



THE FACES OF THE NOVA SCOTIA LIQUOR CORPORATION
ANNUAL REPORT 2008-2009



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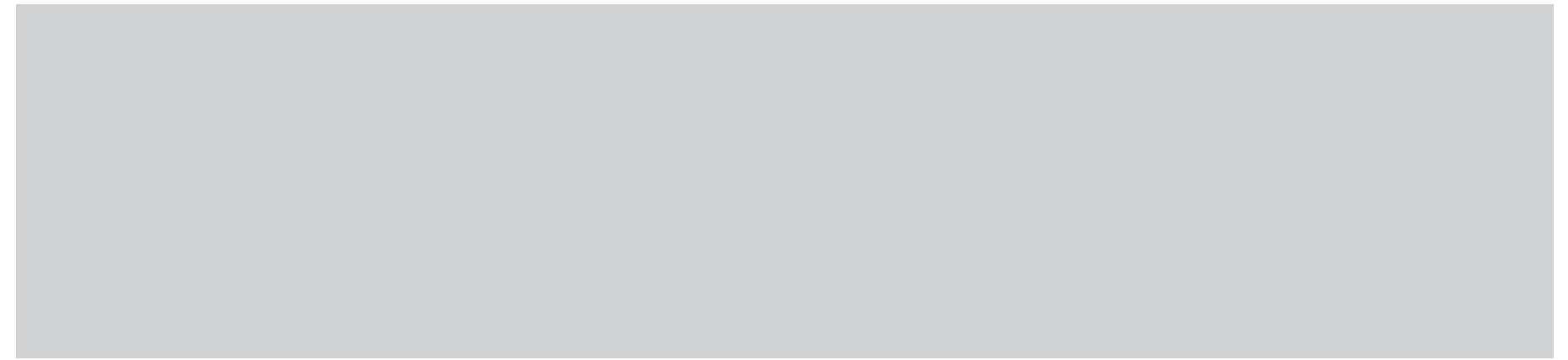
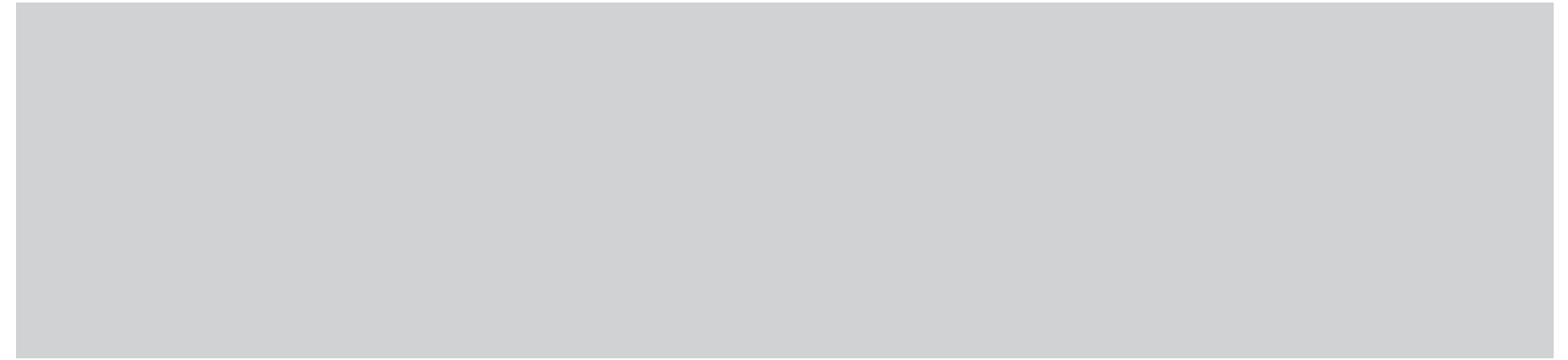
THE NSLC'S SPECIAL INGREDIENTS: ITS EMPLOYEES

This annual report offers a glimpse into the lives of a collection of NSLC employees – what they are passionate about and how they shape communities across Nova Scotia. They represent the 1,500 histories, interests and personalities that form the personality and service that 535,000 Nova Scotians experience when they walk in the NSLC's doors each year.

The NSLC is a product of its employees' successes; personal and professional. Employees are the NSLC's special ingredients, each bringing with them a unique blend of skills, knowledge and personality. The NSLC recognizes that their success stems from their passions and their interests. They are the sum of their parts, influenced by and influencing family, friends and community, and changing and creating the Nova Scotia culture so loved by those who choose to live, work and play here. The NSLC is the beneficiary of these collective interests and passions.

Fifteen hundred employees create the personality of the NSLC. They have staked claim to the NSLC and made personal investments in its success. This shows in the corporation's financial performance, employee satisfaction data and in the NSLC's corporate social responsibility leadership.

The NSLC continues to transform through the collective efforts of its employees. They are driving our success as a socially responsible, performance-focused, financially profitable retail organization. It is people, supported by sound business strategies and policies that make good things happen. Fifteen hundred employees have transformed the NSLC into a superb retailer – one of the best in Canada.





When I was growing up, I thought for sure all kids had a good breakfast before school. My brother and I always did. We went to Admiral Westphal Elementary School in Dartmouth. From September to June, you can still find me at that school every Monday and Friday between 8 and 8:30 a.m. That's my time to help make a difference and to make a few kids smile with a healthy breakfast they wouldn't get otherwise.

The volunteer-run Breakfast for Learning Program started in 2005. My brother and I have been volunteering for three years now. The best part has to be the instant appreciation I see on the kids' faces when they get their breakfast. There are many other great reasons for the program, including better attention and performance in school, but for me, seeing the kids smile and the appreciation they show is reason enough.

Not long after I came to the NSLC Tacoma Drive store, I started chatting to staff about the breakfast program. It wasn't long before they asked to help. This year, through staff casual day contributions, our store raised more than \$400. We aren't the only ones. Staff of the Braemar Drive NSLC in Dartmouth do the same.



SEEING KIDS SMILE

Kevin Conrod on providing a healthy breakfast

Financial contributions such as ours have helped to adequately equip and supply the breakfast program. It started from nothing, and needed everything from a fridge and microwave to utensils and napkins, not to mention food.

I believe the breakfast program, and others like it, make more of a difference to kids than we will ever realize. I have every intention of continuing to do my part and if I can inspire others to do the same, all the better.

Kevin Conrod is Manager of Store 219 Tacoma Drive Dartmouth. He joined our team in 1983.

NSLC
2008-09



There are millions of people who love hockey, but I don't think you can fully appreciate it unless you've actually played the game. Most hockey moms simply didn't have the opportunity or the desire. For many years, I didn't get any further than a few games of shinny. Now I play, coach and own.



When I moved to Digby, there was no women's hockey team. I was the first woman to play in the gentleman's league. Then came the kids and a hiatus from hockey.

Amid chatter in the community a few years later, a group of hockey-loving women organized ourselves into a team. That was the end of my hiatus. I was thrilled to be the first coach. The players, whose average age is about 40 years, relish being on the ice; most never tried on a pair of hockey skates before joining the team.



I've since added being a coach of Timbits IP1 (the first year of play) and a co-owner of a Junior C team, the Valley Keiths, to my involvement with hockey.

ALL THINGS HOCKEY

Suellen Wood on her love of the game

I think I can be a good role model for girls and women who want to play and stay involved in the sport. We need that. I know it when the girls who play in their first year see me play. The reaction is clear, "you're my coach, and you play!" I love that reaction. At this point, I'm the only woman coaching at the IP1 level. I hope that will soon change.

Thankfully my husband and children enjoy hockey as much as I do. My husband and I co-own the Valley Keiths with two other hockey-lovers; my son is a Timbit player and my daughter has found her niche in figure skating after first starting with hockey.

*Suellen Wood is Manager of Store 520 in Digby.
She joined our team in 1997.*

NSLC
2008-09



It's not always easy, but I don't let the pressure get to me. I'm on the court to protect the integrity of the game. After more than 20 years as a referee, I know what I'm doing.

Whether its a game of "mini" players or the pros, I pride myself on being fair. The players and their fans don't always agree, but if I worried about the heckling and what fans think, I wouldn't be a good referee. The more pressure there is, the more focused I am.

It helps too that I love the game. I started playing at Morrison Junior High in Glace Bay. Then in high school and later became captain of the University of Kings College Blue Devils.

When my playing and coaching days were over, I wanted to stay close to the game and to the basketball community. I started refereeing, all levels of minor league games at first. It seems that not long after, I found myself in the middle of the court with university and then professional players. There were many years, hundreds of training hours and thousands of games in between though.



PRESSURE COOKER

Calvin Headley on being a referee

I'm proud to say I made hoop history as part of an officiating team in 2006. It was the first time three black referees took to the court together in a university level game.

My greatest challenge to date was a game between the Halifax Rainmen and the Vermont Frost. The players, big and fast with tremendous talent, were giving it all they had. The pressure was on. In the end, the team of referees performed as well as the players.

As exciting as the pro games can be, my heart is with the youngest players. The look of pride on their faces after sinking their first basket makes me grin every time.

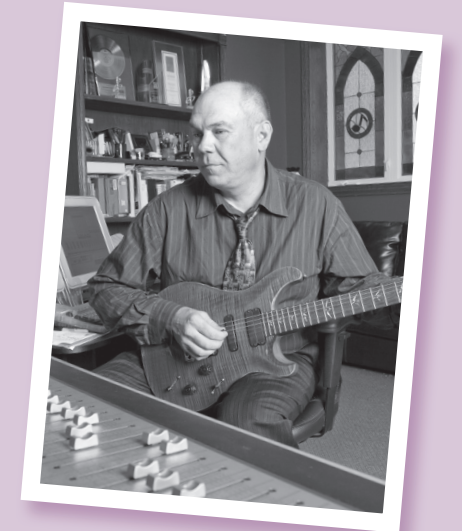
Calvin Headley is a Retail Clerk at Store 120, Clyde Street in Halifax. He joined our team in 1984.



I'm one of the most popular guys at parties. I come, guitar in hand, ready to play. I do it simply for the love of playing. With the exception of the occasional sing-along though, I take music seriously. I play, write, arrange and record. It all started in 1967.

I was seven years old when my Dad, who was a pianist, asked me what instrument I wanted to play. I didn't get my first choice which was drums. My second choice, guitar, was the winner. With my first few lessons, I was bored and frustrated. A teacher who believed in playing by listening rather than by reading music made the difference. I was hooked. I love the power of creating something from nothing and that's what music gives me.

I've had the pleasure of meeting and working with some of the best in the business locally, nationally and internationally. The local music industry has come a long way in the last ten to 15 years. I'm proud to say I had a hand in its development. As a founding member of the Music Industry Association of Nova Scotia (now Music Nova Scotia), I helped advocate for more industry support for Nova Scotian musicians domestically and internationally. I put as much energy into this effort as I did my own music. It paid off. Though the music industry is in flux, I believe local musicians have more diverse opportunities.



AN INTENSE PASSION

Stephen Bordl, the musician

An integral part of my life, my involvement with music has evolved. In the 70's, my focus was on playing; the 80's were about recording; the 90's were dedicated to learning everything I could about sound recording. I now devote much of my musical energy to playing and song writing.

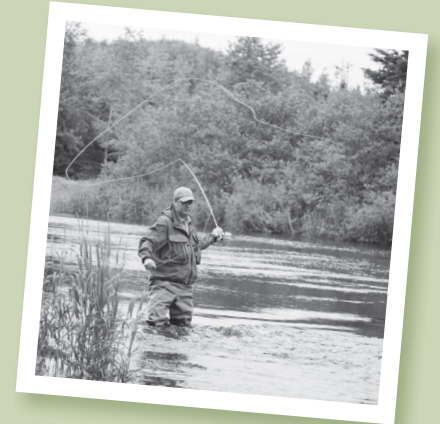
Stephen Bordl is a Product Coordinator at the NSLC Head Office in Halifax. He joined our team in 1980.



I'm not a gambling man, but I do take improving my odds pretty seriously. For years, salmon has been considered the fish of a thousand casts. On mainland Nova Scotia, it's like the fish of ten thousand casts. The trick is to learn as many of the closely held secrets of fine fishermen as possible. Not an easy task given that most never utter a word about the sweet spot or perfected technique.

I'm in it for the long haul though – perseverance and persistence are key. When I was a kid, my uncle took me to the Saint Mary's River on the Eastern Shore every year for years before I caught my first salmon. There's nothing like it.

Salmon fishing the murky waters of mainland Nova Scotia requires blind faith, sticking with salmon fishing is an ongoing test of that faith. It really isn't about the fishing. It's about the fish. That scarce much-loved Atlantic Salmon. I'm sure there must be some thrill in catching trout or bass but not for me.



BLIND FAITH

Gregg Peet on his love of salmon fishing

I will soon head to Labrador to spend a week fishing its cold clear waters. Miramichi, New Brunswick, will be next then Quebec. I've already experienced many adventures on the rivers of Cape Breton.

In seven years of salmon fishing, I haven't caught nearly enough. I try to learn more whenever I can to improve my odds. Part of the equation is protecting and increasing the salmon population. Just last year, I became a director of the Nova Scotia Salmon Association.

Gregg Peet is a Business Systems Analyst with the NSLC Head Office in Halifax. He joined our team in 2005.



My Dad did his job when it came to instilling a love of sailing. He had 12 children and of them, eight of us still sail. The competition among siblings also helped. My brother and I raced against our other two brothers for years. I guess I should admit now that we were pretty even.

My brother Mike and I beat out brothers Peter and John, at the Canadian Open to go to the Worlds in Copenhagen in 1976. That put us a leg up. We didn't do so well in the end, but I grinned ear to ear everyday of the ten day competition.

I had that same grin after completing an Atlantic crossing five years ago. Despite my best efforts to be humble, my sense of pride was written all over my face.

At the age of six years, when I started sailing, I couldn't have known that it would stay with me for a lifetime. That's what has happened. As a sailing teacher, I tried to instill a love of the sport. As an executive member and now Commodore of the Northern Yacht Club in North Sydney, I try to guide the club so that it continues as a source of friendship, community spirit and pride. As a sailor, I simply try to allow sailing to be my escape from the everyday. Everyone needs that.



LIKE FATHER LIKE SON

Denis Astephen on his love of sailing

As I look forward to retirement, I have plans. The Bras d'Or Lakes are calling me and so too is a new boat. A cruiser will be a better fit than the 30 ft. Kirby I currently share with my brothers. The slower pace will suit me just fine.

