

annual report

2009-2010



NSLC
BEER • WINE • SPIRITS





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chair's report



I am honoured to be issuing my first report as Chair of the Nova Scotia Liquor Corporation (NSLC).

The NSLC enjoyed another successful year in 2009–2010, continuing the trend of excellence that has become the hallmark of this organization. Once again, record NSLC profits were reinvested in our province. The NSLC team met challenges head-on and seized opportunities with enthusiasm. Customers remain the organization's key focus as it strives to provide the best service and selection possible.

This past fiscal year was the last in the NSLC's Five-Year Strategic Plan 2005–2010. This plan has provided the impetus and inspiration for every idea and action undertaken by the NSLC's employees, Executive Team and Board of Directors since 2005, as they worked together to transform the NSLC from a "place to buy to a place to shop". The NSLC team has been fundamental to the organization's success and I extend my sincere appreciation to them and to the NSLC's industry partners for staying the course through this considerable change.

The NSLC has surpassed its financial targets and is now the ninth largest business by revenue in Atlantic Canada and the fifth largest in Nova Scotia. NSLC campaigns and programs have been honoured by organizations around the world. Customers recognize the NSLC as a top retailer. The NSLC team has

worked together to deliver time and time again, providing a strong model for embarking on the next five-year strategic plan that will see the business through 2015.

As Chair of the Board of Directors, I would like to highlight the NSLC's ongoing corporate social responsibility efforts. Whether promoting safe and responsible consumption, protecting the environment or supporting local industry, the NSLC has worked very hard to find innovative, bold and creative ways to enhance our stewardship role. The NSLC has enjoyed great success and I am particularly proud of the sincerity and commitment the Board, Executive Team and all NSLC employees have demonstrated in this arena. Your work has made a difference.

The NSLC will not rest on its laurels, but instead will continue striving to be a socially responsible organization, to deliver impressive dividends to the people of Nova Scotia and to foster growth and development of the beverage alcohol industry. The evidence can be seen throughout this annual report: in achieving the goals of the NSLC's transformative Five-Year Strategic Plan 2005–2010, we have established a solid business foundation for what lies ahead.

With this new beginning, the NSLC now has the opportunity to take the lead in developing more personalized relationships with customers, while achieving further financial success and protecting the environment. In the Five-Year Strategic Plan 2010–2015, the NSLC will seek to expand on the success it has enjoyed in the past and grow even more.

I have the privilege of assuming the Chair's role after the retirement of the Honourable Peter L. McCreath, who served as the Chair of the NSLC Board of Directors for the past nine years. Peter has done an exceptional job working with the NSLC team, bringing his own personal brand of wisdom and wit to this challenging, yet rewarding, role. His accomplishments have been many and his forward-thinking leadership was instrumental in shaping the NSLC we see

today. His work will serve as a cornerstone for the NSLC we are preparing for tomorrow.

I would also like to thank Peter Green for his valuable advice and dedication as he retires from the Board after three years of service. Peter's extensive governance and legal perspective was invaluable to the NSLC.

I look forward to building on the accomplishments to-date as I begin working with the Board, the NSLC team and our business partners to generate even greater momentum for the organization. I am confident that in five years we will join together again to herald the successful completion of the Five-Year Strategic Plan 2010–2015.

On behalf of the current and past Board, I extend sincere gratitude to the Government of Nova Scotia and our Minister, Graham Steele, for their continued commitment to the organization. We also wish to recognize and thank the Honourable Len Goucher, who served as the Minister responsible for the NSLC and the Liquor Control Act for the first few months of this fiscal year. Our Government's support has been an essential part of the NSLC's success and we anticipate many more years of cooperation and collaboration ahead.

I hope you enjoy taking some time to reflect and celebrate the past five years. For my part, I am thrilled to be Chair at this exciting time in the NSLC's development and history and I look forward to much positive growth and change ahead.

Sincerely,

A handwritten signature in blue ink that reads "Sherry Porter".

Sherry Porter
Chair, NSLC Board of Directors

president's report



This annual report marks a major transition for the NSLC. This most recent fiscal year was the 80th year of business for the NSLC. This is a significant milestone in its own right as a business serving all Nova Scotians and returning important financial resources every year to our shareholder—the Province of Nova Scotia. It also marks another important milestone for the business; the completion of the first five-year strategic plan. As a result, this 80th annual report is focused on reporting to all NSLC stakeholders how the Corporation did in meeting the goals and strategies set out in the Five-Year Strategic Plan 2005–2010.

Each NSLC annual report over the last five years has focused on an element of the business. Together the past five reports capture the revolutionary transformation of the NSLC. This report focuses on outlining how the business did in meeting its targets as well as how it did in the final year of the plan represented by the 2009–2010 fiscal year. Details on this year's performance are found in the Management Discussion and Analysis section of the annual report. I encourage you to read the entire document as it presents a compelling story of how to grow and modernize a retail business which is now the fifth largest business in Nova Scotia.

The NSLC's first year of business was 1930 when it operated 27 stores producing \$628,756 in sales and \$23,151 in profit (year-end September 30, 1930). By 2004, the business had grown to 100 stores, \$439.5 million in sales and \$166.8 million profit. By the fiscal year ended March 31, 2010, the NSLC retailed product through 106 retail stores, 54 Agency Stores and four Private Wine and Specialty Stores. This growth in the size of the NSLC's overall business produced \$579.4 million in sales, an increase of 3.6 per cent over the previous year. The primary driver of NSLC revenue is the NSLC's retail sales which increased by a healthy 4.2 per cent to \$474.0 million. This was a particularly strong result given that retail sales in Canada declined during the same period.

We are proud that the NSLC exceeded bottom line profit targets established in the strategic plan by \$4.4 million producing \$219.4 million in profit. During the five years of this strategic plan, the NSLC contributed just over \$1 billion in profit to its shareholder. This is the strongest five year performance in the organization's history.

The end of this fiscal year and the completion of the first strategic plan also marks another very important milestone in the history of the NSLC; the retirement of the NSLC's first Board of Directors Chair, the Honourable Peter McCreath. After nine years as the first Chair of the Corporation I cannot overstate Peter's accomplishments in his role. Like everything he does in life Peter took on the challenge of modernizing the NSLC in 2001 with passion and ideas. There is no doubt that the modern, leading retail business that the NSLC is today is the direct result of Peter's vision. On behalf of

all employees during these nine years, I wish to thank Peter for his dedication and commitment.

Any successful business is about more than top and bottom line results. They are essential to ensure a sustainable business, but the character, values, service and community contribution that NSLC employees make continues to drive the long-term health of the business. For the five years of this strategic plan, the NSLC team has lived the plan and brought it to life. Serving customers, embracing change and being involved in their community certainly contributed to the NSLC's transformation. We applaud the entire NSLC team for their contribution to our ongoing success.

The next five years are shaping up to be even more exciting. Our new Five-Year Strategic Plan 2010–2015 sees the NSLC becoming a leader in corporate citizenship; a personalized and trusted advisor to customers; an integrated multi-channel retailer; and a significant financial performer striving for cumulative profits of \$1.3 billion with earnings in 2015 of \$275 million. The NSLC Executive Team and all employees look forward to working with our new Board Chair, Sherry Porter, to achieve these goals and continue the NSLC's journey to remain a leading retail business in Canada.



Bret Mitchell
President & CEO

the
heart of the
5 year
 strategic plan
 2005-2010

In 2004, the NSLC embarked on an intensive strategic planning process that was outlined in the organization's first Five-Year Strategic Plan 2005–2010. Goals were identified in the plan that were designed to transform the NSLC “from a place to buy to a place to shop.”

The strategic plan was developed around the new Purpose, Vision and Culture statement, a promise to customers and five pillars to support the business objectives: Stewardship, Customer, Reputation, People and Financial. With strong planning and superb execution the NSLC achieved excellent results and is proud to report that the transformation was successful.

The 2009–2010 fiscal year was more than just another year of record profits, innovative programs and satisfied customers for the NSLC. It marks the 80th anniversary of the organization—a milestone worthy of celebration. This annual report is dedicated to celebrating the NSLC's 80th anniversary and the many achievements over the life of the NSLC's first Five-Year Strategic Plan 2005–2010.

purpose & vision & culture

PURPOSE

To bring a world of beverage enjoyment to Nova Scotia

We aspire to this through our: VISION

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

Living our purpose and vision entails a **CULTURE** that:

Encourages innovation and creativity

Engages employees in achieving success

Is driven by customer needs

Demonstrates respect and dignity in all we do

Is a fun place to work

Advocates intelligent consumption

The NSLC'S customer promise

- Align products, services and events with customers' needs;
- Offer vibrant, interactive and inviting Nova Scotia shopping experiences; and
- Ensure discovery and personal services with friendly, professional and enthusiastic employees.



1stewardship pillar

Stewardship is the foundation of the NSLC's approach to ethical and sustainable business practices. This includes responsible governance, social responsibility, supporting local business, as well as the ability to provide strategic public policy advice on the regulatory aspects of the Liquor Control Act.

The NSLC strives to be a leader in Crown Corporation governance because accountability and transparency as part of the organization's business model will contribute to superior performance in all areas. The NSLC is proud of its achievements in this area during the life of the Five-Year Strategic Plan 2005–2010 and will continue to build on this strong foundation of ethical business operating practices moving forward.

Making it work: Governance

Sound Crown Corporation governance has been an essential component of strategic business

planning since the organization opened its doors in 1930. The NSLC has made significant progress and strives to be a leader in this area by introducing greater transparency to the corporation's business strategies and financial reporting. Governance accomplishments include a skills matrix for selection and development of Board members, independent governance and Board evaluation, a new enterprise risk management plan and a wider Board committee structure that expands oversight of the NSLC's control framework, financial performance and governance mechanisms.

To demonstrate commitment to accountability, in October 2008 the NSLC introduced

Managing the responsible sale of beverage alcohol is the organization's legislated mandate and part of the critical service the organization provides in communities across the province.



a new Code of Business Conduct that extends to every member of the NSLC team. Key elements of the Code include ethical and professional standards, protection of NSLC assets, conflict of interest guidelines and non-discriminatory practices. Every employee and Board Director is required to adhere to the Code and must complete a mandatory module on the NSLC's online learning website.

Intelligent Consumption

The NSLC takes pride in the responsible sale of beverage alcohol and has a number of strategies and tactics in place to ensure beverage alcohol never falls into the wrong hands. Managing the responsible sale of beverage alcohol is the organization's legislated mandate and part of the critical service the organization provides in communities across the province. The NSLC's focus begins in-store but also includes advocacy campaigns that leverage all communication channels, including social media, to deliver a variety of responsible use messages to Nova Scotians.

The focus of the NSLC's intelligent consumption efforts begins in the NSLC's retail store network with the Check 25 Program. This program ensures all customers who appear to be 25 years of age or younger are asked for

valid proof of age by NSLC employees. In 2009, more than 600,000 customers were challenged for valid proof of identification, resulting in more than 14,000 refusals of service.

The NSLC created the award-winning "Lots of Ways" advocacy campaign to address impaired driving during the holiday season. The campaign theme was, "There are lots of ways to get home safely, all you need is one." Burlly Joe's Piggyback Rides, Wheelbarrow Willie and Donnie's Donkeys were the unique modes of transportation designed to get people home safely as part of this campaign. Using a humorous approach to a serious message attracted regional, national and international attention and accolades.

The NSLC has also tackled binge drinking among young adults. The NSLC's innovative "Jonzed: One night, so many mistakes" multi-media campaign was designed to de-normalize binge drinking. Jonzed entertained and educated, leading by bad example through a humorous but effective online film. With this campaign, the NSLC held a mirror up to binge drinkers; by seeing and understanding the consequences, it targeted younger customers to educate and promote the safe and responsible enjoyment of beverage alcohol.

Supporting local business

The NSLC is committed to ensuring the Nova Scotia wine industry grows and becomes an even more important part of the local economy. Working with the Wine Association of Nova Scotia (WANS), in 2006 the NSLC commissioned an in-depth study of the industry. Based on the study's findings, the NSLC adopted the "Emerging Wine Regions Policy," which provided a 70 per cent mark-up reduction for wines from emerging regions including Nova Scotia wines and for wine containing a high content of locally grown grapes. Wineries can now sell their products in NSLC stores with higher profit margins, allowing them to re-invest in their businesses, be more competitive and help educate customers through various merchandising initiatives.

For the past 25 years the local wine industry has been gaining momentum and now boasts ten wineries and grapes are currently growing on 500 acres across Nova Scotia. The goal is 1,000 acres of grapevines under growth and 20 established wineries by 2020. The NSLC will continue working with the local wine industry, as well as other local beverage alcohol producers, to help continue the growing success of these industries.

2005-2010 GOAL

To provide Nova Scotians with the corporate stewardship entrusted to the NSLC under the Liquor Control Act (LCA)

Strategies:

- To be a leader in Crown Corporation governance
- To continue to improve the NSLC's effectiveness in the promotion of intelligent consumption
- To optimize opportunities for Nova Scotian beverage alcohol producers to retail their products
- To provide government with strategic public policy advice on both the regulatory aspects of the LCA and the economic development of Nova Scotia beverage alcohol producers

Sustainability

The NSLC is taking a leadership role regarding the integration of economic, environmental and social priorities into daily business practices. The NSLC was the first mass market retail business in Nova Scotia to eliminate plastic shopping bags preventing 290,000 pounds of plastic from ending up in provincial landfills annually. Smarter store designs, recyclable bottles and energy-saving refrigeration are just a few ways the NSLC is making Nova Scotia an even better place to live.

This past year the NSLC entered a new partnership with the Nova Scotia Salmon Association to preserve and enhance our local wetlands, lakes, streams, rivers and estuaries. The NSLC Adopt-A-Stream Program will help community groups across Nova Scotia protect and restore their local watersheds. To date, the NSLC has contributed more than \$100,000 to the NSLC Adopt-A-Stream program through proceeds from the NSLC's annual Eco-Sale, profits from the sale of reusable bags and a portion of savings from the elimination of plastic bags. The NSLC has made a commitment to the Nova Scotia Salmon Association to contribute \$100,000 annually for the next five years for a total commitment of half a million dollars.



