



ANNUAL REPORT  
*2011*  
35<sup>th</sup> Anniversary

A.L.C. 12.5% BY VOL.



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## Senior Management Team

DANIEL ALLAIN, president and chief executive officer

RICHARD SMITH, senior vice-president

BRAD CAMERON, vice-president, customer service and retail operations

CHRISTOPHER EVANS, vice-president and chief financial officer

MIKE O'BRIEN, vice-president, supply chain and facilities

JANE WASHBURN, vice-president, human resources and corporate services

## Consumption Data (Legal Drinking Age)

Total Litres	Litres Per Capita	Sales Per Litre		Total Litres	Litres Per Capita	Sales Per Litre
2 933 116	4.88	\$ 31.43	Spirits	2 949 706	4.94	\$ 30.95
5 309 574	8.83	\$ 12.87	Wine	5 078 052	8.51	\$ 12.68
50 595 860	84.16	\$ 4.54	Beer	52 133 391	87.35	\$ 4.39
3 000 690	4.99	\$ 7.40	Other beverages	3 104 403	5.20	\$ 7.38
<b>2011</b>				<b>2010</b>		

# Chairman's letter

Honourable Blaine Higgs,  
Minister of Finance,  
Province of New Brunswick,  
Fredericton, N.B. E3B 5H1

Sir:

In compliance with Section 20 of the New Brunswick Liquor Corporation Act, I am pleased to submit the annual report of the New Brunswick Liquor Corporation for the fiscal year ended March 31, 2011.

Respectfully submitted,



Ron Lindala  
Chairman  
Board of Directors



Board of Directors



Back left to right: Arthur Doyle, director; Christian Michaud, vice-chairman; Roland Cormier, director; René Legacy, director; and Richard Smith, secretary of the board and senior vice-president. Front left to right: Daniel Allain, president and chief executive officer; Ron Lindala, chairman; Pat Hawkins, director.

## Operational information

	2011	2010
Number of ANBL stores	47	48
Number of agency stores	73	70
Number of filled positions	456	429
Number of regular listed products	1 878	1 919

# 35<sup>th</sup> Anniversary

The New Brunswick Liquor Corporation was established on April 1, 1976, with the adoption of the Liquor Control Act, which separated the retailing of alcoholic beverages from the licensing and control functions. The provincial government remained responsible for administration and enforcement, while the corporation was mandated to carry out the general business of manufacturing, buying, importing and selling liquor of every kind. The Act called for the corporation to be administered on a commercial basis, and it stipulated that all decisions and actions be based on sound business practices.



That year, the corporation had 43 self-serve, three self-serve beer only and 19 counter-service outlets. Today, Alcool NB Liquor (ANBL) has 47 corporate stores and 73 private-sector stores (agencies) under contract, providing service to 120 locations across the province.

ANBL has 35 years of service to the public of New Brunswick. These have been 35 years of change, improvement, efficiency and growth – all the while turning over steadily increasing and reliable financial returns to the provincial government.

ANBL has become a recognized leader as an employer and as a retailer.

It is often said the only thing that does not change is change itself – and that certainly rings true for the New Brunswick Liquor Corporation of the past and of the ANBL of the future.

# Five-Year Strategic Goals

**A** NBL is responsible for the purchase, importation, distribution and retailing of all beverage alcohol in New Brunswick. As a provincial Crown corporation, ANBL serves the public and licensee community through its network of 47 retail stores and 73 private agency outlets.

## Vision 2012

To be a high performance retailer, engaging employees in service excellence.

## Mission

To responsibly host New Brunswick's beverage alcohol experience.

## Values

1. *Service excellence* - Quality and efficient services to our external and internal customers and partners.
2. *Our people* - Teamwork, developing our people, and strengthening our partnerships.
3. *Corporate citizenship* - Integrity, respect for our environment, and social responsibility.

The five-year strategic plan focuses on metrics for revenue growth, customer satisfaction, internal process improvement and efficiencies, employee engagement and social and environmental responsibility. The 2011 fiscal year covers the fourth year of the five-year strategic plan.

Significant progress and accomplishments have been made in the pursuit of the following strategic goals:

### 1. Financial - Deliver \$800 million to the provincial government

Results: **Cumulative - \$614.8 million**

### 2. Customer service - Achieve greater than 93 % public customer satisfaction

Results: 2008 – 93.0 % **2010 - 94.0 %**

### 3. Internal efficiencies and process - Maintain an expense-to-sales ratio of less than 11.5 per cent

Results: **Cumulative - 11.25 %**

### 4. Employee engagement - Achieve 145/200 employee engagement index

Results: 2008 - 136/200 **2010 - 145/200**

### 5. Social and environmental responsibility - Deliver 300,000 Social Responsibility messages per year to New Brunswickers

Results: **2011 - 384,977**

# President's Message

Daniel Allain, president and CEO

ANBL's progress toward achieving the goals outlined in its five-year strategic plan continued in 2011 with many accolades and an ongoing commitment to service excellence. Financial success was achieved with positive sales and a higher net income contribution to the provincial government compared to the previous year.

These results were achieved through dedicated teamwork from our full-time, part-time and casual employees in customer service and retail operations, human resources and corporate services, finance, information technology and supply chain and facilities.

Although I have only been with ANBL since October 2010, I'm impressed by the level of commitment and dedication shown by the ANBL team. I am pleased to say that the corporation is profitable and well-run and our employees do a great job.

In the fall of 2010, the Premier issued the management team and ANBL's board of directors a specific mandate to review how the corporation fulfills its responsibilities to the province. The mandate was to address opportunities to strengthen retail strategies; increase revenue; and determine ways to change the culture and governance of the corporation. The review will be presented in a plan of action to cabinet in the fall of 2011.

The timing of the review is appropriate as ANBL moves into the final year of its five-year strategic plan.

The report to cabinet will cover corporate level issues such as ANBL's mission, vision, values, pricing, control as well as product selection. It will also include a comparative analysis to other North American states/provinces/territories, and each department will undertake a review and analysis of its operations, structure and challenges.

ANBL was named one of the top 25 employers in Atlantic Canada during the year, and this was followed by a national award for Retail Employee Development — Large Chain, by the Retail Council of Canada. This was the first national retailing award for ANBL, up against such well-known retailers as Holt Renfrew, Shopper's Drug Mart, the Home Depot and the Nova Scotia Liquor Corporation. ANBL won the award for its Retail Innovation and Service Excellence (RISE) program.

ANBL received its second national accolade when it was named one of Canada's Top 100 Employers by MediaCorp.

