



SHIP TO
Nova Scotia Liquor Corporation
93 Chain Lake Drive
Halifax, Nova Scotia
Canada B3S 1A3

Reference: Annual Report 2007-2008



THIS SIDE UP

NOVA SCOTIA
LIQUOR CORPORATION

BEWARE
If tape is broken, check goods and note any shortage or damage on Carrier's receipt.

NOVA SCOTIA
LIQUOR CORPORATION

PRENEZ GARDE
Si l'emballage est brisé, vérifiez et notez sur le reçu de livraison la marchandise endommagée ou manquante.



ALL NOVA SCOTIANS PROFIT
FROM NSLC EARNINGS OF
**\$198.7
MILLION**



The 78th NSLC Annual Report 2007–2008 was produced by the Nova Scotia Liquor Corporation and submitted to the Honourable Len Goucher, Minister Responsible for the Administration of the NSLC, for the fiscal year ended March 31, 2008.

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The NSLC: A Customer's Perspective

This annual report is our story from a customers' perspective. The customers' voice shapes the future business decisions of the NSLC.

The identity of any successful retail organization is how it is perceived by its customers. Who better to explain how the NSLC has transitioned from a place to buy to a place to shop than the men and women that shop at our retail stores?

The guiding force behind the NSLC's business decisions is the Five Year Strategic Plan. This plan sets out the financial objectives and strategies of the organization as it moves towards the ultimate goal of making the NSLC a place to shop rather than a place to buy. Since the inception of the Five Year Strategic Plan in 2005 the Nova Scotia retail environment has changed dramatically. Competition in the retail marketplace is at an all-time high as major national retailers enjoy an ever increasing presence in this market.

In order for the NSLC to increase the financial returns to its shareholders it has become clear that the NSLC must constantly strive to better serve the needs of an increasingly sophisticated, educated and diverse customer base. Over the past four years the NSLC has regularly conducted in-depth surveys and interviews in order to learn from all its customers how the NSLC can better serve their individual needs. The perspectives presented in this Annual Report were taken from research and customer feedback.



"It's great to see that the NSLC has extended its hours to complement other retailers in the province. I work a lot, so I really appreciate knowing if it is Saturday morning, a Sunday or Wednesday evening, that I can go out and get my groceries and a bottle of wine."

- Mark, 35



"Okay. I admit it, I've got a Walmart mentality. I want great prices. It seems like the NSLC is as committed to doing promotions and sales like any good retailer in the province. Thanks."

- Susan, 35



"I walk into any NSLC store and the staff is courteous and friendly. I am often approached by a staff member to ask if they can help me find what I am looking for. You can't say that about many stores anymore. That kind of service doesn't go unnoticed."

- Alan, 52

Life is a journey marked by occasions; be it savouring a contemplative moment with a glass of single malt scotch after dinner, unwinding with a beer after a hard day's work or a holiday celebration enjoyed with the company of friends and family.

No matter how small or large, our lives have all been shaped by these moments in time. For many of us, the most treasured of these occasions are the celebrations that mark the big moments of our lives. But life isn't just about those special days. It's also about those occasions spent enjoying the company of family and friends. Life is an occasion and the NSLC plays a part of the celebration.



“For me, some of my most treasured moments are the nights I have spent socializing with my girlfriends. Our Cosmo parties are famous! We just pop down to the NSLC pick up all the ingredients and we have a glamorous evening full of laughter. Of course, there are also those weekend nights when we let loose, but that’s another story.”

- Jeanine, 28

“I can still remember the sparkle in my daughter’s eye when I toasted the crowd with a glass of sparkling wine at her wedding. As my wife and I recounted the occasions we had spent with her that led up to that moment, there wasn’t a dry eye in the crowd.”

- John, 60





Love the clean, bright and fun new look of the stores. I could spend an hour looking through the Vineyards section of the Bayers Lake store.

- Diane, 42



As much I hear about all the great new beers and spirits available on the store shelves, I never stray from my favourite beer. It's a Friday afternoon ritual. I go to the store and pick up a case of beer and pint of white rum. Some say I am loyal, I just say I like what I like.

- Frank, 45

The Customer Mix
We, the NSLC customers, are as diverse as the products that line the shelves. We all have our different tastes and our own unique perspective; some of us like the adventure of trying a new spirit, a bottle of wine or sometimes both; while others of us stick with what we enjoy be it a familiar brand or simply staying within a comfortable category such as beer, wine, spirits or ready-to-drink. In all cases the NSLC needs to appeal to our individuality.



"I wouldn't say that I am a regular customer. Every few weeks or so, I come for a bottle of wine or a few light beers to have in the fridge. I like the consistency and value I receive at the NSLC."
- Linda, 55



"I am just discovering my tastes in wine and spirits. Every Saturday, I visit my local NSLC and ask the manager about new and exciting wines. She has yet to steer me wrong"
- Ann, 39

"I work hard and I play hard. After a long week at work, I like to have a good time with my friends. The NSLC is definitely part of my weekend."
- Jim, 25





"I guess you could say that most of my information comes from the internet. I participate in more than a few chat groups, I read the news on-line and when I want to find a wine or learn about what new microbrews are available in the province, I often jump on the NSLC site. I am constantly amazed how much the website has changed in the last year. It feels very interactive and the information is easy to find. It seems no matter what form of media I am looking at or listening to the NSLC has a message that speaks to me."

- Wendy, 32

Communicating to Our Differences

The information age has dawned and the NSLC is a part of it. We as consumers are constantly bombarded by information from a wide range of media. Finding a voice that speaks to us individually and collectively requires understanding who we are and how we absorb information.

Understanding how we as consumers want to be communicated with is one more way the NSLC is complimenting all of life's occasions and changing our NSLC buying experience into an NSLC shopping experience.



"I admit it. My taste in music is as varied as my taste in drink. I only like one thing. Every weekend I pick up a case of beer and the radio in my truck never ventures off my favourite country music station. Unless, of course, my wife is with me and then an argument usually ensues over which station to listen to. I always lose that battle. In any case, we regularly hear ads from the NSLC advertising promotions or letting us know about special offerings from the beer companies. I've got a collection of hats and beer glasses by picking the right case of beer; all thanks to listening to those ads."

- Tim, 55

Address
POST CARD



For me, each trip to the NSLC is an adventure. I look to see what spirits are on display and I often pick up a copy of Occasions magazine to help select a wine to have with dinner. I rarely pick up the same bottle twice. Life for me is an exploration of new tastes.

- Amber, 28



Post Card



The walk-in beer fridges work for me. I go in, grab my favourite case of beer and I am out the door. No hassles.

- Jim, 25

An Individual Shopping Experience
Every day is a challenge of time and budget. With these constraints our expectations are at an all time high and the challenge of meeting these demands is up to the individual retailers that make up the Nova Scotia retail network. The NSLC is as much part of the retail shopping experience as Walmart, Home Depot or Sobeys. It's up to them to create a shopping experience that matches the needs of all of us.



"I love it. I walk into just about any NSLC store and the product selection is world class. I can't think of a cocktail in which I can't find all the ingredients I need on the shelves of my nearest NSLC store. I love the new One Pour Cocktails and I am always picking up something new at the cash register."

- Jeanine, 28

"I am constantly balancing work, my kids' activities and home life. Thank goodness, my local NSLC store shopping experience is a convenient one. I just do my grocery shopping, walk across to the NSLC which is attached to my local grocery store and pick up my favourite bottle of wine. The service at the cash is really fast and efficient. My whole shopping experience takes less than five minutes. Thank you NSLC."

- Joyce, 44



Enjoying the Experience

We are no longer satisfied with retailers that simply want us to buy. We want to be catered to. We want an efficient retail experience and go to a store where the staff is friendly, knowledgeable and the product selection meets our desires.

The NSLC must understand why we buy and how we want to be communicated with. The NSLC over the past year has continued to improve on our retail experience by striving to match products, promotions and customer service to match our needs.

By focusing on our customer experience, the NSLC is transforming itself from a place for us to buy to a place to shop.



“All I care about is speed. I go to the Cool Zone and pick up my case of beer. I want to be in and out in five minutes. If my beer isn't cold by the time I get home, I spent too much time in line. So far so good.”
- Frank, 45

“Love the new stores and I love the staff. Every time I walk into my local NSLC someone is there to help me.”
- Sarah, 35



“I like to go into the store and know that my brand is there. I don't want to scour the shelves either. To date, the NSLC hasn't let me down.”
- Melinda, 67





"I guess you could say I am a weekender. I work all week and then I have a great time on the weekend. Thanks to the cast of characters created by the NSLC, I always remember that it isn't worth driving at the end of the night. It's pretty hard not to remember, as there is poster of them in almost every bar I go to."
- Jeff, 25



"I admit it. I love Donnie's Donkeys, Burly Joe's Piggyback Rides and Wheelbarrow Willie. I flip onto the Lots of Ways website all the time. I'm sure it impacts my decisions, even if it is subconsciously."
- Christina, 22

"I consistently pick up Occasions and there is always a reminder to drink responsibly. Even if I'm not driving, it's always a good reminder to drink for the quality not quantity."
- Linda, 45



Enjoying the Product
With the new millennia, we have entered an era of greater consciousness of our neighbours near and far. We better understand our impact on the environment, and we better understand the need to consume beverage alcohol in a socially responsible matter.
The NSLC has won numerous awards for its social responsibility messaging. Could there really be a better way that the NSLC is complementing all of life's occasions?

CHAIRMAN'S REPORT



Fiscal 2007–2008 proved to be another very successful year for the NSLC. Not only has the company returned record dividends to our shareholder, but has continued to become a more customer centric retail organization. The NSLC strives to balance economic growth with socially responsibility. I would like to take this opportunity to thank the work of our my fellow board members, our executive, led by our President, Bret Mitchell, all employees of the NSLC and our many suppliers from around the world.

The NSLC is recognized as a retail leader, not just within the beverage alcohol industry, but more broadly in the retail industry as a whole within nationally and internationally.

As Nova Scotia's major crown corporation, the NSLC is mandated to attain acceptable levels of customer service, to promote socially responsible use of our beverage alcohol products, to promote the economic growth and development of the beverage alcohol industry of Nova Scotia, and to return a substantial financial dividend to our shareholder, the Government of Nova Scotia. From the perspective of the Board, it is clear that our executive and all our employees consider these mandates as minimum standards for the company's success. At each level, the NSLC team has exceeded these expectations, for which, on behalf of the Board, I thank and recognize them.

Since being transformed into a Crown Corporation, with a commercial mandate in late 2001, the NSLC has achieved remarkable growth in sales of 43% (net) while delivering increased profit of 46% to our shareholder. During the 6 years since incorporation as a crown corporation, the NSLC has generated over 1 billion dollars in profit for the shareholder – 250 million dollars more than during the previous six years.

But, the recent NSLC story is not just about the money. According to customer satisfaction studies conducted quarterly, the NSLC has achieved a customer satisfaction rating of 8 out of 10 or better from 87% of 1,200 people surveyed - up 3% from 2006. This impressive rating made the NSLC one of the highest customer-rated retailers in the province. When asked blindly to name the top retailers in Nova Scotia, for the past three years the NSLC is invariably mentioned by Nova Scotia's consumers. Nova Scotians clearly recognize the changes at the NSLC and see it as one that offers a positive shopping experience.

This past year, the NSLC has worked with the Province to promote our local breweries with the implementation of Beer Accords between Nova Scotia and both New Brunswick and Quebec. These accords remove significant trade restrictions between Nova Scotia and these provinces. This has helped Nova Scotia producers to market their products as national brands.

As well this past year, the NSLC introduced a new Nova Scotia Wine Industry pricing policy that will accelerate the growth of this rapidly developing industry in our province. This policy will aid our excellent local wineries to compete against their international counterparts within our own market and within our NSLC stores. These measures have helped introduce quality Nova Scotia wines, made from Nova Scotia grown grapes to more Nova Scotian consumers. We congratulate our wine industry on the increasing number of national and international medals their wines are winning – objective testimony to the outstanding quality of the wines being produced in this province.

As Chairman of the Board of Directors, I would be remiss if I did not thank and congratulate our Board members on their diligence and commitment to their governance responsibilities on behalf of the company and its shareholder, the Government of Nova Scotia. Together, we continue to improve our governance practices to ensure accountability, transparency and performance.

Extensive work has continued to be carried out by the Board's Governance and Human Resources Committee, our Audit and Risk Management Committee and our Intelligent Consumption Committee. During the past year, the Board has taken initiatives focusing on developing an inventory of the skills of current Board members, identifying the skill sets required for the appointment of new Board members, a director education development strategy, and the development of a rigorous orientation program for new Directors to ensure their effectiveness starting with their first Board meeting. The Board has begun work on a Director Development Program with the cooperation of the Institute of Canadian Directors. The Board also has begun holding regular meetings with outside governance experts to ensure the Board is current on the latest governance standards.

As the only organization in the province with a specific legislated mandate to promote the socially responsible consumption of beverage alcohol, the NSLC continues to vigorously pursue this important responsibility and invites other agencies to work cooperatively with us. The addition to our strategic direction of Corporate Social Responsibility will ensure that the NSLC remains a business also focused on sustainable growth. It goes without saying that the NSLC will continue to explore new ways to expand its business reach and scope to ensure the strong financial growth of the past six years continues.

This success of our organization would not be possible without the commitment of the Government of Nova Scotia, and particularly our minister, the Honourable Len Goucher, Minister responsible for the Nova Scotia Liquor Corporation and Minister responsible for the Liquor Control Act for his continued support of our initiatives. I should also like to recognize and thank the Honourable Carolyn Bolivar-Getson, who ably served as our minister during the first few months of the 2007–2008 fiscal year.

Current indications are that 2008–2009 will prove to be another successful year for the NSLC. I am confident that the NSLC team will achieve the performance targets set in this year's business plan, and that the organization will continue to make progress toward to the goals outlined in our 5-Year Strategic Plan

I encourage you read this annual report which we have sought to present "from our customers' perspective" – illustrating how the NSLC complements all of life's occasions.

Sincerely,

A handwritten signature in dark ink, appearing to read "Peter L. McCreath".

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

PRESIDENT'S REPORT



I am pleased to report for the third year in a row the NSLC exceeded its business plan returning more than \$198 million in dividends to its shareholder on record sales of more than \$530 million. The fiscal year ended March 31, 2008, represents the completion of the third year of the NSLC's Five-year Strategic Plan in which we have committed to return \$215 million to our shareholder in 2010.

The key to the NSLC performance is the disciplined implementation of our road map –our 5 year strategic plan with its focus on the customer. The rigor of our yearly Business Plan drives the strategies into the day to day operations. As a result, we are transforming the NSLC into a modern, superb retailer and for customers, from a place to buy to a place to shop. We measure our success on this level using 23 factors that we have determined drive customer satisfaction. This focus on the customer has aided our team in creating effective in-store promotional activities, allowed our category managers to align product assortments to match the communities in which our retail stores are located, and better serve our wholesale partners who continue to represent a major sector of our business. The results of this commitment to the customer are evident in our 5.6% increase in sales over the previous fiscal year with both volume and sales growth in all our product segments. On the key drivers of customer satisfaction the NSLC has also shown great progress:

- Helpful staff up 6%
- Knowledgeable staff up 5%
- Pro-active staff up 9%

Across the 5 key areas of the retail environment, staff helpfulness, staff product knowledge, store layouts, checkout speed and accessibility and location, our scores have improved by as much as 14% since the spring of 2006.

