NEWFOUNDLAND
LABRADOR
LIQUOR CORPORATION

LifeStyle

annual report 2008

Vision

To be recognized as an exceptional organization, known for its passion in customer service, strong business performance, and progressive corporate culture.

Mission

By 2011, NLC will have improved its service delivery to better service the needs of its customers.

The Vision and Mission stated in this annual report are as contained in NLC's 2007-08 Business Plan. However, the 2008-2011 Business Plan contains a revised Vision and Mission that better reflects the Corporation's future direction. Consequently, future annual reports will reference NLC's revised Mission and Vision.

Table of Contents


ndland
SPECIAL SAVINGS
Steaks
Burgers
Pork
Rosé
$13.49

Chairperson's Message

2007-08 was another very successful year for the Newfoundland Labrador Liquor Corporation (NLC or Corporation) as all goals contained in the 2007-08 Business Plan were achieved. As the Chairperson for NLC, I am pleased to present the Corporation's 2007-08 Annual Report which details NLC's performance for the past year. This report has been prepared under my direction and the NLC Board is accountable for the results reported therein.

Financially, NLC submitted a record dividend to Government of $125.0 million which included a $15.0 million accumulated cash surplus payment. Improved product selection, new customer focused training initiatives, and the application of leading edge technologies all contributed to NLC's financial success. Social responsibility continued to receive significant attention as evidenced by several new initiatives, most noteworthy, "Check 25". Enforcement and regulatory affairs effectively incorporated new technology to improve efficiency and customer service.

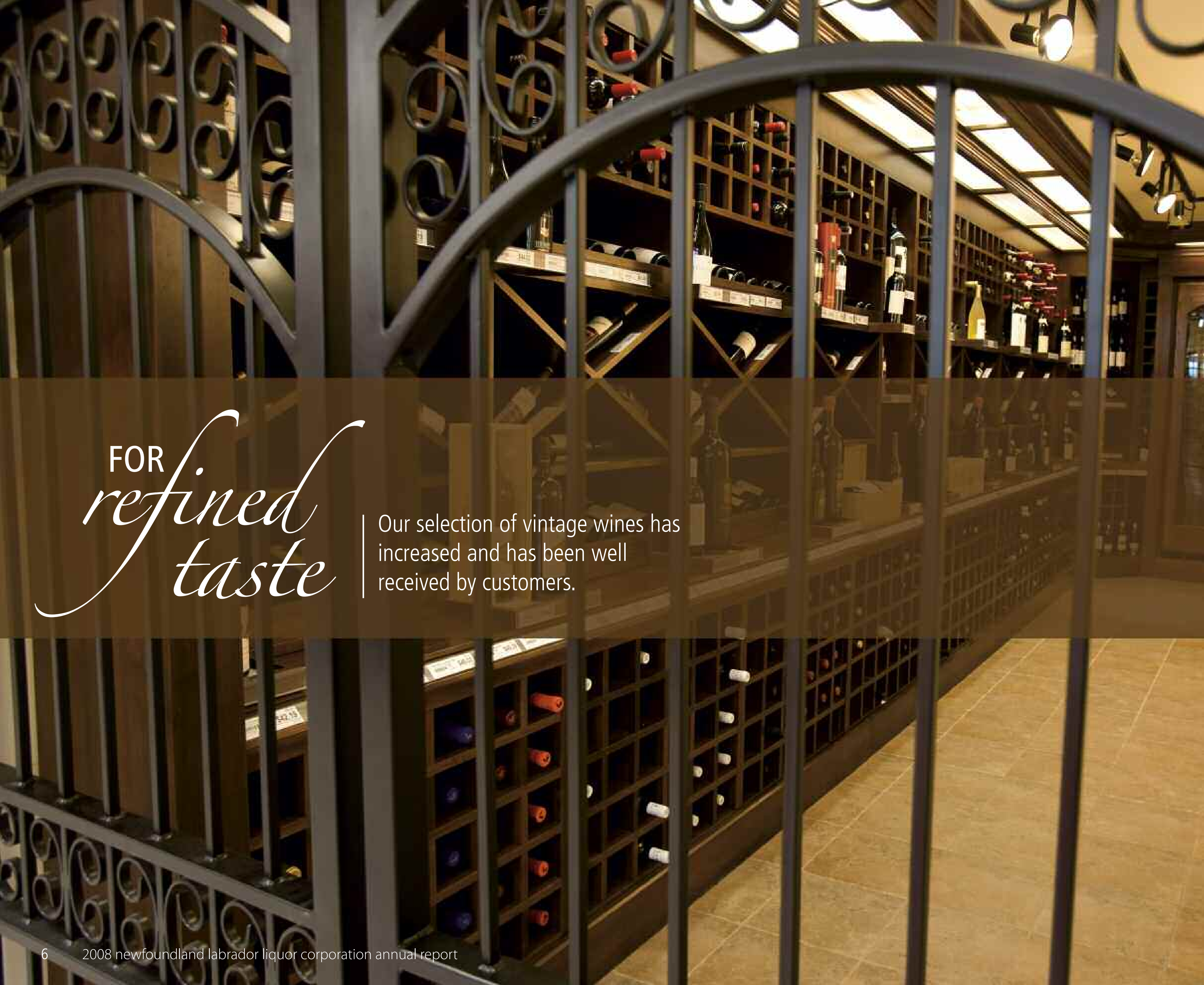
Of particular significance was the development of the NLC's 2008-11 Business Plan which charts the course for the Corporation over the next three years. The plan incorporates a Balanced Scorecard approach to performance management – this approach drives a level of focus and accountability that I'm confident will continue NLC's track record of success.

NLC is, more and more, being recognized as a leading retailer and an exceptional organization. This would not be possible without the work of a dedicated Board of Directors, and an enthusiastic, hard working staff. Again this year, the support of the Honourable Tom Marshall, Minister of Finance, promoted NLC's success. Looking forward, I am confident that, with the collective efforts of the Board, the staff, and the Minister, NLC will continue to deliver on the performance expectations placed upon it.

Sincerely,

Glenn Tobin
Chair

Left - Right:
Glenn Tobin, *Chairperson of the Board*
Steve Winter, *President and CEO*



FOR *refined taste*

Our selection of vintage wines has increased and has been well received by customers.

Values and Mandate

Values

Socially Responsible
NLC advocates intelligent consumption through promotion and education in the responsible, safe use of our products.

Professional
NLC staff will develop strong relationships with our clients by being knowledgeable, respectful, and committed to delivering superior customer service so that customers feel confident in the advice and products we sell. NLC stores will be clean, attractive, well designed and functional.

Teamwork
NLC staff, recognizing the value of diversity and teamwork, will engage key stakeholders to ensure service meets expectations. NLC staff are expected to develop strong relationships with co-workers to encourage sharing and cooperation.

Initiative
At NLC, leadership is not position specific. Staff are empowered to make decisions that improve the workplace and service delivery. Initiative will be encouraged throughout the organization as it leads to greater success – individually and organizationally.

Accountability
Each NLC employee takes personal responsibility for delivering on the expectations placed upon them. Employees will seek feedback to ensure that expectations are met, and where they are not, will take action to remedy the situation and prevent it from happening in the future.

Mandate
The mandate of NLC is to manage and oversee the manufacture, sale, and distribution of beverage alcohol within the province of Newfoundland and Labrador. This also includes enforcement of all relevant legislation.

