

A photograph of a table set for a celebration in a bar or restaurant. The table is covered with a white tablecloth and is surrounded by dark wooden chairs. On the table, there are four champagne flutes filled with bubbly, a round cake with white frosting, a bottle of champagne in an ice bucket, and scattered gold and silver confetti. The background shows shelves stocked with various bottles of alcohol, illuminated by warm, ambient lighting.

ANNUAL REPORT 2010-2011

NSLC
BEER • WINE • SPIRITS



The 81st NSLC Annual Report 2010-2011 was produced by the Nova Scotia Liquor Corporation and submitted to the Honourable Graham Steele, Minister responsible for the NSLC, for the fiscal year ended March 31, 2011.

Head Office: 93 Chain Lake Drive,
Halifax, Nova Scotia, Canada B3S 1A3
Telephone: 902.450.6752
Customer Service: 1.800.567.5874
Website: myNSLC.com

Chair
Sherry Porter

President & CEO
Bret Mitchell

Independent Auditors
Grant Thornton LLP

Design
Sean Williams Marketing Group

Photography
Shari Tucker Photography



CONTENTS

2	Chair's Report	51	Distribution of Sales Revenue Dollars
4	President's Message	52	Sales Comparison
6	Knowing What the Customer Needs	53	Volume Comparison
18	Management Discussion & Analysis	54	Management's Responsibility for Financial Reporting
42	Sales by Stores	55	Auditor's Report
47	Financial Performance	56	Statements of Earnings & Retained Earnings
48	Ten-Year History	57	Balance Sheet
49	Source of Gross Sales Revenue	58	Statement of Cash Flows
50	Canadian & Imported Sales	59	Notes to the Financial Statements
51	Wine Sale Contribution by Country	64	Board of Directors
		67	Executive Officers



CHAIR'S REPORT



Welcome to the Nova Scotia Liquor Corporation's (NSLC) Annual Report 2010–2011. The NSLC enjoyed many successes in a year full of new challenges. Profits of \$223.2 million are up from last year, and this, along with taxes collected, allowed the NSLC to remit \$316.9 million to all three levels of government.

Financial performance is important to the long-term success of the organization but it is not enough to define the organization as a leading retailer. The Five-Year Strategic Plan 2010–2015 outlines the NSLC's continued journey and informs stakeholders of the strategic direction of the organization. The plan captures lessons learned, customer insights and evolving trends in the NSLC's business environment and communities going forward as the NSLC continues to transform "from a place to shop to a personal experience." This will require a fundamental understanding of the customer to provide products, service and selection that align with the special occasions in the customers' lives.

The NSLC believes there is an opportunity to take a leadership position toward a more personalized relationship with its customers, while working to enhance its role in the communities it serves. Customers purchase the products the NSLC sells to complement life's occasions. These occasions are the theme for this annual report to showcase the organization's commitment to providing customers with what they want before they even know they want it.

At the heart of the business, the most important service the NSLC provides is the responsible sale of beverage alcohol in the communities served across the province. Since the doors opened for business 81 years ago, the organization has been dedicated to managing the sale of beverage alcohol in a responsible and sustainable manner. Sustainability at the NSLC means conducting business with integrity, caring for the community, respecting the environment and ensuring beverage alcohol is kept out of the wrong hands.

The NSLC continues to take a leadership position by demonstrating its commitment to responsible retailing. During the 2010–2011 fiscal year, significant strides were made in this area. Two new programs were introduced supporting the NSLC's responsible use mandate. The first was the WE ID program

where everyone who appears to be under 30 years of age is challenged for valid identification. Based on improved compliance scores, this program is a success story. The second program was launched during the busy holiday season. The NSLC ran an anti drinking and driving infomercial ‘selling’ Common Sense, the ideal gift to ensure people get home safely after a night of celebration.

From a community perspective, the NSLC created the Celebrate Nova Scotia Talent Program which cultivates musical talent by supporting community music festivals. Nova Scotians are well-known for their home-grown musical talent and the NSLC wants to be a part of these occasions to help enhance this tradition. Eleven music festivals across the province received support last fiscal year and plans are in place to expand the program.

The NSLC is working to make Nova Scotia an even better place to live with efforts in the area of corporate social responsibility. The NSLC donated \$100,000 to the NSLC Adopt-A-Stream program as part of a five-year commitment. This program is operated by the Nova Scotia Salmon Association with proceeds from the annual ECO Sale held in partnership with suppliers. Last year, this program helped restore 30 kilometres of fish passage, 147,000 square metres of stream habitat and planted 23,245 trees along various provincial shorelines. Also, the NSLC’s Head Office and Distribution Centre is moving toward Zero Waste. This means the organization is working toward a goal where only 5 per cent of waste will be directed to landfill and 95 per cent will be recycled appropriately. This is just part of the NSLC’s commitment to sustainable business practices.

Over the past year, the Board had a review conducted of the organization’s Board governance. This examination provided guidance to the Board to better define its role and allowed it to structure committees to be more effective. Committee charters were developed to better define the role and responsibility of each Committee and allow the Board improved oversight for the activities of the corporation. An analysis of the appropriate roles for both the Board and management was also conducted as part of this process. This process also ensured the Board has a framework in place to identify the mix of qualifications and experience it requires in both existing and new members.

This year, the NSLC welcomed John Carter to the Board of Directors. John brings a wealth of experience as a Chartered Accountant and senior member of a large international accounting firm. He has been appointed as Chair of the Audit and Risk Committee. With John’s appointment, the Board said goodbye to Peter Green, whose term as a Director ended. Peter provided the Board with a perspective that will be missed, in particular leading the review of the NSLC’s legislation and Conflict of Interest Policy. We thank Peter for his years of dedicated service. A special thank you is extended to all Board members for their hard work and dedication in governing the NSLC this past year.

On behalf of the Board, I would like to thank the Government of Nova Scotia and our Minister, Graham Steele, for their ongoing support. The NSLC gathers strength from the commitment received from our provincial government—our shareholder—and our success is a direct result of the cooperation and collaboration received. I would also like to congratulate President & CEO Bret Mitchell and his entire team for the results achieved during the 2010-2011 fiscal year.

The NSLC continues to benefit from an engaged and dedicated team responsible for the many successes this year. I confidently look forward to helping the NSLC grow and prosper in the years ahead.



Sherry Porter
Chair, NSLC Board of Directors



PRESIDENT'S MESSAGE



Canadian retailers faced many challenges in the 2010–2011 fiscal year and the NSLC was no exception. In spite of these challenges, the NSLC has successfully concluded the first year of the Five-Year Strategic Plan 2010–2015. The NSLC is laying the ground work to achieve the primary objective, to transform ‘from a place to shop to a personal experience.’ This journey has begun by ensuring that products and services are aligned with customer needs while offering vibrant shopping experiences from friendly, professional and enthusiastic employees.

The NSLC is a performance focused and sustainable business. Two key benchmarks for success are sales performance and net income. Sales for the 2010–2011 fiscal year were \$588.7 million, an increase of \$2.5 million or 0.4 per cent over the previous year. However, this total is \$11.2 million less than projected in the business plan. This shortfall is primarily the result of the sales performance in the beer category. This is a national trend and is not limited to Nova Scotia. While sales were lower than projected, strong expense management and margin improvement enabled the NSLC to deliver on its net income target thanks to the proactive decision making of the management team.

Net income for the 2010–2011 fiscal year was \$223.2 million, an increase of almost \$4 million or 1.7 per cent over the previous year which is positive based on current economic conditions. The NSLC is a responsible retailer and it is a priority to deliver on the financial commitment to stakeholders annually. For more detailed information on sales, corporate performance and the retail environment the NSLC faced in the 2010–2011 fiscal year, please refer to the Management Discussion & Analysis section of this Annual Report.

The customers’ perception of the shopping experience the NSLC provides is another important measure of success. The NSLC has a Customer Satisfaction Index that provides key metrics that identify the gaps that might exist in delivering on the customer promise. Since 2006, the NSLC has been measuring and monitoring how customers feel about 23 key factors that include store layout and checkout speed,

product alignment and availability, preferred product offering and the overall retail shopping experience. The NSLC's overall performance score is high at 86 per cent. Mystery shop research that measures compliance to operational performance metrics generated top marks with a score of 86.9 per cent. These ratings make the NSLC one of Nova Scotia's—and Canada's—top retailers. To maintain this position, the focus must remain on consistently improving and delivering customer offerings, as well as providing an increasingly more personal shopping experience.

Efficiency is another measure of success for retailers. NSLC retail stores operated very efficiently this year achieving a 97.8 per cent compliance rating in program execution and performance. Optimal inventory levels, delivery efficiencies and fill rates were exceptional this year throughout the entire NSLC network. Working cooperatively with our suppliers, the 7,686 products the NSLC offers were effectively promoted during the year and available in-store for customers.

In today's challenging retail environment, there's one thing retailers know for certain—a keen focus on the customer is critical. Providing customers with the best possible shopping experience that balances product assortment, store vibrancy, 'shopability,' employee knowledge, promotional offerings and overall store design to match customer needs is essential. The key to successful retailing is to understand and anticipate customers' needs and design a shopping experience that delivers what they want before they know they want it.

Long-term success will come from learning how best to serve customers in their responsible enjoyment of the products the NSLC sells. Customers purchase beverage alcohol to enjoy in a variety of settings and this understanding led the organization to use the 'make it a social occasion' branding. Occasions motivate purchasing decisions. Research shows that products customers buy and amounts they are prepared to spend vary significantly based on the occasion for which they are purchasing. Developing a deeper understanding of customers and occasions will lead us to a better understanding of shopping and buying behaviours. This will provide a more intimate understanding of the customer so the NSLC can continue to learn how to better serve them and tailor offerings to individual tastes and expectations. This will be the focus until the conclusion of the current strategic plan in 2015.

The 2010–2011 fiscal year presented challenges to the organization from an economic perspective but the focus on the customer continues to remain steadfast. Customers view the products the NSLC sells as enhancements to life's occasions whether it is a family milestone or the simple pleasure of relaxing on the deck with friends on the weekend. With that in mind, the theme of this annual report is focused on how the NSLC works to put the customer first and understand the many occasions they have in mind when shopping in an NSLC retail store.

NSLC employees are responsible for the success of the business this past year and a sincere thank you is extended to each and every member of the team for their dedication and enthusiasm. In the 2011–2012 fiscal year, the NSLC will continue its journey to transform from 'a place to shop to a personal experience.' The NSLC Executive Team looks forward to working together with the Board, Head Office Business Units and the Retail Team to remain a leading and sustainable retailer.



Bret Mitchell
President & CEO

KNOWING WHAT THE CUSTOMER NEEDS

The NSLC understands the key to successful retailing is to know and anticipate customers' needs and design a shopping experience that delivers exactly what the customer is seeking. The NSLC believes there is an opportunity to grow by having a more personal relationship with customers. However, this will require a greater appreciation of customer needs to provide products, services and selection that align with special occasions in their lives. Purchasing decisions are motivated by the occasion and the better the NSLC understands individual needs the better it will be able to tailor product and services to meet unique customer wishes.

When shopping at the NSLC, customers envision how the products they purchase will enhance the upcoming event in their lives. It could be a simple pleasure like sitting on their back deck or unwinding at home. Maybe it's a special celebration like a birthday or anniversary or just close friends and relatives getting together. Customers see beyond the beer, wine and spirits to the occasion, picturing the comfortable couch or a dining room filled with friends, when making a purchase in an NSLC store. Their purchase is seen as the final component to make their occasion perfect. This is what customers are looking for—a personalized shopping experience each time they visit an NSLC store with products and services offered for their unique needs. Offering a personalized shopping experience is the main goal for the NSLC moving forward.

The photographs on the following pages illustrate occasions in customers' lives both great and routine, all of which are complemented by purchases made at the NSLC.





SIMPLE PLEASURES

A cool glass of wine or a beer in a frosted mug is a perfect way to celebrate the simple things in life and relax with friends and family. Add good food, lively conversation a few laughs, sit back and enjoy!





UNWINDING

Escape the everyday at your favourite retreat with friends and family. On the weekend or on vacation, a quick stop at your local NSLC store for your drink of choice and you're on your way!









