LIQUOR STORES INCOME FUND

FOR IMMEDIATE RELEASE

LIQUOR STORES INCOME FUND REPORTS SECOND QUARTER 2008 RESULTS

EDMONTON, ALBERTA, August 13, 2008 – Liquor Stores Income Fund ("Liquor Stores" or the "Fund") (TSX: LIQ.UN) today reported its 2008 second quarter and first half results.

HIGHLIGHTS

- Liquor Stores reported second quarter distributable cash of $9.1 million, up 44% from $6.4 million in the second quarter of 2007.
- Distributable cash per unit for the second quarter of $0.41 was unchanged from 2007.
- Distributions per unit for 2008 were $0.135 monthly ($1.62 annually) compared with $0.125 monthly for most of 2007.
- The Fund entered into an agreement to acquire 19 liquor stores in Anchorage, Alaska.
- Sales for the second quarter of 2008 were $121.6 million, up 46% from $83.2 million for the same period in 2007.
- Operating margin for the second quarter of 2008 was $10.2 million, up 42% from $7.2 million for the three months ended June 30, 2007.

Irving Kipnes, CEO of the Fund, stated, "The 2008 second quarter sales and first half margins exceeded proforma amounts. The integration of Liquor Barn stores has resulted in same store sales of $172 million for the six months ended June 30, 2008, compared with a proforma $173 million for the same period in 2007, while gross margins have increased 0.9% to 24.4%."

Mr. Kipnes also stated, "We are excited with the planned acquisition of the Brown Jug stores as our initial entry into the U.S. market, as well as the addition of our new Canadian stores. Management estimates that the 19 Brown Jug stores will add in excess of 12% to current revenue levels in their first full year of operation, contributing US $3.5 million in annualized EBITDA."

THREE MONTHS ENDED JUNE 30, 2008

SALES AND MARGINS

Sales for the existing 204 stores totalled $121.6 million for the second quarter of 2008, up 46% from $83.2 million for 188 stores a year earlier, reflecting the Liquor Barn acquisition and other store additions.

Same store sales includes sales for those stores which were operating for a full 12 months at the beginning of the reporting period. Same store sales for 99 Liquor Depot stores were $58.3 million for the second quarter of 2008, up 1.7% or $0.9 million from $57.4 million a year earlier.

Same store sales information for 2007 for Liquor Barn is based on a proforma, as Liquor Barn was acquired by Liquor Stores on June 7, 2007. Same store sales for 70 Liquor Barn stores for the three months ended June 30, 2008 were $39.4 million, down 6.5% from the same period in 2007 on a proforma basis.

On a combined basis, same store sales for Liquor Depot and Liquor Barn stores decreased 1.8% for the three months ended June 30, 2008 compared with 2007.

Management believes that the decrease in Liquor Barn same store sales is mainly due to the introduction of price harmonization with the Liquor Depot stores. Easter fell in the second quarter of 2007 and in the first quarter of 2008.

Operating margin for the second quarter of 2008 was $10.2 million, up 42% from $7.2 million a year earlier, reflecting the increased number of stores.

DISTRIBUTABLE CASH AND DISTRIBUTIONS

For the second quarter of 2008 distributable cash before non-recurring items was $9.3 million compared with $6.5 million for the second quarter of 2007. Distributable cash after non-recurring items was $9.1 million for the three months ended June 30, 2008 compared with $6.4 million for the same period in 2007.

The weighted average number of units outstanding increased from 15.6 million for the three months ended June 30, 2007 to 22.6 million for the same period in 2008.

On a per unit basis for the three months ended June 30, 2008, distributable cash before and after non-recurring items was $0.41, consistent with a year earlier.

For the three months ended June 30, 2008 and 2007, non-recurring items were $205,000 and $182,000 respectively and represent non-recurring professional and consulting fees for certain business matters in 2008 and head office move and Liquor Barn acquisition expenses in 2007.

For the second quarter of 2008 the Fund declared distributions of $0.41 per unit, up 8% from $0.38 per unit a year earlier.

EARNINGS AND EARNINGS PER UNIT

Net earnings for the second quarter of 2008, before non-controlling interest and before a non-cash income tax charge, were $6.2 million, up 55% from $4.0 million a year earlier. The non-cash income tax charge, which totalled $0.6 million, was future income tax expense resulting from the amortization of and additions to goodwill, property, plant and equipment, and intangible assets. The future tax expense for the same period in 2007 was $12.5 million.

After the non-cash charge, the Fund's net earnings before non-controlling interest were $5.6 million compared with a loss of $8.5 million a year earlier. Second quarter 2008 net earnings were $4.5 million or $0.24 per unit (basic and diluted) compared with a net loss of $7.0 million or $0.59 per unit a year earlier.

SIX MONTHS ENDED JUNE 30, 2008

SALES AND MARGINS

For the first half of 2008, sales for all stores totalled $216.0 million, up 60% from $135.0 million a year earlier, for the same reason as the second quarter.

Same store sales includes sales for those stores which were operating for a full 12 months at the beginning of the reporting period. On a combined basis, same store sales for Liquor Depot and Liquor Barn stores for the six months ended June 30, 2008 were $171.2 million, down $1.0 million or 0.6% compared with the same period in 2007.

