2011–2012 ANNUAL REPORT

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2011-2012 ANNUAL REPORT

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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.

SENIOR MANAGEMENT

Daniel Allain, President and Chief Executive Officer
Richard Smith, Secretary of the board and 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, Products and Marketing
Jane Washburn, Vice-President, Human Resources and Corporate Services

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CHAIRMAN'S LETTER

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

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, 2012.

Respectfully submitted,

Ron Lindala
Chairman, Board of Directors

OPERATIONAL INFORMATION

	2012	2011
Number of ANBL stores	47	47
Number of agency stores	72	73
Number of filled positions	446	456
Number of regular listed products	1 888	1 878

CONSUMPTION DATA (LEGAL DRINKING AGE)

2012				2011		
Total Litres	Litres Per Capita	Sales Per Litre		Total Litres	Litres Per Capita	Sales Per Litre*
2 918 178	4.8	$ 31.64	Spirits	2 933 116	4.9	$ 31.25
5 420 558	9.0	13.08	Wine	5 309 574	8.8	12.69
2 717 294	4.5	7.27	Other beverages	3 000 690	5.0	7.35
47 207 058	77.9	4.49	Beer	50 595 860	84.2	4.19

*Restated

2011 REPORT TO CABINET:
A STRATEGIC REVIEW OF ALCOOL NB LIQUOR

Following the provincial election in September 2010, the management team and board of directors of Alcool New Brunswick Liquor (ANBL) were given a mandate by Premier David Alward to perform a strategic review of ANBL. This review was to focus on three key areas in order to:

- strengthen new retail strategies;
- increase revenues and profits; and
- determine new ways to change the culture and governance.

A number of opportunities were identified through independent research, assessment of alternative business models/practices of other liquor jurisdictions, and input from various management and operations staff.

Management engaged Ernst & Young LLP, which assisted with developing the framework and prioritization criteria to review identified opportunities, which were divided into two recommendations.

Recommendation #1: Opportunities identified in current operations, includes opportunities that exist within the current structure of the business.

Strengthen new retail strategies:

- improve the overall customer experience; and
- expand and restructure the retail network.

Increase revenues and profits:

- invest in technology systems to improve the efficiency and security of ANBL; and
- explore cost reductions, internal opportunities and pricing strategies to increase contributions to the Province.

Determine new ways to change the culture and governance:

- review the governance structure of ANBL, and drive transformation to a high-performance culture with focus on long-term return on investment; and
- pursue changes to the legislative environment, and improve relationships with other government departments.

Recommendation #2: Opportunities to partner with third parties, includes ways in which the business model or ownership structure could be changed fundamentally.

Strengthen new retail strategies:

- explore strategic alliances (regional co-operation) with other liquor boards.

Increase revenues and profits:

- explore the possible monetization of a portion or all of the provincial government's ownership of ANBL.

ANBL will pursue the first recommendation in the short-to-medium term. Concurrently, further research and investigation will be performed regarding opportunities related to the second recommendation.

FIVE-YEAR STRATEGIC GOALS

ANBL 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 retail stores and 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

- Service excellence – Quality and efficient services to our external and internal customers and partners.
- Our people – Teamwork, developing our people, and strengthening our partnerships.
- 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 2011-12 fiscal year represents the fifth and final year of the five-year plan.

The following results illustrate ANBL's achievements in regard to these strategic goals:

- **Financial** – Deliver $785 million to the provincial government. ***Result: $779 million.***
- **Customer service** – Achieve more than 93 per cent public customer satisfaction. ***Result: 94 per cent.***
- **Internal efficiencies and process** – Maintain an expense-to-sales ratio of less than 11.5 per cent. ***Result: 11.4 per cent.***
- **Employee engagement** – Achieve 145/200 employee engagement index. ***Result: 136/200.***
- **Social and environmental responsibility** – Deliver 260,000 social responsibility messages per year to New Brunswickers. ***Result: 315,000 messages.***

STRATEGY 2012–2016

Throughout the year extensive internal consultations were undertaken with staff at all levels, including the board of directors, which culminated in presentation of the new four-year (2012-16) strategic plan to the Minister of Finance. The plan incorporates recommendations contained in the report to Cabinet, and was validated by Hon. Blaine Higgs, minister responsible for the New Brunswick Liquor Corporation.

VISION 2016

To be a leading retailer driven by customer experience.

MISSION

To responsibly manage a profitable liquor business for New Brunswick.

VALUES

- Service excellence
- Our people
- Corporate citizenship

FOUR-YEAR VISION GOALS

- Maintain 1.4 per cent net income growth.
- Achieve a customer experience index score higher than 70 per cent.
- Achieve a 145/200 employee engagement index.
- Achieve an 85 per cent corporate citizenship index.

PRESIDENT'S MESSAGE

REMITTANCES TO GOVERNMENTS

Province of New Brunswick	2012	2011
Payments from net income	$ 162 944 996	$ 159 611 405
Environmental Trust Fund	2 171 713	2 155 142
Property Taxes	319 660	315 358
	165 436 369	**162 081 905**
Government of Canada		
Harmonized Sales Tax	29 012 217	29 702 968
Excise tax and customs duties	15 774 113	15 946 717
	44 786 330	45 649 685
	$ 210 222 699	**$ 207 731 590**

Our realities at ANBL have been undergoing major changes during the last few years.

However, ANBL's main task has not changed significantly – our role is to deliver profits to the Province of New Brunswick. Nevertheless, this is becoming increasingly difficult, as we live in a demanding economy with a challenging demographic.

During these trying times we must look at how we can be more efficient. It is important for New Brunswickers that we examine how the corporation is run, and to find innovative and practical ways to make it as efficient and as profitable as possible. ANBL must constantly look at all of its services, and ask if there are ways of improving on our processes.

On February 29, 2012, we released the *2011 Report to Cabinet: A Strategic Review of Alcool NB Liquor.* This report outlined eight opportunities to meet the mandate set by Premier David Alward.

This report has provided the direction we need: in short, we have to change the way we do business. Given the market conditions that ANBL is facing, a transition to a more entrepreneurial form of governance is required.

I truly believe that we have a unique opportunity to transform ANBL into a world-class retailer. We have the staff, the ability, and the drive to take us there.

In closing, I can attest to another reality: ANBL is well-run, it is profitable, and our employees are exceptional. Our economic challenges also bring some positives: they have caused us to be a more efficient, creative and better managed corporation.

Daniel Allain
President & CEO
Alcool NB Liquor

2011-2012 YEAR IN REVIEW

STRATEGIC GOAL #1: FINANCIAL

At the start of the new fiscal year, financial reporting was transitioned to International Financial Reporting Standards, and financial information was reported publicly each quarter to increase openness and transparency.

SALES BY CATEGORY

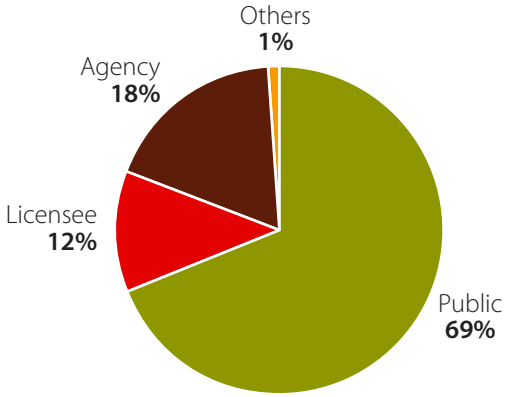
Sales	2012 ($ 000)	2011 ($ 000)	% change
Spirits	92 339	91 647	0.8
Wine	70 900	67 358	5.3
Other beverages	19 764	22 044	-10.3
Beer	212 127	211 970	0.1
TOTAL	395 130	393 019	0.5

ANBL generated $164.1 million in net earnings in fiscal year 2011-12. Although this did not meet budget, it represents a 3 per cent increase from net earnings in the 2010-11 fiscal year. Overall sales for the year were $395.1 million, an increase of 0.5 per cent from the previous year. Volume for the year was 58 263 088 litres.