SOCIALIZING

Get ready, get set—go! Be prepared to celebrate and cheer on your favourite hockey, football or baseball team with your friends, even if they are fans of the other team!





WEEKENDER

There's nothing like your old friends and a night out on the town—a few martinis and some lively conversation—life is good! It's so much fun it should be made a weekly event!









UNWIND

There are times when the peaceful enjoyment of your own company is in order to relax and unwind in busy times. Put your feet up and enjoy a single malt in your favourite crystal glass or try a new wine from Nova Scotia. Delightful!





SAVOURING

*Good food, life-long friends and your beverage of choice!
There's no better way to spend a Saturday night at home
to unwind after a long week.*





MANAGEMENT DISCUSSION & ANALYSIS



This Management Discussion & Analysis of the NSLC Annual Report 2010-2011 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 2010-2011 and the Five-Year Strategic Plan 2010-2015 are the guiding forces behind the business choices made by the NSLC management team in the 2010-2011 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 achieved.

The 2010-2011 fiscal year represents the completion of the first year of the NSLC's Five-Year Strategic Plan 2010-2015. The strategy informs employees and stakeholders of the direction for the five-year term based on research, customer insights and evolving trends in the retail industry. It also sets a target of delivering \$1.2 billion in cumulative profit during the period, reaching \$275 million for 2014-2015. This growth, while still strong, reflects the challenges associated with a Nova Scotia population that is not growing and is aging. At the conclusion of this plan, the organization anticipates the next transformational change will be best represented by the new theme to evolve "from a place to shop to a personal experience." To make this happen the organization will have to develop an intimate understanding of customer desires and deliver a shopping experience that exceeds their expectations.

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Net Sales	371.4	376.4	391.4	412.4	437.1	451.0	486.1	504.7	530.6	559.5	579.4	581.6
Dividends to Shareholder	135.2	137.2	143.9	157.9	166.8	170.0	181.2	188.2	198.7	212.6	219.4	223.2

Financial Performance

In fiscal 2010–2011, NSLC gross sales were \$588.7 million, up from \$586.2 million achieved in the previous fiscal year. This represents an increase of \$2.5 million or 0.4 per cent. Net income increased by 1.7 per cent from \$219.4 million the previous year to \$223.2 million this year on a projected net income goal of \$223.5 million by \$0.3 million. Strong expense management and margin improvement enabled the NSLC to achieve this bottom-line performance measure.

The NSLC’s Operating Expense Ratio, including amortization and depreciation for the 2010–2011 fiscal year, was 15.5 per cent compared to 15.3 per cent reported the previous year. This was a substantial improvement over the planned level of 15.9 per cent for the fiscal year and reflects the NSLC’s work to reduce expenses as sales slowed. Following a detailed review by all Business Unit operations, savings of \$1.8 million was achieved in store operating expenses and \$1.0 million in corporate expenses.

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, and how they were promoted, as well as key operational issues.

Retail Environment

The products the NSLC sells are a discretionary purchase by customers. Like any other retailer, the NSLC must compete with all Nova Scotia retailers for its share of Nova Scotians’ disposable income.

Consumer spending was forecasted to increase in Nova Scotia in 2010–2011 at \$26.7 billion versus \$25.6 billion the previous year (Source: Nova Scotia Department of Finance). Tourists visiting Nova Scotia increased from the previous year by 1 per cent (Source: Tourism 2010 Year in Review). These factors are an improvement over 2009. The retail sector in Nova Scotia was flat recording a 0.1 per cent increase in average retail sales for the fiscal year reflecting the impact the global recession had on this region. In 2010, Nova Scotia recorded a Real Gross Domestic Product increase of 1.9 per cent (Source: Nova Scotia Department of Finance). Employment levels grew in 2010, and Halifax maintained one of the lowest unemployment rates in Canada at 6.3 per cent. (Source: Nova Scotia Department of Finance).

Sales Performance

NSLC sales are generated 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 and Private Wine & Specialty Stores.

NSLC retail sales in 2010–2011 were \$478.0 million, a 0.8 per cent increase over the previous year of \$474.0 million. NSLC wholesale sales were \$110.7 million, a decrease of 1.3 per cent when compared to the same period last year. Wholesale sales are comprised of sales to Licensees \$59.9 million (a decrease of \$3.3 million or 5.2 per cent when compared to last year); Agency Stores \$39.0 million (an increase of \$0.8 million or 2.0 per cent compared to last year); Private Wine & Specialty Store sales of \$10.8 million (an increase of \$1.4 million or 15.0 per cent); with the remaining from other wholesale sales.

NSLC sales by region are as follows:

NSLC 2010-2011	GROSS SALES % OF INCREASE	VOLUME % INCREASE
Halifax and Area	0.5%	-1.7%
Dartmouth and Area	1.4%	-0.1%
Northern and Eastern	-0.6%	-1.7%
Cape Breton	-0.5%	-2.2%
Valley and South Shore	0.8%	-0.1%

The NSLC's retail store network sales account for 81.2 per cent of the NSLC's revenue and are generated by the dedication and hard work of the Retail Team delivering on the NSLC's Customer Promise.

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 service with friendly, professional and enthusiastic employees.*

To understand and measure how the NSLC performs against this promise, the NSLC uses a number of standard retail metrics to track the performance of each store in the NSLC retail store network.

Sales Per Employee Hour (SPEH), measures the efficiency of the organization's labour cost against the actual retail sales that labour delivers. At the NSLC during 2010–2011 fiscal year, the SPEH increased by 0.4 per cent from \$388.50 to \$390.00. This represents 1.22 million hours of work with labour costs of \$22.9 million for a decrease in labour costs of \$5.9 million over last year.

Mystery shop research evaluates store adherence to operational standards, gauges customer service levels and assesses signage compliance. The mystery shop program measures:

- customer approach and acknowledgement, and sales associate disposition;
- sales associate adherence to determining the customer need and occasion for buying beverage alcohol;
- promotional execution in-store;
- the customer's experience with the sales associate, in-store appearance and cleanliness.

The average mystery shop score for all NSLC stores for the year was 86.9 per cent, which is an improvement over the previous year's score of 85.4 per cent.

The NSLC's retail store network is also measured on Key Performance Indicators with the desired individual store result exceeding Gross Operating Profit Targets. Other measurement factors include execution of NSLC merchandising and operational standards, mystery shop scores, customer satisfaction, employee engagement and community involvement. NSLC stores achieved an accuracy rate on this measure of 97.8 per cent this fiscal year, well above the compliance measurement of 95.2 per cent a year earlier.

Two key efficiency measures for any retailer is the amount of inventory carried and how often the inventory turns over. The ongoing goal of the Supply Chain is to improve the speed of all deliveries while carrying a minimal level of inventory and simultaneously meeting the needs of all customers. The NSLC's duty-paid landed-cost inventory in the Distribution Centre at year end increased by 2.2 percent from the previous year's inventory. In 2010-2011, inventory was \$16.6 million down from \$16.7 million in 2009-2010. Retail store inventory increased 8.1 per cent at year end, \$21.5 million compared to \$19.8 million in 2009-2010. Total network inventory at year end was \$38.1 million, an increase of \$1.7 million over 2009-2010. As a result of slowing sales, on-hand inventory increased in the Distribution Centre and the retail store network. Distribution Centre inventory turns for the fiscal year decreased to 12.3 compared to 13.1 the previous year. With transactions down, fill-in orders were smaller which is reflected in the decrease in inventory turns.

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 98.1 per cent. This is a higher in-stock position than most retailers and the NSLC sees the benefit of this inventory level through increased sales and customer satisfaction levels. In 2009-2010, the NSLC average in-stock position was 97.3 per cent.

This year's performance was assisted by in-store promotional campaigns in the NSLC's three main product categories—spirits, wine and beer. At year end, inventory levels were higher than anticipated in stores and transactions were below target, reflected in the retail results for the year:

	SPIRITS	WINE	BEER	RTD	TOTAL
Volume	-0.8%	2.4%	-1.7%	-1.7%	-1.2%
Dollars	-0.4%	5.8%	-1.0%	-0.8%	0.4%

Volume of product sold by the NSLC in 2010-2011 decreased to 828,423 hectolitres. This is a decrease of 10,166 hectolitres or 1.2 per cent compared to last year.

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

- 2,030 licensed establishments (bars, restaurants, lounges) operated by 1,495 licensees;
- 52 Agency Stores;
- 4 Private Wine & Specialty Stores.

Licensee sales contributed 10.2 per cent of the NSLC's overall sales; Agency Stores contributed 6.6 per cent; Private Wine & Specialty Stores (PWSS) contributed 1.8 per cent, with the remaining

0.2 per cent being other wholesale sales. Wine sales increased in Nova Scotia at both the NSLC stores and PWSS stores. Two Agency stores closed during the year and no interest was expressed in the communities to take over operations.

Business Planning Process

Annual Business Plan

The NSLC’s Annual Business Plan provides an overview of the business operations and goals of the organization for the current year. The plan is produced annually and is updated to reflect changes in retail and NSLC customer needs. Visit the NSLC’s website [myNSLC.com/Business Plans](http://myNSLC.com/BusinessPlans) to locate the most recent Annual Business Plan. These detailed annual goals help the organization achieve the long-term objectives outlined in the Five-Year Strategic Plan 2010–2015.

Strategic Plan

The NSLC’s Five-Year Strategic Plan 2010–2015 outlines the NSLC’s continued journey and informs its employees, stakeholders and its shareholder of its strategic development and direction. The plan captures lessons learned, customer insights and evolving trends in the NSLC’s business environment and communities going forward.

The NSLC organizes its business planning around five strategic pillars. These pillars guide the organization to deliver on the strategic theme of transforming ‘from a place to shop to a personal experience.’ With each of the five pillars, the NSLC sets out the five-year goals and strategies to define the specific direction the organization will take over the coming years. These pillars are: Stewardship, Customer, Reputation, People and Financial.

See [myNSLC.com-Business Plans](http://myNSLC.com-BusinessPlans) to locate the Five-Year Strategic Plan 2010–2015.

Customer Satisfaction

Financial and operational metrics are important in understanding the evolution of the business. However, as a retail business, a key measure of success is the customers’ perspective on how a retailer does in delivering on the shopping experience. For this reason, the NSLC monitors its customer satisfaction through three principal vehicles:

- Customer Satisfaction Index (CSI) which uses 23 attributes identified by customers as important to them;
- Benchmarks performance against other retailers in the province;
- Brand Health.

The NSLC surveys 100 customers a month in determining its CSI. When specifically asked how customers rate their satisfaction with the NSLC store they shop at most often, 86 per cent of customers gave the NSLC a rating of eight, nine or ten (on a scale of 0–10). This is up from 84 per cent five years earlier. More importantly, 47 per cent of customers rated their satisfaction with their NSLC store a perfect 10 out of 10.

In the retail benchmark study NSLC continues to rank as one of the top five retailers in the province in delivering an exceptional shopping experience. Since 2006, the NSLC has conducted an annual survey of Nova Scotians to examine their views of the NSLC as a retailer compared to the shopping experience provided to them by other retailers in the province. Successive waves of this study

have consistently demonstrated that the NSLC is ranked among a small number of retailers that routinely provide an excellent shopping experience. This year's results were no different, giving the NSLC a shopping experience rating that ties it for second place overall in the province.

In 2010, the NSLC conducted a research study to assess its Brand Health and corporate reputation among customers and non-customers. The study provided a benchmark against other retailers in Nova Scotia as well as a benchmark against other liquor jurisdictions. The NSLC measures its Brand Health on both customer attributes and civic attributes; this year's score was 76.2 out of 100.

Store of the Year Award

Operational metrics, combined with mystery shop results, enables the NSLC to measure the performance of each store. These metrics are not only used to improve store performance, but also to recognize retailing excellence within the organization. Stores were measured on Key Performance Indicators with the desired result of exceeding gross operating profit targets or sales versus labour costs. Other important metrics included flawless execution of merchandising and operational standards, CSI scores, employee engagement and community involvement.

