLC, as a progressive retailer, has created retail environments that engage the customer through education, product descriptions and tastings, interaction through video signage, imagery and comfortable and inviting design; along with a skilled knowledgeable staff in our network. These locations are designed to meet the needs of the wide customer demographic and the full cross-section of NSLC consumers who frequent these stores. These in-store shopping venues, such as the award-winning 'Cool Zone,' successfully target specific consumer segments by creating entertaining and engaging shopping experiences. These experiential shopping zones were developed using extensive research that recognized customers make purchasing decisions for specific occasions. In many ways, this takes the right store in the right market philosophy to its zenith. This strategy of creating unique, experiential shopping experiences combined with strategically placed Visual Merchandising Systems has not only enhanced the NSLC customers' retail experience but also led to increased spending and revenue for the NSLC and our shareholder. In the demanding urban market retail environment, the NSLC's award-winning stores are 'the right store in the right market,' providing individual customer experiences that appeal to the full spectrum of NSLC shoppers.

COMMUNITY STORES



Community stores have been designed to maximize revenue and to work within their specific retail environment, be it attached to a major grocery store, a free-standing location or as in the case of the newly renovated Mic Mac Mall and Scotia Square locations within a larger retail environment. Both Mic Mac Mall and Scotia Square provide the NSLC the challenge of designing a retail environment that would appeal to the diverse demographic a shopping mall location brings.

The new locations have been met with approval by consumers and critics alike and the design of the Mic Mall location was recently awarded a second place for Retail Store Design by the Retail Council of Canada. This is a considerable accomplishment considering the new store's design was competing against national and international retailers.



Kearney Lake Store, Halifax

COMMUNITY STORES



Scotia Square Store, Halifax



Community stores often play a vital role in their communities which cannot be measured strictly by sales figures alone. In many ways the community locations play an important function in their markets, not only as an employer but also as a much needed resource, especially for small and seasonal licensees that rely on the convenience these stores provide.

COMMUNITY STORES



The Port of Wines store in downtown Halifax is the NSLC's specialty brand community store offering a product selection only available in this location. Rare single malts, unique wine varietals, and vintage products are the hallmarks of this shopping experience.

The most discerning customer looking for rare products, unique vintages and the most expert staff in the province will find it here. The finest restaurants rely on the Port of Wines team to develop their restaurant staff and wine lists.

The task of managing these rare selections and educating its client base falls upon an expertly trained management and store staff. Often, the delivery of knowledge is as simple as providing helpful suggestions and advice for customers trying to select a bottle of wine for a celebratory occasion or to match with that evening's dinner. However, the Port of Wines also provides many focused wine, beer and spirit tastings and courses led by its management staff and guest experts from around the world.

In its unique environment, the Port of Wines vast product selection and expert staff make it the 'right store in the right market.'



Port of Wines, Halifax



Wine Basket, Clayton Park, Halifax



When the Wine Basket concept was launched by the NSLC at the 2005 Port of Wines show, it represented an exciting new era of creating retail environments that meet the changing needs of its consumers. As the average Nova Scotian's schedule has become more constrained, the NSLC has been provided the challenge of offering a more convenient shopping alternative. The NSLC Wine Basket concept has met this challenge both in terms of location and design.

Wines Baskets have been strategically placed within grocery stores, providing the NSLC an opportunity for a one-stop shopping experience. However, convenience extends beyond location. Design has also played a critical role to the success of the Wine Basket concept. These stores have been designed to provide maximum product selection relative to the size of the store – which can be as little as 350 square feet and as much as 800 square feet.

In this unique retail environment, the product selection for the Wine Basket stores has been focused on popular mainstream and premium wine brands that appeal to a broad spectrum of consumers. In the case of Wine Baskets, convenience is the focus. These stores give the grocery shopper on the go a quick and convenient location to pick up a bottle of wine to go with the food they just bought. Located with other businesses within the grocery store just as the customer goes through the grocery cash register area, this offering has been a huge hit.

NEIGHBOURHOOD STORES



Inverness Store



Springhill Store

The NSLC's mandate of creating a unique shopping experience that meets the demands of the market is well illustrated by its community stores. These stores, which are primarily located in smaller communities generally range in size between 4500 and 7000 square feet and are designed to serve the particular needs of its community.

While these store's sales are eclipsed by the larger stores, they often play a vital role in their communities which cannot be measured strictly by sales figures alone. In many ways the community locations play an important function in their markets, not only as an employer but also as a much needed resource, especially for small and seasonal licensees that rely on the convenience these stores provide.

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STORE-IN-STORE STRATEGY



One half of NSLC Stores are the Store-in-Store concept. Store-in-Store outlets are designed with one stop shopping clearly in mind. Customers can shop at one location and pick up their groceries they need either for dinner or for the week and then purchase an accompanying wine to go with the meal or the beer and rum for the party they have planned. Currently there are 32 Store in Store outlets throughout Nova Scotia.



STORE-IN-STORE STRATEGY



Glace Bay Store



AGENCY STORES

In 2006–2007 the NSLC embarked on an aggressive expansion of its agency store program, in an effort to provide a cost-effective means of improving the service it provides to smaller communities across the province. The program which was first initiated in 2001, when the NSLC established its first 8 agency stores has since expanded to 55 stores across province. These stores, which cannot be located within 15km of an existing NSLC retail outlet, are local businesses that are licensed to sell beverage alcohol along with their normal product mix in a designated area of their establishment.



Prospect Foods Agency Store, Prospect

AGENCY STORES



Although, most of the designated areas are as little as 200 square feet, the stores are required to stock a minimum of 50 wine and beer selections, as well as 12 domestic and imported beers. These selections represent some of the NSLC most popular products. These required minimums ensure that customers at these local stores receive a varied product selection in keeping with the NSLC's mandate to provide customer

service that 'aligns product availability and selection with our customer needs.' In these communities it is not a choice between an NSLC store or an agency store. The choice is between no local service or an agency store. Without this offering to our customers, many in the province would have to drive a half hour to an hour to get to an NSLC location. These communities are just too small to sustain the infrastructure of a full NSLC store.

While these stores provide some incremental increase in revenue for the NSLC, they also ensure market saturation with the goal being that every legal aged Nova Scotian has a convenient opportunity to purchase beverage alcohol in the province. In the case of agency stores, their mere existence in some of the province's more remote communities is akin to the 'right store in the right market.'



MANAGEMENT DISCUSSION & ANALYSIS



The management discussion and analysis provides an opportunity to assess the business performance of the NSLC in fiscal 2006–2007. The achievements of the NSLC as an entity and the individual business units are measured in relationship to the short term goals as outlined in the 2006–2007 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, productive and engaged workforce. To develop our workforce including our leaders to meet the evolving needs of the Corporation.	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.

2006–2007 DISCUSSION

FINANCIAL PERFORMANCE

The NSLC's business plan set a targeted shareholder return of \$184.4 million to the province of Nova Scotia, in fiscal 2006–2007, on budgeted net sales of \$494.5 million. The NSLC exceeded budget expectations on both top line and bottom line growth achieving net income from operations of \$188.2 million on net sales of \$504.7 million. Both top and bottom line grew by 3.8% compared to fiscal 2005–2006 and exceeded the business plan by 2%.

The NSLC's five year strategic plan requires the Company to produce a compound annual growth rate (CAGR) of 4.1%. Fiscal 2006–2007 marked the end of the second year of the five year strategic plan. After two years the NSLC has achieved a CAGR of 5.8%.

Earnings Before Depreciation and Amortization for the year was \$193.1 million, an increase of 3.9% compared to \$185.8 million in fiscal 2005–2006.

NSLC sales, as measured in hectolitres sold – which provides an indication of the product volume purchased at NSLC retail outlets and by its wholesale customers including private wine stores, agency stores and licensees grew to 795 thousand hectoliters. This represents a 1.1% increase as compared to the previous fiscal year. Growth in volume was led by the wine category which had an increase of 8.1% by volume. Beer increased by 0.7%, while spirits decreased by 0.2% and ready to drink by 3.6%.

The NSLC's growth measured by Gross Profit Per Litre (GPL) which is a reflection of pricing changes and a trend toward premium purchases increased in all categories. The wine category's GPL increased by 0.7%, beer by 4.3%, spirits by 1.5% and ready to drink increased by 2.2%.

The NSLC's wholesale market, which includes licensees, private wine stores and agency stores continues to provide growth with sales of \$94 million, which represents a 7.3% increase as compared to the previous fiscal year. The growth was largely due to increased sales to both agency stores (increase of 49.7%) and private wine stores (increase of 48.8%). Eighteen new agency stores opened in the past fiscal year, which accounts for much of the growth in this area. Sales to licensees decreased for the second year in a row, although the percentage decrease (2.1%) was less than the percentage decline in 2005–2006 (3.2%).

The NSLC's Operating Expense Ratio finished at 14.7%, which was slightly under the budget of 14.8%.

SUPPLY CHAIN

The NSLC's Supply Chain, which manages the Distribution Centre and the movement of all products throughout the system, had another successful year in 2006–2007. A cooperative effort on behalf of Supply Chain, Store Operations and the Merchandising team led to new initiatives to eliminate unproductive inventory for both the store network and Distribution Centre. This coupled with new exit strategies for underperforming SKUs and improved replenishment strategies allowed the supply chain to increase domestic inventory turns to 19.41, international inventory turns to 4.63 and an overall inventory turn of 11.27.