*Denis Astephen is Manager of Store 451 in North Sydney.
He joined our team in 1975.*



My daughter Makenna wants to see me fight. She has the same intense interest in tae kwon do now that it took me years to develop. She's nine. I'm 44.

I signed up for a tournament in New Brunswick; my first in many years. Though I've never stopped practicing the sport, I had gotten away from fighting. I spent the better part of my teens and early 20's in tournaments throughout Canada, parts of the United States and Mexico. As I got older, I lost interest. That is until Makenna fought in her first tournament this year and then asked to see me fight.

I will have to spend several months training. I'm looking forward to the time. I have already enlisted a few friends to help; the same friends who urged me to register for this particular tournament. The event is open to black belts only and attracts some of the best from around the Maritime Provinces. I'm hoping for a good showing.

The timing happens to be just right. I intend to pursue a 6th degree black belt next year. Training for the tournament will be excellent preparation. At this level you really have to love the sport to continue on. It sort of becomes part of who you are.



COMMON INTEREST

Ross Nearing on Tae Kwon Do

I had no interest in tae kwon do at first. My brother wanted to take it so I tagged along. His interest waned quickly. My love of the sport grew over time. I happened to be good at it too. I'm not sure which came first.

I think it's pretty great that my daughter and I share a common interest. I intend to foster that interest as much as I can.

*Ross Nearing is a Retail Product Specialist at Store 479 in Sydney.
He joined our team in 1989.*



I've been volunteering for more than 35 years. In that time, I've helped to build an arena and a fire station, buy a new fire truck, organize hundreds of fundraisers and coach kids of all ages. It has been quite a ride. I'm not done yet; I'm still Chief of the Canso Volunteer Fire Department, but I'm almost ready for more time to myself.

In a small rural community like Canso, volunteers are crucial to the development and sustainability of the community. We wouldn't have near as many recreation opportunities, an active fire service, legion, churches or support for seniors without volunteers. I'm very proud of the fact that I, like so many other volunteers, have shaped our community – and sometimes against the odds.

Making a difference often takes a lot more energy and a lot longer than anyone anticipated. Building the arena took years of planning, lobbying and fundraising, but we did it. Now 20 years later, it's still one of the hotspots in the community, not only in the winter months but year round. To think the idea was sparked from idle conversation about outdoor rinks at a fireman's meeting makes me all the more humbled by the accomplishment.



HELPING TO SHAPE A COMMUNITY

Vince Cohoon on volunteering

I was born and raised in Canso, and have a love of the community. I never wanted to live anywhere else. I know volunteering isn't for everyone, but I hope the tradition will continue. It's critical. Canso and many other communities like it across Nova Scotia are dependent upon volunteers for services and facilities. I like to think I've done my part.

*Vince Cohoon is Manager of Store 312 in Canso.
He joined our team in 1987.*



About 10 years ago, I thought "I should be there too." My brothers were called out on a search with Pictou County Ground Search & Rescue. It wasn't anything new; they had been involved in ground search and rescue for some time. I also knew I had the same thought before, but for some reason that night was the tipping point. It was my time to start helping, to start making a difference. I joined the team.

My first search was the Swissair Flight 111 crash. It's also the most haunting still. To say I was awestruck by the masses of dedicated volunteers who showed compassion at every turn is an understatement. Despite the tragedy of the event, I realized then that search & rescue would be a lifelong commitment for me.

I don't profess to be a hero nor do I have aspirations to be one. I can't see myself running into a burning building or providing care at a motor vehicle crash site but I am comfortable in the woods and have a



LEARN AS I GO AND GROW AS I GO

Wanda Fraser on Search & Rescue

knack with two-way radio communication. I contribute what I can whenever I can to the team. When people are in trouble, whatever the circumstances, there should be – and there are – trained skilled professionals volunteering their time to help.

I believe in a "learn as I go and grow as I go" philosophy. Just last year I took on more responsibility with Pictou County Ground Search & Rescue and became a member of its Board of Directors. As one of only ten women, I see a role for me as a leader and mentor.

Wanda Fraser is a Retail Product Specialist at Store 303 in Antigonish. She joined our team in 2000.

NSLC
2008-09



It started when my son, Steven, was in the 4-H Club as a kid. He took an interest in farm animals and soon developed a love of rather rare breeds. His first pet was a bantam rooster.

We now share our home, well, our yard, with two sheep, six goats, two Belgian horses, 40 chickens, 40 rabbits, and nine chinchillas. Steven owns the animals (he has always been responsible for buying the animals with his own money), but together we run the hobby farm. It definitely takes the two of us.

My job is to feed the animals every morning and to lend a hand cleaning out the barns. In the fall, I will take on all the duties. Steven will be going to the Atlantic Veterinary College in Prince Edward Island. The animals will be staying home with me.

I'm very proud of Steven's love of animals and his aspiration to be a veterinarian. He will be great at it. Taking care of the hobby farm while he's away is the least I can do. I think I've come to love caring for the animals almost as much as he does.



FOR THE LOVE OF ANIMALS AND HIS SON

John Nicholson on the family hobby farm

In the last 15 years, I'm sure we have made almost a hundred trips to and from exhibitions to show Steven's animals. People came specifically to see what animals he had brought with him. Before one show, we used Kool-aid drink crystals to dye a white rooster pink. It was a hit! We enjoyed a lot of laughs at that show.

I know that at some point, Steven will buy his own home and set up the farm on his land. Until then though, I'm going to enjoy every minute of it.

*John Nicholson is a Retail Clerk at Store 481 in Sydney.
He joined our team in 1980.*



I think of the fire service as a long-term commitment so, despite being urged by friends to join many years ago, I took my time. My kids were young and family was my first priority. I waited until 1994 to sign on as a member of the Harrietsfield/Sambro Volunteer Fire Department.

Years later it became a family affair when my three daughters and son-in-law joined the department. Though not all are still involved, the fire service remains an integral part of their lives.

When the pager goes off, there's an intense mix of pride, anxiety, energy and fear that comes over me – not something I can easily articulate. I know other firefighters and first responders feel it too. On the way to the call, these feelings are often replaced by deep hope for no casualties.

Our fire department receives between 170 – 200 calls per year. On average, volunteers are called out two or three – sometimes more – times each week. It adds up to a lot of sleepless nights for families awakened by the pager who, depending on the call, then lie awake waiting to hear their door open again. It can also affect work. Thankfully, I enjoy the full support of my family and the Supervisor of Supply Chain at the NSLC.



A FAMILY AFFAIR

Donnie Patterson on being a volunteer firefighter

If I didn't enjoy it, I wouldn't do it. I've seen horrific car accidents involving people I know and fires where friends and neighbours have lost everything. These events have only strengthened my commitment.

As Deputy Chief of the fire department today, part of my job is to make sure all volunteer members have or get the training they need to do the job safely so that, at the call, "Everyone Goes Home."

Donnie Patterson works in maintenance at the NSLC Distribution Centre in Halifax. He joined our team in 1982.



I've been a volunteer with St. John Ambulance for 30 years. It started in 1979 in Woodstock, New Brunswick, with a first aid course. I know it sounds cliché but I'm sure the organization has given more to me over the years than I've given to it.

The first aid course turned into six-years as a fully-trained volunteer paramedic and many more years as a first aid instructor. I learned how to perform under pressure, connect with people, and grow into a leader.

Volunteering with St. John Ambulance also provided me the opportunity to re-enter the workforce after a 16-year hiatus. I worked for four years as its director of training in Nova Scotia. Being hired into a familiar organization and one I truly believe in allowed me to build my confidence. The director of training position restarted my career and my interest in human resources. I've worked in the field since.

Though I became staff of St. John Ambulance, I never relinquished by volunteer duties as a first aid instructor. The more I learned about the organization, the more I wanted to contribute to it. As a volunteer, I became a member of the Nova Scotia/PEI Council Board of Directors and then president.



SHAPING AN ORGANIZATION

Mairi Arthur on St. John Ambulance

I was just recently elected as Deputy Chancellor of St. John Ambulance in Canada. This post will lead to the position of Chancellor in two years making me the first woman in over 900 years of SJA history to lead it world-wide. I am the first female and the first from Nova Scotia to be elected Deputy Chancellor. These positions hold great honour and equally great responsibility as the most senior leadership roles in the organization.

I am standing in front of a small portion of the 600,000 Canadians trained in First Aid in Canada every year by SJA. The course is being taught by one of 22,000 volunteers who give over one million hours annually, supporting public events, community service and humanitarian relief throughout Canada and around the world.

Mairi Arthur is Manager of Human Resources Services at the NSLC. She joined our team in 2004.

NSLC
2008-09

CHAIRMAN'S REPORT

Eight years ago, the "Liquor Commission" as it was known was reconstituted as a crown corporation with a commercial mandate. The mission was to transform the Liquor Commission into a modern retailer. The feedback we have received from Nova Scotians – our principal customer base and our ultimate shareholder – would suggest the NSLC has gone a long way down the road to fulfilling this mission.

The NSLC is now recognized as a retail leader within the beverage alcohol industry and in the retail industry as a whole. A complex mandate that encompasses the receipt, distribution and control of all beverage alcohol in Nova Scotia; promoting the safe and responsible consumption of alcohol; providing excellent financial returns to the shareholder; and delivering superior service to our customers has been and remains a formidable challenge to our leadership team and to our entire staff. The NSLC's results judged by all of these criteria clearly show that the NSLC team has consistently responded to the challenge of this mandate.

This NSLC annual report focuses on unquestionably the most important element of the corporation's success: our employees – the 1500 men and women who are the NSLC. This is a group of Nova Scotians who have diverse interests outside the store and the office, but come together with a common goal and spirit to make the NSLC Canada's premiere beverage alcohol retailer. I urge you to take the time to read the individual stories, which are a series of snapshots of our people, while understanding that they share a common commitment to be the best and to serve our customers and our shareholders at the very highest levels. On behalf of the Board, I would like to thank all employees for making the NSLC the superb retailer it is today.

As the Board of Directors, it has been our job to assemble the team that could and would achieve the goals established by the government and the board. As we enter the final year of the NSLC's first five-year strategic plan, and begin work on the second plan, the board has also turned its attention to best practices governance procedures. These include measures and consideration of: a new oversight of audit and risk management; succession planning both for the board and senior executive; board and CEO evaluation; board and director education; agenda management; and strategic oversight of our legislated mandate.

Being one of the largest businesses in Nova Scotia, the NSLC has enjoyed extensive commitment and support of the Nova Scotia government, particularly from Hon. Len Goucher who served as Minister responsible for the Nova Scotia Liquor Corporation throughout fiscal 2008/2009. With Nova Scotia's recent change in government, we welcome Minister Graham Steele and look forward to working with him in the coming years.



Peter McCreath is passionate about sailing and life in Hubbards. Read more on page 62.

While the economic times are uncertain at best, current indications are that 2009/2010 will prove to be another year of growth for the NSLC. I am confident the NSLC team will reach the performance targets set in this year's business plan and, in this last year of its five-year strategic plan, achieve its strategic goals. In so doing, the NSLC team will ensure the next five years will be just as strong as the previous five.

I encourage you to read and enjoy this annual report that focuses on the NSLC's special ingredients – its employees.

Sincerely,

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

PRESIDENT'S REPORT

The key to the success of any organization is the unique skills, hard work and commitment of its employees. This is absolutely the case for the NSLC. The organization's success over the last year, just like for each of the previous 78 years, can be attributed to the dedication of employees to achieving the goals of the organization. We recognize however, that our employees are more than their work or job title. They are people, with lives rooted in the communities in which we operate. Perhaps more so than any other business in the province, the NSLC best reflects the personality of Nova Scotia. Our employees' passions and interests outside of work shape who they are and what we are as an organization. For this reason, and because of the difference we all individually make in our communities, we are featuring our employees and their stories in our annual report this year.

Our employees have staked claim to the NSLC and continue to make personal investments in its success. It is their engagement, personal and professional, that drives the NSLC's performance. I am proud of their individual and collective accomplishments, and want to thank each of our employees for their commitment to the NSLC and to their personal pursuits. I hope that as an organization, through our business strategies, practices and performance, we hold a place of pride among our employees.

Again this year, our employees have exceeded the NSLC's business plan, returning more than \$212 million to its

shareholder. This is an increase of close to \$14 million over last year, \$2.6 million more than budget. While financial performance is indicative of our employees' dedication to the NSLC, so too is their leadership in making the NSLC one of the highest customer rated retailers in Nova Scotia. In a survey of 1,200 customers, 90 percent gave the NSLC a rating of 8 out of 10 or better when asked about service received. This positive Customer Satisfaction Index is a testament to employees' outstanding service efforts and delivery of goals contained in our five year strategic plan.

As part of our Corporate Social Responsibility Plan developed this year, the NSLC launched Cheers to Change, an initiative to make our business practices more environmentally responsible and contribute to the environmental sustainability of Nova Scotia communities. In line with Nova Scotia's *Sustainable Prosperity* initiative that points out Nova Scotians want to achieve prosperity and growth in an environmentally responsible and sustainable manner, we are making changes. For example, we eliminated plastic shopping bags and in so doing, removed 290,000 pounds of plastic destined for landfills. In 2009/2010, we will focus on reducing our carbon footprint, conserving energy, managing waste more efficiently and promoting recycling. It's a good start but we still have a long way to go.

Our employees are champions and stewards of the intelligent consumption of beverage alcohol. This year, the NSLC launched its most innovative campaign in the corporation's history to send an anti-binge drinking message to students aged 19 to 25 years. The edgy Jonzed campaign used social media tactics to effectively communicate with students about the serious impacts of binge drinking.

Though the NSLC continues to enjoy significant success, the global economy remains in recession. As a result, we must be particularly diligent in our planning, strategies and practices to ensure sales and profit growth continue. The impact of the global recession in Nova Scotia has been much less than in other provinces.

Our performance is still strong, but we do not have a guarantee that NSLC sales will remain unaffected if the



Photo: Jephphotographic

Music is a passion for Bret Mitchell and he serves on Symphony Nova Scotia's Board.

economy weakens in Nova Scotia. The products we sell are discretionary purchases made by our customers. The volume of product purchased has declined in past recessions and only a strong focus by all employees combined with smart retailing practices will enable the NSLC to produce future short-term growth. I am confident that with the strength of our employees and the leadership of our Executive and Board of Directors, the NSLC will continue to prosper in 2009/2010.

Please take some time to read the stories of our employees in this report. They truly are the NSLC's special ingredients in a recipe for success that makes us stand out from other

businesses. I would like to thank all employees for their dedication to our business, their passion for what we do and their extensive contributions to the communities in Nova Scotia to which they are so dedicated in their personal lives.