This mandate is established in legislation, namely the Liquor Corporation Act, the Liquor Control Act, and the Liquor Licensing Regulations.

FOR *special incentives*

One year of Air Miles has offered bonuses and rewards to our loyal customers.

Lines of Business

Retail Sales

With a workplace of over 500 employees, the Newfoundland Labrador Liquor Corporation manages its retail business through the operation of:

- Twenty-four retail stores (Liquor Stores) across the province
- Three distribution centres in the province – St. John's, Clarenville, and Deer Lake
- Corporate offices on Kenmount Road and O'Leary Avenue in St. John's

As a general rule, these retail stores are located in areas that have the population to support a full-scale Liquor Store. These stores carry an extensive selection of spirits, wines, refreshment beverages and beer from local and international producers.

Wholesale Sales

NLC's Board appoints private retailers to operate Liquor Express locations based on a clearly defined set of criteria. These outlets are normally located in areas of the province that do not have the population to support a Liquor Store and involve an arrangement whereby an individual or corporation submits a proposal for the right to sell beverage alcohol in a retail environment. These Liquor Express locations have limited selection and service relative to corporate Liquor Stores, reflecting the market needs of where they operate. As of April 5, 2008 there were a total of 119 Liquor Express locations in the province.

NLC issues licenses to restaurants, bars and for special events, authorizing the sale of alcoholic beverage products. These licenses totaled 1,780 as of April 5, 2008.

Licenses are also issued by NLC to brewer's agents, authorizing the sale of beer to the general public. The brewers' agent network consisted of 1,124 outlets in the province as of April 5, 2008.

Manufacturing

NLC operates a blending and bottling plant facility in its Kenmount Road location in St. John's. This plant blends and bottles NLC products (e.g.: Old Sam rum, Screech rum, Ragged Rock rum, Shiver vodka, Shiver gin, and others), and contract brands (e.g.: Iceberg rums, vodka, and gin, and other brands). In fiscal year 2007-08 this facility produced 233,000 cases of beverage alcohol. These products are sold in Newfoundland and Labrador and are exported for sale to other provinces in Canada and internationally. The bottling plant has expanded capacity to handle additional case production, representing an exciting revenue growth opportunity for the Corporation.

Regulatory

NLC develops and recommends to Government changes in legislation governing the sale and distribution of beverage alcohol in the Province. The functions associated with this line of business include: recommending appropriate regulation and legislation, and the inspection and enforcement of relevant legislation – this would include laying charges and imposing penalties against those in violation of this legislation. This arm of the business includes an educational component whereby licensees, Liquor Express operators, and the general public are educated on the legislation and how it impacts them. In addition, this function oversees on-going programs throughout Newfoundland and Labrador aimed at raising public awareness of socially responsible consumption.

TO ENJOY *at home*

Occasions magazine continues to provide NLC customers with great food and drink ideas.

Year in Review

In 2007-08, NLC built upon the momentum it had generated, through its improved focus on customer service and progressive retailing, over the past few years. Overall, the Corporation delivered on all of its goals as stated in the 2007-08 Business Plan – achieving record financial performance, effective implementation of Social Responsibility initiatives, and improved enforcement of applicable regulations and legislation.

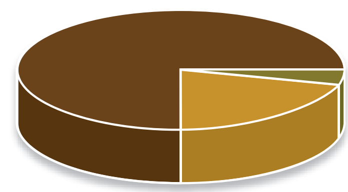
Of particular significance over the course of 2007-08 was the development of the 2008-11 Business Plan which outlines NLC's direction for the next three years and the implementation of a Balanced Scorecard to guide execution of its strategy (see Appendix I).

Balanced Scorecard

The 2007-08 Annual Report addresses the key elements contained in the 2007-08 Business Plan, while also incorporating significant elements of the Balanced Scorecard to help explain results and initiatives from 2007-08. Therefore, the following sections reference objectives, measures, and indicators that were not contained in the 2007-08 Business Plan but were identified, as part of the development of the Balanced Scorecard in 2007-08, as being significant in guiding and measuring the performance of the NLC. In addition, the four perspectives outlined in the Balanced Scorecard (i.e.: Financial, Customer, Internal Processes, and Employee Learning and Growth) are also used to guide the explanation for NLC's performance in 2007-08.

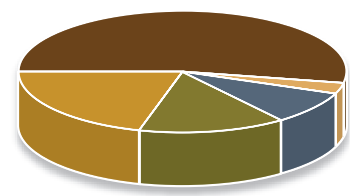
In the future, NLC's Balanced Scorecard will play a prominent role in the content and layout of NLC's annual report. For more detail on NLC's Balanced Scorecard, please refer to the section entitled **Measuring Performance Going Forward** and Appendix I. Additional information is contained in NLC's 2008-11 Business Plan (found online at www.nlliquor.com).

Figure A - Source of Revenue, Fiscal Year 2008



75% Sales - Spirits, Wine, Refreshment Beverages, Beer
24% Beer Revenue Commission
1% Other

Figure B - Application of Revenue, Fiscal Year 2008



52% Payments to the Province of NL
23% Suppliers
15% Administrative Expenses
8% Federal Taxes
2% Purchase of Capital Assets

ENHANCED *customer service*

A unique in-store experience with staff who go above and beyond for your retail needs.

Financial Performance

Goal
By 2008, NLC will have implemented new initiatives and executed on previously implemented initiatives to ensure it meets its financial targets.

Measure
New initiatives are implemented and previously implemented initiatives are executed that enable NLC to meet its financial targets.

Indicators
- Financial performance meet or exceed budget projections
- Corrective action taken where appropriate to ensure financial targets are met
- Processes enhanced and new tools introduced to provide accurate and timely information for decision making
- All departments have developed detailed work plans

NLC provided Government with a dividend of $125.0 million, the largest in NLC's history. Due to cash flows exceeding budget levels over the past three years, the Corporation was able to return an additional $15.0 million over and above the fiscal 2008 budget and a total of $23.0 million or 22.5% above the prior year.

Net earnings for the year ended April 5, 2008 exceeded budget by $8.0 million or 7.3% and prior year by $6.0 million or 5.4%. Due to a change in year end which added an additional 5 days to the fiscal year, net earnings have increased by $1.0 million. Normalized net earnings to March 31, 2008 were $116.2 million which is $7.0 million or 6.4% above budget and $5.0 million or 4.5% above prior year.

Earnings from operations as a percentage of sales was 34.5%, 0.6 percentage points better than the budgeted figure of 33.9%. This was primarily due to operating expenses as a percent of sales being lower than budgeted. However, the 34.5% is a 0.9 percentage point decline from the prior year – this was a result of the gross profit percentage declining by 1.2 percentage points due to a change in product mix as lower gross profit products, in particular beer and wine, continue to make up a larger component of total sales.

Sales exceeded budget by $12.1 million or 7.8% and the prior year by $17.3 million or 11.4%. Removing the effect of the additional five days in this year, sales were $10.1 million or 6.4% above budget and $15.2 million or 10.0% above the prior year. All stores either met or exceeded their sales budgets in fiscal 2008, with sales from new and recently renovated stores being particularly strong. Sales increases can also be attributed to successful marketing and staff training programs. The effectiveness of NLC's various initiatives is evident not just from the increased sales, but also from the increase in average purchase which in 2007-08 was $30.06 per transaction which is $1.03 (3.5%) more than last year.