Cheque Presentation NSLC Adopt-A-Stream (March 29, 2010) l-r Wade Keller (Labatt), Alan MacNeil (Inland Fisheries), Bret Mitchell (NSLC President & CEO), Carl Purcell (President NSSA), Walter Regan (Sackville River Association.)

over
\$100,000
donated to
adopt-a-stream

with a commitment of \$500,000 over five years

Good neighbours

Here are a few of the ways the NSLC is working to help Nova Scotia be an even better place to live:

- » NSLC Adopt-A-Stream Program
- » NSLC ECO Sale
- » Plant a tree with the NSLC
- » Recycling packaging and equipment
- » Reducing Carbon Footprint
- » Cheers-to-Change
- » Check 25
- » Energy Conservation
- » Constructing/Designing Green Stores
- » LEED Initiative
- » Liquid Waste Management Program
- » Energy and Environment Investment Program
- » Solid Waste Management Program
- » Tapping into Natural Gas
- » Don't Buy for Minors
- » Fetal Alcohol Spectrum Syndrome Information
- » Guide to Refusing Service
- » Jonzed
- » Lots of Ways to Get Home Safely
- » Mocktails
- » Operation Red Nose
- » Plight of the Reaper





2 people pillar

NSLC employees have seized various training opportunities that helped transform the NSLC “from a place to buy to a place to shop”.

The NSLC’s more than 1500 employees have faced significant organizational change during the life of the Five-Year Strategic Plan 2005–2010. In fact, for many employees, virtually everything about the way the NSLC operates has changed.

New training and technology, business systems and processes and new corporate policies all changing behind the scenes while NSLC employees were working together to change the organization “from a place to buy to a place to shop.”

NSLC employees lead the change!

NSLC employees are encouraged to offer their insights and suggestions through a comprehensive employee survey, during regional and individual store meetings, business reviews and various team meetings. Suggestions from NSLC employees have been the driving force behind numerous changes and initiatives throughout the organization.

In NSLC retail stores, employee suggestions led to improvements such as a simplified



inventory count process, improved stock order screens, better in-store discount functionality and installation of personal alarms in stores with one employee on duty. NSLC Store Managers are now more involved with hiring and they also provide quarterly feedback to their employees. NSLC employees were also behind the new Retail Management Training Program and the implementation of various healthy workplace initiatives.

Distribution Centre (DC) employee suggestions resulted in additional training computers, an ergonomic workflow study, respectful workplace training and further employee involvement in decision making for new equipment, inspections, ergonomics, scheduling and safety. To ensure better feedback and communication, DC meetings are now planned to include all shifts, focus group sessions are held under the guidance of the DC Labour Management Committee and online surveys look for new ways to improve communication.

A whole lot of learning going on

A key component of the Five-Year Strategic Plan 2005–2010 was to empower NSLC employees by creating a workplace devoted to continuous learning and on-going training opportunities. NSLC employees have seized various training

opportunities that helped transform the NSLC “from a place to buy to a place to shop”.

In 2007, the NSLC developed an innovative employee training strategy using a multi-faceted online learning program and supplemented by formal classroom teaching. The key training focus has been the enhancement of the in-store customer experience, with courses that cover such topics as product knowledge, business management and leadership development.

The NSLC’s Online Learning Program was developed with the Nova Scotia Community College in 2007- 2008. The new online training is provided for all NSLC employees and is supplemented by formal classroom training. The NSLC is one of only a handful of Canadian liquor jurisdictions to create a Retail Product Specialist (RPS) position. Retail Product Specialists undergo intensive training in product knowledge, food pairings and peer coaching skills. They share their extensive product knowledge with customers and store employees to help enhance the overall customer experience. Forty training courses are offered online for employees in customer related roles. Seventeen hundred employees completed the customer experience program, 700 employees completed the Product Knowledge Essentials



*Krista Blue,
Port Hawkesbury*

2005–2010 GOAL

To have a highly motivated and engaged workforce

Strategies:

- To clearly define roles, responsibilities and performance expectations
- To recognize and reward employees for meeting and exceeding performance expectations
- To encourage and value ideas that improve the customer experience
- To ensure employees take ownership of the NSLC’s responsibilities to prevent the sale of products to minors

The NSLC is one of only a handful of Canadian liquor jurisdictions to create a Retail Product Specialist (RPS) position. RPSs undergo intensive training in product knowledge, food pairings and peer coaching skills.



*Fred Renouff,
Distribution Centre*

the NSLC increased
productivity
by **46%**

program and 600 have gone further to complete the next level of product knowledge training. One hundred and thirty-four employees have completed the Product Specialist training.

New this year, the Retail Management Training Program is a six-week, modular, on-the-job blended training program that pairs a new Assistant Manager trainee with an experienced Store Manager. The detailed curriculum includes weekly scheduled topics with one-on-one instruction, online learning, self study and assessment.

There are also training opportunities for employees at the NSLC's Head Office and Distribution Centre in the form of conferences, job specific training and supplemented university tuition.

NSLC employees measure up

The research is clear—NSLC employees are the driving force behind the organization's success. For example, sales per hour versus expenses which is a measure of success, compares expenses as a percentage of sales. The NSLC has moved from roughly \$300 in sales per employee hour of work in 2005-2006, to about \$440 in 2009-2010, an increase in productivity of 46 per cent. Meanwhile store expenses as a percentage of sales have dropped from 9.5 per cent

to under 9 per cent in the same timeframe.

The NSLC's Distribution Centre (DC) has continuously improved its warehouse processes to become a safe, clean and productive environment while delivering excellent customer service in key areas of quality and on-time performance. Streamlining retail and wholesale operations, lowering overall supply chain operating costs while meeting retail network needs, expanding DC operations to 24 hours per day, six days per week, increasing warehouse capacity—these are a few of the results the NSLC Supply Chain has achieved since the Five-Year Strategic Plan 2005-2010 was implemented. Inventory turns have gone from just over 10 turns annually at the beginning of the Five-Year Strategic Plan 2005-2010 to a remarkable 13 turns, an improvement of 25 per cent that maintain a fill rate of greater than 97%.

It was a challenging and some might say aggressive plan but as the NSLC concludes the Five-Year Strategic Plan 2005-2010, the organization has so much to celebrate. The goals and objectives outlined in the plan were achieved and as a result the NSLC is positioned as a superb retailer. Having the right people, in the right position, working together in a healthy workplace to move the organization forward was the powerful engine responsible for the transformation of the NSLC.

In NSLC retail stores, employee suggestions led to improvements such as a simplified inventory count process, improved stock order screens, better in-store discount functionality and installation of personal alarms in stores with one employee on duty.



3 reputation pillar

The NSLC has been in business for 80 years and takes pride in the service it provides to Nova Scotians. The organization is evolving to meet the changing needs of the customer and to be viewed as a leading retailer and responsible corporate citizen in Nova Scotia and beyond.

There are a number of strategies and tactics in place at the NSLC to communicate the organization's success as well as research to confirm that the organization is headed in the right direction.

How customers feel about the shopping experience the NSLC provides plays a significant role in decision making at the NSLC. Since 2006, the Annual Retail Benchmark Survey has determined how the NSLC compares to other retailers across the province. These surveys measure impressions from Nova Scotians as they recall great shopping experiences. Results this past year reveal that 15 per cent of customers surveyed identified the NSLC as a top retailer in the province, placing the organization among the top five retail-

ers. The NSLC consistently provides an overall shopping experience that is on par with major retailers that operate in Nova Scotia. Of those who mentioned the NSLC as a top retailer, 95 per cent rated their shopping experience as an eight or higher out of ten, placing the NSLC among the very best retailers when it comes to providing excellent customer service.

Another measure of reputation is the Customer Satisfaction Index (CSI). The NSLC has conducted customer satisfaction surveys with 100 NSLC customers every month since April 2006. NSLC customers have consistently rated the NSLC ranging from 8.4 to 8.8 out of 10. The NSLC's performance has increased noticeably on many

2005–2010 GOAL

To be recognized as a leading retailer in Nova Scotia

Strategies:

- To create a consistent retail shopping environment
- To effectively communicate relevant business performance measures to target audiences.



of the key drivers for customer satisfaction, which include store layout, product availability, store accessibility and promotions. Employee-related factors that include check-out speed and helpful, knowledgeable and proactive employees also factored into the favourable responses. Since 2006, NSLC employee knowledge has increased by 7 points, helpfulness by 8 points and proactivity by 13 points.

Award recognition from professional business associations is an important component of the NSLC's reputation management strategy. This also serves as confirmation that the NSLC is on track and producing work that NSLC employees and customers can be proud of. During the life of the Five-Year Strategic Plan 2005–2010 there was exceptional work produced in all areas of the business that received national and international award recognition. Since 2005, the NSLC has been recognized with more than 70 awards for work in advertising, communications & marketing, corporate social responsibility, health & safety, store design and supply chain. In 2009 and 2010 Bret Mitchell, NSLC President & CEO was recognized as one of the Top 50 CEO's in Atlantic Canada by Atlantic Business magazine. The NSLC was the first Nova Scotian company to receive Lyreco's 2009 Reducing Together our Footprint on Earth award for using 52,500 pounds of 100 per cent recycled paper. Proof positive that the NSLC is committed to making Nova Scotia a better place to live.



customers
rate
NSLC service
8.6
out of
10

Recognition

Here is a snapshot of some of the awards received in the past five years:

- » North American Occupational Safety and Health Outstanding Achievement Award 2007
- » Progress Top 101 Companies in Atlantic Canada: 11th in 2007, 10th in 2008 and 9th in 2009
- » Applied Arts Design & Advertising Awards 2007: Lots of Ways Campaign
- » Applied Arts Interactive Awards 2008: Jonzed: One night, so many mistakes; Lots of Ways
- » The Bessies: Wheelbarrow Willie
- » Canadian Marketing Associations Awards 2008: Lots of Ways Holiday Campaign; Jonzed
- » Marketing Magazine Awards: Lots of Ways: Burly Joe's Piggybacks
- » Echo Chamber (UK): Bayers Lake Store
- » ICE Awards: Lots of Ways; Packaging for NSLC Single Serve Beer Fridge; Jonzed; NSLC Reusable Bags; No Wine For You
- » International Association of Business Communicators Awards of Excellence: Lots of Ways; Jonzed; 2008/09 Annual Report
- » PR News 2009 Corporate Social Responsibility Green PR Campaign Awards: NSLC Plastic Bag Elimination Communication Strategy 2008
- » International Summit Leadership in Green Procurement: Cheers to Change Bag Strategy
- » Lyreco 2009 Reducing Together our Footprint on Earth: Supply Chain
- » Retail Council of Canada Awards: Retail Corporate Responsibility Initiative, Lots of Ways; Store Design, Bayers Lake, Cool Zone and Mic Mac Mall stores; Improvements to Supply Chain Operations; Best Health/Safety Programs, NSLC OH&S Safety Program; Marketing Programs, Occasions magazine and Gifts That Say A Lot.



4 customer pillar

To transform “from a place to buy to a place to shop,” the NSLC clearly needed to focus on the people doing the shopping: its customers. Research indicated that NSLC customers wanted an efficient retail experience, with friendly and knowledgeable staff and product selection that met their wants.

In 2005, the NSLC made the following pledge:

Customer Promise

The NSLC will 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.

The NSLC's goal was to match the customer experience with the customer promise. That meant overhauling the way the NSLC did business, changing from serve-yourself stores to a full-service shopping experience.

While the NSLC had a monopoly on the beverage alcohol market in Nova Scotia, it still had to compete with other retailers for customers' discretionary spending. Sophisticated and demanding customer needs, the proliferation of major national retailers, technology, convenience, service and product selection were just a few of the variables that could affect success.

NSLC Network Development 2005–2010

# of stores located with grocery stores	50	+47%
# of new Agency Stores opened	47	+588%
# of stores downsized or closed	12	(11%)
Store area downsized or closed (sq. ft)	23,032	(3%)
# of stores built new or enlarged	43	+41%
Store area added to the network (sq. ft)	94,977	+12%

the right store in the right market

The NSLC Five-Year Strategic Plan 2005–2010 aimed to provide every Nova Scotian of legal drinking age reasonable access to beverage alcohol, whether they live in an urban centre or a rural community. Stores were planned, built, renovated and designed to get the right mix of revenue generation and product selection for a given market: that is, the right store in the right market.

The NSLC store in Bayers Lake was designed to be the future of beverage alcohol retailing and to compete comfortably in Halifax Regional Municipality's competitive urban marketplace.



Signature Stores in urban areas were designed to offer a broad selection of products and unique marketing experiences that appealed to a diverse customer mix. Most Signature Stores adjoined grocery stores as part of the NSLC's store-in-store strategy to improve customer convenience.

Community Stores throughout the province tackled unique design and marketing challenges. For example, Community Stores within a large mall could make targeted marketing or store design challenging, while Wine Basket specialty stores located in supermarkets offered opportunities to focus on wine and food pairings.

Neighbourhood Stores were created to serve smaller communities throughout the province.

Agency Stores were part of an aggressive strategy to improve service to smaller communities. In the past five years, the NSLC has added 47 of these stores. Although small, they were required to stock at least fifty different beer, wine, and spirit selections, ensuring customers, regardless of location, have choice and convenience.

2005–2010 GOAL

To match the customer experience with the customer promise

Strategies:

- To develop a customer sales culture
- To align merchandising activities with customer needs
- To align marketing activities with customer segments
- To improve the physical shopping environment and locations
- To continue focus on improving the implementation of the NSLC's legislated responsibilities regarding social responsibility issues such as ID, drinking and driving, Fetal Alcohol Syndrome, binge drinking, water safety, etc.

53 new stores opened in 5 years

What you want, when you want it

The NSLC met the growing demand for product variety and selection by increasing its core list of products by 38 per cent, new listings by 27 per cent and “one-time-only” products by 116%. The NSLC also improved its ability to quickly and strategically remove products that did not sell. Efficient Supply Chain management freed up space to deliver the products customers truly wanted. Overall, 43 per cent more products were introduced over the last five years to better meet customer needs.

	2005	2009	Diff.	% Diff.
Core List Products	2,300	3,163	+863	+38%
One-Time-Only Products	245	530	+285	+116%
New Listings	163	200	+37	+27%
Delisted or Removed Products	118	177	+59	+50%
TOTALS	2,590	3,716	+1,126	+43%

Another area of focus was “premiumization,” or cultivating a customer desire for higher-end products. Premium beverages bring more revenue, so the NSLC educated and enticed targeted customers to purchase these higher-quality products. Customers were willing to purchase premium products because they trusted NSLC retail employees to steer them toward quality products at great value.

Targeting the market

In-depth quantitative and qualitative customer research gave the NSLC the tools to segment markets and align its efforts accordingly. In 2006-2007, the new “Make it a Social Occa-

sion” tagline was launched. This flowed from the NSLC’s brand aspiration that the NSLC complements all of life’s occasions. The tagline was applied throughout the organization, from messaging in promotional materials and advertising, to the design of stores in order to communicate to customers the new NSLC.

