Liquor Stores N.A. Ltd.
(Formerly Liquor Stores Income Fund)

Consolidated Financial Statements

December 31, 2010 and 2009
(expressed in thousands of Canadian dollars)

PRICEWATERHOUSECOOPERS

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Independent Auditor's Report

To the Shareholders of
Liquor Stores N.A. Ltd.

We have audited the accompanying consolidated financial statements of Liquor Stores N.A. Ltd., which comprise the consolidated balance sheets as at December 31, 2010 and December 31, 2009 and the consolidated statements of earnings and comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and the related notes including a summary of significant accounting policies.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Liquor Stores N.A. Ltd. as at December 31, 2010 and December 31, 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Accountants

Liquor Stores N.A. Ltd.

Consolidated Balance Sheets
As at December 31, 2010 and 2009
(**expressed in thousands of Canadian dollars)**

	2010	2009
Assets		
Current assets		
Cash and cash equivalents	$ 2,815	$ 5,288
Accounts receivable	974	1,846
Inventory (at cost)	119,392	122,571
Prepaid expenses and deposits (note 4)	3,854	2,031
	127,035	131,736
Property and equipment (note 6)	40,860	47,013
Intangible assets (note 7)	45,854	47,963
Goodwill (note 8)	282,166	283,097
	$ 495,915	$ 509,809
Liabilities		
Current liabilities		
Bank indebtedness (note 9(a))	$ 41,468	$ 41,094
Accounts payable and accrued liabilities	27,264	24,554
Distributions payable to unitholders (note 10)	2,563	2,493
Distributions payable to non-controlling interest (note 10)	484	547
	71,779	68,688
Long-term debt (note 9(b))	100,417	100,126
Future income tax liability (note 11)	8,763	9,254
	180,959	178,068
Shareholders' Equity		
Equity attributable to the shareholders (note 14)	314,671	286,165
Non-controlling interest (note14(b))	285	45,576
	314,956	331,741
	$ 495,915	$ 509,809

Liquor Stores N.A. Ltd.

Consolidated Statements of Earnings and Comprehensive Income
For the years ended December 31, 2010 and 2009
(**expressed in thousands of Canadian dollars, except for per share amounts**)

Consolidated Statements of Earnings	**2010**	**2009**
Sales	$ 579,700	$ 541,049
Cost of sales	436,218	404,550
Gross margin	143,482	136,499
Operating and administrative expense	101,496	91,253
Operating earnings before amortization, interest and other	41,986	45,246
Amortization		
Property and equipment	8,861	6,271
Intangible assets	2,135	2,891
	10,996	9,162
	30,990	36,084
Interest expense and other		
Bank indebtedness	2,401	1,508
Long-term debt	1,879	1,113
Convertible debentures	5,409	5,252
Loss (gain) on foreign exchange	(915)	746
Gain on sale of stores (note 5)	(9)	(179)
	8,765	8,440
Earnings before income tax	22,225	27,644
Income tax recovery (note 11(a))	(521)	(1,404)
Net earnings for the year	22,746	29,048
Other comprehensive loss		
Net loss on translation of self-sustaining foreign operations	2,878	3,429
Comprehensive income for the year	$ 19,868	$ 25,619
Net earnings attributable to:		
Unitholders of the Fund	$ 18,685	$ 23,729
Non-controlling interest	4,061	5,319
	$ 22,746	$ 29,048
Comprehensive income attributable to:		
Unitholders of the Fund	$ 16,282	$ 20,300
Non-controlling interest	3,586	5,319
	$ 19,868	$ 25,619
Earnings per share (note 16)		
Basic	$ 1.00	$ 1.29
Diluted	$ 1.00	$ 1.27

Liquor Stores N.A. Ltd.

Consolidated Statements of Changes in Shareholders' Equity
For the years ended December 31, 2010 and 2009
(**expressed in thousands of Canadian dollars**)

	Attributable to Equityholders of the Company								
	Share capital	**Fund Units**	**Equity component of convertible debentures**	**Contributed surplus**	**Accumulated other comprehensive income**	**Deficit**	**Total**	**Non-controlling interest**	**Total shareholders' equity**
Opening balance – January 1, 2009	$ -	$ 309,638	$ 4,970	$ 1,156	$ 1,404	$ (22,523)	$ 294,645	$ 48,013	$ 342,658
Units issued for exchangeable units	-	722	-	-	-	-	722	(765)	(43)
Sale of investment	-	-	-	-	-	-	-	17	17
Vested long-term incentive plan units	-	674	-	(674)	-	-	-	-	-
Forfeited long-term incentive plan units	-	68	-	-	-	-	68	-	68
Cash distributions on vested units	-	(58)	-	-	-	-	(58)	-	(58)
Unit-based compensation expense	-	-	-	375	-	-	375	-	375
Foreign currency translation adjustment	-	-	-	-	(3,429)	-	(3,429)	-	(3,429)
Net earnings	-	-	-	-	-	23,729	23,729	5,319	29,048
Distributions declared (note 10)	-	-	-	-	-	(29,887)	(29,887)	(6,583)	(36,470)
Dividends declared	-	-	-	-	-	-	-	(425)	(425)
Balance – December 31, 2009	$ -	$ 311,044	$ 4,970	$ 857	$ (2,025)	$ (28,681)	$ 286,165	$ 45,576	$ 331,741
Opening balance – January 1, 2010	$ -	$ 311,044	$ 4,970	$ 857	$ (2,025)	$ (28,681)	$ 286,165	$ 45,576	$ 331,741
Units issued for exchangeable units	-	4,115	-	-	-	(217)	3,898	(4,115)	(217)
Vested long-term incentive plan units	-	635	-	(635)	-	-	-	-	-
Cash distributions on vested units	-	(112)	-	-	-	-	(112)	-	(112)
Forfeited long-term incentive plan units	-	38	-	-	-	-	38	-	38
Unit-based compensation expense (note 17(a))	-	-	-	56	-	-	56	-	56
Foreign currency translation adjustment	-	-	-	-	(2,403)	-	(2,403)	(475)	(2,878)
Net earnings	-	-	-	-	-	18,685	18,685	4,061	22,746
Distributions declared (note 10)	-	-	-	-	-	(30,231)	(30,231)	(6,293)	(36,524)
Settlement of debenture	-	640	(140)		-		500	-	500
Dividends declared	-	-	-	-	-	-	-	(394)	(394)
Conversion to a corporation (note 14)	354,435	(316,360)	-	-	-	-	38,075	(38,075)	-
Stated capital adjustment	(174,435)	-	-	174,435	-	-	-	-	-
Balance – December 31, 2010	$ 180,000	$ -	$ 4,830	$ 174,713	$ (4,428)	$ (40,444)	$ 314,671	$ 285	$ 314,956