The chart below outlines sales by product category as compared to budget, (Note: for comparative purposes the additional five days in fiscal 2008 due to the year end change have been removed):

Sales by Product Category

in $ millions	2008 Actual	2008 Budget	Variance	% Variance	2007 Actual	Variance	% Variance
SALES							
Spirits	99.3	95.5	3.8	4.0%	93.4	5.9	6.3%
Wine	38.8	35.6	3.2	9.0%	33.7	5.1	15.1%
Ref Bev	11.0	10.6	0.4	3.4%	10.4	0.6	5.9%
Beer	14.4	11.2	3.2	27.9%	11.4	3.0	26.0%

Newfoundland Labrador Liquor Corporation

Financial Performance

April 5, 2008 (tabular amounts in thousands)

	Fiscal 07-08	Budget 07-08	Variance $	Variance $
Sales	168,719	156,580	12,139	7.8%
Cost of Good Sold	71,083	64,448	6,635	10.3%
Gross Profit	97,636	92,132	5,504	6.0%
Gross Profit%	57.9%	58.8%		
Commission revenue on sale of beer	55,227	53,138	2,089	3.9%
Other income	3,278	2,660	618	23.2%
Earnings before administrative and operating expenses	156,141	147,930	8,211	5.6%
Administrative and operating expenses	38,982	38,712	270	0.7%
Net earnings	**117,159**	**109,218**	**7,941**	**7.3%**

All product categories exceeded budget and the prior year's sales level. Beer had the most significant increase. The expanded chill room capabilities in the new and recently renovated corporate stores, as well as an enhanced assortment of imported beer, contributed to this dramatic increase. Wine sales continue to grow at a significant pace. Consumer education, made possible through in-store tastings, staff product knowledge training, and the popular Wine Fests held in St. John's and Corner Brook, have had a strong impact on the growth of the wine category. This, coupled with a greater than ever assortment of wine displayed in an effective manner due to the new store designs, leads to the expectation that growth in this category will continue well into the future.

Revenue Per Litre

	2008 Actual	2008 Budget	2007 Actual
Spirits	28.79	28.39	28.52
Wine	14.31	13.77	13.76
Ref Bev	7.81	7.69	7.77
Beer	4.70	4.67	4.71
Blended	15.38	15.70	15.70

Gross profit exceeded budget by $5.5 million or 6.0% and the prior year by $8.1 million or 9.1%. Removing the effect of the additional five days in fiscal year 2008, gross profit exceeded budget by $4.3 million or 4.6% and prior year by $6.9 million or 7.8%.

Revenue per litre exceeded budget in all individual product categories. The blended revenue per litre is lower than budget due to the proportionately greater increase in beer sales volume relative to the other categories. Beer has the lowest revenue per litre, therefore any increase in beer category sales which outpaces other, higher revenue per litre categories, has the effect of lowering the blended revenue per litre results. As previously discussed, all categories showed growth both over target and the prior year in fiscal 2008, therefore the significant rise in beer sales did not negatively affect the growth in the other product categories.

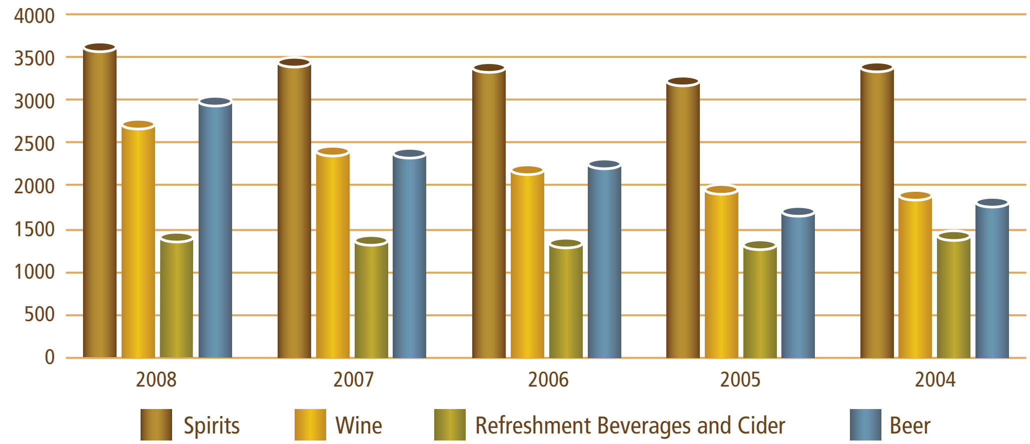
Administrative and operating expenses as a percentage of sales were 23.1% - this is 1.6 percentage points better than budget and a 0.3 percentage point improvement over last year. The ability to grow sales while maintaining, or even better, reducing administrative and operating expenses as a percentage of sales, will continue to be an important goal of the Corporation. Such economies of scale can only be realized by continuous attention to cost control and efficient resource utilization. The rationalization of labour hours in the corporate stores will ensure an appropriate level of customer service is maintained at peak shopping times, while an adequate core staff is maintained during low customer traffic periods. Salaries are the Corporation's single largest operating expense, hence, ensuring well-trained staff are utilized in the most efficient manner will contribute significantly to improved financial results.

Internal Business Processes and New Tools

Throughout 2007-08, NLC looked within its own operations to identify key processes impacting performance with a focus on improving operational efficiency, simplifying processes, and integrating technology into the business.

2007-08 was an evolutionary year for NLC with regards to operational efficiency in the identification and delivery of core products listings. There were no definitive budget markers identified prior to fiscal year 2007-08. The need to create these targets was recognized during the past fiscal year, based on focused analysis by Supply Chain and Category Management to distinguish high and low volume

Figure C - Product Sales Volume, Litres in Thousands



SKU's and assign listing and distribution priorities accordingly. As a result, a new process has been created that clearly separates NLC's product mix into categories A (high volume), B (medium volume) and C (low volume). In-stock service level averaged 87% across all products in 2007-08. The targets for in-stock service levels (core products) developed for fiscal year 2008-09 are as follows:

- Category A products – 95%
- Category B products – 93%
- Category C products – 88%
- Overall in-stock service level target of 90%.

Financial reporting process improvement continued in 2007-08. Refinement of the financial reporting process coupled with a state-of-the-art accounting system meant accurate, timely information was available for management decision-making on a consistent basis. Fiscal 2009 will see the introduction of a budget system which will enhance the accuracy and timeliness of the budget process.

Warehouse efficiency statistics were essentially non-existent prior to the 2007-08 fiscal year as new system implementation had not yet yielded the opportunity to capture and report on important performance indicators, but did allow for creation of benchmark indicators for future year monitoring. These indicators include cost per case, "picks" per person, and "pick" error percentage.

Significant increases in product selection for our informed customers created the need to improve our physical handling processes, especially for our "specialty" volume products. A new warehouse expansion and the creation of a "Dense Stow" location, combined with new and different handling equipment, allowed the Corporation to store and pick many more products than in the traditional warehouse setting.

Anticipating significant growth in the manufacturing operation, NLC invested in new equipment which was installed in the first quarter and as with all such new equipment, a period of adjustment was required as each product was introduced into production. Economic conditions, particularly the dollar at par with the U.S. dollar, created a shortfall in volume from our largest contract bottler and as well, the need to rebuild inventory stocks depleted during equipment set-up led to shorter, less efficient production runs. The experience and "lessons learned" from this year have allowed us to plan better for the next fiscal. Productivity should improve as production runs increase. A record 233,000 cases were produced in fiscal 2007-08. This number is expected to approach 300,000 next year.