This year, the launch of myNSLC.com built on efforts to engage, educate and entertain customers. The revamped website uses the latest in digital and social media to create a vibrant and interactive site that allows customers to share their thoughts and experiences. myNSLC.com engages customers while gathering useful information for the NSLC’s cache of customer knowledge.

50% of customers gave the NSLC a **perfect score**

When asked to rate their overall shopping experience in 2009, 87 per cent of NSLC customers rated their satisfaction with the NSLC between 8 and 10 out of 10, an impressive leap from the 84 per cent achieved in 2006.

Proof positive

The NSLC has measured customer satisfaction since 2006 with monthly, in-depth phone surveys. Customer Satisfaction Index (CSI) results have led to better understanding of customers’ needs and expectations and guided better planning of merchandising, marketing, store operations and network development strategies. CSI results have improved consistently, thanks to the NSLC’s increased focus on customers.

When asked to rate their overall shopping experience in 2009, 87 per cent of NSLC customers rated their satisfaction with the NSLC between 8 and 10 out of 10, an impressive leap from the 84 per cent achieved in 2006. 50 per cent of customers who gave the NSLC a perfect score of 10 in 2009 represents a 13 point increase since 2006.

CSI scores have improved significantly on most measures, such as store layout and checkout speed (77 per cent in 2006 to 80 per cent in 2009) and retail shopping experience (80 per cent to 86 per cent). CSI measures for employees have seen the highest growth as a result of NSLC team members’ extraordinary efforts to better serve customers and the organization’s overall commitment to staff training. Other areas of excellence include availability of products customers want (78 per cent), operating in a socially responsible manner (88 per cent) and variety of brands (77 per cent).





5 financial pillar

The NSLC's financial success has been exceptional: the financial goals established in the Five-Year Strategic Plan 2005–2010 have consistently been met or exceeded.

The NSLC outperformed sales targets in each of the five years of the plan, growing to \$579.4 million in sales in the final fiscal year substantially exceeding the compound annual growth rate target.

The NSLC's profit in the final year of the plan was \$219.4 million, surpassing the goal of contributing \$215 million to the shareholder in the final year of the plan. Cumulatively during this plan the NSLC increased profitability by 29 per cent producing \$49 million more annually than it did in 2005.

Effective use of capital

As part of the Five-Year Strategic Plan 2005–2010, the NSLC adopted a new process to allocate capital. This process better recognized

opportunities requiring project resources and then deployed those resources based on expected return on capital. The NSLC doubled its capital commitment to its stores and IT systems to ensure the objectives of the Five-Year Strategic Plan 2005–2010 could be achieved within the planning period.

Planned capital investments led to direct improvements in the NSLC's store network and business technologies—accelerating the response to improved customer satisfaction and increased productivity. The capital allocated led to the renovation of 60 per cent of the NSLC store network over five years, including the additional of 94,977 square feet—or the equivalent of more than seven new Signature Stores—while lowering the NSLC's leasing payments to some of the lowest occupancy costs of any retail business in Canada.

2005–2010 GOAL

To grow our revenue by 4.1% compounded annually over the five years of the plan

Strategies:

To implement category management plans to

- increase our focus on selling mainstream brands of beer and spirits
- grow sales of premium brands for beer, wine and spirits
- grow wine volumes to approach national per capita consumption rates
- execute clearly defined annual pricing strategies

2005–2010 GOAL

To contribute \$215 million to the Province in 2010

Strategies:

- To successfully implement business best practices supported by an ERP (enterprise resource planning) system
- To improve gross margin

2005–2010 GOAL

To effectively use our capital

Strategies:

- To optimize store network
- To optimize inventory



Enterprise Resource Planning

A major and necessary capital expenditure has been the SAP-enabled Enterprise Resource Planning (ERP) system investment and a full point-of-sale replacement for 106 retail stores. These two large-scale projects affected almost all employees in a significant way and changed the way the NSLC does business.

The new systems were needed first because legacy systems were at the end of their serviceable life and also to enable the NSLC to deliver the vision of the Five-Year Strategic Plan 2005–2010. Before, multiple systems were used for different business processes and in many cases they limited what these existing systems could do. An integrated, company-wide system was selected after considerable research and an extensive selection process. With SAP, the NSLC ensured it had “one view” of all aspects of its business providing visibility across the organization and access to the information needed to better manage business.

The rapid growth of the business posed challenges to managing and improving the efficiency of the NSLC’s inventory management. The increased product assortment combined with larger stores and a focus on inventory turns has dramatically improved efficiency in this area.

the NSLC increased
profitability
by 29%

During the first five years of the strategic plan the NSLC achieved a 25 per cent improvement in inventory turns; an 11 per cent improvement in cases picked per hour in the Distribution Centre; and almost doubled the number of cases managed a year by the Distribution Centre to 5.3 million in the final year of the plan. All this was achieved while having one of the best Occupational Health & Safety records in the province.

The NSLC outperformed sales targets in each of the five years of the plan, growing to \$579.4 million in sales the final fiscal year (\$6.4 million above target) substantially exceeding the compound annual growth rate target delivering 5.2% (far above the 4.1% target).

This annual report is dedicated to celebrating the NSLC’s success during the past five years as the organization transformed “from a place to buy to a place to shop.” In some ways the journey of transformation has just begun as the NSLC continues its evolution “from a place to buy to a personal experience.”

discussion & analysis

management

This Management Discussion and Analysis (MD&A) of this annual report represents management's perspective on the success of the business during the past year and some of the key factors influencing this performance.

The NSLC's Annual Business Plan and the Five-Year Strategic Plan 2005–2010 are the guiding forces behind the business choices made by management of the NSLC in delivering on this past fiscal year. These documents provide the tools for all employees to implement strategies that ensure the targets of each business unit and the overall corporate financial goals are met or exceeded.

The 2009–2010 fiscal year represents the successful completion of the first NSLC's Five-Year Strategic Plan which covered the fiscal periods from 2005 through 2010. The NSLC was successful in implementing the goals and objectives of the five-year plan which set as its transformational objective to change the NSLC "from a place to buy to a place to shop". The NSLC has exceeded almost every measure it set out for itself five years ago.

The completion of the first strategic plan required the NSLC to develop a new vision for the next five years while completing the last plan. Developing the new Five-Year Strategic Plan 2010–2015 consumed considerable senior management and executive resources to produce the next transformational change for the organization that is best represented by the new theme to evolve "from a place to shop to a personal experience". The Five-Year Strategic Plan 2010–2015 informs employees and stakeholders of the strategic plans and direction for the next five years based on research, customer insights and evolving trends in the retail industry.

Financial Performance

In fiscal 2009–2010 NSLC sales were forecasted to increase 2.4 per cent to \$573.0 million from the \$559.5 million achieved in the previous fiscal year. Net income was budgeted to grow to \$216.4 million from the actual \$212.6 million of net income achieved in the previous fiscal year.

In 2009–2010, the NSLC exceeded its financial targets for the fiscal year and for the fifth year of the strategic plan achieving net income of \$219.4 million. This strong bottom-line performance was driven by top line sales growth which increased beyond forecast and budget. The NSLC achieved a record \$579.4 million in sales, an increase of \$19.9 million or 3.6 per cent over the previous year.

Operating expenses (not including the cost of goods) were on budget for the year at \$89 million. The cost-of-sales were \$271.1 million or 46.8 per cent of sales. This is a \$9.8 million increase over the previous fiscal year and is the result of higher sales.

The Five-Year Strategic Plan 2005–2010 set a Compound Annual Growth Rate (CAGR) target for sales of 4.1 per cent. The NSLC exceeded this target every year of the five-year plan; producing a five year sales CAGR of 5.2 per cent. The driver of this success was the commitment of all employees to deliver on the new vision for the business as set out in the strategic plan and the robust nature of the economy during this time.

The results achieved by the NSLC during the past fiscal year requires an analysis of the economy of Nova Scotia and the NSLC's business by its product category segments, how they were promoted, as well as key operational issues. The NSLC's performance should also be measured against other beverage alcohol retailers to properly compare and assess corporate performance.

Retail Environment

The products the NSLC sells are a discretionary purchase by its customers. Like any other retailer, the NSLC must compete with all Nova Scotia retailers for its share of Nova Scotians' disposable income. However, unlike other retailers, the NSLC must grow its business through pure organic growth and not through the primary growth tool used by most retailers of acquiring market share.

Consumer spending was up in Nova Scotia in 2009–2010 at \$12.3 billion versus 12.0 billion the previous year (Source: Nova Scotia Department of Finance.) Tourists visiting Nova Scotia for the year were up from the previous year by 1 per cent (Source: Tourism 2009 Year in Review). While these factors are an improvement over 2008 and have had a positive impact on NSLC sales, they account for only a modest portion of the NSLC's growth.

The retail sector in Canada experienced a (0.1) per cent decline in sales this past fiscal year (Source: Statistics Canada), however, the Nova Scotia retail sector recorded a 3.0 per cent increase in average retail sales for the fiscal year reflecting the relatively modest impact that the global recession had on this region. In 2009, Nova Scotia recorded a Real GDP decline of (0.5) per cent (Source: Nova Scotia Department of Finance). Employment levels, according to the Nova Scotia Department of Finance, grew in 2009 which impacted positively on NSLC sales. During the year, Halifax maintained one of the lowest unemployment rates in Canada at 6.4 per cent.

NSLC sales flow from two channels: retail and wholesale. Retail sales take place through the NSLC's 106 retail stores. Wholesale sales include sales by Licensees, Agency Stores, Private Wine and Specialty Stores.

	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11 estimated
Sales	351.7	371.4	376.4	391.4	412.4	437.1	451.0	486.1	504.7	530.6	559.5	579.4	593.3
Net Income	129.2	135.2	137.2	143.9	157.9	166.8	170.0	181.2	188.2	198.7	212.6	219.4	223.5

The NSLC developed its Five-Year Strategic Plan 2010–2015 to build on the success of the first strategic plan. The plan was introduced to all employees in early 2010 and basically builds on the initiative that proper planning coupled with strong execution is a recipe for success. With the new plan the NSLC will progress “from a place to shop to a personal experience.”

NSLC retail sales in 2009–2010 were \$474.0 million, a 4.3 per cent increase over 2008–2009. These are strong results when compared to the overall decline in sales Canadian retailers reported this past year and also compared to the 3 per cent growth experienced by Nova Scotia retailers.

NSLC wholesale sales were \$112.2 million, an increase of 1.4 per cent when compared to last year. Wholesale sales are comprised of sales to Licensees of \$63.2 million (a decline of \$2.4 million or 3.7 per cent when compared to last year); Agency Stores of \$38.2 million (an increase of \$3.1 million or 8.8 per cent compared to last year); Private Wine and Specialty Store sales of \$9.4 million (an increase of \$0.3 million or 2.8 per cent); with the remaining wholesale sales of \$1.3 million from local producer distribution outlets.

A key contributor to this year’s growth was an increase in the volume of product sold by the NSLC to 838,590 hectolitres. This is an increase of more than 15,000 hectolitres or 1.7 per cent over last year.

The NSLC will provide our customers with service that:

- » Align products, services and events with customer needs;
- » Offer vibrant, interactive and inviting Nova Scotia shopping experiences;
- » Ensure discovery and personal services with friendly, professional and enthusiastic employees.

To understand and measure how the NSLC performs against this promise, the organization uses a number of standard retail metrics to track the performance of each store in the network. The following section outlines some of those metrics and how the entire network did during this past fiscal year.

Sales Per Employee Hour (SPEH), measures the efficiency of retail labour costs against retail sales that are produced by those costs. For this past fiscal year, SPEH increased by 7 per cent from \$362.90 in 2008–2009 to \$388.50. This represents 1.2 million hours of work by NSLC retail employees with labour costs of \$28.8 million. This increased performance was driven by a decrease in labour costs for the year of almost 5.1 million hours of work.

Two key efficiency measures for any retail business is the amount of inventory it carries and how often the inventory turns over. The NSLC’s duty-paid-landed-cost inventory in its Distribution Centre decreased by 10.3 per cent at year-end from \$21.0 million in 2008–2009 to \$18.8 million in 2009–2010. This is a reflection of management’s continued disciplined approach to its supply chain. Total inventory at year end was \$36.5 million an increase from the same period last year of \$0.8 million as the NSLC merchandising team took advantage of some large margin buying opportunities. Inventory turns for the fiscal year increased to 13.1 compared to 10.5 the previous year. This is an indication of responsible inventory management and effective product assortment planning.

Ensuring the product is in-store and on the shelf improves sales opportunities and increases revenue. The NSLC’s average in-stock position (products on the store shelf) for the year was 97.3 per cent. This is a higher in-stock position than most retailers would carry but the NSLC sees the benefit of this level through its increased sales and customer satisfaction levels.

The NSLC’s retail stores are also measured internally regarding the stores’ compliance in executing merchandising and marketing programs and other operational measurements. NSLC stores achieved an exceptional percentage accuracy rate on this measure of 95.2 per cent this fiscal year.

The NSLC’s retail store network consists of 106 stores. All stores are categorized in four different categories based on market needs. This categorization is based on store size, retail square footage and product assortment and are:

- » Flagship
- » Signature
- » Community
- » Neighbourhood

NSLC retail sales by region sales are as follows:

NSLC 2009-10	Sales % of increase	Volume % increase
Halifax and Area	4.8%	2.8%
Dartmouth and Area	4.2%	2.1%
Northern and Eastern	2.2%	0.6%
Cape Breton	3.1%	1.5%
Valley and South Shore	2.2%	0.0%

This year’s strong performance was directly attributed to successful promotional campaigns in three main product categories—spirits, wine and beer. Effective promotions of new



NSLC retail sales in 2009–2010 were \$474.0 million more than a 4.3 per cent increase over 2008–2009. These are strong results when compared to the overall decline in sales the Canadian retailers reported this past year and also compared to the 3 per cent growth experienced by Nova Scotia retailers.

Sales Performance

NSLC retail store network sales account for almost 81 per cent of the NSLC’s revenue and are a result of the work and dedication of the retail network team delivering on the NSLC’s Customer Promise:

Mystery shop research took place again this year throughout the NSLC retail network for a total of 784 visits, measuring six key factors in overall customer shopping experience. The average mystery shop score for all NSLC stores for the year was 85.4 per cent, which is an improvement over the previous year’s score of 84 per cent.

products and a very successful \$9.99 wine program were the major contributors to these positive figures. A more detailed analysis can be found in the Product Trends section of this report.