Although there was a decline in transactions province wide, the average basket size ($) increased.

A $600 000 reduction in operating expenses from 2010-11 meant that the corporation met the 2011-12 expense reduction target set by the provincial government. ANBL has reduced spending by two per cent over the past two fiscal years.

SALES BY SOURCE



	2012	2011
Public	$ 267 148 604	$ 271 097 390
Licensee	49 046 111	48 504 974
Agency	76 325 025	71 491 773
Other	2 609 886	1 924 629
Total	**$ 395 129 626**	**$ 393 018 766**

2011-2012 YEAR IN REVIEW

Mark de Vere, Master of wine

SPIRITS

The spirits category achieved a sales increase of 0.8 per cent, to $92.3 million in 2011-12 from $91.6 million in 2010-11. Volumes decreased by 0.6 per cent.

Spirit sales from ANBL's on-site store at the New Brunswick Spirits Festival, held November 18, 2011, totalled $136 335, up from $114 180 in 2010.

WINE

The wine category achieved a sales increase of 5.3 per cent, to $70.9 million in 2011-12 from $67.4 million in 2010-11. Wine volume increased by 2.2 per cent.

Wine sales at the World Wine and Food Expo on-site store, held November 4-5, 2011, totalled $427 079.

In 2011-2012, ANBL was fortunate to host several important wine ambassadors who came to New Brunswick to share their stories and passion for wine excellence. They included Jean-Marie Bourgeois, president of Henri Bourgeois Winery (Sancerre, France); Gabriel Salas, lead ambassador with Concha y Toro, who promoted the famous Don Melchor wines (Chile); and Mark de Vere, master of wine, who conducted a tasting of Robert Mondavi wines (California, USA).

ANBL was given a unique opportunity to present a vertical offering of Bordeaux wines from Chateaux Simard. The January 2011 Bordeaux release consisted of 10 vintages: 1996, 1998, 2000, 2001, and 2003-2008 (Grand Cru). Promoted in select stores through numerous in-store tastings, this initiative was well received by customers, especially those who enjoy cellaring French wines.

A number of promotions intended to provide customers with unique shopping opportunities were presented throughout the year. Wines such as Hob Nob, Jacobs Creek, Linden Bay, and Wolf Blass were promoted to encourage higher volume purchases while providing consumers with value-based savings.

OTHER BEVERAGES

The other beverages category showed a decline in sales of 10.3 per cent, to $19.8 million in 2011-12 from $22.0 million in 2010-11. Volume decreased by 9.5 per cent.

BEER

The beer category achieved sales of $212.1 million in 2011-12 compared to $212.0 million in 2010-11, representing a 0.1 per cent increase. Volume decreased by 6.7 per cent.

In June 2011 ANBL featured a province-wide deep discount sale on selected 12-pack beer. Eight brands were priced at $29.98, all inclusive, for two 12-packs of cans. This promotion proved to be successful, and met the goals of reinvigorating the beer category and driving customer traffic.

STRATEGIC GOAL #2: CUSTOMER SERVICE

In early summer the retail districts were realigned, resulting in an increase to four district managers from three. This allowed them to have smaller geographic territories and fewer corporate stores per district. Coincident with this change, agency stores were placed under the district manager's scope, meaning that all retail store execution is now the district manager's responsibility.

SPIRITS

WINE

OTHER BEVERAGES

BEER

Improvements were made to the store-ordering process by enhancing the application to allow for a quick and accurate method of adjusting reorder points. This is very useful to identify trends transitioning in and going out of key selling periods, and allows for easy analysis of brand trends within each store.

In August 2011 ANBL relaunched its website (www.anbl.com) with a new look and feel, and added numerous features, including an application called Find My Wine, which is used 2 500 times monthly on average. Facebook® and Twitter® accounts, as well as a YouTube® channel, were also launched as part of a social media campaign to provide more points of contact to inform the public about sales, contests, promotions, and recipes. These changes and updates created a new surge in Internet-based traffic, including a 20 per cent increase in visits and a 400 per cent increase in pageviews, with average time on the site growing to four minutes from one.

A newsletter and e-flyer were both created to draw awareness to promotions and specials. ANBL's customer database quickly grew to more than 5 000.

ANBL SmartPhone® applications were developed for the iPhone® and Android® platforms to enable users to locate products and check inventory in nearby stores.

As a provincial Crown corporation, ANBL employs a vigorous program to ensure compliance with New Brunswick's *Official Languages Act*. In 2011-12 four complaints were received expressing concern about unilingual website postings, quality of translation, and availability of bilingual services at a supplier tasting booth. Each case was dealt with appropriately.

2011–2012 YEAR IN REVIEW

The Station, Fredericton

NEW STORES

ANBL officially opened a new store in the Fairville Boulevard Shopping Plaza, 3 Plaza Blvd., Saint John, on May 20, 2011. The 1 006 sq. m. (10 830 sq. ft), freestanding store is adjacent to a large grocery retailer in the plaza, and provides convenient one-stop shopping. It features 1 850 products, including 925 wine and 550 spirit listings. The walk-in cold room offers 275 listings of chilled beer and 110 ready-to-drink beverages.

The Riverview store was relocated to 1160 Findlay Blvd., and officially opened May 30, 2011. The store is attached to a large grocery retailer, in a rapidly developing commercial area. It covers 895 sq. m. (9 630 sq. ft.) and offers 1 625 products, including a special section featuring imported beer, which is increasing in popularity in the province.

The former Canadian Pacific Railway station (The Station) in Fredericton, a designated federal heritage site, opened April 21, 2011 after an extensive restoration and refurbishment project was completed. The complex houses a retail store, an events kitchen, and a multi-purpose, high-tech training facility/ meeting space.

More than 8 000 people have visited or made use of the facility since it opened. In addition to ANBL events The Station has played host to citizenship ceremonies, concerts, fundraisers, wedding receptions, product tastings, business meetings, training seminars, and other events. Every Saturday a tasting event is held, attracting 200 customers weekly. Featured products are sampled and are available for sale on-site.

The retail store section covers 1 060 sq. m. (11 410 sq. ft), and features 1 850 products, including 1 000 wine and 500 spirit listings. The 232 sq. m (2 500 sq. ft.) walk-in cold room offers 250 listings of chilled beer and 100 ready-to-drink beverage listings.

A new ANBL store officially opened at 780 Dieppe Blvd., Dieppe, on November 30, 2011, becoming the corporation's second outlet in the growing city. The store covers 825 sq. m. (8 880 sq. ft.) and features 1 400 products, including an enhanced wine portfolio.

The Beresford store was relocated to 879 Principale St. on December 1, 2011. It covers 703 sq. m. (7 570 sq. ft.), and features 1 050 products.

The Chatham store underwent a five-week modernization in January 2012. The retail section was upgraded with metal shelving and split-end displays, and fresh paint throughout. With the installation of new product signage and lighting, the store now has a much brighter shopping atmosphere. In addition, the warehouse area was expanded, allowing staff more room to safely offload orders.

Grand opening, Dieppe Blvd. store, November 30, 2011

STRATEGIC GOAL #3: INTERNAL EFFICIENCIES AND PROCESSES

While ANBL has historically been very cost-conscious, further efficiencies can be realized through careful analysis of current business processes.

Corporate hours of operation were reduced on April 1, 2011. With the reduction came the change from a three-day single shift to a five-day double shift for staff in many outlets. This allowed the stores to become more productive and efficient, significantly reducing operating expenses.

Process improvement methodology was used to reorganize and create a more efficient and safe operation in the warehouse sections of all corporate stores. As well, new procedures were developed for recruiting future members of the board of directors, in anticipation of two vacancies resulting from term expiration early in the new year.