Following the proclamation of Bill 35 and the subsequent change to the definition of casual employees under the Public Service Labour Relations Act, ANBL signed a new agreement in October 2010 with the Canadian Union of Public Employees (Local 963) relating to this classification of employees. As part of this process, ANBL converted the equivalent casual hours to 23 new permanent part time positions.

Additional progress was made in January 2011 with the signing of a new four-year agreement with CUPE 963 and the launch of phase three of the Accelerated Leadership Development Program, a program designed to ensure continuity by developing leaders from within.

ANBL has made great strides in the past number of years to transform into a retailer and to provide consistent service to New Brunswickers. ANBL is expected to operate as a retailer first and foremost; to ensure we continue to provide financial benefit to the province; while maintaining a socially responsible promotion and sale of beverage alcohol.

I extend my thanks to the store staff, head office and warehouse staff for their dedication to serving the public and their support in meeting our five-year strategic goals.

Thanks also to the board of directors for its ongoing direction.



Daniel Allain  
President and chief executive officer



## Remittances to governments

	2011	2010
<i>Province of New Brunswick</i>		
Payments from net income	\$ 159 611 405	\$ 159 627 754
Environmental Trust Fund	\$ 2 155 142	\$ 2 007 860
Property taxes	\$ 315 358	\$ 319 760
	<u>\$ 162 081 905</u>	<u>\$ 161 955 374</u>
<i>Government of Canada</i>		
Harmonized Sales Tax	\$ 29 702 968	\$ 29 738 068
Excise tax and customs duties	\$ 15 946 717	\$ 16 290 434
	<u>\$ 207 731 590</u>	<u>\$ 207 983 876</u>

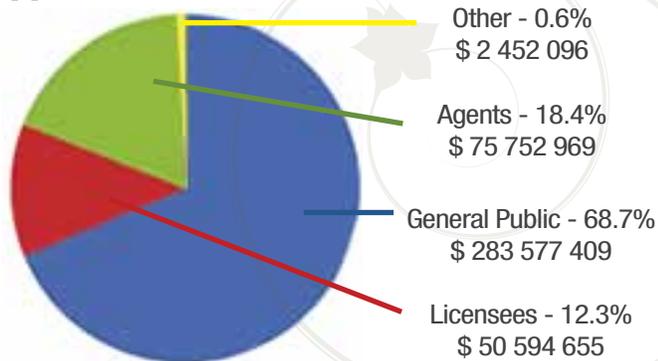
# 2011 Year in Review

## Strategic Goal # 1: Financial

**A**NBL delivered \$159.4 million in net earnings to the provincial government in fiscal 2011. While earnings did not meet budget, they represented an increase of one per cent from net earnings in 2010. Overall sales for the year were \$412.4 million, an increase of 1.3 per cent from the previous year. Volume for the year was 61,839,240 litres.

Sales (\$000s)	2011	2010	% Change
Spirits	92 199	91 282	+1.0
Wine	68 338	64 409	+6.1
Other beverages	22 216	22 902	-3.0
Beer	229 624	228 619	+3.0
Total	412 377	407 212	+1.3

### 2011



The first half of the year resulted in volume gains in all categories from the previous year. The third and fourth quarters, however, achieved modest gains in the wine category only. ANBL achieved growth and encountered challenges across various markets in the year. Strong results were realized in three areas: from Sussex in the southeast up to Miramichi in the northeast, Charlotte County; and from Fredericton northwest to Grand Falls. Challenges occurred in northern New Brunswick from Edmundston in the west to the Acadian Peninsula in the east and Greater Saint John as economic development weakened due to the downturn in the economy.

The global financial crisis, which caused food and gas prices to rise, left consumers with less disposable income in the year and attributed to the reduction of 100,000 transactions. The basket size of each transaction, however, was maintained through the strong selling skills of ANBL's retail sales associates across the province. ANBL continued its vigilant expense management, ending the year at 11.8 per cent of sales, compared to 11.5 per cent in 2010. Administration, warehouse and store operation expenses were well managed, and ANBL continues to maintain its position as one of the most efficiently run liquor retailers in the country.

## Spirits

The Spirits category achieved an increase of one per cent in sales, to \$92.2 million in 2011 from \$91.3 million in 2010. Volumes dipped 0.6 per cent. Indications are that the cocktail trend, already well-developed in other parts of the country, has not yet matured in New Brunswick.

## Wine

The Wine category achieved an increase of 6.1 per cent in sales, to \$68.3 million in 2011 from \$64.4 million in 2010. Wine from Argentina, Canada (Vintner's Quality Alliance) and the United States led the growth, while former powerhouse countries such as Australia and France showed notable decline.

Wine volume was up across all customer channels, with public sales up 5.9 per cent, agency sales up 5.4 per cent and licensee sales up 2.6 per cent.

The sale of red wine continued to grow. Red wine now represents 51 per cent of total wine sales. Thirty-eight per cent was white, and the remaining 11 per cent was rosé, port or sparkling. The popularity of wine education events such as Moncton's World Wine and Food Expo (WWFE) and Caraquet's FestiVin, gave suppliers the opportunity to showcase their brands to the public outside of a liquor store environment. The on-site ANBL wine store at the November 2010 WWFE achieved an increase in net sales of 10 per cent.

## Other Beverages

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The Other Beverages category achieved increases in sales and volume during the first two quarters of the year. The downward trend across all channels in the last half of the year resulted in sales of \$22.2 million in 2011, a decline of three per cent from 2010. Given the economy and the financial pressure on discretionary dollars, this category fell below expectations for the year. Volume sales for other beverages were 3,000,690 litres in 2011 versus 3,104,403 in 2010.

## Beer

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The Beer category achieved sales of \$229.6 million in 2011 compared with \$228.6 million in 2010. The volume decline of 2.9 per cent is largely attributable to the weak economy and a lack of innovation in domestic mainstream beer. As well, there was no major concert event in Moncton or cultural festival in the Acadian Peninsula in the year.

## Strategic Goal # 2: Customer Service

To accelerate the corporation's shift to a customer-first culture, the Retail Innovation Service Excellence (RISE) program was launched in 2009. RISE was intended, specifically, to improve customer service through the introduction of a "service excellence" program, increase staff product knowledge training, and add product advisors to selected stores. At the same time, retail measurements and individual store balanced scorecards were introduced in all corporate stores. A RISE maintenance program followed in 2010, enabling store and district managers to take on the day-to-day monitoring, coaching and training of front-line staff with support from the customer service team for special training needs and recruitment and development of new product advisors for ANBL's Selection stores.