As we cross the mid-point of the Five-Year Strategic Plan, it only made sense to recognize the customer and give them a chance to relate their NSLC experience in their own words. The focus of this annual report is our customers' experience written from their perspective.

The Nova Scotia retail environment has become increasingly competitive and our customers increasingly demanding. We've worked hard over the past year to improve our customer service, product selection, promotional programs, store design and location of our stores to address the needs of our customers. The NSLC is now managing almost 6,000 products in market. We have introduced 1,500 new products at the NSLC in the last 18 months. Ensuring that our product offering remains fresh and vibrant to our customers our plan is to add three hundred to five hundred new products every year.

Our success goes beyond improved customer service. This past fiscal year represented our first year with fully integrated business information. Our retail store network implemented a new integrated point of sale system. This modern technology will allow us to provide even faster customer service at checkout and to implement more substantial and impactful consumer promotions. The use of SAP technology has allowed us to become an efficient retailer at all levels, which has helped improve not only our bottom line but every facet of the organization including ordering, forecasting and replenishment components of our business. This allows us to better serve all of our customers including agency stores, private wine stores and licensees.

As well this year recognition for our success has extended beyond our borders. In fact, the NSLC was the only Canadian retailer to be nominated at the World Retail Awards, which were held this past April in Barcelona. We were recognized as one of the top marketing campaigns in the world for our Lots of Ways campaign which promotes safe and alternative ways to get home safely after enjoying a social occasion. To be recognized in the same light as some of the largest retail companies in the world, not only establishes the NSLC as an innovative retailer but confirms that our social responsibility messages are being heard. We were also recognized by the Retail Council of Canada for having the best new merchandising initiative in retail in Canada with the creation of

our Coolzone – the chilled beer offering in NSLC stores. The Retail Council of Canada presented the NSLC with a Health Safety Award presented to a retailer that successfully implements an innovative approach to ensuring the health and safety of its employees.

Half way through the year we reorganized the executive team to better reflect the changing focus of our business plan. By combining merchandising and operations we bring the product assortment and promotional decisions closer to the customer. We must ensure that the continued growth of the NSLC is sustainable not only from a business performance perspective, but also from a social and environmental perspective. With this in mind the NSLC is developing a Corporate Social Responsibility Plan. This CSR plan goes beyond the promotion of socially responsible consumption of alcohol to a new level of attention on the organization's impact in society. The first step in our CSR Plan was our announcement to eliminate the 290,000 pounds of plastic bags that land in provincial landfills every year, a result of the 10 million plastic bags used in NSLC retail stores. This leadership position has now been emulated in other liquor jurisdictions across Canada and hopefully set a standard for all retailers to follow. There will be much more to come in the future ensuring a sustainable growth strategy for the NSLC.

Our employees are the people who make this performance happen. I wish to thank them for their dedication to transforming the NSLC and for their enthusiasm in embracing our customer first culture. The executive, the Board of Directors and all employees will continue to improve all aspects of our business in the 2008–2009 fiscal year, including improving our customer service even higher and with a continued commitment to being an environmentally responsible retailer. Cheers to change!

Sincerely,

Bret Mitchell
President & CEO, NSLC

MANAGEMENT DISCUSSION & ANALYSIS

The MD&A section of the annual report provides an opportunity for an analysis and commentary of the financial performance of the NSLC and a detailed look at the key aspects of the business.

The guiding forces behind any analysis of the financial growth of the business are the NSLC's Annual Business Plan and the Five-Year Strategic Plan. These two documents provide the tools for The Board, executive, management and all employees to implement strategies that ensure the individual targets of each business unit and the overall financial goals of the NSLC are met or exceeded.

The 2007–2008 fiscal year represents the completion of the third year of the NSLC's Five-Year Strategic Plan.

FINANCIAL PERFORMANCE

Complementing the Five-Year Strategic Plan is the NSLC's Annual Business Plan. The Annual Business Plan sets the financial performance targets for each fiscal year. The 2007–2008 Business Plan forecast both net sales and income after expenses to increase. In the 2007–2008 net sales were anticipated to rise to \$523.6 million as compared to \$504.7 million (+3.8%) achieved in 2006–2007 and net shareholder return was expected to increase to \$197.1 million as compared to the record \$188.2 million shareholder return achieved in the previous fiscal year.

In 2007–2008 the NSLC again exceeded its financial targets by achieving a net return to shareholder of \$198.7 million. Driving this strong performance was the increase in sales beyond this business plan. The NSLC achieved a record \$530.6 million in revenue as compared to projected sales of \$523.6 million. Gross Profit on the additional \$7 million in sales equaled \$4.1 million, which was mitigated by an increase in expenses of \$2.5 million beyond budget. The increased expenses occurred primarily because of increased sales, higher utility costs, increased supply chain labour costs, increased discounts related to agency stores and marketing promotional costs, and higher debit/credit card fees associated with higher sales.

The record net income achieved by the NSLC in 2007–2008 represents a 5.6% increase to the bottom line, as compared to the previous fiscal year.

The Five-Year Strategic Plan targets a compound annual growth rate (CAGR) target of 4.1%. For each of the first three years of the plan the NSLC has exceeded this target producing a CAGR of 5.6% for the first three years – well ahead of plan.

	1998/ 1999	1999/ 2000	2000/ 2001	2001/ 2002	2002/ 2003	2003/ 2004	2004/ 2005	2005/ 2006	2006/ 2007	2007/ 2008	2008/ 2009 (Estimated)	VISION 2010 (Estimated)
Net Sales	\$351.6	\$371.4	\$372.3	\$391.4	\$412.4	\$437.2	\$451.0	\$486.1	\$504.7	\$530.6	\$554.0	\$553.0
Dividends to Shareholders	\$129.2	\$135.2	\$137.2	\$143.9	\$157.9	\$166.8	\$170.0	\$181.2	\$188.2	\$198.7	\$210.0	\$215.0

An understanding of the NSLC's achievements during the fiscal year requires an analysis of both the NSLC's position in the larger Nova Scotia retail environment and a deeper understanding of the various category segments that make up the product offering and how that performance compares to other beverage alcohol retailers in Canada.

EXTERNAL ENVIRONMENT

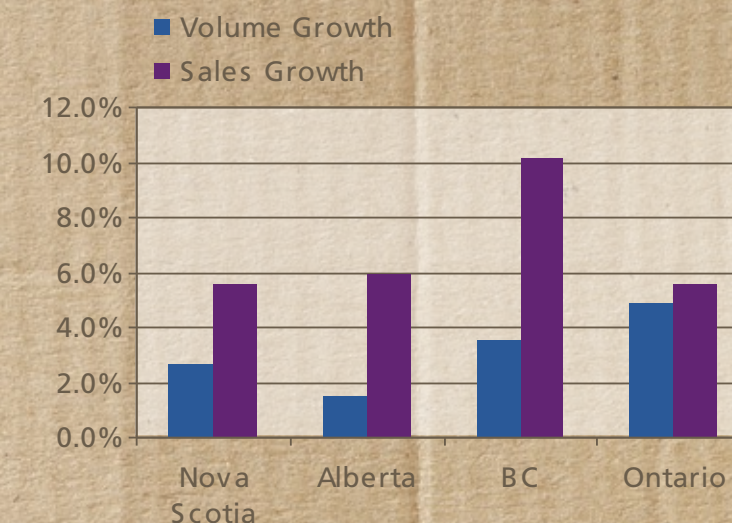
The NSLC is the province's single largest corporate retail banner and since the transition from a commission to a crown corporation in 2001 has been constantly improving the way it serves its customers in order to compete in an increasingly competitive Nova Scotia retail environment.

The NSLC recognizes that it must compete like any retailer for its share of the disposable income of Nova Scotians. Population growth is flat and aging. Lower consumer spending reduced the province's GDP growth in 2007* and the number of tourist visitors in 2007 grew modestly at 2%.** This makes the NSLC's financial achievements in 2007–2008 much more significant. The NSLC achieved a better than 5% increase in sales which compares favourably to Nova Scotia's overall retail sales growth in 2007 of 4%.

When compared with other jurisdictions in Canada that experienced dramatic population growth, these results are exemplary.

	2004	2005	2006	2007
Nova Scotia Retail Sales % Increase over prior year	2.8%	2.2%	6.0%	4.2%
NSLC Net Sales % Increase over prior year	6.0%	3.2%	7.8%	3.8%

MANAGEMENT DISCUSSION & ANALYSIS



A primary driver of this year's performance has been an increase in the volume of product (813,822 hectolitres) sold by the NSLC. This is an increase of more than 18,000 hectolitres or 2.4% over the previous fiscal year. Additionally, the NSLC was successful in the 'premiumization' (encouragement of increase spending/litre of product) which is reflected by the NSLC's growth in gross profit per liter, which increased 5.4% compared to the previous year. These successes can be linked to a number of factors that will be discussed in greater detail in the product trend category of this report.

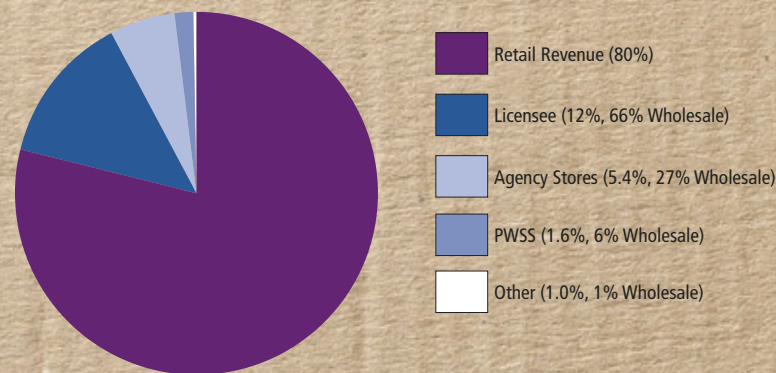
*Nova Scotia Department of Finance Fiscal Summary 2007–2008

**Nova Scotia Tourism Insights Publication

SALES CHANNEL ANALYSIS

The NSLC measures sales success by analyzing retail and wholesale sales. The efficiency and effectiveness of both of these sales channels are supported by the NSLC’s supply chain and corporate services. Retail sales comprise sales generated within the NSLC’s primary retail network while wholesale sales encompass sales to agency stores, licensee sales as well as private wine and specialty stores. Gross retail sales in 2007–2008 increased to \$433.5 million which represents a better than 4.7% increase over the previous fiscal year. Gross wholesale sales which include licensee sales (\$64.6 million), sales to agency stores (\$29.1 million) and sales to private wine and specialty stores (\$8.3 million) and other wholesale distribution outlets (\$.826 million) accounted for \$102.9 million.

DIVISION OF SALES RETAIL VERSUS WHOLESALE AND SUB-CATEGORIES



RETAIL PERFORMANCE

The NSLC’s retail store network comprises 108 corporate stores. In order to better align services and listings to match the local market, all stores are now classified under four categories according to their size and product assortment. These categories are:

- Flagship
- Signature
- Community
- Neighbourhood

This past fiscal year, a number of significant changes both at the corporate and store level contributed to the overall growth of 4.7% compared to 2006–2007 and record sales of \$433.5 million in this sector.

Contributing to the strong performance were successful beer and wine promotional campaigns which resulted in growth both in volume of sales and revenue. Effective promotions of imported and premium brands were the major contributors to the increased sales and volume. Healthy growth was experienced in the spirits and ready-to-drink product offering segments, as all four categories achieved growth in volume of sales and revenue. Details regarding these sales can be found in the product trends category of the annual report.

SALES INCREASE

	SPIRITS	WINE	BEER	RTD	TOTAL
Volume	1.4%	7.9%	1.6%	7.0%	2.4%
Dollars	3.4%	10.9%	4.9%	6.6%	5.6%

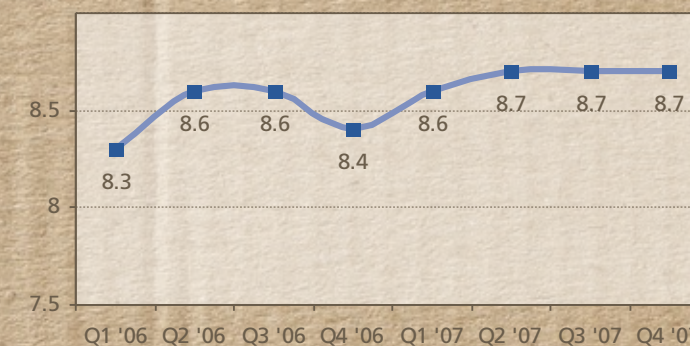
Sales increased by 5.6% this fiscal year. 2.4% of this increase is due to volume increase and the remainder from a combination of customers purchasing more expensive products and price changes.

STORE	MON	TUE	WED	THU	FRI	SAT	SUN
Avg. Sales Per Hour	\$ 1,036.74	\$ 1,207.21	\$ 1,476.45	\$ 1,962.29	\$ 4,015.09	\$ 4,049.82	\$ 2,936.19
Rank	7	6	5	4	2	1	3

The NSLC began opening half its stores for Sunday shopping on July 8, 2007. These additional store hours accounted for \$17 million in revenue equating to 4.3% of total sales for the last three quarters. This compares favourably to the NSLC estimate that Sunday sales would add 1–2% incremental sales. Sunday is now the third busiest day for the NSLC by sales per hour.

terms of improved customer experience. This strategy is one of the most effective to increase sales and premiumize the customer’s purchase.

CUSTOMER SATISFACTION INDEX



While success in the retail store system can be quantitatively attributed to the increase in volume and sales of the individual product offering segments as well as extended hours of operation, it can qualitatively be associated with increased customer satisfaction. The NSLC regularly monitors its Customer Satisfaction Index (CSI) using 23 driving factors of success. The NSLC CSI rate of 87% in 2007, was driven by growth in customer satisfaction with respect to the helpfulness of staff, the knowledge of staff and proactive nature of staff. Our increased focus on training staff on how we wish them to interact with customers, their sales and product knowledge, is paying off in



WHOLESALE PERFORMANCE

The NSLC wholesale market is becoming an increasingly diversified component of the NSLC sales structure. Traditionally wholesale sales in the NSLC culture has been centered on the Province’s 1634 licensed establishments. While licensee still account for 63% of the NSLC’s wholesale market an ever increasing number of agency stores - 54 by the end of fiscal 2007–2008 compared to 36 at the same time the previous year – and a moderate increase increased revenue from private wine and specialty stores contributed to an increasingly diverse wholesale market.

As a group, wholesale sales grew to \$102.9 million in the past fiscal year. The increase in sales is largely as a result of the increase in the number of agency stores (18 net new stores), which speaks to the NSLC's mandate of improving customer service via greater accessibility of its products to Nova Scotians living in rural areas. Sales to agency stores in the 2007–2008 fiscal year grew by close to 67%. This was supported by an increase in sales of 29.3% to private wine stores. Conversely, sales to licensees decreased by 3.9% or \$5.6 million.

The decrease in licensee sales poses a challenge to the NSLC to continue to better serve all its wholesale partners. As Nova Scotian's disposable income is on the rise and the number of tourists visiting Nova Scotia has show moderate growth in 2007, there are opportunities to increase licensee sales. In 2007–2008 the foundations for renewed licensee growth were developed including the introduction of targeted wholesale promotions, the initial development of a licensee only product list and the and the establishment of a new Customer Service Centre for wholesale customers.