Bronze, Silver and Gold Performance Awards are distributed annually based on a thorough evaluation of these metrics. Employees of these stores are recognized and celebrated within the organization.

The coveted Store of the Year Award is selected from the Gold Performance Award Winners for the ultimate prize. The NSLC's Fall River store was named Store of the Year 2011 for excelling in all the performance measurement factors.



Fall River Team celebrating their award as Store of the Year 2011. Pictured are (l-r) Joy Tillman, Renee Joyce, Tammy Isenor, Christopher Dawson, Shelley Rogers, Julia Wall, Michelle Hilchie-Sinclair, Wade Marchand and Lori Gabeau.

The Gold Performance Award Winners for 2011 were:

- Region 1 – Chester
- Region 2 – Fall River
- Region 3 – West New Glasgow
- Region 4 – Dominion
- Region 5 – Bridgewater Mall

The Silver Performance Award Winners for 2011 were:

- Region 1 – Queen Street, Halifax
- Region 2 – Stewiacke
- Region 3 – Parrsboro
- Region 4 – George Street, Sydney
- Region 5 – Calendonia

The Bronze Performance Award Winners for 2011 were:

- Region 1 – Bayers Lake
- Region 2 – Mill Cove
- Region 3 – Amherst
- Region 4 – Sydney Mines
- Region 5 – Weymouth

Supply Chain

The backbone of a sustainable 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 and manages the flow from the manufacturer to the store shelves.

The NSLC Supply Chain Team is focused on improving metrics every year including improved delivery time, optimal inventory levels, inventory turns and fill-rates. The fill-rate accuracy metric for wholesale customers was 99.3 per cent and for the retail network the Supply Chain Team produced an exceptional rate of 98 per cent. The goal for both was 98 per cent. Combined inventory turns for the fiscal year were 12.3 on a goal of 12.8. This is due to less than anticipated sales performance.

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 Distribution Centre shipped 5.4 million cases of product. This is an increase of 51.4 per cent up from 2.8 million five years ago. In the past fiscal year alone the improvement has been 150,000 cases or 2.8 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 7686 SKUs (stock keeping units) through its retail and wholesale channels. The five-year change by category is listed below.

CATEGORY	2007	2008	2009	2010	2011
Beer Products	572	515	518	483	589
Ready-To-Drink	230	167	159	168	165
Spirit Products	1198	1069	1018	1017	1133
Wine Products	4456	3596	4352	4923	5799
Total	6456	5347	6047	6591	7686

Customer demand drove an increased beer selection by more than 100 products compared to a year earlier. In the spirit category, 116 new products reflect a growing customer desire for flavoured spirits, spiced rum and premium vodkas. In the wine category, 876 new products were introduced this year as Nova Scotians wine consumption grew to 70 per cent of national per capita consumption from 66 per cent the previous year. More premium and vintage wine from around the globe and Nova Scotia wines were introduced to reflect the growing demand for different varietals. Ready-To-Drink product selection remained consistent the last four years following peak selection levels and sales in 2006–2007.

Per Capita Consumption (litres, legal drinking age)

	2003	2004	2005	2006	2007	2008
SPIRITS (EXCLUDES READY-TO-DRINK)						
Canada	5.5	5.58	5.56	5.72	5.82	5.88
Nova Scotia	6.85	7.01	7.11	7.07	6.92	6.97
READY-TO-DRINK						
Canada	3.19	3.15	3.09	2.98	2.97	3
Nova Scotia	3.11	3.53	3.45	3.69	4.05	4.3
WINE						
Canada	12.57	12.99	13.23	13.72	14.57	15.06
Nova Scotia	8.16	8.43	8.93	9.37	9.73	10.43
BEER						
Canada	90.06	90.58	89.61	90.48	90.51	91.23
Nova Scotia	84.34	86.52	84.23	86.28	86.68	87.42
TOTAL						
Canada	111.32	112.3	111.49	112.9	113.87	115.17
Nova Scotia	102.46	105.49	103.72	106.41	107.38	109.12

Source: Brewers Association of Canada 2008 Annual Statistical Bulletin, pg 35.

Wine

Wine continues to drive overall sales performance with growth in both sales and volume. Wine sales grew at retail by 5.9 per cent and by volume by 2.9 per cent. Wholesale sales of wine grew by 5.6 per cent and wholesale volumes experienced a decrease over the previous year of 0.4 per cent.

The introduction of new wines to Nova Scotia, along with premium and vintage selections, has supported the growing interest of NSLC customers in the wine and food culture. The continued growth of the local wine industry has increased awareness and customer demand. In addition, lifestyle changes within a declining and aging Nova Scotia population base contribute to the

growth potential in the wine category. In some cases, aging customers have moved away from traditional purchases in the spirit and beer categories and are enjoying wine more often. Nova Scotia consumption of wine is approximately two thirds of the national average.

NSLC promotional programs throughout the year targeted sales growth. The programs also offered a better selection of premium wines from wine regions around the world. The wine category represents 19.6 per cent of sales, 10 per cent of volume and 21.5 per cent of profit. Wine sales increased during the first quarter by 13.9 percent and by 3.8 per cent in the second quarter. During this period four litre boxed wine was featured and Argentina’s varietals were heavily promoted. There was a rebound to wine sales in the third quarter increasing 7.1 per cent as strong in-store promotions continued. Wine sales in the fourth quarter were down 4.3 per cent resulting in annual growth in this category of 5.8 per cent.

Beer

The beer category represents 48.6 per cent of NSLC sales; 79 per cent of the volume of product sold and 42.6 per cent of profit. Beer sales experienced growth in the first quarter of 10.6 per cent. This was driven by exceptionally warm weather, the NHL playoffs and several strong in-store promotions. However, beer sales declined during the second quarter by 3.2 per cent. This decline continued in the third quarter when beer posted a sales decrease of 1.1 per cent. This trend continued in the fourth quarter with a sales decline of 11.8 per cent. The result was a 12 month decline in beer sales of 1 per cent. A similar trend has occurred in this category in almost every other province in Canada this year and is the first such decline since fiscal 1995-1996.

Domestic beer sales experienced a decline of 1.1 per cent when compared to the previous fiscal year. Imported beer sales were flat in 2010-2011 when compared to previous year sales of \$27.8 million, ending a five-year growth period. Nova Scotian craft beer experienced consistent growth during the year of \$4.1 million in sales, a 28.8 per cent growth in 2010-2011.

Spirits

The spirits category represents almost 27.5 per cent of sales while accounting for 6.2 per cent of volume and 32 per cent of profit. First quarter results for spirits posted an increase in net sales of 8.7 per cent due to the extra selling days in the quarter. Second quarter results for this category posted a 1.9 per cent decrease in sales followed by growth of 0.9 per cent in the third quarter. For the fourth quarter spirit sales declined by 8.8 per cent. Overall the annualized sales result of the spirit category was a decline of 0.4 per cent. Flavoured spirits, spiced rum and premium vodka sales continue to be popular selections in the spirit category.

Ready-To-Drink

The ready-to-drink category makes up 4.2 per cent of NSLC sales and volume. The decline of annual sales of 0.8 per cent is also a first for a category that has seen consistent growth over the last decade. This category posted 15.7 per cent growth in the first quarter due to warm weather, six extra selling days and generated 1 per cent growth in the second quarter. The decline resumed in the third and fourth quarters of the year.

New!



GRAY FOX VINEYARDS
California

Chardonnay \$9.99

Citrus, ripe apple and hints of spice on the nose re-emerge as flavours on the palate, with fresh clean acidity on the finish. Pleasant, easy to drink California style.

★★★★
Exceptional value
- Sean Wood
The Chronicle Herald, March 2010



New!



GRAY FOX VINEYARDS
California

Cabernet Sauvignon \$9.99

Lightly scented black currant berry and green herbal overtones with slightly more assertive blackberry flavours on the palate. A bit of tannic bite and milk chocolate smoothness on the finish, together with the moderate weight and alcohol, make this an agreeable everyday table wine.

★★★★
Exceptional value
- Sean Wood
The Chronicle Herald, March 2010




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Promotional Highlights

The key to driving sales and customer interest in each category is balancing a combination of new promotions each period with the introduction of new products. This complements the traditional main 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

Argentina's Familia Zuccardi Fuzion wine was launched in April 2010 and was supported by a successful in-store and external marketing program. This wine has proved to be very popular in other markets and there was a growing customer demand for this product in Nova Scotia. Fuzion accounted for 31 per cent of volume growth in wine during the first quarter of the year and sold 2,500 cases during this time. Other innovative wine promotions on products such as French Cross and Sawmill Creek four litre package sizes also contributed to the growth in this category.

The wine category continued to show growth during the second quarter. Leading this growth was Nova Scotia's Jost Valley Roads L'Acadie Muscat and Leon Millot at \$9.99 and French Cross four litre. Other innovative wine promotions on products such as Mendoza Station and Copper Moon also contributed to the growth in this category during this time.

Beaujolais Nouveau was released in the third quarter on November 18th to select NSLC stores. Beaujolais Nouveau is a very young and unique wine produced in France and released in limited quantities once a year. Within the first two weeks of its release, 96 per cent of Beaujolais Nouveau inventory was sold out in Nova Scotia. During the Two Week Sale in November, French Cross varietal wines were on promotion and included a \$5 savings. During the key third quarter, December period wine sales increased as a result of strong customer response to promotions, including a

one-time offer on E&J Gallo’s Apothic Red; and \$2 off Moselland Riesling, which was the NSLC’s top selling wine item in December. The wine category had a strong quarter after rebounding from a slow summer, with a sales increase of 6.7 per cent in December when compared to the same time last year.

During the final three months of 2010–2011, Wolf Blass Red Label was promoted with a \$3 savings and proved to be the best wine promotion of the year with sales double that of an earlier \$2 off promotion.

The NSLC continued its successful One-Time-Only (OTO) program in the wine category. This initiative introduced 15 to 30 new wine products each month, which are not routinely available on the shelf and only available for a limited time. The Italian Montalto Nero d’Avola Cabernet Sauvignon and Pinot Grigio 1.5 litre at \$16.99 sold more than 3,000 cases, up 33 per cent from last year, making it the most successful OTO in 2010–2011. Wine sales in the fourth quarter were down 4.3 per cent resulting in annual growth for this category of 5.8 per cent.

The NSLC’s premium and vintage wine offerings were integrated into Bayers Lake, Portland Street and Mill Cove in 2010–2011. This integration added 420 new products to these stores. All 106 NSLC retail stores had 10 new products listed at \$9.50 to \$9.99. Customers enjoyed this great wine value and the NSLC received greater profit on each product sold. Also, the NSLC generated additional wine sales of \$505,000 at the 2010 Port of Wines Festival.



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Beer Promotions

Limited Time Offers (LTOs) on Keith’s and Budweiser products contributed to the high volume and sales performance in the beer category for the first quarter. Labatt offered Keith’s 341ml bottles in an 18-pack at a special price and during the month of April they donated \$1 of every 18-pack sold to the NSLC’s Adopt-A-Stream program. Budweiser also offered its 355ml cans in a 15-pack promotional format at a special price during the months of May and June. Molson launched Molson M in April to the Nova Scotia market. This is the world’s only micro-carbonated lager and was a gold medal winner at the 2010 Canadian Brewing Awards.

Beer promotions during the second quarter were led by LTO 15- and 18-packs on brands such as Keith’s, Coors Light, Molson Canadian, Budweiser and Bud Light.

In the third quarter, performance in the beer category was driven by in-store promotions that focused mainly on 24-pack offers on brands such as Bud Light Lager, Keith’s India Pale Ale, Molson Canadian and Coors Light. Through these promotions, NSLC customers were offered exceptional value in the form of Olympic tie-ins, contest sweepstakes and discount offers such as \$4 off Bud Light Lager and Keith’s India Pale Ale.

Other beer highlights for the year included the Budweiser Super Bowl experience where customers had an opportunity to win a Nova Scotia only Super Bowl package. Molson Coors Canada also created a Nova Scotia only package for the Coors Light Silver Bullet Express where winners won a tour through the Canadian Rocky Mountains.