Financial reporting improvements during 2007-08 allow for more timely responses to issues affecting productivity and profitability. Manufacturing software permits job oriented tracking, standard monitoring and greater inventory visibility giving us better control over operations.

A reorganization, to separate local product marketing from mainstream products, has allowed NLC to pick up additional bottling contracts, and the ability to focus on new product development while building existing brand images. New product concepts developed in 2007-08 have seen their launch in fiscal 2008-09 and the Corporation will continue to identify niche markets for new products to enhance our earning potential.

Organizational Effectiveness, Work Planning, and Learning and Development

Fundamental to NLC's success is our ability to provide employees with the tools to do their jobs well – this includes the equipment, information, leadership, training, motivation and work environment.

To help staff understand the Corporation's strategy and approach to assessing performance, NLC produced a booklet entitled "Executing Our Strategy" which was distributed to all staff. Supporting this initiative was a presentation of NLC's Business Plan which was offered to all NLC staff and given by the President & CEO, the Vice President of Human Resources and relevant Vice Presidents. This presentation was given in a "town hall" format which provided staff with the opportunity to discuss all aspects of NLC operations with senior management.

A progressive, interest-based approach to collective agreement bargaining was adopted by the NLC and its bargaining agent – this approach is unique within Government and has been effective at further building a strong relationship between NLC and the union representing its employees.

NLC instituted several training initiatives over the course of the year – designed to improve the skill set of all employees. In 2007-08, the training spend was $786 per employee. Numerous training initiatives revolving around customer service and technology have already been described in this document but other initiatives to improve supervisory competence and potential have also been utilized. A management development program through the Centre for Management Development, Memorial University of Newfoundland, was launched late 2008 with an emphasis on skills development in performance coaching, planning, leadership & motivation, managing change and corrective progressive discipline. A transfer of the learning evaluative component is scheduled for late 2008. Furthermore, NLC joined partnership with the Canadian Retail Institute (CRI), the education arm of the Retail Council of Canada, to enroll staff in CRI's Certified Retail First Level Manager Program (CFLM). NLC was the first Newfoundland and Labrador retailer to enroll its staff in the CFLM program. During 2007-08, forty store employees were successful in obtaining their CFLM designation. NLC plans to continue with this successful program in 2008-09. Staff have been encouraged to take initiative in managing their career growth whereby they, in conjunction with their supervisor,

Figure D - Spirit Sales by Product Type, Litres in Thousands

Year	**2008**	**2007**	**2006**	**2005**	**2004**
Rum	1,941	1,850	1,789	1,774	1,794
Rye Whisky	752	727	730	721	774
Vodka	416	379	365	338	348
Liqueurs	348	303	286	283	301
Scotch - other Whisky	113	106	107	104	105
Gin	57	56	52	52	55
Brandy	23	24	27	27	29
Tequila	16	14	13	11	10
Cognac	3	3	2	3	3
Miscellaneous	1	1	1	0	1
Total	**3,670**	**3,463**	**3,372**	**3,313**	**3,420**

Figure E - Wine Sales, Litres in Thousands

Year	**2008**	**2007**	**2006**	**2005**	**2004**
Table Wine	2,429	2,151	1,910	1,693	1,629
Sparkling and champagne	228	212	210	204	222
Fortified Wine	85	84	90	92	93
Low Alcohol Wine	2	1	1	1	2
Total	**2,744**	**2,448**	**2,211**	**1,991**	**1,946**

identify professional development opportunities to further their competence and potential.

As part of the Balanced Scorecard performance management approach, each department within the NLC developed a Strategy Map which was aligned with the corporate scorecard and strategy map. This exercise, coupled with comprehensive budgeting processes, aided the development of detailed departmental workplans. It also gave employees a clearer sense of their department's role in corporate success and helped employees see how their individual contribution added value to NLC's success. Finally, job descriptions for most staff were rewritten during 2007-08 and department meetings are now standard practice across all work locations. The overall impact of these initiatives was to give employees a clearer understanding of the expectations placed on them.

NLC instituted a revised OH&S policy manual to guide safe work practices. Additional training designed to enhance the safe operation of equipment, to promote personal health, and to create a workplace that values diversity has been provided. The efforts appear to be working as sick leave usage per employee has dropped from 13.3 days per year to 11.3 days per year.

Figure F - Refreshment Beverages and Cider Sales, Litres in Thousands

Year	**2008**	**2007**	**2006**	**2005**	**2004**
Refreshment Beverages	1,386	1,311	1,371	1,354	1,433
Cider	38	25	23	18	20
Total	**1,424**	**1,336**	**1,394**	**1,371**	**1,453**

Figure G - Beer Sales, Litres in Thousands

Year	**2008**	**2007**	**2006**	**2005**	**2004**
Local Beer (Bottles)	1,539	1,111	803	661	684
Imported Beer	1,254	1,107	1,295	933	866
Local Beer (Cans)	231	147	116	92	101
Low Alcohol Beer	74	56	53	38	48
Total	**3,098**	**2,421**	**2,267**	**1,725**	**1,698**

Figure H - Key Financial Data, Dollars in Thousands

Year	**2008**	**2007**	**2006**	**2005**	**2004**
Sales	168,719	151,447	143,559	130,732	131,107
Gross Profit on Sales	97,636	89,480	84,175	77,921	76,058
Commission Revenue on Sale of Beer	55,227	54,071	51,814	52,343	50,343
Commission on Licensee Purchases	-	-	1,832	2,626	2,789
Other Income	3,278	3,038	1,623	1,231	1,688
Earnings Before Administrative and Operating Expenses	156,141	146,589	139,444	134,121	130,878

SOCIALLY *responsible*

We take extra steps to ensure responsible consumption of beverage alcohol.

Social Responsibility

Goal
By 2008, NLC will have introduced new initiatives to promote social responsibility.

Measure
Introduce new initiatives to promote social responsibility.

Indicators
- Develop new partnerships for the purpose of promoting social responsibility
- Expenditures directed into new initiatives

NLC's products are best enjoyed when done so responsibly. NLC is committed to visibly support this view. Social responsibility is one of NLC's core values and a fundamental expectation of all stakeholders. NLC will pursue this objective through strict enforcement of the Liquor Control Act and other associated legislation, public awareness initiatives, partnerships with like minded groups, and initiatives that help strengthen our communities.

A revised Graphics Standards Guide for the Corporation was unveiled in 2007-08 and with it came a re-designed corporate logo and a social responsibility tagline for new initiatives. "Moderation – The Smart Choice" was added to the bottom of NLC's corporate logo and now serves as a way to communicate to all stakeholders just how serious NLC is about promoting its products in a socially responsible manner. Regardless of the core sales focus in any and every NLC promotion via web, radio or newsprint, NLC's social responsibility messaging is featured prominently throughout.

NLC partnered with its Atlantic liquor jurisdictional counterparts in 2007 to roll out the "Wheelbarrow Willy Program". This social responsibility initiative drew attention to the perils of drinking and driving, and offered multiple options for people to get home safely when under the influence of alcohol. Significant investments were made in this initiative between fiscal 2006-07 and 2007-08.

