NSLC
BEER • WINE • SPIRITS

ANNUAL REPORT 2011-2012

This is my NSLC

The 81st NSLC Annual Report
2011 - 2012 was produced by the
Nova Scotia Liquor Corporation
and submitted to the Honourable
Maureen MacDonald, Minister responsible
for the NSLC, for the fiscal year ended
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Message from the Chair

The NSLC celebrated many successes in an economically challenging year. The NSLC plays a valuable role as a retail and wholesale business, an employer (employing 1,500 Nova Scotians) and as a responsible corporate citizen committed to making Nova Scotia an even better place to live.

This past fiscal year the Minister responsible for the Liquor Control Act (LCA) and for the NSLC, the Honourable Maureen MacDonald, asked the NSLC Board of Directors to identify their top priority in regard to amendments to the LCA. The Board responded by requesting additional Board members join the NSLC's Board of Directors, to provide the Board with a broader range of skills and experience and to improve the Board membership on its committees. The second request was to create a new role of Vice Chair. This position will substitute for the Chair when necessary. The Government agreed with the proposed changes, amending the LCA accordingly in 2012.

The Board Committees (Governance and Human Resources, Audit and Risk and Corporate Social Responsibility) reviewed the knowledge and experience that each member brings to the Committee work. Each Committee then created a competency matrix to identify the skill set currently being represented across the Board. They also used the matrix to define the skills they were seeking and created Director positions based on the findings. The requirements for the new Board members will ensure that a wide spectrum of knowledge is represented for future performance and decision making among the Board of Directors.

Over the past year the Board also reviewed the individual Committee Charters. The examination of the current terms of reference previously developed was not consistent throughout the Committees. Each of the three Committees developed a Charter based on specifications generated from the Governance Review in 2010. The revised terms of reference will adhere to established standards of the board allowing the Board to provide improved communication and corporate governance.

The Board also focused this past year on the adoption by the NSLC of the International Financial Reporting Standards (IFRS). This was a substantial piece of work by both management and the Board. I am pleased to report that the move to the new reporting requirements went seamlessly and these standards are in place for the financial reporting in this annual report.

An important milestone for the NSLC this past year was the work required to implement the AIR MILES Reward Program. The Board discussed this transformative project with senior management as it progressed from business case, to contract negotiation through implementation, planning and launch.

From a community perspective, the NSLC celebrated the great success of its support of the IWK Health Centre through province-wide fundraising efforts generating more than $165,000 for this employee chosen and led cause. The Board is proud of the community work of the organization including its support for the United Way and its Celebrate Nova Scotia Talent program. It is commitments like these that offer NSLC employees the opportunity to give back to their local communities. It is the participating employees who help make communities across Nova Scotia a better place to live.

This year the NSLC welcomed Sue Payne, Paul Kent and Allan Rowe to the Board of Directors. Sue Payne, a Chartered Accountant, has extensive business and Board experience in the not-for-profit, Crown corporation and for-profit sectors. Paul Kent brings extensive senior business experience to the Board with a varied IT background. His public and private sector Board experience combined with his leadership role as President and CEO of the Greater Halifax Partnership brings valued skills to the Board. Allan Rowe has served in senior financial officer roles in some of Nova Scotia's most important businesses including Jazz Air Income Fund, Fisheries Products International and Sobeys. He brings a wealth of retail knowledge, financial acumen and business development knowledge to the NSLC Board. I would also like to thank outgoing Board members John Biddle, Rachel Martin and Paula Minnikin for serving on the Board of Directors. They have contributed enormously in their Board work and to the transformation of the NSLC as one of Canada's leading retailers. A special thank you is extended to these Board members for their dedication, expertise and commitment to governing the organization this past year.

I would like to congratulate Bret Mitchell, President and CEO, on receiving his fourth Atlantic Business Magazine's Top 50 CEO Award this year. Nominees are judged based on their corporate, community and industry involvement, company's growth and their ability to respond to business challenges with strong leadership.

On behalf of the Board, I would like to thank the Government of Nova Scotia and the NSLC's former Minister, the Honourable Graham Steele, for their ongoing support. We look forward to our work in the future with our new Minister, the Honourable Maureen MacDonald. As the NSLC continues to benefit from an engaged and dedicated team, I look forward to furthering our commitment of the Five-Year Strategic Plan 2010 - 2015 and working toward furthering our corporate sustainability with the Board, Head Office, Business Units and Retail employees in the upcoming year.

Sherry Porter

Sherry Porter
Chair, NSLC Board of Directors

President's Message

I am pleased to present the NSLC's annual report for the fiscal year 2011-2012. This report for the first time combines the NSLC's traditional annual report with its annual Sustainability Report. This new approach reflects the NSLC view that all aspects of our financial performance, business practices, social responsibility and community focus as equally important and therefore need to be presented in one comprehensive document. This gives our stakeholders one complete transparent source of information on the NSLC and its annual performance.

Last fiscal year presented significant challenges to the organization but in spite of the obstacles, the NSLC has a great story to tell and so much to celebrate.

The NSLC's stakeholders are critical to the long term health of the business. NSLC employees, along with the organization's many valued business and community partners come together to provide the leadership and talent required to make the NSLC a successful and sustainable business of which all Nova Scotians can be proud.

The NSLC's story for the 2011 - 2012 fiscal year is told in this report by framing stakeholder perspectives with descriptions and images designed to highlight what the NSLC means to each of them. Caring and dedicated, customer focused, healthy and sustainable, an employer of choice and a careful steward of this beautiful province – this report offers a different perspective on the NSLC from each of our stakeholders.

The focus of the NSLC's Five-Year Strategic Plan covering the years 2010 - 2015, is transforming from 'a place to shop to a personal experience'. The second year of the journey has proven to be successful. From a financial perspective, two key benchmarks for measuring success are sales performance and net income. I am pleased to report that NSLC sales for the 2011 - 2012 fiscal year were $588.9 million, an increase of $7.4 million or 1.3 per cent over the previous year. The NSLC's net income after accounting adjustments were $221.6 million, an increase of almost one million dollars when compared to the previous year.

The customers' perception of the shopping experience the NSLC provides is another important measure of success. The Customer Satisfaction Index (CSI) has proven that the organizations' journey from a place to shop to a personal experience is well underway. Overall satisfaction was up two points versus last year with 88 per cent of NSLC customers rating the NSLC an 8, 9 or 10. In fact, approximately 50 per cent of customers rated their satisfaction with the NSLC with a perfect 10 out of 10. This is an all-time high and the NSLC is relentless in its desire to continuously improve these scores and work toward offering customers a personalized shopping experience.

Developing a deeper understanding of the NSLC's customers' needs will lead the business to a better understanding of their shopping and buying behaviours. Perfectly aligned with the Five-Year Strategic Plan, the AIR MILES Reward Program was launched at the NSLC in February 2012 and was a significant milestone in the organization's history. The execution and implementation of this program was flawless thanks to strong cooperation and collaboration between our management team and the LoyaltyOne Group. Congratulations to everyone who worked so hard to bring this vital program to life.

This year the NSLC celebrated the introduction of a new safe and bully-free workplace initiative in its Distribution Centre. A huge wall in the entrance to the Distribution Centre was painted bright pink as a visible reminder of the NSLC's commitment to a safe and bully-free workplace. Joan Jessome (President, NSGEU) joined the NSLC team to unveil the wall and was the first to add her signature to the wall as a demonstration of NSGEU's commitment to the initiative.

The NSLC remains committed to reducing the organization's impact on the environment. During the 2011 - 2012 fiscal year, the NSLC completed the fourth annual Greenhouse Gas (GHG) inventory. This measurement provides the organization with a baseline to measure the effectiveness of corporate environmental strategies and help establish a path for improvement. In the NSLC's retail stores, in addition to the improved look and atmosphere, new stores offer high efficiency lighting and refrigeration equipment that will help reduce energy consumption. Water conserving fixtures and high efficiency air filters provide a clean and healthy environment for NSLC employees and customers.

The NSLC is committed to an on-going partnership with local industry and there is so much to celebrate in Nova Scotia. If Nova Scotia was considered a country on its own, it would be the fifth largest country and the fastest growing wine region.

Social responsibility continues to be a cornerstone of the NSLC's mandate highlighted by an on-going partnership with MADD Canada. Sharing the common goal of raising awareness around the serious issue of drinking and driving, the NSLC continued to sponsor MADD's Damages program. This multimedia presentation was shown to more than 50,000 students across the province to illustrate the serious consequences of impaired driving.

Nova Scotia's beverage alcohol sector generated more than $760 million in total revenue from the sale of beer, wine and distilled alcohol beverages through all retail channels, licensed premises and exports. This creates 5,013 full time equivalents (FTEs) – for every direct FTE in the beverage alcohol industry, another 1.1 FTEs in spinoff employment is created elsewhere in the economy.

A sincere thank you is extended to the entire NSLC team for their hard work and contribution to the NSLC's success in the 2011 - 2012 fiscal year. This year, the NSLC will continue striving for excellence and searching for new ways to make the NSLC a better place to work and to make Nova Scotia an even better place to live. I am confident we have the partnerships, leadership and talent required to continue our journey from 'a place to shop to a personal experience'. I look forward working with the Board of Directors and the entire NSLC team to make the NSLC a leading and sustainable retailer in Nova Scotia.

Bret Mitchell
President & CEO

This is my NSLC

Caring, collaborative, community focused, a dedicated partner and stewards of the environment – just a few of the words that come to mind from the NSLC's stakeholders. From the company's employees and business partners to the NSLC's valued community partners, the business means something meaningful and unique to each stakeholder. It is their perspective and varied view of the business that serves as the theme for this year's Annual Report.

From a legislated perspective, the NSLC is governed by the Liquor Control Act (LCA) of Nova Scotia. The most fundamental element of the corporation's role is the responsibility for the receipt, distribution, regulation and control of all beverage alcohol in Nova Scotia. Through this mandate, the business ensures that the product is available only to Nova Scotians of legal drinking age. This serves as the foundation of the service the NSLC provides but this is just the beginning of the NSLC's story.

The business has grown and changed with the times; from a self-service retailer, to a Crown corporation with a commercial mandate and from a place to buy into a place to shop. The journey of transformational change continues as the business is now evolving from a place to shop to a personal experience. In today's business environment, there is increasing demand for companies to deliver a shopping experience that exceeds the customer's expectations while at the same time developing positive relationships with its' stakeholders.

This Annual Report details the essential information on the NSLC's economic, community, social responsibility and environmental performance and the relationships between them told from a stakeholder's point of view.

"My NSLC delivers on its customer promise. It's always interesting to hear what occasion our customer is buying for and suggesting the best products to meet their needs. From a new flavoured beer, to a high-end spirit, to a fun & flavourful wine, our products add flavour to every social gathering. It's rewarding to hear what our customers thought about the recommended products. Sharing stories and product knowledge adds to the overall customer experience and makes the day a little brighter for everyone!"

–Darren Smith

Store Manager – Portland St, Dartmouth

Satisfaction

“Our winery started as an experiment and its success has been over a decade in the making. From our first release in 2008, the NSLC has been one of our strongest supporters, committed, like us, to raising the profile of Nova Scotia’s wine industry. Its vendor programs, marketing initiatives, depth of employee knowledge and wide-distribution network has helped to elevate our brand throughout the province and country. The NSLC’s support has ensured not only that Benjamin Bridge grows, but that the Nova Scotia wine industry as a whole, becomes a respected and an important part of the local economy.”

–Devon McConnell

General Manager – Benjamin Bridge

Dedicated

Partner

“The Wine Association of Nova Scotia represents the interests of wine producers in Nova Scotia and serves as a voice for the local industry. My NSLC has supported the local wine industry for more than 25 years helping it to gain momentum. Nova Scotia wineries are now able to sell their products in NSLC stores with higher profit margins, allowing them to re-invest in their businesses, be more competitive and help educate customers through various merchandising initiatives. Nova Scotia wines are now the fastest growing category of wines – it’s so exciting to see the hard work be so successful. Nova Scotia’s wine industry is ‘rooted in the ground’ so investments in the industry will always stay here in Nova Scotia. Here’s to the next 25 years of Nova Scotia wines and the NSLC.”

–Janice Ruddock

Managing Director –
Wine Association of Nova Scotia

Caring

"The NSLC's employees, business partners and customers are phenomenal in their support of the IWK Children's Health Centre. My NSLC is a leader in employee engagement and corporate citizenship. It's an honour to be the NSLC's employees' charity of choice and words cannot express our gratitude for their continued support."

– Jennifer Gillivan

President & CEO – IWK Health Centre Foundation

Community

“I am proud to be Acadien and adore the Festival Acadien de Clare. It’s a privilege to be involved in bringing the best in traditional Acadien music and culture to our fans. My NSLC recognizes the importance of being a good neighbour in the communities it serves and sponsored 11 music festivals this year. As the longest-running Acadien festival in the world, corporate support is necessary to showcase the very best of Acadien talent on our stages. The NSLC and its employees, by supporting local music festivals, add to the rhythm of our communities.”

—Lisette Gaudet

Festival Acadien de Clare representative

“The wholesale side of our industry faces many challenges. My NSLC understands the importance of helping the owners of bars, pubs and restaurants achieve success. Whether I’m helping with product selection, creating a wine list, developing a special event or suggesting food pairings, my goal is to make a positive difference. Working together is what it’s all about in order to provide a great customer experience both in our NSLC stores and when enjoying some time at your favourite local establishment.”

– Jib Nasrallah

Account Manager –
Wholesale Operations, NSLC

Teamwork

Collaboration

"Some people say I have the best job in town being the owner and operator of one of Halifax's most famous beer market and pub, The Lower Deck. They're right but it's also a lot of work that requires collaboration with key business partners and suppliers like the NSLC. We work together to help grow the business and continue to find new and interesting products that customers are always looking for."

– Mike Condy

Owner / Operator – The Lower Deck

"Safety is paramount at all times. My NSLC includes providing a fun and healthy place to work. Our recent forklift training program enabled employees to obtain the correct certification without an extended absence from the work floor. Some of the machinery we work with could cause serious injury and it's important to know that your coworkers are qualified operators. We work hard to make sure that our fill rates meet our store's needs and our customer's demands. It's about working smart and working safe so at the end of the day we walk out together, share a laugh and head home to our families."

–Blake Bowman

Warehouseperson, NSLC

Safety

Stewards

“Water is the most important element we have. My NSLC and its vendor partners recognize that we must look after our local waterways and helps community groups improve lakes, rivers, streams and fish habitats by sponsoring the NSLC Adopt-A-Stream program with a five-year, $500,000 commitment. It’s exciting to be working as a team to make Nova Scotia an even better place to live.”

–Amy Weston

Program Administrator –
NSLC Adopt-A-Stream program

Management Discussion and Analysis

The Management Discussion and Analysis (MDA) of the NSLC's Annual Report represents managements' perspective on the challenges and successes of the business during the 2011 - 2012 fiscal year. This report also examines key factors that had an impact on the organization's overall performance.

This MD&A marks a change for the NSLC in how management reports on its business performance by incorporating all the elements of its previously separate Sustainability Report. The NSLC's Sustainability Report discloses the organization's corporate social responsibility commitments and performance. The NSLC's Sustainability Report was organized in four sections: 1) Economic, 2) Social, 3) Community and 4) Environment. This MDA follows that same structure. It is management's belief that all four aspects of the NSLC's business are interconnected and should, therefore, be reported together in an open and transparent format for stakeholders. This report is also structured to comply with the International Financial Reporting Standards as well the Global Reporting Initiative (GRI) guidelines.

The NSLC's Annual Business Plan 2011 - 2012 and the Five-Year Strategic Plan 2010 - 2015 are the guiding forces behind the corporate direction, business choices and decisions made by the management team in the 2011 - 2012 fiscal year. These documents act as the primary resource for employees to implement corporate strategies to ensure business objectives and financial goals are realized.

The 2011 - 2012 fiscal year represents the completion of the second year of the NSLC's Five-Year Strategic Plan 2010 - 2015. This strategy informs NSLC employees and stakeholders of corporate direction based on customer insights, research and evolving trends in the retail industry. This plan sets a target of delivering $1.2 billion in cumulative profit during the life of the plan. This growth is aggressive and the final financial target may have to be adjusted to better reflect the challenges the retail industry is facing in Nova Scotia and Canada.

In 2015, at the conclusion of this strategic plan, the NSLC anticipates that 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 change a reality, the NSLC must continue to work toward developing an intimate understanding of the customer and deliver a shopping experience designed to exceed their expectations.

The NSLC's Purpose, Vision and Culture statements guide the organization in all of its efforts. These statements clearly state what the NSLC's objectives as an organization are:

PURPOSE: To bring a world of responsible beverage enjoyment to Nova Scotia. We aspire to this through our VISION: To be a superb retailer recognized for sustainable business performance and engaging customer experience, eliciting the pride and enthusiasm of Nova Scotians. Living our Purpose and Vision entails a CULTURE that:

- Encourages innovation and creativity
- Engages employees in achieving success
- Is driven by customer needs
- Demonstrates respect and dignity in all we do
- Is a fun and healthy place to work
- Advocates intelligent consumption and responsibility

Economic

The NSLC's economic and financial performance is fundamental to understanding the business and its basis for sustainability. Beyond the top and bottom line, the NSLC balances social, environmental, community and business needs to drive the long-term health of the organization. This includes up-to-date operating policies, ongoing support of local industry and input and recommendations to the Nova Scotia Liquor Control Act to ensure relevance and effectiveness in the current market.

The NSLC's performance is guided by short, medium and long-term business plans and strategies that outline the organization's business and financial objectives.