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Spirit Promotions

The spirit category grew in the first quarter of 2010-2011. This growth can be attributed to successful promotions and strong sales in vodka and flavoured rums. Limited Time Offers (LTOs) on Smirnoff vodka, with \$2.50 off 1140ml in May and \$1.50 on 750ml in June contributed to higher sales. Spiced rums generated higher sales in early 2010-2011 thanks to displays and special offers on three major brands; Captain Morgan, Sailor Jerry and Lambs Black Sheep. Spirit sales for the first quarter increased 8.9 per cent over the previous year.

Vodka sales were strong during the second quarter of 2010-2011. Sales were driven by promotions on Smirnoff and displays of Absolut, Iceberg and Russian Standard vodkas, all with LTOs. Although white rum sales declined, sales in flavoured rum increased compared to the same period a year earlier. Spirit sales for the second quarter increased by 3.1 per cent and volume was up by 2.3 per cent.

Spirits experienced a small growth of almost 1 per cent in the third quarter. Sales in vodka, spiced and flavoured rums continued to increase, while the overall volume of product sold was relatively flat during this time when compared to last year. In-store promotions in the spirit category were focused on 1140ml size in December for holiday entertaining, with great savings on bestsellers. Spirit sales for the third quarter showed an increase of 0.8 per cent, with volume also up 0.2 per cent over 2009-2010.

In the fourth quarter, spirits sales and volume decreased as well when compared to the same time last year. Vodka sales increased by 3.4 per cent, spiced rum by 20 per cent, whisky by 3 per cent and tequila by 20 per cent finishing the year with strong performance. New spiced rums, amber rums and tequilas were introduced in stores in early January and helped increase sales. Emphasis during the fourth quarter was on savings on the 1140ml spirits and a One Week Sale in late March offering discounts on popular spirit brands.

Holiday Promotions

December is a critical time of year for the NSLC representing approximately 12 per cent of the annual sales. December sales increased 1.7 per cent when compared to the same period a year earlier. These results were driven by increases in the wine and spirit categories. The NSLC featured a two-week sale in November and a four-day sale the week before Christmas. Both sales were supported by a festive print and in-store advertising campaign.

NSLC holiday gift packs were popular items and enjoyed an 86 per cent sell-through during December. This is an improvement over the 81 per cent gift pack sell-through achieved during the 2009 holiday season.

Gift card sales are the highest during the holiday season and sales for the year were \$3.2 million, an increase of \$301,000 or 10.3 per cent over 2009-2010.

ECO Sale Promotion

The NSLC held its second annual ECO Sale in April, where NSLC customers and suppliers give back to their community and help the environment. The ECO Sale promotion offered customer's special discounts on select products and for every select product sold participating suppliers made a donation to the NSLC Adopt-A-Stream program.

Key suppliers such as Labatt, Bacardi and Molson participated in the ECO Sale. In total, 46 products were on promotion raising more than \$135,000, to fund the NSLC Adopt-A-Stream program and help community groups across Nova Scotia protect and restore their local watersheds.

Nova Scotia Industry Overview

Since receiving a new commercial mandate in 2001, the NSLC has greatly increased its support for the development of the local beverage alcohol industry. It has carried out this mandate by changing policies, working cooperatively with the industry on business initiatives and finding new ways to allow these businesses to achieve success.

Nova Scotia Wine Industry

There are currently 18 farm or small farm wineries (formerly known as cottage wineries) in the province. These local businesses are approved to sell their product both through a “farm gate” store at their site and at farmers markets throughout the province. The local winery sector has proven to be extremely vibrant in recent years with the opening of a number of new wineries and promising results both in terms of sales growth and winning national and international awards for the quality of their products. The NSLC maintains a close working relationship with the Winery Association of Nova Scotia and the Nova Scotia Department of Agriculture; both have a keen interest in seeing this sector prosper.

Nova Scotian wine sales were 5.7 per cent of the total wine sales for 2010–2011, at \$6.6 million. Of the wines from Nova Scotia sold in 2010–2011 40.4 per cent or \$2.7 million had the Wines of Nova Scotia designation signifying that 85 per cent of the fruit was produced in Nova Scotia. Nova Scotia wines sales in the 2010–2011 fiscal year outperformed the total wine category by 0.5 per cent. New wineries are opening in Nova Scotia and existing wineries are developing and are now able to produce more product. Customers are becoming increasingly interested in the unique varietals local wineries have to offer.

Nova Scotia Beer Industry

Local breweries consist of commercial brewers such as Olands/Labatts and Sleeman Maritimes Limited along with a number of micro breweries and brewpubs. The craft brewing sector of the market continues to show consistent growth and new operators continue to enter the industry.

The NSLC is working with the craft brewing sector to develop strategies that will assist the industry in long term growth. Microbreweries are craft breweries producing under 15,000 hectolitres of beer per year. They sell their product in both packaged and keg formats to retailers such as the NSLC, in addition to their own manufacturer’s retail stores. Brewpubs produce less than 2,000 hectolitres of product per year and sell their product only for consumption at the licensed premise where it is produced, along with other licensed premises operated by the brewpub owner. Currently, brewpubs do not sell product to consumers for consumption at venues other than at the licensed premises. All policies are being reviewed with craft brewers in order to develop a more robust growth strategy for the industry. Craft beer in 2010–2011 contributed \$4.1 million in sales, which is a growth over the previous year of 28.8 percent. Craft beer accounts for 1.4 percent of beer sales in Nova Scotia.

Nova Scotia Producers

Over the years, the NSLC has supported the development of the local beverage alcohol industry. This has involved maintaining a balance between measures to support local industry and respecting the various national and international trade agreements to which Nova Scotia is subject. In Nova Scotia the following companies are involved in beverage alcohol production:

Brew Pub A small capacity manufacturing facility where the primary business function is the sale and service of liquor for on premise consumption.

- Halifax Hops Ltd. (Rogue's Roost), Halifax
- Paddy's Pub & Rosie's Restaurant, Kentville
- Rock Bottom Brewery, Halifax
- Hart & Thistle, Halifax

Micro Brewery A small free-standing brewery which produces less than 15,000 hectolitres of beer per year.

- Rudder's Seafood Restaurant & Brewery, Yarmouth
- Garrison Brewing Company, Halifax
- The Granite Brewery Limited, Halifax
- Propeller Brewing Company, Halifax
- Sea Level Brewing Company, Canning
- Alexander Keith's Nova Scotia Brewery, Halifax
- Hell Bay Brewing, Cherry Hill, Lunenburg County

Farm Winery A winery in Nova Scotia which makes wine from grapes, and/or which makes wine from other Nova Scotia agricultural produce.

- Ste.-Famille Wines Ltd., Falmouth
- Grand Pré Wines Ltd., Grand Pré
- Jost Vineyards, Malagash
- Gaspereau Vineyards, Wolfville
- Blomidon Estate Winery, Canning
- Petite Riviere Winery, Petite Riviere
- Benjamin Bridge Vineyards, Wolfville
- Muir Murray Estate Winery Ltd., Avonport
- Annapolis Highland Vineyards, Bear River
- Rivers of Avondale Vineyard, Newport

Small Farm Winery A winery in Nova Scotia located on the principal farm premises which makes wine from non-grape products indigenous to the Province of Nova Scotia, including apples, blueberries, cherries, currants, elderberries, lingonberries, pears, raspberries, strawberries and honey.

- Tideview Vintage Cider, Canard
- Williamsdale Winery, Williamsdale
- Lunenburg County Winery, Newburne
- Broadview Farms, Wolfville
- Bear River Vineyards, Bear River
- Winter Winery, Scotchlake
- L'Acadie Vineyards, Wolfville
- Beaver Creek Winery, Lawrencetown

Distillery A manufacturing plant, located in Nova Scotia, to which a license has been issued by the Government of Canada and to which a permit has been issued by the NSLC and where liquor, other than beer or wine, is manufactured or blended and bottled for sale to the Corporation or for export.

- Coast Beverages Inc., Antigonish
- Glenora Distillers International Ltd., Glenville
- Tangled Garden, Grand Pré
- Jost Vineyards, Malagash
- Iron Works Distillery, Lunenburg

Commercial Brewery A manufacturer of beer, where the primary business function is to sell packaged product to the NSLC and then to the general public through NSLC liquor stores or for export, and which manufactures 15,000 hectolitres or more of beer per year.

- Oland Brewery Ltd., Halifax
- Sleeman Brewery, Dartmouth

Commercial Winery A manufacturing plant, located in Nova Scotia, to which a permit has been issued by the Corporation and where wine is manufactured or blended and bottled for sale to the Corporation or for export but does not include a farm winery.

- The Cider House Company, Berwick
- Andrew Peller, Truro

Corporate Responsibility

At the NSLC, positive change is continuously taking place with the goal to make Nova Scotia an even better place to live. It began two years ago, with the NSLC reviewing all of its common business practices and then looking to find ways to improve. This meant integrating economic, social, community and environmental priorities into everyday routine and making a commitment to put these values into action.

NSLC Adopt-A-Stream

The NSLC, using the proceeds of its annual ECO SALE, has made a five-year, \$500,000 commitment to the NSLC Adopt-A-Stream program. Preserving our local wetlands, lakes, streams, rivers and estuaries, the NSLC Adopt-A-Stream program helps community groups across Nova Scotia protect and restore their local watersheds. The program receives a minimum of \$100,000 in annual funding from the partnership with suppliers along with in-store promotion in all NSLC stores. The NSLC presented the second installment of this funding on March 31, 2011.

The Nova Scotia Salmon Association continues to oversee and operate the NSLC Adopt-A-Stream and working with community groups throughout Nova Scotia restored 30 kilometres of fish passage, 147,000 m2 of stream habitat and planted 23,245 trees along shorelines.



Bret Mitchell, NSLC President & CEO presenting cheque for \$100,000 to Carl Purcell, President Nova Scotia Salmon Association.

Celebrate Nova Scotia Talent Program

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 our unique 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–Celebrate Nova Scotia Talent Program.

The NSLC’s goal is to help cultivate the talent here at home by supporting community music festivals and other musical events that contribute to the rhythm of communities. The NSLC was proud to sponsor the following events in 2010:

Stan Rogers Folk Festival	Canso	July 2-4
Pugwash HarbourFest	Pugwash	July 23-25
Natal Day Festival	Halifax	July 29-August 2
Lunenburg Folk Harbour Festival	Lunenburg	August 5-8
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
Festival acadien de Clare	Clare	July 29-August 15
Celtic Colours	Cape Breton	October 8-18
Nova Scotia Music Week Festival & Conference	Yarmouth	November 4-7

Plant a Tree with the NSLC

Based on the success and popularity of last year’s celebration of Earth Day, the NSLC distributed 15,000 spruce seedlings to be planted by NSLC employees and customers. Many communities throughout the province will enjoy the long term benefits these trees will provide such as preventing erosion, producing oxygen and removing toxins from the soil.

Corporate Sustainability Report

The NSLC released its first Corporate Sustainability Report in January 2011. The report discloses the NSLC's leadership role in integrating economic, environmental, community and social priorities into daily business practice. A complete copy of the report can be viewed at myNSLC.com.

Social Responsibility

Social responsibility is a cornerstone of the NSLC's mandate. The NSLC exists, from a public policy perspective, to prevent the sale of beverage alcohol to minors and to limit the harmful impacts of irresponsible behaviour relating to the misuse of beverage alcohol. The NSLC endeavours to strike the balance between fulfilling its social mandate and giving Nova Scotians a great experience when shopping for the beverages that enhance their social occasions.

This means promoting responsible drinking and keeping beverage alcohol out of the wrong hands. Responsible retailing starts with employees diligently checking customers for valid identification. 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. With internal age verification programs such as WE ID, external advocacy campaigns dealing with the dangers of drinking and driving and underage drinking, the NSLC is always searching for new and innovative ways to deliver these serious messages.

WE ID

The WE ID program renews the NSLC's focus to deliver on its social responsibility mandate. It is difficult to judge a customer's exact age and each day, the NSLC's employees must face this challenging task. It is a core responsibility of every NSLC employee to enforce the laws of the Province of Nova Scotia and to take every measure to ensure that beverage alcohol is not accessed by minors.