SUPPLY CHAIN

Like all retail businesses, the backbone of the NSLC is an effective and efficient supply chain. The supply chain coordinates not only delivery of products from the NSLC's partner suppliers around the world but manages the logistics of getting the product from its warehouse to both the NSLC corporate retail stores and wholesale customers.

The ongoing goal of the supply chain is to improve the speed of all deliveries, while carrying a minimal level of inventory while simultaneously meet the needs of all its customers. The impact of SAP technology discussed in more detail later in the annual report is critical to improved efficiencies of the supply chain. In the

past fiscal year, the fill rate focus for wholesale was 98.3%; with retail coming in at 96.7% with a goal of 98% for both. Combined inventory turns for the fiscal year were 10.3 on a goal of 12, a result of a conscientious decision to have adequate inventory to support a strong fill rate following implementation of SAP.

The NSLC's inventory value (duty-paid landed cost) decreased by 3.5% at year-end from \$36.8 million to \$35.5 million. This reflects the NSLC's focus on improving cash flow through inventory efficiencies and improved turns.

SPECIAL PROJECTS

In 2005 the NSLC set its first 5-Year Strategic Plan which outlined the strategies to change the NSLC into a modern, dynamic retailer capable of returning dividends of \$215 million in 2010. The plan required the NSLC to change the way it ran its business to ensure growth in revenue and reductions in the cost of business were possible. One of the most important pieces of this transition has been the implementation and execution of Project 360.



Project 360 represented the transformation of the NSLC from an organization using a number of fragmented inefficient legacy systems to a cohesive business operation utilizing SAP Enterprise Resource Management (ERP) technology. SAP technology integrates all business units within an organization by creating a shared platform/database for all business units within the organization to utilize and access in real time. In essence, it ensures not only timely and accurate data, but also by utilizing one platform ensure all business units see the same numbers at the same time. The results of Project 360 is that it allows the NSLC to better monitor and control inventory, develop and execute strategies with respect to our wholesale market, improve supply chain efficiencies and enable our corporate services to develop sound business strategies based on real, accurate and current data.

In the last fiscal year two important components of Project 360 were completed: the Phase 1 Go-Live stage of SAP Retail technology and integration of a new point-of-sale (POS) system (including hardware and software).

SAP RETAIL

The effective execution of SAP technology is a critical tool to allow all units within our corporate services division to execute business strategies to ensure top line and bottom line growth.

Two years of intensive planning with the best internal and external resources the NSLC could muster led to the Phase 1 Go-Live on April 2, 2007. This occurred quickly and with minimal interruption to any of our business units. The transition was invisible to our retail customers. Systematic staging of its use over a two week period encouraged a smooth transition during this stage. This required the cooperation of all the business units

which helped to create a 'one team' environment. A systematic and business like approach to dealing with customization requests was undertaken to ensure all changes and edits to the system were for the betterment of the organization as a whole. All customization requests were forward to the Steering Committee for approval which allowed for a rational approach to dealing with the specific needs and wants of individual employees and divisions within the corporation during this critical transition period.

This effective execution of this go live stage, allowed our team to move forward with the next stages of SAP integration. It was quickly learned that we did not have the knowledge base to make major adjustments in the post go live stage. This shifted our energies to smaller enhancements of the system rather than large projects, and allowed our senior managers and executive steering committee to focus on implementing manageable strategies with respect to technological and business development.

The use of SAP technology has already greatly improved the execution and efficiencies of all parts of our corporation, including our supply chain, finance business unit and merchandising team, through the availability of a better and



MANAGEMENT DISCUSSION & ANALYSIS

more accurate understanding of our data. The initial results are evidenced in our strong performance in 2007–2008 and will become increasingly more evident in 2008–2009 with the integration of the new POS system implemented at our corporate retail stores in the final quarter of this past fiscal year.

Future potential enhancements in the areas of HR, Merchandising and Customer relationship Management are being considered as part of our SAP platform.

POINT OF SALE

The final step for the completion of Project 360 was the go live stage of a new, fully integrated point-of-sale (POS) system. The design of, development, initial testing and purchase of the new system was completed in the third quarter of the past fiscal year, with early in-store testing occurring in the January, 2008.

This final testing period was critical to ensure an effective integration of the POS data with the rest of the system, as well as ensuring the effectiveness and functionality of all software and hardware. The pilot project was deemed a success and the new POS system was rolled out to all corporate stores in March, 2008.

The integration of a new POS provided not only the opportunity to have a fully integrated data management system linked to SAP, but provided opportunities to improve the efficiency of our store staff and provided them the tools to better serve our customers.

As result of the implementation of this new system our store staff now enjoys a sales screen designed for their ease of operation and fully integrated gift card, credit card and debit devices. This has led to improved efficiency within our retail store network and improved customer service with easier to read receipts and the ability of retail store staff to locate products throughout the retail store and warehouse system. All product ordering is now done through this system and its integration with SAP. The NSLC will now turn its attention to utilizing all the capabilities of

the new POS system particularly in the flexibility it now affords the organization in designing merchandising and marketing programs.

The success of Project 360 was also driven by the approach to training for new staff. The NSLC chose to utilize line employees to first learn and then be the corporate trainers for these two systems. This ensured not only institutional knowledge, and improved employee skill sets, but it was more credible to employees receiving the training who identified and related better to the trainers.

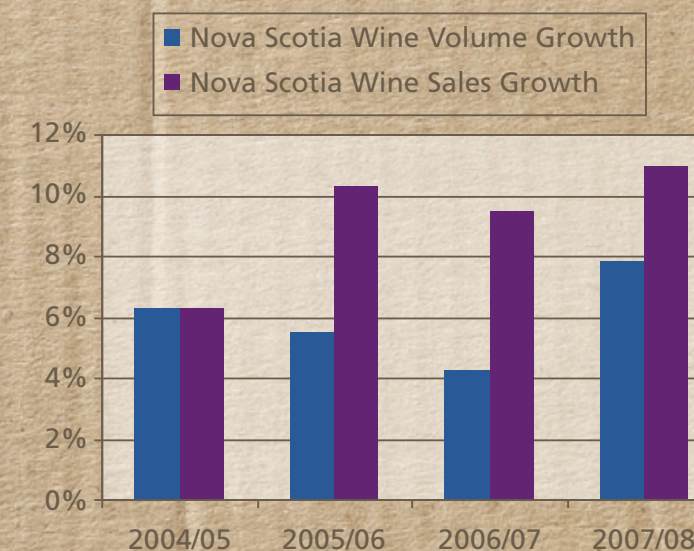
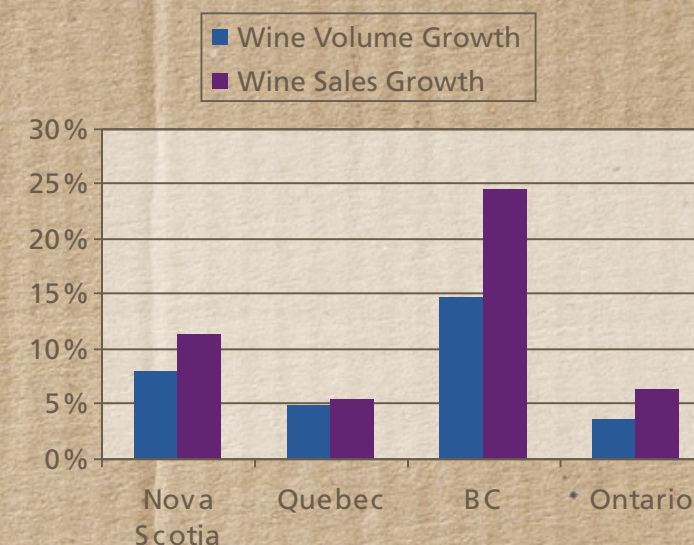
PRODUCT TRENDS

The NSLC experienced growth in all its product segments during the fiscal year. Wine and beer were the leaders of growth while spirits and ready-to-drink showed renewed sales activity. In the final quarter of this fiscal year, the NSLC had the largest increase in ready-to-drink, the second highest beer growth and third largest wine growth amongst beverage alcohol retailers across Canada.

WINE

Wine continues to be a major driver for the NSLC both in revenue and volume at both the retail and wholesale level. The NSLC wine category grew in revenue by 10.9% on increased volume of 7.9% (9.1% Canadian versus 7.2% imported) translating to an increase in gross profit per litre (GPL) of 3.8%.

Factors that account for the increase in sales in the wine category included a steady trend upwards over the last 6 years in the consumption of wine amongst Nova Scotians. This has occurred because of the large number of new products the NSLC has introduced into the market over the last few years, well as renewal of the premium and vintage selection list.



Another factor contributing to growth in the wine sector of the retail market was the effective implementation of promotional initiatives that targeted both volume sales growth as well as the 'premiumization' of the category via features of quality wine regions from around the world.

MANAGEMENT DISCUSSION & ANALYSIS

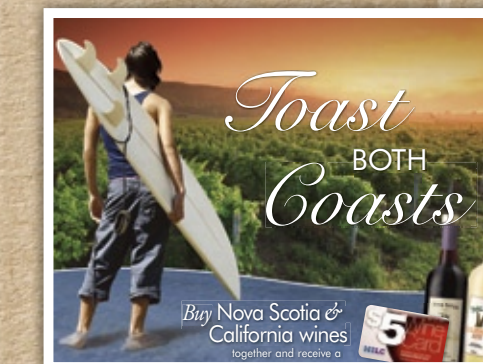
WINE PROMOTIONAL HIGHLIGHTS

APRIL, 2007 – SERVE UP YOUR OCCASION FOR LESS!



In April the NSLC promoted an increase in sales volume and revenue via a large format bottle promotion utilizing the tagline 'serve up your occasion for less'. Consumers were encouraged to purchase from a select offering of premium larger format (1.5 litre) wines.

JUNE, 2007 – TOAST BOTH COASTS



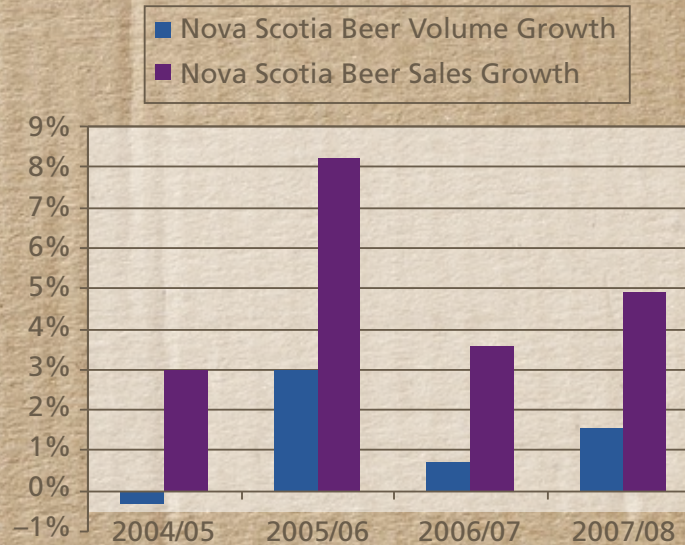
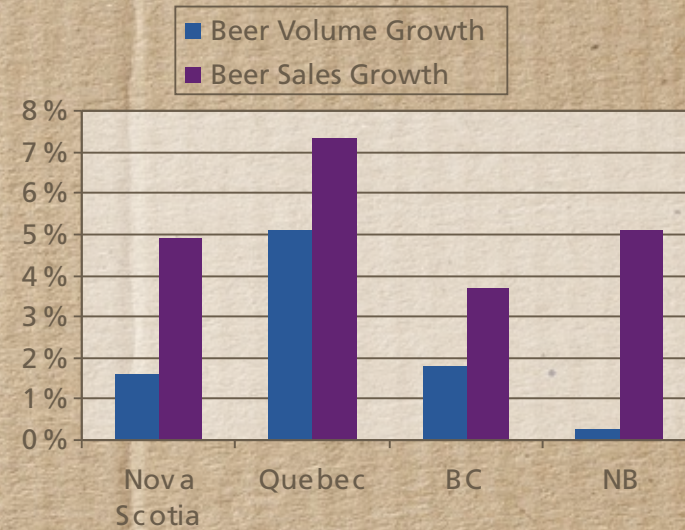
The 'Toast Both Coasts' campaign was extremely successful in promoting the growth in sales of both international and domestic wines through an inventive partnership between the wines of California and the wines of Nova Scotia. The promotion encouraged consumers to purchase a bottle of California and Nova Scotian wine. If consumers purchased a combined total of \$35 between the two wines, they received a \$5 Gift Card. The promotion was complimented with a contest promoting local wine country.

SEPTEMBER, 2007 – WHERE ON EARTH-SOUTH AFRICA



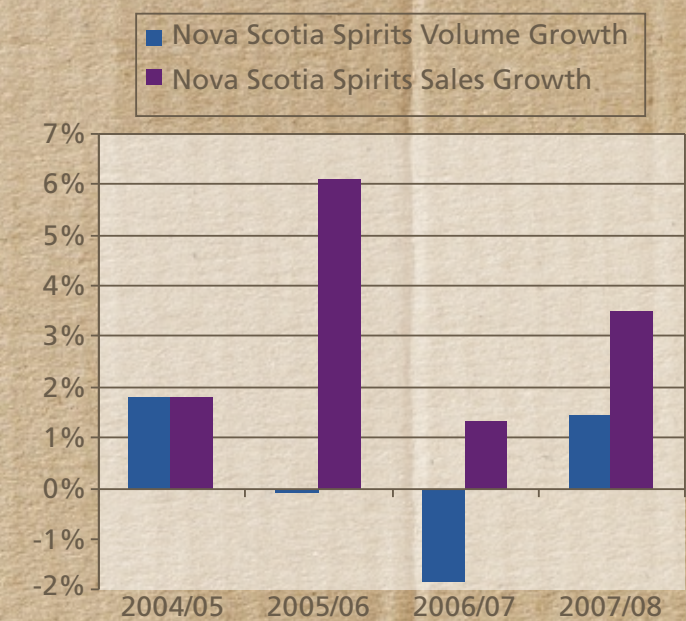
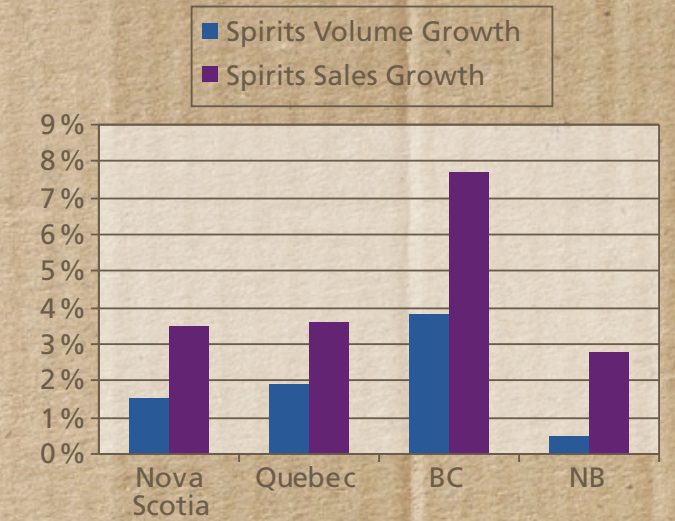
The Where on Earth-South Africa encouraged consumers to discover wines of South Africa, which represented one of the NSLC targeted growth countries in 2007–2008. The promotion coincided with the promotion of South Africa at the annual Port of Wines Festival, where South Africa was the sponsor country.