ANBL received a national award from the Retail Council of Canada (RCC) for the RISE program. RCC presented the award to ANBL citing "with more than 600 employees across the province with an average tenure of 17 years, RISE was a sizeable and important initiative to undertake. The result: an integrated, bilingual employee training and development system that improved revenue, enhanced the customer experience and engaged employees in service excellence." This was the first national award for ANBL in the large chain category, which included several notable Canadian retailers.

The agency store channel became the focus of the new customer service team in the year. Two customer service co-ordinator positions were created to provide hands-on, dedicated support to the 73 agency stores. The co-ordinators travelled the province, building relationships with the agency store owners by coaching them on how to improve display merchandising and product portfolio as well as offering training information on product knowledge and selling skills. The administration and management of all agency renewals, evaluations and applications were transferred to the customer service team.

A mystery shopper program was launched in all corporate stores during the year. The goal was to evaluate several key elements relating to customer service readiness of the store.

The feedback was tailored to gain insight into how ANBL compare current practice to the standards set for the RISE program. The feedback report provided an excellent coaching opportunity for store staff on continuous improvement to exceed established service standards.

ANBL successfully launched a new retail merchandising concept in all corporate stores. The roll-out involved a complete realignment of the wine portfolio and the creation of in-store destinations for boxed wine, nesting tables for special and temporary list products, permanent listings by country sets, and chilled whites and sparkling wines in the reach-in coolers. The realignment contributed to an increase in wine volume of more than 252,000 litres.



The new merchandising standards in the wine category provided improved display opportunities for the “Discover the World of Wine” and “In the Spotlight” marketing programs. The Discover program led to growth in all countries promoted in the year, an additional 56,000 litres in incremental volume. The Vintner’s Quality Alliance (VQA) promotion for Canadian wines was a particular success, up 56.8 per cent from the previous year, representing 24 consecutive months of growth for VQA wines since the beginning of the “Discover the World of Wine” program. The “In the Spotlight” program which showcases one time best buys resulted in incremental sales of more than 25,000 units.

A summer promotion entitled “What’s Your Flavour Profile” increased awareness and interest in the ready-to-drink category. The four-month promotion created caricature profiles matched with a variety of products in the category. In the fall, customers were invited to “Join the Cocktail Culture” and received weekly cocktail recipes to promote and provide education on the many uses of spirits.

The Selection Wine Club continued to grow in membership and now boasts more than 3,000 members. Weekly newsletters promoting brands, food and wine pairings and recipes increased sales of featured wines.

## New Stores

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**A**NBL continued to implement its retail network strategy with the relocation of three stores to high visibility and high traffic locations, and with the full renovation of a Moncton area store.

The new merchandising concept was introduced to create destinations and power aisles with nesting tables to feature special list products; in addition, a one-time buy feature was introduced. New, low-maintenance flooring, enhanced signage, a main floor imported beer display area, new racking in the cold room, split end aisle displays, new bin tag mouldings, and brighter-coloured shelving were introduced in ANBL’s newest stores.

The first store to relocate in the year was the Brookside Mall in Fredericton, which moved to the front of the shopping centre, facing the northwest corner of Brookside Drive, which is a growing residential and commercial neighbourhood.



The store covers 1,056 square metres (11,370 square feet) and features 1,680 products, including 840 wine and 506 spirit listings. The 232-square-metre (2,500-square-foot) walk-in cold room offers 258 listings of beer and 76 ready-to-drink beverages listings. A special My World of Beer section features imported beer, a growing category in the province.

The new Dalhousie store was opened in May 2010. It is situated at the intersection of routes 11 and 275, a high-visibility, high-traffic location adjacent to the community market. The store covers 690 square metres (7,425 square feet) and features more than 1,000 products, including 438 brands of wine and 355 brands of spirits. The 140-square-metre (1,510-square-foot) walk-in cold room offers 139 brands of beer and 73 brands of ready-to-drink beverages.

The Mountain Road store in Moncton was closed for five months to allow for a complete renovation. The new store covers 944 square metres (10,163 square feet) and features 1,600 products, including 770 brands of wine and 520 brands of spirits. The 219-square-metre (2,357-square-foot) walk-in cold room offers 200 beer brands and 110 ready-to-drink beverage brands.

St. Stephen welcomed a new ANBL store to the Charlotte Mall in June. The store is more than twice the size of the previous location and features 20 per cent more products, including 688 brands of wine and 480 brands of spirits, 160 brands of beer and 89 brands of ready-to-drink beverages. The store covers 877 square metres (9,441 square feet). Unfortunately, St. Stephen was one of the worst hit communities by flash flooding on December 13, 2010, receiving more than 180 millimetres of rain. Many homes and businesses were flooded and sustained significant damage. The ANBL store suffered water damage and was closed for six days while staff from the store, head office and other corporate stores assisted with the clean-up and eventually reopened on December 19. ANBL held a fund-raising initiative in all corporate stores from December 21 to 24 to help flood victims. Thanks to the generosity of fellow New Brunswickers, close to \$62,000 was donated to the Canadian Red Cross.

A ground-breaking ceremony was held in August 2010 to begin construction of ANBL's newest store on the site of the former Canadian Pacific Railway station in Fredericton. Work continued through the year on the restoration and refurbishment of the heritage site. Owners of the existing 318-square-metre (3,425-square-foot) train station building, J.D. Irving Limited., began construction of a new 929-square-metre (10,000-square-foot) structure in the year. Once open, the complex will house a retail store, an events kitchen, training facility and meeting space.

## **Strategic Goal # 3: Internal Efficiencies and Processes**

**C**ontinuous improvement in managing expenses and increasing efficiencies and productivity across the corporation continued to be a focus in 2010-11, with positive results in many areas. A formal process improvement program was implemented in the year; the Lean Six Sigma (LSS) process was introduced; and two staff members received their black belt designations. LSS-certified staff members will identify opportunities for improvement, and support project teams to reduce waste and optimize value-added activity, all with the customer in mind. Projects completed included outbound freight, cash handling, special orders, non-product procurement and product gross margin.

Individual corporate store balanced scorecards were introduced in the year using eight key measures aligned to the strategic plan that cover the four perspectives: financial; customer; internal process; and learning and growth.

The annual store awards are now based on the scorecard measures, which aligns with the corporate scorecard and strategic plan. Store managers now manage their store's performance based on the key measures and can make necessary changes to positively influence their stores score throughout the year.

ANBL's in-stock position continued to outperform most other Canadian retailers of beverage alcohol during the year. Retail in-stock position is measured by corporate stores having a minimum of four bottles per SKU on hand. Warehouse in-stock is measured by the number of permanent SKUs out-of-stock divided by the total number of permanent listings. The benchmark set in June 2007 was 88 per cent. The 2011 retail in-stock was 97.9 per cent and warehouse in-stock was 98.3 per cent.