The Supply Chain continues to improve its overall efficiencies which are exemplified in its retail support system. Fill rates to stores were 97.63% and accuracy of the deliveries to stores was 99.95%.

The future bodes well for increased efficiency in the next fiscal year with the implementation of new supply chain management systems including SAP product ordering forecasting and replenishment components with the ultimate goal of a 98% fill rate and overall inventory turns of 12.



RETAIL

Store Network

2006–2007 represented a banner year in the development of the NSLC’s retail store network. The NSLC created 5 new stores and renovated or relocated a further 18 more. Amongst the exciting new renovations were the Mic Mac Mall and Scotia Square locations. These dynamic and engaging new store designs not only have garnered consumer support but have also been recognized by national organizations such as the Retail Council of Canada (RCC) which recognized the Mic Mac Mall store design with a second place finish in its Retail Store Design category, competing against the best retailers across Canada.

The strategy of store development is to create the right store for the right market. In keeping with this strategy, new interactive retail experiences, such as the award winning ‘Cool Zone’ were incorporated into the NSLC’s flagship stores. Also in keeping with this strategy the agency store program was expanded with an additional 18 stores opening in the past fiscal year, to get to our current 55 agency stores. These agency stores add incremental sales but equally importantly provide the NSLC market saturation and provide all NSLC customers the highest level of customer service, by ensuring the smallest of Nova Scotia communities have reasonable access to a beverage alcohol retailer.

Looking forward to fiscal 2007–2008, the retail store will continue to develop new and exciting initiatives including the creation of new signature stores in major urban centres, the expansion of the chilled beer offering to additional corporate stores and the introduction of a new ‘distinctly Maritimes’ store design for the next phase of the network development plan.

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

A number of factors led to the improved financial performance of the NSLC in fiscal 2006–2007. Not least of which was the effective use of a more transparent approach to judging the financial performance of the corporation. Quarterly financial results, which were made public, and weekly internal reports were utilized to ensure all members of the NSLC team were constantly aware of our success as it related to the financial goals outlined in the 2006–2007 Annual Business Plan. Additionally, a new Balanced Scorecard approach to making management and financial decisions has allowed the NSLC’s Finance Business Unit to utilize our data to not only review our financial history but also measure the efficiency of our

internal processes as it relates to external outcomes. The result has been that all financial decisions are now being made as a part of a greater strategic plan.

Additionally, the implementation of a Return on Investment (ROI) hurdle rate model has greatly improved the financial performance of all categories within the system as each purchasing decision is now under greater scrutiny. This more detailed approach to judging our financial success has led to a more disciplined approach to shelf management systems, greater accountability placed on the profitability of every SKU in the system and the development of exit strategies for any underperforming products.

Human Resources

After the successful negotiation of collective agreements with the unionized worker staff in 2004–2005, the Human Resource Business Unit has spent the past two fiscal years focusing on creating a new culture of accountability with systems put in place to measure the performance of each employee. This has aided the NSLC’s recruitment and selection processes.

In the past fiscal year, initiatives have been put in place to help all NSLC employees work efficiently and effectively as a cohesive unit with the creation of cross functional teams and meetings and a higher level of participation of the executive at regular

regional store meetings. This has led to a higher level co-operation amongst all Business Units and a more unified team atmosphere. In addition to this new team spirit, employee recognition programs have been put in place to identify and reward exemplary individual performances that contribute to the overall success of the corporation.

However, the success of the Human Resources Business Unit in the past fiscal year was best highlighted by the 2007 North American Occupational Safety and Health (NAOSH) Outstanding Achievement Award for Large Company or Organization. The NSLC received this recognition as a result of the development and implementation of an OHS (Occupational Health and Safety) Management System based on the new CSA Z1000-06 Standards. The NSLC was the first organization in Nova Scotia and one of the first in Canada to develop such a system.

Information Technology

The focus of the IT Business Unit in fiscal 2006–2007 was the implementation of a new Enterprise Resource Management system, utilizing SAP technology. This initiative, which has run under the banner of Project 360, represents a fundamental change to all aspects of the business. Project 360 was one of the largest undertakings in the history of the NSLC. To date, the initiative has been extremely well managed and is proceeding on schedule and on budget.

The finance and supply chain components portion of SAP technology had its launch just prior the end of the fiscal year. The results have been extremely encouraging. It is anticipated that the new SAP supply chain management systems including SAP product ordering forecasting and replenishment components, as well as a new integrated point-of-sale system integrated with SAP technology will be running in the next fiscal year.

Marketing & Communications and Merchandising

The Merchandising and Marketing & Communications Business Units work in tandem on promotional activity, marketing initiatives and communication efforts designed to deliver on the priorities outlined in the Five Year Strategic Plan and deliver on the NSLC customer promise to provide our customers with 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.

Marketing & Communications

The 2006–2007 fiscal year was an award-winning year for the Marketing & Communications Business

Unit. Communications effectively implemented the NSLC brand at all levels of the corporation from the design of its retail stores, the continued roll-out of the new logo across the store network system as well as consistent messaging in all of its many promotional and advertising campaigns.

The essence of the brand is:

- The NSLC complements all of life’s occasions

From this brand statement the NSLC derives the tagline:

- Make it a Social Occasion

The NSLC marketing team also introduced a number of new innovative in-store promotions designed to increase the frequency of customer visits as well as to increase the dollar and volume size of the shopping basket. These innovative promotions included the ‘Win with VISA’ campaign which lifted rum sales and Australian wine sales in August. The most successful December gift giving campaign designed around ‘Give a Tasteful Gift’ was also achieved in the year. The Marketing team also introduced the NSLC’s first gift card program seeing sales of the gift card exceed projections by 60%.

The NSLC’s consumer magazine, Occasions, continued to grow. A significant milestone was achieved this year after much work by this Business Unit to turn Occasions into the beverage alcohol consumer magazine for all



four Atlantic Provinces. During the fourth quarter a multi-provincial agreement was reached in this regard.

This cooperation was also extended to the NSLC's social responsibility messaging. The multi-award winning 'Lots of Ways' campaign was used effectively by all the Atlantic liquor jurisdictions to promote the intelligent consumption of alcohol, with the primary message being to 'plan to get home safely.'

Merchandising

The Merchandising Business Unit, which is responsible for product selection, pricing and the development of in-store merchandising strategies continued to refine its Category Management systems. Greater scrutiny was placed on the success of every item in the system. The Merchandising Business Unit implemented new category management plans for all categories and sub-categories, introduced a regular assortment review, developed a new listing and de-listing process. A large project for any retail organization is the redevelopment of its shelf-management strategies. The science of choosing where to place products to maximize profitability is key to every retailer. Merchandising reworked the shelf management plans, rolled it out in every store and introduced a more sophisticated strategy of aligning the right products with the right store.

Category Segments

Merchandising manages the NSLC product offering by four key segments: spirits, beer, wine and ready-to-drink. Sales in the various product categories showed uneven growth over the past fiscal year which reflects the changing demands of the NSLC consumer. Wine sales continued to increase at highest rate, with an increase of 9.3% as compared to the previous year. Sales of beer increased 3.6%, spirit sales increased 2.2% and ready to drink sales decreased by 0.2% last year. The spread was even wider when viewed in volume terms as wine sales increased 8.1% by volume, beer by 0.7%, spirits decreased by 0.2% and ready to drink decreased by 3.6%. The strategy to grow wine sales in the strategic plan is working and on-track. Spirit volume has been on a negative trend the last two years which is counter to business planning objectives. The NSLC has conducted extensive customer research in this area and has focused substantial effort on turning this trend around for future years. As the highest margin category, meeting the Five Year Strategic Plan objectives requires a strong performance in all categories. The NSLC's beer sales are robust – with some of the strongest performance in this category in Canada.

While sales decreased in the ready to drink category, it showed a positive change in gross profit per litre (GPL). In fact, all categories showed increases using GPL with beer leading the way with an increase of 4.3%,

followed by ready to drink with an increase of 2.2%, spirits with an increase of 1.5% and wine with an increase of 0.7%.

The focus of the next fiscal year will be to increase the sales of wine through the implementation of a one-time-only offering program and a rejuvenation of the spirits category with a focus on an increase in the volume of spirits sold.

Wholesale

The NSLC's wholesale market, which represents close to 19% of total sales, includes sales to licensees, private wine stores and agency stores. The growth in this sector (7.3% as compared to the previous fiscal year) is a reflection of the agency store program and increased sales to private wine stores which both showed an increase in purchases from the NSLC of close to 50%.

Sales to our licensee partners continued to decrease (by 2.1% in fiscal 2006–2007), although this represents a lower percentage decrease as compared to the previous fiscal year. The NSLC introduced several important new services this year to the licensee community including the provision of free delivery.

In the next fiscal year, new initiatives will be developed including a licensee only product list and targeted wholesale promotions in order to rejuvenate this important part of the NSLC sales mix.

Local Industry

Part of the NSLC's mandate is support for the economic development of the Nova Scotia beverage alcohol industry. This means finding ways to assist in the growth of Nova Scotia wineries and vintners, Nova Scotia brewers and Nova Scotia distillers.

The Federal Government budget this year was a step forward for local producers reducing federal excise taxes on locally produced product. The Government of Nova Scotia also signed an agreement with the Government of Quebec that sees Quebec and Nova Scotia reducing the fees on products produced in each other's province. This respective local brewer treatment gives Nova Scotia brewers greater access to the second largest beer market in Canada.

