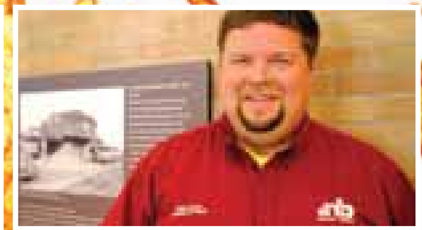
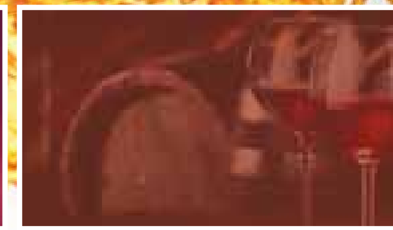
# nb liquor





2012-2013

# annual report

alcool • liquor

## contents



## board of directors

Back row, from left: **Arthur Doyle,** director; **René Legacy**, vice-chairman; **Rémi Roussel,** director; **Tim Clarke,** director; and **Richard Smith,** senior vice-president and secretary of the board. Front row, from left: **Daniel Allain,** president and chief executive officer; **Ron Lindala,** chairman; and **Patricia Hawkins,** director.

## executive management

**Daniel Allain,** president and chief executive officer
**Richard Smith,** senior vice-president and secretary of the board
**Bradford Cameron,** vice-president, customer service and retail operations
**Christopher Evans,** vice-president and chief financial officer
**Michael O'Brien,** vice-president, supply chain, products and marketing

ISSN 07042574
ISBN 978-1-4605-0296-9

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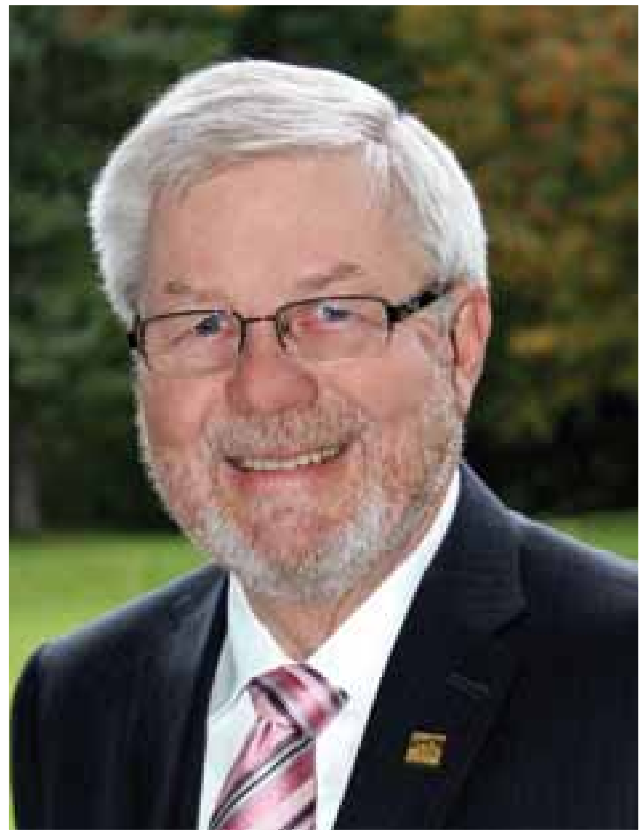


# chairman's letter

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, 2013.

Respectfully submitted,

Ron Lindala
Chairman, Board of Directors

# president's message


> "Positive attitudes control everything; turning negatives into positives is our greatest power to impact our reality."
>
> \- Unknown

It is no secret that it is difficult to navigate a business during an economic downturn. Many businesses, such as ANBL, compete for limited disposable income. Factor in other challenges, such as an aging population, a diminishing youth population, competition from neighbouring jurisdictions, and the challenge becomes amplified and more complex.

This is the reality ANBL faces, and has faced for the past several years. These issues and challenges build to a point where business cannot proceed as it always has. When ANBL reached this plateau, the organization needed to get to the heart of these issues and address them in order to avoid a major fall in business.

It is this exercise that has caused us to become increasingly creative, efficient, and customer focused. We continue to examine our challenges every day in the hopes of achieving our four-year mission, vision and values, even in the midst of a harsh reality.

At the same time we must still invest, but invest wisely. I believe that one of the best investments ANBL has made is in its people. Only by encouraging the growth of our employees with programs such as the Accelerated Leadership Development Program (ALDP) can we expect to see the corporation grow as well. The benefit received from these investments increases each day, and will continue to do so, as these employees become increasingly important contributors to ANBL's success.

Our excellent employees are leading by example, improving ANBL day-by-day and quarter-by-quarter by demonstrating an outstanding work ethic and dedication to the corporation with their ability to adapt to changes and thrive in an unstable environment.

I look forward to seeing this progress continue.

President and CEO, Alcool NB Liquor

# four-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.

# strategy 2012-16

This strategic plan focuses on metrics for net income growth, customer satisfaction, employee engagement, and corporate citizenship. The 2012-13 fiscal year represented the first year of this plan.

**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% net income growth.
• Achieve customer experience index score higher than 70%.
• Achieve 145/200 employee engagement index.
• Achieve 85% corporate citizenship index.

ANBL's achievements in regard to these goals after first year:
• Maintain 1.4% net income growth:  0%.
• Achieve customer experience index score higher than 70%:  58.5%.
• Achieve 145/200 employee engagement index:  165/200.
• Achieve 85% corporate citizenship index:  97%.

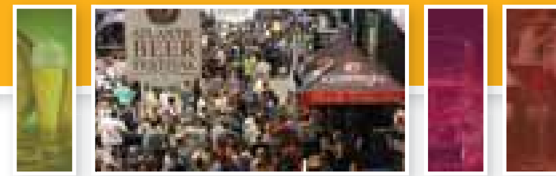
# 2012-13 year in review

## Strategic Goal #1: Financial

ANBL achieved $164.1 million in net income during the fiscal year 2012-13, exceeding budget by $1.7 million. Overall sales for the year were $387.8 million, a decrease of 1.9 per cent from the previous year. Volume for the year was 56.2 million litres.