A formal tracking process was implemented to help reduce unnecessary inter-store product transfers.

The Continuous Improvement department was re-programmed to better meet the needs of internal and external customers. Projects selected for 2011-12 had a strong focus on improving service to various customer segments, including improvements in the use of technology to better support customer needs.

The Licensee Ordering project led to a recommendation for the development of an online ordering application in the coming year. As well, new processes were developed and launched in the Design and Construction department, and a virtual store concept was piloted at the 15th Annual FestiVin Wine Festival in Caraquet. The virtual store was a significant success, and will be included in subsequent years.

Internally, ANBL embarked on a three-month redesign of its intranet site, Rendez-vous. Technology was updated and upgrades completed to better leverage the employee feedback tool.

ANBL continued to strengthen regional co-operation by working with Atlantic Canadian liquor boards to enhance scheduling and joint ordering of overseas products. This joint planning permitted more frequent orders from lower volume countries, which reduced overall inventory and the number of stock-outs. As part of this initiative, the Atlantic liquor boards evaluated and renewed the present contract for overseas and ocean freight services. ANBL tendered for and awarded a new three-year contract for North American inbound freight services.

The central warehouse continued its focus on driving labour-cost reductions and overall efficiencies. ANBL became the first liquor board in Canada to implement a voice pick-to-headset system, eliminating the handheld bar code scanners formerly used by staff, which improved ergonomics and significantly increased case-pick rates.

The fiscal year 2011-12 showed further progress in information technology (IT). Early in the year ANBL partnered with the Barrington Consulting Group Inc. to produce an IT Gap Analysis to identify and assess the gaps between ANBL's current IT landscape and the desired future state, which will enhance ANBL's ability to achieve business objectives. Completed in October 2011, the study became critical input to the Report to Cabinet, and accordingly the first step in ANBL's IT modernization program. Initiatives completed during the year included an upgrade to the point-of-sale application, the introduction of Gateway – a web-based platform for stakeholder interaction – release of new marketing program booking software, and a licensee sales reporting tool for agency stores. In addition, the IT service desk took on additional responsibilities, expanding its role as first point of contact for help desk functions.

Additional projects aligned to the new strategic direction and tied into the goals of the Report to Cabinet were selected for the upcoming fiscal year. These projects involve optimizing the use of human resources in our stores, being as energy efficient as possible in conducting business, and streamlining business processes to better serve external and internal customers.

2011–2012 YEAR IN REVIEW

STRATEGIC GOAL #4: EMPLOYEE ENGAGEMENT

ANBL implemented a revised Attendance Management Program, with increased accountability levels to ensure consistency in managing employee absences and encouraging appropriate use of sick-time. The Human Resources department acted as primary contact for support and compliance monitoring, and as a result, attendance improved significantly. After the program was implemented, sick-time dropped nearly 10 per cent from the same period in the previous year.

Ongoing efforts also continued in support of safe work practices and compliance with Occupational Health and Safety regulations. Initiatives supported the implementation of 5S+1 (Sort, Set in order, Shine, Standardize, Sustain & Safety), use of position-specific functional job descriptions to assist in return to work plans and employee accommodation needs, and the delivery of monthly safety dialogues with employees. ANBL's partnership with WorkSafe NB continued, with an emphasis on in-store manual material handling practices as part of a musculoskeletal injury-prevention strategy.

ANBL prides itself on an excellent working relationship with bargaining employees, the members of CUPE Local 963.

During the year a consistent, fair and easy-to-use performance management system for all retail and warehouse bargaining employees was implemented. As well, a consistent approach for training new casual employees was launched, along with a new process for monitoring their probationary periods. A total of six grievances were received, and all were withdrawn through discussions or satisfactory alternate resolution methods.

Phase III of ANBL's Accelerated Leadership Development Program (ALDP) continued in 2011-12, with 15 participants welcomed into the program. Employee development using other means also continued, to the extent that nearly 50 per cent of ANBL's bargaining staff are now ready for advancement. Work also commenced on a new employee development plan for non-ALDP participants, and on a series of leadership and workforce development courses for managers to build leadership strength with existing employees. Online courses in product knowledge were also made available for the benefit of all employees.

The Audit and Security Services department underwent an extensive review that resulted in revamping several of its operational areas. Significant improvements were also made to its Rendez-vous site, with many new features added. A major focus of the site will be to stress security-related matters to all ANBL employees.

New audit and security checklists were implemented to allow for more efficient store visits while still focusing on major areas of risk. ANBL remains proud of its security consciousness, as evidenced by the continuing enviable shortage results, specifically, $64 498 on sales of $395 129 626, or .02 per cent.

STRATEGIC GOAL #5: SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

ANBL was the 2011 provincial sponsor for MADD Canada's high school assembly video, Damages. Students from 62 schools in New Brunswick viewed the program, which took them beyond a crash to see the human impact and legal consequences of impaired driving.

In July and November, customers were prompted at cash to make a donation to MADD Canada. Thanks to New Brunswickers' generosity, $75 000 was donated.

Jonathan Reid, Product Advisor, Parkway Mall, Saint John

For the fifth consecutive year ANBL promoted a Safe Grad initiative, which was open to all New Brunswick high schools. Sanctioned by the Department of Education, ANBL engaged New Brunswick high school students to help deliver the message about making responsible choices when celebrating graduation. Submissions created by students were presented in a short video, PowerPoint presentation and/or original song. Submissions were received and evaluated, with donations made to all schools that submitted an entry. Donations to be used toward Safe Grad activities ranged from $200 to $2 750, with a total of $20 000 being donated to 27 schools.

During the previous two years ANBL successfully built upon its I Said It campaign, speaking to youth in a language they can relate to, and empowering them to open up with each other on the subject of drinking. In June 2011 the campaign was expanded to include parents of teenagers. The Parent Zone website contains a video explaining the I Said It story, providing parents with information on how the corporation engaged New Brunswick teens. Parents were encouraged through the website to discuss issues their teens may face with regards to drinking.

The Party Smart NB campaign, a collaboration between ANBL and the New Brunswick RCMP, was aimed at engaging young women aged 19 to 23, using videos of two situations, each with serious potential consequences. A social media campaign was launched in September 2011 to raise awareness among young New Brunswick women about the consequences of being a passenger in a vehicle with an impaired driver, as well as the danger of date rape drugs.

ANBL's Identification Check program was once again well managed. Corporate and agency staff monitor the ages of customers attempting to buy beverage alcohol, and this year they challenged 164 613 individuals, refusing service to 6 524.

An in-store community donation campaign held late in the year raised $53 000 for Red Cross support for victims of the catastrophic flooding in Perth-Andover.

The new Beresford and Dieppe stores were constructed in compliance with the Province's new and exacting Green Building Code regulations. These were the first stores built following these new core performance guidelines under the Green Building policy. The stores use energy-efficient water and light fixtures. Construction waste was separated and recycled where possible, and energy efficiency was taken into account when the heating, ventilation and air conditioning systems were designed. This resulted in decreased environmental impact during construction, and less energy consumption during hours of operation.

In April 2011 ANBL completed its first comprehensive greenhouse gas emission audit, which now provides the benchmark for planning future improvements.

In conjunction with all Canadian liquor jurisdictions and the supplier community, ANBL completed the transition to lighter-weight cases for spirit and wine products. The overall glass weight reduction is significant, and the benefits are twofold: less weight for warehouse and store staff to handle, and a reduction in greenhouse gas emissions in product transportation.

The annual report is tabled in the Legislative Assembly, and is available online at www.anbl.com. Under the *Right to Information and the Protection of Privacy Act,* our records are open to public scrutiny. ANBL is accountable to the provincial government and to New Brunswick residents.