The NSLC was also successful this year, with the assistance of the Hon. Peter MacKay, PC, MP in having Nova Scotia wines made available in Canada's Department of Foreign Affairs and International trade. This allows Nova Scotia wines to be showcased at important international functions in Ottawa and served at Canadian Embassies and High Commissions abroad.

The NSLC is targeting further inter-provincial agreements in the years ahead and is actively working to get the federal government to create a national Wine Act.

Risk Management

The ability of the NSLC to meet its commitments can be impacted by factors beyond its control. Some of these include the impact that weather throughout the province can have on sales. Severe winter weather has in past years resulted in the closure of stores across the province reducing overall sales. Unseasonably cool summers, rain and fog also tends to negatively impact sales.

The beer segment is particularly subject to sales fluctuations in this regard. With 80% of the volume of product sold by the NSLC represented by the beer category this is an area of great vulnerability to weather conditions.

The products sold by the NSLC are purchased with the discretionary income of customers. General economic conditions of the province affect discretionary income, and could reduce NSLC sales and overall profitability.

With regard to the risks associated with weather and the economy, the NSLC has put in place monitoring and performance measures to enable management to make decisions mitigating the risk associated with these factors.

Major business process initiatives associated with the implementation of SAP carry inherent risk factors that can temporarily impact product supply and supplier payment when they first become operational. Due diligence has been performed by the NSLC in undertaking this initiative to mitigate against possible business interruption.

The replacement of the point-of-sale (POS) system is critical to the business. The NSLC has performed due diligence in choosing the hardware and software, along with the processes for activating the new system. Issues arising from the POS launch could temporarily inhibit the NSLC's ability to process transactions and report sales causing customer issues and reduced transactions.

The collective agreements with the NSLC's three unionized bargaining units expired March 31, 2007. As with any labour contract negotiation, there is risk of labour disruption if discussions are not productive. If this occurs, delivery of the 07/08 net income target will be at risk.

The Royal Bank of Canada and Moneris supply the clearing system for financial transactions used by the NSLC. These systems rarely fail even temporarily. However, if they do, the NSLC would be impacted. Mitigation strategies will be developed as part of the Enterprise Risk Management Plan.

The perspective of the Government of Nova Scotia, as the sole shareholder of the NSLC, can impact the NSLC's business plan. Shifts in public policy and the public interest as voiced by the Government could impact the NSLC's ability to deliver this business plan as outlined.

The Board of Directors and management have also committed to ensure that appropriate Enterprise Risk Management strategies and processes are implemented during this year.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING



Management is responsible for the integrity of the Nova Scotia Liquor Corporation financial statements and has established a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized, and financial records are properly maintained to allow the preparation of financial statements in a timely manner. The system includes formal policies and procedures, and appropriate delegation of authority and segregation of responsibilities. An internal audit function evaluates the effectiveness of internal controls on an ongoing basis and reports its findings to the Audit Committee of the Board of Directors. Changes to internal controls that have materially affected, or are reasonably likely to materially affect, NSLC financial reporting have been disclosed in the accompanying Management Discussion and Analysis.

The preparation of financial statements necessarily involves the use of estimates based upon management's judgment, particularly when transactions affecting the current accounting period cannot be finalized until future periods. The financial statements have been prepared within reasonable limits of materiality and in light on information available up to the date of this statement.

Based upon the knowledge of management as of the date of this statement, the annual financial statements included in this annual report fairly represent in all material respects the financial condition, results of operations, and cash flows of the NSLC as of the date and for the periods presented in the statements.

The financial statements of the Nova Scotia Liquor Corporation have been prepared by management in accordance with Canadian generally accepted accounting principles and have been audited by Grant Thornton LLP. The responsibility of the Auditors is to express an opinion whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's Report contained herein outlines the scope of their examination and opinion.

On behalf of management:

Bret Mitchell
President and CEO
June 25, 2007

Carrie Cussons, CA
Vice-President, Finance

NOVA SCOTIA LIQUOR CORPORATION

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Grant Thornton

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, 2007 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, 2007 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Halifax, Nova Scotia
June 25, 2007

Grant Thornton LLP
Chartered Accountants

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AUDITORS' REPORT

BALANCE SHEET

March 31 (in thousands)	2007	2006
ASSETS		
Current		
Cash and cash equivalents	\$ 18,354	\$ 2,478
Receivables	2,219	2,480
Inventories	36,761	30,011
Prepays	879	771
	58,213	35,740
Property and equipment (Note 3)	36,686	26,604
Assets under capital lease	—	112
	\$ 94,899	\$ 62,456
LIABILITIES		
Current		
Payables and accruals	\$ 33,941	\$ 31,573
Payable to Minister of Finance	38,217	8,275
Current portion of obligation under capital lease (Note 4)	847	737
Current portion of employee future benefit obligations (Note 5)	666	684
	73,671	41,269
Obligations under capital lease (Note 4)	4,456	5,313
Employee future benefit obligations (Note 5)	16,772	15,874
	\$ 94,899	\$ 62,456

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

On behalf of the Board



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



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

STATEMENT OF EARNINGS AND RETAINED EARNINGS

Year Ended March 31 (in thousands)	2007	2006
Net sales	\$ 504,718	\$ 486,084
Cost of goods sold	242,345	233,008
	262,373	253,076
Store operating expenses	47,066	45,876
	215,307	207,200
Depreciation	4,833	4,554
Supply chain expense	5,262	4,834
Corporate services expense	17,161	17,428
Other revenue	(6,321)	(5,741)
Other expenses	6,131	4,909
	27,066	25,984
Net earnings	\$ 188,241	\$ 181,216
Retained earnings, beginning of year	\$ —	\$ —
Net earnings	188,241	181,216
Distributions to the Province	(188,241)	(181,216)
Retained earnings, end of year	\$ —	\$ —

See accompanying notes to the financial statements.

STATEMENT OF CASH FLOWS

March 31 (in thousands)	2007	2006
Increase (decrease) in cash and cash equivalents		
OPERATING		
Net earnings	\$ 188,241	\$ 181,216
Depreciation and amortization	4,833	4,554
(Gain) loss on disposal of property and equipment	(33)	254
Increase in employee future benefit obligations	880	809
	193,921	186,833
Change in non-cash operating working capital (Note 7)	(4,228)	8,780
	189,693	195,613
FINANCING		
Principal payments on obligations under capital lease	(747)	(643)
Remittances to Minister of Finance	(158,300)	(189,700)
	(159,047)	(190,343)
INVESTING		
Proceeds on property and equipment	387	566
Purchase of property and equipment	(15,157)	(12,885)
	(14,770)	(12,319)
Increase (decrease) in cash and cash equivalents	15,876	(7,049)
Cash and cash equivalents, beginning of year	2,478	9,527
Cash and cash equivalents, end of year	\$ 18,354	\$ 2,478

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.

PROPERTY AND EQUIPMENT

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

Furniture, fixtures, other equipment, capital and 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.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and balances with banks.

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.

3. PROPERTY AND EQUIPMENT

	2007	2006
Furniture and fixtures	\$ 11,699	\$ 8,743
Other equipment	6,696	8,126
Computers	10,030	12,713
Land and buildings	12,042	11,673
Capital and leasehold improvements	31,204	32,639
Work in progress	12,983	5,790
	84,654	79,684
Less: accumulated depreciation	47,968	53,080
	\$ 36,686	\$ 26,604

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

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, 2007, are as follows:

2008	1,536
2009	1,536
2010	1,536
2011	1,536
2012	1,152
Total minimum lease payments	7,296
Less: amount representing interest	1,993
Balance of obligation	5,303
Less: current portion of obligation	847
	\$ 4,456

Administrative expenses include interest of \$799 (2006 – \$895) 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 December 31, 2006 actuarial valuation extrapolated to March 31, 2007 is as follows:

	2007	2006
Accrued benefit obligation:		
Balance, beginning of year	\$ 17,599	\$ 16,588
Current service cost	684	645
Interest cost	1,045	988
Benefits paid	(860)	(834)
Actuarial (gain) loss	(2,560)	212
Balance, end of year	15,908	17,599
Less: current portion	666	684
Past service costs	(80)	(90)
Unamortized net actuarial gain (loss)	1,610	(951)
Accrued benefit liability	\$ 16,772	\$ 15,874

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

	2007	2006
Discount rate	5.70%	5.95%
Rate of compensation increase	2.50%	2.90%

The assumed health care cost trend rate at April 1, 2007 was 7.9%, decreasing at 1% per annum to an ultimate rate of 4.42% per annum.

The Corporation's net benefit plan expense was \$1,738 (2006 – \$1,636).