Sincerely,

Bret Mitchell
President & CEO, NSLC

MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion & Analysis section of the annual report provides an opportunity for analysis and commentary on the financial performance of the NSLC and a detailed look at 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 documents provide the tools for the board, executive, management and all employees to implement strategies that ensure the targets of each business unit and the overall financial goals of the NSLC are met or exceeded.

The 2008–2009 fiscal year represents the completion of the fourth year of the NSLC's *Five-Year Strategic Plan*.

Financial Performance

In 2008-2009, gross sales were anticipated to rise 4.3 percent to \$559.4 million from the \$536.4 million achieved in 2007-2008 and net shareholder return was expected to increase to \$210.0 million as compared to the record \$198.7 million shareholder return achieved in the previous fiscal year.

In 2008-2009, the NSLC again exceeded its financial targets by achieving a net return to shareholders of \$212.6 million. Driving this strong performance was the increase in sales beyond forecast. The NSLC achieved a record \$565.6 million in gross sales as compared to projected sales of \$559.4 million—an increase of 5.4 percent over the previous year. Gross profit on the additional \$6.3 million in sales equaled \$4.7 million, which was mitigated by an increase in expenses of \$2.1 million beyond budget. The increased expenses occurred primarily as a result of cost increases associated with increased sales. Higher debit/credit card fees due to higher sales as well as higher merchant fees for new VISA and Mastercard products were key drivers of increased operating expenses.

The record net income achieved by the NSLC in 2008-2009 represents a 7.0 percent increase to the bottom line, compared to the previous fiscal year.

The Five-Year Strategic Plan targets a Compound Annual Growth Rate (CAGR) target of 4.1 percent. The NSLC has exceeded this target, producing a CAGR of 5.54 percent for the first four years—well ahead of plan.

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2010
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	(Estimated)
Gross Sales	\$351.4	\$371.6	\$376.5	\$391.1	\$413.3	\$439.5	\$453.2	\$488.7	\$508.2	\$536.4	\$565.6	\$579.4
Dividends to Shareholders	\$129.2	\$135.2	\$137.2	\$143.9	\$157.9	\$166.8	\$170.0	\$181.2	\$188.2	\$198.7	\$212.6	\$216.4

An understanding of 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.

Retail Environment

The NSLC must compete like any retailer for its share of Nova Scotians' disposable income. Population growth in Nova Scotia is flat and aging. Lower consumer spending and the global slowdown reduced the province's GDP growth in 2008. The number of tourist visitors in 2008 declined by 5 percent, and a further decline of 7 percent occurred from January to the end of March 2009. (Source: Nova Scotia Tourism, *Insight* Publication.) These facts and figures make the NSLC's financial achievements in 2008-2009 even more significant. The NSLC achieved a 5.5 percent increase in gross sales—more than double the 2.3 percent growth in sales of beverage alcohol in Canada for the last fiscal year and over ten times the 0.4 percent increase in overall retail sales for Nova Scotia, according to Statistics Canada.

A primary driver of this year's performance has been an increase in the volume of product (824,366 hectolitres) sold by the NSLC. This is an increase of more than 10,000 hectolitres, or 1.3 percent, over the previous fiscal year. Additionally, the NSLC was successful with "premiumization"—the encouragement of increased spending per litre of product—as reflected by the NSLC's growth in gross profit per litre, which increased 4.9 percent 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. 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 licensee sales as well as sales to agency stores and private wine and specialty stores. Gross retail sales in 2008-2009 increased to \$455.0 million, which represents a better than 4.9 percent increase over the previous fiscal year. Gross wholesale sales, which include licensee sales (\$65.5 million) and sales to agency stores (\$34.9 million), to private wine and specialty stores (\$9.1 million), and to other wholesale distribution outlets (\$1.0 million), accounted for \$110.6 million.

Sales Performance

Approximately 80 percent of the NSLC's revenue is a result of the work and efforts of the retail store network and the almost 1300 employees that deliver this service. The NSLC uses a number of metrics to gage how each retail store is performing by week, by month and annually.

Sales Per Employee Hour (SPEH) measures the efficiency of the organization's labour costs against the actual retail sales that labour delivers. For the fiscal year, SPEH increased by 7.2 percent from \$338.40 in 2007-2008 to \$362.90 this past year. This represents 1.25 million hours of work by NSLC retail employees with the labour costs of \$27.5 million.

The NSLC conducted mystery shopping studies of its stores and the shopping experience, measuring six key factors over the course of 956 total visits this past year. The average mystery shop score for all NSLC stores for the year was 84 percent.

At the end of the fiscal year, the NSLC retail stores had \$17.7 million of inventory at duty-paid landed cost. This is above target for the year as a result of several key buying opportunities that improved gross margin potential.

The organization also measures the inventory position at the shelf, that is, the level of in-stock position. The NSLC's average in-stock position for the year was 97.1 percent. This is slightly lower than the targeted position of 98 percent; however it is an exceptional level of in-stock for any retailer and continues to have a positive impact on both sales and customer satisfaction levels.

Through internal merchandising audits, the NSLC measures the compliance of its stores in executing merchandising and marketing programs. NSLC stores achieved a 98.9 percent accuracy rate on this measure.

The NSLC's retail store network comprises 106 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

Contributing to this year's strong performance were successful beer and spirits promotional campaigns that resulted in growth both in volume of sales and revenue. Effective promotions of imported and premium brands were the major contributors to these increased sales and volume. Healthy growth was also experienced in the wine and ready-to-drink product offering segments. Details regarding sales for all four categories can be found in the product trends section of this report.

	SPIRITS	WINE	BEER	RTD	TOTAL
Volume	1.4%	4.3%	0.8%	4.2%	1.3%
Dollars	4.8%	7.6%	4.7%	8.8%	5.5%

The NSLC wholesale market is becoming an increasingly diversified component of the NSLC sales structure. Traditionally, wholesale sales in the NSLC culture have centred on the Nova Scotia's 2070 licensed establishments operated by 1,644 licensees. While licensee sales still account for 59.2 percent of the NSLC's wholesale market, 54 agency stores and four private wine and specialty stores contributed to increased diversification of the wholesale market.

As a group, wholesale sales grew to \$110.6 million in the past fiscal year. This 7.6 percent increase in sales was driven by a 19.9 percent increase in agency store sales, while licensee sales experienced a 1.5 percent sales increase. The smallest portion of the wholesales dollar sales improvement for the NSLC was a result of the 10.2 percent increase in sales by private wines and specialty stores.

In 2005, the NSLC produced its first *Five-Year Strategic Plan*, which outlined strategies for transforming the NSLC into a modern, dynamic retailer capable of returning dividends of \$215.0 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. After the first four years of the plan, the NSLC has returned \$212.6 million to its shareholder and projects exceeding the five-year target by delivering a shareholder dividend of \$216.4 million in the final year of the strategic plan.

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 offerings, it can be qualitatively associated with increased customer satisfaction. The NSLC regularly monitors its Customer Satisfaction Index (CSI) using 23 driving factors of success. The NSLC CSI rate was 90 percent in 2008, up from 84 percent just three years ago. This improvement was driven by retail employees through their helpfulness, product knowledge and proactive approach. The NSLC's increased focus on employee training, on how employees interact with customers, and on their sales and product knowledge is paying off in terms of improved customer experience. This strategy is one of the most effective to increase sales and premiumize the customer's purchase.

Store Of The Year Awards

All retail stores were ranked during the year and entered to be named NSLC Store of the Year. Store employees were measured on Key Performance Indicators (KPIs) with the desired result of exceeding Gross Operating Profit Targets (sales versus labour costs). Other important measurement factors included flawless execution of NSLC merchandising and operational standards, customer satisfaction KPIs, and employee engagement and community involvement.

Porters Lake, Dartmouth, was named Store of the Year 2009 for excelling in all the performance measurement factors.

Gold Performance award winners were

- Region 1: Lunenburg
- Region 2: Porters Lake
- Region 3: Trenton
- Region 4: Port Hawkesbury
- Region 5: Barrington Passage

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 also manages the logistics of getting the product from its warehouse to 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 and simultaneously meeting the needs of all customers. The impact of SAP technology has been critical to improved efficiencies of the supply chain. In the past fiscal year, the fill-rate focus for wholesale was 98.7 percent, with retail coming in at 97.1 percent. (The goal for both was 98 percent.) Combined inventory turns for the fiscal year were 10.45 on a goal of 12.

The NSLC's inventory value (duty-paid landed cost) in its distribution centre decreased by 0.8 percent at year-end from \$21.2 million in 2007-2008 to \$21.0 million in 2008-2009. This reflects the diligence of the corporation in ensuring strong fill rates were achieved to meet the demands of record sales with responsible inventory management.

Total inventory at year-end (including the distribution centre and the retail network) was \$35.7 million, an increase from \$35.5 million at the previous year-end.

Since becoming a Crown Corporation with a commercial mandate in 2001, the NSLC has worked diligently to improve the selection of products available to customers throughout the province. In fact, the NSLC has doubled its selection since 2001. While the number of products varies within each category each year depending on market demand, the NSLC has currently targeted about 6,000 items as optimum.

CATEGORY	2006	2007	2008	2009
Beer products	557	572	515	518
Ready to Drink products	183	230	167	159
Spirits products	1083	1198	1069	1018
Wine products	4221	4456	3596	4352
Total	6044	6456	5347	6047

Wine

Wine continues to be a major driver for the NSLC both in revenue and volume at the retail and wholesale levels. The NSLC wine category grew in revenue by 7.6 percent (10.9 percent growth in 2007-2008) on increased volume of 4.3 percent, translating to an increase in gross profit per litre (GPL) of 2.7 percent. This growth level was slightly lower than last year in all fiscal quarters except the third quarter (which includes the important holiday sales).

The NSLC introduced a new program in this last fiscal year focused on "One Time Only" offers in the wine category. This initiative is intended to introduce into stores each

month 15 to 30 new wine products that are not routinely available on the shelf and only available for a limited time. This new program has proven to be very popular and is now in eight stores.

Factors that account for the increase in sales in the wine category included a steady trend upwards over the last six years in the consumption of wine amongst Nova Scotians. This occurred because of the large number of new products the NSLC has introduced into the market over the last few years, as well as the 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 by featuring quality wine regions from around the world.

Beer

Beer represents the largest category of sales for the NSLC both in terms of dollars (at almost 50 percent) and in terms of volume of product sold (at 80 percent). Beer sales continued their strong growth posting a 4.7 percent gain with sales of \$276.2 million in the last fiscal year. This growth was slightly less than last year's growth of 4.9 percent. Beer volume was relatively flat at 0.8 percent growth. Domestic beer sales continued to grow in the market and imported beer saw slight growth. Overall, the NSLC's gross profit per litre in this category improved by 6.4 percent contributing significantly to the NSLC's bottom line.

Spirits

The spirits category had a strong year, posting sales growth of 4.8 percent compared to 3.4 percent the previous year. Spirits represent 6.4 percent of the volume of product sold and account for 28.0 percent of sales. As a result, changes in sales growth (such as this past year) impact the NSLC's profits tremendously. At the retail level sales increased even more impressively at 4.4 percent, while sales to licensees declined by 1.5 percent.

Ready-To-Drink

The ready-to-drink 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 has been on the decline in the rest of Canada over the past two years, it remains steady in Nova Scotia and, impressively, grew in volume by 4.2 percent and sales by 8.8 percent. The key to success in this category is the introduction of numerous new flavours each year.

Promotional Highlights

WINE

The NSLC's wine focus for August and September offered customers a limited-time promotion of \$9.99 for Croc Crossing wine. Customers added this product to their planned purchases generating a lift in wine sales of 11.5 percent in August. This initiative was supported by a creative radio campaign to inform customers of this value offering during this period.



BEER

July was an exceptional month for beer sales, as sales increased a remarkable 9.9 percent and volume by an equally impressive 5.3 percent. Specialty and premium beer led the growth with a 29.5 percent sales increase. Mainstream popular brands drove most of the sales increase in terms of dollars, posting a 9.5 percent increase over the same period last year. Driving these sales were Coors Light 20 bottle packs, Alpine cooler offer, Bud and Bud Light

15 packs, Keiths and Keiths Light 15 packs hat offer and the strong summer performance of Corona with its straw cowboy hat offer.



NSLC holiday gift packs of items featuring popular products from all categories were a hit for the third year in a row. This year's gift packs achieved a 79.0 percent sell-through, which was consistent with last year's performance.



NSLC gift cards, introduced three years ago, sold \$830,000 in December 2006 and continue to be a popular item with NSLC customers. Sales increased to \$2.3 million in December 2008, up 18.2 percent over gift card sales from the same period last year.

BOXING DAY SALE

For the first time, the NSLC featured a two-week Boxing Day sale in late November called "Find Your Festive Spirit, Beer and Wine." A selection of popular beer, wine and spirits were



SPIRITS

Spirit sales were very strong in July and August at 5.8 percent and 6.2 percent growth respectively. The NSLC introduced a new product line in spirits that drove these great numbers: one-pour cocktails. The products used brand name spirits as the base for the cocktail and included:

- JOSE CUERVO GOLDEN MARGARITA
- SMIRNOFF GRAND COSMOPOLITAN
- SMIRNOFF VODKA MOJITO

In addition, the NSLC introduced six well-known spirit brands in a 200ml package, which added to spirit sales as impulse items at the cash.

HOLIDAY SALES

The December period is a critical sales month for all retailers, and the month represents more than 12 percent of NSLC's annual sales. This December, NSLC sales increased 2.7 percent over last year.





featured as part of this sale at very attractive price points. This sale was supported by an innovative media campaign that contributed to our success in all categories. Sales increased across all categories by an average of 6.0 percent, with a 3.9 percent increase in the spirits category, a 9.0 percent increase in the wine category, a 6.0 percent increase in the beer category and an 8.8 percent increase in the ready-to-drink category. This promotion helped generate incremental sales of \$4.3 million in net sales in the six-week holiday selling period when compared to the previous year.

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 included “the promotion of industrial or economic objectives regarding the beverage alcohol industry in the province.” This shared commitment will allow the Nova Scotia beverage alcohol industry to compete both in local and international markets.

The Wine Association of Nova Scotia (WANS) has set an industry standard that to be classified as a Nova Scotia wine, each bottle must contain a minimum of 85 percent juice from fruit grown in Nova Scotia. WANS has set a target of having 1,000 acres of land in Nova Scotia growing grapes for wine production by 2020. As part of this target, the NSLC developed an “emerging markets” wine policy that applies a substantially lower markup to products that meet the 85 percent standard in developing wine regions.