STORE LOCATIONS

CORPORATE STORE SALES BY LOCATION

	($ 000)			
	2012			2011*
Location	Public	Licensee	Total	Total
Bathurst (4)	$ 8 374	$ 1 233	$ 9 607	$ 9 819
Beresford	2 784	193	2 977	3 110
Bouctouche (2)	2 527	384	2 911	3 096
Campbellton (2)	2 303	889	3 192	3 343
Cap-Pelé	2 602	176	2 778	2 894
Caraquet (3)	3 596	1 091	4 687	5 254
Dalhousie (3)	1 515	390	1 905	2 195
Dieppe				
Dieppe Blvd.***	1 554	58	1 612	-
Dieppe	14 065	3 882	17 947	17 893
Total	15 619	3 940	19 559	17 893
Edmundston (1)	6 542	2 329	8 871	9 034
Florenceville-Bristol (2)	1 952	215	2 167	2 264
Fredericton				
Brookside Mall (3)	7 519	3 270	10 789	11 218
Devon Park (5)	9 273	1 635	10 908	11 311
Prospect Street	14 343	2 041	16 384	18 170
Smythe Street	-	-	-	9 209
York Street	11 180	1 105	12 285	-
Total	42 315	8 051	50 366	49 908
Grand Bay-Westfield (2)	3 019	285	3 304	3 795
Grand Falls (3)	4 602	916	5 518	5 770
Grand Manan **	1 060	37	1 097	1 337
Hampton (1)	3 827	290	4 117	4 293
Lamèque	1 896	141	2 037	2 271
Miramichi				
Chatham (3)	4 153	878	5 031	5 747
Newcastle (3)	6 969	868	7 837	7 591
Total	11 122	1 746	12 868	13 338

	($ 000)			
	2012			2011*
Location	Public	Licensee	Total	Total
Moncton				
Elmwood Drive (1)	$ 6 715	$ 1 898	$ 8 613	$ 9 111
Moncton North	8 244	1 428	9 672	10 279
Mountain Road	8 016	2 598	10 614	8 441
Vaughan Harvey Blvd.	11 543	2 712	14 255	15 003
Total	34 518	8 636	43 154	42 834
Neguac	2 217	280	2 497	2 726
Oromocto (3)	9 382	1 225	10 607	10 489
Perth-Andover (2)	2 783	252	3 035	3 113
Petit Rocher	2 327	217	2 544	2 871
Quispamsis (1)	10 442	750	11 192	11 163
Richibucto (4)	4 210	464	4 674	4 746
Riverview (3)	7 567	1 606	9 173	8 839
Rothesay	907	-	907	890
Sackville (2)	4 886	643	5 529	5 421
Saint John				
Lansdowne Place	7 626	2 603	10 229	10 247
Parkway Mall (1)	13 112	1 780	14 892	14 832
Prince Edward Sq.	5 713	1 405	7 118	7 624
Fairville Blvd. (1)	9 427	1 800	11 227	10 615
Total	35 878	7 588	43 466	43 318
Salisbury (2)	3 672	255	3 927	3 483
St. Andrews	2 134	752	2 886	3 022
St. George (2)	2 727	131	2 858	3 086
St. Stephen (2)	5 230	347	5 577	5 432
Shediac Seasonal	-	-	-	541
Shediac (2)	7 758	1 030	8 788	8 649
Shippagan	2 453	262	2 715	2 748
Sussex (3)	6 739	811	7 550	7 824
Tracadie-Sheila (2)	5 035	687	5 722	6 313
Woodstock (4)	5 357	745	6 102	6 110
Warehouse	74 207	59	74 266	69 787
TOTAL	**$ 346 084**	**$ 49 046**	**$ 395 130**	**$ 393 019**

(#) Indicates number of agents at this location
* Restated
** Store closed during the year
*** Store opened during the year

AGENT SALES BY LOCATION

Agency Location	ANBL Location	($ 000) 2012	2011*
Allardville	Bathurst	$ 670	$ 701
Alma	Riverview	386	451
Arthurette	Perth-Andover	422	328
Baie-Sainte-Anne	Chatham	913	892
Balmoral	Dalhousie	818	895
Barnesville	Quispamsis	900	859
Bay du Vin	Chatham	563	543
Belledune	Dalhousie	834	989
Blacks Harbour	St. George	1 273	1 192
Blackville	Newcastle	962	951
Boiestown	Devon Park, Fredericton	629	612
Brantville	Tracadie-Sheila	1 438	1 352
Cambridge Narrows	Sussex	924	957
Campobello	St. Stephen	208	229
Canterbury	Woodstock	507	490
Centreville	Florenceville-Bristol	1 220	1 084
Charlo	Dalhousie	926	949
Chipman	Devon Park, Fredericton	1 213	1 181
Clair	Edmundston	284 **	493
Cocagne	Shediac	2 550	2 023
Debec	Woodstock	530	443
Doaktown	Devon Park, Fredericton	879	846
Dorchester	Sackville	473	427
Douglas Harbour	Oromocto	551	564
Fredericton Junction	Oromocto	1 292	1 286
Gagetown	Oromocto	711	779
Grand Manan	St. George	416 ***	-
Grande-Anse	Caraquet	792	778
Harcourt	Richibucto	602	612
Hartland	Woodstock	1 547	1 424
Harvey	Devon Park, Fredericton	1 394	1 377
Haute-Aboujagane	Shediac	1 026	879
Hillsborough	Riverview	1 263	1 107
Janeville	Bathurst	476	466
Juniper	Florenceville-Bristol	389	346
Kedgwick	Campbellton	999	1 012
Kingston	Hampton	1 201	804
Lac Baker	Edmundston	(1) **	128
Lepreau	Fairville Blvd., Saint John	$ 1 626	$ 1 427
Mactaquac	Brookside Mall, Fredericton	2 232	1 970
Maisonnette	Caraquet	384	390
McAdam	St. Stephen	573	542
Memramcook	Elmwood Drive, Moncton	2 488	2 359
Minto	Devon Park, Fredericton	1 971	1 841
Nackawic	Woodstock	1 507	1 495
Norton	Sussex	2 567	2 224
Paquetville	Caraquet	2 183	2 391
Petitcodiac	Salisbury	2 000	1 937
Plaster Rock	Perth-Andover	1 056	1 011
Pointe-Sapin	Richibucto	314	298
Port Elgin	Sackville	1 408	1 331
Public Landing	Grand Bay-Westfield	1 007	830
Renous	Newcastle	1 119	1 098
Richibucto Village	Richibucto	784	762
Riley Brook	Grand Falls	266	282
Riverside-Albert	Riverview	370	377
Rogersville	Chatham	1 774	1 734
Sainte-Anne-de-Madawaska	Edmundston	526	552
Saint-Antoine	Bouctouche	2 121	2 104
Saint-Arthur	Campbellton	251	252
Saint-Isidore	Tracadie-Sheila	929	268
Saint-Léonard	Grand Falls	741	794
Saint-Louis de Kent	Richibucto	1 546	1 535
Saint-Paul	Bouctouche	482	477
Saint-Quentin	Grand Falls	1 531	1 561
Saint-Sauveur	Bathurst	292	339
Salisbury	Salisbury	2 446	2 058
South Tetagouche	Bathurst	428	393
St. Martins	Parkway Mall, Saint John	760	756
Stanley	Brookside Mall, Fredericton	1 035	1 005
Sunny Corner	Newcastle	1 196	1 176
Welsford	Grand Bay-Westfield	1 226	1 208
Youngs Cove	Sussex	782	654
Zealand	Brookside Mall, Fredericton	1 165	1 172
Manufacturer Agents	Head Office, Fredericton	1 059	440
TOTAL		**$ 76 325**	**$ 71 492**

* Restated
** Closed during the year
*** Opened during the year

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 International Financial Reporting Standards. 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.