6. COMMITMENTS

The Corporation leases buildings, premises and equipment under operating leases which expire at various dates between 2007 and 2015. 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, 2007:

2008	\$ 3,414
2009	\$ 2,909
2010	\$ 2,122
2011	\$ 1,471
2012	\$ 1,335

7. SUPPLEMENTAL CASH FLOW INFORMATION

	2007	2006
Change in non cash operating working capital		
Receivables	\$ 262	\$ 600
Inventory	(6,751)	3,327
Prepays	(108)	127
Payables and accruals	2,369	4,726
	\$ (4,228)	\$ 8,780
Cash and cash equivalents consist of:		
Cash on hand and balances with banks	\$ 18,354	\$ 2,478
Interest and bank charges paid	\$ 1,244	\$ 1,275



SALES BY STORES – REGION 1 HALIFAX AND AREA

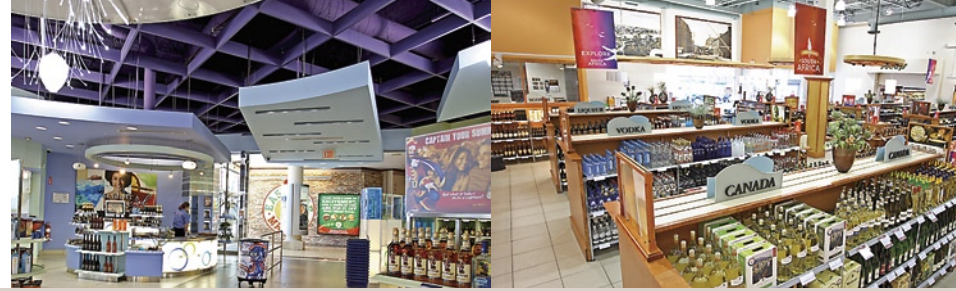
MARCH 31, 2007

Largest Sales - All Stores - All Categories	Antigonish	Largest Sales Region 5	Yarmouth
Largest Sales Region 1	Bayers Lake	Largest Spirits Sales	Antigonish
Largest Sales Region 2	Westphal	Largest Wine Sales	Bayers Lake
Largest Sales Region 3	Antigonish	Largest Beer Sales	Sydney River
Largest Sales Region 4	Sydney River	Largest RTD Sales	Sydney River

STORE NUMBER & NAME	SPIRITS	WINE	BEER	RTD	OTHER	TOTAL
104 - Agricola Street	\$2,339,562.55	\$1,890,735.67	\$4,640,315.45	\$234,991.39	\$1,224.35	\$9,106,829.41
106 - Barrington Street	\$1,684,115.01	\$1,976,307.43	\$2,314,274.28	\$144,036.71	\$4,601.73	\$6,123,335.16
108 - Bayers Lake	\$3,434,131.73	\$4,536,527.19	\$4,635,453.54	\$457,894.78	\$23,205.78	\$13,087,213.02
110 - Joseph Howe	\$2,699,152.61	\$1,944,565.08	\$4,259,624.93	\$306,166.27	\$987.26	\$9,210,496.15
115 - Chester	\$1,332,955.80	\$868,361.93	\$1,805,799.41	\$102,984.49	\$546.15	\$4,110,647.78
120 - Clyde Street	\$1,510,701.81	\$1,328,333.56	\$2,054,376.54	\$137,298.34	\$2,487.34	\$5,033,197.59
123 - Queen Street	\$994,579.93	\$899,422.15	\$1,005,715.07	\$75,989.29	\$1,171.63	\$2,976,878.07
125 - Hubbards	\$646,881.66	\$390,193.28	\$929,433.66	\$56,297.92	\$345.34	\$2,023,151.86
145 - Halifax Shopping Centre	\$1,115,637.58	\$820,960.25	\$812,030.03	\$109,134.98	\$2,093.39	\$2,859,856.23
150 - HSC Annex	\$1,589,917.91	\$1,400,761.00	\$2,335,827.27	\$145,544.80	\$1,551.64	\$5,473,602.62
154 - Young Street	\$1,823,893.06	\$1,472,766.97	\$2,903,623.68	\$152,032.82	\$49.45	\$6,352,365.98
160 - Port of Wines	\$349,801.88	\$3,258,958.21	\$194,693.15	\$371.00	\$33,058.86	\$3,836,883.10
165 - Quinpool IGA	\$1,534,887.52	\$1,759,947.74	\$1,842,969.84	\$105,145.96	\$2,326.71	\$5,245,277.77
170 - Rockingham Ridge	\$2,096,748.24	\$1,374,107.63	\$2,885,109.86	\$207,761.49	\$891.18	\$6,564,618.40
180 - Scotia Square	\$710,140.26	\$656,526.37	\$799,560.48	\$57,703.11	\$2,554.28	\$2,226,484.50
185 - Spryfield	\$2,390,332.00	\$1,081,241.24	\$4,317,300.37	\$318,981.51	\$419.85	\$8,108,274.97
195 - Tantallon	\$2,493,974.67	\$2,148,495.97	\$3,867,941.24	\$266,879.24	\$1,190.94	\$8,778,482.06
565 - Lunenburg	\$1,497,854.09	\$868,669.93	\$1,716,451.64	\$93,123.10	\$1,984.00	\$4,178,082.76
570 - Mahone Bay	\$1,057,466.39	\$662,573.47	\$1,397,638.50	\$72,767.35	\$1,005.24	\$3,191,450.95
099 - Halifax Licensee	\$7,539,444.48	10,517,717.00	18,170,060.00	866,070.39	5,513.08	37,098,804.95
REGION 1 TOTAL	\$38,842,179.18	\$39,857,172.07	\$62,888,198.94	\$3,911,174.94	\$87,208.20	\$145,585,933.33

SALES BY STORES – REGION 2

DARTMOUTH AND AREA



SALES BY STORES – REGION 3

EASTERN & NORTHERN

STORE NUMBER & NAME	SPIRITS	WINE	BEER	RTD	OTHER	TOTAL
130 - Hantsport	\$489,801.61	\$144,619.87	\$954,457.21	\$49,432.77	\$118.42	\$1,638,429.88
196 - Windsor	\$2,177,623.03	\$792,186.32	\$3,868,142.52	\$261,977.51	\$1,210.38	\$7,101,139.76
176 - Downsview Plaza	\$2,750,171.10	\$1,104,428.91	\$5,804,438.64	\$427,091.60	\$778.78	\$10,086,909.03
178 - Lower Sackville	\$1,651,095.27	\$769,988.22	\$2,514,238.73	\$189,612.15	\$315.64	\$5,125,250.01
193 - Mill Cove	\$1,904,842.71	\$1,856,028.48	\$2,927,846.76	\$226,226.79	\$1,680.18	\$6,916,624.92
201 - Airport	\$474,581.90	\$458,117.01	\$528,798.05	\$19,752.19	\$3,228.35	\$1,484,477.50
202 - Bedford Place	\$1,684,120.17	\$1,636,253.31	\$2,568,834.97	\$183,732.34	\$978.58	\$6,073,919.37
209 - Bridge Plaza	\$2,784,800.00	1,465,213.00	5,032,386.00	287,646.00	11,407.00	9,581,452.00
210 - Burnside	\$748,355.45	\$314,407.66	\$1,323,397.38	\$72,929.17	\$416.42	\$2,459,506.08
219 - Westphal	\$3,398,617.35	\$1,908,661.45	\$5,500,176.20	\$432,367.53	\$2,616.88	\$11,242,439.41
220 - Mic Mac Mall	\$1,620,505.26	\$1,474,360.74	\$1,697,556.90	\$198,150.46	\$872.94	\$4,991,446.30
222 - Kennetcook	\$354,700.01	\$46,670.69	\$855,596.18	\$37,970.10	\$59.94	\$1,294,996.92
223 - Elmsdale	\$2,273,037.52	\$1,008,378.80	\$4,582,285.12	\$333,215.01	\$2,098.10	\$8,199,014.55
225 - Fall River	\$1,336,789.93	\$1,081,705.79	\$2,072,813.49	\$158,500.24	\$939.11	\$4,650,748.56
226 - Portland Street	\$2,364,589.99	\$2,168,635.19	\$3,538,543.88	\$301,199.69	\$3,899.45	\$8,376,868.20
227 - Forest Hills	\$3,395,047.26	\$1,849,112.87	\$5,123,146.35	\$413,383.19	\$1,279.10	\$10,781,968.77
270 - Porters Lake	\$1,567,648.22	\$650,873.43	\$2,816,248.06	\$180,801.75	\$272.00	\$5,215,843.46
280 - Sheet Harbour	\$488,482.72	\$128,179.67	\$707,722.92	\$41,081.72	\$270.91	\$1,365,737.94
285 - Stewiacke	\$937,630.77	\$186,539.40	\$2,128,622.60	\$132,818.41	\$51.05	\$3,385,662.23
286 - Middle Musquodoboit	\$383,385.07	\$67,250.53	\$567,754.93	\$36,251.61	\$45.16	\$1,054,687.30
290 - Eastern Passage	\$1,047,611.14	\$376,131.36	\$2,348,266.23	\$146,509.87	\$509.55	\$3,919,028.15
297 - Musquodoboit Harbour	\$690,690.39	\$238,896.79	\$1,001,019.50	\$59,422.36	\$287.47	\$1,990,316.51
REGION 2 TOTAL	\$34,524,126.87	\$19,726,639.49	\$58,462,292.62	\$4,190,072.46	\$33,335.41	\$116,936,466.85