Anyone purchasing beverage alcohol within the province of Nova Scotia must be able to prove they are of legal age at time of purchase. The NSLC created the WE ID program to provide a guideline and tool for NSLC employee use. A customer must be able to prove they are of legal drinking age with every attempted purchase of beverage alcohol. Therefore, if the customer appears to be under 30 years of age, the NSLC employee must request ID with each purchase attempt.

The NSLC's successful implementation of the WE ID program, the adoption and acceptance of the new policies by NSLC employees and the compliance results all indicate that this program has been an effective strategy to help ensure minors do not purchase alcohol in NSLC stores.

Common Sense

At the NSLC, discouraging drinking and driving is a year-round commitment that becomes even more important during the holiday season. The 2010 Common Sense campaign delivered an unexpected, humorous and positive message of how easy it is to not drink and drive just by using common sense.

Using television as the main communication vehicle and supported with point of sale print advertising, online tactics and social media; the Common Sense campaign leveraged the familiar power of infomercials to "sell" the target audience something that helps them get rid of their drunk driving excuses and get home safely. The key difference between a traditional infomercial and the NSLC's campaign is that something was "sold" that the target audience already has—the ability to use their common sense to not make drinking and driving excuses.

New Orientation Week Campaign – Feel Young

The NSLC launched a new campaign, Feel Young, aimed at preventing underage consumption and anti-binge drinking activities. The Feel Young campaign took place during the 2010 University Orientation Week (September 5–11) in New Minas, Wolfville and Antigonish. These communities that surround Acadia and St. Francis Xavier University are the shopping areas for their student populations. Every customer was made to feel young again by being asked—regardless of age—to produce ID when making a purchase.

The NSLC joined efforts with local licensee business partners throughout the communities, who also agreed to participate in the Feel Young campaign and asked customers to present ID during this time period. The humorous campaign with the serious message underscores that underage and binge drinking were never to be tolerated.

Safe Boating Campaign

The NSLC partnered with the Lifesaving Society of Nova Scotia in June to promote the important message of Safe Boating. Posters were featured throughout the NSLC retail store network, showing a boat driving down a highway encouraging customers to “think about it”.

Store Development

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

- Flagship
- Signature
- Community
- Neighbourhood

The NSLC continues to make improvements to the store network to better serve its customers. Renovations were completed at the NSLC store in Bayers Lake and included a new and improved store design and the addition of a new Port of Wines section in the centre of the store. This renovation added almost 300 new products to the store giving customers access to the NSLC’s full product assortment. Renovations were also completed at the NSLC store in Mill Cove and include an additional 785 square feet of warehouse space, and an improved Port of Wines section. This renovation added 400 additional products to the stores offering. The NSLC stores on Portland Street in Dartmouth and Port of Wines Store in downtown Halifax received an improved interior design package. Renovations were completed at the NSLC store in Wolfville and included a 1,025 square foot expansion of retail space, a new reach-in cooler and improved in store design.

The NSLC’s Wine Basket in Clayton Park was renovated and now includes an additional 346 square feet, a new chilled Beers of the World section and improved in store design. Renovations were also completed at the NSLC Amherst, Bridgewater Mall and Pictou stores. Many of the materials used during these renovations were recycled from other stores as those stores were updated earlier in the year. This is an important part of the organization’s ongoing environmental sustainability efforts.

Awards

In 2010–2011, the NSLC received two awards for excellence in business communication from the Canadian Public Relations Society. The NSLC won a Silver Award in the Multi-Media Projects Category for the 2009 social responsibility campaign Plight of the Reaper, and a Bronze Award

in the Print Projects Category for the 2008–2009 annual report titled, Faces of the Nova Scotia Liquor Corporation. The NSLC was also a recipient of the International Association of Business Communicators (IABC) prestigious Gold Quill Award for Excellence in Business Communication for that Annual Report. A Canadian IABC Silver Leaf Award was also presented to the NSLC for the 2009–2010 annual report.

The NSLC was ranked 10th in the annual Progress Magazine’s Top 101 Companies in Atlantic Canada, that assesses and ranks the region’s top performers based on a number of performance indicators such as sales revenue, assets, employees and annual growth rate.

Bret Mitchell, NSLC President & CEO, was named one of Atlantic Business Magazine’s Top 50 CEOs 2010 for the second year in a row.

Risk Factors

Risk of unforeseen factors restricting the ability to achieve objectives and goals set out in the Five-Year Strategic Plan 2010–2011 and Annual Business Plan 2011–2012 can affect 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.

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 79.2 per cent of volume of product sold) can be disproportionately weakened.

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 is an SAP enabled business. 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 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 alter 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. 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.

The risk assessment initiative conducted in 2008-2009 by the NSLC identified and prioritized risks, which in turn require of the NSLC to adopt mitigation strategies overall and 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 Units were asked to review the top eight risks identified and incorporate mitigation plans in their annual business unit plans for 2009-2010. The Vice President, Finance is the executive lead of this ongoing process.

Future Accounting Pronouncements International Financial Reporting Standards (IFRS)

In February of 2008, the Canadian Accounting Standards Board (CASB) confirmed that International Financial Reporting Standards (IFRS) 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) 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.

In preparation for the conversion to IFRS, the NSLC formally engaged third party advisors to aid in the transition and has internal resources involved in the planning and implementation of IFRS. To date, the Corporation has completed the high-level diagnostic assessment of the differences between GAAP and IFRS, conducted a 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 work done to date, the greatest areas of impact to the corporation is IFRS related to property, plant and equipment, employee benefits related to recognition of unamortized actuarial gains/losses, presentation of financial statements and the additional volume of note disclosure required under all IFRS standards.

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

Sales by Stores - Region 1

Halifax and Area

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

REGION 1	SPIRITS	WINE	BEER	RTD	OTHER	TOTAL
Store 2104-Agricola Street	1,730,348	1,536,468	3,046,776	199,714	1,754	6,515,060
Store 2106-Barrington Street	2,088,411	2,562,570	2,720,848	242,094	4,246	7,618,169
Store 2108-Bayers Lake	3,746,365	4,762,964	5,149,497	542,087	9,844	14,210,757
Store 2110-Joseph Howe Drive	2,855,492	3,468,394	4,998,296	418,700	2,696	11,743,578
Store 2115-Chester	1,329,678	1,055,420	1,777,841	153,502	734	4,317,176
Store 2120-Clyde Street	1,448,671	1,295,370	2,010,721	177,425	2,411	4,934,598
Store 2123-Queen Street	1,005,645	1,050,192	1,298,850	108,718	1,700	3,465,104
Store 2125-Hubbards	631,180	477,827	953,592	78,919	278	2,141,796
Store 2145-Halifax Shopping Centre	1,062,331	903,510	774,331	155,447	2,625	2,898,244
Store 2150-West End	1,793,120	1,973,432	2,699,793	245,687	1,720	6,713,752
Store 2154-Young Street	2,212,057	2,074,795	3,954,819	271,279	1,972	8,514,922
Store 2160-Port of Wines	229,285	3,037,571	12,995	2,776	3,075	3,285,702
Store 2165-Quinpool Centre	2,147,605	2,668,353	3,308,830	256,812	3,132	8,384,732
Store 2170-Kearney Lake	1,962,188	1,779,002	3,211,815	283,767	1,529	7,238,300
Store 2180-Scotia Square	680,061	626,318	610,023	88,841	2,929	2,008,172
Store 2185-Spryfield	2,668,442	1,863,564	5,387,635	445,505	1,442	10,366,587
Store 2195-Tantallon	2,875,106	3,109,837	4,752,927	432,837	1,845	11,172,552
Store 2565-Lunenburg	1,646,422	1,179,087	2,106,372	190,834	1,347	5,124,062
Store 2570-Mahone Bay	937,992	672,687	1,368,480	109,850	707	3,089,715
Store 2099-Halifax Licensee	15,774,159	16,310,749	43,967,111	2,445,476	2,860	78,500,354
TOTAL SALES FOR REGION 1	48,824,559	52,408,110	94,111,551	6,850,270	48,845	202,243,335

Sales by Stores - Region 2

Dartmouth and Area

REGION 2	SPIRITS	WINE	BEER	RTD	OTHER	TOTAL
Store 2130-Hansport	399,609	157,490	831,292	56,893	165	1,445,449
Store 2176-Downsview Plaza	3,193,222	1,646,828	6,068,163	580,212	1,627	11,490,052
Store 2178-Lower Sackville	1,858,338	1,013,265	3,274,514	276,420	694	6,423,232
Store 2193-Mill Cove	1,969,465	2,570,282	2,862,590	271,105	1,685	7,675,127
Store 2196-Windsor	2,182,151	1,095,375	3,620,349	359,155	1,000	7,258,030
Store 2202-Bedford Place	1,773,753	2,076,436	2,602,422	261,994	1,074	6,715,679
Store 2209-Bridge Plaza	3,169,030	1,773,669	5,976,635	433,639	3,179	11,356,153
Store 2219-Tacoma Drive	4,303,082	3,913,548	6,778,939	643,124	2,862	15,641,555
Store 2220-Mic Mac Mall	1,896,873	1,615,424	2,165,336	274,606	3,425	5,955,664
Store 2222-Kennetcook	315,748	51,712	722,318	47,744	100	1,137,623
Store 2223-Elmsdale	2,832,056	1,510,870	5,516,518	561,905	1,908	10,423,257
Store 2225-Fall River	1,732,594	1,673,973	2,795,791	261,788	939	6,465,085
Store 2226 - Portland Street	2,782,313	3,007,391	4,337,175	430,777	2,524	10,560,180
Store 2227-Forest Hills	3,674,632	2,349,635	5,596,978	512,849	967	12,135,061
Store 2270-Porters Lake	1,789,219	1,000,377	3,316,451	295,899	768	6,402,714
Store 2280-Sheet Harbour	468,883	142,142	851,849	66,380	225	1,529,478
Store 2285-Stewiacke	859,632	240,900	2,010,720	193,362	247	3,304,861
Store 2286-Middldle Musquodoboit	376,046	80,191	581,222	42,821	126	1,080,406
Store 2290-Eastern Passage	1,106,065	521,556	2,655,120	198,215	513	4,481,470
Store 2297-Head of Jeddore	704,555	291,711	1,099,654	99,462	305	2,195,688
TOTAL FOR REGION 2	37,387,268	26,732,774	63,664,037	5,868,352	24,333	133,676,765

Sales by Stores - Region 3

Eastern and Northern

REGION 3	SPIRITS	WINE	BEER	RTD	OTHER	TOTAL
Store 2301-Amherst	776,517	335,539	2,098,732	168,195	425	3,379,408
Store 2302-Amherst Mall	1,632,805	1,078,666	3,114,615	391,506	1,605	6,219,197
Store 2303-Antigonish	4,121,005	2,458,194	5,937,961	599,710	3,484	13,120,354
Store 2310-Bible Hill	987,979	366,924	1,820,707	129,146	421	3,305,177
Store 2312-Canso	440,503	61,655	764,798	63,793	220	1,330,968
Store 2317-Guysborough	424,109	153,554	625,735	34,083	109	1,237,590
Store 2322-Joggins	79,915	15,666	283,065	15,427	44	394,117
Store 2338-Oxford	329,236	95,971	669,071	61,727	89	1,156,093
Store 2340-Mulgrave	224,075	44,579	432,015	24,437	72	725,178
Store 2343-Parrsboro	409,286	182,405	985,597	95,761	238	1,673,286
Store 2345-New Glasgow	1,817,350	1,057,185	3,097,808	280,878	2,810	6,256,031
Store 2347-West New Glasgow	1,661,614	1,114,840	2,642,743	303,203	1,199	5,723,599
Store 2348-Pictou	1,336,274	692,787	2,190,728	179,588	872	4,400,249
Store 2353-Pugwash	394,840	228,282	753,147	66,213	220	1,442,702
Store 2358-River John	206,850	83,128	463,784	23,359	108	777,230
Store 2367-Springhill	497,233	133,995	1,326,753	130,806	256	2,089,043
Store 2370-Sherbrooke	265,974	81,835	444,957	38,958	154	831,878
Store 2375-Stellarton	1,096,760	382,242	2,275,096	145,236	472	3,899,806
Store 2382-Tatamagouche	805,890	407,554	1,699,452	108,424	476	3,021,796
Store 2387-Trenton	398,883	113,837	932,652	44,775	120	1,490,267
Store 2392-Truro	3,128,568	1,709,933	4,864,117	509,887	2,010	10,214,515
Store 2394-Truro Mall	2,073,375	902,544	3,728,775	338,545	912	7,044,152
Store 2397-Westville	677,743	177,906	1,733,864	127,558	220	2,717,292
TOTAL SALES FOR REGION 3	23,786,783	11,879,220	42,886,171	3,881,218	16,536	82,449,928