	Spirits	Wine	Beer	RTD	Total
Volume	(1.1)%	3.0%	1.6%	5.7%	2.6%
Dollars	1.1%	4.3%	4.8%	4.8%	3.6%

The NSLC is a wholesale business in addition to being a mass-market retailer. The NSLC's wholesale market consists of:

- » 2027 licensed establishments (bars, restaurants, lounges) operated by 1513 licensees
- » 54 Agency Stores
- » 4 Private Wine and Specialty Stores

Licensee sales contributed 56.4 per cent of the NSLC's wholesale market sales; Agency Stores contributed 34.1 per cent; and Private Wine and Specialty Stores contributed 8.4 per cent, with the remaining 1.2 per cent being local producer distribution outlet sales. NSLC wholesale sales were \$112.2 million during the past fiscal year. This 1.4 per cent increase in sales was driven by an 8.8 per cent increase in Agency Store sales, while licensee sales experienced a 3.7 per cent sales decrease. The smallest portion of NSLC wholesale sales improvement for the NSLC was a result of the 2.8 per cent increase in sales by Private Wine and Specialty Stores.

In 2005, the NSLC produced its first Five-Year Strategic Plan, which outlined strategies with a bottom-line growth target of \$215 million—a \$45 million increase. The actual net income achieved was \$219.4 million at the conclusion of the plan in March, 2010 which is an increase of \$4.4 million over the planned return. The end result was that the NSLC increased its annual net income by \$49.4 million or 29 per cent. Total NSLC net income during the five years of the strategic plan was just over \$1 billion.

Customer Satisfaction

Financial and operational metrics are important in understanding the evolution of the business. However, as a retail business, the ultimate measure of success is the perspective of customers on how a retailer does in delivering on the shopping experience. For this reason, the NSLC monitors its customer satisfaction through two principle vehicles: 1) Customer Satisfaction Index (CSI) which uses 23 factors identified by customers as important to them, and 2) the NSLC benchmarks this performance against other retailers in the province.

The NSLC surveys 100 customers a month in determining its CSI. When specifically asked how customers rank their shopping experience at the NSLC, 87 per cent gave the NSLC a rating of eight, nine or ten (on a scale of 0-10). Using eight or better is considered to be retail service excellence. This 87 per cent ranking

is up from 84 per cent five years earlier. More importantly, those ranking the NSLC a perfect 10 on this scale have risen to 50 per cent. This level of satisfaction is rarely achieved by any retailer. In addition, the NSLC continues to rank in the top five of all retailers in the province in delivering a top-rated shopping experience.

Store of the Year Award

These customer service operational metrics, combined with performance on the mystery shopping research, enables the NSLC to measure the performance of each individual store. These metrics are not only used to improve store performance, but also to recognize retailing excellence within the NSLC. Stores and employees were measured on Key Performance Indicators (KPI's) with the desired result of exceeding Gross Operating Profit Targets (sales versus labour costs). Other important metrics included flawless execution of merchandising and operational standards, customer satisfaction KPI's, mystery shop, employee engagement and community involvement.

The NSLC's Bridgewater store was named NSLC Store of the Year for 2010 for excelling in all the performance measurement factors. Each of the five NSLC regions recognizes a regional Store of the Year and the overall winner is chosen from one of these five. Employees of these stores are recognized and celebrated within the organization.

The gold performance award winners for 2010 were:

- » Region 1—Tantallon
- » Region 2—Elmsdale
- » Region 3—Tatamagouche
- » Region 4—Port Hawkesbury
- » Region 5—Bridgewater

The silver performance award winners for 2010 were:

- » Region 1—Quinpool
- » Region 2—Fall River
- » Region 3—Trenton
- » Region 4—Glace Bay
- » Region 5—New Germany

The bronze performance award winners for 2010 were:

- » Region 1—Barrington Street
- » Region 2—Windsor
- » Region 3—Pugwash
- » Region 4—Sydney River
- » Region 5—West Pubnico



*NSLC Bridgewater Store of the Year 2010
Front left to right: Julie Jesso, Monica Veinot, Carmen Stewart, Samantha Walfield, Adele Gaudreau, Frances Langille, Peggy Burgess. Middle left to right: Marlene Fraser, Clay Hubley, Vincent Broughm, Julia Rhuland, Daneeka Belyea, Michelle Zwicker. Back left to right: Peter Corkum, Greg Ritcey, Louise Janes, Rick Silver. Missing: Doug Keddy and Sandy Nowe.*

Supply Chain

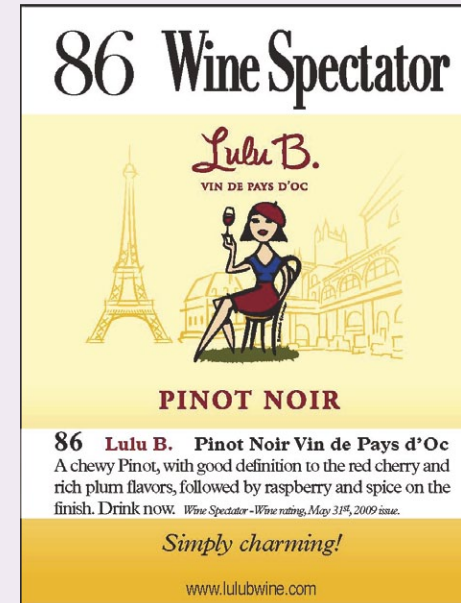
The backbone of a successful retailer is its product delivery system or supply chain. An efficient supply chain does more than just deliver goods to stores, it also replenishes the assortment on a timely basis, orders inventory, manages the flow from manufacture to the store shelves.

The NSLC Supply Chain Business Unit is focused on improved metrics each and every year focusing on improved delivery time, optimal inventory levels, inventory turns and fill rates. The fill-rate accuracy metric for wholesale customers was 98.9 per cent and for the retail network the supply chain team produced an exceptional rate of 97.3 per cent. The goal for both was 98 per cent. Combined inventory turns for the fiscal year were 13.1 on a goal of 12.

The efficiency of the NSLC's Distribution Centre, the heart of the supply chain operation, is best demonstrated in the growth of the volume of product shipped through the facility. This past fiscal year, the NSLC Distribution Centre shipped 5.3 million cases of product. This is an increase of 89 per cent up from 2.8 million five years ago. In the past fiscal year alone the increase has been 400,000 cases or 8 per cent.

The NSLC has worked steadily to improve the product selection offered to customers since being given a commercial mandate in 2001. Product numbers vary within each category every year depending on market demand. The NSLC currently offers more than 6,000 SKUs (stock keeping units-or products) through its retail and wholesale channels. The five year change by category is listed below.

Category	2006	2007	2008	2009	2010
Beer	557	572	515	518	483
Ready-to-Drink	183	230	167	159	168
Spirits	1083	1198	1069	1018	1017
Wine	4221	4456	3596	4352	4923
Total	6044	6456	5347	6047	6591



Wine

Wine continues to drive sales improvement with strong growth in both sales and volume. The NSLC wine category sales grew by 4.3 per cent (7.6 per cent in 2008–2009) on an increased volume of 3.0 per cent. While sales growth slowed this past fiscal year, a focus on higher margin promotions such as the \$9.99 wine program produced an increase in gross profit per litre (GPL) of 1.37 per cent.

For the second year, the NSLC continued its successful One-Time-Only program in the wine category. This initiative introduces into stores each month 15 to 30 new wine products which are not routinely available on the shelf and only available for a limited time. This new program has proven to be popular and has expanded to eight stores.

Sales in the wine category have increased due to a continuing trend for the past decade of increased wine consumption in the province. The introduction of new wines to Nova Scotia, along with the renewal of premium and vintage selections has supported the growing interest of NSLC customers in the wine food culture. In addition, the continued growth of the local wine industry has, like the development in other wine regions, increased consumer awareness and NSLC customer demand. Nova Scotia consumption of wine has increased to two thirds of the national average, it is still well below the World Health Organization's safe alcohol consumption guidelines of two drinks a day for men and one for women.

Promotional initiatives throughout the year successfully targeted both volume sales growth as well as offering a better selection of premium wines from quality wine regions throughout the world.

Beer

The beer category represents 49 per cent of NSLC sales and as a result is the largest contributor of the volume of product sold making up 80 per cent of all product sold through stores and shipped through wholesale. Beer sales continued to grow over the year posting a 4.8 per cent gain with sales of \$289.3 million in 2009–2010. This growth was greater than last year's growth of 4.7 per cent. Beer volume increased 1.6 per cent, double last year's growth of 0.8 per cent.

Domestic beer sales continue to experience a modest growth at 4.3 per cent increase over the previous fiscal year. Imported beer has continued its five year run of higher growth than domestic products posting 9.5 per cent sales growth. Overall, the NSLC's gross profit per litre in this category improved by 3.6 per cent contributing significantly to the NSLC's bottom line.

Spirits

The spirits category grew modestly achieving sales growth of 1.1 per cent. This was a slower growth rate than the previous year's 4.8 per cent growth and reflects a change in purchasing patterns impacted by the economy. Spirits represent 6 per cent of the volume of products sold and accounts for 28 per cent of all NSLC sales. In the spirits category, slight changes in sales growth impact the NSLC's profits tremendously as Spirits represent 33 per cent of NSLC profits. At the retail level sales increased slightly more than the overall number growing by 1.5 per cent, while sales to licensees in the spirit category declined by 7.1 per cent.

Ready-To-Drink

Sales in the Ready-to-Drink category, the NSLC's smallest category, remain steady in Nova Scotia. Volume grew by 5.7 per cent which was 1.5 per cent higher than last year, and sales grew by 4.8 per cent compared to 6.6 per cent last year. The key to success in this category is a continuous introduction of new flavours and product innovation each year to the Nova Scotia marketplace.



promotion of unique \$9.99 quality wines. These were introduced to give NSLC customers an opportunity to acquire quality wine at a reduced price during a time of economic uncertainty. This promotion increased overall wine sales by 1.6 per cent. Experimentation and discovery are essential elements of successful category management when it comes to wine. Through the year, 99 new wines were permanently listed and an additional 717 limited offer wines were brought into the market. In addition, \$5 and \$3 off promotions of French Cross four litre varietal wines in November and December resulted in French Cross being the top selling wine in NSLC retail stores during this time.



Promotional Highlights

The key to driving sales and customer interest in each category is balancing a combination of new promotions each month with the introduction of new products and the need to focus on the traditional brands that make up the bulk of NSLC sales. The following section highlights just a few of the promotional successes in each category during the last fiscal year.

Wine Promotions

Quality Nova Scotia offerings in the wine category had a positive effect on this category. 'Jost Valley Roads' from Jost Vineyards, a limited release product, was introduced in NSLC stores in the second quarter of the year and enjoyed tremendous success selling out in ten weeks. The in-store wine promotion focus for July, August, September and October was on the



Beer Promotions

Strong performance in the beer category was driven by increased beer sales as a result of the launch of innovative lime flavoured products led by Bud Light Lime and Moosehead Lime. These products significantly grew the beer category by bringing non-traditional beer customers into the category. Lime-flavoured beer is the single largest beer innovation of the last five years. In addition, NSLC beer sales continued to grow because of an engaged supplier community committed to providing the NSLC customers with creative and popular promotions. The January Budweiser Super Bowl experience promotion as well as the 2010 Vancouver Winter Olympics promotion combined with the Stanley Cup playoffs drove beer sales. The volume of beer sold during the year increased by 1.6 per cent compared to last year, and exceeded the NSLC budget by 4.8 per cent.



Other in-store promotions like one-time-offers on Keith's 12 pack cans and \$2 savings on Bud Light, Molson Canadian and Coors Light received strong customer response, offering them exceptional value on some of the most popular products. St. Patrick's Day specials on Guinness, Kilkenny and Irish Beer Collection were also successful from a sales perspective.



Spirits Promotions

The primary drivers of the spirits category growth were promotions such as the 'Buy and Save' programs which offered customers the popular 50 ml added values (mini's) of product with their purchases. The spiced rum sub-category grew a record 25 per cent over last year with the launch of exciting new products to the market like Sailor Jerry, Lamb's Black Sheep and the continued exceptional growth of the market leader Captain Morgan Spiced. Vodka sales increased a healthy 5 per cent and promotion of Irish whiskey through St. Patrick's Day displays increased Irish whiskey sales by 28 per cent over last year.

In the fourth quarter of the fiscal year performance in the spirit category was below the previous year. White rum, which accounts for 25 per cent of total spirit sales, declined by 6 per cent impacting the category as a whole. A reflection of the economic times saw NSLC customers moving to smaller spirit package sizes, especially in the three largest subcategories, rum, whisky and vodka. The result of this trend is a decline in gross profit percentages. However, this trend is expected to reverse as the economy recovers.

Holiday Sales

The December period is a critical month for all retailers including the NSLC, representing 12 per cent of the NSLC's annual sales. NSLC sales in December increased 3 per cent over last year. NSLC holiday gift pack items featuring popular products from all categories were a hit with customers again this year. This year's gift packs achieved an 83 per cent sell-through, a 4 per cent increase over the previous year.

NSLC gift cards sold \$1.6 million in December, an increase of 9.5 per cent over last year proving to be a popular item with customers. New \$15 and \$100 gift cards were introduced during this period to give customers a better gift-giving selection, adding to the \$10, \$25, and \$50 gift cards that are already available.



Boxing Day Sale

The NSLC featured a two-week Boxing Day Sale from November 23–December 6 called 'Find Your Festive Spirit, Beer and Wine.' This promotion was in response to slower retail activity in the fall and a recognition that many retailers were starting their Christmas promotions and discounting early to spur on customer response. A select offering of popular beer, wine and spirits was featured as part of this sale at attractive price points. During this two-week period transactions increased by an impressive 32 per cent.

Nova Scotia Industry Overview

In 2001, the NSLC was given the mandate to promote the beverage alcohol industry in Nova Scotia. The public policy goal was to focus efforts on increasing the development and economic impact of Nova Scotian producers.

The Wine Industry of Nova Scotia (WANS) has set a standard that Nova Scotia wine must contain 85 per cent or more juice from fruit grown in Nova Scotia. WANS has set a target of having 1,000 acres of land in Nova Scotia growing grapes for wine production by 2020.

work together to decide how best to advance and accelerate the growth of the craft beer industry in the past as has been done with the wine industry. Together a report outlining the path to growth will be completed in 2010 forming the foundation for a coordinated effort to move this important segment of the Nova Scotia economy forward. Customers are clearly responding with NSLC craft beer sales growing by 13.7 per cent last year making up \$2.4 million of the NSLC's total beer sales.