BEER



The beer category represents the largest of the NSLC's product segment offerings with sales \$263.7 million in the last fiscal year. Beer sales increased 4.9% in the past fiscal year a robust sales growth for this category with volume growth of 1.6%.

SPIRITS



Nova Scotia per capita consumption rates of spirits rank above the Canadian average but volume growth in this category has remained remarkably stagnant. This past fiscal year the NSLC's strategy was to turn around the negative volume growth in spirits that was experienced in the prior two years. Volume of spirits increased 1.4%. Spirit sales increased by 3.4% with gross profit

This increase was driven by the expansion of the chilled beer offering and is consistent with the moderate growth in beer consumption amongst Nova Scotians over the past decade. The healthy increase in beer revenue translated to the beer segment enjoying 7.6% increase in gross profit per litre. This growth is attributed to target retail pricing changes and effective in-store promotional campaigns highlighting premium beer offerings.

BEER PROMOTIONAL HIGHLIGHTS

APRIL, 2007 – BUY AND FLY



In April, 2007 the NSLC launched the Buy and Fly promotion which encouraged customers to buy any Beers of the World or premium beer product for a chance to win a trip for two to London.

AUGUST, 2007 – GREAT SUMMER PICKUPS



This cross-category promotion highlighted 12 pack cans. Customers purchasing a 12 pack of canned beer were given the opportunity to win a \$60,000 Ford F-150 pick-up truck.

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per liter increasing by 1.9%. Strong emphasis was placed on growing the largest spirit sub-categories of rum and Canadian Whisky while maintaining the strong growth experienced over the last two years in Vodka and Tequila.

SPIRITS PROMOTIONAL HIGHLIGHTS

JULY, 2007 – UNLOCK THE TREASURES OF RUM



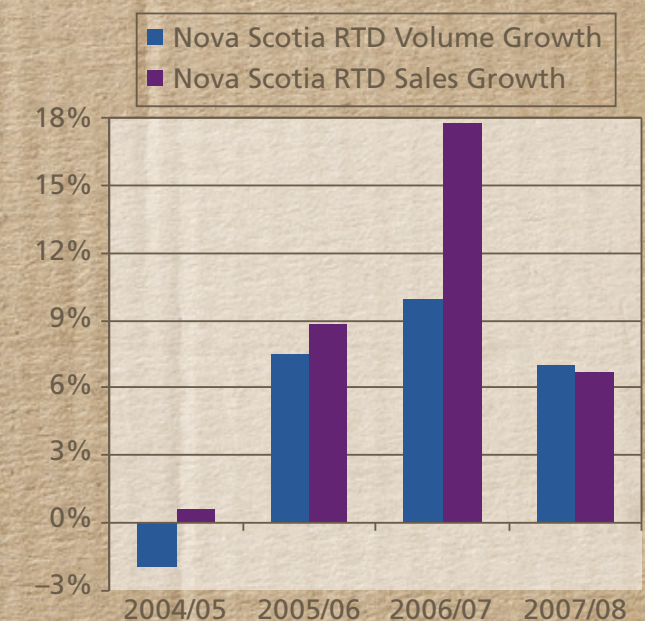
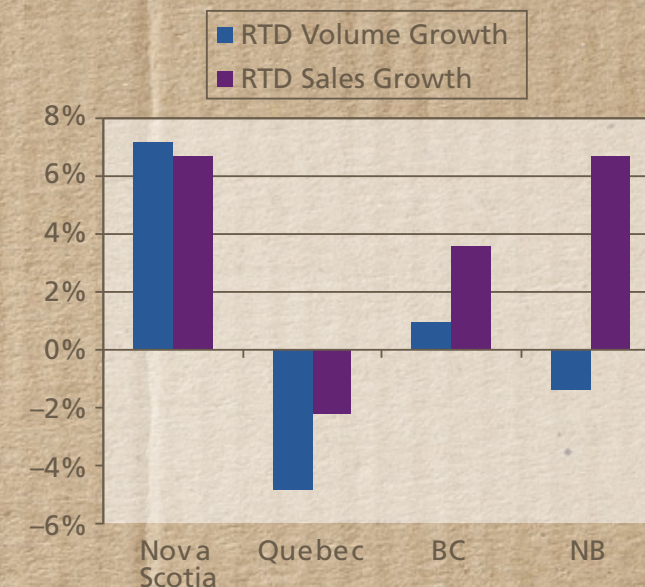
Unlock the Treasures of Rum represented one of the NSLC's most successful campaigns in the past fiscal year. The promotion which encouraged sales in the rum category via savings on selecting brands and scratch & win cards associated with the promotion, offering more than 3,000 prizes to NSLC customers. The effective promotion contributed to the spirits category's increase in volume of sales.

OCTOBER, 2007 – PAY WITH YOUR VISA AND WIN!



Customer's who paid with their VISA were eligible for an instant scratch and win card to win one of 3,365 NSLC gift cards. If a customer purchased spirits with their VISA, they received two Scratch and Win cards.

READY-TO-DRINK



The Ready-to-Drink (RTD) category represents the smallest of the NSLC's four product categories but a comparatively important category in Nova Scotia relative to the rest of the country. While the Ready-to-Drink category is on the decline in the rest of Canada over the past 2 years, it maintains standing in Nova Scotia and impressively grew in volume by 7.0% and sales by

6.6%. The key to success in this category is the introduction of numerous new flavours each year. Two promotions added to the success with the introduction of several pomegranate-base RTD's as well as several very strong promotional periods for Boones.

NOVA SCOTIA INDUSTRY OVERVIEW

When the NSLC transitioned from a government agency to a crown corporation in 2001, changes to the legislation that govern the NSLC were made that included "the promotion of industrial or economic objectives regarding the beverage alcohol industry in the province". Ever since, the NSLC has become not only a supporter but a partner with the local industry. This shared commitment will allow the Nova Scotia beverage alcohol industry to compete both in local and international markets.

In the past fiscal year, the NSLC in addition to financial and marketing support for the wineries, breweries and distillery that make up the Nova Scotia beverage alcohol industry has undertaken the major task of applying a new Nova Scotia wine industry policy. Nova Scotia and Quebec signed a Memorandum of Understanding on Beer during the year. Successful negotiations have produced an agreement with the province of New Brunswick that reduces the distribution barriers between these two provinces for local breweries.

BEER INDUSTRY IN NOVA SCOTIA

The Nova Scotia brewing industry is a diverse mix of large breweries producing popular local and national brands such as Keith's IPA as well smaller microbreweries and brewpubs who garner local, national and international attention for the quality of their product. Garrison Brewery was awarded "Canadian Beer

MANAGEMENT DISCUSSION & ANALYSIS

of the Year" for its Imperial Pale Ale in addition to three other awards at the competition. Propeller Brewery also enjoyed similar success as its Extra Special Bitter and India Pale Ale both won gold at the prestigious World Beer Championships in Chicago.

This past fiscal year has also been highlighted by the impacts of agreements between the NSLC and its neighbouring provinces to reduce trade restrictions. In December, 2006 the NSLC and the SAQ (Quebec) signed an agreement effectively removing trade restrictions on beer produced in either provinces. The agreement removed a \$4.50 per case of 12 surcharge applied to Nova Scotia beer in the province of Quebec. The removal of this surcharge has allowed Nova Scotia breweries such as Keith's to greatly expand their sales to Quebec in the last fiscal year.

A subsequent agreement between the NSLC and Alcool NB Liquor (NB) signed July, 2007 has laid the groundwork for a comprehensive free trade agreement for beer in the Maritime Provinces. Under the current agreement both the Sleeman Breweries, located in Dartmouth and Molson Canada are now able to distribute the beer utilizing local brewer status. These changes have also supported microbreweries as these small breweries now enjoy lower distribution costs and access to markets that previously would have been cost prohibitive to explore.

Thanks to the these efforts and talented men and women that operate our local breweries, the Nova Scotia brewing industry has never been as diverse or healthy.

WINE PRODUCTION IN NOVA SCOTIA

The Nova Scotia wine industry has become one of the provinces most exciting economic developments in the last decade. The future success and current health of this industry is important to all Nova Scotians as its economic impact touches all of us. As of

2005, the Nova Scotia wine industry contributed \$6.98 million to the GDP of Nova Scotia, employed 168 people and provided \$0.41 million in Income and Spending Tax to the provincial government.*

In 2006, the NSLC commissioned an economic impact study of the industry, which revealed the true potential of Nova Scotia as a viable and successful wine region. In this study, it clearly indicated that it was imperative for the NSLC to provide a better mark-up for Nova Scotia wines (made from a minimum 85% Nova Scotia grown grapes, with the balance grown in Canada). Over the past five years sales at wineries' doors have remained relatively stagnant, but growth has been achieved through sales to the NSLC. The study goes on to show that without the assistance of the NSLC, via a change in the mark-up policy, the industry will continue to grow at a modest 4.33% per year, with an expectation of 10 wineries producing 1.4 million litres as of 2020.*

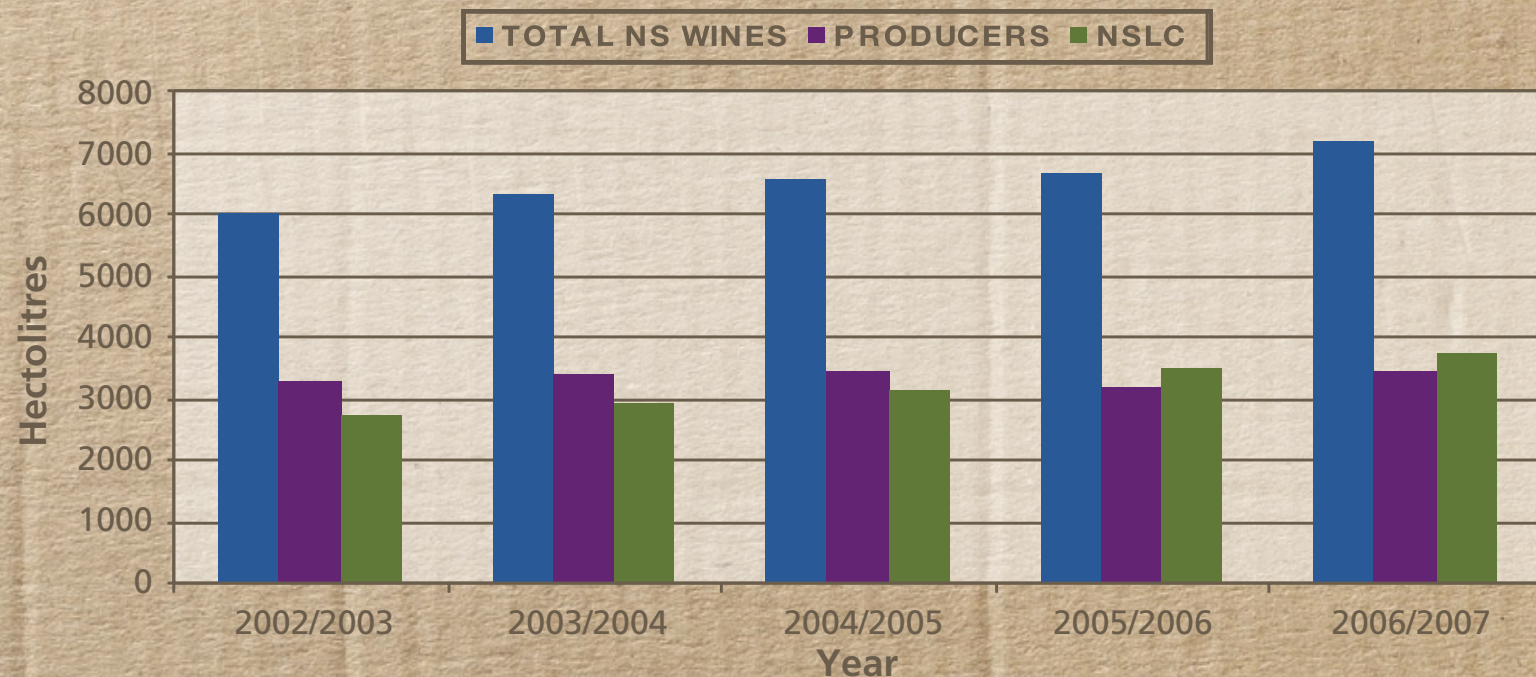
In this past fiscal year, the NSLC implemented the report's recommendation of a mark-up reduction of 70%. It is anticipated with this change in the mark-up policy will accelerate the growth of the Nova Scotia industry and will lead to a 20 wineries in operation, with more than 1,000 acres of grapes under growth, producing close to 2.5 million litres of wine by 2020*.

*Economic Impact of the Nova Scotia Wine Industry, prepared for the Nova Scotia Liquor Corporation, Winery Association of Nova Scotia & Grape Growers Association of Nova Scotia by Jozsa Management & Economics, T.M McGuire Ltd & Kelco Consulting, December 2006

AWARDS

In the past fiscal year, the NSLC continued to be recognized as one of Canada's leading retailers by its peers near and abroad. In 2007-2008, the NSLC is proud to to have been nominated for the best retail marketing campaign in the world from the World Retail

NS WINE SALES BY CHANNEL



Awards, for the Lots of Ways Campaign. The NSLC was the only Canadian Retailer nominated for an award at this prestigious world competition. The NSLC also received a Gold Quill Merit of Excellence Award from the International Association of Business Communicators, a Canadian Public Relations Society Award for a Responsible Retailing 101 employee training video and was recognized by the Retail Council of Canada with the Retail Health and Safety Award, presented to a retailer that successfully implements an innovative approach to ensuring the health and safety of its employees. The NSLC is one of the first companies in Canada to meet the requirements of the new Canadian Standards Association (CSA) – Z1000-06.

These awards acknowledge that the NSLC is an innovative and dynamic retailer, a socially responsible member of the corporate community and a employer that is concerned for the health and well being of all its employees.

RISK FACTORS

Risk, simply put, is anything that impacts the ability to achieve objectives. Therefore, it is important to outline the risk factors beyond our control that can impact the Corporation's ability to meet its commitments and objectives.

Factors include the impact weather throughout the province can have on sales. Severe winter weather has, in past years, resulted in the closure of stores across the province, reducing overall sales. Unseasonably cool summers, rain and fog also negatively impact sales. The beer category is particularly subjected to sales fluctuations in this regard. Weather conditions represent an area of great vulnerability, since approximately 80% of the volume of product sold is represented by the beer category.

Our products are purchased with the discretionary income of customers. General economic conditions of the province affect discretionary income, and could reduce NSLC sales and overall profitability as in any retail business. Particularly, the looming potential of a recession in the United States always has the possibility of crossing the border, despite strong Canadian economic indicators.

The NSLC has put in place monitoring and performance measures to enable management to make decisions mitigating the risk associated with weather and economic factors.

Major business process initiatives associated with the implementation, stabilization and benefits realization of new technology carry inherent risk factors that can impact the business. Due diligence is being performed by the NSLC during this evolving process to mitigate against possible business interruption.

The Royal Bank of Canada and Moneris supply the clearing system for financial transactions used by the NSLC. These systems rarely fail even temporarily. However, if they do, the NSLC would be impacted.

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

ENTERPRISE RISK MANAGEMENT

The Board of Directors and the Executive have also committed to ensure that appropriate Enterprise Risk Management strategies and processes are in place and revisited yearly to mitigate as many risks (aforementioned and otherwise) as possible.