Although there was a decline in transactions provincewide, the average basket size increased slightly.

| Sales | 2012 - 2013 ($ 000) | 2011 - 2012 ($ 000) | % change |
|---|---|---|---|
| Spirits | 91 860 | 92 339 | -0.5 |
| Wine | 74 431 | 70 900 | 5.0 |
| Other beverages | 19 063 | 19 764 | -3.6 |
| Beer | 202 398 | 212 127 | -4.6 |
| TOTAL | 387 752 | 395 130 | -1.9 |



## Spirits

Sales of spirits decreased by 0.5 per cent, to $91.9 million in 2012-13 from $92.3 million in 2011- 12, continuing a decade-long trend of minimal movement. Volume decreased by 0.2 per cent.

Spirits sales from ANBL's on-site store at the New Brunswick Spirits Festival, held November 23, 2012 in Fredericton, totalled $145,500.

## Other Beverages

Other beverages showed a decline in sales of 3.6 per cent, to $19.1 million in 2012-13 from $19.8 million in 2011-12. Volume decreased by 5.0 per cent.

## Wine

Wine sales increased by 5.0 per cent, to $74.4 million in 2012-13 from $70.9 million in 2011-12. Wine volume increased by 5.6 per cent.

Sales at the World Wine and Food Expo (WWFE) on-site store, held in Moncton November 9 and 10, 2012, totalled $446,000.

Sales at the FestiVin virtual store, held June 1 and 2, 2012, in Caraquet, totalled $12,700, representing a 56.0 per cent increase over the previous year.

## Beer

Beer sales totalled $202.4 million in 2012-13 compared to $212.1 million in 2011-12, representing a 4.6 per cent decline. Volume decreased by 4.8 per cent.

ANBL launched an economy beer segment in April, 2012, featuring six brands at the everyday price of $18.49 for 12 cans. This addition was a result of the *2011 Report to Cabinet,* which recommended reviewing the pricing strategy for beer. A seventh brand was introduced in August.

*Preparing the WWFE on-site store.*

## Internal Efficiencies and Processes

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

ANBL began the implementation of an ongoing standardized, consistent, measurable (SCM) workflow model in order to increase efficiency and add extra face-to-face interaction with customers, which is expected to increase sales. The key deliverables for the project are to develop a workflow model for the retail stores, design efficient work practices, execute the model and work practices across the network, develop key productivity metrics, and set productivity standards for the A,B,C,D, and Depot store banners. The results in fall 2012 following implementation of the workflow model and increased face-to-face interaction with customers showed a positive trend in dollars and litres sold after the change, versus the previous year.

ANBL increased emphasis on its Attendance Management Program, with impressive results. In the 2012-13 fiscal year, employee sick time was reduced by more than 30 per cent over the previous year, resulting in a cost saving in sick time of almost $300,000.

The fiscal year 2012-13 showed further progress in Information Technology (IT) by continuing work on its multi-year modernization strategy, finding efficiencies in providing support services such as Human Capital Management, and leveraging Government of New Brunswick shared services and those of the New Brunswick Internal Services Agency (NBISA), where greater economies of scale may be realized. This allowed IT to have a clearer focus on enabling efficiencies within the core business of ANBL. ANBL partnered with NBISA to build a fibre Wide Area Network (WAN) that improved network communications so that newer business and backup technologies could be deployed, and increased compliance with Payment Card Industry Data Security Standards.

ANBL continued to strengthen regional co-operation by working with the Atlantic liquor boards to contract with a new service provider for container pick-up, re-work/palletizing, and transportation service to all Atlantic liquor jurisdictions.

Negotiations were concluded for establishing a regional distribution centre in Moncton to warehouse E. & J. Gallo products. The centre will service all four Atlantic liquor corporations, with benefits such as a reduction in product lead time, inventory turnover improvement, and reduced on-hand warehouse inventory.

ANBL also negotiated a five-year extension with its service provider to address requirements regarding the *Beverage Containers Act*.

The central warehouse continued to focus on improving productivity and overall efficiencies. Staff embraced the voice pick system implemented in September 2011. Overall productivity increased more than 9.5 per cent, improving ergonomics and significantly increasing order accuracy.

## Strategic Goal #2: Customer Service

As a result of findings contained in the *2011 Report to Cabinet,* ANBL accelerated the investment in service excellence. These investments resulted in the hiring of three additional product advisors and a full-time retail training co-ordinator in order to expand the level of product knowledge and service excellence in all corporate stores.

In consultation with the major breweries, ANBL developed and executed a new product alignment in the coldrooms that grouped similar products into distinct zones in an effort to improve the shopping experience. ANBL also began testing new fixtures in coldrooms to better display pricing and promotional activity.

An online ordering system for licensees was developed and launched in August 2012. This offered a faster, simpler avenue for licensee product ordering.

The e-flyer and newsletter were consolidated into a monthly e-flyer with a mailing list of more than 7,500 recipients. This provided the means to contact customers directly with special offers and new products, and also allowed ANBL to obtain valuable information through customer surveys. It proved to be a popular publication, with the December 2012 e-flyer having 63,000 downloads.

The Hot Deals program was developed as a sales initiative to increase customer traffic in the final quarter of 2012-13. The incentive was short-term, deep-discount limited time offers (minimum four days, maximum seven) on various products in ANBL stores.

The Salisbury Liquidation store was rebranded as a Depot store, and ANBL expanded the number of Depot stores by converting the Campbellton, St. Stephen, Bathurst, and Edmundston stores to the Depot banner.

As a provincial Crown corporation ANBL employs a vigorous program to ensure compliance with the *Official Languages Act,* and during the fiscal year made additional improvements to practices in order to enhance the program. In 2012-13, four complaints were logged with the Office of the Provincial Commissioner of Official Languages, one of which did not apply to ANBL. The remaining three related to preferred language of service. Each case was dealt with appropriately.

## New Stores

*Official opening, Kennebecasis Valley store.*

On October 15, 2012, ANBL officially opened a new full-service Selection Store at 115 Campbell Dr., Rothesay, to serve the Kennebecasis Valley. This new store replaced two smaller stores, one in Rothesay, the other in adjacent Quispamsis. The new store is attached to a major grocer, which provides customers with the convenience of one-stop shopping. It features a greatly enhanced product selection, a much larger chilled products room, wine tasting units, and a product education area.

The store covers 1,101 sq. metres (11,850 sq. ft.) and features 1,843 regular listed products, including 522 spirits and 1,015 wine listings. The 339-sq.-metre (3,650-sq.-ft.) walk-in cold room offers 236 listings of chilled beer and 70 ready-to-drink beverages listings. It also carries an assortment of specialty products. A new automated tasting and customer service station is available where customers may sample selected wines and spirits as chosen by product advisors.