The NSLC, using the proceeds of its annual ECO SALE, has made a five-year, \$500,000 commitment to the newly named NSLC Adopt-A-Stream program. The NSLC presented the Nova Scotia Salmon Association with the first \$100,000 installment on March 29, 2010 which will be used to fund stream, river and headwater projects across Nova Scotia.

To encourage the industry's development, the NSLC introduced an emerging wine region policy which took effect in January 2008. This policy applies a reduced markup for wines from emerging regions. It is already working as evidenced by the growth of the Nova Scotia market. By early 2010 Nova Scotia had over 500 acres in production. This is a great start and the Nova Scotia wine industry is clearly moving well towards their goal of 1,000 acres by 2020.

Net sales of WANS produced products increased by 23.9 per cent posting at \$6.1 million in sales. This represents volume growth of 17.4 per cent.

Beer Industry in Nova Scotia

Nova Scotia has a long and distinguished history of manufacturing quality beer going back 300 years. Many of these brands are still brewed proudly in Nova Scotia and are national brands. In the last decade the Maritimes has been gaining reputation as new quality craft and microbrewers have established new and popular businesses. Last year, the NSLC developed a strategy with the local craft brewers to

Corporate Social Responsibility

The NSLC has developed a Corporate Social Responsibility (CSR) strategy that establishes how the company will balance its social responsibility, economic, community and environmental goals. What follows is a brief outline of some of the initiatives. For further information on the CSR initiatives, including the NSLC's carbon footprint, refer to the NSLC 2008-2010 Corporate Sustainability Report.

NSLC
adopt
a stream

NSLC Adopt-A-Stream

The NSLC and the Nova Scotia Salmon Association (NSSA) jointly announced a partnership that will significantly improve efforts toward



wines of Nova
Scotia sales
increased
by **23.9%**

protecting and restoring local watersheds and improving Nova Scotia's water quality. The NSLC, used the proceeds of its annual ECO SALE to make a five-year, \$500,000 commitment to the newly named NSLC Adopt-A-Stream program. The NSLC presented the Nova Scotia Salmon Association with the first \$100,000 installment on March 29, 2010 which will be used to fund stream, river and headwater projects across Nova Scotia.

Liquid Waste Management

NSLC product breakage or product damage results in the creation of liquid waste throughout the retail network and at the main warehousing facility, the Distribution Centre. In January 2010, the NSLC, along with the Nova Scotia based firm Maritime BioFuels Inc. (MBI), implemented an environmentally sustainable method of disposing of the NSLC's liquid waste. From an environmental perspective, the primary problem with releasing the waste alcohol liquid into the environment is that the residual ethyl alcohol present in the liquid does not biodegrade sufficiently and has adverse impacts on the environment.

Waste liquid is now collected on a monthly basis in all NSLC stores utilizing a 200L or a 1000L tote (dependent on store volume of wastage). MBI processes the liquid waste through a distillation column to remove the ethanol, and then safely releases the waste water into the

environment through a licensed wastewater treatment facility. The removed ethanol will be used to produce biodiesel from waste vegetable oil also collected throughout Nova Scotia.

Social Responsibility

The NSLC strives to be a responsible corporate citizen and continues to take a leadership position in the area of social responsibility. Long recognized for its efforts in the Social Responsibility area, the NSLC created several leading social responsibility programs during 2009-2010. These included the "Plight of the Reaper" holiday campaign which was recently recognized with an Award of Excellence winner in the multi-media category by the Canadian Public Relations Society. The Award of Excellence winners represent the "best of the best" of public relations in Canada.

The "Plight of the Reaper" campaign approached the topic of drinking and driving by asking the question: Who would lose if everyone in Nova Scotia enjoyed beverage alcohol responsibly? The answer became obvious that only the Grim Reaper would suffer, since increased incidents of responsible drinking means fewer alcohol-related deaths. Based on a positive behaviour reinforcement strategy an opportunity existed to use a light-hearted, humour-based approach on a topic that often utilizes consequence-based messaging.

The NSLC was pleased to continue its partnership with Operation Red Nose during the holiday season. As the provincial sponsor of Operation Red Nose, the NSLC fielded teams for two cor-

porate nights in each of the Halifax and Sydney Regional Municipalities. Thanks to the dedication and commitment of over 50 NSLC employees, family, friends and business partners, more than 5,200 km were driven with 140 safe rides home provided to party-goers in the two NSLC corporate sponsored nights. Through the efforts of all Operation Red Nose volunteers, more than 18,000 km were driven and over 1,200 people were delivered home safely. In addition, more than \$15,000 was raised in donations to Safe Graduation programs across Nova Scotia.

Celebrating Nova Scotia Musical Talent Program

An important part of the NSLC's commitment to corporate social responsibility is the organization's role in the communities it serves. The NSLC is committed to economic growth and social development in the communities we serve across the province. To demonstrate on this commitment, the NSLC is dedicating profits from corporate event ticket sales back into the community.

Music is at the heart of Nova Scotia's culture. In every community there is a deep-rooted love of music. When people think of Nova Scotia, they think of how the ocean has shaped our land and how Celtic music influences our culture. In this spirit, the NSLC has chosen to embark on a program that supports musical talent in our province through the NSLC—Celebrating Nova Scotia Talent program.

The NSLC's goal is to help cultivate the talent right here at home by supporting community music festivals and other musical events. The NSLC was proud to sponsor the following events in 2009:

New Glasgow Riverfront Jubilee	New Glasgow	July 29–August 2
Windsor West Hants SummerFest	Windsor	July 30–August 1
Hank Snow Tribute	Bridgewater	August 19–22
Canadian Deep Roots Music Festival	Wolfville	September 24–26
Celtic Colours	Cape Breton	October 8–18

An expanded offering of event sponsorship is planned for 2010.



Store Development

The NSLC continues to make improvements to the store network to better serve its customers. Renovations were completed at the NSLC Wolfville store and included a 1,025 square foot expansion of retail space, a new reach-in cooler and improved in-store design. Renovations to the NSLC's Wine Basket in Clayton Park were completed and include an additional 346 square feet, a new chilled Beers of the World section and improved in-store design. In addition, the NSLC completed renovations at the Bedford Place store featuring a new design as well as offering an extended product mix and a Cool Zone. The Bridgetown store was moved into the Graves Valu Foods with access between the stores offering improved shopper convenience.

Awards

The NSLC continues to be recognized as one of Canada's leading retailers through peer recognition both nationally and internationally. At the Atlantic Canada ICE Awards 2009 for advertising and marketing, the NSLC was awarded eight awards: four for the Jonzed anti-binge drinking campaign, two for the Single Serve Beer Fridge promotional material, one for the NSLC's Reusable Bag strategy and design, and one for the radio promotional campaign

'No Wine For You'. The NSLC also received the Canadian Marketing Gold Award for Public Service advertising for the Jonzed anti-binge drinking campaign. The NSLC was ranked as the 9th largest business in Atlantic Canada by Progress Magazine. NSLC President and CEO Bret Mitchell was named one of Atlantic Business' Top 50 CEO's for the second year in a row. The NSLC's 2008–2009 Annual Report was recognized with an International Association of Business Communicators Excellence Award for publication design. The Canadian Public Relations Association recognised the NSLC with a Silver Award of Excellence for Social Responsibility Awareness Campaign for "The Reaper" and a Bronze Award of Excellence for the 2008–2009 Annual Report.

Five-Year Strategic Plan 2010–2015

The NSLC released its second five-year strategic plan to guide the business into 2015. The plan sets a target of delivering \$1.3 billion in cumulative profit during the period reaching \$275 million in 2015. This growth while still strong reflects the challenges associated with a Nova Scotia population that is not growing and is aging.

The Five-Year Strategic Plan 2010–2015 can be viewed at myNSLC.com. With proper planning, the NSLC is confident that it is on its way evolving "from a place to shop to a personal experience."

Risk Factors

Risk of unforeseen factors restricting the ability to achieve objectives and goals set out in the five-year strategic plan and annual business plans can impact the NSLC's ability to meet its commitments.

Risk factors which have an effect on NSLC sales are very much like those of any retail business. These include weather, economic conditions, technology failure, and the clearing system for business transactions. Unique to the NSLC is the impact that public policy changes may have on its operations.

Severe weather can close stores. A cold, wet spring or summer has a dramatic impact on the beer business. Weather conditions represent a major area of vulnerability since beer (which is 81 per cent of volume of product sold) can be disproportionately impacted.

The products the NSLC sells represent discretionary purchases by its customers. A deterioration of economic conditions in the province reduces sales at the NSLC and other retailers. Profitability can also be affected because customers are less likely to purchase premium products and may trade down during times of economic uncertainty.



The NSLC has in place monitoring and performance measures to enable management to make decisions to counter mitigating weather and economic factors.

The NSLC is an SAP enabled business and as such, there is an inherent risk to the business if this system should fail. The NSLC has crisis planning and enterprise risk planning processes in place to manage for such a situation. These systems are also dependant on the service providers ability to run and maintain these systems. Business interruption is a risk if all systems and backups fail.

The Government of Nova Scotia, as the NSLC's sole shareholder, can have a dramatic impact on the organization's business plan. Shifts in public policy and the public interest as stated by the government could impact the NSLC's ability to deliver on plans as outlined in the business plans.

Enterprise Risk Management

The Board of Directors and the Executive Team are committed to ensuring that appropriate Enterprise Risk Management (ERM) strategies and processes are in place and revisited yearly to mitigate as many risks as possible.

ERM is a structured and disciplined risk management approach, considering strategy, process, people, technology and knowledge with the purpose of continually evaluating and managing risks to business strategies and objectives on an enterprise-wide basis. ERM is a continuous activity that aggregates and integrates risk management activities across all types of risk in order to achieve maximum risk-adjusted returns.

The benefits of an ERM process include:

- » Strengthened corporate governance and accountability
- » Improved and proactive management focus
- » Increased awareness of risk and enhanced accountability
- » Established and integrated view of risk across the organization
- » Effective cost management and resource allocation
- » Better management of internal and external stakeholders' expectations and requirements

2008–2009 by the NSLC identified and prioritized risks, which in turn, require the NSLC to adopt mitigation strategies overall or for appropriate business units within the organization. Reporting and governance processes, including integration with strategic and business planning, board and executive committee reporting, and ongoing risk/mitigation re-assessment are in place. Business Unit management were asked to review the top eight risks identified and incorporate mitigation plans in their annual business unit plans for 2009–2010.

Future Accounting Pronouncements

International Financial Reporting Standards (“IFRS”)

In February of 2008, the Canadian Accounting Standards Board (CASB) confirmed that International Financial Reporting Standards (IFRSs) are to be adopted as Canadian Generally Accepted Accounting Principles (CGAAP) by publicly accountable enterprises in Canada for fiscal years beginning on or after January 1, 2011. The Public Accounting Standards Board (PASB) has confirmed that government business enterprises as self-sustaining commercial organizations are required to adhere to the standards for publicly accountable enterprises in the private sector. The NSLC is considered a publicly accountable enterprise and therefore will report under IFRS beginning April 1, 2011 which will require the restatement of comparative numbers for the prior year and of the opening balance sheet as at April 1, 2010.

To date, the Corporation has completed the high-level diagnostic assessment of the differences between Canadian GAAP and IFRS, and is currently in the process of completing the detailed impact assessment of identifying and addressing key elements such as accounting policy changes, information technology changes, education and training requirements,

disclosure requirements, internal control impacts and impacts on business activities. Based on the preliminary work done to date, the greatest areas of impact to the corporation is IFRS related to property, plant and equipment, presentation of financial statements and the additional volume of note disclosure required under all IFRS standards. During fiscal 2011, analysis and policy approvals from the detailed assessment will be finalized and the final phase of implementation and review will continue.

The NSLC will continue to work closely with all stakeholders and continued monitoring of all new announcements being made by the International Accounting Standards Board during transition and their impact to the organization will be reported on a timely basis.



halifax & area

sales by stores region 1

store	spirits	wine	beer	rtd	other	total
2104-Agricola Street	1,770,742	1,579,844	3,090,021	208,533	2,168	6,651,307
2106-Barrington Street	2,044,709	2,469,017	2,859,169	244,280	4,177	7,621,352
2108-Bayers Lake	3,608,517	4,440,705	5,131,387	558,343	15,085	13,754,037
2110-Joseph Howe Drive	2,792,945	3,193,874	4,826,439	395,653	3,178	11,212,088
2115-Chester	1,334,858	1,032,094	1,734,022	134,137	920	4,236,030
2120-Clyde Street	1,460,327	1,312,078	2,112,301	195,008	3,525	5,083,238
2123-Queen Street	991,527	1,011,745	1,245,195	110,785	1,918	3,361,170
2125-Hubbards	660,945	465,519	950,976	69,978	403	2,147,820
2145-Halifax Shopping Centre	1,105,735	873,317	781,907	152,363	2,900	2,916,223
2150-West End	1,874,061	1,912,910	2,815,010	244,734	2,609	6,849,324
2154-Young Street	2,170,736	1,938,107	4,000,254	270,041	2,151	8,381,289
2160-Port of Wines II	270,698	3,242,895	57,695	3,096	4,782	3,579,167
2165-Quinpool IGA	2,076,036	2,489,841	3,216,202	257,612	3,485	8,043,177
2170-Rockingham Ridge	2,056,807	1,763,446	3,424,676	306,365	2,449	7,553,744
2180-Scotia Square	705,829	647,895	651,891	93,336	4,058	2,103,008
2185-Spryfield	2,665,684	1,712,839	5,347,983	453,666	1,584	10,181,757
2195-Tantallon	2,833,212	2,902,319	4,698,698	414,743	2,351	10,851,324
2565-Lunenburg	1,670,447	1,132,616	1,987,154	173,317	1,728	4,965,262
2570-Mahone Bay	957,525	660,612	1,377,502	103,507	941	3,100,087
2099-Halifax Licensee	15,731,629	15,371,471	44,951,840	2,646,786	2,677	78,704,402
Total for Region 1	48,782,969	50,153,142	95,260,320	7,036,285	63,088	201,295,805