A new initiative focused on preventing sales to underage customers, "Check 25", was implemented in late in 2007-08. This program drew attention to the difficulties in determining a potential customer's age, by posing the following question, "How old do you think I am?" on print materials posted in-store and on the NLC web site. To prevent the sale of alcohol to minors in both retail locations and at licensed restaurants and bars, NLC asserted that the onus is upon staff to ask for proof of age from anyone that appears to be 25 years or younger. This message was effectively communicated via multiple media sources across the province, the installation of large banners on the exterior of Liquor Stores and distributing posters, window decals and brochures to all Liquor Stores, Liquor Express locations, as well as Brewer's Agents, licensed restaurants and bars throughout Newfoundland and Labrador. Additional funds have been allocated in fiscal 2008-09 to deliver a radio campaign that furthers the direction set in this "Check 25" policy.

The Corporation also continued with its seasonally-based media campaign which, in partnership with the RNC and the RCMP, highlighted the importance of eliminating the consumption of alcohol when operating any type of motorized vehicle.

Another well received initiative was the inclusion of taxi vouchers with tickets for NLC special events such as Spirit Fest. Additional marketing campaigns, via promotions at store-level, web visuals, newsprint and radio spots, included the new NLC logo and tagline "Moderation – The Smart Choice" to ensure customers understand the importance of enjoying NLC products responsibly.

Focusing on improving the communities in which we operate, NLC, as in previous years, donated a portion of the sales from Wine Fest to a local charitable organization. At Wine Fest 2007, NLC was proud to donate $50,000 to the Easter Seals House project in addition to presenting $28,000 to Shallaway (formerly Newfoundland Symphony Youth Choir) from monies raised at the Wine Fest Charity Wine Auction.

NLC expanded its definition of social responsibility to include protection of the environment. NLC recognizes the role it must play in creating a cleaner more sustainable environment. "Green" initiatives implemented in 2007-08 include the anti-idling policy incorporated on and around the Corporation's offices and store parking lots, a significant reduction in paper use through electronic communication, double sided copying, and the creation of a file library for critical information that can be accessed by many employees. NLC has begun to incorporate, from a facilities perspective, items such as waterless urinals and energy saving lighting in all buildings. The introduction of reusable bags, recyclable product packaging, and a strategy for plastic bag reduction are some of the initiatives planned for next year as NLC broadens its efforts to better the environment for all Newfoundlanders and Labradorians.

Regulation and Enforcement

Goal

By 2008, NLC will have improved its enforcement of the Liquor Control Act and Regulations.

Measure

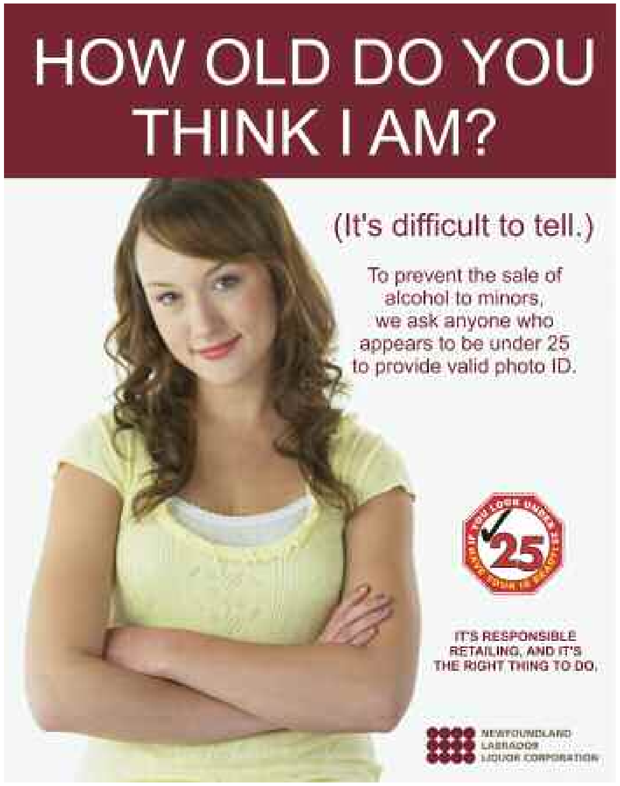
Improved enforcement of the Liquor Control Act and Regulations.

Indicators

- Increased number of ID checks
- Increased number of inspections of, and site visits to, Brewer's Agents and licensees
- Implement improved procedures for monitoring and enforcement
- Increased number of communication initiatives aimed at educating Brewer's Agents and licensees

NLC facilities on O'Leary Avenue in St. John's were renovated last year to include permanent office space for the expansion in the Corporate Services Department. It has proven as an effective means to incorporate the duty of licensing and inspections to the NLC itself. This fiscal year there were 2,700 inspections of licensed establishments carried out and 18 tribunal hearings were held, in St. John's and Corner Brook, for licensees violating the regulations.

Liquor inspectors returned to work under the auspices of



NLC after reporting to the Province's Department of Government Services from 1995-2005. During fiscal 2006-07, additional inspectors were added to the Corporation's Regulatory Services division, and a deliberate effort was made by NLC to dramatically increase the presence of these inspectors at licensed establishments. There were 3,211 inspections and 27 tribunal hearings in 2006-07. While the Corporation's intent in fiscal 2007-08 was to increase the number of inspections from the prior year, it became evident through its first wave of inspections in late 2007, that the licensee community was responding to the heightened presence and increased frequency of visits by inspectors during fiscal 2006-07. Fewer infractions were reported throughout the province and greater compliance was achieved in 2007-08. Licensees clearly received the message that anyone who breaks the rules and regulations will be penalized.

Beyond simply enforcing regulatory requirements, NLC inspectors focused on delivering educational components to their visits. Great effort was made to initiate more communications with Brewer's Agents and licensees through discussions on issues relevant to today's environment. Building better relations with NLC's business partners continues to be a focus for 2008-09 and beyond.

The "Check 25" campaign was a joint-effort between Corporate Services and the Sales and Marketing Department. This campaign covered all brewers' agents, licensees, and all retail outlets of beverage alcohol in the province. In combination with posters, banners and in-store advertisements, NLC circulated "tips packages" for the owners and employees of these establishments to promote awareness and give suggestions for how to handle challenges and refusals. The "Check 25" campaign, combined with Information Technology efforts to track challenges and refusals, produced regulatory information for the Corporation. This knowledge allowed the NLC to more closely monitor locations that encountered the most challenges and refusals, and to analyze the impact NLC programs had on the volume of challenges and refusals.

NLC continued its partnership this year with Hospitality Newfoundland and Labrador through servers programs, such as, the "It's Good Business Responsible Alcohol Service Program", which provided server training for staff at licensed establishments that dealt directly with patrons. This program was put in place last year to teach the individuals how to deal with issues such as false identification, presentation of liquor, intoxicated patrons, and other potential challenges.

During fiscal 2007-08, NLC created an internet-based system to allow stores to input and track the number of challenges and refusals to customers. Since implementation in May 2007, NLC staff have made over 49,000 challenges – this represents 1.5% of all transactions. With the introduction of the "Check 25" program, challenges are targeted to be 2.5% of all transactions in 2008-09.

NLC also continued to partner with the RCMP, RNC and Crime Stoppers to take appropriate measures, through tribunal hearings and license suspensions, to address matters of concern while ensuring enforcement issues are appropriately addressed. NLC continues to actively seek opportunities to expand its partnerships with like-minded organizations in the delivery of its social responsibility message.

Highlights and Accomplishments

NLC implemented numerous initiatives over the past year to produce an even more engaging and satisfying customer experience.

Customer surveys were used to gauge success in meeting customer expectations – this will continue even more in the future. The 2007-08 customer surveys were administered in partnership with the Loyalty Management Group, the same group that manages the Air Miles Reward Program. These survey results trended at 90% satisfaction and were particularly high in the newer stores.