Sales by Stores - Region 4
Cape Breton

REGION 4	SPIRITS	WINE	BEER	RTD	OTHER	TOTAL
Store 2407-Archat	507,261	136,133	836,163	50,531	246	1,530,334
Store 2408-Baddeck	915,023	567,773	1,432,488	130,383	1,113	3,046,781
Store 2413-Cheticamp	510,306	323,096	961,732	121,920	638	1,917,692
Store 2418-Dominion	535,933	129,757	1,194,842	102,522	199	1,963,254
Store 2426-Glace Bay	2,959,555	939,287	5,678,177	526,351	1,014	10,104,384
Store 2431-Ingonish	556,496	273,953	1,151,108	108,634	598	2,090,789
Store 2436-Inverness	573,169	250,130	1,206,776	89,059	392	2,119,525
Store 2441-Louisbourg	259,635	88,500	515,630	36,466	247	900,477
Store 2445-New Waterford	1,372,291	315,523	3,088,024	239,655	711	5,016,204
Store 2451-North Sydney	2,480,297	1,008,224	3,972,592	446,054	1,021	7,908,188
Store 2455-Port Hawkesbury	2,247,218	1,048,790	3,559,142	298,705	2,994	7,156,848
Store 2460-Port Hood	532,550	169,181	778,946	58,499	411	1,539,587
Store 2477-St. Peters	648,935	264,287	1,431,177	78,952	469	2,423,819
Store 2479-Sydney George Street	2,336,351	1,090,089	3,262,865	275,793	1,309	6,966,407
Store 2481-Sydney Welton Street	2,674,981	959,070	4,257,171	399,579	920	8,291,720
Store 2483-Whitney Pier	693,504	149,660	1,198,765	75,320	259	2,117,509
Store 2490-Sydney Mines	1,645,291	482,661	4,091,162	398,241	321	6,617,675
Store 2496-Sydney River	4,028,475	2,394,224	6,250,175	642,656	5,027	13,320,556
TOTAL SALES FOR REGION 4	25,477,269	10,590,339	44,866,935	4,079,322	17,885	85,031,750

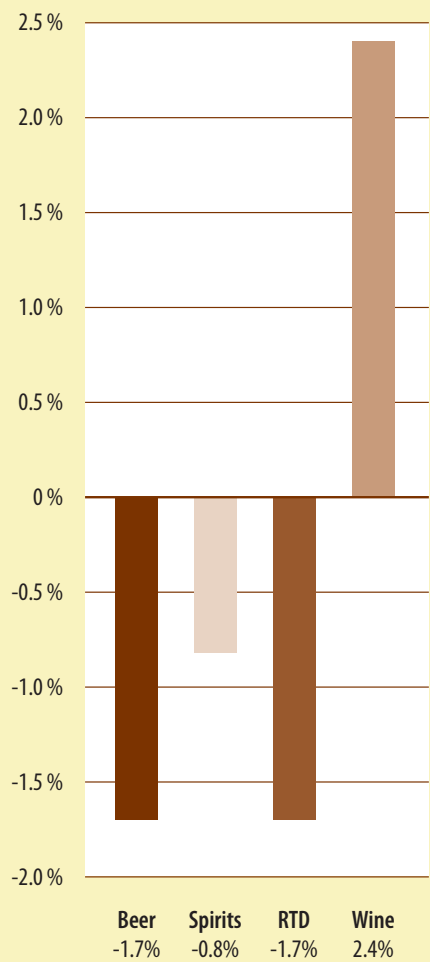
Sales by Stores - Region 5

Valley and South Shore

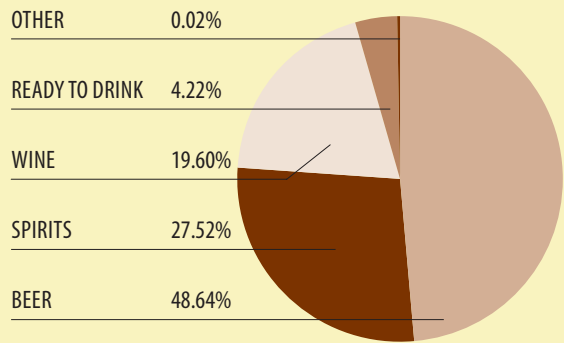
REGION 5	SPIRITS	WINE	BEER	RTD	OTHER	TOTAL
Store 2501-Annapolis	830,996	521,418	1,442,301	152,279	505	2,947,499
Store 2504-Barrington Passage	1,144,747	290,959	1,442,198	277,236	546	3,155,685
Store 2505-Bridgewater	2,867,667	1,660,170	4,371,958	384,344	2,184	9,286,323
Store 2506-Bridgewater Mall	1,571,111	806,185	1,252,264	158,872	909	3,789,341
Store 2509-Caledonia	248,018	78,390	443,408	43,587	113	813,516
Store 2511-Berwick	1,159,715	407,312	2,315,833	163,654	369	4,046,883
Store 2515-Bridgetown	465,344	218,420	874,716	73,224	201	1,631,906
Store 2520-Digby	1,627,173	796,511	2,533,955	250,060	1,164	5,208,863
Store 2546-Kentville	1,884,560	916,348	3,305,735	286,375	723	6,393,741
Store 2548-Kingston	2,137,209	1,261,569	3,845,651	430,392	1,080	7,675,901
Store 2555-Liverpool	2,044,250	893,727	2,929,678	263,742	788	6,132,186
Store 2560-Lockeport	285,586	72,501	366,027	24,522	87	748,723
Store 2572-Meteghan	629,213	298,025	1,371,084	95,738	466	2,394,525
Store 2573-Middleton	736,605	353,278	1,597,414	120,659	233	2,808,189
Store 2574-New Minas	2,297,322	1,723,242	3,267,255	393,942	2,493	7,684,254
Store 2575-New Germany	536,686	157,452	920,456	77,050	141	1,691,786
Store 2585-Shelburne	997,619	432,757	1,464,207	166,620	495	3,061,698
Store 2590-West Pubnico	411,071	97,461	385,960	79,335	142	973,968
Store 2591-Weymouth	397,805	142,313	822,695	51,113	147	1,414,072
Store 2595-Wolfville	1,248,281	1,085,236	1,813,721	187,577	1,319	4,336,133
Store 2598-Yarmouth	3,009,480	1,551,341	4,032,213	494,780	2,324	9,090,139
Total Sales for Region 5	26,530,459	13,764,615	40,798,729	4,175,099	16,429	85,285,331

Financial Performance

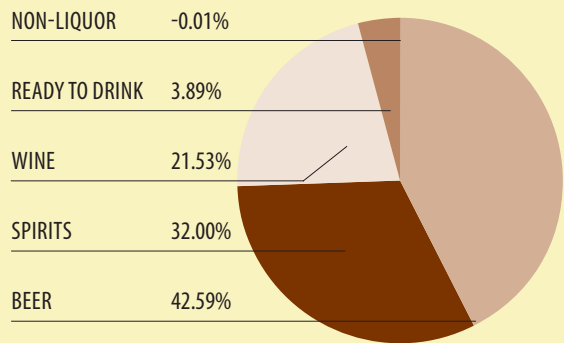
Volume Percent Increase
(2010/11 vs 2009/10)



Sales Contribution
by Category



Gross Profit Contribution
by Category



Ten-Year History

	01/02	02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11
Volume (000 Hectolitres)	729.0	730.6	760.2	762.5	786.2	795.0	813.8	824.4	838.6	828.4
Gross Sales (M)	391.1	413.3	439.5	453.2	488.7	508.2	536.4	565.6	586.2	588.7
Cost of Goods	197.6	202.8	213.3	217.0	233.0	242.3	250.1	261.4	271.1	268.3
As a % of Net sales	50.5%	49.2%	48.8%	48.1%	47.9%	48.0%	47.1%	46.7%	46.8%	46.1%
Gross Profit (M)	193.9	209.6	223.8	234.0	253.1	262.4	280.5	298.1	308.3	313.2
as a % of net sales	49.5%	50.8%	51.2%	51.9%	52.1%	52.0%	52.9%	53.3%	53.2%	53.9%
Store Op Expense (M)	34.7	36.0	38.1	42.0	45.9	47.1	48.8	49.1	51.4	51.6
As a % of Net sales	8.9%	8.7%	8.7%	9.3%	9.4%	9.3%	9.2%	8.8%	8.9%	8.9%
Gross Operating Profit (M)	159.1	173.6	185.4	192.0	207.2	215.3	231.6	249.1	256.9	261.6
As a % of Net sales	40.6%	42.1%	42.4%	42.6%	42.6%	42.7%	43.6%	44.5%	44.3%	45.0%
WHSE/Dist. Exp. (SC)(M)	4.2	4.1	4.9	5.2	4.8	5.3	6.0	4.8	5.1	6.1
As a % of Net sales	1.1%	1.0%	1.1%	1.2%	1.0%	1.1%	1.1%	0.9%	0.9%	1.0%
Inc/Operations (M)	143.9	157.9	166.8	170.0	181.2	188.2	198.7	212.6	219.4	223.2
As a % of Net sales	36.8%	38.3%	38.2%	37.7%	37.3%	37.3%	37.4%	38.0%	37.9%	38.4%
Wholesale Sales (M)	66.6	75.3	79.6	83.0	87.6	94.0	102.9	110.6	112.2	110.7
As a % of Net sales	17.0%	18.3%	18.2%	18.4%	18.0%	18.6%	19.4%	19.8%	19.4%	19.0%
Stores	100	100	100	108	107	108	109	106	106	106
Hours Open (000's)	315.9	310.1	317.9	344.1	348.8	N/A	N/A	N/A	N/A	N/A
Volume (000HL)										
Spirits	50.6	49.8	51.4	52.3	52.2	51.2	51.9	52.6	52.1	51.7
Wine	54.1	56.0	61.7	65.6	69.2	72.1	77.8	81.2	83.6	85.6
Beer	604.1	602.2	621.2	619.2	637.5	641.7	652.0	657.1	667.6	656.4
RTD	20.3	22.6	25.9	25.4	27.3	30.0	32.1	33.4	35.4	34.7

Source of Gross Sales Revenue

SOURCE OF GROSS SALES REVENUE	2010/2011	\$	%
	Spirits	162,006.34	27.52%
	Wine	115,375.06	19.60%
	Beer	286,327.42	48.64%
	RTD	24,854.26	4.22%
	Other	124.03	0.02%
	TOTAL	588,687.11	100%

SOURCE OF GROSS SALES REVENUE

As a percentage of sales spirits are down from prior year, with the actual sale of spirits down 0.4%. Wine showed an increase of 5.8% over last year. Beer is down as a percentage of sales with actual sales of beer down 1.0%. (Dollars to the 000's)

Retail and Wholesale Sales — 2010-2011

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)