In December 2012 ANBL began construction of a new store in Newcastle. Once complete, the modern premise will replace an aged and undersized store. The new store will be attached to a major gas bar and convenience store chain.

In early January 2013 ANBL began the total renovation of its flagship store at 513 Regis St. in downtown Dieppe. The exterior will feature a new roof and customer entrance area, and the entire interior will be removed and rebuilt. The rebuilt store will feature a greatly enhanced product selection, a much larger chilled products room, wine tasting units, and a product education area.

Throughout the year interior store re-alignments were undertaken at Vaughn Harvey Blvd. (Moncton), Mountain Road North (Moncton), Oromocto, Devon Park (Fredericton), and Edmundston. The re-alignments allow for better traffic flow in the store, better product presentation and enhanced marketing capabilities.

## Strategic Goal #3: Employee Engagement

Phase three of the Accelerated Leadership Development Program (ALDP) wrapped up during the year, with 15 more employees successfully completing their development plans. Since its inception in 2007 with the goal of developing leaders from within ANBL, more than 40 employees have completed the program. As testament to the program's effectiveness, nearly all of ANBL's Retail Service Excellence Awards are won by stores led by ALDP graduates.

### The Retail Service Excellence Award winners for the 2012-13 fiscal year

**A Banner:**
- Gold – Kennebecasis Valley
- Gold – Edmundston (Depot)
- Silver – York Street Train Station, Fredericton
- Bronze – Parkway Mall, Saint John

**B Banner:**
- Gold – Elmwood Drive, Moncton
- Silver – Fairville Boulevard, Saint John
- Bronze – Riverview

**C Banner:**
- Gold – Sussex
- Silver – Sackville
- Silver – St. Stephen
- Bronze – Shediac

**D Banner:**
- Gold – Beresford
- Silver – Dalhousie
- Bronze – Bouctouche

Mario Michaud, manager for District 3, received the District Manager Retail Service Excellence Award.

*2012-2013 Retail Service Excellence Award Winners*

In an effort to support the professional development of staff, ANBL partnered with Development Dimensions International to provide management with leadership and workforce competency development training courses. These courses were an extension of ALDP courses, and were designed to target common managerial development opportunities, as well as build, maintain and refresh leadership strength. Store managers, head office managers and district managers were offered eight courses during the 2012-13 fiscal year.

ANBL continued to work in partnership with CUPE Local 963 in order to proactively address ongoing issues. Five grievances were received in 2012-13. Three were resolved, with the others still outstanding at fiscal year end.

Internal web improvements included a Rendez-vous upgrade, redesign, and clean-up.

## Strategic Goal #4: Corporate Citizenship

## Social Responsibility

September 2012 marked the first year of ANBL's Protect Our Rivers campaign, which was undertaken in partnership with the Atlantic Salmon Conservation Foundation, a registered non-profit organization with the mandate of promoting the conservation of New Brunswick rivers and streams. A portion of the proceeds from the sale of more than 40 products was donated to the foundation for distribution to conservation projects in New Brunswick. In late September, customers were invited by ANBL staff to make a donation at cash. The campaign raised more than $70,000.

PROTECT OUR RIVERS PROTÉGEONS NOS RIVIÈRES

ANBL was the 2012 provincial sponsor for MADD Canada's high school assembly video, Long Weekend. Students from 50 schools in New Brunswick viewed the program, which described, through flashbacks, the weekend adventure of a young man and his friends that ultimately ends in his death as a result of impaired driving.

MADD
Mothers Against Drunk Driving™
Les mères contre l'alcool au volant™

In November, customers were prompted at cash to make a donation to MADD Canada. Thanks to employee efforts and the generosity of New Brunswickers, more than $30,000 was donated to the organization.

For the sixth consecutive year ANBL offered a Safe Grad initiative 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 received and evaluated, with donations to be used toward Safe Grad activities made to all schools that submitted an entry. Donations ranged from $200 to $2,500, with a total of $17,500 donated to 20 schools.

ANBL also began a five-year partnership with the New Brunswick Assembly of First Nations (AFN), in conjunction with AFN Regional Chief Roger Augustine, by assisting with funding for healthy living-based youth activity programs.

2012-13 year in review

*Signing of the Memorandum of Understanding with the Royal Canadian Legion New Brunswick Command.*

ANBL signed a five-year Memorandum of Understanding with the Royal Canadian Legion New Brunswick Command, ensuring that veterans are guaranteed passive solicitation rights to corporate stores province wide for their annual poppy campaign in the three weeks leading to Remembrance Day.

More than 300 organizations took advantage of passive solicitation opportunities in all corporate stores during the 2012-13 fiscal year.

ANBL's Identification Check program was once again well-managed. Corporate and agency store staff monitored the ages of customers attempting to buy beverage alcohol, this year challenging174,189 individuals, and refusing service to 7,004.

## Environmental

The newly completed Rothesay store was constructed in accordance with the Province of New Brunswick's exacting Green Building Code regulations, meaning that overall energy savings are expected to be 20 per cent more than from normal construction. During the official store opening ceremony Efficiency NB presented a plaque recognizing that the building completed the Start Smart Program for new commercial construction. The program provides advice and incentives to encourage the design and construction of highly energy-efficient buildings. The new store in Newcastle and the renovated Dieppe store will also adhere to these standards.

ANBL also continued installing control systems at stores to permit remote tracking and monitoring of energy and water consumption. The real-time information allows for faster identification of issues, as well as providing potential solutions.

## Governance

Finance Minister Blaine Higgs, on behalf of government, provided the ANBL board of directors with the first comprehensive mandate letter in the corporation's history, outlining government's expectations of the corporation.

Significant efforts were invested by ANBL staff during the year to amend the *New Brunswick Liquor Corporation Act*, for only the third time since 1976. In addition, corporation employees also actively collaborated with other government departments to undertake major changes to the *Beverage Containers Act* and the *Liquor Control Act*.

ANBL completed implementation of its 29-point Governance Action Plan, which included conducting a public recruiting process for board vacancies. The corporation was recognized for governance leadership after the program's completion.