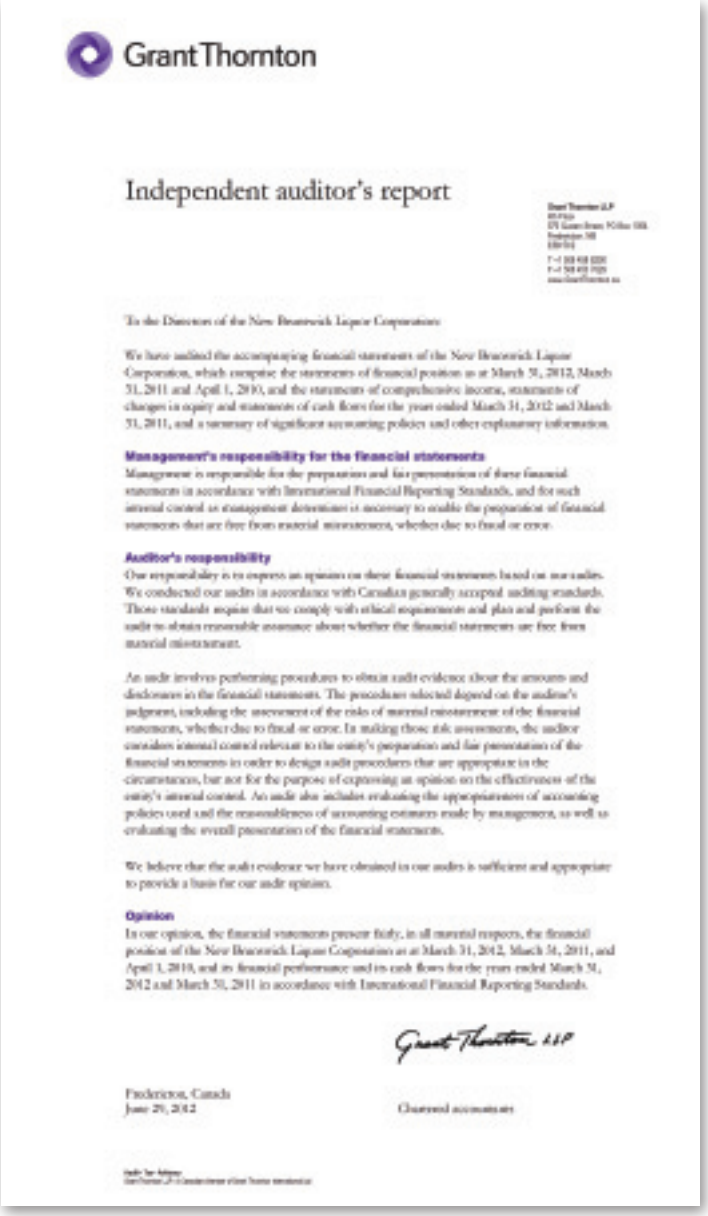
Grant Thornton, LLP, the external auditors of the Corporation, have performed an independent audit of the financial statements of the Corporation in accordance with Canadian generally accepted auditing standards. The Auditors' Report outlines the scope of this independent audit and the opinion expressed.

Daniel Allain
President & CEO

Christopher Evans, CA
Vice-President & CFO

June 29, 2012

AUDITORS' REPORT



Grant Thornton

Independent auditor's 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 statements of financial position as at March 31, 2012, March 31, 2011 and April 1, 2010, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended March 31, 2012 and March 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the New Brunswick Liquor Corporation as at March 31, 2012, March 31, 2011, and April 1, 2010, and its financial performance and its cash flows for the years ended March 31, 2012 and March 31, 2011 in accordance with International Financial Reporting Standards.

Grant Thornton LLP

Fredericton, Canada
June 29, 2012

Chartered accountants

2011-2012 FINANCIAL STATEMENTS

STATEMENTS OF COMPREHENSIVE INCOME

Year ended March 31

	Budget 2012	Actual 2012	Actual 2011
Total sales (note 3)	$ 408 463 191	$ 395 129 626	$ 393 018 766
Less: commissions	6 531 582	6 497 338	6 593 404
Net sales	401 931 609	388 632 288	386 425 362
Cost of sales (note 4)	185 889 272	179 028 894	180 705 532
Gross profit	216 042 337	209 603 394	205 719 830
Other income (note 5)	2 427 112	2 676 290	2 452 798
	218 469 449	212 279 684	208 172 628
Operating expenses (note 6)	48 206 797	48 156 682	48 597 405
Net earnings	**$170 262 652**	**$164 123 002**	**$159 575 223**

See accompanying notes to the financial statements

STATEMENTS OF CHANGES IN EQUITY

Year ended March 31

	2012	2011
Balance at beginning of year	$ 20 563 729	$ 20 599 911
Net earnings	164 123 002	159 575 223
Payments to the Province of New Brunswick	(162 944 996)	(159 611 405)
Balance at end of year	**$ 21 741 735**	**$ 20 563 729**

See accompanying notes to the financial statements

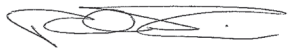
STATEMENTS OF FINANCIAL POSITION

	March 31		April 1
Assets	**2012**	**2011**	**2010**
Current Assets			
Cash and cash equivalents	$ 2 566 129	$ 1 476 954	$ 964 232
Trade and other receivables	3 988 914	3 417 633	5 440 340
Inventories (note 7)	21 650 352	22 479 227	22 090 483
Prepaid expenses	489 957	424 695	528 147
	28 695 352	27 798 509	29 023 202
Deposit - injured workers (note 8)	171 455	263 366	354 213
Property, plant and equipment (note 9)	7 722 899	7 686 968	7 691 843
Intangible assets (note 10)	1 512 590	1 664 973	1 934 555
	$ 38 102 296	**$ 37 413 816**	**$ 39 003 813**
Liabilities			
Current Liabilities			
Trade and other payables	$ 11 716 575	$ 12 654 786	$ 14 338 378
Non current Liabilities			
Retiring allowances (note 11)	4 643 986	4 195 301	4 065 524
	16 360 561	16 850 087	18 403 902
Equity of the Province of New Brunswick			
Equity	21 741 735	20 563 729	20 599 911
	$ 38 102 296	**$ 37 413 816**	**$ 39 003 813**

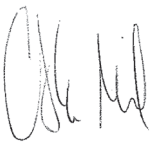
Commitments and Contingencies (note 13 and 15)

See accompanying notes to the financial statements

Approved by the Board:



Director



Director

2011-2012 FINANCIAL STATEMENTS

STATEMENTS OF CASH FLOWS

Year ended March 31

	2012	2011
Operating		
Net earnings	$ 164 123 002	$ 159 575 223
Items not involving cash:		
Depreciation	1 620 617	1 859 571
Amortization	362 294	382 290
Loss / (gain) on sale of property, plant and equipment	13 224	44 354
Decrease in deposit - injured workers	91 911	90 847
Increase in retiring allowances	448 685	129 777
Change in non-cash working capital	(745 879)	53 823
Cash available from operations	165 913 854	162 135 885
Investing		
Additions to property, plant and equipment	(1 673 817)	(1 909 119)
Additions to intangible assets	(209 910)	(112 707)
Proceeds from sale of property, plant and equipment	4 044	10 068
Net cash used for capital investments	(1 879 683)	(2 011 758)
Financing		
Payments to the Province of New Brunswick	(162 944 996)	(159 611 405)
Increase in Cash	1 089 175	512 722
Cash at Beginning of Year	1 476 954	964 232
Cash at End of Year	**$ 2 566 129**	**$ 1 476 954**

See accompanying notes to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2012

1. Nature of Operations

This Crown Corporation is incorporated under the New Brunswick Liquor Corporation Act and is a Government Business Enterprise as defined by Public Sector Accounting Board recommendations. The Corporation's main office is located in Fredericton, New Brunswick and its primary business 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.