A new warehouse outbound shipping schedule was implemented to provide service excellence to all corporate stores with the goal of delivering to all stores by noon Thursday each week.

A new three-year outbound freight contract was signed, providing attractive rates, controlled fuel surcharge program and a commitment to improve on-time delivery performance.

A technical upgrade to the warehouse management system was implemented, paving the way to include Voice Direct Picking in the near future.

ANBL upgraded its Point of Sale (POS) software and pinpad hardware at all stores to accept "chip and pin" credit cards, which is an important step in achieving compliance with Payment Card Industry Data Security Standards (PCI DSS) to protect customer credit card information.

## **Strategic Goal # 4: Employee Engagement**

**A** second national award was received in the year when ANBL was named one of Canada's Top 100 Employers for 2011, an editorial project organized by MediaCorp Canada Inc. Canada's Top 100 Employers competition recognizes the country's fastest-growing organizations and those that position themselves to attract and develop the best talent. ANBL was one of only five Atlantic Canadian companies to receive this honour.

ANBL received top marks for physical workplace; work atmosphere and social; financial benefits and compensation; health and family friendly benefits; vacation and time off; employee engagement; training and skills development; and community involvement.

For the second year in a row, ANBL was named one of the top 25 employers in Atlantic Canada for 2011 in the Atlantic Canada's top employers competition. This competition is organized by the editors of Canada's Top 100 Employers, published by MediaCorp Canada Inc.

ANBL's commitment to engaging employees in service excellence is focused on gaining employee alignment and commitment through enhanced sales and product knowledge training, balanced scorecard reporting, leadership coaching for store managers and assistant managers and the ongoing development of product advisors.

ANBL launched Phase II of the Accelerated Leadership Development Program in 2010. The two-year program is designed to develop leaders from within; the goal of this succession program is to sustain its business and meet its strategic objectives by retaining, developing, and accelerating the development of its potential future leaders. Fourteen Phase II participants put their individualized development plans into action and experienced many opportunities for learning and career development through their involvement in key projects, acting assignments and leadership training and successfully completed all program requirements. To date, the program has resulted in eight leadership positions being filled from the participants of Phase I and Phase II.

In March 2011, ANBL conducted the second Internal Customer Service Survey in support of delivering quality service to all customer segments. The survey compared customer service levels and determined where improvements were made based on the feedback previously shared and action plans that were developed and implemented. The result of this survey is a measure on the balanced scorecard.

A comprehensive performance alignment system was rolled out in the year. This included a toolkit to help managers with employee performance and development.



Excellent results were recorded with respect to ANBL's health and safety plan. The plan was developed based on results of an employee survey as well as a five-year accident analysis that identified accident reduction as a priority. Data revealed that musculoskeletal injuries known as MSI injuries or soft tissue injuries, involving such areas as the back and shoulder represent 70 per cent of staff injuries, with an average of 680 work days lost annually. In conjunction with ANBL's wellness strategy, a team of employee volunteers was assembled on a MSI task force to support the communication and advocacy of safe work practices and a healthy workplace. This initiative reduced the number of workplace accident claims and, as a result, ANBL will receive a reduced rate for compensation insurance coverage for the first time since 2003.

## Strategic Goal # 5: Social Responsibility and Environmental Responsibility

Several important social responsibility initiatives were launched in the year.

In July 2010, ANBL announced that it would make an investment during the next two years to support multiple campaigns and programs by Mothers Against Drunk Driving (MADD) Canada to stop impaired driving in New Brunswick. ANBL will invest \$200,000 and ANBL and MADD Canada launched two public service announcements (PSAs) targeting drinking and driving early in the year. The PSAs were aired on television in English and French and garnered more than 39,000 hits on YouTube® and Facebook® as well as on the ANBL and MADD Canada websites.



ANBL held its first in-store community donation campaign of 2010 in July. The campaign raised \$31,528 for MADD Canada to help it develop and deliver messaging to stop impaired driving in New Brunswick through the high school assembly program. A second campaign held in November raised an additional \$43,208 for a total of \$74,736.

ANBL expanded its sponsorship of MADD Canada's High School Assembly Program. The MADD Canada multimedia school assembly program presents students with solid information and best practices to help them understand the issue of impaired driving. The high-technology, multimedia presentation has proved to be an effective method to raise awareness and for providing safety strategies.

Another major Social Responsibility project was a joint forces operation with law enforcement, including various municipal police forces, the Department of Public Safety and the RCMP. The goal was to raise awareness about the dangers of drinking and driving, targeting men 25 to 40. The operation was held over the Labour Day weekend and involved province wide road and off-road enforcement checks.

Municipal police forces across New Brunswick as well as all 12 RCMP districts and off-road law enforcement agencies conducted check stops to raise awareness about the dangers of drinking and driving. This initiative was supported by the New Brunswick Chiefs of Police, the New Brunswick Police Association, Commander of J Division RCMP and Safety Services New Brunswick.

ANBL's youth campaign "isaidit.ca" garnered a Gemstone Award from the Canadian Public Relations Society for Excellence in External Communications.

High schools in New Brunswick were invited to deliver the message about making responsible choices while celebrating high school graduation in ANBL's fourth annual Safe Grad Contest. Schools were asked to make submissions in any one of a variety of formats, such as a video, power point presentation or song. Several submissions were received, including exceptional results from students from Riverview High School, Nackawic High School, l'École L'Odyssee in Moncton, Fredericton High School and Polyvalente W.-Arthur-Losier in Tracadie-Sheila. ANBL donated \$20,000 which 18 schools will use for their Safe Grads.

ANBL's Identification Check program was well managed in the year. Staff monitor the ages of customers attempting to buy beverage alcohol, and this year they challenged 105,794 individuals and refused service to 4,379.

ANBL's support of local community programming continued in the year. ANBL began collecting funds for the New Brunswick chapter of the Canadian Red Cross's Haiti Relief Fund shortly after the devastating earthquake in January 2010. ANBL's passive solicitation program helped 297 charitable organizations raise funds at corporate stores. This community-based initiative helped these groups and

ANBL made progress in terms of its environmental responsibility, reducing kilowatt-hour energy consumption across the corporate stores year-over-year. Amendments were made to ANBL's building design and commissioning standards and now incorporate the provincial government's "Core Performance Standards" for energy sustainable buildings; this is part of the province's Green Building Initiative. Two of the first new leased stores incorporating these sustainability features are under construction. ANBL completed an in-depth review of its environmental carbon footprint. The review identified the major consumption areas, which now enable ANBL to set improvement targets.