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

# sales by location

| Location | 2013 ($ 000) Public | 2013 ($ 000) Licensee | 2013 ($ 000) Total | 2012 ($ 000) Total |
|---|---|---|---|---|
| Bathurst (4) | $ 8 024 | $ 1 255 | $ 9 279 | $ 9 607 |
| Beresford | 2 948 | 196 | 3 144 | 2 977 |
| Bouctouche (2) | 2 439 | 401 | 2 840 | 2 911 |
| Campbellton (2) | 2 266 | 859 | 3 125 | 3 192 |
| Cap-Pelé | 2 628 | 165 | 2 793 | 2 778 |
| Caraquet (3) | 3 409 | 998 | 4 407 | 4 687 |
| Dalhousie (3) | 1 633 | 360 | 1 993 | 1 905 |
| **Dieppe** | | | | |
| Dieppe Blvd. | 5 621 | 790 | 6 411 | 1 612 |
| Dieppe | 9 559 | 2 635 | 12 194 | 17 947 |
| **Total** | 15 180 | 3 425 | 18 605 | 19 559 |
| Edmundston (2) | 6 894 | 2 187 | 9 081 | 8 871 |
| Florenceville-Bristol (2) | 1 860 | 241 | 2 101 | 2 167 |
| **Fredericton** | | | | |
| Brookside Mall (3) | 7 563 | 3 163 | 10 726 | 10 789 |
| Devon Park (5) | 8 867 | 1 194 | 10 061 | 10 908 |
| Prospect Street | 13 767 | 1 696 | 15 463 | 16 384 |
| York Street | 11 822 | 1 647 | 13 469 | 12 285 |
| **Total** | 42 019 | 7 700 | 49 719 | 50 366 |
| Grand Bay-Westfield (2) | 2 873 | 286 | 3 159 | 3 304 |
| Grand Falls (3) | 4 499 | 886 | 5 385 | 5 518 |
| Grand Manan * | - | - | - | 1 097 |
| Hampton (1) | 3 647 | 236 | 3 883 | 4 117 |
| Kennebecasis Valley (1) | 11 299 | 853 | 12 152 | 11 192 |
| Lamèque | 1 879 | 142 | 2 021 | 2 037 |
| **Miramichi City** | | | | |
| Chatham (3) | 4 571 | 791 | 5 362 | 5 031 |
| Newcastle (3) | 6 445 | 831 | 7 276 | 7 837 |
| **Total** | 11 016 | 1 622 | 12 638 | 12 868 |

| Location | 2013 ($ 000) Public | 2013 ($ 000) Licensee | 2013 ($ 000) Total | 2012 ($ 000) Total |
|---|---|---|---|---|
| **Moncton** | | | | |
| Elmwood Drive (1) | $ 6 978 | $ 1 533 | $ 8 511 | $ 8 613 |
| Moncton North | 8 649 | 1 205 | 9 854 | 9 672 |
| Mountain Road | 8 032 | 2 727 | 10 759 | 10 614 |
| Vaughan Harvey Blvd. | 10 953 | 2 859 | 13 812 | 14 255 |
| **Total** | 34 612 | 8 324 | 42 936 | 43 154 |
| Neguac | 2 071 | 288 | 2 359 | 2 497 |
| Oromocto (4) | 9 144 | 1 173 | 10 317 | 10 607 |
| Perth-Andover (2) | 2 692 | 247 | 2 939 | 3 035 |
| Petit Rocher | 2 170 | 164 | 2 334 | 2 544 |
| Richibucto (4) | 4 113 | 544 | 4 657 | 4 674 |
| Riverview (3) | 7 687 | 1 630 | 9 317 | 9 173 |
| Rothesay * | 470 | - | 470 | 907 |
| Sackville (3) | 4 857 | 612 | 5 469 | 5 529 |
| **Saint John City** | | | | |
| Lansdowne Place | 7 353 | 2 368 | 9 721 | 10 229 |
| Parkway Mall (2) | 12 544 | 1 555 | 14 099 | 14 892 |
| Prince Edward Sq. | 5 662 | 1 437 | 7 099 | 7 118 |
| Fairville Blvd. (2) | 9 299 | 1 635 | 10 934 | 11 227 |
| **Total** | 34 858 | 6 995 | 41 853 | 43 466 |
| Salisbury (2) | 4 361 | 138 | 4 499 | 3 927 |
| St. Andrews | 1 992 | 557 | 2 549 | 2 886 |
| St. George | 2 600 | 99 | 2 699 | 2 858 |
| St. Stephen (2) | 5 193 | 279 | 5 472 | 5 577 |
| Shediac (3) | 7 186 | 1 041 | 8 227 | 8 788 |
| Shippagan | 2 365 | 284 | 2 649 | 2 715 |
| Sussex (3) | 6 514 | 771 | 7 285 | 7 550 |
| Tracadie-Sheila (2) | 5 003 | 673 | 5 676 | 5 722 |
| Woodstock (4) | 5 340 | 746 | 6 086 | 6 102 |
| Warehouse ** | 73 369 | 265 | 73 634 | 74 266 |
| **TOTAL** | **$ 341 110** | **$ 46 642** | **$ 387 752** | **$ 395 130** |

(#) Indicates number of agents at this location
* Store closed during the year
** Includes web-based ordering for licensees

# agent sales by location

| Agent Location | ANBL Location | 2013 ($ 000) | 2012 ($ 000) |
|---|---|---|---|
| Allardville | Bathurst | $ 619 | $ 670 |
| Alma | Riverview | 405 | 386 |
| Arthurette | Perth-Andover | 427 | 422 |
| Aulac* | Sackville | 2 | - |
| Baie-Sainte-Anne | Chatham | 931 | 913 |
| Balmoral | Dalhousie | 742 | 818 |
| Barnesville | Kennebecasis Valley | 817 | 900 |
| Bay du Vin | Chatham | 528 | 563 |
| Belledune | Dalhousie | 803 | 834 |
| Blacks Harbour | Fairville Blvd., Saint John | 1 178 | 1 273 |
| Blackville | Newcastle | 992 | 962 |
| Boiestown | Devon Park, Fredericton | 607 | 629 |
| Brantville | Tracadie-Sheila | 1 375 | 1 439 |
| Cambridge Narrows | Sussex | 944 | 924 |
| Campobello | St. Stephen | 238 | 208 |
| Canterbury | Woodstock | 513 | 507 |
| Centreville | Florenceville-Bristol | 1 149 | 1 220 |
| Charlo | Dalhousie | 856 | 926 |
| Chipman | Devon Park, Fredericton | 1 226 | 1 213 |
| Clair** | Edmundston | - | 284 |
| Cocagne | Shediac | 2 687 | 2 550 |
| Debec | Woodstock | 520 | 530 |
| Doaktown | Devon Park, Fredericton | 799 | 879 |
| Dorchester | Sackville | 425 | 473 |
| Douglas Harbour | Oromocto | 574 | 551 |
| Fredericton Junction | Oromocto | 1 272 | 1 292 |
| Gagetown | Oromocto | 662 | 711 |
| Grand Manan | Parkway Mall, Saint John | 1 316 | 416 |
| Grande-Anse | Caraquet | 777 | 792 |
| Harcourt | Richibucto | 588 | 602 |
| Hartland | Woodstock | 1 465 | 1 547 |
| Harvey | Devon Park, Fredericton | 1 347 | 1 394 |
| Haute-Aboujagane | Shediac | 963 | 1 026 |
| Hillsborough | Riverview | 1 228 | 1 263 |
| Janeville | Bathurst | 456 | 476 |
| Juniper | Florenceville-Bristol | 350 | 389 |
| Kedgwick | Campbellton | 909 | 999 |
| Kingston | Hampton | 1 312 | 1 201 |