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 every year and is updated to reflect changes and trends in business, retail and customer needs. This plan helps the NSLC achieve the long-term objectives outlined in the NSLC's Five-Year Strategic Plan 2010 - 2015.

Strategic Plan

The NSLC organizes its business planning around five strategic pillars; stewardship, customer, reputation, people and financial. These pillars guide the business 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 corporate direction over time.

The NSLC's Five-Year Strategic Plan 2010 - 2015 outlines the business'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.

Financial Performance

In the 2011 - 2012 fiscal year, NSLC sales were $588.9 million, up from $581.6 million the previous fiscal year, generating profit of $221.6 million before one-time gains and adjustments. This represents an increase in earnings before one-time gains and adjustments of $0.6 million (0.3 per cent) and an increase in sales of $7.4 million (1.3 per cent) compared to the prior year.

The NSLC fell short of its projected profit goal of $228.1 million for the 2011 - 2012 fiscal year. This bottom line performance was lower than projected largely due to unfavourable weather and challenging economic conditions that together had a significant impact on retail and wholesale sales.

The introduction of the International Financial Reporting Standards (IFRS) requires a new method of accounting for employee future benefits. As a result, NSLC net earnings are reduced on the income statement by $1.6 million resulting in comprehensive earnings of $220 million. The NSLC also recorded a non-material accounting adjustment in the 2010 - 2011 fiscal year related to depreciation and amortization. Without this one-time accounting gain, the NSLC's adjusted net income for that fiscal year was $221.0 million.

Nova Scotia Marketplace – The 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. Increases or decreases of disposable income of NSLC customers does impact sale performance.

Consumer spending in Nova Scotia during 2011 - 2012 was $26.7 billion versus $25.8 billion the previous year (Source: Nova Scotia Department of Finance) which represents an increase of 3.6 per cent. Statistics Canada research indicates that consumer spending focused on big ticket items such as car purchases and not more discretionary purchases from retailers selling food and beverage. An increase of 4.7 per cent in food costs and a 15.3 per cent increase in energy costs in the 2011 - 2012 fiscal year indicate that the majority of additional available household resources were spent on food and fuel purchases.

Tourists visiting Nova Scotia increased from the previous year by 2.2 per cent (Source: Tourism 2011 Year in Review) with nearly two million tourists visiting the Province, generating additional foot traffic in NSLC stores which positively impacted the NSLC's sales performance. Residents of Nova Scotia are staying closer to home due to pressure on disposable income, economic uncertainty and a desire to maximize value. Grocery stores and one-stop-shopping locations benefit, whereas out-of-home entertainment and restaurants continued to struggle.

The retail sector in Nova Scotia grew, recording a 3.9 per cent increase in retail sales for the fiscal year. In 2011, Nova Scotia recorded a Real Gross Domestic Product increase of 1.7 per cent (Source: Nova Scotia Department of Finance). Employment levels, according to the Nova Scotia Department of Finance, grew slightly in 2011 reporting an increase of 0.2 per cent. (Statistics Canada Table 282-0087). Although the retail sector, real gross domestic product and employment levels increased, research from Statistics Canada indicates Nova Scotia consumers purchased gas, cars, car parts and sporting goods ahead of purchases from food and beverage retailers.

Population growth in Nova Scotia is relatively flat and it is aging. An aging population combined with a lack of growth (i.e., fewer younger residents) means that the NSLC customer base will grow older as well. This is driving changes in consumption patterns, product demand and store locations. NSLC Research indicates that consumption tends to decline as the population ages; however, customer demand for some premium products increases with age, somewhat balancing the impact of lower consumption in some categories.

Nova Scotia's declining and aging population base is another key risk factor influencing future economic conditions. The projected reduction in the population under 55 years of age combined with the growth of those over 55 will mean major changes in consumption patterns for Nova Scotians. These changes will affect all NSLC product categories, putting increased pressure on beer and spirits and contributing growth potential in the wine category. This shift will make it difficult for the NSLC to maintain continued top-line growth at the levels experienced over the past 10 years.

Sales Performance

The NSLC's 105 retail store sales account for 81.2 per cent of the NSLC's revenue, 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 services with friendly, professional and enthusiastic employees.

NSLC sales are generated from two channels, retail and wholesale. Retail sales take place through the NSLC's 105 retail stores. The NSLC's wholesale market consists of 2002 licensed establishments (bars, restaurants, lounges), 52 Agency Stores and four Private Wine & Specialty Stores.

Retail sales through the NSLC's retail stores for the 2011 - 2012 fiscal year were $484.7 million, an increase of 1.4 per cent when compared to the previous fiscal year.

NSLC wholesale sales were $112.5 million, an increase of 1.6 per cent when compared to the same period last year. Wholesale sales are comprised of sales to Licensees which were $58.4 million (a decrease of $1.6 million or 2.6 per cent when compared to last year); Agency Stores sales which were $40.4 million (an increase of 3.6 per cent when compared to the previous year); Private Wine & Specialty Store sales which were $12.6 million (an increase of 16.7 per cent compared to the previous year); with the remaining wholesale sales of $1.1 million generated by sales to other wholesale customers.

Licensee sales decreased by 2.6 per cent which is consistent with Nova Scotians having less disposable income for dining and entertainment. Agency Store sales continue to increase as the NSLC works closely with Agency Store operators and community partners to ensure Agency Stores are in the best possible location in the communities served across the province. Continued development of a customized product offering based on customer demand in each store has also contributed to the positive sales performance in this area.

Sales in the four Private Wine and Speciality stores showed significant improvement over last fiscal year, enjoying an increase of 16.7 per cent. This is largely due to an increase in their sales to licensed establishments and new ownership in two of the four stores.

Sales Volume

Another important measurement of organizational performance is an examination of the volume of product sold, which the NSLC measures in hectolitres. The NSLC's retail and wholesale sales volume decreased by 2.2 per cent compared to last year with 811 thousand hectolitres sold compared to 828 thousand hectolitres sold the previous fiscal year.

	SPIRITS	WINE	BEER	RTD	TOTAL
Volume	-0.2%	3.2%	-2.8%	-5.3%	-2.2%
Dollars	2.6%	6.3%	-0.6%	-4.7%	1.4%

The volume decline overall in the 2011 - 2012 fiscal year can be attributed to a number of factors including overall economic conditions, the aging population in Nova Scotia and more stringent laws regarding impaired driving all combined with unfavourable weather.

Sales by Region

NSLC stores are grouped together geographically in what the NSLC refers to as Regions. Sales vary by Region and are impacted by factors such as economic conditions and the loss of key industries in some rural communities, population variances and income, as well as the availability of Agency Stores. Almost all Regions exerienced growth from a sales perspective with Cape Breton being the exception. Key industry is struggling in the area, generating higher levels of unemployment and less disposable income.

	GROSS SALES	VOLUME
Region	% Increase	% Decrease
Halifax and Area	2.8	-1.0
Dartmouth and Area	1.5	-2.1
Northern and Eastern	0.6	-2.5
Cape Breton	-0.3	-3.6
Valley and South Shore	0.5	-3.0

All NSLC Regions strugged from a volume perspective in the 2011 - 2012 fiscal year, experiencing a decrease in the volume of product sold. Customers are buying less which is not surprising based on the amount of discretionary income available and the increase in food and fuel costs for the average Nova Scotia household during this time.

Operating Expense Ratio

The NSLC's Operating Expense Ratio including amoritization and depreciation for the 2011 - 2012 fiscal year was 16.5 per cent compared to 15.5 per cent reported the previous year. This was greater than the planned level of 16.3 per cent for the fiscal year. Strong expense management and reduction ensured the organization met the operating expense target identified in the annual Business Plan.

Key Performance Indictors

The NSLC uses a number of standard retail metrics to track the performance of each store in the NSLC store network called Key Performance Indicators (KPI's). These KPI's include an evaluation of the execution of merchandising and operational standards, sales per employee and mystery shop scores. NSLC stores achieved an accuracy rate of 98.6 per cent on these established operational metrics this fiscal year, above the compliance measurement of 97.8 per cent a year earlier. This reflects the organization's continued commitment to execution and operational excellence at retail helping the organization deliver on its customer promise.

Sales Per Employee Hour (SPEH)

SPEH measures the efficiency of the organization's labour cost against the actual retail sales that labour delivers. At the NSLC, during the 2011 - 2012 fiscal year, the SPEH increased by 1.6 per cent from $390 to $396. This increase in SPEH is the result of better alignment of store hours and work schedules in a declining sales economy.

The SPEH calculation represents 1,219,569, hours of work with associated labour costs of $23,645,921. Even though this is 2929 hours of work less than the previous fiscal year, it represents an increase in labour costs of $741,403. This increase is a result of the certification of casual employees and wage increases for regular part-time employees.

Mystery Shopping Program

Mystery shop research evaluates NSLC store adherence to operational standards, measures customer service levels and assesses display and promotional signage compliance. The average mystery shop score for all NSLC stores for the year was 88.2 per cent, which is an improvement over the previous year's score of 86.9 per cent. This demonstrates the commitment to excellence by the retail team ensuring NSLC stores are always ready for business.

Store of the Year

Operational metrics, combined with mystery shop results enable the NSLC to measure the overall performance of each store. These metrics are used to improve store performance and to recognize excellence within the organization. Stores are measured on KPI's with the desired result of exceeding gross operating profit targets in terms of sales and 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. The NSLC's Spryfield store was named Store of the Year 2012 for excelling in all performance measurement factors.

The Gold performance award winners for 2012 were:

- Region 1 – Spryfield
- Region 2 – Middle Musquodoboit
- Region 3 – East New Glasgow
- Region 4 – Baddeck
- Region 5 – Meteghan

The Silver performance award winners for 2012 were:

- Region 1 – Scotia Square
- Region 2 – Stewiacke
- Region 3 – West New Glasgow
- Region 4 – Port Hood
- Region 5 – Shelburne

The Bronze performance award winners for 2012 were:

- Region 1 – Mahone Bay
- Region 2 – Elmsdale
- Region 3 – Trenton
- Region 4 – St. Peter's
- Region 5 – Lockeport

NSLC 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 99.1 per cent and for the retail network the supply chain team produced an exceptional rate of 98.2 per cent. The efficiency of the NSLC's Distribution Centre, the heart of the supply chain operation, is best demonstrated in the growth of the volume of product shipped through the facility. This past fiscal year, the NSLC Distribution Centre shipped almost 5.2 million cases of product, approximately 158,000 less than the previous year. This is consistent with the decrease in sales performance resulting in less product orders being placed.

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 while meeting the needs of all customers. The NSLC's duty-paid landed-cost inventory in the Distribution Centre was $18.1 million, an increase of $1.3 million over the previous year. This increase in inventory costs is a direct result of less than anticipated sales performance at retail.

Distribution Centre inventory turns for the fiscal year increased slightly to 12.7 an improvement over 12.3 the previous year. This positive improvement occurred as a result of better management of the product lifecycle, better visibility to inventory levels using SAP and business intelligence analytics and Supply Chain employees responsible for replenishing product placing accurate and timely orders.

Retail store inventory was $22.6 million, a $1.2 million increase over the previous year. Total network inventory, including the Distribution Centre and the retail network at year-end was $40.7 million, an increase of $2.5 million over the 2010 - 2011 fiscal year. Some of the additional inventory on-hand was a result of preparations for the launch of the AIR MILES Reward Program.

Ensuring the product is available 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 2011 - 2012 fiscal year, was 98.2 per cent, just slightly higher than the prior year. This is a higher in-stock position than most retailers however; the NSLC carries this high level because of its status as the only retailer of beverage alcohol in the province.

Product Offering

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 and the total number of products vary every year depending on market demand. At the conclusion of the 2011 - 2012 fiscal year, the NSLC offered 8766 SKUs (stock keeping units) through its retail and wholesale channels, an increase of 1080 products compared to the previous year.

The five-year history of products offered by category is listed below.

CATEGORY	2008	2009	2010	2011	2012
Beer Products	515	518	483	589	765
Ready-To-Drink	167	159	168	165	138
Spirit Products	1069	1018	1017	1133	1297
Wine Products	3596	4352	4923	5799	6566
Total	5347	6047	6591	7686	8766

The NSLC continues to offer new and innovative products in each of the categories based on customer demand and industry trends. Total SKU's increased by 1080 with the wine category reporting the largest increase with 767 new products introduced in the 2011 - 2012 fiscal year. Demand for new products is high in the wine category as customers are seeking increased selections and varietals in a range of prince points.

Category Performance

Beer

The beer category is an important driver of the NSLC's financial performance because it represents 48 per cent of sales and almost 79 per cent of volume. Sales in this critical category have been lagging for the past two years and are having a significant impact on the NSLC's financial performance. For the 2011 - 2012 fiscal year, beer sales were $284.5 million, a 0.6 per cent decrease when compared to the previous fiscal year. Volume sold decreased by 2.8 per cent during the same time. This decrease in sales and volume had a significant effect on the overall sales performance of the organization and is one of the most significant declines in beer sales since 1992.

Beer sales are significantly influenced by the weather and on average, during the first quarter of 2011, Nova Scotians experienced 36 per cent fewer days over 20 degrees when compared to the previous year. As a result, the number of beer transactions for the first quarter of 2011, decreased by 8 per cent when compared to the first quarter of the previous fiscal year.

Sales in the beer category increased during the third quarter of the fiscal year (October 2011 - January 2012) by 2.9 per cent when compared to the same time the previous fiscal year. This lift in sales was the result of strong holiday sales during December supported by a number of enticing in-store promotions on popular products such as Keith's, Budweiser and Coors Light.

Even though the category experienced an overall sales increase of 3.6 per cent during the last half of the fiscal year, it was not enough to make up for the lost sales during the summer months.

Wine

The wine category demonstrated consistent growth throughout the 2011 - 2012 fiscal year representing 21 per cent of the NSLC's sales and 11 per cent of volume. A strong product offering supported by customer demand, changing demographics and healthy lifestyle choices had a positive effect on this category. For the 2011 - 2012 fiscal year, wine sales were $122.7 million, a 6.3 per cent increase when compared to the previous fiscal year. The volume of wine sold increased by 3.2 per cent during the same period.

Nova Scotia wine sales in the 2011 - 2012 fiscal year outperformed the total wine category generating growth of 17 per cent. If Nova Scotia was considered a country by NSLC categorization standards, Nova Scotia would be the fifth largest region in sales ahead of countries such as Argentina and France. New wineries are opening in Nova Scotia and existing wineries are developing, able to produce more product. Customers are becoming increasingly interested in the unique varietals local wineries have to offer.

Old World wines from France, Italy and South Africa contributed to the sales increase, supported by strong in-store promotions. Many New World wines from Australia, Canada and Argentina utilized AIR MILES promotions that also helped drive sales performance.

More than 75 per cent of total wine sales for the year can be attributed to five top-selling regions; Canada 34.2 per cent, Australia 14.8 per cent, Italy 12.1 per cent, USA 10.6 per cent and France 5.8 per cent. There is renewed interest in wines from Australia and the NSLC promoted this region by focusing on Australian wines at the 2011 Port of Wines Festival.

Spirits

For the 2011 - 2012 fiscal year, spirit sales were $166.2 million, a 2.6 per cent increase when compared to the previous fiscal year. Volume of spirits sold decreased slightly by 0.2 per cent during the same time. This sales increase with relatively flat volume indicates the taste profile of spirit customers is evolving and they are enjoying more premium spirit offerings.

The spirit category accounts for 28 per cent of the NSLC's sales and is a category in transition from a customer taste perspective. Historically, white rum has been the primary driver of this category in Nova Scotia from a sales and volume perspective.

For the fifth consecutive year, white rum sales continue to decline; however spiced rum has increased in popularity. This indicates that customers are experimenting with innovation in the spirit category and have started to enjoy premium, flavoured spirits and other mixed cocktails. Strong in-store promotions on popular brands such as Captain Morgan with the 'Nova Scotia Spirit Promotion' helped attract customer interest in this category.

Sales in the vodka category showed the strongest growth with an increase of 4.6 per cent, outpacing the overall sales performance in this category by 2.0 per cent. Flavoured and other high-end premium spirits were also a popular choice with customers, resulting in a 10 per cent sales increase and accounting for $11 million in total spirit sales.

Ready-to-Drink (RTD)

For the 2011 - 2012 fiscal year, sales in this category were $23.7 million, a 4.7 per cent decrease when compared to the previous fiscal year. The volume of RTD's sold decreased significantly by 5.3 per cent during the same time. Although this category is only 4.0 per cent of overall sales for the NSLC, historically, it has been an exciting category that has generated significant interest from customers.

In May 2011, a number of new RTD's were introduced into the market as part of the NSLC's 'What's New promotion'. Some popular brands included were Smirnoff Classic Lemonade, Smirnoff Blueberry Lemonade and Mudshake Pina Colada. Performance in this category historically has been driven by innovation and these new products did not create sufficient customer interest to deliver on established sales targets. Similar to the beer category, sales in the RTD category are also negatively impacted by unfavourable weather conditions.

Customer Engagement & Satisfaction

A key measure of any retailer's 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 principally through three 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, 88 per cent of customers gave the NSLC a rating of 8, 9 or 10 (on a scale of 0-10). This is up from 83 per cent six years earlier. More importantly, approximately 50 per cent of customers rated their satisfaction with their NSLC store a perfect 10 out of 10.

In the retail benchmark study, the 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 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.

Understanding and enhancing corporate reputation, often referred to as brand health, is part of every decision made at the NSLC. Monitoring brand health is important to the long-term sustainability and success of the organization because it identifies what is important to customers and the general public of Nova Scotia.