The NSLC’s new approach is already paying dividends for the industry. Net sales of WANS standard product through the NSLC increased by 17.1 percent last year, representing volume growth of 8.9 percent.

	2009	2008	% GROWTH
Net Sales Total	\$1,940,118	\$1,656,921	17.1%
Sales Units Total	170,607	156,208	9.2%
Volume (HL) Total	1,268.156	1,164.278	8.9%

Beer Industry In Nova Scotia

Nova Scotia has a rich history of brewing going back several hundred years. The best known are obviously the Alexander Keith’s brewery and the brands crafted for generations by the Oland family. These brands are now part of the offerings of global companies and are still brewed proudly in Nova Scotia. Over the last decade, the Maritimes has developed some high quality new craft breweries that are offering considerable variety and quality in the NSLC’s stores. Familiar names to NSLC customers include brands produced by Propeller and Garrison. The NSLC has secured better access through interprovincial agreements for these breweries over the last two years with Quebec and New Brunswick. The next step for the NSLC is to develop a strategy with local craft brewers for policies and programs that can accelerate their growth beyond what they have experienced over the last few years. Net sales through the NSLC of craft beers grew by 9.2 percent last year accounting for \$2.0 million of the NSLC’s total beer sales.

Awards

The NSLC continues to be recognized as one of Canada’s leading retailers internationally and at home.

Social responsibility campaigns lead the way in the award category for the NSLC. The “Lots of Ways to get Home Safely” campaign received a Silver ICE 2009 Public Service Advertising Award, along with three individual merit awards. Four Applied Arts Interactive Awards were presented to the NSLC—three honouring the “Jonzed” campaign and one for “Lots of Ways,” which also received a Silver Canadian Marketing Association award. “Jonzed”—the NSLC’s innovative anti-binge drinking campaign—did very well internationally, receiving two prestigious International Association of Business Communicators Awards of Excellence. The NSLC was the only Canadian company to be so honoured with two IABC Awards of Excellence.

The NSLC has been ranked 453rd in the *Financial Post* Top 500 Canadian Companies and tenth on the *Progress* Top 101 Companies in Atlantic Canada. *Atlantic Business* also named Bret Mitchell, NSLC President & CEO, one of this year’s top 50 CEOs.

The NSLC’s environmental efforts were recognized by earning the organization a finalist spot in the International Summit Leadership in Green Procurement and the Lyreco Reducing Together Our Footprint on Earth Award—the first to be awarded to a Nova Scotia company.

The NSLC strives to design responsible programs and messages that showcase the seriousness of its entrusted responsibilities while continuing to be innovative in the retailing approach serving the Nova Scotia public.

The Recession and the NSLC

NSLC sales remain strong, bucking the trend of the previous two Canadian recessions. The NSLC’s performance is a testament to the changes in business strategy that focused on renewed stores, improved product selection and, most importantly, the investment in employee training, all of which have resulted in vastly improved customer satisfaction.

The global recession impacting Canada has been more severe in other parts of Canada than it has been in Nova Scotia. In fact, the impact of the slowdown in Nova Scotia has been limited, with Nova Scotia recording 2.0 percent real GDP growth in 2008. Nova Scotia did not experience two consecutive quarters of negative GDP growth—the measure of a recession.

Employment levels in Nova Scotia were actually higher in the fourth quarter this year compared to last (3,000 more net jobs, according to the NS Department of Finance), which

impacted positively on NSLC sales. With one of the lowest unemployment rates in Canada at 5.5 percent, Halifax Regional Municipality (HRM) continues to be the engine that drives the provincial economy, keeping retail sales strong.

The growth of the economy has slowed somewhat in Nova Scotia and, as a result, the growth that the NSLC has experienced over the last few years slowed in the fourth quarter. Sales growth in the month of March slowed from almost 6.0 percent in 2008 to 3.3 percent in 2009. This is also true for January, where sales growth dropped from 14.0 percent in 2008 to 4.0 percent in 2009, and again a similar pattern for February with sales growth dropping from 3.9 percent to 2.3 percent.

NSLC 08/09	NET SALES % INCREASE	VOLUME % INCREASE
Halifax & Area	7.5	3.9
Dartmouth & Area	4.8	0.7
Northern & Eastern	2.5	-2.1
Cape Breton	1.9	-2.6
Valley & South Shore	3.4	-0.6

Slowing overall growth in Nova Scotia, however, is further evidenced by the NSLC's performance to date of retail sales and volume. Retail sales for the fiscal year increased by 4.9 percent and the volume of goods sold was relatively flat at 0.6 percent. This is a slowing of sales percentage growth from the previous year where NSLC retail sales increased by 5.6 percent and volume increased by 2.4 percent. However, licensee sales were up for the year by 1.7 percent (Q1: 3.2 percent; Q2: 1.1 percent; Q3: 0 percent; Q4: 2.4 percent)—a vast improvement over a decline in licensee sales of 3.9 percent for the previous fiscal year.

While this performance is strong, it is not a guarantee that NSLC sales will remain unaffected if the economy grows worse in Nova Scotia. The products the NSLC sells are a discretionary purchase for customers. The volume of product purchased has declined in past recessions and only a strong focus by all employees, combined with smart retailing practices, will enable the business to continue to produce future short-term growth.

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 NSLC's ability to meet its commitments and objectives.

Factors include the impact weather can have on sales. Severe winter weather has, in past years, resulted in the closure of stores across the province, thus 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 percent 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.

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 TD Merchant 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 NSLC's ability to deliver its business plan as outlined.

Enterprise Risk Management

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

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

The benefits of an ERM process include:

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

The risk assessment initiative conducted in 2008-2009 by the NSLC identified and prioritized risks, which in turn require the corporation to adopt mitigation strategies overall or for 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. Business unit management were asked to review the top eight risks identified and incorporate mitigation plans in their annual business unit plans for 2009-2010. The departure of the Executive Vice President and CFO resulted in the deferral of this step. The new Vice President, Finance, will review this past work in conjunction with the Corporate Secretary and provide recommendations this year.

SALES BY STORES – REGION 1 HALIFAX AND AREA

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

REGION 1	SPIRITS	WINE	BEER	RTD	OTHER	TOTAL
2104 – Agricola Street	1,830,879	1,730,532	3,264,384	203,965	2,450	7,032,209
2106 – Barrington Street	1,988,858	2,255,391	2,726,722	226,532	4,229	7,201,733
2108 – Bayers Lake	3,705,701	4,348,531	5,026,143	551,912	19,464	13,651,750
2110 – Joseph Howe Drive	2,883,270	3,029,477	4,849,487	424,719	3,332	11,190,286
2115 – Chester	1,323,605	975,648	1,701,537	126,773	734	4,128,297
2120 – Clyde Street	1,486,204	1,302,032	2,093,385	176,757	3,847	5,062,224
2123 – Queen Street	992,424	997,429	1,135,766	104,373	2,436	3,232,428
2125 – Hubbards	654,186	445,743	914,444	63,033	280	2,077,686
2145 – Halifax Shopping Center	1,136,958	917,873	762,476	154,257	3,397	2,974,961
2150 – West End	1,864,382	1,818,379	2,797,704	231,917	3,264	6,715,647
2154 – Young Street	2,144,939	1,833,522	3,928,900	246,276	2,280	8,155,916
2160 – Port of Wines II	387,152	3,648,752	88,934	2,156	5,788	4,132,782
2165 – Quinpool IGA	1,639,133	1,982,574	2,271,776	182,105	3,276	6,078,865
2170 – Rockingham Ridge	2,012,033	1,763,927	3,202,448	308,526	2,666	7,289,600
2180 – Scotia Square	747,760	688,634	670,942	95,740	4,024	2,207,101
2185 – Spryfield	2,481,324	1,310,382	4,712,031	417,798	1,246	8,922,781
2195 – Tantallon	2,729,494	2,687,617	4,333,097	400,540	3,450	10,154,199
2565 – Lunenburg	1,641,831	1,054,802	1,762,258	148,980	1,761	4,609,633
2570 – Mahone Bay	997,748	662,859	1,349,081	98,031	1,169	3,108,889
2099 – DC Wholesale	14,946,447	15,249,753	41,718,431	2,305,607	4,907	74,225,145
TOTAL SALES FOR REGION 1	47,594,328	48,703,857	89,309,947	6,469,999	74,001	192,152,132

SALES BY STORES – REGION 2 DARTMOUTH AND AREA

REGION 2	SPIRITS	WINE	BEER	RTD	OTHER	TOTAL
2130 – Hansport	414,981	138,725	755,319	46,929	184	1,356,138
2196 – Windsor	2,274,192	983,674	3,729,303	337,822	1,300	7,326,290
2176 – Downsview Plaza	3,005,743	1,361,984	5,758,161	559,828	2,517	10,688,234
2178 – Sackville	1,827,824	927,952	3,071,280	261,565	915	6,089,536
2193 – Bedford Mill Cove	1,912,340	2,212,258	2,892,403	290,328	2,361	7,309,690
2201 – Airport	16,804	17,482	11,899	621	92	46,900
2202 – Bedford Place	1,753,035	1,884,386	2,526,820	250,920	1,126	6,416,287
2209 – Bridge Plaza	3,313,372	1,719,073	6,123,686	447,188	5,283	11,608,602
2210 – Burnside	39,678	16,525	72,581	3,661	20	132,465
2219 – Westphal	3,738,114	2,901,094	5,502,049	528,882	3,051	12,673,190
2220 – Mic Mac Mall	1,978,086	1,706,237	2,173,695	289,839	3,603	6,151,460
2222 – Kennetcook	313,670	41,103	662,435	38,286	179	1,055,672
2223 – Elmsdale	2,688,607	1,284,171	5,216,986	515,249	2,551	9,707,565
2225 – Fall River	1,569,306	1,366,719	2,521,827	232,223	1,249	5,691,324
2226 – Portland Street	2,830,449	2,653,624	4,466,634	454,975	4,605	10,410,287
2227 – Forest Hills	3,677,960	2,112,233	5,569,519	519,772	1,967	11,881,450
2270 – Porters Lake	1,796,779	847,359	3,194,435	274,383	953	6,113,909
2280 – Sheet Harbour	482,829	143,480	816,520	59,787	479	1,503,095
2285 – Stewiacke	830,986	199,915	1,914,877	161,776	330	3,107,885
2286 – Middle Musquodoboit	388,731	73,342	578,975	37,695	127	1,078,870
2290 – Eastern Passage	1,078,879	414,234	2,465,936	162,207	689	4,121,945
2297 – Musquodoboit Harbour	691,174	266,265	1,008,587	84,611	640	2,051,276
TOTAL FOR REGION 2	36,623,537	23,271,837	61,033,929	5,558,545	34,222	126,522,070

SALES BY STORES – REGION 3 EASTERN AND NORTHERN

REGION 3	SPIRITS	WINE	BEER	RTD	OTHER	TOTAL
2301 – Amherst	816,041	312,641	1,847,701	155,105	492	3,131,980
2302 – Amherst Mall	1,663,326	962,152	3,148,132	394,062	3,332	6,171,003
2303 – Antigonish	4,185,391	2,209,261	5,780,845	570,310	5,851	12,751,657
2310 – Bible Hill	998,918	337,182	1,815,758	127,215	422	3,279,495
2312 – Canso	442,953	59,864	783,737	61,732	314	1,348,600
2317 – Guysborough	441,161	140,216	620,333	36,817	79	1,238,606
2322 – Joggins	96,533	16,837	328,895	16,197	64	458,526
2338 – Oxford	327,384	82,303	630,904	54,002	241	1,094,835
2340 – Mulgrave	237,897	46,277	401,983	24,005	74	710,236
2343 – Parrsboro	413,887	168,669	929,555	87,591	266	1,599,967
2345 – New Glasgow	1,986,263	1,008,927	3,385,622	315,288	3,729	6,699,829
2347 – West End New Glasgow	1,583,156	963,268	2,488,656	282,854	1,428	5,319,363
2348 – Pictou	1,358,518	626,976	2,140,031	164,901	1,316	4,291,742
2353 – Pugwash	402,907	211,054	715,461	63,962	498	1,393,881
2358 – River John	213,567	73,879	486,543	21,789	171	795,949
2367 – Springhill	532,837	134,293	1,274,472	128,300	532	2,070,434
2370 – Sherbrooke	252,923	75,828	429,022	34,017	337	792,128
2375 – Stellarton	1,186,709	371,483	2,264,444	146,078	545	3,969,260
2382 – Tatamagouche	761,582	351,239	1,575,507	106,555	663	2,795,546
2387 – Trenton	387,307	94,110	914,767	43,740	122	1,440,046
2392 – Truro	3,257,668	1,594,869	5,003,644	513,861	3,297	10,373,338
2394 – Truro Mall	2,112,731	822,669	3,624,668	317,027	1,153	6,878,247
2397 – Westville	660,731	175,118	1,660,928	119,890	343	2,617,009
TOTAL SALES FOR REGION 3	24,320,389	10,839,112	42,251,609	3,785,299	25,268	81,221,678