STORE NUMBER & NAME	SPIRITS	WINE	BEER	RTD	OTHER	TOTAL
301 - Amherst	\$765,279.48	\$297,372.11	\$1,798,248.34	\$135,886.28	\$755.95	\$2,997,542.16
302 - Amherst Mall	\$1,423,821.94	\$812,674.82	\$2,849,679.81	\$269,535.43	\$2,502.69	\$5,358,214.69
303 - Antigonish	\$4,522,644.46	\$1,999,511.88	\$6,843,253.58	\$499,534.84	\$5,784.30	\$13,870,729.06
310 - Bible Hill	\$1,077,921.43	\$301,918.92	\$2,078,088.32	\$123,481.60	\$196.95	\$3,581,607.22
312 - Canso	\$374,721.65	\$56,854.41	\$717,451.88	\$39,712.78	\$156.96	\$1,188,897.68
317 - Guysborough	\$464,385.60	\$142,581.99	\$690,355.22	\$36,794.87	\$15.45	\$1,334,133.13
322 - Joggins	\$92,921.60	\$15,696.07	\$303,493.92	\$12,454.41	-	\$424,566.00
338 - Oxford	\$316,154.70	\$87,269.04	\$637,477.24	\$36,698.80	\$138.89	\$1,077,738.67
340 - Mulgrave	\$240,753.69	\$42,598.32	\$439,850.24	\$19,776.58	\$457.37	\$743,436.20
343 - Parrsboro	\$389,469.38	\$150,058.32	\$954,069.74	\$66,730.55	\$537.72	\$1,560,865.71
345 - New Glasgow	\$1,822,334.41	\$883,642.03	\$3,214,874.43	\$227,839.24	\$3,345.55	\$6,152,035.66
347 - West New Glasgow	\$1,470,046.76	\$805,425.25	\$2,376,334.33	\$190,092.02	\$454.23	\$4,842,352.59
348 - Pictou	\$1,409,470.40	\$568,827.67	\$2,316,305.44	\$156,905.11	\$793.91	\$4,452,302.53
353 - Pugwash	\$450,443.77	\$186,164.37	\$782,086.95	\$56,727.33	\$432.83	\$1,475,855.25
358 - River John	\$230,565.53	\$80,167.10	\$529,077.13	\$22,484.46	\$116.34	\$862,410.56
367 - Springhill	\$457,629.96	\$110,214.57	\$1,231,279.19	\$89,446.67	\$28.61	\$1,888,599.00
370 - Sherbrooke	\$265,619.80	\$93,144.15	\$481,463.08	\$25,979.36	\$199.02	\$866,405.41
375 - Stellarton	\$1,333,065.96	\$349,749.23	\$2,623,438.17	\$127,911.27	\$337.90	\$4,434,502.53
382 - Tatamagouche	\$637,024.17	\$334,889.43	\$1,293,251.57	\$67,063.70	\$232.86	\$2,332,461.73
387 - Trenton	\$586,381.71	\$174,502.11	\$1,356,751.42	\$71,119.76	\$38.48	\$2,188,793.48
392 - Truro	\$3,636,397.48	\$1,543,232.01	\$6,107,801.35	\$488,731.57	\$1,774.83	\$11,777,937.24
394 - Truro Mall	\$1,912,783.28	\$702,553.10	\$3,248,789.78	\$214,765.51	\$784.65	\$6,079,676.32
397 - Westville	\$658,687.15	\$149,895.08	\$1,708,005.50	\$81,538.30	\$138.01	\$2,598,264.04
REGION 3 TOTAL	\$24,538,524.31	\$9,888,941.98	\$44,581,426.63	\$3,061,210.44	\$19,223.50	\$82,089,326.86

SALES BY STORES – REGION 4 CAPE BRETON



SALES BY STORES – REGION 5 VALLEY & SOUTH SHORE

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STORE NUMBER & NAME	SPIRITS	WINE	BEER	RTD	OTHER	TOTAL
407 - Arichat	\$550,101.87	\$130,303.86	\$877,408.85	\$39,983.15	\$423.32	\$1,598,221.05
408 - Baddeck	\$1,219,667.81	\$580,182.88	\$1,925,932.08	\$141,115.96	\$2,193.16	\$3,869,091.89
413 - Cheticamp	\$585,726.79	\$270,956.41	\$1,112,689.03	\$105,050.76	\$1,453.19	\$2,075,876.18
418 - Dominion	\$566,881.11	\$96,109.94	\$1,431,892.97	\$78,165.96	\$924.10	\$2,173,974.08
426 - Glace Bay	\$2,581,511.61	\$629,483.34	\$5,586,034.91	\$418,263.60	\$2,876.86	\$9,218,170.32
431 - Ingonish	\$590,901.85	\$310,257.37	\$1,018,223.54	\$73,951.54	\$844.71	\$1,994,179.01
436 - Inverness	\$704,575.94	\$264,972.27	\$1,403,467.71	\$79,237.62	\$355.32	\$2,452,608.86
441 - Louisbourg	\$421,785.35	\$108,477.69	\$711,266.00	\$48,434.02	\$409.64	\$1,290,372.70
445 - New Waterford	\$1,298,571.98	\$251,231.02	\$3,153,674.71	\$191,876.89	\$1,388.27	\$4,896,742.87
451 - North Sydney	\$2,384,524.12	\$749,283.01	\$4,193,172.07	\$439,245.79	\$2,571.40	\$7,768,796.39
455 - Port Hawkesbury	\$2,159,200.18	\$889,929.75	\$3,205,317.23	\$238,979.88	\$5,625.96	\$6,499,053.00
460 - Port Hood	\$790,419.82	\$214,904.08	\$982,259.93	\$69,538.32	\$521.80	\$2,057,643.95
477 - St. Peters	\$643,307.29	\$202,863.00	\$1,264,077.57	\$67,884.22	\$378.05	\$2,178,510.13
479 - Sydney	\$2,014,971.41	\$739,549.15	\$2,817,725.26	\$220,251.45	\$1,887.18	\$5,794,384.45
480 - Mayflower Mall	\$616,883.43	\$259,938.53	\$393,266.73	\$62,086.33	\$1,141.99	\$1,333,317.01
481 - Sydney K-Mart Plaza	\$2,080,354.00	\$603,970.10	\$3,589,296.85	\$258,625.85	\$1,643.39	\$6,533,890.19
483 - Whitney Pier	\$700,281.98	\$132,097.68	\$1,315,762.87	\$69,491.60	\$340.64	\$2,217,974.77
490 - Sydney Mines	\$1,066,398.20	\$209,338.66	\$2,441,270.31	\$199,581.63	\$924.47	\$3,917,513.27
496 - Sydney River	\$3,968,399.33	\$1,946,080.42	\$7,048,829.04	\$605,789.38	\$7,819.53	\$13,576,917.70
REGION 4 TOTAL	\$24,944,464.07	\$8,589,929.16	\$44,471,567.66	\$3,407,553.95	\$33,722.98	\$81,447,237.82

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STORE NUMBER & NAME	SPIRITS	WINE	BEER	RTD	OTHER	TOTAL
501 - Annapolis	\$676,691.96	\$408,274.59	\$1,009,403.58	\$63,628.43	\$964.37	\$2,158,962.93
504 - Barrington Passage	\$1,140,369.95	\$207,710.19	\$1,409,792.61	\$162,254.41	\$389.06	\$2,920,516.22
505 - Bridgewater	\$2,826,156.53	\$1,303,438.27	\$4,440,568.82	\$264,085.25	\$4,087.21	\$8,838,336.08
506 - Bridgewater Mall	\$1,602,391.49	\$675,196.64	\$1,122,971.96	\$105,924.06	\$947.41	\$3,507,431.56
509 - Caledonia	\$249,239.81	\$64,911.12	\$412,694.03	\$26,991.12	\$136.30	\$753,972.38
511 - Berwick	\$1,143,670.46	\$362,065.35	\$2,195,890.85	\$128,764.28	\$281.11	\$3,830,672.05
515 - Bridgetown	\$450,045.53	\$182,165.62	\$813,509.99	\$48,372.66	\$298.23	\$1,494,392.03
520 - Digby	\$1,653,162.22	\$724,285.14	\$2,663,733.80	\$181,180.33	\$1,668.50	\$5,224,029.99
546 - Kentville	\$2,132,864.96	\$876,680.36	\$4,090,554.84	\$257,537.56	\$660.88	\$7,358,298.60
548 - Kingston	\$1,883,429.45	\$911,027.06	\$3,646,927.87	\$281,235.34	\$922.63	\$6,723,542.35
555 - Liverpool	\$1,793,191.76	\$713,808.85	\$2,294,817.67	\$157,550.28	\$1,122.47	\$4,960,491.03
560 - Lockeport	\$336,775.62	\$61,486.05	\$375,233.94	\$23,748.03	\$101.88	\$797,345.52
572 - Meteghan	\$823,375.52	\$282,675.75	\$1,505,654.96	\$77,053.24	\$66.62	\$2,688,826.09
573 - Middleton	\$914,028.46	\$297,466.42	\$1,786,175.70	\$96,084.50	\$201.73	\$3,093,956.81
574 - New Minas	\$2,111,274.66	\$1,275,327.02	\$2,964,459.82	\$283,468.69	\$6,023.60	\$6,640,553.79
575 - New Germany	\$487,648.37	\$116,783.66	\$835,162.39	\$46,494.69	\$105.03	\$1,486,194.14
585 - Shelburne	\$1,026,605.25	\$346,930.91	\$1,406,598.29	\$100,216.61	\$482.95	\$2,880,834.01
590 - West Pubnico	\$414,226.23	\$92,943.52	\$403,370.75	\$32,822.22	\$55.76	\$943,418.48
591 - Weymouth	\$434,538.14	\$132,144.83	\$833,550.60	\$41,496.30	\$25.18	\$1,441,755.05
595 - Wolfville	\$1,356,490.88	\$1,033,514.60	\$2,113,391.25	\$117,199.95	\$2,399.34	\$4,622,996.02
598 - Yarmouth	\$3,427,888.50	\$1,283,182.73	\$4,635,381.67	\$389,551.25	\$2,194.45	\$9,738,198.60
REGION 5 TOTAL	\$26,884,065.75	\$11,352,018.68	\$40,959,845.39	\$2,885,659.20	\$23,134.71	\$82,104,723.73