In 2012, the NSLC conducted a research study to assess its brand health among customers and non-customers. The study provided a benchmark against other provincial retailers and other liquor jurisdictions. The NSLC measures its brand health on customer attributes and civic attributes; this year's score was 74 out of 100, down two points from the 2010 survey. This drop is not considered statistically significant and is only six points lower than the new leader. This score places the NSLC in the middle of the pack of its liquor retailing peers, six points behind the leader and five points ahead of the weakest rated jurisdiciton.

The NSLC will continue to conduct brand health studies, evaluate the metrics and use the insights gained to continue its organizational transformation from a place to shop to a personal experience.

AIR MILES Reward Program

To make the next organizational transformation of offering customers personalized service a reality, the NSLC needed more information on its customers. In February 2012, the NSLC implemented the AIR MILES Reward Program across its retail network as a way to reward customers for sharing information on their shopping patterns. Eighty-seven per cent of Nova Scotia households have an active AIR MILES card, making it the most popular rewards program in the province.

The NSLC conducts almost 18 million transactions annually and has 550,000 customers. Through the collection of data at the point of sale through the AIR MILES Reward Program, the NSLC will gain valuable customer insights enabling the NSLC to deliver a personalized shopping experience, tailored to individual customer needs. In return, the NSLC is able to offer a benefit that all customers can enjoy by participating in the AIR MILES Reward Program.

Economic Impact Study

In 2011, Gardner Pinfold conducted an economic impact study on the Nova Scotia Beverage Alcohol Industry for the NSLC. This study provides a comprehensive analysis of the economic impacts based on the operations of the beverage alcohol industry in the Nova Scotia economy for the most recent fiscal year for which data is available (2010 - 2011). This study serves as a baseline measure against which economic impacts resulting from future scenarios can be measured.

Nova Scotia's beverage alcohol sector generated more than $760 million in total revenue from the sale of beer, wine and distilled alcohol beverages through all retail channels, licensed premises and exports. These revenues were used to estimate the economic impacts attributable to the beverage alcohol industry using the Nova Scotia Department of Finance Input-Output (NSIO) Model.

In addition, the study showed that the beverage alcohol industry in Nova Scotia provides support to a separate but closely tied industry sector – licensee operations throughout the province (restaurants, bars, pubs and catering companies) with a total employment of more than 16,500 employees in communities across Nova Scotia. This translates into an estimated 13,200 full time equivalents (FTEs) of employment in licensee operations.

While employment in licensee operations is not considered as direct employment in the Nova Scotia beverage alcohol industry, it should be recognized that a great number of licensees are dependent on beverage alcohol sales for the profitability of their operations and their ability to provide employment. As a result, the Nova Scotia beverage alcohol industry supports a portion of the estimated 13,200 FTEs of employment in licensee operations in communities across Nova Scotia. While it is not possible to determine definitively the percentage of employment in licensee operations attributable to the sale of beverage alcohol without further study, using a conservative estimate of 40 percent of employment being attributable solely to the sale of beverage alcohol, this amounts to an additional 5,013 FTE supported by the Nova Scotia beverage alcohol industry.

Total economic impacts (direct and spinoff) attributable to the Nova Scotia beverage alcohol industry include:

Over $760 million in total revenues.

Employment: (shown in full-time equivalent positions)

Direct:	2419
Spinoff:	2594
Total:	5013

Gross Domestic Product (GDP): $200 million

The Nova Scotia beverage alcohol industry plays a critical role in the economic fabric of the communities it serves and Nova Scotia as a whole. The beverage alcohol industry in an important employer in both rural and urban regions; contributes to the labour force skill development in the retail sector and generates additional longer-term economic impacts throughout the economy.
- Gardner Pinfold

Nova Scotia Beverage Alcohol Industry

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

As part of the Nova Scotia wine development strategy, the NSLC introduced the emerging wine industry pricing policy to help accelerate the growth of this rapidly developing industry in our province. The NSLC is committed to working with industry and government in this strategic area of the business.

Nova Scotia Wine Industry

Nova Scotia's wine industry is the third most recognized wine region in Canada. Together as an industry, a goal of 1,000 acres of grapevines and 20 wineries by 2020 was established. Today there are currently 18 farm or small farm wineries (formerly known as cottage wineries) in Nova Scotia with over 500 acres of grapevine planted.

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 new wineries, 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 (WANS) and the Nova Scotia Department of Agriculture; both have a keen interest in seeing this sector prosper.

Public perception regarding wines from Nova Scotia is changing due to quality offerings such as Nova 7 from Benjamin Bridge, a tremendous success story for the Nova Scotia wine industry. The Nova Scotia wine category outpaced average wine category growth with a sales increase of 17.1 per cent in the 2011 - 2012 fiscal year. More than 70,000 cases of locally produced wine was sold in NSLC stores last fiscal year and is the largest amount sold to date.

	NS Wine Net Sales	Growth	Wine Net Sales
F08	4,388,059.00		94,602,424.53
F09	5,027,394.44	14.6%	101,719,991.54
F10	6,194,904.89	23.2%	105,921,375.02
F11	6,587,405.78	6.3%	111,857,253.82
F12	7,711,023.96	17.1%	118,439,650.85

Nova Scotia Beer Industry

Local breweries consist of commercial brewers such as Labatt and Sleeman Maritimes Limited along with a number of craft 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. Craft breweries produce under 15,000 hectolitres of beer per year. They sell their product in both packaged and keg formats to retailers such as the NSLC and in some cases the product is available for sale in the 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. In December 2011, changes were made to the Liquor Control Act to allow brewpubs to conduct retail sales of their product on premise. Currently, two brewpubs (Rogues Roost and Paddy's Pub) have been authorized by the NSLC and the Alcohol Gaming Division under the new regulations to sell products at their respective locations.

Risk Factors

Risk of unforeseen factors restricting the ability to achieve objectives and goals established in the NSLC's Five-Year Strategic Plan 2010 - 2015 and Annual Business Plan 2011 - 2012 can impact the NSLC's ability to meet its commitments.

Risk factors which have an effect on NSLC sales are very much like those faced by all retail businesses. These include weather, economic conditions, technology failure of the systems required to process in-store business transactions. Unique to the NSLC, is the impact that public policy changes may have on its operations.

Severe weather can close stores. A cold, wet spring or summer has a dramatic impact on the beer business. Weather conditions represent a major area of vulnerability since beer (which is 48 per cent of sales and nearly 79 per cent of volume sold) can be disproportionately impacted.

The products the NSLC sells represent discretionary purchases by its customers. A deterioration of economic conditions in the province reduces sales at the NSLC and other retailers. Profitability can also be affected because customers are less likely to purchase premium products and may trade down during times of economic uncertainty. The NSLC has in place monitoring and performance measures to enable management to make decisions to counter mitigating weather and economic factors.

The NSLC is an SAP enabled business. As such, there is an inherent risk to the business if this system should fail. The NSLC has business continuity 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 impact the NSLC's ability to deliver on objectives outlined in the business plans.

Enterprise Risk Management

Enterprise Risk Management (ERM) for organizations includes the methods and processes used to manage risks and capture opportunities related to achieving strategic objectives. ERM can also be described as a risk-based approach to managing an enterprise, integrating concepts of internal control and strategic planning. Through the use of an ERM framework, organizations can assess the likelihood and potential impact of identified risks and set a proactive strategy that allows action and monitoring of the risks.

A vital goal and challenge of ERM is to improve internal identification and management of risks and ultimate business unit coordination, while integrating the output to provide an enterprise-wide view of risk for all stakeholders and improving the organization's ability to manage the risks effectively.

The Board of Directors and the Executive Team are committed to ensuring that appropriate ERM strategies and processes are in place and revisited. The risk assessment originally conducted in 2008 - 2009 continues to be reviewed annually and is incorporated into the annual business planning process.

Adoption of International Financial Reporting Standards (IFRS)

In February 2008, the Canadian Accounting Standards Board (CASB) confirmed that International Financial Reporting Standards (IFRS) are to be adopted as Canadian Generally Accepted Accounting Principles (GAAP) by publicly accountable enterprises in Canada for fiscal years beginning on or after January 1, 2011. The Public Sector Accounting Board (PSAB) 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 as of April 1, 2011 adopted IFRS. This is the first annual report the NSLC has prepared in accordance with the IFRS.

The NSLC financial statements and notes for the year ended March 31, 2012 have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) effective March 31, 2012, the date of the Corporation's first annual reporting under IFRS. The adoption of IFRS does not impact the underlying economics of the NSLC's operations or its cash flows.

The financial statements contain a detailed description of the NSLC's adoption of IFRS in Note 16, including a reconciliation of the financial statements previously prepared under GAAP to those under IFRS for the following:

- Balance sheets at April 1, 2010 and March 31, 2011;
- Statements of Comprehensive Income for the year ended March 31, 2011

The most significant impacts of the adoption of IFRS relate to property, plant and equipment and recognition of unamortized actuarial gains and losses related to employee future benefits described in Note 13 of the financial statements.

Community

The NSLC has been in business for 81 years and takes pride in the service it provides to Nova Scotians. NSLC employees, supplier partners, community leaders and customers are integral to the success of the NSLC especially in its role as a good neighbour and a responsible corporate citizen. Customers are increasingly aware that they help create healthier communities by choosing to do business with socially responsible companies. Through the use of innovative and successful community involvement strategies, the NSLC endeavours to make Nova Scotia an even better place to live.

Employees

The NSLC's strong corporate culture, commitment to giving back and putting employees first, contributes to the NSLC's overall employee satisfaction. The NSLC offers comprehensive benefits, competitive wages, the opportunity to pursue good health and a challenging yet fun work environment.

The NSLC employs approximately 1,500 people in communities throughout Nova Scotia. The majority of employees work in the 105 retail stores operated by the NSLC across the province, with the remainder working in the Head Office and Distribution Centre located in Halifax.

EMPLOYEES BY REGION	CASUAL	REGULAR FULL-TIME	REGULAR PART-TIME
Halifax and Area	128	103	33
Dartmouth and Area	149	107	35
Northern and Eastern	125	78	33
Cape Breton	115	71	32
South Shore and Valley	115	79	31
Head Office	3	172	
Distribution Centre	32	52	6
Union	27%	35%	11%
Non-Union	18%	9%	

Benefits

The NSLC offers a competitive and valuable benefits package including paid vacation, paid sick leave, group insurance, and a defined benefit pension plan. These benefits are available to full-time and regular part-time employees while casual employees become eligible for payment in lieu of benefits after they have worked a total of 400 hours.

The minimum wage in Nova Scotia as of March 31, 2012 was $10 per hour. The NSLC's offers its employees competitive compensation rates; for example a casual store clerk receives a starting salary of $11.25 per hour rising to $18.89 for full-time employees. The NSLC reports its payroll based on the calendar year, with 26 bi-weekly pay periods. In 2011 - 2012, the NSLC reported a total payroll of $44.2 million.

Healthy Workplace

The NSLC understands that healthy employees in a healthy workplace are essential to achieving individual and organizational success. To help achieve a healthy workplace and to ensure timely communication and education, the NSLC has two committees and healthy workplace representatives in each of its retail stores and within each Business Unit.

The Healthy Workplace Steering Committee consists of members of the Executive Team and members from the Workplace Health and Safety group within the Human Resources Business Unit.

The Healthy Workplace Advisory Committee has representatives from each region, the Distribution Centre and Head Office, with support from our Workplace Health and Safety group within the Human Resources Business Unit.

The Healthy Workplace Representatives support Healthy Workplace initiatives in each store, Distribution Centre and Head Office. Learning opportunities were provided on areas related to nutrition, physical activity and mental health. During the time period of this report, several healthy workplace symposiums were held with great success and received very positive feedback from the Healthy Workplace Representatives. The same areas of focus will be carried forward into 2012 - 2013.

Healthy Workplace challenges such as Your Health Risk Assessment, Know your Blood Pressure and Dental Care were offered throughout the year. These challenges encouraged employees to educate themselves on the topic, review their own practices and offered ways to incorporate better choices into their everyday life. Participation has increased steadily in the monthly challenges (from 11 per cent to more than 30 per cent) and positive change has begun. Employees have reported that they are using the information gained through the challenges to improve quality of life and are inspiring others to incorporate healthy choices into their lives.

Employee & Family Assistance Program (EFAP)

The NSLC, through Homewood Human Solutions, a recognized industry leader and pioneer in organizational health and employee wellness programs, offers NSLC employees the highest standards of service to advance the development and well-being of its employees.

The EFAP includes comprehensive counselling for employees and family members, work-life and health coaching services, health risk assessments, crisis management and prevention-oriented health promotion and other education and training sessions.

Safety

The NSLC is recognized nationally as a leader in health and safety. The NSLC considers the safety of employees working at or anyone visiting the NSLC as a top business priority. The NSLC has an Occupational Health and Safety Management System (OHSMS) in place where all NSLC Management and employees are trained and held accountable for compliance to the OHSMS, the Occupational Health and Safety Act and other standards, practices and procedures.

Training

At the NSLC, employees are offered not only the training they need to do their jobs, but also the training they want to advance their careers. The NSLC believes that when its employees succeed, so does its business. All NSLC employees are encouraged to improve their learning of the business and improve their skills through both on-the-job training and a suite of online training modules.

A supporter of life-long learning, the NSLC offers employees funding toward adult education programs, college courses, university programs and professional designations.

As employees approach the end of their career, Retirement Planning workshops are available to support the employee's transition to retirement.

Top Five Training Courses 2011 - 2012

COURSE TITLE	# COMPLETIONS
WHMIS 2011	1266
Strategic Plan 2010–2015	939
Violence in the Workplace	569
IT Security Awareness Retail	517
Conflict of Interest	438

Social Management Approach

The NSLC strives to be a superb retailer recognized for sustainable business performance and engaging customer experience, eliciting the pride and enthusiasm of Nova Scotians. The NSLC has a clear vision for its employees; to encourage creativity and innovation, to demonstrate respect and dignity in all matters and to attract, hire, develop, retain and reward talented individuals in a safe, productive and healthy environment.

Labour and Employment Law Compliance

The NSLC recognizes and strives to adhere to all labour and employment laws within Nova Scotia, including those respecting freedom of association, privacy and equal opportunity. In addition, the NSLC is committed to promoting the more equitable participation of women, Aboriginal peoples of Canada, persons with disabilities and members of racially visible communities. The NSLC strives to maintain a workforce that reflects the diversity of the Nova Scotia working population.

The following information reflects responses from NSLC employees across the organization. All information was volunteered by the employees as part of employment history.

NSLC Employee Demographics vs. Nova Scotia General Population (Visible Minorities & Aboriginal): Nova Scotia statistics from Canada 2006 Census

	NSLC	NOVA SCOTIA
None:	94%	96%
Black:	2%	2%
Aboriginal:	1%	3%
Other:	2%	2%

NSLC Demographics vs. Nova Scotia General Population (Gender): Nova Scotia statistics from Canada 2006 Census

	NSLC	NOVA SCOTIA
Male	37%	49%
Female	63%	51%

Union and Labour Relations

Most NSLC employees are unionized and are represented by the Nova Scotia Government and General Employees Union (NSGEU). Roles that are included in the bargaining units include most casual, all full-time and part-time store employee, all store managers and assistant managers, maintenance and Distribution Centre employees and some administrative and clerical office roles.

Almost 75 per cent of NSLC employees are represented by one of three Collective Agreements. All three Collective Agreements were signed and implemented during the 2011 - 2012 fiscal year. These agreements cover a wide range of employee rights and protections including job security and notice provisions regarding significant operational changes.

The NSLC's selection processes are based on assessing job related competancies and skills. Subject to the provisions of the NSLC's various Collective Agreements, NSLC hirings are based on merit.

Community Investment

The NSLC is committed to giving back to the communities it serves and being a responsible corporate citizen. The NSLC takes pride in being a good neighbour and is proud of the generosity of its employees.

United Way

The United Way is one of Nova Scotia's key contributors to building stronger communities. Each year, the NSLC supports the United Way and assists individuals and families throughout the province by participating in the United Way Campaign and raising much-needed funds for numerous charitable organizations.

In 2011, the NSLC raised close to $60,000 for the provincial United Way Campaign and received the Quantum Leap award from United Way for increasing contributions year over year.

Isaac Walton Killam Health Centre Fundraising Campaign

For 23 years, the NSLC and its employees have been committed to raising money for the IWK Health Centre. This amazing facility provides quality care to women, children, youth and families. The IWK is also engaged in leading-edge research; works to promote healthy lifestyles for families and supports education opportunities for health professionals and other learners.

In 2011, the NSLC's employees raised more than $165,000 for the IWK and presented a cheque during the annual IWK Telethon in June 2011. Every year the amount of money generated by the NSLC increases and speaks to the generosity of employees and customers. The NSLC has now raised well over $1.5 million for the IWK Health Centre.

Cash Can Program

With more than 300 individual cash locations and more than 1.6 million purchases in an average month, the NSLC's Cash Can program provides registered charities the opportunity to collect customers' spare change. During the period of this report, almost $100,000 was raised contributing to a diverse range of charities including:

- Alzheimer Society of Nova Scotia
- Heart & Stroke Foundation
- Special Olympics Nova Scotia
- Nova Scotia Hearing and Speech Foundation
- Canadian Breast Cancer Foundation Nova Scotia Division

Celebrate Nova Scotia Talent

Every Nova Scotia social occasion seems to include two things; a product from the NSLC and music. Whether you're listening to a haunting ballad or a toe-tapping reel, Nova Scotia music is an integral part of every occasion.