NLC continued its commitment to offering its employees the best in sales training and coaching programs. The most significant initiative arising from this was SERVE, a customer service and sales program launched late in fiscal 2007-08.

Service improvements were identified and addressed through the continued assistance of NLC's Mystery Shopper Program which gauged staff's sales skills, product knowledge, and overall store appearance.

Increased marketing and merchandising initiatives were achieved through category management and store operations efforts. Product suppliers and sales representatives were offered new opportunities to promote their products via unique floor displays, shelf-merchandising, point-of-sale advertising, and Air Miles reward offers.

NLC also implemented a new Retail Image Program for all Liquor Stores. A new in-store promotional program began with a Christmas initiative themed "Give Gifts People Want". This light-hearted "call to action" invited customers to visit Liquor Stores and consider NLC as a major retail destination with many options for holiday gift-giving; including gift cards, gift packs, gift-wrapping services and more. Subsequent monthly campaigns have engaged customers and provided a more satisfying customer experience.

NLC's web site underwent significant changes that resulted in new online service offerings to customers. The advanced product search allows customers to search for any given product in the NLC system, locate a store that sells the product and even determine quantities available for purchase. Gift Card sales have increased dramatically following the introduction of an online shopping option via the web site. Customers can now view special savings, Air Miles bonus offers, and new product releases in a convenient, easy-to-navigate format on the web.

Significant contributors to educating the customer in NLC's product offerings are the special events held throughout the year. NLC delivered three major special events in 2007-08, all which sold out and provided the customer with an entertaining and educational experience. These special events provide NLC with a unique opportunity to introduce customers to NLC staff and suppliers in a comfortable, interactive setting. Wine Fest (St. John's), Wine Fest West (Corner Brook) and Spirit Fest (St. John's) saw record turnouts, and on-site sales for both Wine Fest events delivered record-breaking numbers.

NLC celebrated its 1st anniversary as a sponsor of the Air Miles Reward Program in March of 2008. This loyalty program has helped NLC to reward customers for their purchases, to assist suppliers by offering a new marketing tool to promote their products, and to gain valuable insight into customer needs. NLC was encouraged to see that the percentage of customers using the Air Miles card, as well as the average sale per transaction, increased throughout the year. In fact, over 50% of Liquor Store customers used Air Miles and they spent, on average, 28% more than non Air Miles customers.

"Occasions" magazine was introduced in the summer of 2007 to replace the former NLC publication "Enjoy". With a new publisher and editorial board, together with a larger group of writers and photographers, NLC has delivered a much-improved product. Page count and overall content increased substantially, and circulation has grown from 12,000 to over 30,000, with copies distributed throughout Liquor Store and Liquor Express locations, as well as local businesses throughout the province. Customer feedback has been tremendous, confirming "Occasions" status as a high-quality publication that inspires customers to try new products while exploring unique food and drink recipes with family and friends.

NLC's e-newsletter gave customers yet another way to stay on top of industry trends, new product releases, special events, in-store tastings, contests and more. As improvements were made to the NLC web site www.nlliquor.com in 2007, additional site traffic and customer inquiries led NLC to invest in new technologies that could manage a cutting-edge e-mail distribution network. Customers now sign up online and select areas of interest such as wines, beer, spirits, special events or Air Miles offers and receive weekly notifications on the latest NLC news.

Over the year, NLC also sought to differentiate its corporate Liquor Stores from Liquor Express. The Liquor Express locations have built their brand recognition through the production and installation of re-designed exterior and interior signage with the new Liquor Express logo clearly identified. Furthermore, Liquor Express merchandising standards, in-store colour treatments, and improved product selection have all served to create a new and improved identity for all Liquor Express locations. The efforts made to build brand recognition between these two lines of business have given our valued customers a better sense of what to expect when they enter a Liquor Store versus a Liquor Express location. NLC continues to develop initiatives that will further communicate the difference in service offerings between NLC Liquor Stores and the private retail Liquor Express locations.

Measuring Performance Going Forward

NLC's adoption of a Balanced Scorecard approach to performance management brought increased focus, understanding, transparency, and accountability in the way that its business is managed. The Strategy Map found in Appendix I shows the key objectives for the Corporation over the next three years. These objectives are found within one of the four perspectives that represent the key areas influencing performance within the organization, namely financial, customer service, internal processes, and employee learning and growth. In the future, NLC's performance will be evaluated based on the objectives and measures contained within these four perspectives. Each measure will be assigned a target with initiatives established that will drive achievement of the stated target.

The Strategy Map concept will also cascade down to the departmental level resulting in objectives, measures, and initiatives that align with the overall corporate objectives. Furthermore, it will assist in the development of detailed workplans and help employees more clearly see how their individual efforts contribute to departmental success and how their department contributes to overall corporate success.

The table below outlines NLC's objectives, measures, and targets for 2008-09 on which its 2008-09 Annual Report will be based.

Perspective	Objective	Measure Indicators	2008-09 Target
FINANCIAL			
Excellent Business Performance	Optimize shareholder value	• Dividend	**$118,000,000**
		• Net Earnings	$117,974,000
		• Earnings from operations as a % of sales	34.6%
	Increase Sales	• Sales	$175,465,000
		• Gross profit	$102,618,000
		• Revenue per litre	$15.45
	Improve Operational Efficiency	• Operating expenses as a % of sales	24.2 %
		• Inventory turns annually	3.1
Customer			
Everything begins with the customer	Create an engaging and satisfying customer experience	• Customer survey score (retail)	88%
	Serve customers - internal and external - with passion and integrity to build loyalty	• Sales per over-the-counter (OTC) customer transaction	$30.50
	Promote a sense of social responsibility in the enjoyment of our products and services	• Customer survey score (social responsibility)	75%

Perspective	Objective	Measure Indicators	2008 - 09 Target
Internal Processes			
Innovate, collaborate,and allocate resources effectively	Ensure we have the right products and services at the right place at the right time	• In-stock service level (core products)	90%
	Ensure processes are simple, efficient, and reduce unnecessary complexity	• Process improvement compliance	85%
	Optimize manufacturing productivity	• Net earnings (plant)	$875,000
	Building social responsibility into all areas of our business	• Number of challenges as a % of transactions	2.5%
Employee Learning & Growth			
Proud to be with NLC	Create a performance oriented culture through a knowledgeable and engaged workforce	• Employee survey score • Training spend per employee	65% $1,000
	Define success and celebrate it	• Employees with a completed performance plan	90%
	Ensure a safe, healthy, and respectful workplace	• Sick leave usage (days per year)	11*

*This target differs from the target contained in NLC's 2008-11 Business Plan. The Business Plan targets were established before the year end statistics were compiled. Statistics indicated that the original target for 2008-09 (12.5 days per year) was achieved in 2007-08 and, consequently, a new target has now been established.

Going forward, NLC's annual report will be organized around these key objectives and measures.

ENJOY THE *moment*

NLC special events have been a big hit with customers and suppliers.

Opportunities and Challenges Ahead

2007-08 was an extremely successful year for the NLC. The initiatives implemented in the recent past have laid a foundation for success which is expected to serve the organization well into the future. Even with this foundation, however, the business is not static – NLC foresees significant challenges and opportunities in its future on which it will focus.

Increased manufacturing capacity provides revenue growth potential as NLC seeks to maximize production utilization through increased production of local product, expansion of current contract bottling requirements, and the development of new contract bottling arrangements.