dartmouth & area

sales by stores region 2

store	spirits	wine	beer	rtd	other	total
2130-Hansport	425,174	146,635	829,114	57,838	169	1,458,930
2196-Windsor	3,184,932	1,493,908	6,224,884	579,863	1,981	11,485,567
2176-Downsview Plaza	1,834,573	945,107	3,216,524	262,520	788	6,259,513
2178-Sackville	1,930,415	2,311,539	2,765,582	269,808	2,403	7,279,747
2193-Bedford Mill Cove	2,259,782	1,022,437	3,790,523	355,774	1,146	7,429,661
2202-Bedford Place	1,789,396	1,963,101	2,599,853	245,917	1,458	6,599,726
2209-Bridge Plaza	3,216,769	1,745,613	6,097,866	454,340	4,387	11,518,975
2219-Westphal	4,218,455	3,488,688	6,676,843	607,651	2,673	14,994,309
2220-Mic Mac Mall	1,926,879	1,606,961	2,171,798	279,941	4,154	5,989,732
2222-Kennetcook	332,514	47,888	723,939	43,416	97	1,147,853
2223-Elmsdale	2,763,121	1,391,780	5,493,912	534,453	2,536	10,185,802
2225-Fall River	1,674,235	1,519,435	2,723,941	252,966	1,296	6,171,874
2226-Portland Street	2,828,455	2,717,767	4,453,050	439,368	4,058	10,442,698
2227-Forest Hills	3,704,379	2,204,917	5,709,009	506,861	1,736	12,126,903
2270-Porters Lake	1,799,894	915,622	3,307,275	292,700	836	6,316,327
2280-Sheet Harbour	489,871	132,545	849,243	64,931	330	1,536,920
2285-Stewiacke	848,143	209,071	2,013,211	188,963	316	3,259,703
2286-Middle Musquodoboit	385,115	72,613	613,433	43,600	133	1,114,894
2290-Eastern Passage	1,095,500	469,789	2,592,547	164,112	617	4,322,564
2297-Musquodoboit Harbour	726,430	257,087	1,074,002	99,505	587	2,157,611
Total for Region 2	37,434,032	24,662,502	63,926,548	5,744,529	31,700	131,799,311

eastern & northern sales by stores region 3

store	spirits	wine	beer	rtd	other	total
2301-Amherst	800,023	311,487	2,059,554	177,805	448	3,349,317
2302-Amherst Mall	1,684,720	1,051,519	3,362,047	410,000	2,151	6,510,437
2303-Antigonish	4,217,721	2,292,628	6,127,195	597,579	4,887	13,240,011
2310-Bible Hill	998,997	336,608	1,896,878	131,362	466	3,364,310
2312-Canso	438,759	56,867	770,253	65,171	240	1,331,290
2317-Guysborough	457,843	145,702	672,585	37,952	138	1,314,219
2322-Joggins	85,778	18,467	306,403	16,651	24	427,324
2338-Oxford	351,189	93,725	686,925	61,867	177	1,193,882
2340-Mulgrave	244,177	44,502	435,661	23,769	68	748,178
2343-Parrsboro	395,547	167,258	945,172	86,573	281	1,594,831
2345-New Glasgow	1,883,711	1,022,243	3,179,136	289,648	3,242	6,377,980
2347 -West End New Glasgow	1,617,850	1,012,131	2,601,290	297,083	1,569	5,529,923
2348-Pictou	1,375,778	662,750	2,248,764	176,614	1,001	4,464,907
2353-Pugwash	398,903	223,988	744,550	68,318	333	1,436,091
2358-River John	210,969	76,007	511,254	23,623	129	821,981
2367-Springhill	515,239	127,124	1,340,464	135,695	283	2,118,805
2370-Sherbrooke	259,189	79,417	448,881	36,175	272	823,933
2375-Stellarton	1,140,118	371,784	2,268,130	151,259	586	3,931,877
2382-Tatamagouche	795,332	391,171	1,682,743	104,958	593	2,974,796
2387-Trenton	399,993	102,232	953,431	46,081	138	1,501,874
2392-Truro	3,120,877	1,605,258	4,959,315	501,471	2,982	10,189,903
2394-Truro Mall	2,084,711	873,423	3,707,307	327,354	1,118	6,993,912
2397-Westville	679,075	167,688	1,766,745	130,905	296	2,744,709
Total for Region 3	24,156,499	11,233,978	43,674,682	3,897,912	21,422	82,984,493

cape breton sales by stores region 4

store	spirits	wine	beer	rtd	other	total
2407-Archat	520,795	139,937	891,947	49,119	317	1,602,115
2408-Baddeck	941,602	557,196	1,450,203	134,245	1,461	3,084,708
2413-Cheticamp	506,324	290,620	1,010,284	109,210	762	1,917,199
2418-Dominion	519,270	108,155	1,199,742	98,602	204	1,925,973
2426-Glace Bay	2,930,415	864,123	5,672,637	567,479	1,273	10,035,927
2431-Ingonish	545,884	268,982	1,162,128	106,942	705	2,084,640
2436-Inverness	567,599	245,971	1,238,660	92,341	697	2,145,267
2441-Louisbourg	294,242	90,395	581,981	43,563	482	1,010,663
2445-New Waterford	1,321,526	271,289	3,148,897	255,739	1,031	4,998,482
2451-North Sydney	2,469,675	917,266	4,124,384	483,378	1,681	7,996,384
2455-Port Hawkesbury	2,301,579	1,043,930	3,626,348	308,693	3,685	7,284,235
2460-Port Hood	530,498	151,038	778,702	53,637	499	1,514,373
2477-St. Peters	659,030	250,212	1,428,657	80,617	621	2,419,137
2479-Sydney	2,296,109	991,453	3,276,363	278,471	1,607	6,844,003
2481-Sydney K-Mart Plaza	2,588,027	868,912	4,284,398	399,353	1,242	8,141,933
2483-Whitney Pier	714,065	140,779	1,276,672	82,279	335	2,214,130
2490-Sydney Mines	1,735,200	499,809	4,347,625	425,335	410	7,008,379
2496-Sydney River	3,974,472	2,201,815	6,395,323	656,964	5,736	13,234,309
Total for Region 4	25,416,311	9,901,883	45,894,950	4,225,967	22,747	85,461,858

valley & south shore

sales by stores region 5

store	spirits	wine	beer	rtd	other	total
2501-Annapolis	785,655	477,086	1,374,659	132,997	476	2,770,873
2504-Barrington Passage	1,144,080	257,475	1,431,289	302,120	491	3,135,456
2505-Bridgewater	2,890,726	1,582,339	4,372,531	367,724	2,741	9,216,060
2506-Bridgewater Mall	1,614,191	759,106	1,201,194	165,226	1,005	3,740,722
2509-Caledonia	259,537	73,283	411,953	44,551	171	789,496
2511-Berwick	1,207,807	393,196	2,341,612	169,459	434	4,112,509
2515-Bridgetown	454,475	199,687	801,443	69,210	371	1,525,186
2520-Digby	1,635,928	763,343	2,579,897	237,825	1,297	5,218,290
2546-Kentville	1,911,954	877,496	3,411,004	292,827	1,022	6,494,303
2548-Kingston	2,198,618	1,244,523	3,903,696	418,846	1,460	7,767,144
2555-Liverpool	2,063,605	845,212	2,873,919	253,205	1,151	6,037,093
2560-Lockeport	287,846	68,330	385,931	25,935	70	768,112
2572-Meteghan	662,944	289,923	1,327,930	91,347	400	2,372,544
2573-Middleton	738,382	323,197	1,515,256	110,292	297	2,687,424
2574-New Minas	2,353,545	1,700,378	3,253,880	387,780	3,989	7,699,572
2575-New Germany	554,561	137,000	938,202	79,050	207	1,709,019
2585-Shelburne	1,019,096	419,709	1,462,011	159,339	612	3,060,767
2590-West Pubnico	417,986	93,108	366,538	86,394	172	964,197
2591-Weymouth	398,640	133,233	802,614	58,841	304	1,393,632
2595-Wolfville	1,179,904	939,758	1,777,886	173,540	1,354	4,072,443
2598-Yarmouth	3,062,532	1,466,363	4,035,257	522,170	3,219	9,089,542
Total for Region 5	26,842,012	13,043,747	40,568,703	4,148,677	21,244	84,624,384

store sales recap

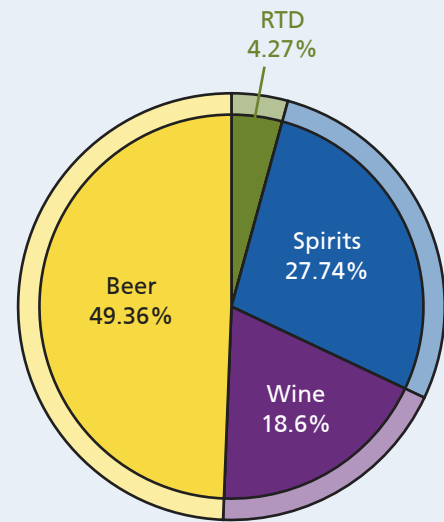
Category	Sales
Spirits	162,631,823
Wine	108,995,252
Beer	289,325,204
RTD	25,053,369
Other	160,202
Total	586,165,850

agency store sales

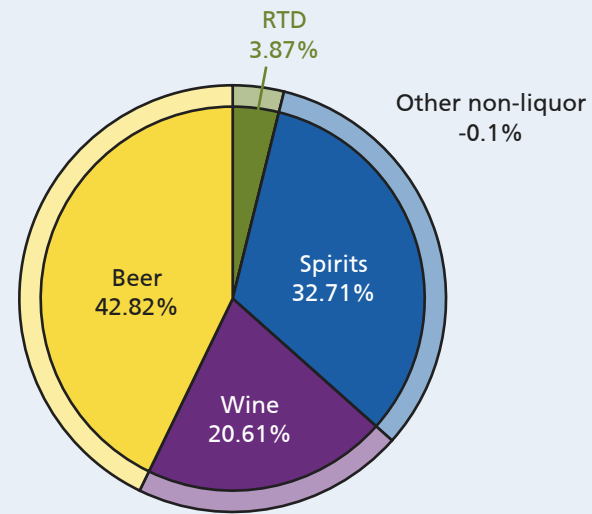
Spirits	Wine	Beer	RTD	Other	Total
10,673,007	2,923,876	22,768,011	1,852,692	3,116	38,220,702

financial performance

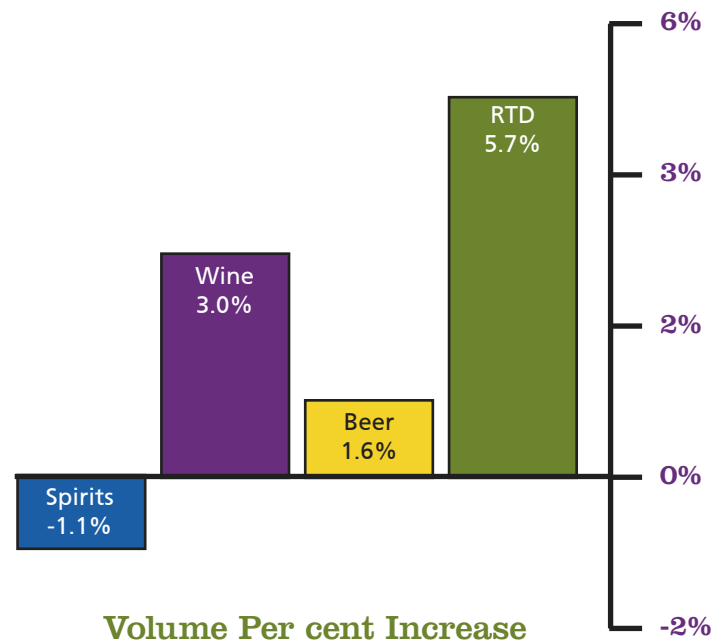
10 year history



Sales Contribution By Category



Gross Profit Contribution By Category



Volume Per cent Increase

	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10
Volume (000 Hectolitres)	725.6	729.0	730.6	760.2	762.5	786.2	795.0	813.8	824.4	838.6
Net Sales (M)	376.5	391.1	413.3	439.5	453.2	488.7	508.2	536.4	565.6	586.2
Cost of Goods	187.1	197.6	202.8	213.3	217.0	233.0	242.3	250.1	261.4	271.1
As a % of Net sales	50.3%	50.5%	49.2%	48.8%	48.1%	47.9%	48.0%	47.1%	46.7%	46.8%
Gross Profit (M)	185.2	193.9	209.6	223.8	234.0	253.1	262.4	280.5	298.1	308.3
as a % of net sales	49.7%	49.5%	50.8%	51.2%	51.9%	52.1%	52.0%	52.9%	53.3%	53.2%
Store Op Expense (M)	33.3	34.7	36.0	38.1	42.0	45.9	47.1	48.8	49.1	51.4
As a % of Net sales	8.9%	8.9%	8.7%	8.7%	9.3%	9.4%	9.3%	9.2%	8.8%	8.9%
Gross Operating Profit (M)	151.9	159.1	173.6	185.4	192.0	207.2	215.3	231.6	249.1	256.9
As a % of Net sales	40.8%	40.6%	42.1%	42.4%	42.6%	42.6%	42.7%	43.6%	44.5%	44.3%
WHSE/Dist. Exp. (SC)(M)	4.0	4.2	4.1	4.9	5.2	4.8	5.3	6.0	4.8	5.1
As a % of Net sales	1.1%	1.1%	1.0%	1.1%	1.2%	1.0%	1.1%	1.1%	0.9%	0.9%
Inc/Operations (M)	137.2	143.9	157.9	166.8	170.0	181.2	188.2	198.7	212.6	219.4
As a % of Net sales	36.9%	36.8%	38.3%	38.2%	37.7%	37.3%	37.3%	37.4%	38.0%	37.9%
Wholesale Sales (M)	65.0	66.6	75.3	79.6	83.0	87.6	94.0	102.9	110.6	112.2
As a % of Net sales	17.5%	17.0%	18.3%	18.2%	18.4%	18.0%	18.6%	19.4%	19.8%	19.4%
Stores	100	100	100	100	108	107	108	109	106	106
Hours Open (000's)	310.4	315.9	310.1	317.9	344.1	348.8	n/a	n/a	n/a	n/a
Volume (000HL)										
Spirits	50.7	50.6	49.8	51.4	52.3	52.2	51.2	51.9	52.6	52.1
Wine	54.6	54.1	56.0	61.7	65.6	69.2	72.1	77.8	81.2	83.6
Beer	603.8	604.1	602.2	621.2	619.2	637.5	641.7	652.0	657.1	667.6
RTD	16.5	20.3	22.6	25.9	25.4	27.3	30.0	32.1	33.4	35.4

Sources of sales revenue

canadian & imported sales

Sources of Sales Revenue

As a percentage of sales, all categories show an increase from prior year except for spirits, but the actual sale of spirits are up 1.1%. Over last year actual sales of wine showed an increase of 4.3%, beer an increase of 4.8% and RTD an increase of 4.8%. (Dollars to the 000's)