GRAND TOTAL SALES	\$149,733,360.18	\$89,414,701.38	\$251,363,331.24	\$17,455,670.99	\$196,624.80	\$508,163,688.59
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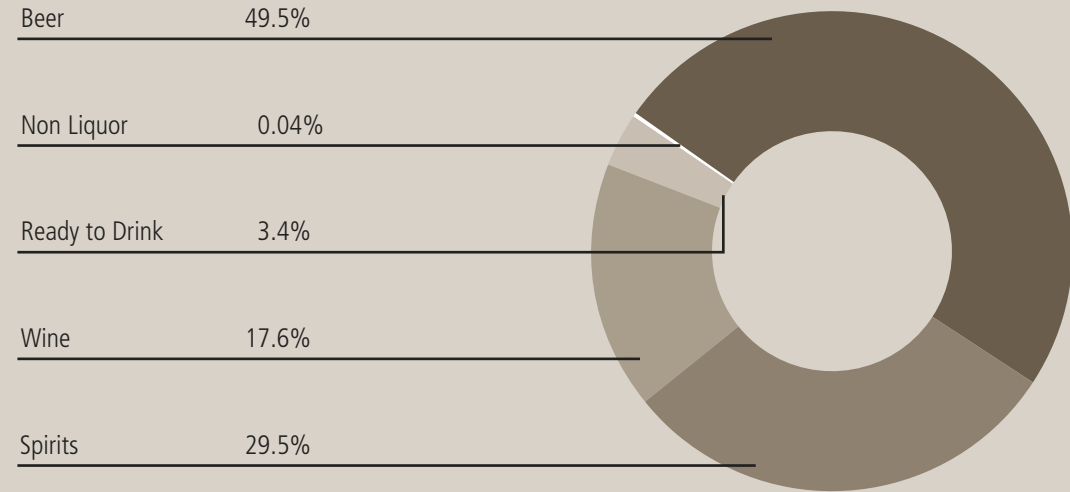
AGENCY STORES	SPIRITS	WINE	BEER	RTD	OTHER	TOTAL
TOTAL AGENCY STORES	\$5,321,132.03	\$1,203,335.47	\$10,215,073.21	\$691,207.78	-	\$17,430,748.49

FINANCIAL PERFORMANCE

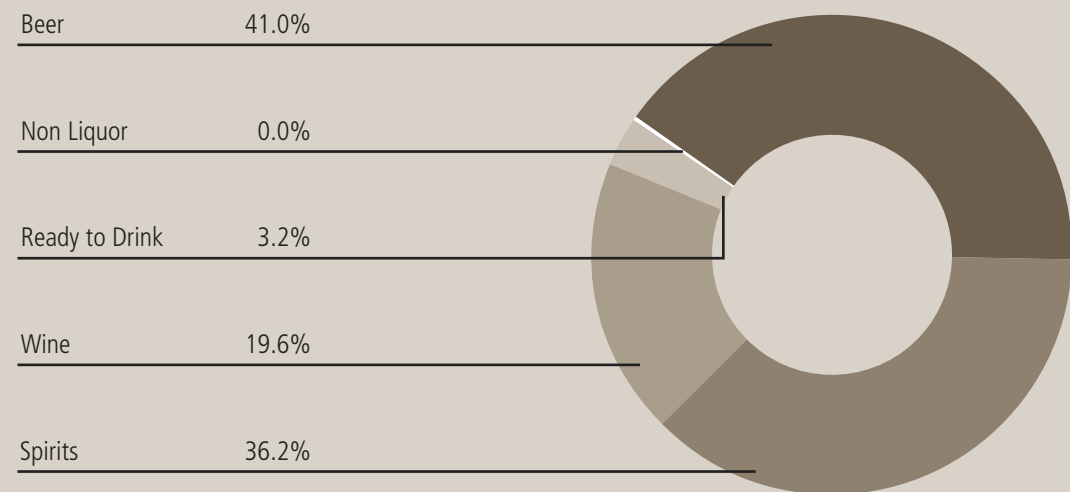


FIVE-YEAR HISTORY

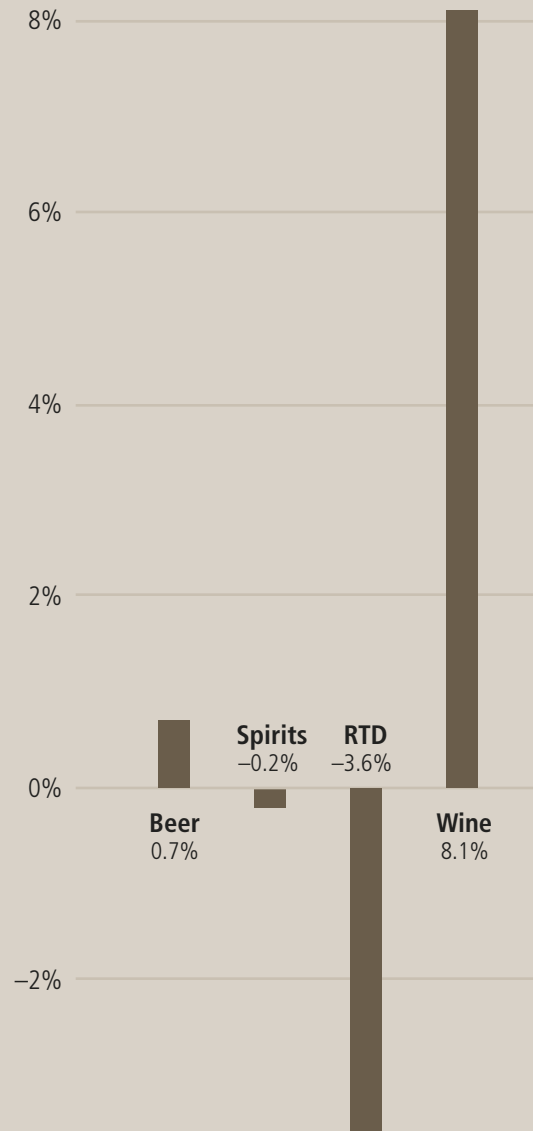
REPRESENTATIVE SALES CONTRIBUTION BY CATEGORY



GROSS PROFIT CONTRIBUTION BY CATEGORY



VOLUME PERCENT INCREASE



FIVE-YEAR HISTORY OF PROFITS TO THE PROVINCE OF NOVA SCOTIA

FISCAL YEAR	(000,000'S)
2002/2003	\$157.9
2003/2004	\$166.8
2004/2005	\$170.0
2005/2006	\$181.2
2006/2007	\$188.2

FIVE-YEAR KEY FINANCIAL HIGHLIGHTS

	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007
VOLUME (000 Hectolitres)	730.6	760.2	762.5	786.2	795.0
GROSS SALES (M)	\$413.3	\$439.5	\$453.2	\$488.7	\$508.2
COST OF GOODS (M)	\$202.8	\$213.3	\$217.0	\$233.0	\$242.3
As a % of Net Sales	49.1%	48.5%	48.1%	48.0%	48.0%
GROSS PROFIT (M)	\$209.6	\$223.8	\$234.0	\$253.1	\$262.4
As a % of Net Sales	50.7%	50.9%	51.9%	52.0%	52.0%
STORE OP EXPENSE (M)	\$36.0	\$38.1	\$42.0	\$45.9	\$47.1
As a % of Net Sales	8.7%	8.7%	9.3%	9.4%	9.3%
INC/OPERATIONS (M)	\$157.9	\$167.8	\$170.0	\$181.2	\$188.2
As a % of Net Sales	38.2%	38.2%	37.7%	37.2%	37.3%
WHOLESALE SALES (M)	\$75.3	\$79.6	\$83.0	\$87.6	\$94.0
As a % of Net Sales	18.2%	18.1%	18.3%	17.9%	18.6%
STORES	100	100	108	107	108
Hours Open (000's)	310.1	317.9	344.1	348.8	N/A
VOLUME (000 HL)					
Spirits	49.8	51.4	52.3	52.2	52.1
Wine	56.0	61.7	65.6	69.2	74.8
Beer	602.2	621.2	619.2	637.5	641.7
Coolers	22.6	25.9	25.4	27.3	26.3

SOURCE OF GROSS SALES REVENUE



CANADIAN AND IMPORTED SALES

SOURCE OF GROSS SALES REVENUE

As a percentage of sales, spirits are down from prior year, but actual sales of spirits are up 2.2%. Wine showed the largest increase, up 9.32% over last year. (Dollars to the nearest 000s)

2006-2007	\$	%
Spirits	\$149,733.4	29.5%
Wine	\$89,414.7	17.6%
Beer	\$251,363.3	49.5%
RTD	\$17,455.7	3.4%
Other	\$196.6	0.0%
TOTAL	\$508,163.7	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)

2006-2007

SPIRITS	\$	%
Retail	\$130,041.3	86.8%
Wholesale	\$19,692.1	13.2%
Total	\$149,733.4	100.0%

WINE	\$	%
Retail	\$73,118.0	81.8%
Wholesale	\$16,296.7	18.2%
Total	\$89,414.7	100.0%

BEER	\$	%
Retail	\$196,743.1	78.3%
Wholesale	\$54,620.2	21.7%
Total	\$251,363.3	100.0%

RTD	\$	%
Retail	\$14,103.3	80.8%
Wholesale	\$3,352.4	19.2%
Total	\$17,455.7	100.0%