The competition for talent has grown significantly. Recruiting, retaining, and developing skilled staff will take on increased importance. Already, NLC is implementing new initiatives to ensure staff are engaged and successful in their current role. Further, NLC's organizational growth combined with an aging workforce within NLC provides employees with a significant opportunity to create a career path that enables them to grow professionally and take on increasingly responsible roles throughout the organization.

Supply chain logistics continue to be a challenge for the Corporation. NLC's inventory is sourced from countries around the world with widely varying lead times and economic ordering quantities. Ensuring the products are available for customers on a consistent basis and minimizing investment in inventory are two opposing, but desirable, objectives which have to be carefully balanced. The Corporation will continue to review its ordering and shipping cycles to establish optimal shipping quantities while reviewing warehousing and distribution activities for opportunities to improve supply chain logistics. The growth of our product listings, combined with potential growth in our manufacturing volume, may lead to a situation where additional space is required.

Finally, NLC must continue to rise to the challenge of meeting the ever changing and increasingly complex expectations of its key stakeholders and customers. Ironically, as NLC raises the bar in fulfilling the demands of its customers, it must continually challenge itself to improve. For NLC, finding new and innovative ways to address these expectations will continue to be both its greatest opportunity and its greatest challenge going forward.

Financial Statements

Table of Contents

Auditors' Report

To the Board of Directors of
Newfoundland Labrador Liquor Corporation

We have audited the balance sheet of the Newfoundland Labrador Liquor Corporation (the Corporation) as at April 5, 2008 and the statement of earnings, retained earnings and cash flows for the 53 week period then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at April 5, 2008 and the results of its operations and its cash flows for the fiscal period then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

St. John's, Canada
May 16, 2008

Chartered Accountants

Newfoundland Labrador Liquor Corporation

Balance Sheet

(in thousands)

	April 5, 2008	March 31, 2007
ASSETS	**$**	$
CURRENT		
Cash and cash equivalents	**16,028**	28,390
Accounts receivable	**4,757**	3,533
Beer commissions receivable	**5,116**	4,353
Inventories, at cost (Note 5)	**28,741**	26,279
Prepaid expenses	**2,601**	1,724
	57,243	64,279
CAPITAL ASSETS (Note 6)	**16,596**	16,998
INTANGIBLE ASSET (Note 7)	**22**	41
	73,861	81,318
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	**19,771**	19,580
Accrued vacation pay	**1,401**	1,166
Current portion of obligation under capital lease (Note 8)	**52**	70
	21,224	20,816
ACCRUED SEVERANCE PAY	**2,428**	2,400
OBLIGATION UNDER CAPITAL LEASE (Note 8)	**-**	52
	23,652	23,268
EQUITY		
Retained earnings	**50,209**	58,050
	73,861	81,318

ON BEHALF OF THE BOARD:

CHAIRMAN OF THE BOARD

DIRECTOR

Newfoundland Labrador Liquor Corporation

Statement of Earnings

(in thousands)

	53 weeks ended April 5, 2008	365 days ended March 31, 2007
	$	$
SALES	**168,719**	151,447
COST OF GOODS SOLD		
Inventory, beginning of the year	**26,279**	24,064
Purchases	**73,545**	64,182
Cost of goods available for sale	**99,824**	88,246
Less: inventory, end of the year	**28,741**	26,279
	71,083	61,967
GROSS PROFIT	**97,636**	89,480
COMMISSION REVENUE ON SALE OF BEER	**55,227**	54,071
OTHER INCOME		
Interest	**1,550**	1,728
Miscellaneous	**1,728**	1,310
	3,278	3,038
EARNINGS BEFORE ADMINISTRATIVE AND OPERATING EXPENSES	**156,141**	146,589
ADMINISTRATIVE AND OPERATING EXPENSES (Schedule 1)	**38,982**	35,439
NET EARNINGS	**117,159**	111,150

Newfoundland Labrador Liquor Corporation

Statement of Retained Earnings

(in thousands)

	53 weeks ended April 5, 2008	365 days ended March 31, 2007
	$	$
BALANCE, BEGINNING OF YEAR	**58,050**	48,900
NET EARNINGS	**117,159**	111,150
	175,209	160,050
PAYMENTS TO THE PROVINCE OF NEWFOUNDLAND LABRADOR	**(125,000)**	(102,000)
BALANCE, END OF YEAR	**50,209**	58,050

Newfoundland Labrador Liquor Corporation

Statement of Cash Flows
(in thousands)

	53 weeks ended April 5, 2008	365 days ended March 31, 2007
	$	$
OPERATING ACTIVITIES		
Net earnings	**117,159**	111,150
Adjustments for:		
Amortization	**3,508**	3,014
Gain on disposal of capital assets	**(605)**	(145)
Accrual for vacation pay	**235**	(59)
Accrual for severance pay	**28**	120
Net change in non-cash operating working capital	**(5,135)**	487
	115,190	114,567
INVESTING ACTIVITIES		
Proceeds on disposal of capital assets	**1,510**	267
Purchase of capital assets	**(3,992)**	(7,510)
	(2,482)	(7,243)
FINANCING ACTIVITIES		
Payments to the Province of Newfoundland and Labrador	**(125,000)**	(102,000)
Repayment of obligation under capital lease	**(70)**	(70}
	(125,070)	(102, 070)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(12,362)**	5,254
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**28,390**	23,136
CASH AND CASH EQUIVALENTS, END OF YEAR	**16,028**	28,390

Newfoundland Labrador Liquor Corporation

Notes to the Financial Statements

April 5, 2008 (tabular amounts in thousands)

1. DESCRIPTION OF BUSINESS

The Newfoundland Labrador Liquor Corporation (the Corporation) is a Provincial Crown Corporation responsible for managing the importation, sale and distribution of beverage alcohol throughout Newfoundland and Labrador.

2. CHANGE IN YEAR END

The Corporation has changed its reporting period from a March 31 fiscal year end to a floating year end to align with its four 13 week reporting periods. The fiscal year end of the Corporation will end on the first Saturday of April each year starting for the period ended April 5, 2008.

3. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following accounting policies:

Revenue recognition

Revenue is recognized when goods have been sold and all contractual obligations have been met and collection is reasonably assured.

Cash and cash equivalents

Cash and cash equivalents are defined as short term deposits with original maturities of three months or less.

Inventories

Inventory is carried at the lower of average cost and net realizable value.

3. ACCOUNTING POLICIES (Continued)

Capital assets

Capital assets are recorded at cost. Amortization is recorded over the expected useful life of the capital assets on a straight-line basis as follows:

Leasehold improvements	1 to 20 years
Buildings	20 years
Office furniture and equipment	5 years and 10 years
Plant and warehouse equipment	5 years
Store equipment and fixtures	5 years
Motor vehicles	3 years

Intangible asset

The intangible asset consists of a trademark which is recorded at cost and amortized on a straight-line basis over a ten-year period.

Severance pay

A liability for severance pay is recorded in the accounts for all employees who have a vested right to receive such payment. No provision for severance pay liability is made for employees who have less than nine years of continual service.