Same store sales for 99 Liquor Depot stores were $104.4 million, up $3.7 million or 3.6% compared with the first half of 2007 while same store sales for 66 Liquor Barn stores were $66.8 million, down $4.7 million or 6.6% compared with the six months ended June 30, 2007. Same store sales information for 2007 for Liquor Barn is based on a proforma, as Liquor Barn was acquired by Liquor Stores on June 7, 2007.

Operating margin for the first half of 2008 was $15.1 million, up 46% from $10.4 million, for the same reason as in the second quarter.

DISTRIBUTABLE CASH AND DISTRIBUTIONS

For the first half of 2008 distributable cash before non-recurring items was $13.6 million, up from $9.3 million a year earlier. The number of weighted average units outstanding for the six months ended June 30 increased to 22.5 million in 2008 from 14.6 million in 2007. On a per unit basis, distributable cash before non-recurring items was $0.60 per unit for the six months ended June 30, 2008, down 6% from $0.64 per unit a year earlier. After non-recurring items, distributable cash was $0.57 per unit, down 10% from $0.63 per unit a year earlier.

For the first half of 2008 the Fund declared distributions of $0.81 per unit, up 11% from $0.73 per unit a year earlier.

The liquor industry is subject to seasonal variations, with higher sales in the second half of the year. As a result, distributable cash typically will be less than actual distributions early in the year but will exceed distributions in the later portion of the year.

EARNINGS AND EARNINGS PER UNIT

For the first half of 2008, net earnings before non-controlling interest and before a non-cash income tax charge, were $7.8 million up 23% from $6.4 million a year earlier. After the non-cash charge, net earnings before non-controlling interest were $4.2 million compared with a loss of $6.1 million a year earlier. First half 2008 net earnings were $3.3 million or $0.18 per share, compared with a net loss of $5.2 million or $0.47 per share a year earlier.

BROWN JUG ACQUISITION

On July 22, 2008 the Fund announced the signing of a definitive agreement for the acquisition of 19 liquor stores in greater Anchorage. The acquisition agreement includes all stores owned by Brown Jug Inc., the largest independent chain of liquor stores in Anchorage based on sales. The acquisition is subject to completion of due diligence, customary closing conditions, and regulatory approvals. Closing is anticipated to take place by December 2008 and will be funded with available credit facilities. Management expects these stores will initially contribute approximately U.S. $3.5 million annually to EBITDA, and will be accretive to cash flow in the first full year of operation, generating distributable cash of approximately $0.09 per unit for all units outstanding at July 22, 2008.

STORE ADDITIONS

The Fund acquired or opened six stores in the second quarter of 2008 and two more subsequent to June 30, 2008 for a total of 206 as of August 13, 2008. The Fund expects to have 230 stores by year-end, including commitments during the remainder of 2008 to open five additional stores in Canada and the agreement to acquire 19 Brown Jug stores in the U.S.

Liquor Stores Summary Financial Results, three and six months ended June 30, 2008 with comparisons to 2007

(000) except per unit	Three months ended			Six months ended		
	June 30, 2008	June 30, 2007	% change	June 30, 2008	June 30, 2007	% Change
Sales	$121,567	$83,236	46%	$215,989	$135,046	60%
Operating margin before non-recurring items	$10,376	$7,336	41%	$15,841	$10,563	50%
Operating margin	$10,171	$7,154	42%	$15,136	$10,381	46%
Earnings before non-controlling interest (and before non-cash tax charge)	$6,177	$3,996	55%	$7,818	$6,381	23%
Earnings (loss) before non-controlling interest	$5,573	($8,464)	n/a	$4,152	($6,081)	n/a
Earnings (loss)	$4,466	($6,991)	n/a	$3,256	($5,225)	n/a
Diluted earnings per unit (before non-cash tax charge)	$0.27	$0.25	8%	$0.31	$0.43	-28%
Diluted earnings (loss) per unit (after a non-cash tax charge)	$0.24	($0.59)	n/a	$0.18	($0.47)	n/a
Distributable cash (before non-recurring items)	$9,347	$6,544	43%	$13,610	$9,301	46%
Distributable cash (after non-recurring items)	$9,142	$6,362	44%	$12,905	$9,119	42%
Distributable cash per unit (before non-recurring items)	$0.41	$0.41	-	$0.60	$0.64	-6%
Distributable cash per unit (after non-recurring items)	$0.41	$0.41	-	$0.57	$0.63	-10%
Cash distributions per unit	$0.41	$0.38	8%	$0.81	$0.73	11%
Diluted average units outstanding	22,491	15,612	44%	22,491	14,555	55%
Stores in operation at June 30	204	188	9%	204	188	9%

The Management's Discussion and Analysis (MD&A) as well as the complete financial statements and notes for the second quarter of 2008 are available on the Fund's website at this link: www.liquorstoresincomefund.ca and on the SEDAR website at www.sedar.com.