2009/2010	\$	%
Spirits	162,626.49	27.74%
Wine	109,000.24	18.60%
Beer	289,325.20	49.36%
RTD	25,052.82	4.27%
Other	161.10	0.03%
Total	586,165.85	100%

Retail-wholesale sales 2009/10

Retail Sales flows from Sales at the NSLC's 106, (including Wine Baskets) Stores. Wholesale Sales includes Licensees, Private Wine Stores, Agency Stores, and Other Wholesale. (Dollars to the 000's)

Spirits	\$	%
Retail	138,991.9	85.5%
Wholesale	23,634.6	14.5%
Total	162,626.5	100.0%
Spirits 85.5% retail		
14.5% wholesale		

RTD	\$	%
Retail	20,796.8	83.0%
Wholesale	4,256.0	17.0%
Total	25,052.8	100.0%
RTD 83.0% retail		
17.0% wholesale		

Wine	\$	%
Retail	90,014.6	82.6%
Wholesale	18,985.7	17.4%
Total	109,000.3	100.0%
Wine 82.6% retail		
17.4% wholesale		

Other	\$	%
Retail	146.4	90.9%
Wholesale	14.7	9.1%
Total	161.1	100.0%
Other 90.9% retail		
9.1% wholesale		

Beer	\$	%
Retail	224,050.7	77.4%
Wholesale	65,274.5	22.6%
Total	289,325.2	100.0%
Beer 77.4% retail		
22.6% wholesale		

Total	\$	%
Retail	474,000.3	80.9%
Wholesale	112,165.6	19.1%
Total Sales	586,165.9	100.0%
Total 80.9% retail		
19.1% wholesale		

Canadian & Imported Sales 2009-2010-10-08

Canadian Products account for 73.2% of all products sold; 26.8% are imported. (Dollars to the 000's)

Spirits	\$	%
Canadian	117,010.7	72.0%
Imported	45,615.8	28.0%
Total	162,626.5	100.0%
Spirits 72.0% Canadian		
28.0% imported		

RTD	\$	%
Canadian	18,749.2	74.8%
Imported	6,303.6	25.2%
Total	25,052.8	100.0%
RTD 74.8% Canadian		
25.2% imported		

Wine	\$	%
Canadian	31,843.5	29.2%
Imported	77,156.7	70.8%
Total	109,000.2	100.0%
Wine 70.8% imported		
29.2% Canadian		

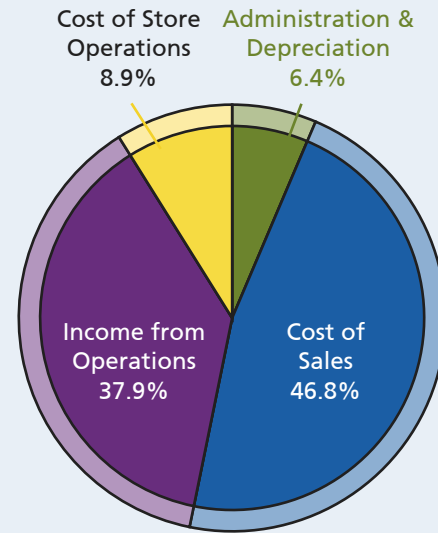
Other	\$	%
Canadian	161.1	100.0%
Imported	0.0	0.0%
Total	161.1	100.0%
Other 100.0% Canadian		
0.0% wholesale		

Beer	\$	%
Canadian	261,487.4	90.4%
Imported	27,837.8	9.6%
Total	289,325.2	100.0%
Beer 90.4% Canadian		
9.6% wholesale		

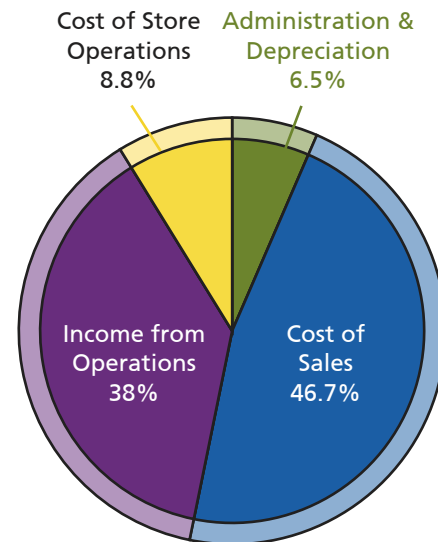
Total	\$	%
Canadian	429,251.9	73.2%
Imported	156,914.0	26.8%
Total	586,165.9	100.0%
Total 73.2% Canadian		
26.8% wholesale		

distribution of sales revenue

2009-2010



2008-2009



sales comparison

By Class of Sales

Year	Spirits	Wine	Beer	RTD	Other	Total
2009/2010	162,626.5	109,000.2	289,325.2	25,052.8	161.1	586,165.9
2008/2009	160,878.6	104,476.3	276,188.7	23,899.4	183.5	565,626.5
2007/2008	153,513.5	97,096.0	263,737.6	21,958.8	110.0	536,415.9
2006/2007	148,428.0	87,578.0	251,363.3	20,597.8	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

Canadian vs. Imported: Gross Liquor Revenue

2009-10	Spirits	Wine	Beer	RTD	Other	Total
Canadian	117,010.7	31,843.5	261,487.4	18,749.2	161.1	429,251.9
Imported	45,615.8	77,156.7	27,837.8	6,303.6	0.0	156,914.0
	162,626.5	109,000.2	289,325.2	25,052.8	161.1	586,165.9

2008-09	Spirits	Wine	Beer	RTD	Other	Total
Canadian	117,418.9	28,970.0	250,756.6	17,915.0	183.5	415,243.9
Imported	43,459.8	75,506.3	25,432.1	5,984.4	0.0	150,382.6
	160,878.6	104,476.3	276,188.7	23,899.4	183.5	565,626.5

Canadian	72.99%	27.73%	90.79%	74.96%	100.00%	
Imported	27.01%	72.27%	9.21%	25.04%	0.00%	

Wholesale Sales

Year	Spirits	Wine	Beer	RTD	Other	Total
2009/2010	23,634.6	18,985.7	65,274.5	4,256.0	14.7	112,165.6
2008/2009	23,894.3	19,262.7	63,310.6	4,103.9	22.6	110,594.1
2007/2008	22,351.6	17,784.2	58,950.2	3,799.9	15.5	102,901.4
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

volume comparison

Sales in Hectolitres

(Approximate hectolitres)

Imported & Canadian wine has been steadily increasing in volume over the last five years. Imported beer volume increased 9.4 per cent from last year and Canadian beer volume increased 0.4 per cent from last year.

2009-10				2008-09			
SPIRITS				SPIRITS			
Canadian	38,924.53			Canadian	41,012.26		
Imported	13,154.22			Imported	11,637.70		
Total	52,078.75	6.2%		Total	52,649.97	6.4%	
WINE				WINE			
Canadian	32,353.96			Canadian	32,156.40		
Imported	51,222.84			Imported	49,001.91		
Total	83,576.80	10.0%		Total	81,158.49	9.8%	
BEER				BEER			
Canadian	606,511.21			Canadian	603,263.09		
Imported	61,070.23			Imported	53,860.30		
Total	667,581.44	79.6%		Total	657,123.39	79.7%	
RTD				RTD			
Canadian	27,020.84			Canadian	25,646.17		
Imported	8,331.93			Imported	7,788.19		
Total	35,352.78	4.2%		Total	33,434.35	4.1%	
Grand Total	838,589.78	100.0%		Grand Total	824,366.20	100.0%	

management 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 March 31, 2010.

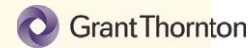
The financial statements of the Nova Scotia Liquor Corporation have been prepared by management in accordance with Canadian generally accepted accounting principles and have been audited by Grant Thornton LLP. The responsibility of the Auditors is to express an opinion whether the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the NSLC in accordance with Canadian 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 23, 2010

Maureen Sullivan
Vice President, Finance

auditors' report



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To the members of the Board of **Nova Scotia Liquor Corporation**

We have audited the balance sheet of **Nova Scotia Liquor Corporation** at March 31, 2010 and the statements of earnings, 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, 2010 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 8, 2010

Grant Thornton LLP

Chartered Accountants

statements of & earnings & retained earnings

Year ended March 31 (in thousands)	2010	2009
Sales	579,441	559,515
Cost of goods sold	271,125	261,365
	308,316	298,150
Store operating expenses	51,397	49,086
	256,919	249,064
Depreciation and amortization	9,481	8,732
Supply chain expense	5,144	4,761
Corporate services expense	20,913	21,479
Other revenue	(4,272)	(4,522)
Other expenses	6,290	6,001
	37,556	36,451
Net earnings	219,363	212,613
Retained earnings, beginning of year	-	-
Net earnings	219,363	212,613
Distributions to the Province	(219,363)	(212,613)
Retained earnings, end of year	-	-

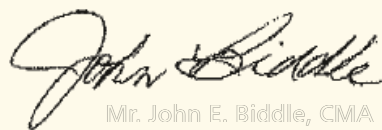
balance sheet

Year ended March 31 (in thousands)	2010	2009
Assets		
CURRENT		
Cash and cash equivalents	10,683	5,546
Receivables	1,736	2,200
Inventories	36,465	35,693
Prepays	762	826
	49,646	44,265
Property and equipment (note 3)	46,901	44,403
	96,547	88,668
Liabilities		
CURRENT		
Payables and accruals	32,008	27,323
Payable to Minister of Finance	43,064	39,002
Current portion of obligation under capital lease (note 4)	1,285	1,119
Current portion of employee future benefit obligations (note 5)	711	569
	77,068	68,013
Obligation under capital lease (note 4)	1,088	2,372
Employee future benefit obligations (note 5)	18,391	18,283
	96,547	88,668

Commitments (note 6)
On behalf of the Board



Ms. Sherry Porter
Chair, Board of Directors



Mr. John E. Biddle, CMA
Audit Committee Chair

statements of cash flows

Year ended March 31 (in thousands)	2010	2009
Increase (decrease) in cash and cash equivalents		
OPERATING		
Net earnings	219,363	212,613
Depreciation and amortization	9,481	8,732
Loss on disposal of property and equipment	349	88
Increase in employee future benefit obligations	250	682
	229,443	222,115
Change in non-cash operating working capital (note 7)	4,441	(7,875)
	233,884	214,240
FINANCING		
Principal payments on obligation under capital lease	(1,118)	(973)
Remittances to Minister of Finance	(215,300)	(205,300)
	(216,418)	(206,273)
INVESTING		
Purchase of property and equipment	(12,329)	(10,702)
Increase (decrease) in cash and cash equivalents	5,137	(2,735)
Cash and cash equivalents, beginning of year	5,546	8,281
Cash and cash equivalents, end of year	10,683	5,546

notes to the financial statements

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. Cost includes product costs, standard freight costs and customs with excise included when product is released for sale.

The cost of inventory recognized as an expense during fiscal 2010 was \$271,122,394 (2009 - \$261,660,987).

Property and equipment

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

- » Furniture, fixtures, other equipment, capital and leasehold improvements 10%
- » Improvements to wholly owned properties 10%
- » Computers—stand-alone 33%
- » Computers—integrated systems and ERP 20%
- » Land and buildings 4%

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

Assets under construction includes assets not yet being used, but already purchased. These assets will be 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 straight-line 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.

Supplementary employee retirement plan

The Canadian Income Tax Act has placed limits on the amount that can be paid out of a defined benefit pension plan such as the Nova Scotia Public Service Superannuation Plan. The Province of Nova Scotia, in 2004, passed legislation that allows for the payment of pension benefits for pension amounts that exceed the limits set by the Income Tax Act. The benefits are paid from the Supplementary Employee Retirement Plan (SERP), whose board is responsible for paying these benefits at the time of retirement. The Nova Scotia Liquor Corporation has a responsibility to fully fund this plan on behalf of those employees who qualify.

The Corporation accrues its obligations under these employee benefit plans as the employees render the services necessary to earn the employee 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, obligations under capital lease and employee future benefit obligations. 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. In accordance with CICA Handbook Section 3855, the Corporation's financial assets and liabilities are generally classified and measured as follows:

Asset/Liability	Classification	Measurement
Cash	Available for Sale	Fair Value
Cash Equivalents	Held to Maturity	Amortized Cost
Receivables	Loans and receivables	Amortized Cost
Payables and accruals	Other liabilities	Amortized Cost
Payable to Minister of Finance	Other liabilities	Amortized Cost
Obligations under capital lease	Other liabilities	Amortized Cost
Employee future benefit obligations	Other liabilities	Amortized Cost

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Corporation incurs currency risk on financial instruments denominated in currencies other than their functional currency.

At year end, the Corporation has accounts payable denominated in non-Canadian currency of \$206 (2009 - \$151).

Sensitivity analysis

The following sensitivity analysis identifies the impact on net earnings of a 10% increase or decrease in the value of the Canadian dollar against the US dollar (the US dollar represents the primary non-functional currency utilized on supplier payments):

	Carrying value (\$CAD)	Effect of a 10% increase in Canadian dollar	Effect of a 10% decrease in Canadian dollar
Accounts payable	206	21	(21)

3. Property & equipment

	Cost	Accumulated Depreciation	Net Book Value 2010	Net Book Value 2009
Assets under construction	3,419	-	3,419	870
ERP	21,639	(10,518)	11,121	11,690
Furniture and fixtures	12,963	(6,305)	6,658	5,786
Other equipment	11,465	(7,146)	4,319	3,311
Computer	8,339	(6,001)	2,338	4,270
PC's and small applications	2,186	(1,321)	865	122
Land and buildings	20,336	(18,796)	1,540	869
Improvements to wholly owned properties	24,054	(12,514)	11,540	4,961
Leasehold improvements	13,382	(8,281)	5,101	12,524
	117,783	(70,882)	46,901	44,403

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, 2010 are as follows:

2011	1,536
2012	1,153
Total minimum lease payments	2,689
Less: amount representing interest	316
Balance of obligation	2,373
Less: current portion of obligation	1,285
	1,088

Administrative expenses include interest of \$418 (2009 - \$563) related to this obligation.