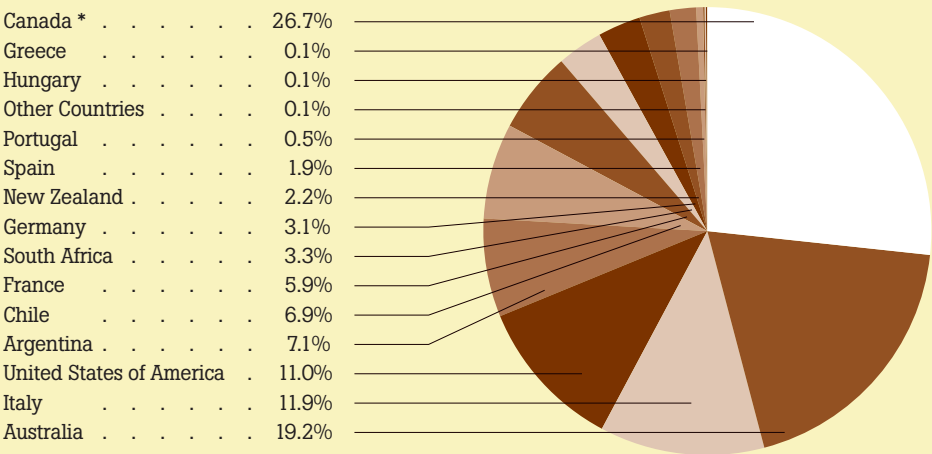
SPIRITS		\$	%
Retail		138,738.3	85.6%
Wholesale		23,268.1	14.4%
TOTAL		162,006.3	100.0%
WINE		\$	%
Retail		95,329.1	82.6%
Wholesale		20,046.0	17.4%
TOTAL		115,375.1	100.0%
BEER		\$	%
Retail		222,946.1	77.9%
Wholesale		63,381.3	22.1%
TOTAL		286,327.4	100.0%
RTD		\$	%
Retail		20,905.5	84.1%
Wholesale		3,948.8	15.9%
TOTAL		24,854.3	100.0%
OTHER		\$	%
Retail		109.5	88.3%
Wholesale		14.5	11.7%
TOTAL		124.0	100.0%
TOTAL		\$	%
Retail		478,028.4	81.2%
Wholesale		110,658.7	18.8%
TOTAL SALES		588,687.1	100.0%

Canadian & Imported Sales – 2010-2011

Canadian Products account for 72.4% of all products sold; 27.6% are imported.
(Dollars to the nearest 000's)

SPIRITS		
	\$	%
Canadian	115,134.9	71.1%
Imported	46,871.4	28.9%
TOTAL	162,006.3	100.0%
WINE		
	\$	%
Canadian	33,458.1	29.0%
Imported	81,916.9	71.0%
TOTAL	115,375.1	100.0%
BEER		
	\$	%
Canadian	258,519.9	90.3%
Imported	27,807.5	9.7%
TOTAL	286,327.4	100.0%
RTD		
	\$	%
Canadian	18,955.3	76.3%
Imported	5,898.9	23.7%
TOTAL	24,854.3	100.0%
OTHER		
	\$	%
Canadian	124.0	100.0%
Imported	0.0	0.0%
TOTAL	124.0	100.0%
TOTAL		
	\$	%
Canadian	426,192.3	72.4%
Imported	162,494.8	27.6%
TOTAL	588,687.1	100.0%

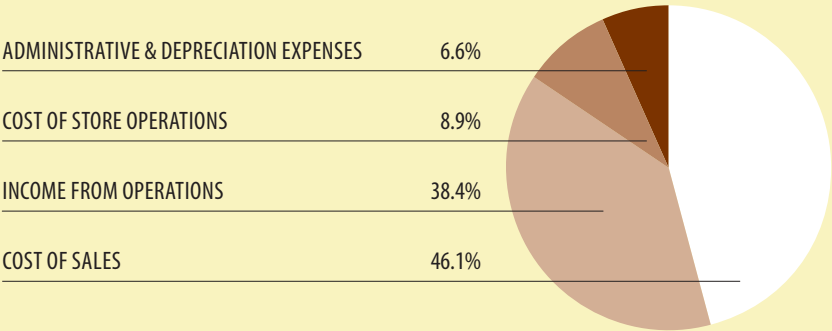
Wine Sale Contribution by Country



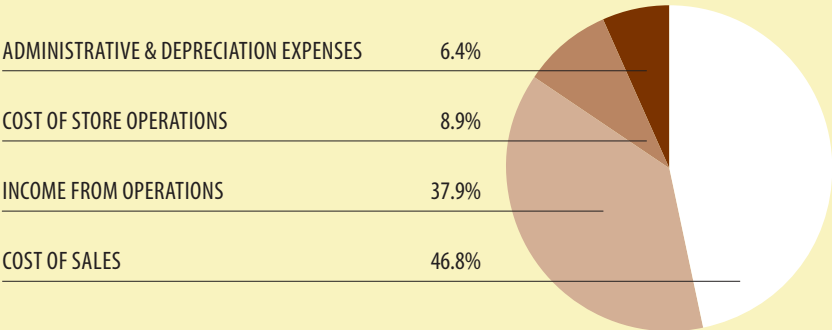
* Specific information on wine produced in Nova Scotia can be found in the Management Discussion & Analysis page 34.

Distribution of Sales Revenue Dollars

2010-2011



2009-2010



Sales Comparison

SALES COMPARISON BY CLASS OF SALES						
YEAR	SPIRITS	WINE	BEER	RTD	OTHER	TOTAL
2010/2011	162,006.3	115,375.1	286,327.4	24,854.3	124.0	588,687.1
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

SALES COMPARISON – CANADIAN VS. IMPORTED – GROSS LIQUOR REVENUE						
2010/2011	SPIRITS	WINE	BEER	RTD	OTHER	TOTAL
Canadian	115,134.9	33,458.1	258,519.9	18,955.3	124.0	426,192.3
Imported	46,871.4	81,916.9	27,807.5	5,898.9	0.0	162,494.8
	162,006.3	115,375.1	286,327.4	24,854.3	124.0	588,687.1
2009/2010	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

SALES COMPARISON - WHOLESALE SALES						
YEAR	SPIRITS	WINE	BEER	RTD	OTHER	TOTAL
2010/2011	23,268.1	20,046.0	63,381.3	3,948.8	14.5	110,658.7
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

2010/2011			2009/2010		
SPIRITS			SPIRITS		
Canadian	38,185.62		Canadian	38,924.53	
Imported	13,490.37		Imported	13,154.22	
Total	51,675.99	6.2%	Total	52,078.75	6.2%
WINE			WINE		
Canadian	32,176.96		Canadian	32,353.96	
Imported	53,391.17		Imported	51,222.84	
Total	85,568.13	10.3%	Total	83,576.80	10.0%
BEER			BEER		
Canadian	603,479.71		Canadian	606,511.21	
Imported	52,960.42		Imported	61,070.23	
Total	656,440.13	79.2%	Total	667,581.44	79.6%
RTD			RTD		
Canadian	27,069.20		Canadian	27,020.84	
Imported	7,669.50		Imported	8,331.93	
Total	34,738.70	4.2%	Total	35,352.78	4.2%
Grand Total	828,422.95	100.0%	Grand Total	838,589.78	100.0%



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 and Risk Committee of the Board of Directors. Changes to internal controls that have materially affected, or are reasonably likely to materially affect, and the 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 of 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, 2011.

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 & CEO



Maureen Sullivan
Vice President, Finance

NOVA SCOTIA LIQUOR CORPORATION

93 Chain Lake Drive, Halifax, Nova Scotia, Canada B3S 1A3 • Tel: (902) 450-NSLC • www.myNSLC.com



Grant Thornton

Independent auditor's report

Grant Thornton LLP
Suite 1100
2000 Barrington Street
Halifax, NS
B3J 3K1
T (902) 421-1734
F (902) 420-1068
www.GrantThornton.ca

To the members of the Board of
Nova Scotia Liquor Corporation

We have audited the accompanying financial statements of Nova Scotia Liquor Corporation, which comprise the balance sheet as at March 31, 2011, and the statements of earnings, retained earnings, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Nova Scotia Liquor Corporation as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Halifax, Canada
June 16, 2011

Chartered Accountants

STATEMENTS OF EARNINGS & RETAINED EARNINGS

Year ended March 31 (in thousands)	2011	2010
Sales	\$ 581,567	\$ 579,441
Cost of goods sold	<u>268,350</u>	<u>271,125</u>
	313,217	308,316
Store operating expenses	<u>51,589</u>	<u>51,397</u>
	<u>261,628</u>	<u>256,919</u>
Depreciation and amortization	8,603	9,481
Supply chain expense	6,075	5,144
Corporate services expense	21,395	20,913
Other revenue	(4,325)	(4,272)
Other expenses	<u>6,721</u>	<u>6,290</u>
	<u>38,469</u>	<u>37,556</u>
Net earnings	\$ <u>223,159</u>	\$ <u>219,363</u>
Retained earnings, beginning of year	\$ —	\$ —
Net earnings	223,159	219,363
Distributions to the Province	<u>(223,159)</u>	<u>(219,363)</u>
Retained earnings, end of year	\$ <u>—</u>	\$ <u>—</u>

See accompanying notes to the financial statements.

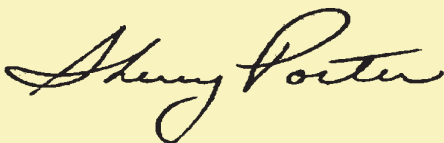
BALANCE SHEET

March 31 (in thousands)	2011	2010
Assets		
Current		
Cash and cash equivalents	\$ 4,657	\$ 10,683
Receivables	1,891	1,736
Inventories	38,130	36,465
Prepays	<u>1,003</u>	<u>762</u>
	45,681	49,646
Property and equipment (note 3)	41,448	35,780
Intangibles (note 4)	<u>7,370</u>	<u>11,121</u>
	<u>\$ 94,499</u>	<u>\$ 96,547</u>
Liabilities		
Current		
Payables and accruals	\$ 30,203	\$ 32,008
Payable to Minister of Finance	43,224	43,064
Current portion of obligation under capital lease (note 5)	1,106	1,285
Current portion of employee future benefit obligations (note 6)	<u>740</u>	<u>711</u>
	75,273	77,068
Obligation under capital lease (note 5)	60	1,088
Employee future benefit obligations (note 6)	<u>19,166</u>	<u>18,391</u>
	<u>\$ 94,499</u>	<u>\$ 96,547</u>

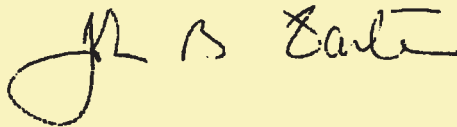
Commitments (note 7)

See accompanying notes to the financial statements.

On behalf of the Board



Ms. Sherry Porter
Chair, Board of Directors



Mr. John Carter
Audit Committee Chair

STATEMENT OF CASH FLOWS

Year ended March 31 (in thousands)	2011	2010
Increase (decrease) in cash and cash equivalents		
Operating		
Net earnings	\$ 223,159	\$ 219,363
Depreciation and amortization	8,603	9,481
Loss on disposal of property and equipment	312	349
Increase in employee future benefit obligations	<u>804</u>	<u>250</u>
	232,878	229,443
Change in non-cash operating working capital (note 8)	<u>(3,866)</u>	<u>4,441</u>
	<u>229,013</u>	<u>233,884</u>
Financing		
Principal payments on obligation under capital lease	(1,207)	(1,118)
Remittances to Minister of Finance	<u>(222,999)</u>	<u>(215,300)</u>
	<u>(224,206)</u>	<u>(216,418)</u>
Investing		
Purchase of property and equipment	<u>(10,832)</u>	<u>(12,329)</u>
(Decrease) increase in cash and cash equivalents	(6,026)	5,137
Cash and cash equivalents, beginning of year	<u>10,683</u>	<u>5,546</u>
Cash and cash equivalents, end of year	\$ <u>4,657</u>	\$ <u>10,683</u>

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2011

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

Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles as issued by the Canadian Accounting Standards Board.

Beginning in its fiscal year 2012 year end the Corporation is required to prepare its financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board with restatement of its comparative 2011 fiscal year end to comply with IFRS.

Inventories

Inventories of stock in warehouse and stores are valued at the lower of cost and net realizable value using the weighted average moving cost method. 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 2011 was \$268,350 (2010 - \$271,125).

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%
Buildings	4%

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 the lesser of the term of the lease or their estimated useful lives using the straight-line method.

Revenue recognition

Revenue is generated from sales to customers through retail stores and licensee sales to commercial customers. Revenue from retail sales is recognized at the point of sale and from commercial sales at the time of shipment.