In honour of this connection to music, the NSLC began to sponsor local music festivals featuring Nova Scotia talent in 2010. The program was developed to support objectives identified in the Five-Year Strategic Plan 2010 - 2015 regarding Corporate Social Responsibility and giving back to communities served by the NSLC across the province.

In 2011-2012, eleven community festivals received NSLC support:

- Stan Rogers Folk Festival
- Festival Acadien de Clare
- Pugwash HarbourFest
- Harmony Bazaar
- Lunenburg Folk Harbour Festival
- Dutch Mason Blues Festival
- Hank Snow Tribute
- Canadian Deep Roots Music Festival
- Celtic Colours
- Nova Scotia Music Week

Awards & Recognition

The NSLC was honoured locally, nationally and internationally for its Corporate Social Responsibility (CSR) efforts. The Atlantic Business Magazine CSR Awards recognized the NSLC with an award in the Sustainability category for the NSLC's Zero Waste program at its Head Office and Distribution Centre facility. The NSLC made a commitment to divert 95 per cent of its solid waste from Nova Scotia landfills. Significant strides have been taken toward reaching this ambitious goal. The Retail Council of Canada presented the NSLC with Excellence in Retailing award in the Employee Development category for its WE ID program. This internal training program provided a comprehensive educational opportunity allowing for the successful implementation of the NSLC's WE ID program at the store level.

The NSLC was thrilled to receive a Gold Quill Award of Merit from the International Association of Business Communicators, in the Other Graphic Design category, for the 'Feel Young' social responsibility campaign. The 'Feel Young' campaign was held during September 2010 in Wolfville, New Minas and Antigonish and was aimed at preventing underage consumption and anti-binge drinking activities.

Bret Mitchell, President & CEO received his fourth Top 50 CEO Award from Atlantic Business Magazine. Nominees were judged based on their corporate, community and industry involvement, company's growth and their ability to respond to business challenges with strong leadership.

Social

From a public policy perspective, the NSLC exists to prevent the sale of beverage alcohol to minors and to promote the socially responsible consumption of beverage alcohol. Social responsibility remains a cornerstone of the NSLC's mandate and the NSLC has strategies and tactics in place to ensure that beverage alcohol never falls into the wrong hands. Each day, the NSLC employees strive to balance the need to fulfill this social mandate while providing Nova Scotians with products they enjoy.

Nova Scotia per Capita Consumption

Statistics Canada's 2009 population data indicate that 79.8 per cent of the Nova Scotia population is of legal age to consume beverage alcohol. NSLC surveys indicate that 26 per cent do not shop for beverage alcohol. Therefore, the NSLC customer base consists of approximately 550,000 people, most of whom visit an NSLC store at least once a month.

In terms of total consumption of alcohol, Nova Scotia represents a moderate consumption environment consistently indexing below the national level. Indeed, Nova Scotia falls in eighth place in the country, just behind Northwest Territories/Nunavut. Yukon Territory, Newfoundland and Labrador and Quebec who continue to have the highest per capita consumption in the country.

Canadian Per Capita Consumption

	RTD	SPIRITS	WINE	BEER	TOTAL
Yukon	10.29	11.86	17.24	146.9	186.26
Newfoundland and Labrador	3.60	9.30	8.62	103.0	124.55
Quebec	1.35	3.28	23.11	95.4	123.11
Alberta	5.60	8.43	12.22	90.4	116.61
Saskatchewan	6.11	8.53	7.25	85.0	106.88
Manitoba	3.37	7.24	10.04	85.9	106.51
NWT/Nunavut	6.57	17.50	13.11	69.2	106.42
Nova Scotia	4.27	6.72	11.48	83.6	106.08
British Columbia	7.08	6.51	16.68	73.2	103.43
Prince Edward Island	4.38	6.55	10.73	80.1	101.73
Ontario	3.63	5.44	12.05	77.4	98.55
New Brunswick	4.46	4.86	8.85	78.8	96.97

*Please note that all per capita data have been revised to reflect Statistics Canada revisions
Source: Brewers Association of Canada 2011 Annual Statistical Bulletin

The drop in overall consumption correlates directly to Nova Scotia's aging and declining population. In addition, Nova Scotians are making healthier lifestyle choices and are reducing consumption of beverage alcohol.

Canada's Low Risk Drinking Guidelines were intended to be used by Canadians of legal drinking age who choose to drink alcohol. The guidelines provide consistent information across the country to help Canadians moderate their alcohol consumption and reduce their immediate and long-term alcohol-related harm. The guidelines suggest no more than 10 standard drinks per week (two per day) for women and no more than 15 standard drinks per week (three per day) for men.

Male/Female Daily Consumption in Nova Scotia (based on volume sold)

MALE	NSLC volume in Litres FY12	Approximate Litres Consumed by Males	Per Cap Consumption (L)	Per Cap Translated Into Daily MLs	# of Drinks per day
Beer	63,792,397.57	45,547,771.86	126.1	345	1.01
Spirits	5,156,565.76	3,681,787.95	10.2	28	0.65
Wine	8,832,765.19	5,043,508.92	14.0	38	0.27
Males LDA	361230				
% LDA Pop	48%				

FEMALE	NSLC volume in Litres FY12	Approximate Litres Consumed by Females	Per Cap Consumption (L)	Per Cap Translated Into Daily MLs	# of Drinks per day
Beer	63,792,397.57	18,244,625.70	46.6	128	0.37
Spirits	5,156,565.76	1,474,777.81	3.8	10	0.24
Wine	8,832,765.19	3,789,256.27	9.7	27	0.19
Females LDA	391332				
% LDA Pop	52%				

Research indicates that most Nova Scotian beverage alcohol consumers drink regularly from one product category and will occasionally consume from another category, typically in a social gathering. Very few consumers would drink regularly from all three product categories on any given day. Based on male / female population and total volume sold, Nova Scotia males consume approximately one drink per day and Nova Scotia females drink less than one drink per day. This rate of consumption falls well below the amounts as defined in Canada's Low Risk Drinking Guidelines.

Responsible Sales

The Liquor Control Act of Nova Scotia mandates the NSLC with the responsibility of promoting social objectives with regards to responsible drinking. This responsibility differentiates the NSLC from all other retailers because of the potentially harmful nature of the product it sells. In its Social Responsibility Charter, the NSLC focuses on ensuring that no sale of beverage alcohol is made to any person not of legal drinking age.

Anyone purchasing beverage alcohol in Nova Scotia must be able to prove they are of legal age at time of purchase. The NSLC adopted the WE ID program and has implemented the policy that anyone appearing to be under the age of 30 is required to present valid identification in order to be served.

During 2011 - 2012, more than 1.1 million requests for identification were made and 9,372 customers were refused service in NSLC stores. The NSLC regularly uses mystery (secret) shoppers throughout its retail store network to monitor compliance with its WE ID program and the request for identification from those appearing to be younger than 30 years of age.

Responsible Consumption

The NSLC wants all of their customers to enjoy beverage alcohol responsibly and is passionate about discouraging all manners of inappropriate consumption – especially drinking and driving. The NSLC produces an annual holiday social responsibility campaign aimed at increasing awareness about the harms of drinking and driving. In December 2011, the NSLC introduced "Tipsy Rides". Leveraging the interesting relationship that cars are often an extension of their owner, this relationship was extended to include when the owner has been drinking.

The NSLC played on two stereotypical situations that occur at Nova Scotia holiday parties. Each spot exaggerated the relationship between either a group of young men or a conversation

between two girlfriends. The main message was delivered by a cab driving through the scene mid-spot featuring local celebrity, Pete Luckett, who delivered the campaign slogan “If you’ve had a few, your car has too.”

An online panel research of more than 1800 customers was conducted in January 2012. The highlights were:

- 47 per cent of survey participants recalled the commercial;
- 72 per cent of the respondents indicated the ad stood out against other ads during December;
- 88 per cent of respondents agreed the ad reinforced the message that drinking and driving should never be an option.

Operation Red Nose

The NSLC continued as provincial sponsor of this free service providing safe rides home for drivers and their vehicles during the busy holiday season. Thanks to the dedication and commitment of NSLC employees, families, friends, business partners and volunteers, more than 14,161 km were driven with 396 safe rides home provided to 885 party-goers over four weekends in December throughout Halifax Regional Municipality. Donations were accepted, generating more than $7500 which was presented to Safe Graduation activities in the region.

Mothers Against Drunk Driving (MADD) Canada

The NSLC was a provincial sponsor of MADD Canada’s multi-media presentation called Damages, to student audiences across Nova Scotia in 2011-2012. Damages is a hard hitting, emotionally charged fictional courtroom drama that revisits decisions the accused made one tragic night. It is reminiscent of stories that Canadian court rooms hear far too often. Damages concludes with victims sharing their very personal and devastating stories with the audience. MADD Canada presented Damages to 67 schools in Nova Scotia reaching more than an estimated 50,000 students.

Environment

The NSLC is dedicated to help minimize and eliminate its impact on Nova Scotia's environment. Efforts already underway include zero liquid waste, zero solid waste and energy consumption reduction. The NSLC is working toward meeting environmental targets that reflect a continued level of attention to everyday practices and is committed to making Nova Scotia an even better place to live.

The NSLC's Sustainability Statement defines how the organization will achieve the goals outlined in the Purpose, Vision and Culture statements:

The NSLC believes that sustainability means conducting business with integrity, caring for the community, respecting the environment and ensuring that beverage alcohol is kept out of the wrong hands.

Through sustainability initiatives, the NSLC endeavours to adopt sustainable business practices to ensure little or no environmental impact; or an impact so small that the environment can renew itself.

The NSLC strives to be a responsible corporate citizen and to lead other Nova Scotia retailers with a motivated and productive workforce, a cleaner environment and a vibrant economy supporting Nova Scotia communities.

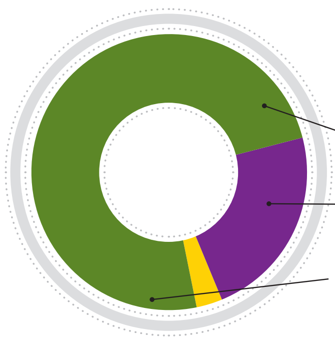
Greenhouse Gas Emissions

The NSLC recognizes the importance of being a good steward of the environment. It is dedicated to help minimize and eliminate its impact on Nova Scotia's environment.

One of the ways that the NSLC measures its impact on the environment is by conducting an annual Greenhouse Gas (GHG) Inventory Report. GHG emissions result from human development and are widely recognized as a contributing factor to changes in the climate. Since 2008, the NSLC, through Stantec, has monitored its carbon footprint with an operational control approach. This approach requires accountability for 100 per cent of the GHG emissions for which the NSLC has direct operational control. The report includes:

- Direct GHG emissions: caused by the consumption of energy;
- Indirect GHG emissions: caused by the production of the electricity the NSLC purchases;
- Other GHG emissions: caused by transportation including trucking and shipping. The NSLC chooses to voluntary report this category in order to represent full impact of operations.

Breakdown of Total GHG Emissions 2011–2012



Total Emissions Summary: (includes direct, indirect and other emissions)

EMISSION CATEGORY	2008/09	2009/10	2010/11	2011/12
Buildings	20,125	1,8287	17,940	17,207
Vehicle Travel	71	121	121	118
Air Travel	24	41	43	40
Third Party Trucking	18	18	391	623
Distributor Shipping	4,543	5,105	3,597	3,819
Waste	n/a	672	172	423
Total	**24,781**	**24,245**	**22,264**	**22,229**

At first glance, the total emissions in 2011-2012 do not appear to have reduced dramatically from 2010 - 2011. However, there are three main factors to consider:

- Third Party Trucking: This emission category saw an increase of 232 tCO2e due to the increase in inventory turns from the NSLC Distribution Centre.
- Distributor Shipping: This emission category saw an increase of 222 tCO2e which is also related to the inventory turns. While the NSLC purchased less product than in 2010 - 2011, it ordered more frequently from its suppliers.
- Waste: The NSLC included the waste from the eight stores included in the expansion of its Zero Waste program. These stores were not represented in past reports as they had not received waste audits.

It is important to recognize that each of the three factors impacting the overall GHG emissions fall within the "Other" category of emissions. This is a voluntary reporting category and is one that the NSLC has little direct control over. With regard to the Third Party Trucking and the Distributor Shipping categories, discussions will be held with NSLC's Supply Chain in 2012 - 2013 to review possibilities in regaining some efficiencies regarding GHG emissions.

The 2011 - 2012 fiscal year GHG emission levels are compared against those estimated in previous years. The boundaries, data, and/or estimation methods associated with the following GHG emission estimates changed and should be considered prior to comparing annual data.

- Third party trucking: For fiscal years 2008 - 2009 and 2009 - 2010, the GHG emission estimates only incorporated delivery routes from the Distribution Centre to NSLC retail locations. For the 2010 fiscal year, NSLC included third party trucking activity associated with independent carriers, full truck loads from the Distribution Centre to retail, and partial loads of product shipped from the Distribution Centre to retail. This 2010 boundary remains the same for 2011 fiscal year.
- Waste: Waste audit data was not available in 2008, so a direct comparison of GHG emissions for 2008 and 2011 cannot be made.
- Distributor Shipping: The GHG boundary for Distributor Shipping (Ground and Marine shipping) in 2011 is different than the boundary for the 2008 and 2009 fiscal years. In 2008 and 2009, emissions associated with inland freight travel from the point of unloading to the Distribution Center were not estimated.
- Emissions Associated with Electricity: The GHG inventory results from 2008 to 2010 changed from the previously reported 2008 to 2010 emissions to account for updated emission factor associated with electricity generation. Each year, historical emission factors are reviewed and updated by Environment Canada, and Stantec subsequently updates past NSLC inventories to include the most recent emission factors. Note that emissions associated with propane consumption for 2010 fiscal year were also updated.

These changes are a result of the NSLC making improvements to the GHG inventory over time. Inventories for the past two fiscal years share the same boundaries and GHG calculation methodology and will be repeated year-over-year.

The NSLC is constantly seeking strategies and technologies to reduce its GHG inventory. In the future, the NSLC will have calculations of the percentage of materials which are regionally manufactured and extracted, as well as which are recycled which can likely be translated into GHG savings.

The NSLC is also calculating water use reduction, a recommendation in this year's GHG report. Leadership in Energy and Environmental Design (LEED) tracking will give the NSLC the ability to monitor construction waste being reduced/diverted from landfills which will also contribute to the GHG savings.

Energy & Resource Management Strategy

Reducing energy use is key to the NSLC's environmental commitment. The NSLC new build and construction renovation program is committed to energy reduction with equipment and material choices made to achieve higher building performance.

The NSLC also studied and tested various energy reduction efforts to retrofit its systems across its existing network of retail stores, Head Office and Distribution Centre. The NSLC partnered with Efficiency Nova Scotia to be "first mover" for a new program allowing the NSLC to proceed with electricity reduction plans that have previously been hard to scope or too expensive.

This pilot program, conducted January – March, 2012 saw energy audits conducted in 16 stores and provided possible systems and change processes for energy savings. Upgrades were done to participating NSLC retail stores of new efficient T8 fluorescent tubes, changing track lighting to LEDs and new controls to cycle evaporator fans in NSLC Cool Zones (walk-in refrigerated beer areas). This pilot program achieved electricity savings in Q4 equating to the savings of 564 tCo2e and 684,000 kWh annually. Additionally, the NSLC's four roof top air conditioning units were changed to higher efficiency units in 2011.

The NSLC has reviewed the pilot program and are now looking to replace its lighting systems where required across the network in fiscal 2012 - 2013.

Further, the NSLC identified additional energy conserving upgrades for its Head Office and Distribution Centre facility for work in 2012 - 2013, with work to be completed to reduce systems use after hours and provide more efficient automation. Efforts such as these contribute to delivering on the NSLC's goal of reducing the 2008 energy consumption total by 15% by the end of 2015.

Energy Consumption Comparison

SOURCE	UNITS	2008/09	2009/10	2010/11	2011/12
Electricity	kWh	22,477,440	19,382,826	19,129,779	19,256,669
Furnace Oil	L	201,903	164,704	130,528	146,678
Propane	L	141,231	104,080	85,078	134,707
Natural Gas	GJ	953	675	1,020	1,085

The energy and resource management strategy is complex, as is the comparison of consumption from year-to-year. In 2011 - 2012, overall consumption increased despite the many improvements and initiatives undertaken by the NSLC. Many of the energy efficiencies were not put into place until Q4 of the fiscal, meaning the majority of those savings will not appear in this report but will appear in 2012 - 2013.

In addition, while improvements were made in building/renovating stores to save energy consumption, the addition of large walk in Cool Zone areas at new stores (such as at Prince Street, Sydney) add to the overall consumption. Nova Scotia had 22 days between December 2011 and February 2012 that saw temperatures dip below -20 degrees Celsius (including windchill) requiring additional consumption to heat NSLC facilities.

Liquid Waste Management

Through product breakage or damage, the NSLC incurs liquid product waste with an estimated 13.5 per cent alcohol by volume. During this reporting period, the NSLC recovered 310, 513 L of liquid waste. The liquid waste is collected monthly at each NSLC store, is processed through a distillation column to remove the ethanol and is then safely released into the environment through a treatment facility.

The removed ethanol is used to produce biodiesel from waste vegetable grease. In the future, the NSLC aims to achieve a true reduce, recycle and reuse process by purchasing the biofuel made by the processing of its liquid waste.

Zero Waste

The NSLC defines Zero Waste as the diversion of 95 per cent of its solid waste materials from Nova Scotia landfills. This ambitious goal was implemented in 2010 at NSLC Head Office, Distribution Centre and two stores. In 2011 - 2012, the program expanded to include additional retail stores within Halifax Regional Municipality.