*"The solicitation outside liquor stores across the province will help fund the New Brunswick Youth Orchestra's (NBYO) trip to Europe. The NBYO will join orchestras from around the world at the Summa Cum Laude International Youth Music Festival and Competition in Vienna, Austria, from June 27 to July 9."*

Don Matheson, executive director,  
New Brunswick Youth Orchestra.

ANBL complies with the Official Languages Act of the Province. In 2011, five complaints were received, four for language of service and one for quality of translation. In all cases, appropriate action was taken.

This annual report is tabled in the Legislative Assembly of New Brunswick and is available at [www.anbl.com](http://www.anbl.com). Under the Right to Information and Protection of Privacy Act, our records are open to public scrutiny. ANBL is accountable to the provincial government and to New Brunswick residents.



# Sales by Location

Location	Public	Licensee	Total	Location	Public	Licensee	Total
Bathurst (4)	\$ 9 039 004	\$ 1 267 636	\$ 10 306 640	Neguac	\$ 2 594 135	\$ 317 358	\$ 2 911 493
Beresford	3 057 707	217 671	3 275 378	Oromocto (3)	9 807 180	1 224 419	11 031 599
Boucouché (2)	2 894 743	353 404	3 248 147	Perth-Andover (2)	2 938 538	327 290	3 265 827
Campbellton (2)	2 559 330	886 791	3 446 121	Petit Rocher	2 796 684	241 537	3 038 221
Cap-Pelé	2 852 690	192 509	3 045 199	Quispamsis (1)	10 896 889	771 811	11 668 700
Caraquet (3)	4 343 191	1 160 913	5 504 105	Richibucto (4)	4 519 317	483 377	5 002 694
Dalhousie (3)	1 862 218	420 334	2 282 552	Riverview (3)	7 581 283	1 695 406	9 276 689
Dieppe	14 745 155	3 893 336	18 638 491	Rothsay	902 606		902 606
Edmundston (3)	7 116 769	2 291 488	9 408 258	Sackville (2)	5 015 609	639 822	5 655 431
Florenceville-Bristol (2)	2 170 011	201 624	2 371 635				
				<b>Saint John City</b>			
<b>Fredericton City</b>				Lansdowne Place	8 068 417	2 673 305	10 741 722
Brookside Mall (3)	8 107 346	3 656 923	11 764 270	Parkway Mall (1)	13 734 689	1 811 434	15 546 123
Devon Park (5)	9 992 021	1 861 444	11 853 465	Prince Edward Sq.	6 371 141	1 612 554	7 983 695
Prospect Street	16 223 974	2 670 703	18 894 677	Westwind Place	9 234 383	1 916 869	11 151 252
Smythe Street	9 543 963	549	9 544 512				
Total Fredericton Stores	43 867 304	8 189 619	52 056 923	Total Saint John Stores	37 408 630	8 014 162	45 422 792
Grand Bay-Westfield (3)	3 663 989	319 161	3 983 149	Salisbury (2)	3 343 540	257 896	3 601 436
Grand Falls (3)	5 107 159	956 395	6 063 555	St. Andrews	2 359 381	789 835	3 149 216
Grand Manan	1 351 787	43 026	1 394 812	St. George (1)	3 083 889	153 559	3 237 448
Hampton (1)	4 274 367	233 440	4 507 808	St. Stephen (2)	5 360 533	375 981	5 736 514
Lamèque	2 262 824	152 605	2 415 429	Shediac (2)	7 986 853	1 048 983	9 035 837
				Shediac Seasonal**	561 161		561 161
<b>Miramichi City</b>				Shippagan	2 627 822	277 155	2 904 977
Chatham (3)	5 118 290	905 238	6 023 528	Sussex (3)	7 285 246	934 119	8 219 365
Newcastle (3)	7 029 528	937 507	7 967 035	Tracadie-Sheila (2)	5 853 165	817 876	6 671 042
Total Miramichi Stores	12 147 818	1 842 745	13 990 563	Warehouse	73 911 444	26 242	73 937 686
				Woodstock (4)	5 594 282	785 588	6 379 870
<b>Moncton City</b>				<b>TOTAL</b>	<b>\$ 361 782 474</b>	<b>\$ 50 594 655</b>	<b>\$ 412 377 129</b>
Elmwood Drive (1)	7 327 499	2 261 607	9 589 106				
Moncton North	9 364 924	1 381 233	10 746 158				
Mountain Road *	6 571 545	2 315 412	8 886 958				
Vaughan Harvey Blvd	12 774 250	2 831 287	15 605 537				
Total Moncton Stores	36 038 218	8 789 540	44 827 759				