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

Benefits of having an ERM process in place include:

- Strengthen corporate governance and accountability
- Improved and proactive management focus
- Risk awareness and enhanced accountability
- Establishes and integrated view of risk across the organization
- Effective cost management and resource allocation
- Manages internal and external stakeholders' expectations and requirements

The risk assessment initiative conducted in 2007/08 by the NSLC resulted in the identification and prioritization of risks, which in turn require mitigation strategies to be adopted by the corporation overall or the appropriate business units within the organization. The next step is to develop both the reporting and governance processes, including integration with strategic and business planning, Board and Executive committee reporting, and ongoing risk/mitigation re-assessment.

SALES BY STORES – REGION 1 HALIFAX AND AREA

MARCH 31, 2008

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

STORE NUMBER & NAME	SPIRITS	WINE	BEER	RTD	OTHER	TOTAL
2104 - Agricola Street	\$1,879,111	\$1,660,991	\$3,088,872	\$183,684	\$1,687	\$6,814,345
2106 - Barrington Street	\$1,847,910	\$2,220,655	\$2,462,585	\$206,292	\$1,415	\$6,738,857
2108 - Bayers Lake	\$3,535,045	\$4,752,888	\$4,807,579	\$541,024	\$16,447	\$13,652,983
2110 - Joseph Howe Drive	\$2,775,346	\$2,171,445	\$4,422,561	\$363,044	\$696	\$9,733,092
2115 - Chester	\$1,305,118	\$937,704	\$1,692,729	\$118,687	\$736	\$4,054,974
2120 - Clyde Street	\$1,469,219	\$1,314,126	\$2,021,788	\$180,443	\$2,309	\$4,987,885
2123 - Queen Street	\$860,749	\$874,133	\$1,022,074	\$94,030	\$699	\$2,851,685
2125 - Hubbards	\$649,121	\$426,466	\$907,622	\$61,927	\$87	\$2,045,223
2145 - Halifax Shopping Center	\$1,035,711	\$822,824	\$676,393	\$135,714	\$954	\$2,671,596
2150 - West End	\$1,710,166	\$1,650,048	\$2,564,580	\$211,013	\$1,216	\$6,137,023
2154 - Young Street	\$1,949,118	\$1,612,758	\$3,352,150	\$209,929	\$632	\$7,124,587
2160 - Port of Wines II	\$386,344	\$3,142,789	\$92,801	\$1,311	\$3,123	\$3,626,368
2165 - Quinpool	\$1,545,176	\$1,880,402	\$2,034,371	\$164,547	\$785	\$5,625,281
2170 - Rockingham Ridge	\$1,839,618	\$1,528,770	\$2,762,006	\$265,366	\$989	\$6,396,749
2180 - Scotia Square	\$701,734	\$665,943	\$632,866	\$88,601	\$1,246	\$2,090,390
2185 - Spryfield	\$2,331,608	\$1,167,279	\$4,391,095	\$357,939	\$474	\$8,248,395
2195 - Tantallon	\$2,554,390	\$2,425,331	\$4,046,244	\$343,915	\$523	\$9,370,403
2565 - Lunenburg	\$1,572,440	\$980,089	\$1,673,570	\$131,154	\$1,186	\$4,358,439
2570 - Mahone Bay	\$972,565	\$626,733	\$1,298,220	\$83,228	\$664	\$2,981,410
2099 - Halifax Licensee	\$12,813,667	\$13,765,666	\$36,860,359	\$1,878,127	-\$1,219	\$65,316,600
REGION 1 TOTAL	\$43,734,156	\$44,627,040	\$80,810,465	\$5,619,975	\$34,649	\$174,826,285

SALES BY STORES – REGION 2 DARTMOUTH AND AREA

STORE NUMBER & NAME	SPIRITS	WINE	BEER	RTD	OTHER	TOTAL
2130 - Hansport	\$422,182	\$134,161	\$809,868	\$47,022	\$123	\$1,413,356
2196 - Windsor	\$2,230,798	\$905,433	\$3,801,164	\$323,917	\$415	\$7,261,727
2176 - Downsview Plaza	\$2,759,886	\$1,208,537	\$5,531,712	\$515,529	\$959	\$10,016,623
2178 - Sackville	\$1,658,731	\$824,814	\$2,685,495	\$242,730	\$368	\$5,412,138
2193 - Bedford Mill Cove	\$1,938,895	\$2,063,895	\$2,916,468	\$267,398	\$1,144	\$7,187,800
2201 - Airport	\$404,555	\$388,297	\$261,309	\$20,841	\$1,257	\$1,076,259
2202 - Bedford Place	\$1,694,541	\$1,765,487	\$2,463,494	\$233,868	\$662	\$6,158,052
2209 - Bridge Plaza	\$2,954,011	\$1,576,343	\$5,394,696	\$383,247	\$3,332	\$10,311,629
2210 - Burnside	\$731,783	\$301,808	\$1,297,350	\$80,024	\$324	\$2,411,289
2219 - Westphal	\$3,301,895	\$2,424,607	\$5,037,853	\$472,607	\$535	\$11,237,497
2220 - Mic Mac Mall	\$1,771,497	\$1,548,247	\$1,804,082	\$252,182	\$1,474	\$5,377,482
2222 - Kennetcook	\$287,957	\$36,247	\$688,956	\$32,665	\$75	\$1,045,900
2223 - Elmsdale	\$2,429,963	\$1,111,624	\$4,804,711	\$441,179	\$1,094	\$8,788,571
2225 - Fall River	\$1,436,189	\$1,240,986	\$2,332,086	\$214,965	\$677	\$5,224,903
2226 - Portland Street	\$2,596,027	\$2,427,885	\$4,038,220	\$422,346	\$3,672	\$9,488,150
2227 - Forest Hills	\$3,489,628	\$1,977,939	\$5,341,110	\$486,191	\$802	\$11,295,670
2270 - Porters Lake	\$1,678,725	\$722,211	\$2,992,176	\$241,816	\$772	\$5,635,700
2280 - Sheet Harbour	\$446,679	\$125,600	\$687,275	\$52,733	\$142	\$1,312,429
2285 - Stewiacke	\$832,746	\$183,407	\$1,929,423	\$142,139	\$93	\$3,087,808
2286 - Middle Musquodoboit	\$371,795	\$66,743	\$563,847	\$34,700	\$26	\$1,037,111
2290 - Eastern Passage	\$1,040,000	\$384,599	\$2,370,396	\$163,186	\$825	\$3,959,006
2297 - Musquodoboit Harbour	\$644,096	\$246,581	\$972,496	\$79,154	\$321	\$1,942,648
REGION 2 TOTAL	\$35,122,579	\$21,665,451	\$58,724,187	\$5,150,439	\$19,092	\$120,681,748

SALES BY STORES – REGION 3 EASTERN & NORTHERN

STORE NUMBER & NAME	SPIRITS	WINE	BEER	RTD	OTHER	TOTAL
2301 - Amherst	\$744,322	\$291,567	\$1,681,519	\$133,307	\$417	\$2,851,132
2302 - Amherst Mall	\$1,621,807	\$929,354	\$3,074,288	\$365,325	\$2,133	\$5,992,907
2303 - Antigonish	\$3,867,423	\$2,018,408	\$5,408,339	\$513,553	\$3,864	\$11,811,587
2310 - Bible Hill	\$1,011,816	\$307,922	\$1,707,006	\$129,335	\$189	\$3,156,268
2312 - Canso	\$425,177	\$60,635	\$756,217	\$61,976	\$99	\$1,304,104
2317 - Guysborough	\$406,109	\$133,999	\$612,818	\$38,757	\$24	\$1,191,707
2322 - Joggins	\$93,351	\$15,006	\$325,440	\$16,249	\$4	\$450,050
2338 - Oxford	\$316,887	\$84,135	\$634,892	\$49,809	\$83	\$1,085,806
2340 - Mulgrave	\$228,955	\$44,073	\$416,775	\$22,490	\$75	\$712,368
2343 - Parrsboro	\$388,090	\$155,428	\$963,614	\$79,835	\$125	\$1,587,092
2345 - New Glasgow	\$2,168,386	\$1,044,783	\$3,884,358	\$343,701	\$3,806	\$7,445,034
2347 - West End New Glasgow	\$1,511,649	\$873,041	\$2,407,327	\$257,477	\$1,288	\$5,050,782
2348 - Pictou	\$1,294,411	\$568,130	\$2,089,090	\$149,424	\$393	\$4,101,448
2353 - Pugwash	\$396,352	\$190,231	\$710,495	\$56,766	\$192	\$1,354,036
2358 - River John	\$223,090	\$75,387	\$512,391	\$20,840	\$111	\$831,819
2367 - Springhill	\$471,447	\$125,979	\$1,171,431	\$114,165	\$79	\$1,883,101
2370 - Sherbrooke	\$247,254	\$78,130	\$429,275	\$29,100	\$128	\$783,887
2375 - Stellarton	\$1,185,106	\$356,575	\$2,325,491	\$133,550	\$369	\$4,001,091
2382 - Tatamagouche	\$707,065	\$328,997	\$1,483,305	\$103,829	\$318	\$2,623,514
2387 - Trenton	\$377,882	\$89,604	\$904,331	\$38,644	\$58	\$1,410,519
2392 - Truro	\$3,374,259	\$1,534,523	\$5,303,801	\$506,080	\$1,910	\$10,720,573
2394 - Truro Mall	\$2,015,449	\$760,444	\$3,488,731	\$300,668	\$587	\$6,565,879
2397 - Westville	\$603,802	\$151,609	\$1,542,060	\$97,583	\$163	\$2,395,217
REGION 3 TOTAL	\$23,680,089	\$10,217,960	\$41,832,994	\$3,562,463	\$16,415	\$79,309,921

SALES BY STORES – REGION 4 CAPE BRETON

STORE NUMBER & NAME	SPIRITS	WINE	BEER	RTD	OTHER	TOTAL
2407 - Arichat	\$507,813	\$129,996	\$825,046	\$47,758	\$205	\$1,510,818
2408 - Baddeck	\$925,468	\$500,820	\$1,378,572	\$120,168	\$1,502	\$2,926,530
2413 - Cheticamp	\$532,346	\$270,478	\$993,991	\$111,519	\$352	\$1,908,686
2418 - Dominion	\$555,179	\$105,714	\$1,234,934	\$82,354	\$524	\$1,978,705
2426 - Glace Bay	\$2,773,944	\$718,196	\$5,563,990	\$496,435	\$1,099	\$9,553,664
2431 - Ingonish	\$543,639	\$235,828	\$1,030,409	\$94,377	\$452	\$1,904,705
2436 - Inverness	\$733,082	\$287,224	\$1,423,820	\$95,390	\$249	\$2,539,765
2441 - Louisbourg	\$533,027	\$127,751	\$954,463	\$69,863	\$373	\$1,685,477
2445 - New Waterford	\$1,310,807	\$246,457	\$2,956,250	\$232,740	\$524	\$4,746,778
2451 - North Sydney	\$2,311,295	\$798,771	\$3,808,812	\$472,742	\$1,226	\$7,392,846
2455 - Port Hawkesbury	\$2,177,504	\$931,219	\$3,214,647	\$273,534	\$8,530	\$6,605,434
2460 - Port Hood	\$771,696	\$205,449	\$988,615	\$74,613	\$518	\$2,040,891
2477 - St. Peters	\$614,477	\$198,520	\$1,254,863	\$75,400	\$334	\$2,143,594
2479 - Sydney	\$2,147,700	\$860,868	\$2,872,539	\$259,652	\$484	\$6,141,243
2481 - Sydney K - Mart Plaza	\$2,400,213	\$748,872	\$3,862,698	\$356,480	\$552	\$7,368,815
2483 - Whitney Pier	\$687,819	\$132,731	\$1,255,136	\$89,274	\$536	\$2,165,496
2490 - Sydney Mines	\$1,336,796	\$290,604	\$3,146,658	\$328,388	\$262	\$5,102,708
2496 - Sydney River	\$4,126,427	\$2,200,948	\$6,828,719	\$713,046	\$5,950	\$13,875,090
REGION 4 TOTAL	\$24,989,232	\$8,990,446	\$43,594,162	\$3,993,733	\$23,672	\$81,591,245

SALES BY STORES – REGION 5 VALLEY & SOUTH SHORE

STORE NUMBER & NAME	SPIRITS	WINE	BEER	RTD	OTHER	TOTAL
2501 - Annapolis	\$658,322	\$398,969	\$936,932	\$88,471	\$267	\$2,082,961
2504 - Barrington Passage	\$1,099,949	\$214,771	\$1,351,396	\$214,363	\$1,095	\$2,881,574
2505 - Bridgewater	\$2,847,899	\$1,365,816	\$4,351,014	\$319,243	\$2,609	\$8,886,581
2506 - Bridgewater Mall	\$1,623,643	\$704,597	\$1,224,185	\$145,661	\$354	\$3,698,440
2509 - Caledonia	\$239,214	\$68,396	\$417,209	\$36,416	\$73	\$761,308
2511 - Berwick	\$1,147,910	\$362,963	\$2,173,415	\$162,615	\$142	\$3,847,045
2515 - Bridgetown	\$440,965	\$182,146	\$754,485	\$62,172	\$211	\$1,439,979
2520 - Digby	\$1,559,719	\$696,916	\$2,462,847	\$224,599	\$980	\$4,945,061
2546 - Kentville	\$1,944,532	\$822,488	\$3,534,251	\$293,351	\$331	\$6,594,953
2548 - Kingston	\$1,960,031	\$1,022,043	\$3,534,674	\$357,859	\$534	\$6,875,141
2555 - Liverpool	\$1,842,149	\$783,166	\$2,360,846	\$196,391	\$563	\$5,183,115
2560 - Lockeport	\$318,582	\$59,156	\$387,655	\$23,588	\$73	\$789,054
2572 - Meteghan	\$677,403	\$270,864	\$1,256,159	\$88,413	\$26	\$2,292,865
2573 - Middleton	\$681,301	\$283,709	\$1,405,202	\$96,189	\$154	\$2,466,555
2574 - New Minas	\$2,216,376	\$1,424,154	\$3,101,791	\$372,815	\$4,779	\$7,119,915
2575 - New Germany	\$506,087	\$123,567	\$893,177	\$60,404	\$107	\$1,583,342
2585 - Shelburne	\$1,031,245	\$365,638	\$1,423,234	\$139,560	\$324	\$2,960,001
2590 - West Pubnico	\$384,409	\$90,335	\$383,089	\$49,124	\$136	\$907,093
2591 - Weymouth	\$412,996	\$121,751	\$824,082	\$49,137	\$40	\$1,408,006
2595 - Wolfville	\$1,188,692	\$940,290	\$1,836,942	\$163,892	\$1,039	\$4,130,855
2598 - Yarmouth	\$3,007,342	\$1,243,827	\$3,972,577	\$475,360	\$2,234	\$8,701,340
2599 - Yarmouth Downtown	\$198,737	\$49,523	\$190,682	\$12,560	\$56	\$451,558
REGION 5 TOTAL	\$25,987,503	\$11,595,085	\$38,775,844	\$3,632,183	\$16,127	\$80,006,742