Year-to-Year Comparison Waste Audit Results

	MARCH 2010	NOV. 2010	APRIL 2011	MARCH 2012
Downsview Plaza, Sackville	-	-	-	95%
Joseph Howe Drive, Halifax	-	-	-	94%
Tacoma Drive, Dartmouth	-	-	-	93%
Tantallon	-	-	-	92%
Bridge Plaza, Dartmouth	-	-	-	91%
Portland Street, Dartmouth	-	-	-	91%
Mill Cove	-	-	-	91%
Bayers Lake, Halifax	70%	-	95%	92%
Distribution Centre	97%	96%	99%	88%
Clyde Street, Halifax	87%	-	85%	84%
Head Office	58%	74%	84%	74%

The waste generated at the NSLC's Head Office in 2001 - 2012 increased, resulting in a diversion rate decline of 10 per cent. Increased pickups were needed to service the amount of waste being generated including a significant amount of paper and plastics which should have been recycled. Employee awareness and recycle procedures will be refreshed to ensure that recyclable materials are recycled and diverted from landfills. A goal for 2012 - 2013 will be to gain back the 10 percent diversion lost in 2011 and achieve 85% at NSLC Head Office.

The total waste disposed in the NSLC's Distribution Centre also increased in 2012 resulting in an 11 per cent decline in the diversion rate. The overall change is a result of less wood pallets being recycled as well as an increase in the amount of waste being disposed. The increase in waste was largely paper cups that are not currently recyclable and plastic shrink wrap that was not properly recycled. Employee encouragement and engagement is needed to increase participation in NSLC's recycling programs.

The NSLC will continue its efforts to attain Zero Waste at all locations above by furthering employee education, improving communication and encouraging compliance. The goal for 2013 will be to increase retail participation of the Zero Waste program to 20% of the network and to reach 95% diversion at the NSLC Head Office and Distribution Centre.

Recycling – Packaging

The NSLC processes almost 18 million retail sales transaction annually. During this reporting period, almost 80.1 million individual aluminum cans were sold. The provincial recovery rate is approximately 79 per cent translating into almost 63.3 million cans being returned to Enviro-Depots across the province for recycling.

Nova Scotia has one of the highest return rates for beverage containers in North America through the provincial beverage program. Customers pay $0.10 deposit on each beverage alcohol container purchased and collect $0.05 refund for each container returned to an Enviro-Depot. Buyers of beverage alcohol containers larger than 500ml pay a $0.20 deposit with a $0.10 refund received upon return.

Individual NSLC stores also recycle broken cases and excess containers through the Enviro-Depots. In the Halifax Regional Municipality, breweries pick up excess full bottles and recycle them.

In addition, the NSLC recycles more than 36,000 kg of cardboard every month from its retail stores and Distribution Centre. All unneeded pallets are reused through an external partner.

Recycling – Other

The NSLC returns all industrial equipment at the end of its lifespan to Nova Scotia Crown Assets for reuse and recycling.

Reusable Bag Strategy

The NSLC eliminated plastic bags from its store network in 2008. Each year since then, more than 12 million bags a year have been diverted from provincial landfills.

NSLC Adopt-A-Stream program

In March 2010, the NSLC entered into a partnership with the Nova Scotia Salmon Association (NSSA), establishing an important environmental sponsorship aimed at improving water quality. Celebrating the importance of Nova Scotia's local wetlands, lakes, streams, rivers and estuaries, the NSLC Adopt-A-Stream program helps volunteer community groups across Nova Scotia protect and restore their local watersheds.

Using the proceeds of its annual ECO Event, the corporation has made a five-year, $500,000 commitment to the NSLC Adopt-A-Stream program. Through promotional offerings from the NSLC's supplier partners, customers are able to purchase participating products and donate to the NSLC Adopt-A-Stream program. The program receives a minimum annual donation of $100,000 from the NSLC while the NSSA continues to oversee and operate the program.

To date, $300,000 has been donated expanding the program's geographic reach and support; in 2011 contributing to the great strides of 25 community groups such as:

- Restoring more than 143,490 m2 of stream and riparian habitat;
- Re-establishing 50 km of fish passage;
- Planting 19,065 streamside trees;
- Creating 87 seasonal field jobs;
- Contributing 6,494 volunteer hours.

For more information on the NSLC Adopt-A-Stream program please visit adoptastream.ca.

In 2009, the NSLC developed its Sustainability Statement and set short-term, mid-range and long-term targets regarding its environmental goals.

Environmental Target Status Update

TARGETS:	STATUS:
Short term:	
• Take 10% of stores to Zero Waste by 2013	• 80% complete. Zero Waste has been launched at NSLC Head Office, Distribution Centre and eight stores.
• Achieve Zero Waste (95% diversion) at NSLC Head Office & Distribution Centre by 2015	• 2011-2012 diversion rates: • 74% diversion achieved at NSLC Head Office • 88% diversion achieved at Distribution Centre
• Develop strategy to reduce product packaging and ensure all packaging is recyclable and PVC free by 2013	• Due to global supplier network, this target may not be feasible by the specified target.
Mid-Range:	
• Reduce 2008 overall energy consumption by 15% by 2015	• Refer to page 42 of this report. Efforts are underway to reach this target and results to date indicate success.
• Reduce 2008 overall solid waste disposal rate by 20% by 2015	• Waste disposal rates vary widely based on individual locations. However, overall waste audit results indicate that in locations where Zero Waste initiatives have been put into place this objective is on track for 2015. Example, NSLC Head Office initial waste audit was 58% diversion and is now at 74%. This is an overall improvement of 16% although Zero Waste has not yet been achieved. Further examination of the remaining locations is required to assess progress and recommendations for additional solid waste programs will be made in 2013.
Long-Term:	
• Reduce 2008 Greenhouse Gas Emissions by at least 10% by 2020	• 2008 GHG emissions were 24, 781 tCO2e. 2012 emissions are 22,220 tCO2e representing an overall decrease of 2,552 tCO2e. This equates to a 10.3% reduction in overall GHG emissions. Goal will be to continue efforts and improve results to 15% reduction by 2015.
• Use renewable energy sources for 25% of electricity needs by 2020	• The NSLC will maximize usage of renewable energy sources as they become available throughout the province and become more cost effective. Currently, the NSLC is utilizing renewable energy sources in six stores mainly located within Halifax Regional Municipality.

Zero Waste posters used at NSLC Head office

Sales by Stores – Region 1 Halifax and Area

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

REGION 1	SPIRITS	WINE	BEER	RTD	OTHER	TOTAL
Store 2104 - Agricola Street	1,843,830	1,584,516	3,033,170	197,111	1,477	6,660,103
Store 2106 - Barrington Street	2,195,270	2,698,116	2,739,451	253,135	3,042	7,889,013
Store 2108 - Bayers Lake	3,862,539	5,125,750	5,102,538	525,606	8,761	14,625,194
Store 2110 - Joseph Howe	3,045,269	3,637,790	5,133,147	415,079	4,682	12,235,968
Store 2115 - Chester	1,354,474	1,092,451	1,720,374	135,083	584	4,302,965
Store 2120 - Clyde Street	1,443,336	1,299,985	1,945,707	175,126	2,358	4,866,512
Store 2123 - Queen Street	1,011,058	1,056,634	1,287,545	99,253	1,697	3,456,187
Store 2125 - Hubbards	595,546	498,972	944,923	71,123	211	2,110,775
Store 2145 - Halifax Shopping Centre	1,070,186	931,013	782,046	145,397	1,897	2,930,539
Store 2150 - HSC Annex (West End)	1,790,400	2,022,223	2,611,734	238,127	1,630	6,664,113
Store 2154 - Young Street	2,260,049	2,240,394	3,876,889	256,992	1,828	8,636,153
Store 2160 - Port of Wines	239,737	2,897,119	11,642	2,334	4,183	3,155,015
Store 2165 - Quinpool Centre	2,312,621	2,828,081	3,280,697	227,322	2,714	8,651,435
Store 2170 - Kearney Lake	2,108,694	2,045,383	3,305,173	276,163	1,264	7,736,677
Store 2180 - Scotia Square	691,457	634,759	610,052	94,765	2,416	2,033,449
Store 2185 - Spryfield	2,823,550	2,058,490	5,482,619	429,236	1,430	10,795,326
Store 2195 - Tantallon	2,922,225	3,288,102	4,692,338	415,104	1,426	11,319,195
Store 2565 - Lunenburg	1,636,125	1,226,875	2,075,557	174,821	1,018	5,114,396
Store 2570 - Mahone Bay	940,371	715,997	1,352,953	98,989	612	3,108,923
Store 2099 - Halifax Licensee	16,694,017	18,086,389	44,580,448	2,346,963	5,247	81,713,065
Total Sales for Region 1	50,840,752	55,969,039	94,569,005	6,577,729	48,478	208,005,003

Sales by Stores – Region 2 Dartmouth and Area

REGION 2	SPIRITS	WINE	BEER	RTD	OTHER	TOTAL
Store 2130 - Hantsport	404,457	157,295	819,774	50,687	122	1,432,336
Store 2176 - Downsview Plaza	3,276,122	1,802,816	6,031,416	564,893	1,655	11,676,902
Store 2178 - Lower Sackville	1,881,473	1,078,894	3,260,424	272,660	600	6,494,051
Store 2193 - Mill Cove	2,043,746	2,705,942	2,789,545	255,044	1,637	7,795,913
Store 2196 - Windsor	2,234,161	1,166,051	3,651,858	354,873	992	7,407,935
Store 2202 - Bedford Place	1,853,015	2,257,456	2,634,140	253,961	1,053	6,999,625
Store 2209 - Bridge Plaza	3,294,364	1,796,677	6,070,878	408,477	2,230	11,572,625
Store 2219 - Tacoma Drive	4,377,162	3,024,103	6,699,921	606,875	1,505	14,709,566
Store 2220 - Mic Mac Mall	1,911,498	2,809,458	2,140,544	269,875	3,990	7,135,365
Store 2222 - Kennetcook	280,093	53,468	655,820	38,551	101	1,028,033
Store 2223 - Elmsdale	2,949,724	1,645,856	5,579,554	548,429	1,738	10,725,300
Store 2225 - Fall River	1,757,043	1,757,712	2,758,156	251,157	895	6,524,962
Store 2226 - Portland Street	2,989,586	3,290,413	4,434,422	409,960	2,810	11,127,192
Store 2227 - Forest Hills	3,650,264	2,444,674	5,404,596	465,186	1,246	11,965,966
Store 2270 - Porters Lake	1,824,140	1,008,470	3,212,357	270,233	514	6,315,713
Store 2280 - Sheet Harbour	454,939	147,670	828,907	65,926	145	1,497,586
Store 2285 - Stewiacke	891,612	263,097	2,076,181	190,397	242	3,421,529
Store 2286 - Middle Musquodoboit	399,311	85,453	588,869	40,053	94	1,113,780
Store 2290 - Eastern Passage	1,190,585	565,889	2,651,034	186,170	462	4,594,141
Store 2297 - Head of Jeddore	700,930	290,293	1,046,558	87,681	278	2,125,740
Total for Region 2	38,364,224	28,351,686	63,334,954	5,591,086	22,310	135,664,260

Sales by Stores – Region 3 Eastern and Northern

REGION 3	SPIRITS	WINE	BEER	RTD	OTHER	TOTAL
Store 2301 - Amherst	758,973	325,487	2,013,627	150,436	344	3,248,866
Store 2302 - Amherst Mall	1,737,095	1,175,586	3,142,839	377,310	1,637	6,434,467
Store 2303 - Antigonish	4,151,104	2,481,805	5,718,324	559,153	2,767	12,913,154
Store 2310 - Bible Hill	1,015,767	402,744	1,851,151	125,727	318	3,395,706
Store 2312 - Canso	422,376	63,161	726,740	55,407	170	1,267,854
Store 2317 - Guysborough	404,069	149,811	571,235	34,421	87	1,159,623
Store 2322 - Joggins	73,571	15,906	270,596	17,777	50	377,900
Store 2338 - Oxford	340,494	107,288	666,855	63,275	70	1,177,982
Store 2340 - Mulgrave	215,407	42,835	398,962	26,191	56	683,452
Store 2343 - Parrsboro	404,010	204,134	998,174	88,303	170	1,694,792
Store 2345 - New Glasgow	1,875,821	1,149,178	3,136,528	280,369	1,971	6,443,868
Store 2347 - West New Glasgow	1,700,266	1,235,592	2,771,989	302,264	954	6,011,066
Store 2348 - Pictou	1,360,519	752,755	2,203,133	181,286	687	4,498,380
Store 2353 - Pugwash	395,980	239,624	700,204	64,815	229	1,400,852
Store 2358 - River John	199,088	89,543	461,566	27,266	138	777,602
Store 2367 - Springhill	490,458	139,652	1,277,021	111,878	199	2,019,207
Store 2370 - Sherbrooke	247,112	82,830	408,236	31,834	122	770,134
Store 2375 - Stellarton	1,102,715	417,132	2,322,927	146,302	410	3,989,486
Store 2382 - Tatamagouche	833,459	426,229	1,664,027	104,128	393	3,028,236
Store 2387 - Trenton	427,225	123,873	1,019,011	43,394	138	1,613,641
Store 2392 - Truro	3,242,580	1,810,827	4,888,723	520,957	1,631	10,464,718
Store 2394 - Truro Mall	2,021,973	911,606	3,563,486	319,030	614	6,816,709
Store 2397 - Westville	683,713	196,385	1,767,130	119,505	191	2,766,924
Total Sales for Region 3	24,103,778	12,543,984	42,542,482	3,751,028	13,347	82,954,619

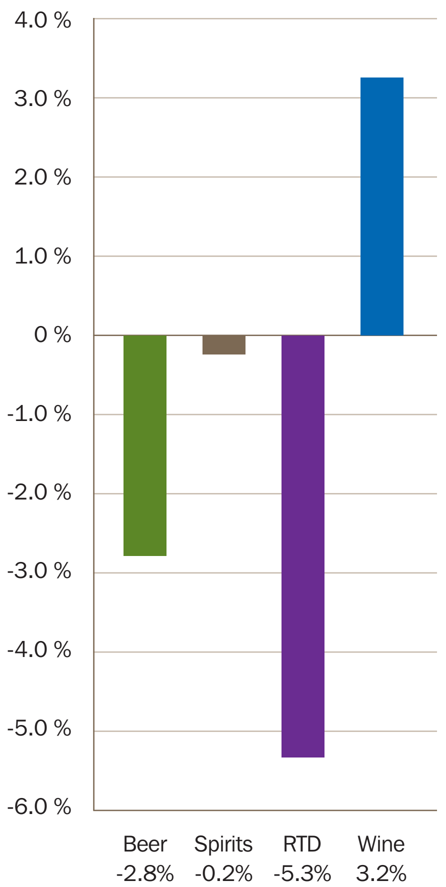
Sales by Stores – Region 4 Cape Breton

REGION 4	SPIRITS	WINE	BEER	RTD	OTHER	TOTAL
Store 2407 - Arichat	524,215	130,217	807,266	42,975	194	1,504,867
Store 2408 - Baddeck	899,017	598,517	1,388,641	125,698	1,073	3,012,946
Store 2413 - Cheticamp	484,094	339,403	888,022	99,784	585	1,811,888
Store 2418 - Dominion	558,176	140,692	1,218,016	86,095	124	2,003,105
Store 2426 - Glace Bay	2,953,694	991,835	5,466,146	472,418	1,139	9,885,232
Store 2431 - Ingonish	556,336	278,323	1,114,896	97,911	425	2,047,891
Store 2436 - Inverness	596,729	262,414	1,166,212	84,924	359	2,110,638
Store 2441 - Louisbourg	269,424	85,919	495,570	36,266	(168)	887,010
Store 2445 - New Waterford	1,421,584	337,791	3,083,531	200,314	640	5,043,860
Store 2451 - North Sydney	2,563,778	1,070,309	3,934,207	401,604	1,173	7,971,070
Store 2455 - Port Hawkesbury	2,227,934	1,074,783	3,433,401	277,840	2,788	7,016,747
Store 2460 - Port Hood	563,902	180,245	789,047	56,425	367	1,589,987
Store 2477 - St. Peters	667,418	275,838	1,359,493	78,117	581	2,381,448
Store 2479 - Prince Street	2,433,607	1,134,997	3,207,505	257,214	1,243	7,034,565
Store 2481 - Welton Street	2,662,415	1,198,037	4,039,671	415,597	1,560	8,317,280
Store 2483 - Whitney Pier	704,383	168,244	1,208,565	73,379	320	2,154,892
Store 2490 - Sydney Mines	1,783,257	506,866	4,412,222	377,291	401	7,080,036
Store 2496 - Sydney River	4,011,122	2,480,622	5,883,784	585,426	4,571	12,965,526
Total Sales for Region 4	25,881,084	11,255,053	43,896,196	3,769,280	17,374	84,818,988

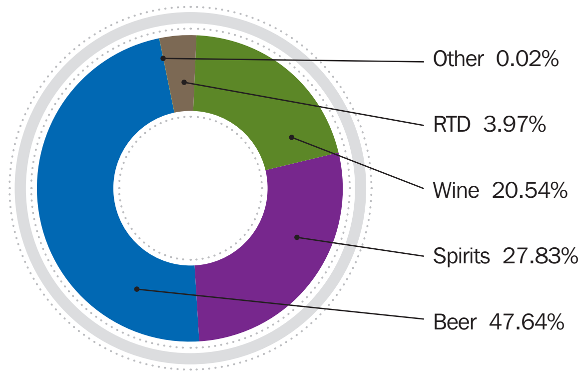
Sales by Stores – Region 5 South Shore and Valley