OTHER	\$	%
Retail	\$165.2	84.0%
Wholesale	\$31.4	16.0%
Total	\$196.6	100.0%

TOTAL	\$	%
Retail	\$414,170.9	81.5%
Wholesale	\$93,992.8	18.5%
TOTAL SALES	\$508,163.7	100.0%

RETAIL – WHOLESALE SALES

■ Retail ■ Wholesale

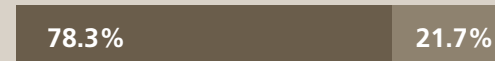
SPIRITS



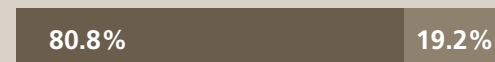
WINE



BEER



READY TO DRINK



OTHER



CANADIAN AND IMPORTED SALES 2006-2007

Canadian products account for 75.8% of all products sold; 24.2% are imported. (Dollars to the nearest 000s)

2006-2007

SPIRITS	\$	%
Canadian	\$113,260.0	75.6%
Imported	\$36,473.4	24.4%
Total	\$149,733.4	100.0%

WINE	\$	%
Canadian	\$24,519.2	27.4%
Imported	\$64,895.5	72.6%
Total	\$89,414.7	100.0%

BEER	\$	%
Canadian	\$231,029.5	91.9%
Imported	\$20,333.8	8.1%
Total	\$251,363.3	100.0%

RTD	\$	%
Canadian	\$16,227.6	93.0%
Imported	\$1,228.1	7.0%
Total	\$17,455.7	100.0%

OTHER	\$	%
Canadian	\$196.6	100.0%
Imported	\$0.0	0.0%
Total	\$196.6	100.0%

TOTAL	\$	%
Canadian	\$385,232.9	75.8%
Imported	\$122,930.8	24.2%
TOTAL	\$508,163.7	100.0%

CANADIAN AND IMPORTED SALES

■ Canadian ■ Imported

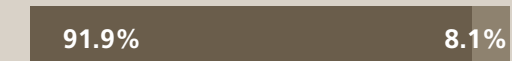
SPIRITS



WINE



BEER



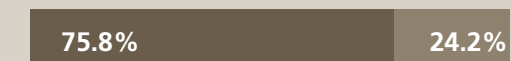
READY TO DRINK



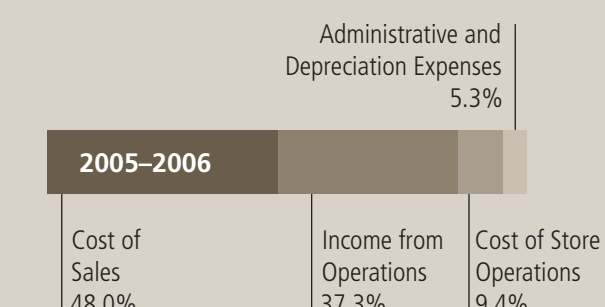
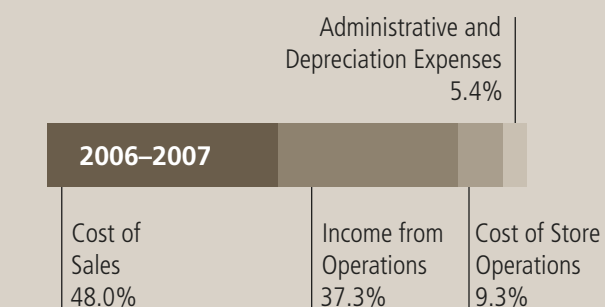
OTHER



TOTAL SALES



DISTRIBUTION OF SALES REVENUE DOLLARS



FIVE-YEAR SALES COMPARISON



FIVE-YEAR VOLUME COMPARISON

(Dollars to the nearest 000s)

BY CLASS OF SALES						
YEAR	SPIRITS	WINE	BEER	COOLERS	OTHER	TOTAL
2006/2007	\$149,733.4	\$89,414.7	\$251,363.3	\$17,455.7	\$196.6	\$508,163.7
2005/2006	\$146,511.1	\$81,794.3	\$242,597.7	\$17,487.2	\$295.2	\$488,685.5
2004/2005	\$138,031.1	\$74,152.2	\$224,344.5	\$16,048.8	\$633.5	\$453,210.1
2003/2004	\$135,605.1	\$69,766.5	\$217,654.7	\$15,993.3	\$527.5	\$439,547.1
2002/2003	\$131,886.4	\$60,925.6	\$206,291.0	\$13,779.0	\$443.4	\$413,325.4

CANADIAN VS. IMPORTED – GROSS LIQUOR REVENUE						
YEAR	SPIRITS	WINE	BEER	COOLERS	OTHER	TOTAL
Cdn 2006/2007	\$113,260.0	\$24,519.2	\$231,029.5	\$16,227.6	\$196.6	\$385,232.9
Imp 2006/2007	\$36,473.4	\$64,895.5	\$20,333.8	\$1,228.1	\$0.0	\$122,930.8
Cdn 2005/2006	\$111,757.7	\$23,173.0	\$225,356.9	\$16,313.2	\$295.2	\$376,896.0
Imp 2005/2006	\$34,753.4	\$58,621.3	\$17,240.8	\$1,174.0	\$0.0	\$111,789.5
Cdn 2004/2005	\$106,585.2	\$21,301.8	\$210,017.9	\$15,397.0	\$633.5	\$353,935.4
Imp 2004/2005	\$31,445.9	\$52,850.4	\$14,326.6	\$651.8	\$0.0	\$99,274.7
Cdn 2003/2004	\$106,301.7	\$20,253.8	\$204,716.3	\$15,066.2	\$527.5	\$346,865.5
Imp 2003/2004	\$29,303.4	\$49,512.7	\$12,938.4	\$927.1	\$0.0	\$92,681.6
Cdn 2002/2003	\$105,446.5	\$19,436.3	\$195,391.5	\$13,779.0	\$434.9	\$334,488.2
Imp 2002/2003	\$26,439.9	\$41,489.3	\$10,899.5	\$0.0	\$8.5	\$78,837.2

WHOLESALE SALES						
YEAR	SPIRITS	WINE	BEER	COOLERS	OTHER	TOTAL
2006/2007	\$19,692.1	\$16,296.7	\$54,620.2	\$3,352.4	\$31.4	\$93,992.8
2005/2006	\$17,773.2	\$14,259.3	\$52,269.1	\$3,240.0	\$35.1	\$87,576.7
2004/2005	\$16,797.7	\$14,282.3	\$48,541.3	\$3,311.9	\$61.0	\$82,994.2
2003/2004	\$15,967.3	\$13,866.0	\$46,589.0	\$3,127.6	\$36.3	\$79,586.2
2002/2003	\$15,436.4	\$9,392.7	\$47,295.6	\$3,120.6	\$22.4	\$75,267.7

NOTE: "Other" is Non-Liquor

SALES IN HECTOLITRES - FIVE YEARS

(Approximate Hectolitres)

Imported wine has been steadily increasing in volume since 1995/96.

Imported beer volume increased 13.1% from last year. Ready to Drink volume has dropped 3.6% from prior year.

	2006/2007	2005/2006	2004/2005	2003/2004	2002/2003
SPIRITS					
Canadian	40,801.2	41,268.4	41,775.8	41,248.7	40,457.2
Imported	11,338.9	10,964.4	10,518.5	10,137.9	9,328.0
TOTAL	52,140.1 6.6%	52,232.8 6.6%	52,294.3 6.9%	51,386.6 6.8%	49,785.2 6.8%
WINE					
Canadian	28,393.4	27,123.6	26,656.2	25,340.1	24,268.9
Imported	46,401.8	42,092.3	38,972.4	36,408.9	31,745.2
TOTAL	74,795.2 9.4%	69,215.9 8.8%	65,628.6 8.6%	61,748.9 8.1%	56,014.1 7.7%
BEER					
Canadian	597,030.2	598,021.5	584,854.5	589,569.3	573,838.3
Imported	44,667.8	39,484.0	34,367.5	31,586.0	28,394.0
TOTAL	641,698.0 80.7%	637,505.5 81.1%	619,222.0 81.2%	621,155.3 81.7%	602,232.3 82.4%
READY TO DRINK					
Canadian	24,753.1	25,767.9	24,434.6	24,537.1	22,611.0
Imported	1,565.9	1,533.0	935.8	1,327.7	0.0
TOTAL	26,319.0 3.3%	27,300.9 3.5%	25,370.4 3.3%	25,864.8 3.4%	22,611.0 3.1%
GRAND TOTAL	794,952.3 100.0%	786,255.1 100.0%	762,515.3 100.0%	760,155.6 100.0%	730,642.6 100.0%

BOARD OF DIRECTORS



Front row (left to right): **Frank Elliott** (Director), **Bret Mitchell** (President & CEO), **Peter L. McCreath** (Chairman of the Board), **Vicki Harnish** (Deputy Minister), Back row: **John Biddle** (Director), **Joe MacDonald** (Director), **Greg Beaulieu** (Corporate Secretary), **Peter Green** (Director), **Jim MacLean** (Director), and **Paula Minnikin** (Director)

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.

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.

PETER GREEN, DIRECTOR

Peter is a commercial lawyer in Halifax. He has held positions within the Canadian Bar Association, the Canadian Cancer Society, the Halifax YMCA, the Halifax Port Authority, and served as a Director for the World Trade Centre Limited, Tourism Halifax and the Halifax Board of Trade. He has also served in the past as legal counsel to the NSLC. Serving in these roles Mr. Green brings extensive governance, business and legal knowledge to the Board.