Use of estimates

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

4. CHANGE IN ACCOUNTING POLICY

Financial instruments – recognition and measurement

On April 1, 2007, the Corporation adopted the Canadian Institute of Chartered Accountants' (CICA) Handbook Section 3855, "Financial Instruments – Recognition and Measurement" and Section 3861 "Financial Instruments – Disclosure and Presentation". These sections define the standards for recognizing, measuring, disclosing and presenting financial instruments on the balance sheet and the standards for reporting gains and losses in the financial statements. Under Section 3855, all financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are initially recorded in the balance sheet at fair value. In subsequent periods, loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost; held-for-trading financial assets and liabilities are measured at fair value and changes in fair value are recognized in net earnings, and available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired. All derivative instruments, including embedded derivatives, are recorded in the balance sheet at fair value unless they qualify for the normal sale, normal purchase exemption. All changes in their fair value are recorded in earnings unless cash flow hedge accounting is used, in which case changes in fair value are recorded in other comprehensive income (loss).

The Corporation has made the following classifications:

Cash and cash equivalents are classified as held-for-trading financial assets. These assets are measured at fair value and changes in fair value are recognized in consolidated earnings.

Accounts receivable and beer commissions receivable are classified as loans and receivables and are measured at amortized cost, which is generally the amount on initial recognition.

April 5, 2008 (tabular amounts in thousands)

4. CHANGE IN ACCOUNTING POLICY (Continued)

Accounts payables and accrued liabilities and accrued vacation pay are classified as other financial liabilities and are measured at amortized cost, which is generally the amount on initial recognition.

The retroactive adoption of this section is completed without restatement of the financial statements of prior periods. The adoption of Section 3855 and 3861 did not have a material impact on the financial statements of the Corporation.

5. INVENTORIES

	April 5, 2008	March 31, 2007
	$	$
Head office	**14,047**	12,245
Branch stores	**8,694**	8,680
Stock in transit	**4,357**	3,940
Raw materials	**1,643**	1,392
Work in progress	**-**	22
	28,741	26,279

April 5, 2008 (tabular amounts in thousands)

6. CAPITAL ASSETS

	April 5, 2008			March 31, 2007
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
	$	**$**	**$**	$
Land	**1,115**	**-**	**1,115**	1,314
Leasehold improvements	**12,152**	**6,064**	**6,088**	3,916
Buildings	**5,582**	**2,850**	**2,732**	3,103
Office furniture and equipment	**7,173**	**4,051**	**3,122**	3,821
Plant and warehouse equipment	**3,726**	**1,463**	**2,263**	3,532
Store equipment and fixtures	**3,208**	**1,939**	**1,269**	1,296
Motor vehicles	**25**	**18**	**7**	16
	32,981	**16,385**	**16,596**	16,998

During the year, the Corporation acquired capital assets in the amount of $4.0 million (2007 - $7.5 million).

7. INTANGIBLE ASSET

	April 5, 2008			March 31, 2007
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
	$	**$**	**$**	$
Trademark	**203**	**181**	**22**	41

April 5, 2008 (tabular amounts in thousands)

8. OBLIGATION UNDER CAPITAL LEASE

	April 5, 2008	March 31, 2007
	$	$
IBM Canada Limited, capital equipment lease repayable in monthly instalments of $6,132 to December 31, 2008	**55**	129
Less: interest on obligation	**3**	7
	52	122
Less: current portion	**52**	70
	-	52

9. LEASE COMMITMENTS

The Corporation has entered into rental leases covering retail outlets. Annual lease obligations for the next five years are as follows:

	$
2009	**1,384**
2010	**1,139**
2011	**1,065**
2012	**801**
2013	**467**
	4,856

10. RELATED PARTY TRANSACTIONS

The Corporation is leasing office and warehouse space in St. John's from the Department of Works, Services and Transportation. These leases are rent free; however, all operating, leasehold and maintenance costs related to the buildings are the responsibility of the Corporation.

Newfoundland Labrador Liquor Corporation

Notes to the Financial Statements

April 5, 2008 (tabular amounts in thousands)

11. PENSIONS

The Corporation and its employees are subject to the Public Service Pensions Act effective June 26, 1973. Pension contributions deducted from employees' salaries are matched by the Corporation and then remitted to the Province of Newfoundland and Labrador Pooled Pension Fund from which pensions will be paid to employees when they retire. The Corporation's share of pension expense for the year is $1.2 million (2007 - $1.1 million).

12. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to confirm with the current presentation.

Newfoundland Labrador Liquor Corporation

Schedule 1: Schedule of Administrative and Operating Expenses

(in thousands)

	53 weeks ended April 5, 2008	365 days ended March 31, 2007
	$	$
Salaries and employee benefits	**20,685**	18,970
Express store commission and expenses	**4,695**	4,425
Amortization	**3,508**	3,014
Rent and municipal taxes	**1,773**	1,637
Marketing	**1,389**	1,236
Interest and bank charges	**1,047**	892
Other	**5,885**	5,265
	38,982	35,439

Newfoundland Labrador Liquor Corporation

Sales By Location

April 5, 2008 (tabular amounts in thousands)

	2008	2007
Kenmount Road	**29,698**	26,657
Clarenville	**16,146**	14,355
Deer Lake	**14,697**	13,426
Elizabeth Ave/Howley Estates	**12,741**	12,084
Stavanger Drive	**8,335**	7,870
Pearlgate Plaza	**7,554**	6,453
Blackmarsh Road	**7,046**	6,676
Merrymeeting Road	**6,742**	3,104
Topsail Road	**6,096**	5,774
Corner Brook - Humber Gardens	**5,878**	5,447
Bay Roberts	**4,779**	4,524
Stephenville	**4,614**	4,111
Marystown	**4,602**	3,997
Gander	**4,435**	4,083
Grand Falls	**4,264**	3,895
Kelsey Drive	**4,209**	2,011
Mount Pearl	**4,128**	3,862
Happy Valley	**3,639**	3,490
Corner Brook Plaza	**3,260**	2,903
Labrador City	**3,185**	2,877
Carbonear	**3,176**	3,968
Avalon Mall	**2,798**	2,590
Port Aux Basques	**2,395**	2,217
Murray Premises/New Gower Street	**1,740**	2,237
Placentia	**1,713**	2,147
Special events	**849**	689
Total	**168,719**	**151,447**

Appendix I

NLC's Strategy Map - The Balanced Scorecard

April 5, 2008

FINANCIAL					
	Excellent Business Performance	F1. Optimize Shareholder Value	F2. Increase Sales	F3. Improve Operational Efficiency	
CUSTOMER					
	Everything Begins with the Customer	C1. Creates an engaging and satisfying customer experience	C2. Serve customers - internal and external - with passion and integrity to build loyalty	C3. Promote a sense of social responsibility in the enjoyment of our products and services	
INTERNAL PROCESS					
	Innovate, Collaborate and Allocate Resources Effectively	IP1. Ensure we have the right products and services at the right place at the right time	IP2. Ensure processes are simple, efficient, and reduce unnecessary complexity	IP3. Optimize manufacturing productivity	IP4. Build social responsibility into all areas of our business
EMPLOYEE LEARNING AND GROWTH					
	Proud to be with NLC	EL&G1. Create a performance oriented culture through a knowledgeable and engaging workforce	EL&G2. Define success and celebrate it	EL&G3. Ensure a safe, healthy, and respectful workplace	

NEWFOUNDLAND
LABRADOR
LIQUOR CORPORATION

P.O. Box 8750, Station “A”
90 Kenmount Road
St. John’s, NL A1B 3V1
Tel: 709 724 1100
Fax: 709 754 0321
www.nlliquor.com

Designed and Produced by Prime Communications Inc.