(#) Indicates number of agents at this location

\* Store closed for a portion of the year

\*\* Store operates during summer months

# Agency Sales by Location

Agency Location	ANBL Location	Sales	Agency Location	ANBL Location	Sales
Allardville	Bathurst	\$ 741 720	Lepreau	Grand Bay-Westfield	\$ 1 508 792
Alma	Riverview	478 234	Mactaquac	Brookside Mall, Fredericton	2 083 464
Arthurette	Perth-Andover	347 047	Maisonnette	Caraquet	415 661
Baie-Sainte-Anne	Chatham	945 183	McAdam	St. Stephen	573 880
Balmoral	Dalhousie	953 157	Memramcook	Elmwood Drive, Moncton	2 499 309
Barnesville	Quispamsis	908 614	Minto	Devon Park, Fredericton	1 950 462
Bay du Vin	Chatham	573 951	Nackawic	Woodstock	1 588 420
Belledune	Dalhousie	1 047 636	Norton	Sussex	2 354 595
Blacks Harbour	St. George	1 260 991	Paquetville	Caraquet	2 536 068
Blackville	Newcastle	1 005 717	Petitcodiac	Salisbury Corporate	2 053 271
Boiestown	Devon Park, Fredericton	649 846	Plaster Rock	Perth-Andover	1 074 827
Brantville	Tracadie-Sheila	1 433 868	Pointe-Sapin	Richibucto	315 252
Cambridge-Narrows	Sussex	1 013 158	Port Elgin	Sackville	1 407 485
Campobello	St. Stephen	242 178	Public Landing	Grand Bay-Westfield	877 564
Canterbury	Woodstock	517 922	Renous	Newcastle	1 164 401
Centreville	Florenceville-Bristol	1 151 327	Richibucto-Village	Richibucto	806 707
Charlo	Dalhousie	1 006 029	Riley Brook	Grand Falls	299 674
Chipman	Devon Park, Fredericton	1 250 725	Riverside-Albert	Riverview	399 708
Clair	Edmundston	527 779	Rogersville	Chatham	1 841 531
Cocagne	Shediac	2 147 649	Sainte-Anne-de-Madawaska	Edmundston	587 695
Debec	Woodstock	468 768	Saint-Antoine	Bouctouche	2 226 583
Doaktown	Devon Park, Fredericton	895 674	Saint-Arthur	Campbellton	267 580
Dorchester	Sackville	451 181	Saint-Isidore	Tracadie-Sheila	283 388
Douglas Harbour	Oromocto	596 097	Saint-Léonard	Grand Falls	843 592
Fredericton Junction	Oromocto	1 363 521	Saint-Louis-de-Kent	Richibucto	1 626 141
Gagetown	Oromocto	826 383	Saint-Paul	Bouctouche	504 160
Grande-Anse	Caraquet	830 072	Saint-Quentin	Grand Falls	1 661 893
Harcourt	Richibucto	649 355	Saint-Sauveur	Bathurst	358 753
Hartland	Woodstock	1 512 353	Salisbury	Salisbury Corporate	2 185 962
Harvey	Devon Park, Fredericton	1 458 639	South Tetagouche	Bathurst	415 482
Haute-Aboujagane	Shediac	930 197	St. Martins	Parkway Mall, Saint John	799 977
Hillsborough	Riverview	1 173 948	Stanley	Brookside Mall, Fredericton	1 064 376
Janeville	Bathurst	493 184	Sunny Corner	Newcastle	1 245 725
Juniper	Florenceville-Bristol	366 815	Welsford	Grand Bay-Westfield	1 277 920
Kedgwick	Campbellton	1 076 353	Youngs Cove	Sussex	691 938
Kingston	Hampton	850 197	Zealand	Brookside Mall, Fredericton	1 240 204
Lac Baker	Edmundston	135 542	Manufacturer Agents	Head Office, Fredericton	439 522
			TOTAL		<u>\$ 75 752 969</u>

# Management Report

The preparation of financial information is an integral part of management's responsibilities, and the accompanying financial statements are the responsibility of the management of the Corporation. This responsibility includes the selection of appropriate accounting policies and making judgments and estimates consistent with generally accepted accounting principles in Canada. Financial information presented elsewhere in this Annual Report is consistent with these financial statements.

The Corporation maintains the necessary internal controls designed to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded. The Internal Audit department performs audits designed to test the adequacy and consistency of the Corporation's internal controls, practices and procedures.

The Board of Directors is assisted in its responsibilities by its Audit Committee. This committee reviews and recommends approval of the financial statements and Annual Report, meets periodically with management, the Manager of Internal Audit and the external auditors, concerning internal controls and all other matters relating to financial reporting.

Grant Thornton, LLP, the external auditors of the Corporation, have performed an independent audit of the financial statements of the Corporation in accordance with Canadian generally accepted auditing standards. The Auditors' Report outlines the scope of this independent audit and the opinion expressed.



Daniel Allain  
President & CEO



Christopher Evans, CA  
Vice-President & CFO

June 29, 2011

## Auditors' Report

To the Directors of the New Brunswick Liquor Corporation:

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

### Management's responsibility for the financial statements

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

### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinion

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

# Balance Sheet

MARCH 31

## Assets

### Current Assets

Cash	\$ 1 476 954	\$ 964 232
Receivables	3 417 633	5 440 340
Inventories (note 3)	22 479 227	22 090 483
Prepaid expenses	424 695	528 147
	<u>27 798 509</u>	<u>29 023 202</u>

Deposit - injured workers (note 4)	<u>263 366</u>	<u>354 213</u>
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Property, plant and equipment (note 5)	<u>9 351 941</u>	<u>9 626 398</u>
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	<u><b>\$ 37 413 816</b></u>	<u><b>\$ 39 003 813</b></u>
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## Liabilities

### Current Liabilities

Payables and accrued liabilities	<u>\$ 15 529 204</u>	<u>\$ 16 951 316</u>
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## Equity of the Province of New Brunswick

Balance at beginning of year	22 052 497	23 812 834
Net earnings	<u>159 443 520</u>	<u>157 867 417</u>
	181 496 017	181 680 251
Payments to the Province of New Brunswick	<u>159 611 405</u>	<u>159 627 754</u>
Balance at end of year	<u>21 884 612</u>	<u>22 052 497</u>

	<u><b>\$ 37 413 816</b></u>	<u><b>\$ 39 003 813</b></u>
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Commitments and Contingencies (note 13 and 15)

See accompanying notes to the financial statements

APPROVED BY THE BOARD:



Director



Director

# Statement of Earnings

Year ended March 31

	Budget 2011	Actual 2011	Actual 2010
Total sales (note 6)	\$ 429 041 072	\$ 412 377 129	\$ 407 212 131
Less: commissions	6 901 944	6 593 404	6 197 658
Net sales	<u>422 139 128</u>	<u>405 783 725</u>	<u>401 014 473</u>
Cost of sales (note 7)	206 834 686	200 063 895	199 003 614
Gross profit	<u>215 304 442</u>	<u>205 719 830</u>	<u>202 010 859</u>
Other income (note 8)	2 683 433	2 452 798	2 496 426
	<u>217 987 875</u>	<u>208 172 628</u>	<u>204 507 285</u>
Operating expenses (note 9)	<u>49 273 405</u>	<u>48 729 108</u>	<u>46 639 868</u>
Net earnings	<u><u>\$ 168 714 470</u></u>	<u><u>\$ 159 443 520</u></u>	<u><u>\$ 157 867 417</u></u>

See accompanying notes to the financial statements

# Statement of Cash Flows

Year ended March 31

	2011	2010
<b><i>Cash from Operations</i></b>		
Net earnings	\$ 159 443 520	\$ 157 867 417
Items not involving cash:		
Depreciation	2 241 861	2 305 731
Loss / (gain) on sale of property, plant and equipment	44 354	( 29 103)
Decrease in deposit - injured workers	90 847	26 145
Change in non-cash working capital	315 303	1 066 025
Cash available from operations	<u>162 135 885</u>	<u>161 236 215</u>
<b><i>Net Capital Investments</i></b>		
Additions to property, plant and equipment	(2 021 826)	(1 338 962)
Proceeds from sale of property, plant and equipment	10 068	201 302
Net cash used for capital investments	<u>(2 011 758)</u>	<u>(1 137 660)</u>
<b><i>Payments to the Province of New Brunswick</i></b>	<u>(159 611 405)</u>	<u>(159 627 754)</u>
<b><i>Increase in Cash</i></b>	512 722	470 801
<b><i>Cash at Beginning of Year</i></b>	<u>964 232</u>	<u>493 431</u>
<b><i>Cash at End of Year</i></b>	<u><u>\$ 1 476 954</u></u>	<u><u>\$ 964 232</u></u>

See accompanying notes to the financial statements

## 1. General

This Crown Corporation is incorporated under the New Brunswick Liquor Corporation Act and its primary business activity is the purchase, distribution and sale of alcoholic beverages throughout the Province of New Brunswick. The Corporation is exempt from Income Tax under Section 149 of the Income Tax Act.