2. Summary of Significant Accounting Policies

a) Statement of compliance

The financial statements of the Corporation comply with International Financial Reporting Standards (IFRS).

This is the Corporation's first financial statements prepared in accordance with IFRS. The 2011 financial statements include an opening statement of financial position as at April 1, 2010, the date at which the impact of IFRS transition was recorded against equity, in accordance with the provisions of IFRS 1 "First time adoption of International Financial Reporting Standards" and the 2011 comparative statements were prepared using the same basis of accounting. A detailed reconciliation of the financial statements prepared under Canadian GAAP and the comparative 2011 IFRS financial information is presented in note 17.

The financial statements for the year ended March 31, 2012 were approved and authorized for issue by the Board of Directors on June 29, 2012.

b) Basis of preparation

The financial statements have been prepared on the historical cost basis. These statements have been prepared using the accrual basis of accounting.

The accounting policies set out below have been applied consistently to all periods presented in the financial statements and in preparing an opening IFRS statement of financial position at April 1, 2010 for the purpose of transition to IFRS.

c) Property, plant and equipment

(i) Assets owned by the Corporation

Property, plant and equipment are carried at historical cost less any accumulated depreciation and impairment losses. Historical cost includes the acquisition cost or construction cost as well as the costs directly attributable to bringing the asset to the location and condition necessary for its use in operations. When property, plant and equipment include significant components with different useful lives, they are recorded and amortized separately. Depreciation is computed using the straight-line method based on the estimated useful life of the assets. Useful life is reviewed on an annual basis.

(ii) Derecognition

An item of property, plant and equipment is derecognized when disposed of or when no future economic benefits are expected to arise from the continued use of the asset. A gain or loss arising on derecognition of an asset is calculated as the difference between the net disposal proceeds and the carrying amount of the asset at the date of disposal and is included in the statement of comprehensive income in the year in which the item is derecognized.

(iii) Subsequent costs

The Corporation recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Corporation and the cost of the item can be measured reliably. All other costs are recognized in the statement of comprehensive income as an expense as incurred.

(iv) Depreciation

Depreciation of an asset begins when it is available for use. This means when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation is charged to the statement of comprehensive income on a straight-line basis using the following annual rates:

Buildings	2 ½%
Paving	10%
Refrigeration equipment	10%
Retail automation equipment	20%
Furniture, fixtures and equipment	20%
Automotive equipment	25%

Leasehold improvements are depreciated on the straight-line basis over the 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. As a result, no depreciation is taken on these assets.

(v) Impairment

The carrying amounts of the Corporation's non-financial assets are reviewed at the end of each year to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated in order to determine the extent of the impairment loss (if any).

Non-financial assets are grouped based on their cash generating units ("CGU") which is the smallest group of assets which generate cash 'inflows' from their continuing use which are independent from cash inflows of other assets. The Corporation has defined CGUs as its retail stores.

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

Impairment losses recognized in prior periods are reversed if the recoverable amount in a later period exceeds the carrying amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. At March 31, 2012 and 2011 there were no indications of impairment.

d) Intangible assets

Intangible assets include purchased and in-house developed computer software which is recorded at cost and amortized on a straight-line basis over the estimated useful life, as these assets are considered to have finite useful lives. Useful lives are reviewed at each reporting date. The Corporation assesses the carrying value of the intangible assets for impairment when events or circumstances warrant such a review. At March 31, 2012 and 2011 there were no indications of impairment. Computer software is amortized on a straight-line basis at a rate of 10% per annum.

e) Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks rewards incidental to ownership of the leased asset to the lessee. Assets financed by finance lease contracts are capitalized at the lower of the fair value of future minimum lease payments and market value and the related debt recorded in non current liabilities. All other leases are classified as operating leases.

The Corporation has determined that all leases entered into at March 31, 2012, March 31, 2011, and April 1, 2010 are operating leases. Payments made under operating leases (net of any financial incentives from the lessor) are charged to the statement of comprehensive income based on the contractual annual rental rate in effect at the time.

(i) Lease incentives

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

f) Financial instruments

(i) Recognition, initial measurement

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

(ii) Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, all financial assets have been classified as loans and receivables.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less impairment. Discounting is omitted where the effect of discounting is immaterial.

The Corporation's cash and cash equivalents and trade and other receivables fall into this category of financial instruments.

The Corporation does not hold any financial assets in the other categories.

(iii) Financial liabilities

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

(iv) Derecognition

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

(v) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount recognized on the statement of financial position only when there is a legal right to offset the amounts and there is an intention to settle on the net basis or realize the asset and settle the liability simultaneously.

(vi) Impairment of financial assets

Financial assets are assessed for indicators of impairment. Financial assets are considered to be impaired when there is objective evidence that the estimated future cash flow of the investment will be negative.

g) Foreign currency translation

The financial statements are presented in Canadian dollars, which is the Corporation's functional and presentation currency.

Foreign currency transactions are translated into Canadian dollars using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.

h) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is defined as average cost. Net realizable value is the estimated selling price in the ordinary course of business, less any applicable selling expenses. The cost includes expenditures incurred in acquiring the inventories and bringing them to their existing location and condition.

i) Provisions

A provision is recognized in the statement of financial position when the Corporation has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

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

j) Post-employment benefits

(i) Retiring allowances

Employees of the Corporation are entitled to a retirement allowances 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.

Significant assumptions used in the calculation of the liability are as follows:

Discount rate – beginning of year	5.4%
Discount rate – end of year	4.1%
Future salary increases – beginning of year	2.5%

(ii) 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.

k) Revenue

Revenue is measured at the fair value of the consideration received or receivable.

(i) Sales to retail customers

Revenue is recognized at the point of sale to customers.

(ii) Sales to agency stores and licensed establishments

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

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

- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Amounts do not include the subsequent resale by licensed establishments and agency stores.

l) Accounting estimates and judgements

The preparation of financial statements in compliance with IFRS requires the Corporation's management to make certain estimates and assumptions that they consider reasonable and realistic. Despite regular reviews of these estimates and assumptions, based in particular on past achievements or anticipations, facts and circumstances may lead to changes in these estimates and assumptions which could affect the reported amount of the Corporation's assets, liabilities, equity or earnings. Areas of estimation where complex or subjective judgments were made include net realizable value of inventory, depreciation, retiring allowances and deposit-injured workers.

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

At the date of approval of these financial statements, certain new IFRS standards, amendments and interpretations to existing standards have been issued by the IASB but are not yet effective, and have not been applied in preparing these financial statements.

Management expects that all of the relevant pronouncements will be adopted in the Corporation's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Corporation's financial statements is provided below.

In addition, certain other new standards and interpretations have been issued but are not expected to have a material impact on the Corporation's financial statements.

IFRS 9 Financial Instruments (IFRS 9) - Effective January 1, 2015, to replace IAS 39 and IFRIC 9. The issuance of IFRS 9 is the first phase of a multi-phase project with the objective of improving and simplifying the reporting for financial instruments. IFRS 9 provides guidance on the classification and measurement of financial assets and liabilities.

IFRS 13 Fair Value Measurement (IFRS 13) - Effective January 1, 2013, to replace fair value guidance in other IFRS. IFRS 13 defines fair value and sets out, in a single IFRS, a framework for measuring fair value and identifies required disclosures about fair value measurements.

Amendments to IAS 1 Presentation of Financial Statements (IAS 1 Amendments) - Effective July 1, 2012, amended regarding presentation of items of other comprehensive income.

Amendments to IAS 19 Employee Benefits (IAS 19 Amendments) - Effective January 1, 2013, amended to eliminate the option to defer recognition of actuarial gains and losses.

The Corporation is currently evaluating the impact of these new standards and amendments on its financial statements.