* Opened during the year
** Closed

| Agent Location | ANBL Location | 2013 ($ 000) | 2012 ($ 000) |
|---|---|---|---|
| Lepreau | Fairville Blvd., Saint John | $ 1 286 | $ 1 626 |
| Mactaquac | Brookside Mall, Fredericton | 2 131 | 2 232 |
| Maisonnette | Caraquet | 359 | 384 |
| McAdam | St. Stephen | 533 | 573 |
| Memramcook | Elmwood Drive, Moncton | 2 261 | 2 488 |
| Minto | Devon Park, Fredericton | 1 973 | 1 971 |
| Nackawic | Woodstock | 1 384 | 1 507 |
| Norton | Sussex | 2 591 | 2 567 |
| Paquetville | Caraquet | 2 109 | 2 183 |
| Petitcodiac | Salisbury | 1 945 | 2 000 |
| Plaster Rock | Perth-Andover | 987 | 1 056 |
| Pointe-Sapin | Richibucto | 297 | 314 |
| Port Elgin | Sackville | 1 391 | 1 408 |
| Public Landing | Grand Bay-Westfield | 968 | 1 007 |
| Renous | Newcastle | 1 098 | 1 119 |
| Richibucto Village | Richibucto | 762 | 784 |
| Riley Brook | Grand Falls | 251 | 266 |
| Riverside-Albert | Riverview | 340 | 370 |
| Riviere-Verte* | Edmundston | 347 | - |
| Rogersville | Chatham | 1 615 | 1 774 |
| Sainte-Anne-de-Madawaska | Edmundston | 438 | 526 |
| Saint-Antoine | Bouctouche | 2 048 | 2 121 |
| Saint-Arthur | Campbellton | 224 | 251 |
| Saint-Isidore | Tracadie-Sheila | 933 | 928 |
| Saint-Léonard | Grand Falls | 716 | 741 |
| Saint-Louis de Kent | Richibucto | 1 542 | 1 546 |
| Saint Paul | Bouctouche | 454 | 482 |
| Saint-Quentin | Grand Falls | 1 395 | 1 531 |
| Saint-Sauveur | Bathurst | 252 | 292 |
| Salisbury | Salisbury | 2 526 | 2 446 |
| Shediac (seasonal)* | Shediac | 703 | - |
| South Tetagouche | Bathurst | 380 | 428 |
| St. Martins | Parkway Mall, Saint John | 787 | 760 |
| Stanley | Brookside Mall, Fredericton | 1 000 | 1 036 |
| Sunny Corner | Newcastle | 1 223 | 1 196 |
| Waasis* | Oromocto | 4 | - |
| Welsford | Grand Bay-Westfield | 1 163 | 1 226 |
| Youngs Cove | Sussex | 894 | 783 |
| Zealand | Brookside Mall, Fredericton | 1 077 | 1 165 |
| Manufacturer Agents | Head Office, Fredericton | 1 227 | 1 058 |
| **TOTAL** | | **$ 75 616** | **$ 76 325** |

# 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.

Deloitte, 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 27, 2013

# independent auditors' report

We have audited the accompanying financial statements of New Brunswick Liquor Corporation, which comprise the statement of financial position as at March 31, 2013, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation'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 Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinion***

In our opinion, the financial statements present fairly, in all material respects, the financial position of New Brunswick Liquor Corporation as at March 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

***Other Matter***

The financial statements for the year ended March 31, 2012 were audited by another auditor who expressed an unmodified opinion on those statements on June 29, 2012.

Deloitte LLP

Chartered Accountants
June 27, 2013

# statements of operations and comprehensive income

Year ended March 31

| | Budget 2013 (unaudited) | Actual 2013 | Actual 2012 |
|---|---|---|---|
| Total sales (note 3) | $ 397 422 014 | $ 387 752 262 | $ 395 129 626 |
| Less: commissions | 6 656 069 | 6 688 839 | 6 497 338 |
| Net sales | 390 765 945 | 381 063 423 | 388 632 288 |
| Cost of sales (note 4) | 180 289 491 | 171 053 590 | 179 028 894 |
| Gross profit | 210 476 454 | 210 009 833 | 209 603 394 |
| Other income (note 5) | 2 748 212 | 3 043 545 | 2 676 290 |
| | 213 224 666 | 213 053 378 | 212 279 684 |
| Operating expenses (note 6) | 50 831 989 | 48 923 685 | 48 156 682 |
| Net income and comprehensive income | **$ 162 392 677** | **$ 164 129 693** | **$ 164 123 002** |

See accompanying notes to the financial statements

# statements of changes in equity

Year ended March 31

| | 2013 | 2012 |
|---|---|---|
| Balance at beginning of year | $ 21 741 735 | $ 20 563 729 |
| Net income and comprehensive income | 164 129 693 | 164 123 002 |
| Distributions to the Province of New Brunswick | (161 746 764) | (162 944 996) |
| Balance at end of year | **$ 24 124 664** | **$ 21 741 735** |