SALES BY STORES – REGION 4 CAPE BRETON

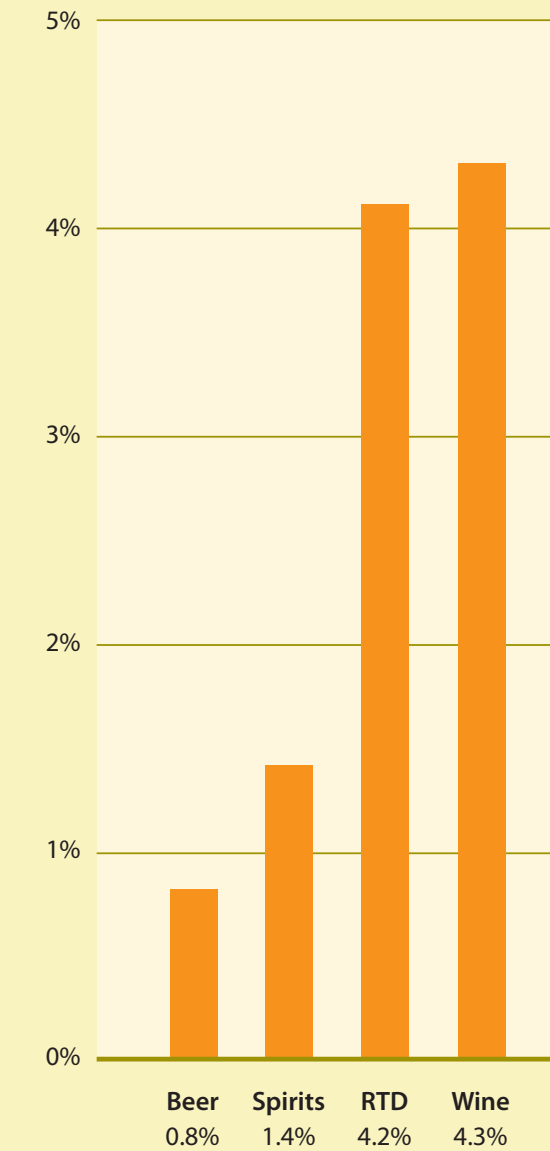
REGION 4	SPIRITS	WINE	BEER	RTD	OTHER	TOTAL
2407 – Arichat	477,225	135,834	822,347	47,773	395	1,483,574
2408 – Baddeck	930,663	505,415	1,349,205	120,453	1,618	2,907,354
2413 – Cheticamp	512,068	273,113	941,833	108,064	953	1,836,031
2418 – Dominion	580,709	106,775	1,282,000	99,338	353	2,069,174
2426 – Glace Bay	2,872,045	785,370	5,472,757	524,856	1,866	9,656,894
2431 – Ingonish	562,840	248,536	1,089,887	106,677	920	2,008,859
2436 – Inverness	618,425	236,895	1,167,090	93,070	588	2,116,069
2441 – Louisbourg	403,330	110,287	748,071	53,471	400	1,315,559
2445 – New Waterford	1,383,795	263,820	3,045,249	248,166	876	4,941,905
2451 – North Sydney	2,376,164	831,101	3,813,238	488,959	1,849	7,511,310
2455 – Port Hawkesbury	2,273,815	980,524	3,397,849	309,327	4,708	6,966,224
2460 – Port Hood	617,810	156,876	784,781	57,515	830	1,617,813
2477 – St. Peters	627,368	223,264	1,339,256	77,818	733	2,268,440
2479 – Sydney	2,282,820	915,096	3,078,001	282,116	2,020	6,560,053
2481 – Sydney K-Mart Plaza	2,568,671	804,514	4,037,394	382,075	1,214	7,793,868
2483 – Whitney Pier	726,000	141,055	1,229,123	78,934	321	2,175,432
2490 – Sydney Mines	1,729,370	532,047	4,073,092	426,378	513	6,761,400
2496 – Sydney River	3,977,449	2,139,668	6,117,549	659,472	6,746	12,900,884
TOTAL SALES FOR REGION 4	25,520,567	9,390,191	43,788,722	4,164,460	26,902	82,890,842

SALES BY STORES – REGION 5 VALLEY AND SOUTH SHORE

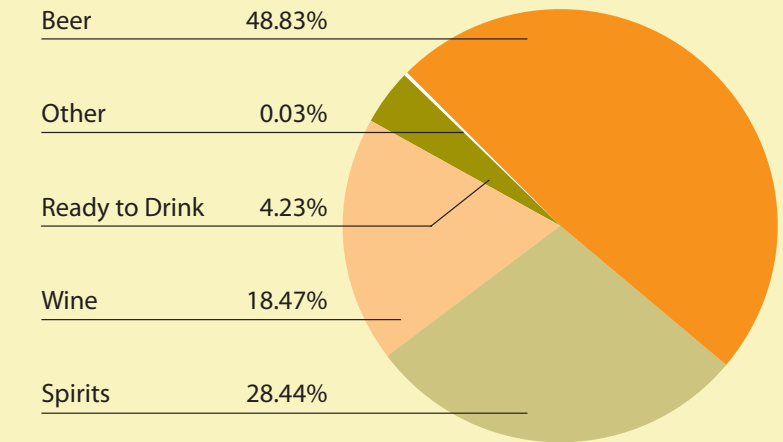
REGION 5	SPIRITS	WINE	BEER	RTD	OTHER	TOTAL
2501 – Annapolis	767,086	432,708	1,269,122	113,027	508	2,582,451
2504 – Barrington Passage	1,115,319	238,955	1,413,053	270,329	655	3,038,312
2505 – Bridgewater	2,891,945	1,410,141	4,347,070	336,676	2,627	8,988,459
2506 – Bridgewater Mall	1,681,835	765,275	1,305,620	158,797	1,206	3,912,735
2509 – Caledonia	262,216	76,543	412,758	40,304	179	792,000
2511 – Berwick	1,180,110	375,973	2,238,777	169,295	505	3,964,659
2515 – Bridgetown	458,432	195,182	779,681	67,445	327	1,501,066
2520 – Digby	1,626,912	740,839	2,540,465	245,202	1,533	5,154,951
2546 – Kentville	1,965,098	823,180	3,433,332	297,394	1,187	6,520,190
2548 – Kingston	2,109,718	1,126,044	3,757,132	394,209	1,641	7,388,745
2555 – Liverpool	2,032,427	838,375	2,608,406	219,519	1,398	5,700,126
2560 – Lockeport	304,233	60,242	380,129	26,320	78	771,002
2572 – Meteghan	657,115	271,935	1,267,655	86,502	405	2,283,612
2573 – Middleton	701,140	292,867	1,381,055	95,981	328	2,471,372
2574 – New Minas	2,321,004	1,541,413	3,249,767	393,735	4,298	7,510,217
2575 – New Germany	539,481	131,849	913,550	64,360	211	1,649,451
2585 – Shelburne	1,022,815	396,625	1,442,717	140,868	702	3,003,727
2590 – West Pubnico	413,485	96,469	375,663	70,645	201	956,463
2591 – Weymouth	418,727	125,292	801,449	54,070	267	1,399,804
2595 – Wolfville	1,197,795	957,424	1,789,420	164,663	1,555	4,110,858
2598 – Yarmouth	3,152,908	1,373,998	4,097,652	511,765	3,275	9,139,598
TOTAL SALES FOR REGION 5	26,819,798	12,271,332	39,804,472	3,921,107	23,087	82,839,797
CATEGORY TOTAL SALES	160,878,620	104,476,330	276,188,679	23,899,411	183,480	565,626,519
AGENCY STORE SALES	SPIRITS	WINE	BEER	RTD	OTHER	TOTAL
	10,064,159	2,577,956	20,646,593	1,602,330	7,105	34,898,143

FINANCIAL PERFORMANCE

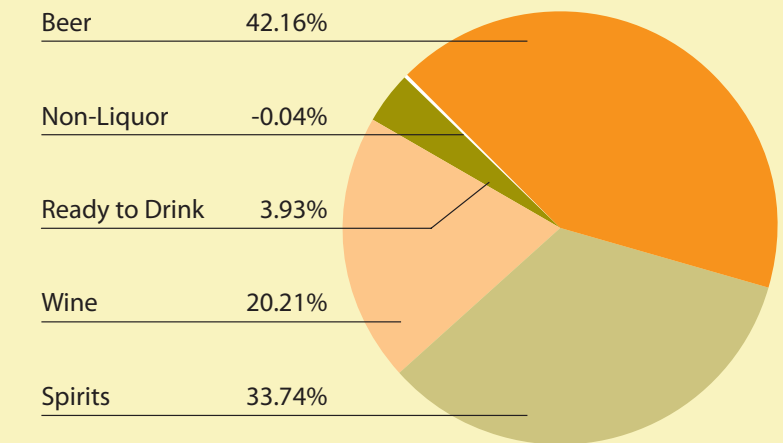
VOLUME PERCENT INCREASE
(2008/09 VS 2007/08)



SALES CONTRIBUTION BY CATEGORY



GROSS PROFIT CONTRIBUTION BY CATEGORY



TEN-YEAR HISTORY

	1999/2000	2000/2001	2001/2002	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009
Volume (000 Hectolitres)	723.6	725.6	729.0	730.6	760.2	762.5	786.2	795.0	813.8	824.4
Gross Sales (M)	371.6	376.5	391.1	413.3	439.5	453.2	488.7	508.2	536.4	565.6
Cost of Goods	187.6	187.1	197.6	202.8	213.3	217.0	233.0	242.3	250.1	261.4
As a % of Net sales	50.5%	50.3%	50.5%	49.2%	48.8%	48.1%	47.9%	48.0%	47.1%	46.7%
Gross Profit (M)	183.8	185.2	193.9	209.6	223.8	234.0	253.1	262.4	280.5	298.1
as a % of net sales	49.5%	49.7%	49.5%	50.8%	51.2%	51.9%	52.1%	52.0%	52.9%	53.3%
Store Op Expense (M)	33.8	33.3	34.7	36.0	38.1	42.0	45.9	47.1	48.8	49.1
As a % of Net sales	9.1%	8.9%	8.9%	8.7%	8.7%	9.3%	9.4%	9.3%	9.2%	8.8%
Gross Operating Profit (M)	150.0	151.9	159.1	173.6	185.4	192.0	207.2	215.3	231.6	249.1
As a % of Net sales	40.4%	40.8%	40.6%	42.1%	42.4%	42.6%	42.6%	42.7%	43.6%	44.5%
WHSE/Dist. Exp. (SC)(M)	3.8	4.0	4.2	4.1	4.9	5.2	4.8	5.3	6.0	4.8
As a % of Net sales	1.0%	1.1%	1.1%	1.0%	1.1%	1.2%	1.0%	1.1%	1.1%	0.9%
Inc/Operations (M)	135.2	137.2	143.9	157.9	166.8	170.0	181.2	188.2	198.7	212.6
As a % of Net sales	36.4%	36.9%	36.8%	38.3%	38.2%	37.7%	37.3%	37.3%	37.4%	38.0%
Wholesale Sales (M)	64.0	65.0	66.6	75.3	79.6	83.0	87.6	94.0	102.9	110.6
As a % of Net sales	17.2%	17.5%	17.0%	18.3%	18.2%	18.4%	18.0%	18.6%	19.4%	19.8%
Stores	100	100	100	100	100	108	107	108	109	106
Hours Open (000's)	306.1	310.4	315.9	310.1	317.9	344.1	348.8	N/A	N/A	N/A
Volume (000HL)										
Spirits	50.0	50.7	50.6	49.8	51.4	52.3	52.2	51.2	51.9	52.6
Wine	52.5	54.6	54.1	56.0	61.7	65.6	69.2	72.1	77.8	81.2
Beer	608.1	603.8	604.1	602.2	621.2	619.2	637.5	641.7	652.0	657.1
RTD	13.0	16.5	20.3	22.6	25.9	25.4	27.3	30.0	32.1	33.4

SOURCE OF GROSS SALES REVENUE

SOURCE OF GROSS SALES REVENUE

As a percentage of sales spirits are down from prior year, but the actual sale of spirits are up 4.8%. Wine showed an increase of 7.6% over last year. Beer is down as a percentage of sales but actual sales of beer are up 4.7%. (Dollars to the 000's)

	2008/2009	\$	%
Spirits		160,878.62	28.44%
Wine		104,476.33	18.47%
Beer		276,188.68	48.83%
RTD		23,899.41	4.23%
Other		183.48	0.03%
TOTAL		565,626.52	100%

RETAIL — WHOLESALE SALES — 2008/2009

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

SPIRITS	\$	%
Retail	136,984.3	85.1%
Wholesale	23,894.3	14.9%
TOTAL	160,878.6	100.0%

RETAIL	WHOLESALE
85.1%	14.9%

WINE	\$	%
Retail	85,213.7	81.6%
Wholesale	19,262.7	18.4%
TOTAL	104,476.3	100.0%

RETAIL	WHOLESALE
81.6%	18.4%

BEER	\$	%
Retail	212,878.1	77.1%
Wholesale	63,310.6	22.9%
TOTAL	276,188.7	100.0%

RETAIL	WHOLESALE
77.1%	22.9%

RTD	\$	%
Retail	19,795.5	82.8%
Wholesale	4,103.9	17.2%
TOTAL	23,899.4	100.0%

RETAIL	WHOLESALE
82.8%	17.2%

OTHER	\$	%
Retail	160.9	87.7%
Wholesale	22.6	12.3%
TOTAL	183.5	100.0%

RETAIL	WHOLESALE
87.7%	12.3%

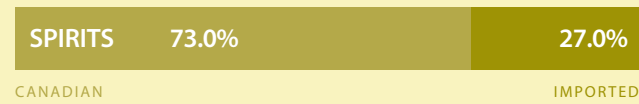
TOTAL	\$	%
Retail	455,032.4	80.4%
Wholesale	110,594.1	19.6%
TOTAL SALES	565,626.5	100.0%

CANADIAN AND IMPORTED SALES

CANADIAN & IMPORTED SALES — 2008/2009

Canadian Products account for 73.4% of all products sold; 26.6% are imported. (Dollars to the nearest 000's)

SPIRITS	\$	%
Canadian	117,418.9	73.0%
Imported	43,459.8	27.0%
TOTAL	160,878.6	100.0%



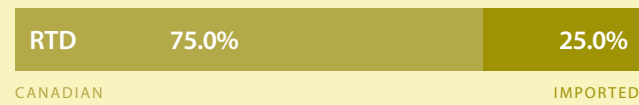
WINE	\$	%
Canadian	28,970.0	27.7%
Imported	75,506.3	72.3%
TOTAL	104,476.3	100.0%



BEER	\$	%
Canadian	250,756.6	90.8%
Imported	25,432.1	9.2%
TOTAL	276,188.7	100.0%



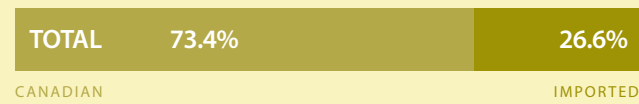
RTD	\$	%
Canadian	17,915.0	75.0%
Imported	5,984.4	25.0%
TOTAL	23,899.4	100.0%



OTHER	\$	%
Canadian	183.5	100.0%
Imported	0.0	0.0%
TOTAL	183.5	100.0%



TOTAL	\$	%
Canadian	415,243.9	73.4%
Imported	150,382.6	26.6%
TOTAL	565,626.5	100.0%