Conference Call

Liquor Stores Income Fund will conduct an investor conference call on Thursday, August 14, 2008 to discuss results for the second quarter ending June 30, 2008. The conference call will take place at 12 p.m. MT. Participants in the call include Irv Kipnes, Chief Executive Officer, Rick Crook, President, Pat de Grace, Vice-President, Finance and Chief Financial Officer.

To take part in the call, please dial 416-695-6320, or toll-free 1-800-952-6845. An archived recording of the conference call will be available approximately one hour after the completion of the call until August 21, 2008, by dialling 416-695-5800, or toll-free 1-800-408-3053. The required passcode is 3268008. An archived recording of the call will also be available on the Liquor Stores Income Fund website.

About Liquor Stores Income Fund

The Fund is a publicly traded Canadian income fund that participates in the retail liquor industry in Alberta, British Columbia and Nova Scotia through its 81.7% interest in Liquor Stores Limited Partnership. Management believes the Fund is Canada's largest operator of private liquor stores by both number of stores and sales revenue. The Fund currently operates 206 stores. The trust units and 6.75% convertible subordinated debentures of the Fund trade on the Toronto Stock Exchange under the symbols "LIQ.UN" and "LIQ.DB", respectively.

Additional information about Liquor Stores Income Fund is available at www.sedar.com and the Fund's website at www.liquorstoresincomefund.ca.

NON-GAAP MEASURES

References to "EBITDA" are to earnings before interest, income taxes, depreciation and amortization and references to ''distributable cash'' are to cash available for distribution to unitholders in accordance with the distribution policies of the Fund. Management believes that, in addition to income or loss, EBITDA and cash available for distribution before debt service, changes in working capital, capital expenditures and income taxes are useful supplemental measures of performance. Distributable cash of the Fund is a measure generally used by Canadian open-ended trusts as an indicator of financial performance. As one of the factors that may be considered relevant by unitholders and prospective investors is the cash distributed by the Fund relative to the price of the Fund's trust units, management believes that distributable cash of the Fund is a useful supplemental measure that may assist unitholders and prospective investors in assessing an investment in the Fund.

EBITDA and distributable cash are not measures recognized by GAAP and do not have a standardized meaning prescribed by GAAP. Investors are cautioned that EBITDA and distributable cash should not replace net earnings or loss (as determined in accordance with GAAP) as an indicator of the Fund's performance, of its cash flows from operating, investing and financing activities or as a measure of its liquidity and cash flows. The Fund's method of calculating EBITDA and distributable cash may differ from the methods used by other issuers. Therefore, the Fund's EBITDA and distributable cash may not be comparable to similar measures presented by other issuers.

Operating margin has been derived by adding amortization of inventory fair value adjustments, interest expense, non-recurring items and amortization of property and equipment, intangibles and pre-opening costs to net earnings before non-controlling interest. Operating margin as a percentage of sales is calculated by dividing operating margin by sales.

Operating margin and operating margin as a percentage of sales are not measures recognized by GAAP and do not have a standardized meaning prescribed by GAAP. Investors are cautioned that operating margin and operating margin as a percentage of sales should not replace net earnings or loss (as determined in accordance with GAAP) as an indicator of the Fund's performance, of its cash flows from operating, investing and financing activities or as a measure of its liquidity and cash flows. The Fund's method of calculating operating margin and operating margin as a percentage of sales may differ from the methods used by other issuers. Therefore, the Fund's operating margin and operating margin as a percentage of sales may not be comparable to similar measures presented by other issuers.

FORWARD LOOKING STATEMENTS

This press release contains forward-looking statements. All statements other than statements of historical fact contained in this press release are forward-looking statements, including, without limitation, statements regarding the future financial position, cash distributions, business strategy, proposed acquisitions, budgets, litigation, projected costs and plans and objectives of or involving the Fund or Liquor Stores Limited Partnership. Specific forward-looking statements contained in this news release include, among others, statements regarding the terms of the Brown Jug acquisition, the completion of the Brown Jug acquisition and the anticipated future operational and financial performance of the acquired business. You can identify many of these statements by looking for words such as "believes", "expects", "will", "intends", "projects", "anticipates", "estimates", "continues" or similar words or the negative thereof. These forward-looking statements include statements with respect to the amount and timing of the payment of the distributions of the Fund. There can be no assurance that the plans, intentions or expectations upon which these forward-looking statements are based will occur. Forward-looking statements are subject to risks, uncertainties and assumptions, including, but not limited to, those discussed elsewhere in this press release. There can be no assurance that such expectations will prove to be correct.

Some of the factors that could affect future results and could cause results to differ materially from those expressed in the forward-looking statements contained herein include, but are not limited to, those discussed under "Risk Factors" in the Second Quarter 2008 Management’s Discussion and Analysis.

The information contained in this press release, including the information set forth under "Risk Factors" in the Second Quarter 2008 Management’s Discussion and Analysis, identifies additional factors that could affect the operating results and performance of the Fund and Liquor Stores Limited Partnership.

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this press release are made as of the date of this press release and the Fund assumes no obligation to update or revise them to reflect new events or circumstances except as expressly required by applicable securities law.

For further information, please contact:

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