JOHN BIDDLE, DIRECTOR

John is a CMA employed by CIBC Wood Gundy and lives in Bridgewater. He has also held positions in internal audit at High Liner Foods. Mr. Biddle is the Chair of the Health Services Foundation of the South Shore and a member of the audit committee of the South Shore Regional School Board. Mr. Biddle's extensive business experience in the investment field and his experience as a CMA brings senior business management knowledge to the Board.

JOE MACDONALD, DIRECTOR

Joe, from St. Joseph's, is a senior administrator and educator who serves as Dean of Students at St. Francis Xavier University. He has served extensively in a volunteer capacity in numerous provincial and national sporting organizations including the NS Canada games group, the Atlantic University Athletic Association and the Canadian Intramural Recreation Association. Mr. MacDonald brings to the Board wine knowledge as a member of the Opimian Society, governance experience from his volunteer work and a great understanding of young adults.

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, which besides being the President & CEO of the Nova Scotia Liquor Corporation, includes 12 years with Sobeys where he was the senior vice-president, national merchandising, fresh foods, retail brands and business process improvements.

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 Committee

Jim MacLean, Chair, Peter McCreath, John Biddle, Frank Elliott
Outside members: Rachel Martin, Mike Casey
Staff Support: Bret Mitchell, Greg Beaulieu, Carrie Cussons, Mike Knox

Governance and HR Committee

Paula Minnikin, Chair, Peter McCreath, Joe MacDonald, Peter Green, Vicki Harnish
Staff Support: Bret Mitchell, Greg Beaulieu, Roddy Macdonald, Karen Putnam

Sub-Committee on President's Performance Evaluation

Peter McCreath, Chair, Paula Minnikin

Intelligent Consumption Committee

Joe MacDonald, Chair, Peter McCreath
Outside Members: Shawn Hiscott, Jean Lepine, Luc Erjavec
Staff Support: Rick Perkins, Jennifer Gray

Local Industry Committee

Frank Elliott, Chair, Peter McCreath, John Biddle, Peter Green, Jim MacLean
Staff Support: Bret Mitchell, Greg Beaulieu, Karen Putnam

5 Year Strategic Plan Steering Committee

(Note: This committee comprises the Executive Committee of Staff supplemented by representatives of the Board)
 Peter McCreath, John Biddle, Peter Green

EXECUTIVE OFFICERS



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

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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. Rick serves on the Retail Council of Canada's Public Affairs Committee and the Marketing Committee. Rick is also on the RCC's 2008 STORE Conference Organizing Committee.

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

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.

AWARDS AND RECOGNITION



Glace Bay Store of the Year Winners

For any crown corporation, the most anticipated prize at the end of each fiscal year is maximizing revenue and profits. In the case of the NSLC, this was achieved by returning a record profit of \$188.2 million on sales of \$504.7 million.

While profit is a quantifiable measure of success, it is not the only yardstick which the NSLC measures its achievements. The NSLC is pleased it was also recognized by international and Canadian organizations with numerous awards and recognition that highlighted the NSLC's accomplishments, in the last fiscal year, in a broad spectrum of categories.

Leading the award-winners was the NSLC's 'Lots of Ways' social responsibility campaign. The campaign which was launched in December, 2006 introduced three proprietors of unconventional means of getting home safely for those enjoying a social occasion. The 'Lots of Ways' campaign which included television, website and other methods of advertising was awarded a Gold Quill Award of Excellence from the International Association of Business Communicators in its Communication Creative Category. It was also recognized by the Retail Council of Canada with a second place in the Corporate Social Responsibility category and garnered multiple awards at both the 2007 Marketing Magazine Awards and the 6th Annual Applied Arts Design & Advertising Awards. In September, the Lots of Ways Campaign won gold at the at the ICE Awards in Halifax along with Merit Awards for Donnie of Donnie's Donkeys, Wheelbarrow Willie and Burly Joe.

Success in creating effective visual communication was not limited to the NSLC social responsibility messaging, as the NSLC also won an international design award for Occasions Magazine and its 2005-2006 Annual Report which promoted the local beverage alcohol industry.

However, in many ways this past fiscal year became a celebration of the NSLC emerging as one of nation's most dynamic and successful retailers. This was particularly evident at the 2007 Retail Council of Canada's Excellence in Retailing Awards Dinner as the NSLC won multiple awards in a number of categories. The awards, in addition to the aforementioned award for its social responsibility campaign, included second place in both the Advancement in Retail Supply Chain and Retail Store Design categories. The latter for the design of the Mic Mac Mall store. The evening was capped off with the prestigious In-Store Retail Merchandising Award for the implementation of the Cool Zone which has transformed the NSLC's cold rooms into a vibrant shopping experience. A fitting tribute and proof positive of the effectiveness of the NSLC's 2006-2007 retail strategy.

This year saw the inauguration of the NSLC Store of the Year award and after going through the criteria for awarding this year's honour there was a tie in the excellence department and the 2007 Store of the Year was awarded to Glace Bay and Portland Street, Dartmouth stores.

Rounding out the awards was the 2007 North American Occupational Safety and Health (NAOSH) Outstanding Achievement Award for Large Company or Organization for the development and implementation of an OHS (Occupational Health and Safety) Management System based on the new CSA Z1000-06 Standards. The NSLC was the first organization in Nova Scotia and one of the first in Canada to develop such a system.

AWARDS PRESENTED TO THE NSLC

RCC AWARD (2006)
Retail Council of Canada
Lots of Ways (2006)

RCC AWARD (2007)
Retail Council of Canada
Cool Zone (2007)

RCC AWARD FINALIST (2006)
Retail Council of Canada
Bayers Lake Store

RCC AWARD FINALIST (2007)
Retail Council of Canada
Improvements to Supply Chain Operations

RCC AWARD FINALIST (2007)
Retail Council of Canada
Mic Mac Mall Store

RCC AWARD FINALIST (2007)
Retail Council of Canada
Lots of Ways

IABC AWARD OF EXCELLENCE GOLD QUILL AWARD (2007)
International Association of Business Communicators
Excellence Award – Communication Creative (Advertising) - Lots of Ways

NAOH&S AWARD (2007)
North American Occupational Safety and Health
Outstanding Achievement Award

INTERNATIONAL ARC BRONZE AWARD 2007
MerComm
NSLC Annual Report 2005-2006

ASTRID BRONZE AWARD 2007
International Academy of Communications Arts & Science
Occasions Magazine 2006

MARKETING MAGAZINE AWARDS (2007)
Silver Award
PSA Single for Burly Joe's Piggybacks

MARKETING MAGAZINE AWARDS (2007)
Merit Award
Lots of Ways
PSA Campaign

MARKETING MAGAZINE AWARDS (2007)
Judges Choice Craft Award
Best Casting for Burly Joe's Piggybacks

MARCOM (INTERNATIONAL) AWARDS 2007
Platinum Award
NSLC Annual Report 2005-2006
Lots of Ways Campaign 2006

Gold
Occasions magazine 2006
South African Wines advertising campaign

Honorable Mention
The Spirited Informer employee newsletter 2006

IABC CANADA SILVER LEAF AWARDS
Merit – Communication Skills, Electronic media - Lots of Ways
Merit – Advertising - Lots of Ways

THE BESSIES 2007
Finalist – TV Single – Wheelbarrow Willie

6TH ANNUAL APPLIED ARTS DESIGN & ADVERTISING AWARDS
Wheelbarrow Willie - Commercial - Public Service/Charity – Single

6TH ANNUAL APPLIED ARTS DESIGN & ADVERTISING AWARDS
Burly Joe's Piggybacks - Commercial - Public Service/Charity – Single

6TH ANNUAL APPLIED ARTS DESIGN & ADVERTISING AWARDS
Lots of Ways Campaign - Commercial - Public Service/Charity - Series

PROGRESS TOP 101 COMPANIES IN ATLANTIC CANADA
Nova Scotia Liquor Corporation (11)

6TH ANNUAL APPLIED ARTS DESIGN & ADVERTISING AWARDS
Donnie's Donkeys - Commercial - Public Service/Charity - Single

ICE AWARDS 2007
Gold – PSA Campaign
Merit – PSA Single Burly Joe's
Merit – PSA Single Donnie's Donkeys
Merit – PSA Single Donnie's Donkeys
Nomination – Marketer of the Year

NSLC STORE OF THE YEAR 2007 (TIE)
Portland Street
Glace Bay



Portland Street, Dartmouth, Store of the Year Winners





At the NSLC, the efforts of more than 1500 employees produce stellar results again in 2006–2007.

\$277 MILLION

REMITTANCES TO GOVERNMENT

GOVERNMENT OF CANADA	\$29,972,483	Federal Excise Tax and Customs Duties
	\$42,103,073	Harmonized Sales Tax
GOVERNMENT OF NOVA SCOTIA	\$2,195,671	Nova Scotia Alcohol and Gaming Authority
	\$10,648,748	Provincial Resource Recovery Fund
	\$188,240,957	Dividend to Shareholder
MUNICIPALITIES OF NOVA SCOTIA	\$3,997,712	Municipal Property Taxes
	\$277,158,644	Total



SET THE PACE
with
Crown Royal
24 Bottles, \$44.99

MIKE WEIR SAUVIGNON BLANC
2013
\$39.99

MIKE WEIR CABERNET MERLOT
2013
\$39.99