DISTRIBUTION OF SALES REVENUE DOLLARS

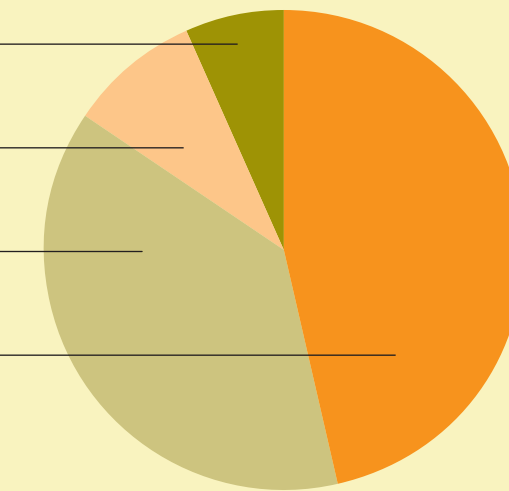
2008/2009

Administrative & Depreciation Expenses 6.5%

Cost of Store Operations 8.8%

Income from Operations 38.0%

Cost of Sales 46.7%



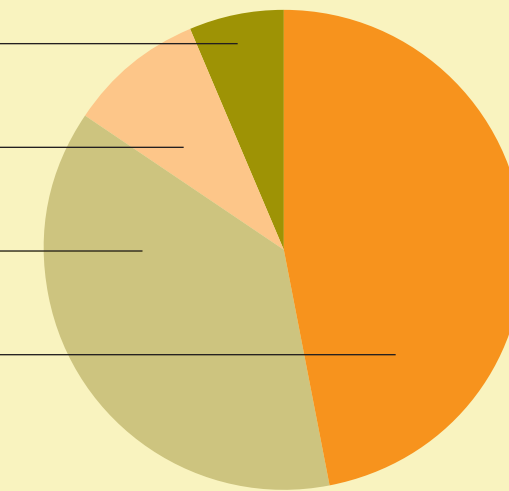
2007/2008

Administrative & Depreciation Expenses 6.2%

Cost of Store Operations 9.2%

Income from Operations 37.4%

Cost of Sales 47.1%



SALES COMPARISON

BY CLASS OF SALES						
YEAR	SPIRITS	WINE	BEER	RTD	OTHER	TOTAL
2008/2009	160,878.6	104,476.3	276,188.7	23,899.4	183.5	565,626.5
2007/2008	153,513.5	97,096.0	263,737.6	21,958.8	110.0	536,415.9
2006/2007	148,428.0	87,578.0	251,363.3	20,597.8	196.6	508,163.7
2005/2006	146,511.1	81,794.3	242,597.7	17,487.2	295.2	488,685.5
2004/2005	138,031.1	74,152.2	224,344.5	16,048.8	633.5	453,210.1
2003/2004	135,605.1	69,766.5	217,654.7	15,993.3	527.5	439,547.1

SALES COMPARISON — CANADIAN VS. IMPORTED — GROSS LIQUOR REVENUE						
2008/2009	SPIRITS	WINE	BEER	RTD	OTHER	TOTAL
Canadian	117,418.9	28,970.0	250,756.6	17,915.0	183.5	415,243.9
Imported	43,459.8	75,506.3	25,432.1	5,984.4	0.0	150,382.6
	160,878.6	104,476.3	276,188.7	23,899.4	183.5	565,626.5
2007/2008	SPIRITS	WINE	BEER	RTD	OTHER	TOTAL
Canadian	114,596.8	26,225.2	241,037.7	16,626.0	110.0	398,595.7
Imported	38,916.7	70,870.8	22,700.0	5,332.8	-	137,820.3
	153,513.6	97,096.0	263,737.7	21,958.8	110.0	536,416.0
Canadian	74.65%	27.01%	91.39%	75.71%	100.00%	
Imported	25.35%	72.99%	8.61%	24.29%	0.00%	

2007/2008 figures have been restated to be based on Customer Country of Origin

SALES COMPARISON - WHOLESALE SALES						
YEAR	SPIRITS	WINE	BEER	RTD	OTHER	TOTAL
2008/2009	23,894.3	19,262.7	63,310.6	4,103.9	22.6	110,594.1
2007/2008	22,351.6	17,784.2	58,950.2	3,799.9	15.5	102,901.4
2006/2007	19,692.1	16,296.7	54,620.2	3,352.4	31.4	93,992.8
2005/2006	17,773.2	14,259.3	52,269.1	3,240.0	35.1	87,576.7
2004/2005	16,797.7	14,282.3	48,541.3	3,311.9	61.0	82,994.2

VOLUME COMPARISON

VOLUME COMPARISON - SALES IN HECTOLITRES

(Approximate Hectolitres)

Imported & Canadian Wine has been steadily increasing in volume over the last five years. Imported Beer volume decreased 1.6% from last year and Canadian Beer volume increased 0.9% from last year.

2008/2009		2007/2008	
SPIRITS		SPIRITS	
Canadian	41,012.26	Canadian	41,668.52
Imported	11,637.70	Imported	10,276.43
Total	52,649.97	Total	51,944.95
	6.4%		6.4%
WINE		WINE	
Canadian	32,156.40	Canadian	30,493.57
Imported	49,001.91	Imported	47,306.27
Total	81,158.49	Total	77,799.84
	9.8%		9.6%
BEER		BEER	
Canadian	615,747.34	Canadian	609,958.72
Imported	41,376.05	Imported	42,033.45
Total	657,123.39	Total	651,992.17
	79.7%		80.1%
RTD		RTD	
Canadian	25,646.17	Canadian	25,189.87
Imported	7,788.19	Imported	6,895.23
Total	33,434.35	Total	32,085.10
	4.1%		3.9%
GRAND TOTAL	824,366.20	GRAND TOTAL	813,822.06
	100.0%		100.0%



Management is responsible for the integrity of the Nova Scotia Liquor Corporation financial statements and has established a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized, and financial records are properly maintained to allow the preparation of financial statements in a timely manner. The system includes formal policies and procedures, and appropriate delegation of authority and segregation of responsibilities. An internal audit function evaluates the effectiveness of internal controls on an ongoing basis and reports its findings to the Audit 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 of information available up to the date of this statement.

Based upon the knowledge of management as of the date of this statement, the annual financial statements included in this annual report fairly represent in all material respects the financial condition, results of operations, and cash flows of the NSLC as of March 31, 2009.

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

On behalf of management:

Bret Mitchell
President and CEO
May 29, 2009

Maureen Sullivan
Vice President, Finance

NOVA SCOTIA LIQUOR CORPORATION

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Auditors' report

Grant Thornton LLP
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Halifax, NS
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T (902) 421-1734
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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, 2009 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, 2009 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 29, 2009

Chartered Accountants

STATEMENTS OF EARNINGS AND RETAINED EARNINGS

Year ended March 31 (in thousands)	2009	2008
Sales	\$ 559,515	\$ 530,552
Cost of goods sold	<u>261,365</u>	<u>250,065</u>
	298,150	280,487
Store operating expenses	<u>49,086</u>	<u>48,845</u>
	249,064	231,642
Depreciation and amortization	8,732	7,326
Supply chain expense	4,761	5,994
Corporate services expense	21,479	19,687
Other revenue	(4,522)	(5,630)
Other expenses	<u>6,001</u>	<u>5,594</u>
	36,451	32,971
Net earnings	<u>\$ 212,613</u>	<u>\$ 198,671</u>
Retained earnings, beginning of year	\$ -	\$ -
Net earnings	212,613	198,671
Distributions to the Province	<u>(212,613)</u>	<u>(198,671)</u>
Retained earnings, end of year	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

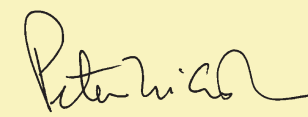
BALANCE SHEET

March 31 (in thousands)	2009	2008
Assets		
Current		
Cash and cash equivalents	\$ 5,546	\$ 8,281
Receivables	2,200	3,359
Inventories	35,693	35,547
Prepays	<u>826</u>	<u>1,006</u>
	44,265	48,193
Property and equipment (note 3)	<u>44,403</u>	<u>42,522</u>
	<u>\$ 88,668</u>	<u>\$ 90,715</u>
Liabilities		
Current		
Payables and accruals	\$ 27,323	\$ 36,391
Payable to Minister of Finance	39,002	31,690
Current portion of obligation under capital lease (note 4)	1,119	973
Current portion of employee future benefit obligations (note 5)	<u>569</u>	<u>787</u>
	68,013	69,841
Obligation under capital lease (note 4)	2,372	3,492
Employee future benefit obligations (note 5)	<u>18,283</u>	<u>17,382</u>
	<u>\$ 88,668</u>	<u>\$ 90,715</u>

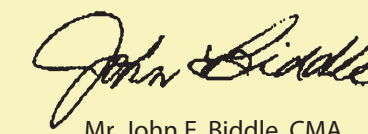
Commitments (note 6)

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. John E. Biddle, CMA
Audit Committee Chair

STATEMENT OF CASH FLOWS

Year ended March 31 (in thousands)	2009	2008
Increase (decrease) in cash and cash equivalents		
Operating		
Net earnings	\$ 212,613	\$ 198,671
Depreciation and amortization	8,732	7,326
Loss (gain) on disposal of property and equipment	88	(1)
Increase in employee future benefit obligations	682	732
	<u>222,115</u>	<u>206,728</u>
Change in non-cash operating working capital (note 7)	(7,875)	2,397
	<u>214,240</u>	<u>209,125</u>
Financing		
Principal payments on obligation under capital lease	(973)	(838)
Remittances to Minister of Finance	(205,300)	(205,200)
	<u>(206,273)</u>	<u>(206,038)</u>
Investing		
Proceeds on disposal of property and equipment	-	35
Purchase of property and equipment	(10,702)	(13,195)
	<u>(10,702)</u>	<u>(13,160)</u>
Decrease in cash and cash equivalents	(2,735)	(10,073)
Cash and cash equivalents, beginning of year	<u>8,281</u>	<u>18,354</u>
Cash and cash equivalents, end of year	<u>\$ 5,546</u>	<u>\$ 8,281</u>

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2009

1. Nature of operations

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

2. Summary of significant accounting policies

Inventories

Inventories of stock in warehouse and stores are valued at the lower of cost and net realizable value. Cost includes product costs, standard freight costs and customs with excise included when product is released for sale.

The Corporation has adopted the CICA issued Section 3031 "Inventories" which has replaced former Section 3030 with the same title. The new section establishes that inventories should be measured at the lower of cost and net realizable value, with guidance on the determination of cost. The standard has been applied retrospectively without restatement. The adoption of the Section did not have an effect on the financial statements.

Property and equipment

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

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

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

Assets under construction includes assets not yet being used, but already purchased. These assets are depreciated when they are available for use.

Cash and cash equivalents

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

Assets under capital lease

Assets under capital lease are depreciated over their estimated useful lives using the straight-line method.

Employee future benefits

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

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

Supplementary employee retirement plan

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

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

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

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

Use of estimates

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

Financial instruments

The Corporation's financial instruments include cash and cash equivalents, receivables, payables and accruals, payable to Minister of Finance, obligations under capital lease and employee future benefit obligations. Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from financial instruments. In accordance with CICA Handbook Section 3855, the Corporation's financial assets and liabilities are generally classified and measured as follows:

Asset/Liability	Classification	Measurement
Cash	Available for Sale	Fair Value
Cash Equivalents	Held to Maturity	Amortized Cost
Receivables	Loans and receivables	Amortized Cost
Payables and accruals	Other liabilities	Amortized Cost
Payable to Minister of Finance	Other liabilities	Amortized Cost

NOTES TO THE FINANCIAL STATEMENTS

Currency risk

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

At year end, the Corporation has accounts payable denominated in non-Canadian currency of \$151 (2008 - \$510).

Sensitivity analysis

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

	Carrying value (Cdn \$)	Effect of a 10% increase in Canadian dollar	Effect of a 10% decrease in Canadian dollar
Accounts payable	\$ 151	\$ 15	\$ (15)

3. Property and equipment

	Cost	Accumulated Depreciation	2009 Net Book Value	2008 Net Book Value
Assets under construction	\$ 870	\$ -	\$ 870	\$ 7,226
ERP	15,956	4,266	11,690	6,506
Furniture and fixtures	11,375	5,589	5,786	5,288
Other equipment	10,374	7,063	3,311	2,925
Computer	11,563	7,293	4,270	6,170
PC's and small applications	1,237	1,115	122	143
Land and buildings	19,932	19,063	869	915
Improvements to wholly owned properties	15,440	10,479	4,961	788
Leasehold improvements	27,762	15,238	12,524	12,561
	<u>\$ 114,509</u>	<u>\$ 70,106</u>	<u>\$ 44,403</u>	<u>\$ 42,522</u>

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, 2009 is as follows:

2010	\$ 1,536
2011	1,536
2012	1,153
Total minimum lease payments	<u>4,225</u>
Less: amount representing interest	<u>734</u>
Balance of obligation	<u>3,491</u>
Less: current portion of obligation	<u>1,119</u>
	<u>\$ 2,372</u>

Administrative expenses include interest of \$563 (2008 - \$689) related to this obligation.

5. Employee future benefits

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

Information about these benefit plans, in aggregate, based on the December 31, 2006 actuarial valuation extrapolated to March 31, 2009 is as follows:

	2009	2008
Accrued benefit obligations:		
Balance, beginning of year	\$ 18,274	\$ 15,908
Adjustment to beginning balance	<u>(2,253)</u>	<u>-</u>
Adjusted beginning balance	16,021	15,908
Current service cost	677	666
Interest cost	954	906
Benefits paid	(906)	(828)
Actuarial (gain) / loss	<u>(3,796)</u>	<u>1,622</u>
Balance, end of year, and funded status – deficit	12,950	18,274
Less: current portion	(569)	(787)
Past service costs	(60)	(70)
Unamortized net actuarial (loss) / gain	<u>5,962</u>	<u>(35)</u>
Accrued benefit liability	<u>\$ 18,283</u>	<u>\$ 17,382</u>

NOTES TO THE FINANCIAL STATEMENTS

The Corporation changed its discount rate in fiscal 2009 to conform with the CICA recommended rate. The adjustment to beginning balance reflects the impact of the change to the opening balance. The adoption of this rate results in an actuarial gain at March 31, 2008 of \$630 in place of the loss of \$1,623 that was reported in the previous year.

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

	2009	2008
Discount rate	7.93%	4.95%
Rate of compensation increase	2.50%	2.50%

The assumed health care cost trend rate at April 1, 2009 was 8.17%, decreasing at 1% per annum to an ultimate rate of 4.41% per annum.

The Corporation's net benefit plan expense was \$1,588 (2008 - \$1,560).

6. Commitments

The Corporation leases buildings, premises and equipment under operating leases which expire at various dates between 2010 and 2024. Some of these operating leases contain renewal options at the end of the initial lease term.