Intangible assets

Intangible assets are related to the development and implementation of the ERP system and are recorded at cost. Software will be amortized over their estimated useful life of five years.

The Corporation assesses the carrying value of intangible assets for impairment when events or circumstances warrant such a review. An impairment loss is recorded when it is determined that the carrying amount of the assets is no longer recoverable and exceeds their fair value.

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.

NOTES TO THE FINANCIAL STATEMENTS

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.

Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the foreign currency exchange rate in effect at each period end date. Exchange gains or losses arising from the translation of these balances denominated in foreign currencies are recognized in operating income. Revenues and expenses denominated in foreign currencies are translated into Canadian dollars at the average foreign currency exchange rate for the period.

Financial instruments

The Corporation's financial instruments include cash and cash equivalents, receivables, payables and accruals and payable to Minister of Finance. 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	Held for trading	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

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 \$330 (2010 - \$206).

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 (Cdn \$)	Effect of a 10% increase in Canadian dollar	Effect of a 10% decrease in Canadian dollar
Payables & Accruals	330	33	(33)

NOTES TO THE FINANCIAL STATEMENTS

3. Property and equipment

			2011	2010
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Assets under construction	5,191	—	5,191	3,419
Furniture and fixtures	14,777	7,015	7,762	6,658
Other equipment	12,432	7,523	4,909	4,319
Computer	9,491	6,704	2,787	2,338
PC's and small applications	2,008	1,465	543	865
Land and buildings	20,823	17,876	2,947	1,540
Improvements to wholly owned properties	13,492	9,160	4,332	11,540
Leasehold improvements	<u>25,199</u>	<u>12,222</u>	<u>12,977</u>	<u>5,101</u>
	<u>103,413</u>	<u>61,965</u>	<u>41,448</u>	<u>35,780</u>

4. Intangibles

			2011	2010
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
ERP	21,736	14,862	6,874	11,121
Other intangibles	<u>924</u>	<u>428</u>	<u>496</u>	<u>—</u>
	<u>22,660</u>	<u>15,290</u>	<u>7,370</u>	<u>11,121</u>

Amortization of \$4,470 (2010 - \$3,828) related to intangibles is included in depreciation and amortization expense.

5. Obligation under capital lease

The Corporation has two obligations under a capital lease, one of 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% for the lease maturing in 2012 and 5% for the continuing lease. The future minimum lease payments, together with the balance of the obligation under capital lease as of March 31, 2011 are as follows:

2012	1,173
2013	21
2014	22
2015	<u>22</u>
Total minimum lease payments	1,238
Less: amount representing imputed interest	<u>72</u>
Balance of obligation	1,166
Less: current portion of obligation	<u>1,106</u>
	<u>60</u>

Administrative expenses include interest of \$255 (2010 - \$418) related to this obligation.

NOTES TO THE FINANCIAL STATEMENTS

6. 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, based on the December 31, 2009 actuarial valuation extrapolated to March 31, 2011, is as follows:

Accrued benefit obligations	2011			2010
	Retiree health	Service award	Total	Total
Balance, beginning of year	13,397	5,277	18,674	12,950
Current service cost	342	368	710	569
Interest cost	788	266	1,054	1,016
Benefits paid	(430)	(490)	(920)	(998)
Actuarial (gain) loss	(1,174)	101	(1,073)	5,137
Balance, end of year	12,923	5,522	18,445	18,674
Less: current portion	(344)	(396)	(740)	(660)
Past service costs	—	(40)	(40)	(50)
Unamortized net actuarial gain	2,130	(629)	1,501	427
Accrued benefit liability	14,709	4,457	19,166	18,391

Components of benefit cost	2011		2010	
	Retiree health	Service award	Retiree health	Service award
Current service cost	342	368	256	313
Interest cost	788	266	747	269
Actuarial (gain) loss on accrued benefit obligation	(1,174)	101	3,726	1,411
Costs arising in the period	(44)	735	4,729	1,993
Differences between costs arising in the period and costs recognized in the period in respect of:				
– Actuarial gain (loss)	1,174	(101)	(4,069)	(1,465)
– Plan amendments	—	10	—	10
Benefit cost recognized	1,130	644	660	538

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

	2011		2010	
	Retiree health	Service award	Retiree health	Service award
Discount rate	5.70%	4.80%	5.90%	5.10%
Rate of compensation increase	N/A	2.50%	N/A	2.50%
Initial weighted average health care trend rate	6.14%	N/A	7.63%	N/A
Ultimate weighted average health care trend rate	4.38%	N/A	4.42%	N/A

NOTES TO THE FINANCIAL STATEMENTS

7. Commitments

The Corporation leases buildings, premises and equipment under operating leases which expire at various dates between 2011 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, 2011:

2012	5,391
2013	4,581
2014	4,439
2015	3,684
2016	2,409

8. Supplemental cash flow information

	2011	2010
Change in non cash operating working capital		
Receivables	(155)	465
Inventory	(1,665)	(772)
Prepays	(241)	64
Payables and accruals	<u>(1,805)</u>	<u>4,684</u>
	<u>(3,866)</u>	<u>4,441</u>
Cash and cash equivalents consist of:		
Cash on hand and balances with banks	<u>4,657</u>	<u>10,683</u>
Interest and bank charges paid	<u>477</u>	<u>454</u>

9. Comparative figures

Certain of the comparative figures for 2010 have been reclassified to conform with the financial statement presentation adopted for 2011.

BOARD OF DIRECTORS



NSLC Board of Directors 2010-2011 (front to back, l-r)
Rachel Martin, Sherry Porter, John Biddle, Bret Mitchell, Paula Minnikin, Joe MacDonald,
John Carter, Greg Beaulieu, Frank Elliott, (missing: Margaret MacDonald).

Sherry Porter - Chair, 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. and 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. In addition, Sherry 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, Board Chair of the Pier 21 Society 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 MacDonald 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 serving as the Director of Recreational Services, as well as the Manager of the Bachelor of Education program and the Dean of Students. 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 Corporate Social Responsibility Committee and is a member of the NSLC Governance and Human Resources Committee.

Joe holds a B.Sc from Saint Francis Xavier University, a B.Ed and a Master of Science from the University of Saskatchewan, and ICD.D from the Institute of Corporate Directors. 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 operates a leasing company. Rachel has more than 15 years 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 Human Resources 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 and management consulting company. Her career also includes senior executive roles with several Nova Scotia technology companies including serving as Chief Information Officer for Jacques Whitford

and as Vice President with xwave. A founder of several leading technology based companies in Nova Scotia, Paula is focused on developing the Atlantic Canadian economy.

A resident of Halifax, Paula serves on the NSLC's Corporate Social Responsibility and Audit and Risk Committees.

Paula earned the ICD.D Certification from the Institute of Corporate Directors, is a graduate of Carleton University and has a keen interest in the arts, music, sailing, skiing and basketball. Initially appointed to the Board in 2001, Paula was re-appointed 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 on the Governance and Human Resource and Corporate Social Responsibility Committees.

John Biddle - Director

John Biddle, a resident of Bridgewater, is a Certified Management Accountant and is retired from CIBC Wood Gundy. John's extensive business experience in the investment field and his experience as a CMA brings senior business management knowledge to the Board.

John's career also included a number of internal audit roles including 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 is a member of the NSLC Audit and Risk and the Corporate Social Responsibility Committees of the Board. John was appointed to the Board in 2007 for a five-year term.

John Carter - Director

John Carter is a Chartered Accountant who recently retired as a Partner with Ernst & Young. During the past three years he served as Americas Director of Conflict Management based in their New York office.

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 Ernst & Young's Toronto office.

John is a graduate of Acadia University. He was appointed to the NSLC Board for a four-year term in July 2010. John chairs the Audit and Risk Committee and serves on the Governance and Human Resource Committee.

Margaret MacDonald Non-voting Director

Margaret MacDonald was appointed Deputy Minister of the Nova Scotia Department of Finance in November 2010. Prior to this appointment, she served as the first Deputy Minister of the new Department of Labour & Workforce Development in 2008 and Deputy Minister of Treasury and Policy Board. Margaret's career also includes positions as a senior solicitor with the Department of Justice and legal advisor to a number of government departments, including Natural Resources and Finance. Prior to joining the Department of Justice, Margaret practiced for five years with a private law firm.

Margaret is a graduate of St. Francis Xavier University and Dalhousie Law School and a member of the Nova Scotia Barristers Society and the Canadian Bar Association.

EXECUTIVE OFFICERS



Executive – (front to back, l-r)

Brad Doell, Maureen Sullivan, Bret Mitchell, Tim Pellerin, Rick Perkins, Mark Brown,
Roddy Macdonald, Hoyt Graham, Greg Beaulieu, Danny MacMillan.

Bret Mitchell - President & CEO

Bret Mitchell has served as the NSLC's President and CEO since 2006. Bret is a seasoned retail executive with more than 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 Sport Chek and Coast Mountain Sports. He was also responsible for the warehousing, logistics and distribution of all Forzani Group banners. Bret's retail career includes 12 years with Sobeys Inc. 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 sits on 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 and holds an ICD.D from the Institute of Corporate Directors.

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 this capacity, he also has responsibilities for the NSLC's internal audit department, manages legislative and policy issues relating to the liquor industry, regulatory requirements such as permitting and registration, local industry development, government relations and is the liaison with the corporation's legal counsel.

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 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 process 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 Workers Compensation Board in 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 was the volunteer Chair of the IT Division for the 2011 Halifax Canada Winter Games Committee.

Mark is a graduate from McMaster University and holds an MBA from Saint Mary's University.

Brad Doell - Vice President, Supply Chain & Procurement

Brad Doell has been the executive lead for the NSLC's Supply Chain since 2009. Brad ensures the highest levels of in-stock positioning while maintaining responsible inventory levels assuring that the appropriate products are distributed to all corporate 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 supply chain management. He held management roles with Corporate Express, a leading office products company and in 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.

Brad was the planning volunteer lead for Materials Management during the Canada Games 2011 hosted in Halifax this year.

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 an MBA Degree from Saint Mary's University.

Roddy Macdonald Vice President, Human Resources

Roddy Macdonald has served as the NSLC's Vice President of 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 he 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 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 MacMillian
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 in 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 BSc and received a Business Management Certificate from Dalhousie University. Danny is a dedicated hockey dad being past board member for Annapolis Valley Minor Hockey and is a current member of Nova Scotia Trails Federation.

Tim Pellerin - Vice President,
Marketing & Merchandising

Tim Pellerin 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 at The Clorox Company of Canada, where he led the marketing initiatives for brands such as Clorox, GLAD, Pine-Sol, Brita, ArmorAll 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 and is currently completing his Sommelier designation through the Canadian Association of Sommelier Professionals.

Rick Perkins - Vice President,
Business Development &
Communications

Rick Perkins has served in his current role since 2008. He is responsible for the NSLC's business strategy and development, customer research, corporate social responsibility strategy and communications. Rick joined the NSLC in 2003 as Vice President, Marketing & Communications where he created new branding 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 Senior Financial Executive with more than 20 years of financial and operational 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 redesign, systems conversion and change management. Maureen's career includes having served as Vice President, Canadian Finance for Manulife Financial and, in a similar 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 and a chartered accountant with membership in the Institute of Chartered Accountants of Nova Scotia and the Canadian Institute of Chartered Accountants. In her volunteer capacity, Maureen is a past president of Financial Executives International Canada Atlantic Chapter and a member of the Board of Financial Executives International Canada.



\$316,901,288

Total Remittances to Government

Government of Canada	\$50,997,180	Harmonized Sales Tax
	\$29,745,446	Excise & Customs
Government of Nova Scotia	\$10,973,687	Enviro Assessment
	\$223,158,811	Dividend to Shareholder
Municipalities of Nova Scotia	\$2,026,164	Municipal Property Taxes
	<hr/> \$316,901,288	Total





CELEBRATION

*An opportunity to celebrate with family and friends!
Holidays are the perfect occasion to pop the cork on
that bottle of champagne you've been saving for special
moments like this!*

NSLC

BEER • WINE • SPIRITS