Leasehold improvements are depreciated on the straight-line basis over the remaining lease term. Property, plant, and equipment includes assets purchased or under construction, all or a portion of which may not be in use at the end of the year. Assets under construction are depreciated when they are put in use. In 2011 this amount was \$599 987 (\$0 in 2010).

## 2. Summary of Significant Accounting Policies

### a) Current Accounting Policies

#### *Revenue Recognition*

Revenue is recognized when goods are sold, all contractual obligations have been met and the amount is reasonably determinable. Total sales reported includes sales to retail customers, licensed establishments, agency stores and certain rebates received from suppliers. Amounts do not include the subsequent resale by licensed establishments and agency stores.

#### *Inventories*

Inventory is valued at the lower of cost, using the weighted average method, and net realizable value. The cost of inventory includes the cost of purchase, duties and excise, and all transportation costs that are directly incurred to bring inventories to their present location and condition.

The cost of inventory recognized as an expense is the amount shown as cost of sales in the statement of earnings and the corresponding note 7 of the financial statements.

#### *Deposit - Injured Workers*

The cost of claims for employees injured prior to April 1, 2002 is being deducted from a deposit held in trust with WorkSafe NB, and expensed as an employee benefit as incurred.

#### *Property, Plant and Equipment*

Property, plant and equipment is stated at cost. Depreciation is provided on the straight-line basis using the following annual rates:

Buildings	2.5%
Paving	10%
Refrigeration equipment	10%
Software and services	10%
Retail automation equipment	20%
Furniture, fixtures and equipment	20%
Automotive equipment	25%

#### *Use of Estimates*

The preparation of financial statements in conformity with Canadian generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Areas of estimation where complex or subjective judgments were made include depreciation, retiring allowances and deposit - injured workers (note 4). Significant changes in assumptions could change the recorded amount in the financial statements.

#### *Retiring Allowances*

Employees of the Corporation are entitled to a retirement allowance based on years of service and rate of pay in the year of retirement or death. This program is funded in the year the allowance is paid.

The cost of the retirement allowance earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of salary escalation and retirement age of employees. The transitional liability related to the retirement allowance is amortized on a straight-line basis over the estimated remaining service period of the employees that participate in the plan (twelve years).

Any excess of the net actuarial gain (loss) over 10% of the benefit obligation is amortized over the estimated remaining service period of active employees.

### b) New Accounting Standards

The Canadian Accounting Standards Board (AcSB) confirmed that International Financial Reporting Standards (IFRS) will replace current Canadian GAAP for publicly accountable enterprises. IFRS will be effective for the Corporation beginning April 1, 2011 including the preparation and reporting of one year comparative figures. The Corporation is continuing to evaluate the impacts and implications from its conversion to IFRS.

### 3. Inventories

	2011	2010
Spirits, wine, other beverages and beer	\$22 347 746	\$21 976 068
Supplies	\$131 481	\$114 415
	<u>\$22 479 227</u>	<u>\$22 090 483</u>

### 4. Deposit - Injured Workers

In conjunction with the conversion to the assessed basis of payment with WorkSafe NB the Corporation placed the sum of \$1 000 000 on deposit in trust to cover the estimated cost of claims for employees injured prior to the conversion date of April 1, 2002. This deposit was to be held by WorkSafe NB and accrue interest at WorkSafe NB's accounting rate of return for the applicable year. Interest earned in 2011 was \$33 161 (\$70 025 in 2010). The actual cost of claims is deducted from the deposit in the year the expense is incurred. Actual costs for 2011 were \$124 008 (\$96 170 in 2010). Upon request of the Corporation WorkSafe NB will calculate the future costs associated with these claims, whereupon the Corporation may be responsible for a one-time payment of the amount. From that point forward, WorkSafe NB would assume responsibility for the liability. As of the end of March, an actuarial valuation has been performed and alternatives surrounding future payments and the amount held on deposit are still being negotiated.

### 5. Property, Plant and Equipment

	Cost	Accumulated Depreciation	2011 Net	2010 Net
Land	\$ 155 386	\$	\$ 155 386	\$ 155 386
Paving	477 238	412 306	64 932	25 613
Buildings	10 345 119	6 838 822	3 506 297	3 647 384
Leasehold improvements	4 900 316	3 853 333	1 046 983	1 041 269
Furniture, fixtures and equipment	14 406 636	12 229 880	2 176 756	2 002 198
Automotive equipment	296 536	214 540	81 996	47 969
Retail automation equipment	2 821 627	2 780 006	41 621	241 891
Software and services	4 339 144	2 674 174	1 664 970	1 934 553
Refrigeration equipment	3 229 389	2 616 389	613 000	530 135
	<u>\$40 971 391</u>	<u>\$31 619 450</u>	<u>\$9 351 941</u>	<u>\$9 626 398</u>

### 6. Total Sales

	Budget 2011	Actual 2011	Actual 2010
Spirits	\$ 95 578 357	\$ 92 199 316	\$ 91 281 885
Wine	71 040 489	68 337 840	64 409 545
Other beverages	24 394 187	22 215 894	22 902 057
Beer	238 028 039	229 624 079	228 618 644
	<u>\$429 041 072</u>	<u>\$412 377 129</u>	<u>\$407 212 131</u>

## 7. Cost of Sales

	Spirits	Wine	Other Beverages	Beer	2011 Total	2010 Total
Inventories at beginning of year	\$ 6 773 220	\$ 9 113 788	\$ 1 320 058	\$ 4 769 002	\$ 21 976 068	\$ 21 702 231
Purchases	19 960 646	23 735 422	8 849 147	127 709 752	180 254 967	178 964 799
Inbound freight	824 233	1 564 457	528 943	392 976	3 310 609	3 126 305
Outbound freight	187 300	311 976	213 183	210 821	923 280	895 913
Duty and excise tax	12 654 685	2 056 404	896 444	339 184	15 946 717	16 290 434
	40 400 084	36 782 047	11 807 775	133 421 735	222 411 641	220 979 682
Inventories at end of year	6 629 887	9 513 662	1 578 514	4 625 683	22 347 746	21 976 068
	<u>\$33 770 197</u>	<u>\$27 268 385</u>	<u>\$10 229 261</u>	<u>\$128 796 052</u>	<u>\$200 063 895</u>	<u>\$199 003 614</u>