REGION 5	SPIRITS	WINE	BEER	RTD	OTHER	TOTAL
Store 2501 - Annapolis	697,972	509,374	1,181,227	128,176	442	2,517,191
Store 2504 - Barrington Passage	1,172,224	305,507	1,440,782	238,963	395	3,157,871
Store 2505 - Bridgewater	2,919,691	1,768,578	4,317,180	379,001	1,909	9,386,358
Store 2506 - Bridgewater Mall	1,578,477	853,134	1,244,524	146,026	583	3,822,743
Store 2509 - Caledonia	254,199	78,436	441,385	39,003	117	813,141
Store 2511 - Berwick	1,189,674	437,121	2,301,146	170,265	267	4,098,474
Store 2515 - Bridgetown	463,499	240,413	890,898	68,260	234	1,663,304
Store 2520 - Digby	1,619,524	835,810	2,501,144	236,478	955	5,193,912
Store 2546 - Kentville	1,894,062	998,067	3,208,419	288,882	627	6,390,057
Store 2548 - Kingston	2,242,381	1,337,320	3,911,462	439,153	944	7,931,261
Store 2555 - Liverpool	2,094,422	916,025	2,877,183	248,793	838	6,137,261
Store 2560 - Lockeport	294,464	80,196	373,949	18,697	111	767,417
Store 2572 - Meteghan	658,528	323,974	1,377,331	86,756	382	2,446,971
Store 2573 - Middleton	784,506	351,127	1,584,135	117,466	217	2,837,451
Store 2574 - New Minas	2,343,649	1,768,345	3,224,756	389,121	2,721	7,728,592
Store 2575 - New Germany	565,462	168,332	926,403	75,455	127	1,735,780
Store 2585 - Shelburne	1,027,682	471,402	1,508,049	165,220	437	3,172,790
Store 2590 - West Pubnico	432,405	101,642	382,643	67,620	125	984,435
Store 2591 - Weymouth	411,096	142,889	787,583	45,984	120	1,387,672
Store 2595 - Wolfville	1,324,502	1,225,211	1,844,274	201,580	1,087	4,596,654
Store 2598 - Yarmouth	3,022,368	1,631,479	3,836,364	449,025	1,946	8,941,182
Total Sales for Region 5	26,990,789	14,544,380	40,160,839	3,999,922	14,586	85,710,516

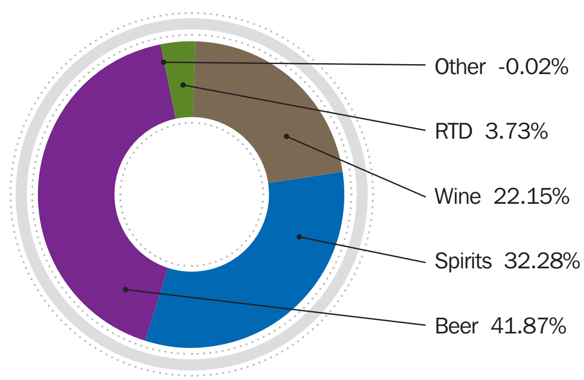
Volume Percent Increase (2011/12 vs 2010/11)



Sales Contribution by Category



Gross Profit Contribution by Category



Ten-Year History

	02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12
Volume (000 Hectolitres)	730.6	760.2	762.5	786.2	795.0	813.8	824.4	838.6	828.4	810.7
Gross Sales (M)	413.3	439.5	453.2	488.7	508.2	536.4	565.6	586.2	588.7	597.2
Cost of Goods	202.8	213.3	217.0	233.0	242.3	250.1	261.4	271.1	268.3	272.0
As a % of Net sales	49.2%	48.8%	48.1%	47.9%	48.0%	47.1%	46.7%	46.8%	46.1%	46.2%
Gross Profit (M)	209.6	223.8	234.0	253.1	262.4	280.5	298.1	308.3	313.2	317.0
As a % of net sales	50.8%	51.2%	51.9%	52.1%	52.0%	52.9%	53.3%	53.2%	53.9%	53.8%
Store Op Expense (M)	36.0	38.1	42.0	45.9	47.1	48.8	49.1	51.4	51.6	53.4
As a % of Net sales	8.7%	8.7%	9.3%	9.4%	9.3%	9.2%	8.8%	8.9%	8.9%	9.1%
Gross Operating Profit (M)	173.6	185.4	192.0	207.2	215.3	231.6	249.1	256.9	261.6	263.5
As a % of Net sales	42.1%	42.4%	42.6%	42.6%	42.7%	43.6%	44.5%	44.3%	45.0%	44.7%
Supply Chain Exp. (M)	4.1	4.9	5.2	4.8	5.3	6.0	4.8	5.1	6.1	6.4
As a % of Net sales	1.0%	1.1%	1.2%	1.0%	1.1%	1.1%	0.9%	0.9%	1.0%	1.1%
Inc from Operations (M)	157.9	166.8	170.0	181.2	188.2	198.7	212.6	219.4	223.2	220.0
As a % of Net sales	38.3%	38.2%	37.7%	37.3%	37.3%	37.4%	38.0%	37.9%	38.4%	37.4%
Wholesale Sales (M)	75.3	79.6	83.0	87.6	94.0	102.9	110.6	112.2	110.7	112.5
As a % of Net sales	18.3%	18.2%	18.4%	18.0%	18.6%	19.4%	19.8%	19.4%	19.0%	19.1%
Stores	100	100	108	107	108	109	106	106	106	105
Volume (000HL)										
Spirits	49.8	51.4	52.3	52.2	51.2	51.9	52.6	52.1	51.7	51.6
Wine	56.0	61.7	65.6	69.2	72.1	77.8	81.2	83.6	85.6	88.3
Beer	602.2	621.2	619.2	637.5	641.7	652.0	657.1	667.6	656.4	637.9
RTD	22.6	25.9	25.4	27.3	30.0	32.1	33.4	35.4	34.7	32.9

Source of Gross Sales Revenue

Source of Gross Sales Revenue

As a percentage of sales, spirits are up over the previous year by 0.3%, wine is up 0.9% and beer is down by 1.0% (Dollars to the 000's)

2011-2012	$	%
Spirits	166,180.63	27.83%
Wine	122,664.14	20.54%
Beer	284,503.48	47.64%
RTD	23,689.05	3.97%
Other	116.09	0.02%
Total	597,153.39	100%

Retail and Wholesale Sales – 2011-2012

SPIRITS	$	%
Retail	142,121.6	85.5%
Wholesale	24,059.1	14.5%
Total	166,180.6	100.0%

WINE	$	%
Retail	101,038.1	82.4%
Wholesale	21,626.1	17.6%
Total	122,664.1	100.0%

BEER	$	%
Retail	221,451.3	77.8%
Wholesale	63,052.2	22.2%
Total	284,503.5	100.0%

RTD	$	%
Retail	19,986.6	84.4%
Wholesale	3,702.4	15.6%
Total	23,689.0	100.0%

OTHER	$	%
Retail	103.5	89.2%
Wholesale	12.6	10.8%
Total	116.1	100.0%

TOTAL	$	%
Retail	484,701.0	81.2%
Wholesale	112,452.3	18.8%
Total Sales	597,153.4	100.0%

Retail sales flow from sales at the NSLC's 105 stores. Wholesale sales includes sales from Licensees, Private Wine & Specialty stores and other wholesale sales.
(Dollars to the 000's)

Canadian & Imported Sales 2011-2012

Canadian Products account for 71.5% of all products sold; 28.5% are imported. (Dollars to the nearest 000's)

SPIRITS	$	%
Canadian	115,057.1	69.2%
Imported	51,123.6	30.8%
Total	166,180.6	100.0%

WINE	$	%
Canadian	36,167.9	29.5%
Imported	86,496.2	70.5%
Total	122,664.1	100.0%

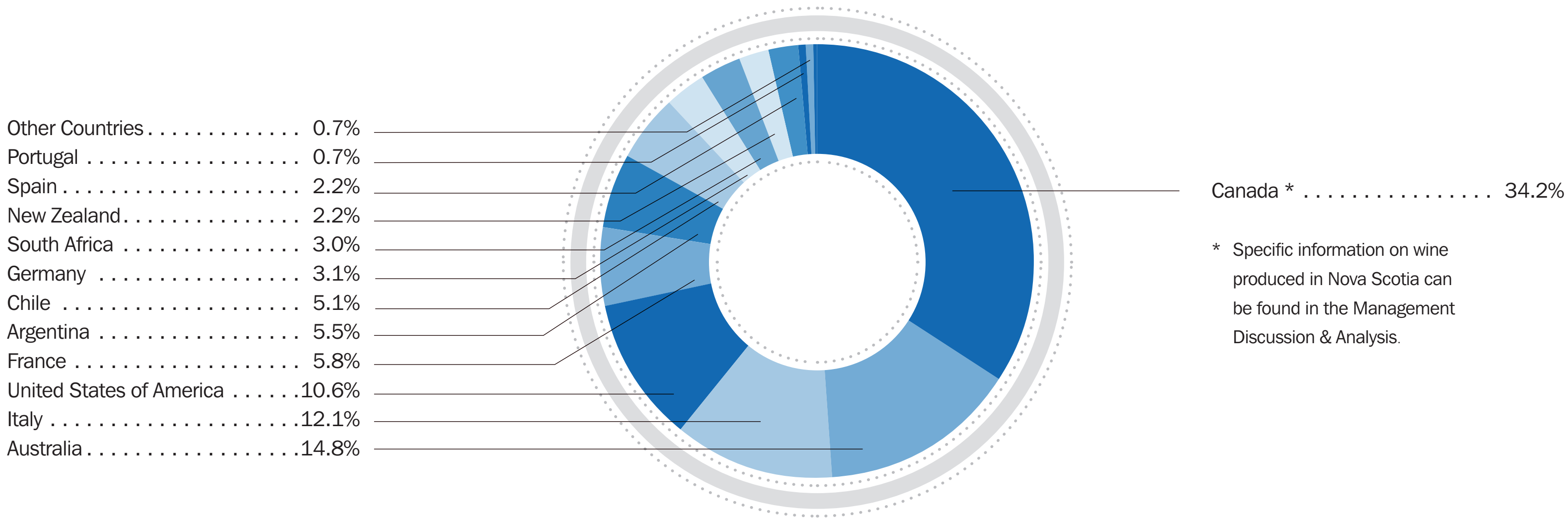
BEER	$	%
Canadian	257,357.2	90.5%
Imported	27,146.3	9.5%
Total	284,503.5	100.0%

RTD	$	%
Canadian	18,209.5	76.9%
Imported	5,479.5	23.1%
Total	23,689.0	100.0%

OTHER	$	%
Canadian	116.1	100.0%
Imported	0.0	0.0%
Total	116.1	100.0%

TOTAL	$	%
Canadian	426,907.8	71.5%
Imported	170,245.6	28.5%
Total	597,153.4	100.0%

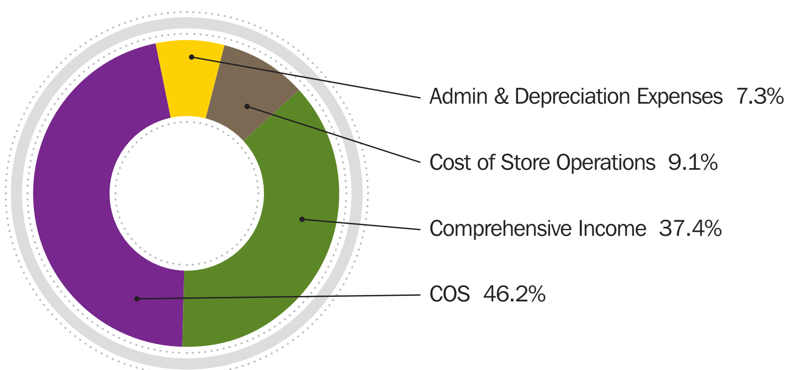
Wine Sale Contribution by Country



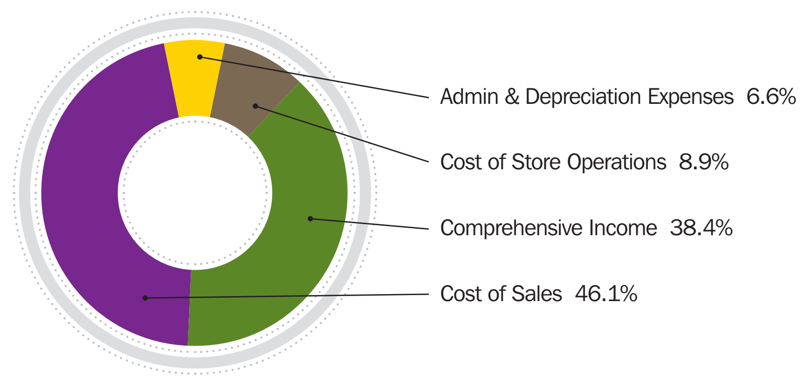
* Specific information on wine produced in Nova Scotia can be found in the Management Discussion & Analysis.

Distribution of Sales Revenue Dollars

2011-2012



2010-2011



Sales Comparison (Dollars to the nearest 000's)

Sales Comparison By Class of Sales

YEAR	SPIRITS	WINE	BEER	RTD	OTHER	TOTAL
2011-2012	166,180.6	122,664.1	284,503.5	23,689.0	116.1	597,153.4
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

2011-2012	SPIRITS	WINE	BEER	RTD	OTHER	TOTAL
Canadian	115,057.1	36,167.9	257,357.2	18,209.5	116.1	426,907.8
Imported	51,123.6	86,496.2	27,146.3	5,479.5	0.0	170,245.6
	166,180.6	122,664.1	284,503.5	23,689.0	116.1	597,153.4
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

Sales Comparison – Wholesale Sales

YEAR	SPIRITS	WINE	BEER	RTD	OTHER	TOTAL
2011-2012	24,059.1	21,626.1	63,052.2	3,702.4	12.6	112,452.3
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 – Sales in Hectolitres (Dollars to the nearest 000's)

2011-2012			2010-2011		
Spirits			**Spirits**		
Canadian	37,022.01		Canadian	38,185.62	
Imported	14,543.65		Imported	13,490.37	
Total	51,565.66	6.4%	Total	51,675.99	6.2%
Wine			**Wine**		
Canadian	33,456.38		Canadian	32,176.96	
Imported	54,871.28		Imported	53,391.17	
Total	88,327.65	10.9%	Total	85,568.13	10.3%
Beer			**Beer**		
Canadian	587,477.94		Canadian	603,479.71	
Imported	50,446.04		Imported	52,960.42	
Total	637,923.98	78.7%	Total	656,440.13	79.2%
RTD			**RTD**		
Canadian	25,678.60		Canadian	27,069.20	
Imported	7,232.18		Imported	7,669.50	
Total	32,910.78	4.1%	Total	34,738.70	4.2%
Grand Total	810,728.07	100.0%	**Grand Total**	828,422.95	100.0%

Management's Responsibility for Financial Reporting

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

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

Based upon the knowledge of management as of the date of this statement, the annual financial statements included in this annual report fairly represent in all material respects the financial condition, results of operations; and cash flows of the NSLC as of March 31, 2012.

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

Marsha Fanning
Manager, Strategic Business Planning

Auditor's Report

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

We have audited the accompanying financial statements of the Nova Scotia Liquor Corporation, which comprise the balance sheets as at March 31, 2012, March 31, 2011 and April 1, 2010 and the statements of comprehensive earnings, changes in equity and cash flows for the years ended March 31, 2012 and March 31, 2011, 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 International Financial Reporting Standards, 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 audits. We conducted our audits 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 Corporation'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 in our audits 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 the Nova Scotia Liquor Corporation as at March 31, 2012, March 31, 2011 and April 1, 2010 and its financial performance and its cash flows for the years ended March 31, 2012 and March 31, 2011 in accordance with International Financial Reporting Standards.

Grant Thornton

Halifax, Canada
June 15, 2012

Chartered Accountants

Statements of Comprehensive Earnings

Year ended March 31 (in thousands)	**2012**	2011
		(note 13)
Sales	$ 588,947	581,567
Cost of goods sold (note 8)	271,993	268,350
	316,954	313,217
Store operating expenses	58,565	55,469
	258,389	257,748
Supply chain expenses	6,776	6,395
Corporate services expense	27,859	25,547
Post employment service costs (note 9)	739	711
Other revenues	(4,862)	(4,325)
Other expenses	5,194	4,956
	35,706	33,284
Interest expense – lease liability	68	251
Post employment benefit interest cost (note 9)	1,000	1,054
Total finance costs	1,068	1,305
Earnings for the year	221,615	223,159
Other comprehensive earnings		
Actuarial (losses) gains on defined benefit plans (note 9)	(1,603)	1,072
Comprehensive earnings for the year	$ 220,012	224,231

See accompanying Notes to the Financial Statements.

Balance Sheets

March 31 (in thousands)	2012	2011	April 1 2010
		(note 13)	(note 13)
Assets			
Current			
Cash and cash equivalents	$ 8,662	$ 4,657	$ 10,683
Receivables	2,634	1,891	1,736
Inventories	40,618	38,130	36,465
Prepaids	842	1,003	762
	52,756	45,681	49,646
Intangibles (note 5)	5,286	7,370	11,121
Property and equipment (note 6)	41,515	43,904	38,236
	$ 99,557	$ 96,955	$ 99,003
Liabilities			
Current			
Payables and accruals	$ 32,942	$ 30,203	$ 32,008
Current portion of obligations under finance lease	19	1,106	1,285
Current portion of employee future benefit obligations (note 9)	850	711	711
	33,811	32,020	34,004
Obligations under finance lease	41	60	1,088
Employee future benefit obligations (note 9)	20,054	17,736	18,014
	53,906	49,816	53,106
Equity	45,651	47,139	45,897
	$ 99,557	$ 96,955	$ 99,003

See accompanying Notes to the Financial Statements.