The following schedule approximates future minimum rental payments required under operating leases that have initial lease terms in excess of one year, as of March 31, 2009:

2010	\$ 5,229
2011	\$ 4,652
2012	\$ 3,801
2013	\$ 3,282
2014	\$ 3,215

7. Supplemental cash flow information

	2009	2008
Change in non cash operating working capital		
Receivables	\$ 1,159	\$ (1,140)
Inventory	(146)	1,214
Prepays	180	(127)
Payables and accruals	<u>(9,068)</u>	<u>2,450</u>
	<u>\$ (7,875)</u>	<u>\$ 2,397</u>
Cash and cash equivalents consist of:		
Cash on hand and balances with banks	<u>\$ 5,546</u>	<u>\$ 8,281</u>
Interest and bank charges paid	<u>\$ 398</u>	<u>\$ 428</u>

8. Comparative figures

Certain of the comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

BOARD OF DIRECTORS



Peter McCreath, PC, MA, DCL, FRSA, ICD.D
Chairman of the Board of Directors

My family lives in Nova Scotia, with my original ancestors arriving in Hubbards in 1814. Having begun life myself in Hubbards, I returned for good in 1982 on marrying a 6th generation

Hubbards girl. It has shaped who we are and what I love to do. The outdoors, our woods, our farms and the ocean have fashioned how I love to spend my leisure time.

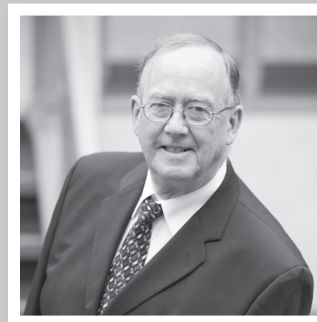
Living in Hubbards, on the ocean for much of my life, has drawn me to activities on and in the water. I very much enjoy sailing on and fishing in Saint Margaret's Bay. Spectacular scenery and the clear sea make our bay so special. Living by the sea I have also come to be passionate about snorkeling, something I have done around the world in the North and South Atlantic, the Pacific, the Indian Oceans, and in the Mediterranean and Caribbean Seas. Under the surface of the sea is a beautiful world of colour, life and activity. Whether it's the greens and browns of the bays of Nova Scotia, or the multi-coloured world of the Bahamas, Barbados, Thailand and the Seychelles, there are limitless sites to see and enjoy.

On land I am an avid amateur grape grower tending to my more than 30 grape vines I have in Hubbards. It is a labour of love that allows me to indulge in my appreciation for wine and in particular my respect for the incredible abilities of Nova Scotia's local producers.

All of this ties to my deep interest in history and in particular our Nova Scotia history. I love reading and writing about it and have produced a number of books and television scripts

on our history. I am a biased, proud and vocal promoter of our incredible province, its people and our lifestyle as Nova Scotians.

I serve on several business Boards of Directors and operate a public affairs company.



Frank Elliott
Director

A picturesque beach in Tidnish is one of the few places in beautiful Nova Scotia where you can sit on the porch and enjoy holiday fireworks from three provinces – Nova Scotia, Prince Edward Island and New Brunswick. That's one of the main reasons my cottage sits in this very location. It's the perfect backdrop for Vanessa, my wife and I to enjoy family and friends. There's nothing I like better than a cottage chock full of laughter from my children and grandchildren. Cooking for large groups, especially breakfast, is a regular part of the cottage routine. This provides me with an opportunity to indulge another passion – container gardening. Containers and pots are chock full of summers' finest blossoms on my cottage deck. I love watching the results of my experimentation with planting seeds inside during the long cold winter months come spring.

When I'm not savouring 'cottage life' I can be found in Amherst, a hidden treasure in Nova Scotia that I have always called home. I am well known in the community as an entrepreneur, businessman and dedicated community volunteer. My volunteer posts include various positions with the Amherst Rotary Club and 14 years as a member of the Amherst Police Commission. Since 2004, I have been a member of the NSLC Board, proudly involved in the development of campaigns designed to create awareness of the need to enjoy beverage alcohol responsibly.

BOARD OF DIRECTORS



Paula Minnikin
Director

I mix a love of sports with a love of art and music – not often a common mix but it works for me. I'm an avid sailor and skier who plays and coaches basketball and soccer. I devote a fair amount of time to initiatives and organizations I believe will

make Halifax – my community – better.

This is approach and why I chose to serve on the NSLC Board. As a teenager I was a competitive basketball player. I loved the game and dedicated great amounts of time to becoming very good at it. However, when I was 15, I was hit by a drunk driver and was in hospital and rehabilitation for some time. It was some time before I could return to the sport I love. I still play and coach and my daughter is every bit as passionate about the game as I am.

My personal experience and my desire to help make Halifax an even better place to live and raise a family led me to want to serve on the NSLC's Board, which I have done for seven years now. I enjoy the governance role and being part of a changing organization that is now a leading advocate in the province and the country for people making the right choices around the intelligent consumption of alcohol.

I own an information technology consulting business.



Peter Green, LLB
Director

My father was a sea Captain. So was his father. They fished the Grand Banks together. They survived the worst gale ever on the Grand Banks and thank goodness or I would not be here! So like many of us, the sea is in my blood.

I first went to sea at the age of nine years and I have been on the water ever since. My sea fairing adventures are not as a professional fisherman but as a

dedicated sailor. There a few things I adore as much as sailing on Mahone Bay.

My life took a different turn than my forefathers as I developed a fascination with the law. Having graduated from Dalhousie Law School with its strong emphasis on public and community service, I have volunteered with professional organizations from the Dalhousie Legal Aid Society, the Nova Scotia Barristers' Society, the Canadian Bar Association and the International Bar Association. My varied community Board involvement has included the United Way, the Nova Scotia Gambia Association, the Canadian Cancer Society and the YMCA of Greater Halifax.

The restlessness that accompanies many sea fairing people I guess has stuck with me and has presented itself in my love of travel. I have taught law in China, been on safari in the Serengeti Plain, traveled to South East Asia and all over South America.

These experiences, my deep roots in our province, combined with my volunteer work have enriched my legal practice and my contributions to the NSLC.



John Biddle, CMA
Director

Most of my professional career was spent in finance. There's more to life than money though. In my retirement, I make time for curling, golf, reading and traveling.

Community activities are also an important part of my life and retirement has allowed me to focus on giving back to the community that has been so good to me. Like most people, I am concerned about the quality of our healthcare services. So I have chosen to spend a great deal of my volunteer time as Chair of the Health Services Foundation of the South Shore. Raising funds to enable the hospitals of the South Shore to have the best equipment available is a deeply satisfying activity for me. One of our

proudest efforts is our annual Hit for Health golf tournament that I have been involved with since its beginning 11 years ago. Organizing tournaments of this size takes great planning and effort by many volunteers and I am proud to be associated with a top notch group in this effort.

I also love to travel and have recently been to New Zealand and Australia and I am looking forward to a Mediterranean cruise in the near future.

Prior to retiring, I was a financial consultant with CIBC Wood Gundy.



**Joe MacDonald, msc.
Director**

I attribute my great love of learning to my family. Being the youngest of seven children, I was surrounded by a loving family that was always trying to teach me something. It worked.

I am passionate about academia and life long learning and I have applied it to all aspects of my personal and professional life.

This created my desire to pursue academia with a passion. At 20 years of age, I was teaching in the public school system and at 24 years of age I was teaching at St. Francis Xavier University not much older than many of my students.

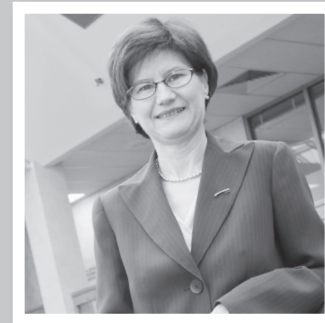
I learned one of my most important life lessons at the age of 49 – you can teach an old dog new tricks. My life was forever changed when I met the love of my life, Mary Jane, and now every day is chock full of new learning opportunities. Now, it's learning new things as part of a great team – cross country skiing, mountain biking, snow-shoeing, wine-collecting and cooking.

Luckily, I have managed to combine my professional pursuits with my volunteer interests. I volunteer as Chair of the Antigonish Sexual Assault Response Team and Vice Chair

of the Antigonish Police and Licensing Committee. These roles are perfect for me because I am always looking for opportunities to improve student life. Being an NSLC Board member since June 2007 is also a perfect fit as it allows me an opportunity to become involved in the development of social responsibility advocacy campaigns targeted directly at university students.

Life-long learning is a journey that I have been committed to since the beginning with so many sites to see and experience along the way. I'll continue to search, with the same enthusiasm I apply to all elements of my life, for the final destination.

I am the Dean of Students at St. Francis Xavier University.



**Rachel Martin, MA, CA
Director**

Some can't imagine what the attraction is to spending your leisure hours digging in the dirt, wiping the sweat from your face wearing dirt-stained gloves in the summer heat. For those of us who love gardening in Canada, it takes patience and perseverance.

Planting and waiting for them to grow, weeding to ensure strong growth, endless watering and pruning to keep flowers and scrubs beautiful is how I love to spend my time. Winter months are spent planning new beds, looking at new designs and thinking about how to incorporate them into my two gardens – one in the city and the other a country garden in Lunenburg County. I particularly love rhododendrons. I can't say how many I have in my two gardens for sure, but I do know it is more than 50. The creating of such beautiful things, making where we live an even lovelier place, fills me with joy.

I'm a proud member of the Atlantic Rhododendron and Horticulture Society. We work at improving our public spaces. We do it quietly, as is the nature of gardeners. But you may notice our work occasionally in places, like Regatta Point.

I have spent most of my working life as an entrepreneur and since 2003, I have owned and managed Maritime Office Equipment Leasing Limited.



**Vicki Harnish, MPA, ICD.D
Non-voting Director**

I am the product of both nature and nurture. My mother's parents entered Canada from Great Britain as a young married couple, in 1929, and although far away from their families, quickly came to love the country that they had

adopted. My father's family's roots in Hubbards, on the South Shore go back to the 1700's. My husband also has roots in Hubbards—where we met as teenagers. Early days in Nova Scotia required hardy souls who managed to find ways to support themselves and their families living off the land and the sea. This engenders a certain toughness and perseverance down through the generations.

As a result, I was always taught that through hard work you could do anything in this country. Growing up in a family of three girls, my parents led by example and created a sense of drive, work ethic, and love of this province in all of us. As a result, my family and my career have been the driving passions of my life. I believe that public service is a worthy and even noble calling and that we make a difference for the better every day. I believe this so strongly that I am always willing to spend time and effort promoting the rewards of a public service career with young people—to ensure that Nova Scotia continues to have the best and brightest people in the public service who want to make this an even better place.

Now that my daughters are almost finished university, I am finding time for additional interests and for me this is golf. I love playing the game with friends. I enjoy the conversation and the social aspect of how golf brings people together. As anyone who has done it knows, this is a difficult game to pickup as an adult. It can be frustrating sometimes, but the time spent outdoors with friends that golf enables more than makes up for the many bad shots.

I have spent more than 30 years in several departments of the Nova Scotia Government, where I have had the privilege of working with and learning from many excellent people who have chosen to serve their fellow citizens. I have held the position of Deputy Minister, Finance since January 2004.



**Bret Mitchell
President & CEO
Non-voting Director**

Nova Scotia is one of the few provinces in Canada where music is a critical part of the culture. The sea-faring nature of the province, the heavy cultural influences of English, Irish, Scots, and Acadians make this a truly unique

place. With a passion for music, Nova Scotia is a special place to live that celebrates music throughout its communities.

Music has always been part of my life. My whole family played music of some kind – grandfather, brother, sisters, cousins, aunts and uncles. My love of music comes from this, and I, like so many others, began playing piano when I was young, perhaps at 5 years of age. I played saxophone in my first jazz band when I was 15. I bought my first electric guitar, a 1966 Fender Mustang, when I was 18. I never looked back. Playing everything from classic rock, punk, and heavy metal became my passion. During my university years I played in a rock band, but once graduated, work took over and now I play when I can. I am now able to support this great community and its love of music with my work on the Board of Symphony Nova Scotia. Their ability to play any type of music so well from classical, to rock, Celtic to bluegrass, truly inspires me. The opportunity to blend my great love of music with community work makes me proud to call Nova Scotia home.

GOVERNANCE REPORT

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 Governor-in-Council on the recommendation of the Minister responsible for the Nova Scotia Liquor Corporation. 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, public policy, 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 the Customs Act, Excise Act, Food and Drug Act 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, and is subject to 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 are administered by a Board of nine directors:

- seven of whom are 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 is 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
Rachel Martin
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 2008–2009: 8
Member attendance: 84.38%

Audit Committee

Chair
John Biddle

Directors
Peter McCreath
Frank Elliott
Rachel Martin

Staff Support
Bret Mitchell
Greg Beaulieu
Michael Knox

Meeting Schedule
Quarterly
Actual 2008–2009: 6
Member attendance: 91.67%

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 2008–2009: 2
Member attendance: 90%

Intelligent Consumption Committee

Chair
Joe MacDonald

Directors
Peter McCreath
Vicki Harnish

Staff Support
Rick Perkins
Jennifer Gray

Meeting Schedule
Ad Hoc
Actual 2008–2009: 2
Member attendance: 100%

EXECUTIVE OFFICERS



Bret Mitchell
President & CEO

In addition to my passion for music I am equally at home in the great outdoors. Growing up in a small town, outdoor life is part of your upbringing. Fishing, hunting and hiking are particular interests I enjoy. We live in one of the most spectacular

provinces in one of the most beautiful countries in the world. These types of pursuits can take you to some of the most pristine wilderness anywhere. Days spent enjoying the beauty of a valley or hidden stream or still lake in the early morning when wandering through the Nova Scotia wilderness, are times that I really enjoy and value.

Time outside and gardening also brings the same sense of serenity and connection to our environment. These days you are as likely to find me outside of work deeply involved in the creating and building of my country gardens. There is a tremendous sense of satisfaction in creating a garden design, building it and seeing it come to life as you envisioned. These things help bring balance to my life, and balance is necessary in my view to lead a healthy and productive work life.



Craig Sutherland, MBA
Senior Vice President,
Merchandising and
Operations

I started fishing at such an early age that I can't remember the first fish. But I do remember what fishing meant then and what it means to me today. It's about family. My memories go back to

fishing at my grandfather's camp in Shelburne County. Hiking through the woods, my brother, my Dad and my Grandfather together on a great adventure. The woods, the streams, rivers and lakes. The camp with its bunks, wood stove and oil lanterns.