## 8. Other Income

	Budget 2011	Actual 2011	Actual 2010
Merchandising programs	\$ 2 008 050	\$ 2 036 249	\$ 1 974 687
Private importation revenue	108 468	153 923	123 889
Unredeemed beverage container deposits	133 572	119 534	128 715
(Loss) gain on sale of property, plant and equipment	17 000	(44 354)	29 103
Interest on deposit - injured workers	10 000	33 161	70 025
Sundry	406 343	154 285	170 007
	<u>\$2 683 433</u>	<u>\$2 452 798</u>	<u>\$2 496 426</u>

## 9. Operating Expenses

	Budget 2011	Actual 2011	Actual 2010
Salaries - stores, warehouse and maintenance	\$20 034 223	\$19 931 524	\$18 367 955
- administration	4 773 622	4 906 260	4 886 963
Employee benefits	7 121 030	6 647 111	6 515 494
Rent	5 147 479	5 021 667	4 668 600
Heat and light	1 398 396	1 462 140	1 353 541
Depreciation	2 200 000	2 241 861	2 305 731
Training programs	200 871	152 395	218 182
Repairs to property, plant and equipment	375 156	537 399	480 875
Property taxes	324 407	315 358	319 760
Minor equipment and supplies	905 324	868 816	926 617
Security	312 333	295 287	277 935
Retail automation system maintenance	205 305	145 544	178 198
Travel	451 140	343 059	413 185
Beverage container redemption costs	990 642	1 140 006	956 675
Shopping bags	100 000	207 375	222 349
Data processing	328 203	272 865	270 754
Telecommunications	483 611	485 202	490 165
Motor vehicle operation	65 234	61 816	57 762
Cleaning	232 716	218 065	216 393
Shortages	64 200	66 367	65 635
Management meetings	165 655	115 587	84 546
Postage	64 375	64 216	65 891
Professional services	451 640	438 084	472 734
Bank charges	2 096 591	2 185 240	2 087 039
Warehouse maintenance and supplies	44 700	48 014	45 452
Insurance	78 734	71 927	70 793
Advertising and promotions	415 550	308 932	406 528
Directors' remuneration	42 000	41 150	36 955
Other	200 268	135 841	177 161
	<u>\$49 273 405</u>	<u>\$48 729 108</u>	<u>\$46 639 868</u>

## 10. Financial Instruments

The Corporation's activities may be exposed to a variety of financial risks. The Corporation's overall risk management focuses on the unpredictability of financial and economic markets and seeks to minimize potential effects on the Corporation's financial performance. In common with many organizations that purchase in foreign currencies the Corporation may be exposed to a marginal degree of currency risk. Management has mitigated the exposure to this risk by limiting the number of purchase transactions originating in foreign currency. Credit risk is the risk the Corporation will incur a loss because a customer fails to meet an obligation. The Corporation has mitigated the exposure to this risk through limited extension of credit and contractual relationships with business partners. The Corporation's financial instruments consist of cash, receivables, payables and accrued liabilities.

## 11. Employee Future Benefit Plans

### *Pension Plan*

Employees of the Corporation belong to the New Brunswick Public Service Superannuation Plan, a multi-employer defined benefit pension plan. Contributions are made by both the Corporation and the employees. Since sufficient information is not readily available to account for the Corporation's participation in the plan using defined benefit pension plan accounting, these financial statements have been prepared using accounting rules for defined contribution pension plans. For the year ended March 31, 2011, the Corporation expensed contributions of \$1 448 293 (\$1 564 477 in 2010) under the terms of the Plan. An independent actuary determines funded status of the plan and makes recommendations on required payments, if any. The most recent actuarial valuation of the Plan as at April 1, 2008 determined that the Plan is not fully funded and as a result special funding payments are required. The amount payable for the next fiscal year is \$784 990 and has been reflected in note 13.

### *Retiring Allowances*

Included in payables and accrued liabilities is an amount related to the retiring allowance plan. This information is based on the most recent actuarial valuation dated April 1, 2008. Information relating to the retirement allowance plan is as follows:

Reconciliation of Accrued Benefit Obligation:	2011	2010
Balance, beginning of year	\$ 3 012 938	\$ 2 967 376
Current service cost	196 700	191 900
Interest cost	214 200	211 600
Amortization of experience loss	33 100	36 500
Benefits paid	(382 520)	(394 438)
Balance, end of year, and funded status - deficit	3 074 418	3 012 938
Less: Unamortized transitional obligation	200 000	400 000
Accrued benefit liability	<u>\$ 2 874 418</u>	<u>\$ 2 612 938</u>

The Corporation's net benefit plan expense was \$261 480 (\$245 562 in 2010).

Significant actuarial assumptions used in determining the Corporation's accrued benefit obligation were a discount rate of 5.75% and a rate of salary escalation of 2.5%.

## 12. Related Party Transactions

These financial statements include the results of normal operating transactions with various Provincial Government controlled departments, agencies and Crown Corporations, with which the Corporation may be considered related. Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms.

## 13. Commitments

The Corporation leases buildings, premises and equipment under operating leases which expire at various dates between 2012 and 2030. Certain of these operating leases contain renewal options at the end of the initial lease term. The following is a schedule, by years, of future minimum lease payments required under operating leases that have, as of March 31, 2011, initial lease terms in excess of one year. As well, the 2012 figure reflects the amount payable under the pension plan regulation as discussed in note 11.

2012	\$ 6 049 770
2013	4 782 801
2014	4 428 456
2015	3 976 108
2016	3 654 532
2017 to 2030	21 363 258
	<u>\$44 254 925</u>

## 14. Budget

The 2011 budget figures presented for comparison with the actual figures were approved by the Corporation's Board of Directors and have not been audited.

## 15. Contingencies

The Corporation is involved in various legal actions and other matters arising out of the ordinary course and conduct of business. The outcome and ultimate disposition of these actions are not determinable at this time. Accordingly, no provision for these actions is reflected in the financial statements. Settlements, if any, concerning these contingencies will be accounted for in the period in which the settlement occurs. Management has mitigated this risk by maintaining insurance coverage as required.

The Corporation indemnifies its Directors and Officers against any and all claims or losses reasonably incurred in the performance of their service to the Corporation.

## 16. Capital Management

Management considers capital to be its equity balance. The Corporation's objective when managing capital is to maintain financial strength to sustain maximized returns for the Province of New Brunswick.