See accompanying notes to the financial statements

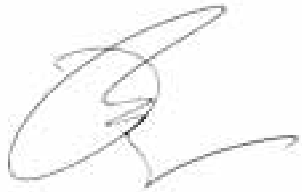
# statements of financial position

| | March 31 | |
|---|---|---|
| **Assets** | **2013** | **2012** |
| *Current Assets* | | |
| Cash and cash equivalents | $ 3 420 165 | $ 2 566 129 |
| Trade and other receivables | 4 987 621 | 3 988 914 |
| Inventories (note 7) | 24 463 486 | 21 650 352 |
| Prepaid expenses | 509 591 | 661 412 |
| | 33 380 863 | 28 866 807 |
| Property, plant and equipment (note 8) | 8 557 074 | 7 722 899 |
| Intangible assets (note 9) | 1 441 128 | 1 512 590 |
| | **$ 43 379 065** | **$ 38 102 296** |
| **Liabilities** | | |
| *Current Liabilities* | | |
| Trade and other payables | $ 14 609 032 | $ 11 716 575 |
| *Non current Liabilities* | | |
| Retiring allowances (note 10) | 4 645 369 | 4 643 986 |
| | 19 254 401 | 16 360 561 |
| **Equity of the Province of New Brunswick** | | |
| Equity | 24 124 664 | 21 741 735 |
| | **$ 43 379 065** | **$ 38 102 296** |

Commitments and Contingencies (note 12 and 13)

See accompanying notes to the financial statements

Approved by the Board:



Director

Director

# statements of cash flows

Year ended March 31

| | 2013 | 2012 |
|---|---|---|
| ***Operating*** | | |
| Net income and comprehensive income | $ 164 129 693 | $ 164 123 002 |
| Items not involving cash: | | |
| Depreciation | 1 563 478 | 1 620 617 |
| Amortization | 336 953 | 362 294 |
| Loss on sale of property, plant and equipment | 35 329 | 13 224 |
| (Decrease) / increase in retiring allowances | 1 383 | 448 685 |
| Change in non-cash working capital | (767 563) | (653 968) |
| Cash available from operations | 165 299 273 | 165 913 854 |
| ***Investing*** | | |
| Additions to property, plant and equipment | (2 451 443) | (1 673 817) |
| Additions to intangible assets | ( 265 491) | ( 209 910) |
| Proceeds from sale of property, plant and equipment | 18 461 | 4 044 |
| Net cash used for capital investments | (2 698 473) | (1 879 683) |
| ***Financing*** | | |
| Distributions to the Province of New Brunswick | (161 746 764) | (162 944 996) |
| ***Increase in Cash*** | 854 036 | 1 089 175 |
| ***Cash at Beginning of Year*** | 2 566 129 | 1 476 954 |
| ***Cash at End of Year*** | **$ 3 420 165** | **$ 2 566 129** |

See accompanying notes to the financial statements

# notes to the financial statements

March 31, 2013

## 1. Nature of Operations

The New Brunswick Liquor Corporation (the Corporation) is a Crown Corporation 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 Taxes 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).

The financial statements for the year ended March 31, 2013 were approved and authorized for issue by the Board of Directors on June 27, 2013.

*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.

*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 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 operations and 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 possible 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 operations and 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 operations and 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, 2013 and 2012 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, 2013 and 2012 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, 2013, and March 31, 2012, are operating leases. Payments made under operating leases (net of any financial incentives from the lessor) are charged to the statement of operations and 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.

# notes to the financial statements

March 31, 2013

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 trade and other payables. 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 at the end of each year. 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 operations and 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.

### *j) Post-employment benefits*

*(i) Retiring allowances*

Employees of the Corporation are entitled to 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 | 4.1% |
| Discount rate – end of year | 3.8% |
| Future salary increases – beginning of year | 2.5% |

*(ii) Pension plan*

Employees of the Corporation are members of 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 Corporation retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- 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.

### *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 the net realizable value of inventory, useful lives of long-lived assets, impairment of assets, provisions and retiring allowances.

*(i) Valuation of inventories*

Judgment is required in the determination of the net realizable value of inventories.

*(ii) Useful lives of long-lived assets*

The Corporation is required to estimate the useful lives, residual values and depreciation method. Management determines the estimated useful lives and residual values of its long-lived assets based on historical experience of the actual lives of assets with similar nature and function. As this information is based on estimates and is subject to change, they are reviewed at the end of each year, with the effect of any changes in estimate accounted for on a prospective basis.

*(iii) Property, plant and equipment*

Property, plant and equipment is aggregated into CGUs based on their ability to generate largely independent cash inflows and are used for impairment testing. The determination of the Corporation's CGUs is subject to management's judgment with respect to the lowest level at which independent cash inflows are generated.

*(iv) Impairment of assets*

The calculation requires the Corporation to determine the recoverable amount, which involves estimating the asset's or CGUs fair value less costs to sell, their value-in-use, or both. Amounts used in impairment calculations

# notes to the financial statements

## March 31, 2013

are based on estimates of future cash flows of the Corporation and include estimates of future revenue, operating expenses, discount rates, which are subject to measurement uncertainty. Accordingly, the impact on the financial statements of future periods could be material.

*(v) Provisions*

The Corporation makes judgments and estimates in recording costs and establishing provisions based on current information regarding cost, expected plans and discount rates. The accrued retiring allowances reflect the Corporation's best estimate of salary, escalation and the retirement ages of employees. The calculations are sensitive to changes in the actuarial and economic assumptions made regarding future outcomes.

### *m) Future accounting policy changes*

Certain new standards, and amendments to standards and interpretations, are not yet effective for the year ended March 31, 2013, and have not been applied in preparing these financial statements.

*(i) Financial Instruments*

In November 2009 and October 2010, the IASB issued ***IFRS 9 - Financial Instruments ("IFRS 9"), Classification and Measurement of Financial Assets and Financial Liabilities*** which will replace IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39") in its entirety. IFRS 9 uses a single approach to determine whether a financial asset or liability is measured at amortized cost or fair value. This standard also requires a single impairment method to be used, replacing multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015.

*(ii) Fair value Measurement*

In May 2011, the IASB issued ***IFRS 13 - Fair Value Measurement ("IFRS 13")***. IFRS 13 defines fair value, requires disclosures about fair value measurement and sets out a single IFRS framework for measuring fair value. IFRS 13 is effective for annual periods beginning on or after January 1, 2013.

The extent of the impact these standards will have on the financial statements has not been determined.