3. Total Sales

	Budget 2012	Actual 2012	Actual 2011
Spirits	$ 93 097 692	$ 92 338 396	$ 91 646 886
Wine	70 176 782	70 900 188	67 358 259
Other beverages	23 574 113	19 764 338	22 043 688
Beer	221 614 604	212 126 704	211 969 933
	$ 408 463 191	**$ 395 129 626**	**$ 393 018 766**

4. Cost of Sales

	Spirits	Wine	Other Beverages	Beer	Total 2012	Total 2011
Inventories at beginning of year	$ 6 629 887	$ 9 513 662	$ 1 578 514	$ 4 625 683	$ 22 347 746	$ 21 976 068
Purchases	18 512 312	23 977 488	6 461 655	108 855 694	157 807 149	160 896 604
Inbound freight	914 840	1 784 591	526 405	427 522	3 653 358	3 310 609
Outbound freight	198 636	330 858	226 086	223 580	979 160	923 280
Duty and excise tax	12 594 670	2 079 181	802 571	297 691	15 774 113	15 946 717
	38 850 345	37 685 780	9 595 231	114 430 170	200 561 526	203 053 278
Inventories at end of year	6 360 002	10 020 761	702 292	4 449 577	21 532 632	22 347 746
	$ 32 490 343	**$ 27 665 019**	**$ 8 892 939**	**$ 109 980 593**	**$ 179 028 894**	**$ 180 705 532**

5. Other Income

	Budget 2012	Actual 2012	Actual 2011
Merchandising programs	$ 2 008 050	$ 2 170 095	$ 2 036 249
Private importation revenue	123 468	213 885	153 923
Unredeemed beverage container deposits	127 080	120 759	119 534
(Loss) gain on sale of property, plant and equipment	(35 986)	(13 224)	(44 354)
Interest on deposit - injured workers	5 000	5 533	33 161
Sundry	199 500	179 242	154 285
	$ 2 427 112	**$ 2 676 290**	**$ 2 452 798**

NOTES TO THE FINANCIAL STATEMENTS

6. Operating Expenses

	Budget 2012	Actual 2012	Actual 2011
Salaries - stores, warehouse and maintenance	$ 18 295 079	$ 19 274 856	$ 19 834 064
- administration	4 927 233	4 622 186	4 872 017
Employee benefits	6 662 098	6 639 894	6 647 111
Rent	5 449 107	5 649 847	5 021 667
Heat and light	1 412 093	1 475 605	1 462 140
Depreciation and amortization	2 359 622	1 982 911	2 241 861
Training programs	211 211	83 299	152 395
Repairs to property, plant and equipment	364 361	354 843	537 399
Property taxes	325 363	319 660	315 358
Minor equipment and supplies	832 696	636 678	868 816
Security	311 988	339 212	295 287
Retail automation system maintenance	232 291	201 418	145 544
Travel	428 654	281 835	343 059
Beverage container redemption costs	1 344 883	1 350 757	1 140 006
Shopping bags	98 404	96 442	207 375
Data processing	358 370	328 711	272 865
Telecommunications	403 321	502 460	485 202
Motor vehicle operation	68 450	76 777	61 816
Cleaning	243 147	206 088	218 065
Shortages	65 000	64 498	66 367
Management meetings	165 210	92 114	115 587
Postage	55 800	46 419	64 216
Professional services	484 480	633 402	438 084
Bank charges	2 368 035	2 276 830	2 185 240
Warehouse maintenance and supplies	50 160	50 021	48 014
Insurance	74 804	74 753	71 927
Advertising and promotions	400 128	293 229	308 932
Directors' remuneration	38 051	36 345	41 150
Other	176 758	165 592	135 841
	$ 48 206 797	**$ 48 156 682**	**$ 48 597 405**

7. Inventories

	2012	2011	April 1 2010
Spirits, wine, other beverages and beer	$ 21 532 632	$ 22 347 746	$ 21 976 068
Supplies	117 720	131 481	114 415
	$ 21 650 352	**$ 22 479 227**	**$ 22 090 483**

8. 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 2012 was $5 533 ($33 161 in 2011). The actual cost of claims is deducted from the deposit in the year the expense is incurred. Actual costs for 2012 were $97 444 ($124 008 in 2011). 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.

9. Property, Plant and Equipment

Cost	Land	Paving	Buildings	Leasehold Improvements	Furniture & Fixtures	Auto-motive	Retail Equipment	Refrigeration Equipment	Total
Balance at April 1, 2010	$ 155 386	$ 428 549	$ 10 336 594	$ 5 367 564	$ 13 245 478	$ 323 458	$ 2 800 556	$ 3 006 753	$ 35 664 338
Additions		53 489	8 525	344 163	1 181 408	77 827	21 071	222 636	1 909 119
Disposals		4 800		811 412	20 252	104 749			941 213
Balance at March 31, 2011	$ 155 386	$ 477 238	$ 10 345 119	$ 4 900 315	$ 14 406 634	$ 296 536	$ 2 821 627	$ 3 229 389	$ 36 632 244
Balance at April 1, 2011	$ 155 386	$ 477 238	$ 10 345 119	$ 4 900 314	$ 14 406 634	$ 296 536	$ 2 821 627	$ 3 229 389	$ 36 632 243
Additions			118 263	237 862	1 098 000	21 963	39 375	158 354	1 673 817
Disposals				524 790	432 975	44 310	1 570 901	659 871	3 232 847
Balance at March 31, 2012	$ 155 386	$ 477 238	$ 10 463 382	$ 4 613 386	$ 15 071 659	$ 274 189	$ 1 290 101	$ 2 727 872	$ 35 073 213
Depreciation and Amortization									
Balance at April 1, 2010		$ 402 936	$ 6 689 210	$ 4 326 295	$ 11 243 282	$ 275 489	$ 2 558 665	$ 2 476 618	$ 27 972 495
Additions		14 170	149 612	286 975	1 003 902	43 800	221 341	139 771	1 859 571
Disposals		4 800		759 937	17 304	104 749			886 790
Balance at March 31, 2011		$ 412 306	$ 6 838 822	$ 3 853 333	$ 12 229 880	$ 214 540	$ 2 780 006	$ 2 616 389	$ 28 945 276
Balance at April 1, 2011		$ 412 306	$ 6 838 822	$ 3 853 333	$ 12 229 880	$ 214 540	$ 2 780 006	$ 2 616 389	$ 28 945 276
Additions		14 169	152 568	234 476	1 021 033	44 186	17 328	136 857	1 620 617
Disposals				524 790	425 988	44 310	1 570 901	649 590	3 215 579
Balance at March 31, 2012		$ 426 475	$ 6 991 390	$ 3 563 019	$ 12 824 925	$ 214 416	$ 1 226 433	$ 2 103 656	$ 27 350 314
Carrying Amounts									
At April 1, 2010	$ 155 386	$ 25 613	$ 3 647 384	$ 1 041 269	$ 2 002 196	$ 47 969	$ 241 891	$ 530 135	$ 7 691 843
At March 31, 2011	$ 155 386	$ 64 932	$ 3 506 297	$ 1 046 982	$ 2 176 754	$ 81 996	$ 41 621	$ 613 000	$ 7 686 968
At March 31,2012	$ 155 386	$ 50 763	$ 3 471 992	$ 1 050 367	$ 2 246 734	$ 59 773	$ 63 668	$ 624 216	$ 7 722 899

10. Intangible Assets

	2012	2011	April 1 2010
Software			
Cost			
Opening	$ 4 339 145	$ 4 226 437	$ 4 226 437
Additions	209 911	112 708	
Disposals			
Closing	4 549 056	4 339 145	4 226 437
Amortization			
Opening	2 674 172	2 291 882	2 291 882
Additions	362 294	382 290	
Disposals			
Closing	3 036 466	2 674 172	2 291 882
Carrying Amount	**$ 1 512 590**	**$ 1 664 973**	**$ 1 934 555**

11. Post-Employment Benefits

Pension Plan

Under the terms of the Public Service Superannuation plan, for the year ended March 31, 2012, the Corporation expensed contributions of $1 515 832 ($1 448 293 in 2011). An independent actuary determines funded status of the plan and makes recommendations on required "special" contributions, if any. The most recent actuarial valuation of the Plan as at April 1, 2011 determined that the Plan is not fully funded and as a result special funding contributions are required. The amount payable for the next fiscal year is $820 314 and has been reflected in note 13.