On behalf of the Board

Ms. Sherry Porter
Chair, Board of Directors

Mr. John B. Carter, FCA
Chair, Audit and Risk Committee

Statements of Changes in Equity

(in thousands)	Other components of equity	Retained earnings	Total
Balance at March 31, 2011 (Note 13)	$ 1,459	$ 45,680	$ 47,139
Remittances to Minister of Finance	–	(221,500)	(221,500)
Earnings for the year	–	221,615	221,615
Other comprehensive loss	(1,603)	–	(1,603)
Total comprehensive loss for the year	(1,603)	221,615	220,012
Balance at March 31, 2012	$ (144)	$ 45,795	$ 45,651
Balance at April 1, 2010 (Note 13)	$ 387	$ 45,510	$ 45,897
Remittances to Minister of Finance	–	(222,989)	(222,989)
Earnings for the year	–	223,159	223,159
Other comprehensive earnings	1,072	–	1,072
Total comprehensive earnings for the year	1,072	223,159	224,231
Balance at March 31, 2011 (Note 13)	$ 1,459	$ 45,680	$ 47,139

See accompanying Notes to the Financial Statements.

Statements of Cash Flows

Year ended March 31 (in thousands)	2012	2011
		(note 13)
Operating		
Earnings for the year	$ 221,615	$ 223,159
Depreciation and amortization	11,474	8,603
Loss on disposal of property and equipment	–	312
Actuarial (gain) loss	(1,603)	1,072
Increase (decrease) in employee future benefit obligations	2,457	(278)
	233,943	232,868
Change in non-cash operating working capital (note 10)	(331)	(3,866)
	233,612	229,002
Financing		
Principal payments on obligation under finance lease	(1,106)	(1,207)
Remittances to Minister of Finance	(221,500)	(222,989)
	(222,606)	(224,196)
Investing		
Purchase of intangibles	(2,861)	(1,021)
Purchase of property and equipment	(4,140)	(9,811)
	(7,001)	(10,832)
Net change in cash and cash equivalents	4,005	(6,026)
Cash and cash equivalents, beginning of year	4,657	10,683
Cash and cash equivalents, end of year	$ 8,662	$ 4,657

See accompanying Notes to the Financial Statements.

1. Nature of operations

The Nova Scotia Liquor Corporation (the "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 on 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. General information and statement of compliance with IFRS

The immediate parent and ultimate controlling party of the Corporation is the Province of Nova Scotia. The Corporation's principal place of business is 93 Chain Lake Drive, Halifax, Nova Scotia. These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). These are the Corporation's first financial statements prepared in accordance with IFRS (see note 13 for explanation of the transition to IFRS).

The financial statements for the year ended March 31, 2012 (including comparatives) were approved and authorized for issue by the Board of Directors on June 15, 2012.

3. Summary of significant accounting policies

Overall consideration and first-time adoption of IFRS
These financial statements have been prepared using the accounting policies specified by those IFRS that are in effect at March 31, 2012.

The significant accounting policies that have been applied in the preparation of these financial statements are summarized below. These accounting policies have been applied consistently throughout all years presented in the financial statements, except where the Corporation has applied certain optional exemptions upon transition to IFRS (see note 13 for details).

Presentation of financial statements
These financial statements are presented in accordance with IAS 1 Presentation of Financial Statements. The Corporation has elected to present the 'Statement of comprehensive earnings' in one statement.

In accordance with IFRS 1, the Corporation presents three balance sheets in its first IFRS financial statements. In future periods, IAS 1 requires two balance sheets to be presented as comparatives only in certain circumstances.

Significant management judgment in applying accounting policies and estimation uncertainty
When preparing the financial statements, management undertakes a number of judgments, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Significant management judgment
The following are significant management judgments in applying the accounting policies of the Corporation that have the most significant effect on the financial statements.

Capitalization of internally developed software
Distinguishing the research and development phases of a new customized software project and determining whether the recognition requirements for the capitalization of development costs are met requires judgment. After capitalization, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalized costs may be impaired.

Estimation uncertainty
Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Useful lives of property and equipment and intangibles
Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected pattern of consumption of the future economic benefits embodied in the assets. Uncertainties in these estimates relate to technical obsolescence that may change the expected consumption pattern of certain software and IT equipment.

3. Summary of significant accounting policies (continued)

Inventories
Management estimates the net realizable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realization of these inventories may be affected by market-driven changes that may reduce future selling prices.

Defined benefit obligation (DBO)
Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, medical cost trends, mortality, discount rate and anticipation of future salary increases. Estimation uncertainties exist particularly with these assumptions. Variation in these assumptions may significantly impact the DBO amounts and the annual defined benefit expenses (as analyzed in note 9).

Revenue
Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for rebates and other similar allowances.

Sale of Goods
Revenue from the sale of goods is recognized when all of the following conditions are satisfied:

- The Corporation has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Corporation; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Intangible assets
Intangible assets include the development and implementation of the ERP system which are recorded at cost and amortized on a straight-line basis over their estimated useful lives, as these assets are considered to have finite useful lives. Useful lives are reviewed at each reporting date.

The Corporation assesses the carrying value of the intangible assets for impairment when events or circumstances warrant such a review.

Intangible assets are amortized on a straight line basis at the following rates per annum:

Enterprise resource planning	20%
Other intangible assets	33%

Property and equipment
Property and equipment are carried at cost, less depreciation and any recognized impairment loss. Depreciation commences when the assets are ready for their intended use. Construction in progress is stated at cost. Cost includes expenditures directly attributable to the acquisition or construction of the item.

Depreciation is provided to write off the cost of items of property and equipment other than land over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

Property and equipment are depreciated on a straight-line basis at the following rates per annum:

Furniture, fixtures, other equipment, capital and leasehold improvements	10%
Computers	20% to 33%
Buildings	2.5% to 10%

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of earnings in the year in which the item is derecognized.

Impairment of non-financial assets
The carrying amounts of the Corporation's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

3. Summary of significant accounting policies (continued)

The recoverable amount of an asset or a cash-generating unit "CGU" is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU"). The Corporation's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Leased assets
In accordance with IAS 17 Leases, leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

Corporation as lessee
Assets held under finance leases are initially recognized at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included on the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Corporation's accounting policy on borrowing costs.

Finance leased assets are depreciated on a straight-line basis over the estimated useful life of the asset. Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Lease incentives
In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefits of incentives are recognized as a reduction of rental expense on a straight-line basis.

Financial instruments
Recognition, initial measurement and derecognition
Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

3. Summary of significant accounting policies (continued)

Classification and subsequent measurement of financial assets
For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through profit or loss (FVTPL)
- held-to-maturity (HTM) investments
- available-for-sale (AFS) financial assets.

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

Loans and receivables
Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Corporation's cash and cash equivalents and receivables fall into this category of financial instruments.

Financial assets at FVTPL
Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. Financial assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists. The Corporation does not hold any financial instruments in this category.

HTM investments
HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Corporation has the positive intention and ability to hold to maturity. HTM investments are measured subsequently at amortized cost using the effective interest method. The Corporation does not hold any financial instruments in this category.

AFS financial assets
AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. AFS financial assets are measured at fair value with gains and losses being recognized in other comprehensive earnings and reported within a reserve within equity, except for impairment losses which are recognized in income. The Corporation does not hold any AFS financial assets.

Financial liabilities at FVTPL
Financial liabilities at FVTPL are either classified as held for trading or designated as at FVTPL. The Corporation does not have any financial liabilities at FVTPL.

Other financial liabilities
The Corporation's financial liabilities include payables and accruals. These financial liabilities are measured subsequently at amortized cost using the effective interest method.

Inventories
Inventories 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.

Cash and cash equivalents
Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

3. Summary of significant accounting policies (continued)

Foreign currency translation

(i) Functional and presentation currency
Items included in the financial statements of the Corporation are measured and presented in the Canadian dollar ("CDN dollar") as this is the principal currency of the economic environment in which it operates. The CDN dollar is the Corporation's functional currency and the Corporation's presentation currency.

(ii) Transactions and balances
In preparing the financial statements, transactions in currencies other than the Corporation's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated into the functional currency at exchange rates prevailing at the balance sheet date.

Employee 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.

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably. Liabilities recognized in respect of employee benefits expected to be settled within twelve months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognized in respect of employee benefits which are not expected to be settled within twelve months are measured as the present value of the estimated future cash outflows to be made by the Corporation in respect of services provided by employees up to reporting date.

Defined contribution plans
Contributions to defined contribution superannuation plans are expensed when employees have rendered service entitling them to the contributions.

Defined benefit plans
For defined benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each reporting date. Actuarial gains and losses are recognized immediately within other comprehensive earnings. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested. The defined benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation, adjusted for unrecognized actuarial gains and losses and unrecognized past service cost, net of the fair value of the plan assets.

Provisions

Provisions are recognized when the Corporation has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. A provision is a liability of uncertain timing or amount.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in provision due to the passage of time is recognized as an interest expense. There are no provisions as at March 31, 2012 and 2011 and April 1, 2010.

4. Future accounting pronouncements that are not yet effective and have not been adopted early by the Corporation

At the date of authorization of these financial statements, certain new IFRS standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Corporation.

Management anticipates that all of the relevant pronouncements will be adopted in the Corporation's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Corporation's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Corporation's financial statements.

IFRS 9 Financial Instruments (IFRS 9)
The IASB aims to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety. IFRS 9 is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning on or after January 1, 2015.

Further chapters dealing with impairment methodology and hedge accounting are still being developed. Management does not expect to implement IFRS 9 until all of its chapters have been published and they can comprehensively assess the impact of all changes.

IFRS 13 Fair Value Measurement (IFRS 13)
IFRS 13 does not affect the items which are required to be fair valued, but clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It is applicable for annual periods beginning on or after January 1, 2013. Management does not expect this standard to impact the Corporation since it does not currently have any financial instruments which are subsequently measured at fair value.

Amendments to IAS 1 Presentation of Financial Statements (IAS 1 Amendments)
The IAS 1 Amendments require an entity to group items presented in other comprehensive income into those that, in accordance with other IFRSs: (a) will not be reclassified subsequently to profit or loss and (b) will be reclassified subsequently to profit or loss when specific conditions are met. It is applicable for annual periods beginning on or after July 1, 2012. Management expects this will change the current presentation of items in other comprehensive income; however, it will not affect the measurement or recognition of such items.

Amendments to IAS 19 Employee Benefits (IAS 19 Amendments)
The IAS 19 Amendments include a number of targeted improvements throughout the Standard. The main changes relate to defined benefit plans and:

- eliminate the 'corridor method', requiring entities to recognize all actuarial gains and losses arising in the reporting period. This amendment has already been adopted by the Corporation.
- streamline the presentation of changes in plan assets and liabilities
- enhance the disclosure requirements, including information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in them.

The amended version of IAS 19 is effective for annual periods beginning on or after January 1, 2013. Management has yet to assess the impact of this revised standard on the Corporation's financial statements.

5. Intangibles

	Enterprise Resource Planning (ERP)	Other Intangibles	Total
Cost			
At April 1, 2010	$ 21,639	$ –	$ 21,639
Additions	97	924	1,021
At March 31, 2011	21,736	924	22,660
Additions	2,457	404	2,861
At March 31, 2012	24,193	1,328	25,521
Amortization			
At April 1, 2010	(10,518)	–	(10,518)
Amortization expense	(4,344)	(428)	(4,772)
At March 31, 2011	(14,862)	(428)	(15,290)
Amortization expense	(4,693)	(252)	(4,945)
At March 31, 2012	(19,555)	(680)	(20,235)
Carrying amounts			
At April 1, 2010	$ 11,121	$ –	$ 11,121
At March 31, 2011	$ 6,874	$ 496	$ 7,370
At March 31, 2012	$ 4,638	$ 648	$ 5,286

Amortization expense for intangible assets is reported in the statement of comprehensive earnings within the following line functions:

	2012	2011
Store operating expenses	$ 391	$ 391
Supply chain expenses	17	-
Corporate service expenses	4,537	4,381
	$ 4,945	$ 4,772

6. Property and equipment

	Furniture & Fixtures	Other Equipment	Small Computers	Software & Hardware	Land	Buildings	Capital & Leasehold Improvements	Assets under Construction (AUC or WIP)	**Total**
Cost									
At April 1, 2010	$ 13,235	$ 11,522	$ 8,455	$ 1,508	$ 905	$ 31,975	$ 24,053	$ 3,419	$ 95,072
Additions	1,675	916	1,036	475	–	2,113	1,825	1,771	9,811
Disposals	(134)	(6)	–	–	–	–	(679)	–	(819)
At March 31, 2011	14,776	12,432	9,491	1,983	905	34,088	25,199	5,190	104,064
Additions	544	1,122	874	75	–	804	745	(24)	4,140
Disposals	–	–	–	–	–	–	–	–	–
At March 31, 2012	15,320	13,554	10,365	2,058	905	34,892	25,944	5,166	108,204
Depreciation									
At April 1, 2010	(6,305)	(7,146)	(5,985)	(1,320)	–	(23,566)	(12,514)	–	(56,836)
Depreciation expense	(772)	(382)	(719)	(120)	–	(1,691)	(147)	–	(3,831)
Eliminated on disposals	64	5	–	–	–	–	438	–	507
At March 31, 2011	(7,013)	(7,523)	(6,704)	(1,440)	–	(25,257)	(12,223)	–	(60,160)
Depreciation expense	(1,248)	(826)	(915)	(274)	–	(1,199)	(2,067)	–	(6,529)
At March 31, 2012	(8,261)	(8,349)	(7,619)	(1,714)	–	(26,456)	(14,290)	–	(66,689)
Carrying amounts									
At April 1, 2010	$ 6,930	$ 4,376	$ 2,470	$ 188	$ 905	$ 8,410	$ 11,539	$ 3,419	$ 38,236
At March 31, 2011	$ 7,763	$ 4,909	$ 2,787	$ 543	$ 905	$ 8,831	$ 12,976	$ 5,190	$ 43,904
At March 31, 2012	$ 7,059	$ 5,205	$ 2,746	$ 344	$ 905	$ 8,436	$ 11,654	$ 5,166	$ 41,515

6. Property and equipment (continued)

Depreciation expense of property and equipment is reported in the statement of comprehensive earnings within the following line functions:

	2012	2011
Store operating expenses	$ 4,744	$ 3,489
Supply chain expenses	333	305
Corporate service expenses	1,452	36
Total depreciation	$ 6,529	$ 3,831

7. Lease commitments

Operating leases as a lessee

The Corporation's operating leases relate to retail stores with lease terms between 1 to 20 years. The Corporation does not have an option to purchase the leased assets at the expiry of the lease periods. The Corporation's future minimum operating lease payments for the periods reported are as follows:

	Minimum lease payments due			
	Within 1 year	1 to 5 years	After 5 years	Total
March 31, 2012	$ 6,477	$ 16,562	$ 8,011	$ 31,050

8. Cost of goods sold

In 2012, a total of $271,993 of inventories was included in profit and loss as an expense (2011: $268,350).

9. Employee remuneration

Retirement benefit plans

The Corporation contributes to the Nova Scotia Public Service Superannuation Plan, which is a defined benefit plan. The Corporation accounts for these contributions as a defined contribution plan. Under this plan, the Province of Nova Scotia assumes the actuarial and investment risk. The Corporation matches the contributions of employees' contributions calculated as: 8.4% on the part of the salary that is equal to or less than the year's Maximum Pensionable Earnings (YMPE) under the Canada Pension Plan (CPP) and 10.9% on the part of their salary that is in excess of YMPE.

The total expense recognized in the statement of comprehensive earnings of $1,739 (2011 - $1,765) represents contributions payable to these plans by the Corporation at rates specified in the rules of the plans. As at March 31, 2012, contributions of $854 (2011 - $845) due in respect of the reporting period had not been paid over to the plans.

Defined benefit plans

The Corporation operates two additional benefit plans for qualifying employees. The first of these plans is a Public Service Award covering substantially all of its permanent employees. The benefit is based on the number of 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.

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

The most recent actuarial valuations and the present value of the defined benefit obligation were carried out at March 31, 2012 by Mercer Limited. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

9. Employee remuneration (continued)

The principle assumptions used for the purposes of the actuarial valuations were as follows:

	Valuation at					
	March 31, 2012		March 31, 2011		April 1, 2010	
	Retiree health	**Service award**	Retiree health	Service award	Retiree health	Service award
Discount rate(s)	5.1%	4.2%	5.7%	4.8%	5.9%	5.1%
Expected rate(s) of salary increase	n/a	2.5%	n/a	2.5%	n/a	2.5%
Initial weighted average health care trend rate	5.99%	n/a	6.14%	n/a	7.63%	n/a
Ultimate weighted average health care trend rate	4.38%	n/a	4.38%	n/a	4.42%	n/a

Amounts recognized in the statements of comprehensive earnings in respect of these defined benefit plans are as follows:

	Valuation at					
	2012		2011		2010	
	Retiree health	**Service award**	Retiree health	Service award	Retiree health	Service award
Current service cost	$ 343	$ 396	$ 343	$ 368	$ 256	$ 313
Interest on obligation	736	264	788	266	747	269
Actuarial (gain) loss	1,395	208	(1,173)	101	3,726	1,411
	$ 2,474	$ 868	$ (42)	$ 735	$ 4,729	$ 1,993

9. Employee remuneration (continued)

The amount included on the balance sheets arising from the Corporation's obligation in respect of these defined benefit plans is as follows:

		Valuation at	
	March 31, 2012	March 31, 2011	April 1, 2010
Present value of unfunded defined benefit obligation			
Current portion	$ 850	$ 711	$ 711
Non-current portion	20,054	17,736	18,014
Total	$ 20,904	$ 18,447	$ 18,725

Movements in the present value of the defined benefit obligation in the current period were as follows:

	2012	2011	2010
Defined benefit obligation, beginning of year	$ 18,447	$ 18,725	$ 13,053
Current service cost	739	711	569
Interest cost	1,000	1,054	1,016
Actuarial (gains) losses	1,603	(1,072)	5,137
Benefits paid	(885)	(971)	(1,050)
Defined benefit obligation, end of year	$ 20,904	$ 18,447	$ 18,725

The Corporation does not hold any plan assets as all plans are fully funded in the year in which the expenses are incurred.