5. Employee future benefits

The Corporation has three 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, 2009 actuarial valuation extrapolated to March 31, 2010 is as follows:

	2010	2009
ACCRUED BENEFIT OBLIGATIONS:		
Balance, beginning of year	12,950	18,274
Adjustment to beginning balance	-	(2,253)
Adjusted beginning balance	12,950	16,021
Current service cost	569	677
Interest cost	1,016	954
Benefits paid	(1,000)	(906)
Actuarial loss (gain)	5,139	(3,796)
Balance, end of year, and funded status	18,674	12,950
Less: current portion	(660)	(569)
Past service costs	(50)	(60)
Unamortized net actuarial gain	427	5,962
Accrued benefit liability	18,391	18,283

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

	2010	2009
Discount rate	5.67%	7.93%
Rate of compensation increase	2.50%	2.50%

The assumed health care cost trend rate at March 31, 2010 was 7.63%, decreasing at 1% per annum to an ultimate rate of 4.42% per annum.

The Corporation's net benefit plan expense was \$1,250 (2009 - \$1,588).

6. Commitments

The Corporation leases buildings, premises and equipment under operating leases which expire at various dates between 2010 and 2024. 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, 2010:

2011	5,300
2012	4,460
2013	3,907
2014	3,820
2015	3,082

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.

7. Supplemental cash flow information

	2010	2009
CHANGE IN NON CASH OPERATING WORKING CAPITAL		
Receivables	465	1,159
Inventory	(772)	(146)
Prepays	64	180
Payables and accruals	4,684	(9,068)
	4,441	(7,875)
CASH AND CASH EQUIVALENTS CONSIST OF		
Cash on hand and balances with banks	10,683	5,546
Interest and bank charges paid	454	398

board of directors



Sherry Porter
Chair of the Board of Directors

Sherry Porter became the NSLC's Chair of the Board in 2010.

Sherry has had an extensive business and retail career and is an accomplished Board Director. Sherry has held a number of senior retail positions including the Director of Public Affairs for Sobeys Inc., Vice President, Public Affairs and Marketing for Nova Scotia Power Inc., Vice President of Corporate and Government Affairs at Shoppers Drug Mart Ltd. She also served as President and CEO of the Canadian Association of Chain Drug Stores and was a partner with Caldwell Partners International. Sherry also established a very successful strategic consulting business where she advised clients such as Shoppers Drug Mart.

Sherry has significant Board experience and is Chair of the Board of Directors of the QEII Foundation and is a Board member of the Nova Scotia Agriculture College Foundation. Sherry is also a committed volunteer with many organizations including serving as past Chair of Board of Directors of Pier 21 and was a member of the Board of the Canadian Breast Cancer Foundation.

Sherry holds a B.Sc. from the University of Maine. She was appointed to the NSLC Board in April 2010 for a five-year term.

Joe MacDonald
Director

Joe is a senior university administrator and educator who serves as Director of Government Relations at St. Francis Xavier University.

Joe's career at St. Francis Xavier includes being the Director of Recreational Services, the Manager of the Bachelor of Education program and the Dean of Students in addition to his current role. Joe began his career as a public school teacher in Halifax.

Joe has served extensively in a volunteer capacity in numerous provincial and national sporting organizations including the Nova Scotia Canada Games group, the Atlantic University Athletic Association and the Canadian Intramural Recreation Association.

Joe brings to the Board governance experience from his volunteer work and a great understanding of young adults. He serves as chair of the NSLC's Intelligent Consumption Committee and is a member of the NSLC Governance and HR Committees.

Joe holds a B.Sc from Saint Francis Xavier University, a B.Ed and a Master of Science from the University of Saskatchewan. He was appointed to the NSLC Board in April 2007 for a five-year term.



Rachel Martin
Director

Rachel Martin is a Chartered Accountant and entrepreneur who owns and runs a leasing company.

Rachel has more than 15 years of experience in both professional accounting practice and private industry. Rachel's career also includes experience in consulting and teaching in both accounting and business ethics.

Rachel serves as Chair of the Board's Governance and HR Committee and is a member of the NSLC's Audit Committee. Rachel is a graduate of Mount Saint Vincent University and Dalhousie University. Rachel was appointed to the NSLC Board in September 2008 for a three-year term.



Paula Minnikin
Director

Paula Minnikin is an executive and entrepreneur in the information technology industry and owns her own IT consulting company. Her career also includes senior executive roles with several Nova Scotia technology companies including serving as Chief Information Officer for the global engineering firm Jacques Whitford.

A resident of Halifax, Paula sits on the Audit and Intelligent Consumption Committees. Paula is a graduate of Carleton University and has a keen interest in youth and amateur sport. Initially appointed to the Board in 2001, Paula was reappointed to a five-year term in 2008.





Frank Elliott

Director

Frank Elliott is an entrepreneur and businessman who is a lifelong resident of Cumberland County. Frank's background is in the retail and services industries where he owns and operates a number of businesses.

Frank has a long record of community involvement which includes 14 years as a member (including six as Chair) of the Amherst Police Commission.

Frank was appointed to the NSLC Board in January 2004 and re-appointed for a five-year term in 2008. Frank serves as a member of the NSLC Audit Committee.

John Biddle

Director

John Biddle, a resident of Bridgewater, is a Certified Management Accountant and is retired from CIBC Wood Gundy.

John's career also included a number of internal audit roles including a position at High Liner Foods. John 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.

John currently is a member of the NSLC Audit Committee (Chair 2009 and 2010) and the Intelligent Consumption Committees of the Board. John was appointed to the Board in April 2007 for a five-year term.



John Carter

Director

John Carter is a Chartered Account who recently retired as a Partner with Ernst & Young out of their New York Office where he served as Americas Director of Conflict Management.

John's more than 30 year accounting career included numerous senior positions since becoming a Partner at Ernst & Young in 1981. These have included serving as Managing Partner for both the Halifax office and for Atlantic Canada; and serving as the Director of Conflict Management for Canada out of E&Y's Toronto office.

John is a graduate of Acadia University. He was appointed to the NSLC Board to a four year term in July 2010 subsequent to year-end. John Chairs the Board's Audit Committee and serves on the Governance and HR Committee.



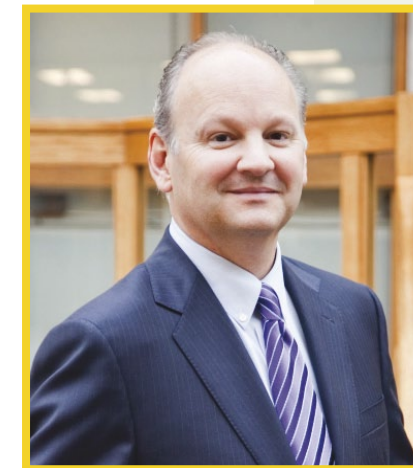
Vicki Harnish

Non-voting Director

Vicki Harnish is Deputy Minister of Finance for the Government of Nova Scotia.

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 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 2002, Vicki was appointed the new Public Service Commissioner and in 2004 Vicki was appointed to her current position.

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, 2005 and is a member of the NSLC Governance and HR Committees and the Intelligent Consumption Committee of the Board.



Bret Mitchell

President & CEO, Non-voting Director

executive officers

Bret Mitchell President & CEO

Bret Mitchell has served as the NSLC's President and CEO since 2006. Bret is a seasoned retail executive with over 25 years experience serving in senior executive roles in retail merchandising, marketing and operations.

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 SportChek and Coast Mountain Sports. He also was responsible for the warehousing, logistics and distribution of all Forzani Group banners. Bret's retail career includes 12 years with Sobeys where he held several senior roles, in marketing, merchandising, purchasing, operations, retail brands and business process improvement.

Bret is a Director of the Canadian Association of Liquor Jurisdictions and is Vice Chair of the Board of Directors of Symphony Nova Scotia. He is a graduate of the University of St. Michael's College at the University of Toronto.



Greg Beaulieu Corporate Secretary

Greg Beaulieu has served as the NSLC's Corporate Secretary since 2003. In addition to working with the Board of Directors in that capacity, he also has responsibilities for the NSLC's internal audit department, legislative and policy issues relating to the liquor industry, regulatory requirements such as permitting and registration, local industry development, government relations and 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.

Greg holds an MBA from Dalhousie University.



Mark Brown Vice President, Information Technology

Mark Brown joined the NSLC in 2003 to lead in the renewal of all corporate technology systems. He has designed and implemented the NSLC's conversion to an SAP-based organization as well as numerous other IT related business changes.

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. Mark is the volunteer chair of the IT Division for the 2011 Canada Winter Games Committee.

Mark is a graduate of McMaster University.



Brad Doell Vice President, Supply Chain & Procurement

Brad Doell has been the executive lead for the NSLC's Supply Chain since 2009. Leading the Supply Chain Business Unit, Brad ensures the highest levels of in-stock positioning for the NSLC assuring that the appropriate products are distributed to all sales channels in an effective and efficient manner.

Brad joined the NSLC in 2004 as Manager, Distribution Operations with specific responsibilities for driving efficiencies and business process improvements in the NSLC's 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 and transportation roles.

Brad is a member of the Halifax Chamber of Commerce Transportation Committee. Through his involvement, the NSLC will play an active role in developing opportunities that will emerge from the Atlantic Gateway Initiative. Brad is also a member of the Canadian Professional Logistics Institute.





Hoyt Graham
Vice President, Store Development & Facilities

Hoyt Graham joined the NSLC in 2002 to lead the transformation of the NSLC's store network. Hoyt is responsible for the planning, design and 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's career included real estate development and engineering roles in Calgary with Husky Oil and IBM Canada, as well as in the Oil and Gas sector.

Hoyt is a Civil Engineer, with a Master Degree in Engineering and Project Management from the University of Calgary, and a Master of Business Administration Degree from Saint Mary's University. Hoyt sits on the Board of the Atlantic Chapter of the Canadian Green Building Council (CaGBC) and member of the Environmental Committee for The Building Owners & Managers Association (BOMA) of Nova Scotia.

Roddy Macdonald
Vice President, Human Resources

Roddy Macdonald has served as the NSLC's Vice President, Human Resources since 2002.

Roddy's career has included senior HR leadership roles in both the public and private sectors. Before joining the NSLC, Roddy was the Manager of HR Client Services for the Halifax Regional Municipality. His private sector background includes progressively more senior roles in the manufacturing, automobile parts, and transportation sectors.

Roddy is a Certified Human Resources Professional and has served on the executive of the Human Resources Association of Nova Scotia; and is a member of the Conference Board of Canada's Council of HR Executives. Other volunteer roles have included working with the Canadian Cancer Society and other non-profit organizations advising on HR matters; as well as serving on a municipal planning advisory committee. Roddy is also widely involved in youth activities in the community.



Danny MacMillan
Vice President, Operations

Danny MacMillan was appointed to Vice President, Operations in 2009 and has taken the lead on transforming the NSLC's retail operations including the organization's network of retail stores, agency stores and licensees.

Danny's career has been entirely retail focused having served in progressively senior roles with the NSLC where he began his career as a store clerk in 1985. Since that time, he has held a variety of responsible positions including Store Manager, Regional Manager, Manager, Corporate Wholesale Operations and Director, Retail Operations. Danny has extensive knowledge of retail operations, the beverage alcohol industry and has played a significant role in delivering on the organization's customer promise.

Danny is a graduate of Saint Mary's University with a Bachelor of Science Degree and also received a Business Management Certificate from Dalhousie University. Danny is a dedicated hockey Dad and past board member for Annapolis Valley Minor Hockey and a current member of Nova Scotia Trails Federation.



Tim Pellerin
Vice President, Marketing and Merchandising

Tim joined the NSLC Executive Team in June 2010 and is responsible for providing strategic leadership in all marketing and merchandising initiatives to enhance the customer experience.

Tim has more than 13 years of marketing experience with a strong track record of using customer research to develop comprehensive and successful marketing and merchandising plans. Before joining the NSLC team, Tim was Vice President, Marketing for Canada at the Clorox Company, where he led the marketing initiatives for brands such as Clorox, GLAD, Pine-Sol, Brita, Armour-All and Hidden Valley Ranch. Tim's career also includes marketing roles with Kimberly-Clark, Overwaitea Food Group and Coca Cola.

Tim is a graduate of Dalhousie University.





Rick Perkins

Vice President, Communications, Corporate Responsibility & Business Development

Rick Perkins has served in his current role since 2008. He is responsible for the NSLC's business planning, customer research, corporate social responsibility strategy and initiatives, as well as the NSLC's communications efforts. Rick joined the NSLC in 2003 as Vice President, Marketing & Communications where he created a new brand for the NSLC and its first marketing campaigns.

Prior to joining the NSLC, Rick co-founded a very successful Toronto-based capital markets counsel firm. He also served as global Vice-President of Corporate Communications with Newcourt Credit Group Inc., as well Senior Manager of Corporate Communications and Public Affairs with the Canadian Imperial Bank of Commerce. He also worked at the beginning of his career for the Government of Canada in the departments of Finance, Privatization, and Foreign Affairs.

Rick serves as Vice Chair of the Board of Directors of the Nova Scotia Hearing and Speech Foundation; is a member of the Board of Directors of the Business Development Bank of Canada; and sits on several Retail Council of Canada committees. Rick holds an MBA from Saint Mary's University.



Maureen Sullivan

Vice President, Finance

Maureen Sullivan joined the NSLC in 2009 as Vice President, Finance. Maureen is a Chartered Accountant with over 20 years of financial leadership.

Maureen has a distinguished career in senior management roles in both the public and private sector. Prior to joining the NSLC, Maureen operated her own consulting business providing clients with senior level leadership advice on strategic and management initiatives, including business process re-design, systems conversion and change management. Maureen's career includes having served as Vice-President, Canadian Finance for Manulife Financial and, previously, in a senior role with Maritime Life. In addition, Maureen has held senior finance and operational roles in a large wholesale distribution company, where she was responsible for all operations in Atlantic Canada.

Maureen is a graduate of Saint Mary's University. In her volunteer capacity, Maureen is a member of the Board for the Atlantic Chapter of Financial Executives International.



\$309.3 million
remittances to government

government of } **\$29,825,017.37**
canada } federal exise & customs
\$45,909,700.75
harmonized sales tax

government of } **\$12,058,512.33**
nova scotia } enviro assessment
\$219,362,178.93
dividend to shareholder

municipalities of } **\$2,116,092.88**
nova scotia } municipal property taxes

total \$309,271,502.26



The 80th Annual Report 2009–2010 was produced by the Nova Scotia Liquor Corporation and submitted to the Honourable Graham Steele, Minister Responsible for the Administration of the NSLC, for the fiscal year ended March 31, 2010

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Grant Thornton LLP

Project Management

Sean Williams Marketing Group

Writing

Reid Right Editing and Writing

Design

Triggers & Sparks Graphic Design

100% Post-consumer waste recycled, FSC approved paper. 100% vegetable-based inks. Acid free and elemental chlorine free. Please recycle.