Retiring Allowances

Information relating to the retiring allowance plan is as follows:

	2012	2011
Reconciliation of Accrued Benefit Obligation:		
Balance, beginning of year	$ 4 195 301	$ 4 065 524
Current service cost	201 538	190 658
Interest cost	223 222	233 040
Actuarial loss (gain)	526 402	88 599
	951 162	512 297
Benefits paid	(502 477)	(382 520)
Accrued benefit liability	**$ 4 643 986**	**$ 4 195 301**

12. Financial Risk Management Objectives and Policies

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.

Risk disclosures
Exposure to credit, interest rate and currency risks arises in the normal course of the Corporations' business. 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.

Foreign currency risk
In common with many organizations that purchase in foreign currencies the Corporation may be exposed to a marginal degree of currency risk. The Corporation is exposed to foreign currency risk on purchases that are denominated in a currency other than the Canadian dollar. The currency giving rise to this risk is primarily the U.S. and Euro dollars. Management has mitigated this risk by limiting the number of purchase transactions originating in foreign currency.

Credit risk
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. As at March 31, 2012 no customer accounted for over 10% of total receivables.

Interest rate risk
The Corporation has no significant exposure to interest rate risk as the Corporation has no long-term obligations.

13. Commitments

The Corporation leases buildings, premises and equipment under operating leases which expire at various dates between 2013 and 2035. Certain of these operating leases contain renewal options at the end of the initial lease term. The following is a schedule, of future minimum lease payments required under operating leases that have, as of March 31, 2012, initial lease terms in excess of one year. As well, the due within one year or less figure reflects the amount payable under the pension plan regulation as discussed in note 11.

Due within one year or less	$ 6 241 877
Between one and five years	16 757 363
More than five years	21 544 567
	$ 44 543 807

14. Budget

The 2012 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. Related Party Transactions

The ultimate controlling party of the Corporation is the Province of New Brunswick. Transactions between the Corporation and the Province of New Brunswick are disclosed in the statement of changes in equity.

Compensation of key management personnel

Members of the Board of Directors and Executive Team are considered to be key management personnel. Total compensation and short term benefits total $862 671 for the year ($846 910 in 2011). Total compensation includes a member of the Executive Team currently seconded to the Province of New Brunswick since June 2011.

17. First Time Adoption of IFRS

As stated in *Summary of Significant Accounting Policies* note 2(a), these are the Corporation's first financial statements prepared in accordance with IFRS.

The policies set out in the *Summary of Significant Accounting Policies* section have been applied in preparing the financial statements for the year ended March 31, 2012, the comparative information presented in these financial statements for the year ended March 31, 2011 and in the preparation of the opening IFRS statement of financial position at April 1, 2010 (the Corporation's date of transition).

The Corporation has followed the recommendations in IFRS 1 *First-time adoption of IFRS,* in preparing its transitional statements. Upon transition, IFRS 1 requires and permits certain exemptions from full retrospective application. The Corporation has applied the mandatory exceptions and certain optional exemptions as set out below.

Mandatory exceptions

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

The other mandatory exceptions had no impact on the transition to IFRS.

Optional exemptions

The Corporation has elected to recognize all cumulative actuarial gains and losses for its retiring allowances at April 1, 2010, the date of transition. From the date of transition, the Corporation will be immediately recognizing the gains and losses within comprehensive income in the period in which they occur.

The other optional exemptions contained in IFRS1 had no impact on the financial statements.

In preparing its opening IFRS statement of financial position, the Corporation has adjusted amounts reported previously in financial statements prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP). An explanation of how the transition from Canadian GAAP to IFRS has affected the Corporation's financial position and comprehensive income is set out in the following tables and the additional notes that accompany the tables.

Reconciliation of Assets, Liabilities and Equity

		Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS
Assets	*Note*		**April 1, 2010**			**March 31, 2011**	
Current assets							
Cash and cash equivalents		$ 964 232		$ 964 232	$ 1 476 954		$ 1 476 954
Trade and other receivables		5 440 340		5 440 340	3 417 633		3 417 633
Inventories		22 090 483		22 090 483	22 479 227		22 479 227
Prepaid expenses		528 147		528 147	424 695		424 695
		29 023 202		29 023 202	27 798 509		27 798 509
Non-current assets							
Deposit - injured workers		354 213		354 213	263 366		263 366
Property, plant and equipment		7 691 843		7 691 843	7 686 968		7 686 968
Intangible assets		1 934 555		1 934 555	1 664 973		1 664 973
		9 980 611		9 980 611	9 615 307		9 615 307
Total assets		$ 39 003 813		$ 39 003 813	$ 37 413 816		$ 37 413 816
Liabilities and Equity							
Current liabilities							
Trade and other payables		$ 14 338 378		$ 14 338 378	$ 12 654 786		$ 12 654 786
Non-current liabilities							
Retiring allowances	(a)	2 612 938	1 452 586	4 065 524	2 874 418	1 320 883	4 195 301
Total liabilities		16 951 316	1 452 586	18 403 902	15 529 204	1 320 883	16 850 087
Equity							
Equity of the Province	(a)	22 052 497	(1 452 586)	20 599 911	21 884 612	(1 320 883)	20 563 729
Total liabilities and equity		$ 39 003 813		$ 39 003 813	$ 37 413 816		$ 37 413 816

Reconciliation of Comprehensive Income for 2011

	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
Total sales	(b)	$ 412 377 129	$ (19 358 363)	$ 393 018 766
Less: commissions		6 593 404		6 593 404
		405 783 725	(19 358 363)	386 425 362
Cost of Sales		200 063 895	(19 358 363)	180 705 532
Gross profit		205 719 830		205 719 830
Other income		2 452 798		2 452 798
		208 172 628		208 172 628
Operating expenses	(a)	48 729 108	(131 703)	48 597 405
Net earnings		$ 159 443 520	$ 131 703	$ 159 575 223

Explanatory notes to the reconciliations

a) Post-employment benefits

Previously the Corporation's liability for retiring allowances was accounted for under Section 3461 of the Canadian Institute of Chartered Accountants Handbook. Under IFRS, the Corporation is required to follow IAS 19. As required under IFRS 1, transition to IAS 19 must be applied retrospectively. As a result, an actuarial valuation was completed as at April 1, 2010. The previously recorded actuarial liability was increased to the revised value under IAS 19 at April 1, 2010 by applying a $1 452 586 adjustment to retained earnings. Accordingly, the March 31, 2011 liability increased by $1 320 883 with a reduction in expenses of $131 703 reflected in the statement of comprehensive income.

Key considerations for the retirement allowance plan upon transition to IFRS and going forward are as follows:

The Plan had a transitional balance remaining from the previous Section 3461 standard which does not apply under IFRS accounting.

The Plan does not have any non-vested past service costs at transition.

b) Revenues – supplier rebates

Previously sales rebates from suppliers were recorded in total sales. Under IFRS these rebates are now classified as a reduction to cost of sales. As well, beer bottle deposit revenue collected at the time of sale to a customer was previously recorded as sales which has now been reclassified as a reduction to cost of sales. The impact of the change reduced sales and cost of sales by $19 358 363 for the year ended March 31, 2011.

Statement of cash flows

There were no adjustments to the cash flow statement upon transition to IFRS.

Presentation differences

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