I do love the hunt for the fish, the battle when on the hook, and landing the fish. It is exhilarating to me each and every time. More importantly fishing is about the memories of my youth, time with family and the bonds strengthened through shared experiences and memories. I am fortunate that my wife, Rachel has the same shared experience with fishing in her family. Rachel's family introduced me to salmon fishing. We even went to a salmon fishing camp in northern Newfoundland for our honeymoon!

I am looking forward to introducing my children to this rich tradition of both our families. Together, with my brother, we will bring them in to the fishing tradition in Shelburne County when they are ready. We will then introduce them to the joys of fly fishing for Atlantic salmon. I can't wait for this experience with them and to share it with their grandfather just the way I did.



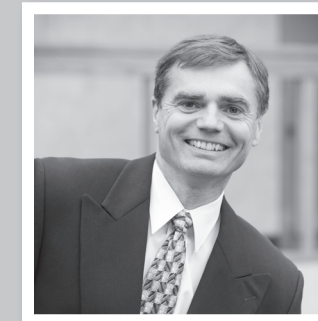
Greg Beaulieu, MBA
Corporate Secretary

I've always been a voracious reader, and as a child I would read anything I could. My reading led to all sorts of facts taking up residence in my head, which served me well during my school years. That led to a love of language and writing – a skill that has been a huge

asset in my work life. It also proved to be priceless when my work became involved with analyzing and creating policy. The ability to find, understand, and adapt what I found during research on a given issue stems from that. It was no surprise to learn that a profile of my working style tagged me as a "fact-finder".

The same holds true outside the office. As a young adult I discovered golf and am still fascinated with all aspects of the game. Naturally, I took to it by reading every book in sight on how to play the game, and concluded that Ben Hogan's book "Five Lessons" was the one to follow because he just did it right. Naturally, the first good clubs I bought were Hogans because they were just made right. Call me a traditionalist, because I loved them.

That tendency to appreciate things that are done right has led me to gravitate towards things that I think qualify in that respect in other fields. Growing up in the 1960s and 70s, I've always been a music buff. My favorite group from that era is Steely Dan, notorious for being perfectionists in pursuit of the perfect sound. At home, I listen to them on a vintage Pioneer stereo from the 1970s, famous for its virtual lack of harmonic distortion. Sometimes I'll sip on a single-malt scotch while doing so, appreciating everything that goes into making such a classic drink. That admiration for doing things the right way serves me well in my regulatory role here at the NSLC.



Mark Brown
Vice President,
Information Technology

Most people think of running as a solitary pursuit. Not for me. A number of years ago early in my career, I was fortunate enough to have the opportunity to work in Australia. Sport and the outdoors are as much a part of

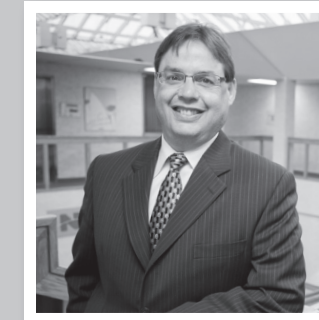
their culture as Celtic music and the sea are to Nova Scotia. Biking is a big part of life in Australia, so I bought my first ever high performance bike at a used shop – a pink 10-speed.

I rode that bike to and from work which was an hour each way. When you do this there you quickly meet and travel with many others doing the same thing. Instant friendships and bonds were created as a result. This led to doing weekend long-distance rides with large groups of people.

Triathlons are also very popular in this sport culture of Australia. It was not long before my biking friends were encouraging me

to join them in triathlons. Before I knew it, I was adding distance running in groups to my activities. They say this type of physical activity becomes addictive and they are quite right. Soon I was competing in triathlons and had developed a close relationship and friendship with many new people.

Moving back to Halifax I found that the motivation that group running brings, the social aspect and the commitment to others, makes this activity much more enjoyable than most think. It helped me get re-established in Halifax and develop a whole new circle of friends. We run together and we do long distance bike rides together. It is great fun and I can't imagine my life now without this aspect of it.



Brad Doell
Director, Supply Chain

Mine is a classic Canadian life story. Growing up in Saskatchewan with the long, cold prairie winters you need to embrace winter activity. Like most 'prairie boys' I began skating and playing hockey very young. I usually had hand-me-down gear so

I vividly remember the big times in my life when I got my first brand new helmet and skates for the first time. What a day!

Saskatchewan produces many great hockey players and no wonder; I could regularly skate down my street to the rink or the frozen ponds on the local golf course. It seems that is what my friends and I lived for. We could not wait for the school bell to ring winter or summer so we could go and play hockey — pond hockey, pick-up at the rink, street hockey and organized hockey. I was even a rink-rat hanging out at the local rink, working to help clean the ice (we didn't have a Zamboni), and doing anything I could so I could get more ice time. I managed to make it to junior hockey and loved every minute of it.

The great thing about hockey in Canada is that it is a universal experience linking all Canadians. In the dressing room it does not matter what you do for a living, rich, poor, executive or

working man; none of that matters. What matters is how you play the game and the values you approach it with. When I moved to Halifax, it was and is a great way to become part of a community. I still play year-round. I can't imagine my life without this wonderful game.

I have managed to bring the love of this sport and my career as a supply chain professional together to my volunteer activities as well. The 2011 Canada Games in Halifax represents an important sporting event for our City. I am pleased to be the lead for materials management for the Games.



Hoyt Graham, M.Eng., MBA
Vice-President, Store Development & Facilities

Some believe I have a constant right brain-left brain battle going on. I, naturally, disagree. I would say I am a create engineer, or envisioneer if you will, arbitrating between promise and the more rational.

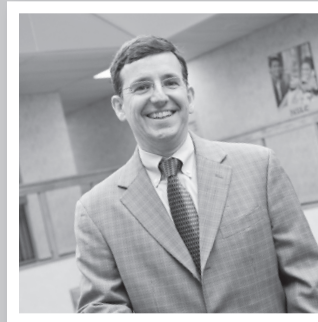
I have always been fascinated by the larger design of things, by the simple challenge of incorporating principles of use into every aspect we do. I accept the classic argument of form versus function, and this pursuit somewhat idealistically leading to early studies in architecture, art and engineering.

Growing up in cottage country in Ontario, the natural beauty of the Muskokas, their vista and serenity, in recollection these formed my bias. Inevitable Toronto corporate roles after university brought stark, hard contrast to the colourings of my youth, and my time within the Calgary Oil and Gas industry further moved me outside the grassy medians comfortably partitioning work from family. Paraphrasing John Lennon: " ... I reached a point where I just had to get off the merry-go-round."

The opportunity to join the NSLC some 6 ½ years ago now, and to reset in Nova Scotia resonated with me at a deep level, offering my young family the richness perhaps of my youth. My work, aligned with my pursuits, and I remain fortunate that my role allows me to tangibly change the fabric of our built communities,

grounded in the traditional Nova Scotian form and values, and hopefully received well by all. To wit, I offer this week's new reward and inspiration: kite flying at Lawrencetown Beach with my kids, facing an unwavering wind, but with horses and riders darting the seascape and sand bars to the leeward. Easy, this.

Some continue to say that we 'are from away', but to us, we're home.



Roddy Macdonald
Vice President,
Human Resources

Being active as a volunteer in my community has always been important to me; I take it as a positive challenge to balance my commitment to family, work and community. Life's path takes many turns and my interests outside of

work have ranged far and wide: I've been involved in various HR-related volunteer roles over the years, but more recently my time has been given to activities that keep me involved with my kids.

My wife and I have two active boys, each involved in many different sports and school activities. Like many parents, I've spent countless hours at soccer fields, Taekwondo tournaments, school gyms, snowboarding hills and paddling regattas. As a result, my volunteer efforts have become more closely related to youth and community. Soccer, for instance. I'm not a soccer coach, but I've been involved in supporting soccer clubs in different ways: from designing and managing a club website, to fundraising and car-pooling. On the community front, I was actively involved for several years in planning and organizing the Canada Day Parade in my community of Lower Sackville; I've been a Board member for a recreation association operating local sports facilities; and I participated at a municipal level as a member of HRM's local Planning Advisory Committee. I've enjoyed meeting and working with many people who all share a passion for making things better.

I recently took on a new volunteer activity: I helped to organize a learning opportunity for a group of teens, including my 16 year old son. We travelled to Africa, spending a week working with the NS Gambia Association in the tiny country of The Gambia in West Africa. More than a year in the making, the project involved working with Gambians doing health

education in schools and community settings, mostly related to malaria and HIV/Aids, and mostly using drama and street theatre as vehicles to deliver the message. It was a tremendous opportunity to learn first-hand about a very different culture and to use that learning to develop youth leadership skills. Our community really is a global community!

Maintaining a balance in busy times takes a determined effort, but it's one that I enjoy and take pride in. Here's to future travels along life's highway!



Rick Perkins, MBA
Vice President,
Communications & Corporate Social Responsibility

When I was 10, I sailed for the first time on Shediac Bay. I was hooked. Some say I get a 'spinnaker face' when I am able to fly the big sail. I guess this is a complement but most likely it is just a reflection of

how much I enjoy sailing really fast. Three boats have owned me and my current boat, *Blew North*, has carried me far since 1991. I have sailed to Florida and back five times, the Bahamas twice, all over Lake Ontario. There is nothing like planning an ocean voyage and being days and weeks on the water working with all that mother nature (and your crew) can throw at you.

Like most sailors, the winter months can be long, filled with reading about sailing and planning boat improvements. My winter months are filled with a love of playing hockey which I have done since I was 4. Hockey was my all-consuming passion for many years having played at the highest levels as a teenager. I still love to play.

Living in Nova Scotia gives me the opportunity to sail some of the most beautiful and challenging waters on earth. We bought our home so we could be by the water and have to boat in our backyard. My happiest days are when I get a chance to be on the water, with a strong ocean breeze, and good friends and family aboard.



Maureen Sullivan, CA
Vice President, Finance

My role with the NSLC is a relatively new one for me. A Chartered Accountant by profession, I have had the privilege of working in many different industries in both the private and public sector before joining the NSLC. With my extensive background in

financial and operational management as the foundation, I am enjoying learning all about the retail sector in general and the beverage alcohol industry specifically. It's a challenging sector, but I'm finding it fascinating and full of wonderful learning opportunities.

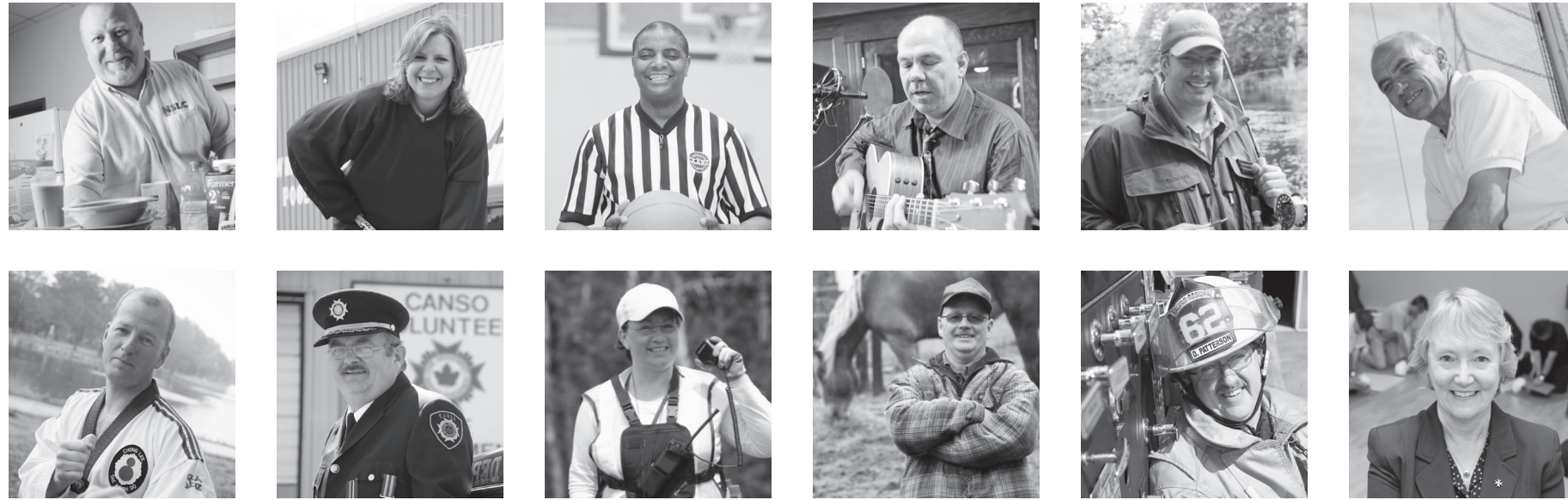
I love to learn and be exposed to new ideas, it's what I look for in a satisfying career, but volunteering has also proven to be a great venue for me. In addition to knowing that you're helping to make a difference in a community or for a cause, you have the opportunity to meet and collaborate with people with whom you have common goals and interests. I have been an active community volunteer for many years and in different capacities, from organizing fund raising events to participating on boards. Recently I participated in a two-day; 60km walk to raise funds for breast cancer. Not only was it challenging and rewarding, but it was truly the walk of a lifetime!

Now much of my walking tends to take place on a golf course. I have dabbled with golf for years but only recently developed a real passion for the game. The golf courses themselves are a true testament to our regions beauty. Hitting 9 or 18 holes is a great way to enjoy the outdoors and to spend quality time with friends and family. Now, sure it's fun to work on bringing the score down, however, I believe the true joy of the game comes from the camaraderie on the course. I find it truly inspirational to see people of all ages playing and mastering the game.

So, when I'm not busy learning the business of the NSLC, our products and customers, you'll likely find me on the course!



At the NSLC, the efforts of more than 1500 employees produce stellar results again in 2008-2009.



\$300.4 Million

Remittances to Government

Government of Canada	\$30,352,898.41	Federal Excise & Customs
	\$43,432,203.39	Harmonized Sales Tax
Government of Nova Scotia	\$11,780,435.96	Enviro Assessment
	\$212,613,204.00	Dividend to Shareholder
Municipalities of Nova Scotia	\$2,264,407.89	Municipal Property Taxes
	\$300,443,149.65	Total



The 79th NSLC Annual Report 2008-2009 was produced by the Nova Scotia Liquor Corporation and submitted to the Honourable Graham Steele, Minister Responsible for the Administration of the NSLC, for the fiscal year ended March 31, 2009.

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