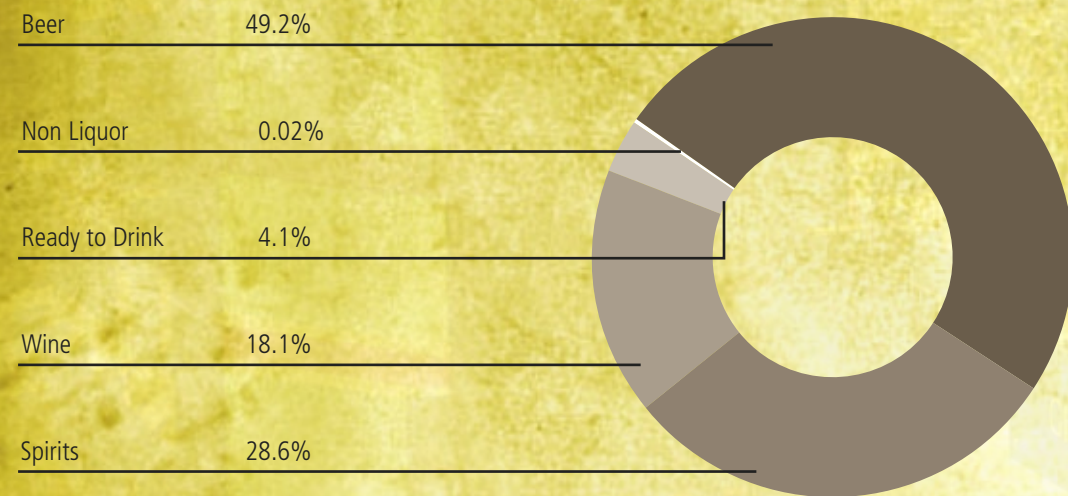
GRAND TOTAL SALES	\$153,513,559	\$97,095,982	\$263,737,652	\$21,958,793	\$109,955	\$536,415,941
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AGENCY STORES	SPIRITS	WINE	BEER	RTD	OTHER	TOTAL
TOTAL AGENCY STORES	\$8,601,173	\$2,086,924	\$17,122,753	\$1,293,366	\$5,849	\$29,110,065

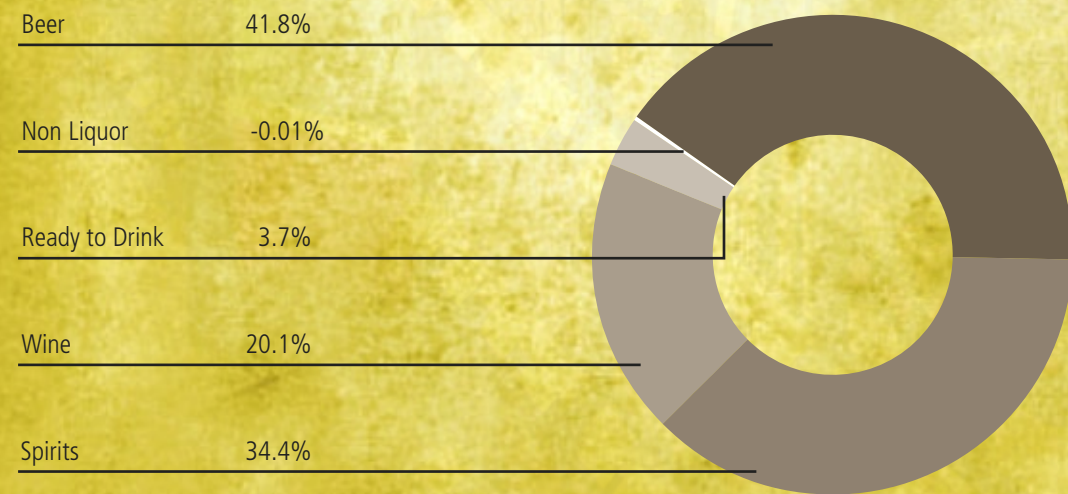
FINANCIAL PERFORMANCE

TEN-YEAR HISTORY

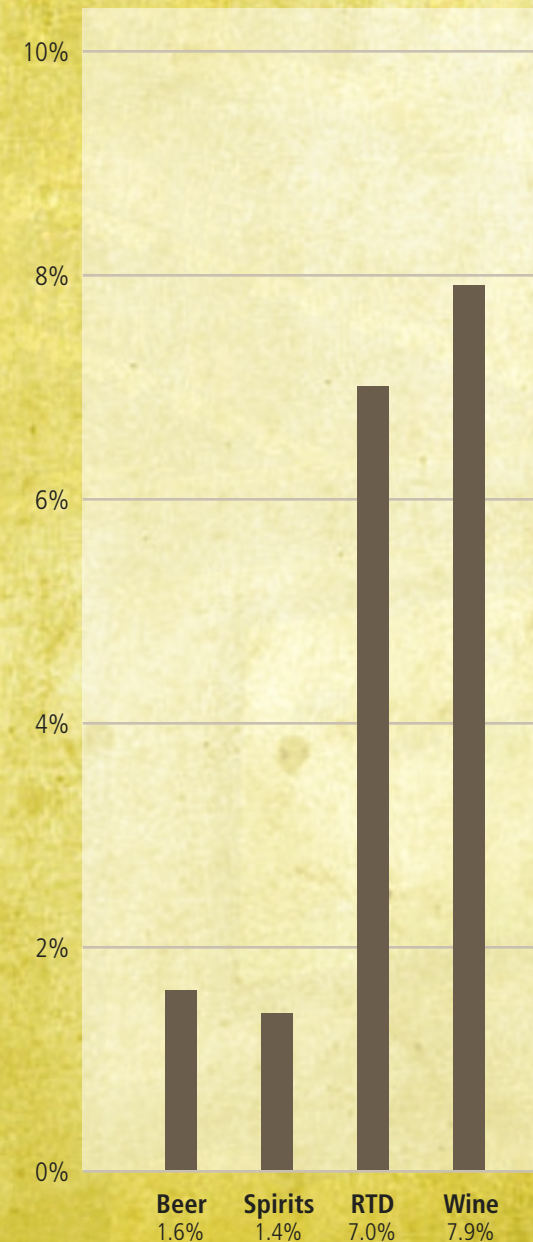
REPRESENTATIVE SALES CONTRIBUTION BY CATEGORY



GROSS PROFIT CONTRIBUTION BY CATEGORY



VOLUME PERCENT INCREASE*
(2006/2007 VS. 2007/2008)



* 2006/2007 has been restated due to a reclass between wine, spirits, and RTD

TEN-YEAR KEY FINANCIAL HIGHLIGHTS*

	1998/1999	1999/2000	2000/2001	2001/2002	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008
VOLUME (000 Hectolitres)	695.3	723.6	725.6	729.0	730.6	760.2	762.5	786.2	795.0	813.8
GROSS SALES (M)	\$351.7	\$371.6	\$376.5	\$391.1	\$413.3	\$439.5	\$453.2	\$488.7	\$508.2	\$536.4
COST OF GOODS (M)	\$176.4	\$187.6	\$187.1	\$197.6	\$202.8	\$213.3	\$217.0	\$233.0	\$242.3	\$250.1
As a % of Net Sales	50.2%	50.5%	50.3%	50.5%	49.2%	48.8%	48.1%	47.9%	48.0%	47.1%
GROSS PROFIT (M)	\$175.2	\$183.8	\$185.2	\$193.9	\$209.6	\$223.8	\$234.0	\$253.1	\$262.4	\$280.5
As a % of Net Sales	49.8%	49.5%	49.7%	49.5%	50.8%	51.2%	51.9%	52.1%	52.0%	52.9%
STORE OP EXPENSE (M)	\$31.3	\$33.8	\$33.3	\$34.7	\$36.0	\$38.1	\$42.0	\$45.9	\$47.1	\$48.8
As a % of Net Sales	8.9%	9.1%	8.9%	8.9%	8.7%	8.7%	9.3%	9.4%	9.3%	9.2%
GROSS OPERATING PROFIT (M)	\$143.8	\$150.0	\$151.9	\$159.1	\$173.6	\$185.4	\$192.0	\$207.2	\$215.3	\$231.6
As a % of Net Sales	40.9%	40.4%	40.8%	40.6%	42.1%	42.4%	42.6%	42.6%	42.7%	43.6%
WHSE/DIST. EXP. (SC)(M)	\$3.8	\$3.8	\$4.0	\$4.2	\$4.1	\$4.9	\$5.2	\$4.8	\$5.3	\$6.0
As a % of Net Sales	1.1%	1.0%	1.1%	1.1%	1.0%	1.1%	1.2%	1.0%	1.1%	1.1%
INC/OPERATIONS (M)	\$129.2	\$135.2	\$137.2	\$143.9	\$157.9	\$166.8	\$170.0	\$181.2	\$188.2	\$198.7
As a % of Net Sales	36.7%	36.4%	36.9%	36.8%	38.3%	38.2%	37.7%	37.3%	37.3%	37.4%
WHOLESALE SALES (M)	\$62.5	\$64.0	\$65.0	\$66.6	\$75.3	\$79.6	\$83.0	\$87.6	\$94.0	\$102.9
As a % of Net Sales	17.8%	17.2%	17.5%	17.0%	18.3%	18.2%	18.4%	18.0%	18.6%	19.4%
STORES	100	100	100	100	100	100	108	107	108	109
Hours Open (000's)	300.8	306.1	310.4	315.9	310.1	317.9	344.1	348.8	N/A	N/A
VOLUME (000 HL)										
Spirits	48.2	50.0	50.7	50.6	49.8	51.4	52.3	52.2	51.2	51.9
Wine	48.1	52.5	54.6	54.1	56.0	61.7	65.6	69.2	72.1	77.8
Beer	588.5	608.1	603.8	604.1	602.2	621.2	619.2	637.5	641.7	652.0
Ready to Drink	10.5	13.0	16.5	20.3	22.6	25.9	25.4	27.3	30.0	32.1

* 2006/2007 has been restated due to a reclass between wine, spirits, and RTD

SOURCE OF GROSS SALES REVENUE

SOURCE OF GROSS SALES REVENUE

As a percentage of sales, spirits are down from prior year, but actual sales of spirits are up 3.4%.

Wine showed an increase of 10.9% over last year.

(Dollars to the nearest 000s)

2007-2008	\$	%
Spirits	\$153,513.5	28.6%
Wine	\$97,096.0	18.1%
Beer	\$263,737.6	49.2%
RTD	\$21,958.8	4.1%
Other	\$110.0	0.02%
TOTAL	\$536,415.9	100.0%

RETAIL – WHOLESALE SALES

Retail sales flow from sales at the NSLC's 109 stores (including Wine Baskets). Wholesale sales include licensees, private wine stores, agency stores, and other wholesale.
(Dollars to the nearest 000s)

2007-2008

SPIRITS	\$	%
Retail	\$131,161.9	85.4%
Wholesale	\$22,351.6	14.6%
Total	\$153,513.5	100.0%

WINE	\$	%
Retail	\$79,311.8	81.7%
Wholesale	\$17,784.2	18.3%
Total	\$97,096.0	100.0%

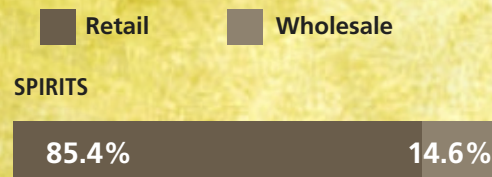
BEER	\$	%
Retail	\$204,787.4	77.6%
Wholesale	\$58,950.2	22.4%
Total	\$263,737.6	100.0%

RTD	\$	%
Retail	\$18,158.9	82.7%
Wholesale	\$3,799.9	17.3%
Total	\$21,958.8	100.0%

OTHER	\$	%
Retail	\$94.5	85.9%
Wholesale	\$15.5	14.1%
Total	\$110.0	100.0%

TOTAL	\$	%
Retail	\$433,514.5	80.8%
Wholesale	\$102,901.4	19.2%
TOTAL SALES	\$536,415.9	100.0%

RETAIL – WHOLESALE SALES



CANADIAN AND IMPORTED SALES

CANADIAN AND IMPORTED SALES

Canadian products account for 75.9% of all products sold; 24.1% are imported.
(Dollars to the nearest 000s)

2007-2008

SPIRITS	\$	%
Canadian	\$118,472.1	77.2%
Imported	\$35,041.4	22.8%
Total	\$153,513.5	100.0%

WINE	\$	%
Canadian	\$27,600.8	28.4%
Imported	\$69,495.2	71.6%
Total	\$97,096.0	100.0%

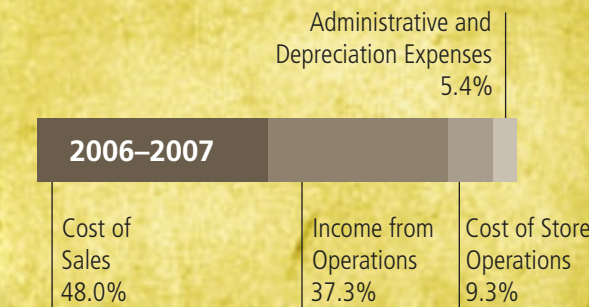
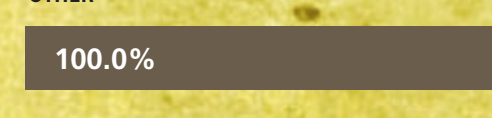
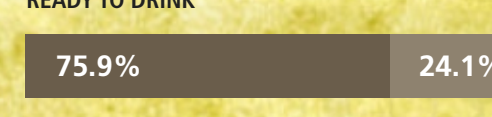
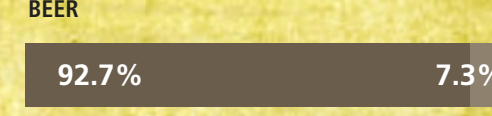
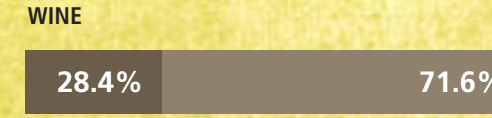
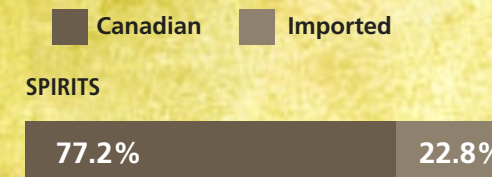
BEER	\$	%
Canadian	\$244,492.8	92.7%
Imported	\$19,244.8	7.3%
Total	\$263,737.6	100.0%

RTD	\$	%
Canadian	\$16,676.8	75.9%
Imported	\$5,282.0	24.1%
Total	\$21,958.8	100.0%

OTHER	\$	%
Canadian	\$110.0	100.0%
Imported	\$0.0	0.0%
Total	\$110.0	100.0%

TOTAL	\$	%
Canadian	\$407,352.5	75.9%
Imported	\$129,063.4	24.1%
TOTAL	\$536,415.9	100.0%

CANADIAN AND IMPORTED SALES DISTRIBUTION OF SALES REVENUE DOLLARS



FIVE-YEAR SALES COMPARISON

(Dollars to the nearest 000s)