The history of experience adjustments is as follows:

	2012	2011
Present value of defined benefit obligation	$ 20,904	$ 18,447
Deficit	20,904	18,447
Experience adjustments on plan liabilities	$ –	$ –

The Corporation expects to make a contribution of $915 (2012 - $885) to the defined benefit plans during the next financial year.

9. Employee remuneration (continued)

The effect of the change in the assumed health care cost trend rates:

	March 31, 2012		March 31, 2011		April 1, 2010	
	Retiree health	Service award	Retiree health	Service award	Retiree health	Service award
Effect on aggregate of current service cost and interest cost						
One percentage point increase	$ 197	$ n/a	$ 196	$ n/a	$ 156	$ n/a
One percentage point decrease	(156)	n/a	(157)	n/a	(129)	n/a
Effect on accrued benefit obligation at fiscal year end						
One percentage point increase	2,641	n/a	2,007	n/a	1,944	n/a
One percentage point decrease	(2,100)	n/a	(1,626)	n/a	(1,585)	n/a

10. Change in non-cash operating working capital

	2012	2011
Increase in receivables	$ (743)	$ (155)
Increase in inventories	(2,488)	(1,665)
Decrease (increase) in prepaids	161	(241)
Decrease in payables and accruals	2,739	(1,805)
	$ (331)	$ (3,866)

11. Related party transactions

The immediate parent and ultimate controlling party of the Corporation is the Province of Nova Scotia. Balances and transactions between the Corporation and the Province of Nova Scotia are disclosed in the statements of changes in equity.

Compensation of key management personnel
Members of the Board of Directors and Executive Team are deemed to be key management personnel. It is the Board of Directors and Executive Team who have the responsibility for planning, directing and controlling the activities of the Corporation.

The following is compensation expense for key management personnel:

	2012	2011
Short-term benefits	$ 1,543	$ 1,539
Post-employment benefits	130	129
Other long-term benefits	20	20
Total compensation	$ 1,693	$ 1,688

12. Financial instruments risk

Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant credit risk, liquidity risk, and market risk arising from its financial instruments.

13. First-time adoption of IFRS

These are the Corporation's first financial statements prepared in accordance with IFRS. The date of transition to IFRS is April 1, 2010. For all fiscal years up to and including the year ended March 31, 2011, the Corporation's financial statements were prepared in accordance with Part V of Canadian generally accepted accounting principles ("Previous GAAP").

The Corporation's IFRS accounting policies presented in note 3 have been consistently applied in preparing the financial statements for the year ended March 31 2012, the comparative information for 2011 and the opening balance sheet at the date of transition.

The Corporation has applied IFRS 1 First-time Adoption of International Financial Reporting Standards in preparing these first IFRS financial statements. The effects of the transition to IFRS on equity, total comprehensive earnings and reported cash flows are presented in this section and are further explained in the notes that accompany the tables.

First-time adoption exemptions applied
Upon transition, IFRS 1 permits certain exemptions from full retrospective application. The Corporation has applied the mandatory exceptions and certain optional exemptions, as set out below.

Mandatory exceptions adopted
The Corporation has used estimates under IFRS that are consistent with those applied under Previous GAAP (with adjustment for accounting policy differences) unless there is objective evidence those estimates were in error.

Optional exemptions applied
The Corporation has elected to recognize all cumulative actuarial gains and losses for its defined benefit plans at the date of transition. From the date of transition, the Corporation's accounting policy is to immediately recognizing the gains and losses in the period in which they occur within other comprehensive earnings.

13. First–time adoption of IFRS (continued)

Reconciliation of equity

Equity at the date of transition and at March 31, 2011 can be reconciled to the amounts reported under Previous GAAP as follows:

	Note	April 1, 2010 Previous GAAP	April 1, 2010 Effect of transition to IFRS	April 1, 2010 IFRS	March 31, 2011 Previous GAAP	March 31, 2011 Effect of transition to IFRS	March 31, 2011 IFRS
Assets							
Current							
Cash and cash equivalents		$ 10,683	$ –	$ 10,683	$ 4,657	$ –	$ 4,657
Receivables		1,736	–	1,736	1,891	–	1,891
Inventories		36,465	–	36,465	38,130	–	38,130
Prepaids		762	–	762	1,003	–	1,003
Current assets		49,646	–	49,646	45,681	–	45,681
Non–current							
Property and equipment	a	35,780	2,456	38,236	41,448	2,456	43,904
Intangibles		11,121	–	11,121	7,370	–	7,370
Non–current assets		46,901	2,456	49,357	48,818	2,456	51,274
Total assets		**$ 96,547**	**$ 2,456**	**$ 99,003**	**$ 94,499**	**$ 2,456**	**$ 96,955**
Liabilities							
Current							
Payables and accruals		32,008	–	32,008	30,203	–	30,203
Obligations under finance lease		1,285	–	1,285	1,106	–	1,106
Employee future benefit obligations		711	–	711	740	(29)	711
Current liabilities		34,004	–	34,004	32,049	(29)	32,020
Non–current							
Obligations under finance lease		1,088	–	1,088	60	–	60
Employee future benefit obligations	b	18,391	(377)	18,014	19,166	(1,430)	17,736
Non–current liabilities		19,479	(377)	19,102	19,226	(1,430)	17,796
Equity	a,b	43,064	2,833	45,897	43,224	3,915	47,139
Total liabilities and equity		**$ 96,547**	**$ 2,456**	**$ 99,003**	**$ 94,499**	**$ 2,456**	**$ 96,955**

13. First–time adoption of IFRS (continued)

The total effect on equity is further analyzed as follows:

	Note	April 1, 2010	March 31, 2011
Equity as reported under Previous GAAP		$ 43,064	$ 43,224
Transition adjustments recorded in equity:			
Net adjustment to property, plant and equipment	a	2,456	2,456
Net adjustment on employee benefit obligations	b	377	387
		2,833	2,843
Transition adjustments recorded in other comprehensive earnings:			
Actuarial gain	b	–	1,072
Equity as reported under IFRS		$ 45,897	$ 47,139
Total effect on equity upon transition to IFRS		$ 2,833	$ 3,915

Reconciliation of comprehensive earnings

Total comprehensive earnings for the reporting period ended March 31, 2011 can be reconciled to the amounts reported under Previous GAAP s follows:

	Notes	Previous GAAP	Effect of transition to IFRS	IFRS
Net sales		$ 581,567	$ –	$ 581,567
Cost of sales		(268,350)	–	(268,350)
Gross profit		313,217	–	313,217
Store operating expenses		(55,469)	–	(55,469)
Gross operating profit		257,748	–	257,748
Supply chain expenses		(6,395)	–	(6,395)
Corporate service expenses		(25,547)	–	(25,547)
Post employment service costs	b	(711)	–	(711)
Other expenses		(4,956)	–	(4,956)
Other revenue		4,325	–	4,325
		(33,284)	–	(33,284)
Operating profit		224,464	–	224,464
Interest expense – lease liability		(251)	–	(251)
Post employment benefit interest cost		(1,054)	–	(1,054)
Total finance costs		(1,305)	–	(1,305)
Earnings for the year		223,159	–	223,159
Other comprehensive earnings:				
Actuarial gains on defined benefit pension plan	b	–	1,072	1,072
Comprehensive earnings for year		$ 223,159	$ 1,072	$ 224,231

Under Previous GAAP, the Corporation did not report total comprehensive earnings.

13. First–time adoption of IFRS (continued)

Statement of cash flows

There were no adjustments to the statement of cash flow for the year ended March 31, 2011 upon transition to IFRS.

Presentation differences

Certain presentation differences between Previous GAAP and IFRS have no impact on reported earnings or total equity.

Notes to the reconciliations

a. Property and equipment

IAS 16 requires that each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item be depreciated separately. It has been identified that the Corporation's building asset class, which was depreciated over 25 years, required componentization. The building class has been componentized into the following classes and their respective useful lives identified:

- Structural – 40 years
- Electrical – 30 years
- Exterior – 25 years
- Roofing – 25 years
- HVAC – 15 years

The financial impact, being a reduction in accumulated depreciation, was primarily related to the increase in useful life of the structural and electrical component classes.

b. Employee future benefit obligations

The Corporation has elected to adopt the "fresh start" exemption allowed under IFRS 1 – First Time Adoption of IFRS. Under the "fresh start" exemption, any unamortized amounts at March 31, 2010 under Previous GAAP are immediately recognized at April 1, 2010 as an adjustment to equity.

Adjustment to equity upon transition from Previous GAAP to IFRS	**April 1, 2010** **Retiree health**	**Service award**	**Total**
Unamortized vested past service costs	$ -	$ 50	$ 50
Unamortized net actuarial (gain) loss	(955)	528	(427)
Net increase (decrease) in employee future benefit obligations upon transition from Previous GAAP to IFRS	**$ (955)**	**578**	**(377)**

The benefits cost under IAS 19 for the year ended March 31, 2011 is determined as follows.

Components of benefit cost under IFRS	**Year Ended March 31, 2011** **Retiree health**	**Service award**	**Total**
Amounts recognized in profit or loss:			
Current service cost (employer portion)	$ 343	$ 368	$ 711
Interest cost	788	266	1,054
Total benefit cost recognized in profit or loss under IFRS	**$ 1,131**	**$ 634**	**$ 1,765**
Amounts recognized in other comprehensive earnings:			
Actuarial loss (gain) immediately recognized	$ (1,173)	$ 101	$ (1,072)
Total benefit cost (credit) recognized in other comprehensive earnings under IFRS	**$ (1,173)**	**$ 101**	**$ (1,072)**

13. First–time adoption of IFRS (continued)

The adjustment to equity required as at March 31, 2011 are determined as follows.

	Year ended March 31, 2011		
	Retiree health	Service award	Total
Total benefits cost (credit) recognized in profit or loss under IFRS	$ 1,131	$ 634	$ 1,765
Plus: total benefits cost (credit) recognized in other comprehensive earnings under IFRS	(1,173)	101	(1,072)
Less: benefit cost (credit) recognized under Previous GAAP	1,131	644	1,775
Net increase (decrease) in employee future benefit obligations upon transition from Previous GAAP to IFRS	**$ (1,173)**	**$ 91**	**$ (1,082)**

	April 1, 2011		
Adjustment to equity upon transition from Previous GAAP to IFRS	**Retiree health**	**Service award**	**Total**
Net increase (decrease) in employee future benefit obligations upon transition from Previous GAAP to IFRS at April 1, 2010	$ (955)	$ 578	$ (377)
Net increase (decrease) in employee future benefit obligations upon transition from Previous GAAP to IFRS for the year ended March 31, 2011	(1,173)	91	(1,082)
Net increase (decrease) in employee future benefit obligations upon transition from Previous GAAP to IFRS at March 31, 2011	**$ (2,128)**	**$ 669**	**$ (1,459)**

14. Post-reporting date events

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorization.

Corporate Structure

The NSLC is a Crown corporation, governed by Nova Scotia's Liquor Control Act. Under the Act, the NSLC is governed by a Board of Directors. The Board of Directors consists of seven voting members, along with a Deputy Minister and the President & CEO, both of whom are non-voting members. The President & CEO is appointed by Governor in Council based on the recommendation of the Minister responsible for the NSLC. This governance structure is intended to find a balance between the NSLC's autonomy in day-to-day business activities and the Government of Nova Scotia's mandated direction and control.

Code of Ethics and Business Conduct:

The NSLC has adopted a code of conduct that includes policies addressing human rights, conflict of interest, confidentiality, gifts and the outside activities of employees, management and members of the Board.

Board Committees:

- Audit and Risk Committee – This committee is responsible for the reliability and accuracy of the NSLC's financial statements and for overseeing the NSLC's risk management function.
- Governance and Human Resources Committee – This committee is responsible for the recommendation of NSLC corporate governance policies and practices to the Board and ensuring the NSLC adheres to sound corporate governance principles.
- Corporate Social Responsibility – This committee reviews and evaluates NSLC management's goals, initiatives and practices for the promotion of social objectives regarding the responsible use of beverage alcohol and recommends goals, initiatives and practices for corporate social responsibility.

Accountability:

The NSLC is accountable to its stakeholders in a number of ways:

- Its Annual Report is required to be tabled in the provincial legislature and is available in print or online at myNSLC.com.
- Annual audits of NSLC financial statements are required by the NS Liquor Control Act and are conducted by an independent, third party audit consultancy.
- Public access to various records under the Freedom of Information and Protection of Privacy Act.

Board of Directors

NSLC Board of Directors 2011-2012 (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.

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 April 2007 for a five-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.

Joe MacDonald, Director

Joe MacDonald is a senior university administrator and educator who serves as Director of Human Resources 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, Director of Government Relations 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. He also sits on the boards of the Antigonish Area Partnership and Chamber of Commerce.

Joe brings to the Board governance experience from his volunteer work and a great understanding of young adults. He has served as chair of the NSLC's Corporate Social Responsibility Committee and as chair of the NSLC Governance and Human Resources Committee.

Joe holds a B.Sc from St FX, a B.Ed and a M.Sc. 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.

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.

Frank Elliott, Director

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

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

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

Sue Payne, Director

Sue Payne was appointed to the NSLC Board of Directors in September 2011 for a 3-year term. Ms. Payne has extensive business and Board experience in both the not-for-profit, crown corporation, and for-profit business sectors, including serving on the Lawton's Board of Directors; the Board of NSCC; and as the former CEO of ACA Co-operative Limited based in Kentville.

She brings valued financial expertise to the NSLC Board as a Chartered Accountant as well as her charter board director designation from McGill University.

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

Bret Mitchell, President & CEO
Acting Vice President, Finance

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 where he held several senior roles in marketing, merchandising, purchasing, operations, retail brands and business process improvement. Bret has been named one of Atlantic Canada's Top 50 CEOs, four times.

Bret is a Director of the Canadian Association of Liquor Jurisdictions and is Chair of the Board of Directors of Symphony Nova Scotia and the Chair of the Board of PetFocus Veterinary Group. 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 corporate 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 Worker's 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 an avid traveller and loves to explore the world with his family while indulging his passion of cycling and running. 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 the area of supply chain management. He held management roles with Corporate Express, a leading office products company and 12 years with Atlantic Wholesalers in distribution and transportation roles.

Brad is a member of the Halifax Chamber of Commerce Transportation Committee. Through his involvement, the NSLC plays 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.

Actively involved with post secondary institutions, Brad has regular speaking engagements with students interested in careers in supply chain management. Brad was the Canada Games 2011 planning volunteer lead for Materials Management during the Canada Games hosted by Halifax.

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 from the University of Waterloo, 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 non-profit and community organizations; as well as serving on a municipal planning advisory committee.

Roddy is currently completing a Master of Business Administration degree with the Sobey School of Business EMBA Program at Saint Mary's University.

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, the beverage alcohol industry and has played a significant role in delivering on the organization's customer promise.

Danny is a graduate of Saint Mary's University with a Bachelor of Science Degree and also received a Business Management Certificate from Dalhousie University. Danny is a past board member for Annapolis Valley Minor Hockey and 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 for Canada at the Clorox Company, where he led the marketing initiatives for brands such as Clorox, GLAD, Pine-Sol, Brita, Armour-All and Hidden Valley Ranch. Tim's career also includes marketing roles with Kimberly-Clark, Overwaitea Food Group and Coca-Cola.

Tim is a graduate of Dalhousie University and an active Sommelier as part of the Canadian Association of Professional Sommeliers.

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 initiatives, as well as the NSLC's communications efforts. Rick joined the NSLC in 2003 as Vice President, Marketing & Communications where he created a new brand for the NSLC, its first marketing strategies and campaigns and Occasions Magazine now available with retailers in five provinces.

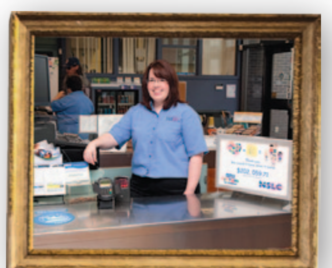
Prior to joining the NSLC, Rick co-founded a very successful Toronto-based capital markets counsel firm. He also served as global Vice-President of Corporate Communications with Newcourt Credit Group Inc., as well Senior Manager of Corporate Communications and Public Affairs with the Canadian Imperial 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.

Total Remittance to Government

$ 318,774,018

Government of Canada	$ 54,319,409	Harmonized Sales Tax
	$ 29,900,424	Excise & Customs
Government of Nova Scotia	$ 12,467,716	Enviro Assessment
	$ 220,012,443	Dividend to Shareholder
Municipalities of Nova Scotia	$ 2,074,026	Municipal Property Taxes
	$ 318,774,018	Total



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