## 3. Total Sales

| | Budget 2013 (unaudited) | Actual 2013 | Actual 2012 |
|---|---|---|---|
| Spirits | $ 92 365 100 | $ 91 860 247 | $ 92 338 396 |
| Wine | 71 764 168 | 74 430 592 | 70 900 188 |
| Other beverages | 19 857 330 | 19 062 949 | 19 764 338 |
| Beer | 213 435 416 | 202 398 474 | 212 126 704 |
| | **$ 397 422 014** | **$ 387 752 262** | **$ 395 129 626** |

## 4. Cost of Sales

| | Spirits | Wine | Other Beverages | Beer | Total 2013 | Total 2012 |
|---|---|---|---|---|---|---|
| Inventories at beginning of year | $ 6 360 002 | $ 10 020 761 | $ 702 292 | $ 4 449 577 | $ 21 532 632 | $ 22 347 746 |
| Purchases | 18 685 955 | 26 140 661 | 7 133 729 | 101 063 954 | 153 024 299 | 157 807 149 |
| Inbound freight | 975 847 | 2 019 051 | 526 626 | 415 923 | 3 937 447 | 3 653 358 |
| Outbound freight | 204 349 | 340 374 | 232 588 | 230 010 | 1 007 321 | 979 160 |
| Duty and excise tax | 12 725 088 | 2 102 808 | 767 890 | 319 940 | 15 915 726 | 15 774 113 |
| | 38 951 241 | 40 623 655 | 9 363 125 | 106 479 404 | 195 417 425 | 200 561 526 |
| Inventories at end of year | 6 811 717 | 11 916 511 | 1 024 210 | 4 611 397 | 24 363 835 | 21 532 632 |
| | **$ 32 139 524** | **$ 28 707 144** | **$ 8 338 915** | **$ 101 868 007** | **$ 171 053 590** | **$ 179 028 894** |

## 5. Other Income

| | Budget 2013 (unaudited) | Actual 2013 | Actual 2012 |
|---|---|---|---|
| Merchandising programs | $ 2 284 286 | $ 2 429 057 | $ 2 170 095 |
| Private importation revenue | 173 468 | 285 585 | 213 885 |
| Unredeemed beverage container deposits | 124 840 | 46 794 | 120 759 |
| (Loss) on sale of property, plant and equipment | 8 458 | ( 35 329) | ( 13 224) |
| Brand sales statistics | 32 400 | 38 600 | 33 400 |
| Train Station revenue | 17 500 | 43 846 | 13 627 |
| Label chargebacks | 15 000 | 78 767 | 52 339 |
| Agency store application fees | | 43 770 | |
| In-store tasting revenue | 45 000 | 48 650 | 44 250 |
| Sundry | 47 260 | 63 805 | 41 159 |
| | **$ 2 748 212** | **$ 3 043 545** | **$ 2 676 290** |

# notes to the financial statements

March 31, 2013

## 6. Operating Expenses

| | Budget 2013 (unaudited) | Actual 2013 | Actual 2012 |
|---|---|---|---|
| Salaries - stores, warehouse and maintenance | $ 19 408 988 | $ 19 338 679 | $ 19 274 856 |
| - administration | 5 187 907 | 4 843 179 | 4 622 186 |
| Employee benefits | 6 796 743 | 6 585 518 | 6 639 894 |
| Rent | 6 110 664 | 6 058 150 | 5 649 847 |
| Heat and light | 1 513 612 | 1 458 721 | 1 475 605 |
| Depreciation and amortization | 2 307 128 | 1 900 431 | 1 982 911 |
| Training programs | 179 825 | 149 629 | 83 299 |
| Repairs to property, plant and equipment | 419 021 | 404 410 | 354 843 |
| Property taxes | 326 362 | 321 596 | 319 660 |
| Minor equipment and supplies | 744 099 | 572 807 | 636 678 |
| Security | 318 585 | 325 541 | 339 212 |
| Retail automation system maintenance | 227 399 | 193 262 | 201 418 |
| Travel | 337 836 | 271 173 | 281 835 |
| Beverage container redemption costs | 1 569 321 | 1 422 388 | 1 350 757 |
| Shopping bags | 141 072 | 140 195 | 96 442 |
| Data processing | 333 148 | 275 276 | 328 711 |
| Telecommunications | 516 844 | 473 222 | 502 460 |
| Motor vehicle operation | 60 808 | 81 676 | 76 777 |
| Cleaning | 251 785 | 216 057 | 206 088 |
| Shortages | 69 000 | 59 107 | 64 498 |
| Management meetings | 105 590 | 96 475 | 92 114 |
| Postage | 43 300 | 49 325 | 46 419 |
| Professional services | 580 250 | 789 835 | 633 402 |
| Bank charges and credit card fees | 2 494 956 | 2 247 654 | 2 276 830 |
| Warehouse maintenance and supplies | 48 760 | 52 024 | 50 021 |
| Insurance | 75 143 | 74 549 | 74 753 |
| Advertising and promotions | 474 380 | 343 478 | 293 229 |
| Directors' remuneration | 38 050 | 39 234 | 36 345 |
| Other | 151 413 | 140 094 | 165 592 |
| | **$ 50 831 989** | **$ 48 923 685** | **$ 48 156 682** |

## 7. Inventories

| | 2013 | 2012 |
|---|---|---|
| Spirits, wine, other beverages and beer | $ 24 363 835 | $ 21 532 632 |
| Supplies | 99 651 | 117 720 |
| | **$ 24 463 486** | **$ 21 650 352** |