BY CLASS OF SALES						
YEAR	SPIRITS	WINE	BEER	READY TO DRINK	OTHER	TOTAL
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
2003/2004	\$135,605.1	\$69,766.5	\$217,654.7	\$15,993.3	\$527.5	\$439,547.1
CANADIAN VS. IMPORTED – GROSS LIQUOR REVENUE						
YEAR	SPIRITS	WINE	BEER	READY TO DRINK	OTHER	TOTAL
Cdn 2007/2008	\$118,472.1	\$27,600.8	\$244,492.8	\$16,676.8	\$110.0	\$407,352.5
Imp 2007/2008	\$35,041.4	\$69,495.2	\$19,244.8	\$5,282.0	\$0.0	\$129,063.4
Cdn 2006/2007	\$112,272.6	\$24,015.5	\$231,029.5	\$19,148.6	\$196.6	\$386,662.8
Imp 2006/2007	\$36,155.4	\$63,562.4	\$20,333.8	\$1,449.2	\$0.0	\$121,500.8
Cdn 2005/2006	\$111,757.7	\$23,173.0	\$225,356.9	\$16,313.2	\$295.2	\$376,896.0
Imp 2005/2006	\$34,753.4	\$58,621.3	\$17,240.8	\$1,174.0	\$0.0	\$111,789.5
Cdn 2004/2005	\$106,585.2	\$21,301.8	\$210,017.9	\$15,397.0	\$633.5	\$353,935.4
Imp 2004/2005	\$31,445.9	\$52,850.4	\$14,326.6	\$651.8	\$0.0	\$99,274.7
Cdn 2003/2004	\$106,301.7	\$20,253.8	\$204,716.3	\$15,066.2	\$527.5	\$346,865.5
Imp 2003/2004	\$29,303.4	\$49,512.7	\$12,938.4	\$927.1	\$0.0	\$92,681.6
WHOLESALE SALES						
YEAR	SPIRITS	WINE	BEER	READY TO DRINK	OTHER	TOTAL
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
2004/2005	\$16,797.7	\$14,282.3	\$48,541.3	\$3,311.9	\$61.0	\$82,994.2
2003/2004	\$15,967.3	\$13,866.0	\$46,589.0	\$3,127.6	\$36.3	\$79,586.2

NOTE: "Other" is Non-Liquor

* 2006/2007 has been restated due to a reclass between wine, spirits, and RTD

FIVE-YEAR VOLUME COMPARISON

SALES IN HECTOLITRES - FIVE YEARS										
(Approximate Hectolitres)										
Imported & Canadian Wine has been steadily increasing in volume over the last five years.										
Imported Beer volume decreased 5.9% from last year and Canadian Beer volume increased 2.2% from last year.										
	2007/2008		2006/2007		2005/2006		2004/2005		2003/2004	
SPIRITS										
Canadian	41,668.52		40,796.4		41,268.4		41,775.8		41,248.7	
Imported	10,276.43		10,422.3		10,964.4		10,518.5		10,137.9	
TOTAL	51,944.95	6.4%	51,218.7	6.4%	52,232.8	6.6%	52,294.3	6.9%	51,386.6	6.8%
WINE										
Canadian	30,493.57		27,939.7		27,123.6		26,656.2		25,340.1	
Imported	47,306.27		44,115.4		42,092.3		38,972.4		36,408.9	
TOTAL	77,799.84	9.6%	72,055.1	9.1%	69,215.9	8.8%	65,628.6	8.6%	61,748.9	8.1%
BEER										
Canadian	609,958.72		597,030.2		598,021.5		584,854.5		589,569.3	
Imported	42,033.45		44,667.8		39,484.0		34,367.5		31,586.0	
TOTAL	651,992.17	80.1%	641,698.0	80.7%	637,505.5	81.1%	619,222.0	81.2%	621,155.3	81.7%
READY TO DRINK										
Canadian	25,189.87		25,211.5		25,767.9		24,434.6		24,537.1	
Imported	6,895.23		4,769.0		1,533.0		935.8		1,327.7	
TOTAL	32,085.10	3.9%	29,980.5	3.8%	27,300.9	3.5%	25,370.4	3.3%	25,864.8	3.4%
GRAND TOTAL	813,822.06	100.0%	794,952.3	100.0%	786,255.1	100.0%	762,515.3	100.0%	760,155.6	100.0%

* 2006/2007 has been restated due to a reclass between wine, spirits, and RTD

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING



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

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

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

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

On behalf of management:

Bret Mitchell
President and CEO
May 30, 2008

Carrie Cussons, CA
Executive Vice-President and CFO

NOVA SCOTIA LIQUOR CORPORATION

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AUDITORS' REPORT



Auditors' report

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To the members of the Board of
Nova Scotia Liquor Corporation

We have audited the balance sheet of **Nova Scotia Liquor Corporation** at March 31, 2008 and the statements of earnings, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2008 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Halifax, Nova Scotia
May 30, 2008

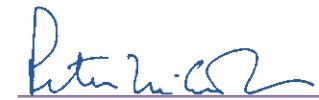
Chartered Accountants

BALANCE SHEET

March 31 (in thousands)	2008	2007
ASSETS		
Current		
Cash and cash equivalents	\$ 8,281	\$ 18,354
Receivables	3,359	2,219
Inventories	35,547	36,761
Prepays	1,006	879
	48,193	58,213
Property and equipment (Note 3)	42,522	36,686
	\$ 90,715	\$ 94,899
LIABILITIES		
Current		
Payables and accruals	\$ 36,391	\$ 33,941
Payable to Minister of Finance	31,690	38,217
Current portion of obligation under capital lease (Note 4)	973	847
Current portion of employee future benefit obligations (Note 5)	787	666
	69,841	73,671
Obligations under capital lease (Note 4)	3,492	4,456
Employee future benefit obligations (Note 5)	17,382	16,772
	\$ 90,715	\$ 94,899

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

On behalf of the Board



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



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

STATEMENT OF EARNINGS AND RETAINED EARNINGS

Year Ended March 31 (in thousands)	2008	2007
Net sales	\$ 530,552	\$ 504,718
Cost of goods sold	250,065	242,345
	280,487	262,373
Store operating expenses	48,845	47,066
	231,642	215,307
Depreciation and amortization	7,326	4,833
Supply chain expense	5,994	5,262
Corporate services expense	19,687	17,161
Other revenue	(5,630)	(6,321)
Other expenses	5,594	6,131
	32,971	27,066
Net earnings	\$ 198,671	\$ 188,241
Retained earnings, beginning of year	\$ —	\$ —
Net earnings	198,671	188,241
Distributions to the Province	(198,671)	(188,241)
Retained earnings, end of year	\$ —	\$ —

See accompanying notes to the financial statements.

STATEMENT OF CASH FLOWS

March 31 (in thousands)	2008	2007
Increase (decrease) in cash and cash equivalents		
OPERATING		
Net earnings	\$ 198,671	\$ 188,241
Depreciation and amortization	7,326	4,833
(Gain) loss on disposal of property and equipment	(1)	(33)
Increase in employee future benefit obligations	732	880
	206,728	193,921
Change in non-cash operating working capital (Note 7)	2,397	(4,228)
	209,125	189,693
FINANCING		
Principal payments on obligations under capital lease	(838)	(747)
Remittances to Minister of Finance	(205,200)	(158,300)
	(206,038)	(159,047)
INVESTING		
Proceeds on disposal of property and equipment	35	387
Purchase of property and equipment	(13,195)	(15,157)
	(13,160)	(14,770)
(Decrease) increase in cash and cash equivalents	(10,073)	15,876
Cash and cash equivalents, beginning of year	18,354	2,478
Cash and cash equivalents, end of year	\$ 8,281	\$ 18,354

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2008

1. NATURE OF OPERATIONS

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INVENTORIES

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

PROPERTY AND EQUIPMENT

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

Furniture, fixtures, other equipment, capital and leasehold improvements	10%
Improvements – owned buildings	10%
Computers – stand-alone	33%
Computers – integrated systems	20%
Land and buildings	4%
Enterprise Resource Planning (ERP) systems	14%

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

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

During the year, the Corporation established a new asset class, "Improvements – owned buildings," which has an annual rate of depreciation of 10%. Costs included in the class are interior fixtures and renovations in keeping with the nature of the retail environment such as millwork and flooring. Reclassifications were made from the building asset class for renovations on owned buildings to be more reflective of the estimated useful life.

CASH AND CASH EQUIVALENTS

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

ASSETS UNDER CAPITAL LEASE

Assets under capital lease are depreciated over their estimated useful lives using the straightline method. The assets under capital lease (\$10,831) were fully depreciated in fiscal 2007.

EMPLOYEE FUTURE BENEFITS

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

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

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

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

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

USE OF ESTIMATES

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

FINANCIAL INSTRUMENTS

The Corporation's financial instruments include cash and cash equivalents, receivables, payables and accruals, payable to Minister of Finance, obligation under capital lease and employee future benefit obligations. Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from financial instruments. The fair value of these financial instruments approximate their carrying values except for the obligation under capital lease. The fair value of the obligation under capital lease was not determinable due to the fact exit costs are not known.

3. PROPERTY AND EQUIPMENT

	2008	2007
Furniture and fixtures	\$ 10,246	\$ 11,699
Other equipment	9,603	6,696
Computers	12,621	10,030
Land and buildings	9,091	12,042
Improvements – owned buildings	2,812	–
Capital and leasehold improvements	34,657	31,204
ERP	7,966	–
Work in progress	7,226	12,983
	94,222	84,654
Less: accumulated depreciation	51,700	47,968
	\$ 42,522	\$ 36,686

NOTES TO THE FINANCIAL STATEMENTS

4. OBLIGATION UNDER CAPITAL LEASE

The Corporation has an obligation under a capital lease, which matures in 2012. The obligation represents the total present value of future minimum lease payments discounted at the rate implicit in the lease which is 13.8%. The future minimum lease payments, together with the balance of the obligation under capital lease as of March 31, 2008, are as follows:

2009	1,536
2010	1,536
2011	1,536
2012	1,153
Total minimum lease payments	5,761
Less: amount representing interest	1,296
Balance of obligation	4,465
Less: current portion of obligation	973
	\$ 3,492

Administrative expenses include interest of \$689 (2007 – \$799) related to this obligation.

5. EMPLOYEE FUTURE BENEFITS

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

Information about these benefit plans, in aggregate, based on the December 31, 2007 actuarial valuation extrapolated to March 31, 2008 is as follows:

	2008	2007
Accrued benefit obligation:		
Balance, beginning of year	\$ 15,908	\$ 17,599
Current service cost	666	684
Interest cost	906	1,045
Benefits paid	(828)	(860)
Actuarial loss (gain)	1,622	(2,560)
Balance, end of year, and funded status – deficit	18,274	15,908
Less: current portion	787	666
Past service costs	(70)	(80)
Unamortized net actuarial (loss) gain	(35)	1,610
Accrued benefit liability	\$ 17,382	\$ 16,772

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

	2008	2007
Discount rate	4.95%	5.70%
Rate of compensation increase	2.50%	2.50%

The assumed health care cost trend rate at March 31, 2008 was 7.25%, decreasing at 1% per annum to an ultimate rate of 4.43% per annum.

The Corporation's net benefit plan expense was \$1,560 (2007 – \$1,738).

6. COMMITMENTS

The Corporation leases buildings, premises and equipment under operating leases which expire at various dates between 2008 and 2015.

The following schedule approximates future minimum rental payments required under operating leases as of March 31, 2008:

2009	\$ 2,907
2010	\$ 2,152
2011	\$ 1,493
2012	\$ 1,335
2013	\$ 1,335

7. SUPPLEMENTAL CASH FLOW INFORMATION

	2008	2007
Change in non cash operating working capital		
Receivables	\$ (1,140)	\$ 262
Inventory	1,214	(6,751)
Prepays	(127)	(108)
Payables and accruals	2,450	2,369
	\$ 2,397	\$ (4,228)
Cash and cash equivalents consist of:		
Cash on hand and balances with banks	\$ 8,281	\$ 18,354
Interest and bank charges paid	\$ 428	\$ 445

8. CHANGE IN ACCOUNTING POLICY

Effective April 1, 2007, the Corporation implemented the CICA Handbook Sections 3855 "Financial Instruments – Recognition and Measurement", 3865 "Hedges", 1530 "Comprehensive Income" 3251 "Equity", and 3861 "Financial Instruments – Disclosure and Presentation". These standards have been applied without restatement of prior periods. The new standard, Section 3855 "Financial Instruments – Recognition and Measurement" requires the Corporation to revalue all of its financial assets and liabilities, including any derivatives and embedded derivatives in certain contracts, at fair value on the initial date of implementation and at each subsequent financial reporting date.

This standard also requires the Corporation to classify financial assets and liabilities according to their characteristics and management's choices and intentions related thereto for the purpose of ongoing measurements. Classification choices for financial assets include: a) held for trading – measured at fair value with changes in fair value recorded in net earnings; b) held to maturity – recorded at amortized cost with gains and losses recognized in net earnings in the period that the asset is derecognized or impaired; c) available for sale – measured at fair value with changes in fair value recognized in other comprehensive income for the current period until realized through disposal or impairment; d) loans and receivables – recorded at amortized cost with resulting gains or losses recognized in net earnings in the period that the asset is no longer recognized or impaired. Classification choices for financial liabilities include: a) held for trading – measured at fair value with changes in fair value recorded in net earnings; b) other – measured at amortized cost with gains and losses recognized in net earnings in the period that the liability is no longer recognized. Subsequent measurement for these assets and liabilities are based on either fair value or amortized cost using the effective interest method, depending upon their classification. Any financial asset or liability can be classified as held for trading as long as its fair value is readily determinable.

In accordance with the new standard, the Corporation's financial assets and liabilities are generally classified and measured as follows:

Asset/Liability	Classification	Measurement
Cash	Available for sale	Fair value
Cash equivalents	Held to maturity	Amortized cost
Receivables	Loans and receivables	Amortized cost
Payables and accruals	Other liabilities	Amortized cost
Payable to Minister of Finance	Other liabilities	Amortized cost

Other balance sheet accounts, such as inventories, prepaids, property and equipment, and employee future benefit obligations are not within the scope of the new accounting standards as they are not financial instruments.

The fair value of a financial instrument is the estimated amount that the Corporation would receive or pay to terminate the instrument agreement at the reporting date. To estimate the fair value of each type of financial instrument, various market value data and other valuation techniques are used as appropriate.

BOARD OF DIRECTORS



PETER MCCREATH, CHAIRMAN OF THE BOARD OF DIRECTORS

Peter has served as Chairman of the Board of the NSLC since his appointment in December 2001. He has a depth of experience in education, journalism, banking, communications and public affairs. He holds degrees from the University of Toronto, Dalhousie University,

and Saint Mary's University. From 1988 to 1993 he was a Member of Parliament and in 1993 was appointed as a member of Cabinet and the Queen's Privy Council. Peter began his career serving 19 years as a high school teacher as well as holding a staff position within the Nova Scotia Teacher's Union.

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



FRANK ELLIOTT, DIRECTOR

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

2004 for a four-year term, and serves as a member of the NSLC Audit Committee.



JIM MACLEAN, DIRECTOR

Jim is a lawyer who has had a private practice in Lower Sackville for the past 25 years. He is a graduate of Mount Allison University and the University of New Brunswick. He serves as Chairman of the NSLC's Audit Committee and takes a keen interest in matters relating to corporate ethics and internal control. Initially

appointed to the Board in December 2001, he was reappointed for a three-year term in 2005, he is a resident of Halifax.



PAULA MINNIKIN, DIRECTOR

Paula is an executive in the information technology industry who has an extensive background with several Nova Scotia technology companies. Paula owns her own consulting company. She is a graduate of Carleton University, and has a keen interest in youth and amateur sport.

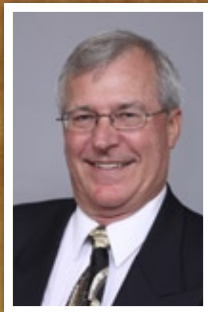
A resident of Halifax, she serves as Chair of the NSLC's Governance and HR Committee. Initially appointed to the Board in 2001, Paula was reappointed to a three-year term in 2005.



PETER GREEN, DIRECTOR

Peter is a commercial lawyer in Halifax. He has held positions within the Canadian Bar Association, the Canadian Cancer Society, the Halifax YMCA, the Halifax Port Authority, and served as a Director for the World Trade Centre Limited, Tourism Halifax and the Halifax Board of Trade. He has also served in the past as legal counsel

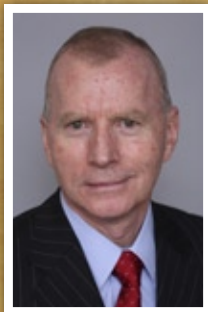
to the NSLC. Serving in these roles Mr. Green brings extensive governance, business and legal knowledge to the Board, and is a member of the NSLC Governance and HR Committee.



JOHN BIDDLE, DIRECTOR

John is a CMA retired from CIBC Wood Gundy and lives in Bridgewater. He has also held positions in internal audit at High Liner Foods. Mr. Biddle is the Chair of the Health Services Foundation of the South Shore and a member of the audit committee of the South Shore Regional School Board, and is a member of the NSLC Audit Committee.

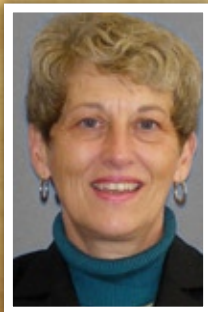
John's extensive business experience in the investment field and his experience as a CMA brings senior business management knowledge to the Board.



JOE MACDONALD, DIRECTOR

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

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



VICKI HARNISH, DEPUTY MINISTER (NON-VOTING DIRECTOR)

Vicki has worked for the Government of Nova Scotia, mainly in policy and planning fields, for more than 25 years. She started with the Department of Mines and Energy where she spent several

years as the Director of Energy Economics. She then moved to become Executive Director of the Planning Secretariat, Department of Natural Resources. In January 2001, Vicki served as Executive Officer of Treasury and Policy Board, the central agency responsible for advising the Nova Scotia Cabinet and its subcommittees on both policy and budget issues. In June 2002, Vicki was appointed the new Public Service Commissioner. Ms. Harnish has held the position of Deputy Minister, Finance since January 2004.

Vicki is a graduate from Mount Saint Vincent University with a degree in economics and mathematics. She also holds a Masters Degree in Public Administration from Dalhousie University. Vicki was appointed to the Board as an ex-officio member in March, 2005, and is a member of the NSLC Governance and HR and Intelligent Consumption Committees.



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

Bret Mitchell is a seasoned retail executive with over 25 years experience, which besides being the President & CEO of the Nova Scotia Liquor Corporation, includes 12 years with Sobeys where he held several senior roles, in marketing, merchandising, purchasing, operations, retail brands and

business process improvement. Prior to joining the NSLC Bret was the Chief Merchandising Officer for the Forzani Group. In this role his responsibilities included marketing, advertising, merchandising, and purchasing for Sport Check and Coast Mountain Sports. He also was responsible for the warehousing, logistics and distribution of all Forzani Group banners.

Bret is a Director of the Canadian Association of Liquor Jurisdictions and past President of the same organization. Bret sits on the Board of Directors of the Nova Scotia Symphony. He is a graduate of the University of St. Michael's College at the University of Toronto.

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

THE NSLC BOARD OF DIRECTORS

The NSLC's Board of Directors main responsibility is stewardship. The Board is accountable to the government, as shareholder, in setting the strategic direction of the business as well as overseeing the financial performance of the NSLC.

The Board of Directors and its Chair are appointed by Order-in-Council on the recommendation of the Minister responsible for the Administration of the Liquor Control Act. All voting members of the Board are independent of management. Except for the President and Corporate Secretary none are NSLC employees. All have first hand knowledge of finance, business, entrepreneurship and retail practices. Together the board members have the balance mix of skills and experience needed for their stewardship role and for setting the future direction the Corporation should undertake.

The Liquor Control Act sets out the Board's purpose, responsibilities and duties. Like other Crown Corporations, the NSLC is subject to other laws such as the Privacy Act, Freedom of Information, and Federal Acts such as Customs Act, Excise Act, Canada Revenue, Private Importation of Alcoholic Beverages and CRTC regulations with regards to NSLC tv and radio advertising.

The NSLC, as a Crown Corporation, besides being audited internally, is closely scrutinized by an external audit firm, along with a review by the Auditor General of Nova Scotia. The joint examination is a performance audit going beyond financial issues alone and delving into systems and practices related to budgeting, efficiency and effectiveness of the corporation.

Every year the Government of Nova Scotia receives an NSLC Business Plan along with the NSLC's Annual Report and prior to these reports being issued they are approved by the Board.

THE ROLE OF THE BOARD

Under the guidance of the Minister and the Liquor Control Act, the ongoing role of the Board of Directors is clearly defined. As a Crown Corporation, the NSLC has a measure of independence in the management of certain types of activities. It is the responsibility of the Board to ensure this independence is exercised responsibly and is not abused, and that the management of the corporation respects the objectives of the shareholder. Each Board member also has individual responsibilities, which include:

- acting honestly and in good faith in making decisions with a view to the best interests of the NSLC and its stakeholders
- overseeing the management of the business and affairs of the NSLC
- avoiding conflicts of interest
- having adequate knowledge of the NSLC's business, how it is organized, and how it functions
- attending Board meetings and seeking professional advice where appropriate
- exercising judgment independent of management input, when deemed necessary
- providing guidance on policy development

COMPOSITION OF THE BOARD OF DIRECTORS

The affairs of the Corporation shall be administered by a Board of nine directors:

- seven of whom shall be appointed by the Governor-in-Council to hold office for a term of not less than two years and not more than five years;

- one of whom shall be a deputy minister appointed from time to time by the Governor in Council, and who shall not be a voting member; and
- one of whom is the President, and who is not a voting member.

The Board of Directors is responsible for ensuring the affairs of the Corporation are administered on a commercial basis and that all decisions and actions of the Board are based on sound business and retail practices in accordance with the objects of the Corporation.

The members of the Board of Directors are directors of the Corporation within the meaning of the Companies Act except where inconsistent with the Liquor Control Act.

The Governor-in-Council shall appoint one of the members of the Board of Directors to be the Chair of the Board who shall hold office for a term to be fixed by the Governor-in-Council, such term of office not to be less than two or more than five years.

RESPONSIBILITY

The Board has the responsibility to:

- recommend to the Minister the selection, appointment, and evaluation of the President
- make recommendations on the process for the overall selection, appointment, management and performance evaluation of the senior management team
- approve the compensation of the senior management team
- establish and maintain a succession planning policy and process
- establish and participate in the strategic planning process including the approval of strategic plans, and shall monitor performance against those plans through key indicators

- approve annual capital and operating plans and monitor performance against those plans through key indicators
- establish and maintain policies and processes to identify business risks and to identify and implement plans to mitigate those risks
- maintain policies and processes to ensure the integrity of the corporation’s internal control and management information systems
- establish and maintain an appropriate, formal orientation program for new directors
- assess the contribution of the board and its committees annually in conjunction with goal and objective setting

BOARD COMMITTEES

The Board uses three standing committees to provide sound business stewardship:

- **The Audit Committee**
- **The Governance and Human Resources Committee**
- and **The Intelligent Consumption Committee.**

From time to time the Board will also strike other committees on an ad-hoc basis.

These committees meet separately and independently of the Board. Each committee has terms of reference that define objectives, scope, duties and responsibilities. At least one executive representative sits as a member of each committee.

BOARD OF DIRECTORS

Chairman

Peter McCreath

Directors

Frank Elliott
 Jim MacLean
 Paula Minnikin
 Peter Green
 John Biddle
 Joe MacDonald

Non-Voting Directors

Vicki Harnish, Deputy Minister
 Bret Mitchell, President & CEO

Corporate Secretary

Greg Beaulieu

Meeting Schedule

Monthly
 Actual 2007–2008: 11
 Member attendance: 86.21%

AUDIT COMMITTEE

Chair

Jim MacLean

Directors

Peter McCreath
 Frank Elliott
 John Biddle

Staff Support

Bret Mitchell
 Carrie Cussons
 Greg Beaulieu
 Mike Knox

Outside Members

Rachel Martin
 Mike Casey

Meeting Schedule

Quarterly
 Actual 2007–2008: 4
 Member attendance: 87.5%

GOVERNANCE AND HR COMMITTEE

Chair

Paula Minnikin

Directors

Peter McCreath
 Joe MacDonald
 Peter Green
 Vicki Harnish

Staff Support

Bret Mitchell
 Roddy Macdonald
 Greg Beaulieu
 Karen Putnam

Meeting Schedule

3 per year
 Actual 2007–2008: 3
 Member attendance: 73.3%

INTELLIGENT CONSUMPTION COMMITTEE

Chair

Joe MacDonald

Directors

Peter McCreath
 Vicki Harnish

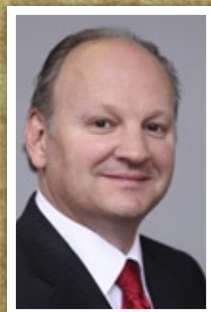
Staff Support

Rick Perkins
 Jennifer Gray

Meeting Schedule

Ad Hoc
 Actual 2007–2008: 3
 Member attendance: 100%

EXECUTIVE OFFICERS

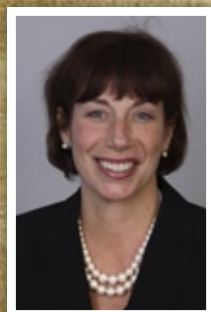


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Bret is a Director of the Canadian Association of Liquor Jurisdictions and past President of the same organization. Bret sits on the Board of Directors of the Nova Scotia Symphony. He is a graduate of the University of St. Michael's College at the University of Toronto.



CARRIE CUSSONS – EXECUTIVE VICE PRESIDENT AND CFO

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

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

Carrie obtained her Chartered Accounting designation in 1991 and is a member of Financial Executives International and is a member of the NS Public Service Superannuation Plan Advisory Board.



CRAIG SUTHERLAND – SENIOR VICE PRESIDENT, MERCHANDISING AND OPERATIONS

Craig serves as Senior Vice President Merchandising and operations since 2007. Prior to this he served as Vice President

Operations. Craig started at the NSLC as Director Distribution in 2003.

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

Craig began his career with Sobeys Food Services Group where he held increasingly senior roles including Operations Manager and Warehouse Supervisor. Craig holds an MBA from Saint Mary's University.



RODDY MACDONALD – VICE PRESIDENT, HUMAN RESOURCES

Roddy has been Vice President of Human Resources since 2002, having joined the NSLC in that role shortly after it became a Crown Corporation.

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

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



MARK BROWN – VICE PRESIDENT, INFORMATION TECHNOLOGY

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

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



RICK PERKINS – VICE PRESIDENT, COMMUNICATIONS & CORPORATE RESPONSIBILITY

Rick, Vice-President, Communications and Corporate Responsibility manages the organization's communications and is designing and implementing a corporate responsibility strategy for the organization. Rick joined the NSLC in 2003 as Vice President, Marketing & Communications.

Prior to joining the NSLC, Rick co-founded a very successful Toronto-based capital markets counsel firm 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 department's of Finance, Privatization, and Foreign Affairs.

Rick currently 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.



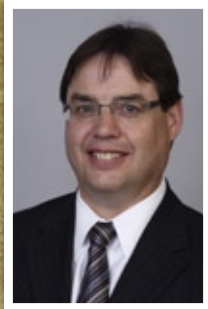
HOYT GRAHAM – VICE PRESIDENT, STORE DEVELOPMENT & FACILITIES

Hoyt joined the NSLC in this capacity in 2002 and 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. In addition Hoyt serves as the organization's Leasing & Site Acquisitions Manager.

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 & Gas sector.

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

EXECUTIVE OFFICERS

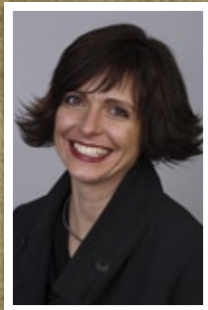


BRAD DOELL – DIRECTOR, SUPPLY CHAIN

Leading the Supply Chain Business Unit, Brad ensures the highest levels of in-stock positioning for the NSLC assuring that the appropriate products are distributed to all sales channels in an effective and efficient manner.

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

Brad has recently joined the Halifax Chamber of Commerce Transportation Committee. Through his involvement, the NSLC will play an active role in developing opportunities that will emerge from the Atlantic Gateway Initiative.



ADRIANA DOLNYCKYJ – VICE PRESIDENT, MARKETING & STRATEGIC PLANNING

In September of 2007, Adriana assumed leadership of the newly formed Marketing & Strategic Planning business unit. She is responsible for the organization's marketing endeavours, including NSLC

events and the publication of Occasions magazine, with added responsibility for research and strategic business planning. Adriana joined the NSLC in 2005 as Director, Merchandising.

Prior to joining the NSLC Adriana was with Aliant for eight years. During her eight year tenure, she held many positions, most recently that of Merchandising Strategist responsible

for determining the merchandising system for consumer and business products across Aliant's 250 retail outlets; and Corporate Brand Manager responsible for developing the brand strategy and the very successful launch of the Aliant brand in 2003.

Adriana currently serves as a member of the Board of Governors for Saint Mary's University. Additionally, she has served consecutively as Chair of the Judging and the Sponsorship Committees for the annual ICE Awards. Adriana holds an MBA from Saint Mary's University.



GREG BEAULIEU, CORPORATE SECRETARY

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

such as permitting and registration, local industry development, government relations, and NSLC legal counsel requirements.

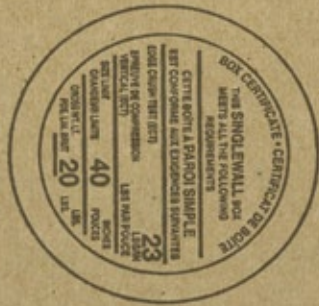
Prior to joining the NSLC, Greg was responsible for managing issues related to the NSLC within the provincial government from 1999 to 2003. His government career includes positions with responsibility for information technology in the Nova Scotia Department of Municipal Affairs; project management of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



At the NSLC, the efforts of more than 1500 employees produce stellar results again in 2007–2008.

\$289 MILLION
REMITTANCES TO GOVERNMENT

GOVERNMENT OF CANADA	\$31,198,503	Federal Excise Tax and Customs Duties
	\$ 43,959,151	Harmonized Sales Tax
GOVERNMENT OF NOVA SCOTIA	\$ 11,406,461	Enviro Assessment
	\$ 198,671,449	Dividend to Shareholder
MUNICIPALITIES OF NOVA SCOTIA	\$ 4,015,138	Municipal Property Taxes
	\$ 289,250,702	Total



**NOVA SCOTIA
LIQUOR
CORPORATION**

PRENEZ GARDE
Si l'emballage est brisé, vérifiez et notez
sur le reçu de livraison la marchandise
dommée ou manquante.

PRENEZ GARDE
Si l'emballage est brisé, vérifiez et notez
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dommée ou manquante.

**NOVA SCOTIA
LIQUOR
CORPORATION**

**NOVA SCOTIA
LIQUOR
CORPORATION**

BWARE
If tape is broken, check goods and note any
shortage or damage on Carrier's receipt.

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