## 8. Property, Plant and Equipment

| Cost | Land | Paving | Buildings | Leasehold Improvements | Furniture & Fixtures | Auto-motive | Retail Equipment | Refrigeration Equipment | Total |
|---|---|---|---|---|---|---|---|---|---|
| **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 |
| **Balance at April 1, 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 |
| Additions | | | 66 623 | 460 720 | 1 834 575 | 21 941 | | 67 584 | 2 451 443 |
| Disposals | | | | 999 085 | 382 932 | 17 620 | | 201 678 | 1 601 315 |
| **Balance at March 31, 2013** | $ 155 386 | $ 477 238 | $10 530 005 | $4 075 021 | $16 523 302 | $ 278 510 | $1 290 101 | $2 593 778 | $35 923 341 |
| **Depreciation and Amortization** | | | | | | | | | |
| **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 |
| **Balance at April 1, 2012** | | $ 426 475 | $6 991 390 | $3 563 019 | $12 824 925 | $ 214 416 | $1 226 433 | $2 103 656 | $27 350 314 |
| Additions | | 8 459 | 154 234 | 229 433 | 998 629 | 29 335 | 19 972 | 123 416 | 1 563 478 |
| Disposals | | | | 968 695 | 365 330 | 17 620 | | 195 880 | 1 547 525 |
| **Balance at March 31, 2013** | | $ 434 934 | $7 145 624 | $2 823 757 | $13 458 224 | $ 226 131 | $1 246 405 | $2 031 192 | $27 366 267 |
| **Carrying Amounts** | | | | | | | | | |
| At April 1, 2011 | $ 155 386 | $ 64 932 | $3 506 297 | $1 046 981 | $2 176 754 | $ 81 996 | $ 41 621 | $ 613 000 | $7 686 967 |
| 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 |
| At March 31, 2013 | $ 155 386 | $ 42 304 | $3 384 381 | $1 251 264 | $3 065 078 | $ 52 379 | $ 43 696 | $ 562 586 | $8 557 074 |

# notes to the financial statements

March 31, 2013

## 9. Intangible Assets

| | 2013 | 2012 |
|---|---|---|
| Software | | |
| **Cost** | | |
| Opening | $ 4 549 055 | $ 4 339 145 |
| Additions | 265 491 | 209 910 |
| Disposals | | |
| Closing | 4 814 546 | 4 549 055 |
| **Amortization** | | |
| Opening | 3 036 465 | 2 674 171 |
| Additions | 336 953 | 362 294 |
| Disposals | | |
| Closing | 3 373 418 | 3 036 465 |
| **Carrying Amount** | **$ 1 441 128** | **$ 1 512 590** |

## 10. Post-Employment Benefits

*(i) Pension Plan*

Under the terms of the Public Service Superannuation plan, for the year ended March 31, 2013, the Corporation expensed contributions of $1 577 654 ($1 515 832 in 2012). 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 $856 408 and has been reflected in note 12.

*(ii) Retiring Allowances*

Information relating to the retiring allowance plan is as follows:

| | 2013 | 2012 |
|---|---|---|
| Reconciliation of Accrued Benefit Obligation: | | |
| Balance, beginning of year | $ 4 643 986 | $ 4 195 301 |
| Current service cost | 241 873 | 201 538 |
| Interest cost | 190 408 | 223 222 |
| Actuarial loss (gain) | 97 269 | 526 402 |
| | 529 550 | 951 162 |
| Benefits paid | ( 528 167 ) | ( 502 477) |
| Accrued benefit liability | **$ 4 645 369** | **$ 4 643 986** |

In January 2013 the Province of New Brunswick announced that the retirement allowance program for Part I, II, and III public sector non-union employees will be phased out. Pursuant to direction from the Province to cease the accumulation of service for the purposes of calculating retirement allowance and the subsequent approval by the Corporation's Board of Directors, accumulation of service will cease for the Corporation's non bargaining employees on June 30, 2013. This results in a curtailment and settlement of the retirement allowance plan, resulting in a $1 172 698 expense in fiscal 2013/14.

## 11. Financial Risk Management Objectives and Policies

*(i) 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.

*(ii) Market risks*

Exposure to market risks arises in the normal course of the Corporation's 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.

*(iii) Foreign 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.

*(iv) 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 a March 31, 2013 no customer accounted for over 10% of total receivables.

## 12. Commitments

The Corporation leases buildings, premises and equipment under operating leases which expire at various dates between 2014 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, 2013, 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 10.

| | |
|---|---|
| Due within one year or less | $ 6 538 685 |
| Between one and five years | 17 511 421 |
| More than five years | 22 770 676 |
| | **$ 46 820 782** |

# notes to the financial statements

March 31, 2013

## 13. 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.

## 14. Budget

The 2013 budget figures presented for comparison with the actual figures were approved by the Corporation's Board of Directors and have not been audited.

## 15. 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. These financial statements include the results of normal operating transactions with various Crown Corporations (WorkSafe NB and NB Power) with which the Corporation may be considered related. Routine operating transactions with related parties are settled at prevailing market rates under normal trade terms.

(i) Compensation of key management personnel

Members of the Board of Directors and Executive Team are considered to be key management personnel.
Total compensation and benefits amounted to $926 773 ($939 432 in 2012).

# operational information

| operational information | 2013 | 2012 |
|---|---|---|
| Number of ANBL stores | 46 | 47 |
| Number of agency stores | 76 | 72 |
| Number of filled positions | 450 | 446 |
| Number of regular listed products | 1 908 | 1 888 |

## consumption data (legal drinking age)

| 2013 | | | | 2012 | | |
|---|---|---|---|---|---|---|
| Total Litres | Litres Per Capita | Sales Per Litre | | Total Litres | Litres Per Capita | Sales Per Litre |
| 2 913 537 | 4.8 | $ 31.53 | Spirits | 2 918 178 | 4.8 | $ 31.64 |
| 5 724 011 | 9.4 | 13.00 | Wine | 5 420 558 | 9.0 | 13.08 |
| 2 580 576 | 4.3 | 7.39 | Other beverages | 2 717 294 | 4.5 | 7.27 |
| 44 952 421 | 74.0 | 4.50 | Beer | 47 207 058 | 77.9 | 4.49 |

## Sales by Source

| Sales | 2012 - 2013 | % of sales | 2011 - 2012 |
|---|---|---|---|
| Public | 263 845 150 | 68.1 | 267 148 604 |
| Licensee | 46 641 586 | 12.0 | 49 046 111 |
| Agency | 75 616 259 | 19.5 | 76 325 025 |
| Other | 1 649 267 | 0.4 | 2 609 886 |
| TOTAL | 387 752 262 | | 395 129 626 |

# operational information

## remittances to governments

| *To the Province of New Brunswick* | 2013 | 2012 |
|---|---|---|
| Distributions to the province | $ 161 746 764 | $ 162 944 996 |
| Environmental Trust Fund | 2 148 540 | 2 171 713 |
| Property Taxes | 321 596 | 319 660 |
| | **164 216 900** | **165 436 369** |
| | | |
| *To the Government of Canada* | | |
| Harmonized Sales Tax | 30 072 107 | 29 012 217 |
| Excise tax and customs duties | 15 888 649 | 15 774 113 |
| | 45 960 756 | 44 786 330 |
| | **$ 210 177 656** | **$ 210 222 699** |