Liquor Stores N.A. Ltd.

Consolidated Statements of Cash Flows
For the years ended December 31, 2010 and 2009
(**expressed in thousands of Canadian dollars**)

	2010	2009
Cash provided by (used in)		
Operating activities		
Net earnings for the year	$ 22,746	$ 29,048
Items not affecting cash		
Amortization	10,996	9,162
Amortization of inventory fair value adjustment	-	676
Amortization of financing charges	615	216
Non-cash interest on convertible debentures	1,488	1,330
Future income tax (recovery) expense	(713)	(1,404)
Unrealized gain on foreign currency	(653)	530
(Gain) loss on sale of stores (note 5)	(9)	(179)
Share-based compensation (note 17(a))	56	375
Loss on sale of forfeited incentive plan units	10	30
	34,536	39,784
Net change in non-cash working capital items (note 19)	4,921	5,849
	39,457	45,633
Financing activities		
Increase in bank indebtedness	273	9,575
Proceeds of long-term debt	-	18,720
Repayment of long-term debt	(442)	-
Distributions paid to unitholders (note 10)	(30,161)	(29,872)
Distributions paid to non-controlling interest (note 10)	(6,355)	(6,593)
Dividends paid to non-controlling interest by subsidiaries	(394)	(425)
Net distributions and proceeds on long-term incentive plan units	(82)	(20)
	(37,161)	(8,615)
Investing activities		
Business acquisitions, including contingent consideration paid (note 3)	(577)	(31,162)
Proceeds from sale of stores (note 5)	167	966
Net deposits on future acquisitions	-	10
Note receivable	-	234
Purchase of property and equipment	(3,036)	(5,429)
Purchase of intangible assets	(650)	(4)
	(4,096)	(35,385)
Foreign exchange gain (loss) on cash held in foreign currency	(673)	125
Increase (decrease) in cash and cash equivalents	(2,473)	1,758
Cash and cash equivalents balance, beginning of year	5,288	3,530
Cash and cash equivalents balance, end of year	$ 2,815	$ 5,288

1 Nature of operations and organization

Liquor Stores N.A. Ltd. (the "Company") was incorporated under the laws of the Province of Alberta on November 8, 2010. On December 31, 2010, Liquor Stores Income Fund (the "Fund") and Liquor Stores N.A. Ltd. entered into a Plan of arrangement pursuant to the Canada Business Corporations Act (the "Arrangement"). The Arrangement involved the exchange, on a one-for-one basis of units of Fund for common shares of the Company. As a result of the Arrangement, the holders of units of the Fund became the shareholders of the Company. The effective date of the Plan of Arrangement was December 31, 2010.

As part of the reorganization, the conversion was treated as a change in business form and was accounted for as a continuity of interests; as such the carrying amounts of assets, liabilities and unitholders' equity in the consolidated financial statements of the Fund immediately before the conversion were the same as the carrying values of the Company immediately after the conversion. References to common shares, shareholders and dividends of the Company were formerly referred to as units, unitholders and distributions under the Fund.

References herein to Liquor Stores N.A. Ltd. represent the financial position, results of operations, cash flows and disclosures of Liquor Stores N.A. Ltd. and its subsidiaries on a consolidated basis.

As at December 31, 2010, the Company operated 237 (2009 – 236) retail liquor stores, of which 173 (2009 – 173) were in Alberta, 35 (2009 - 35) were in British Columbia, 20 (2009 – 20) were in Alaska and 9 (2009 – 8) were in Kentucky. Of the stores operated, 207 (2009 – 205) were acquired by the Company and 30 (2009 - 31) were developed by the Company.

2 Significant accounting policies and basis of presentation

The accompanying consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP").

The preparation of 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 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. For example, goodwill is assessed for impairment based on estimates of fair value and amortization of property and equipment is based on their estimated useful lives. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in income in the period in which they become known.

(a) Basis of presentation

These consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries Liquor Stores Operating Trust, Liquor Barn Operating Trust, Liquor Barn GP Inc. and controlling interests in Liquor Stores Limited Partnership, Liquor Barn Limited Partnership, Liquor Stores GP Inc., and operating subsidiaries thereof, its 50% owned subsidiary Vines of Riverbend Limited Partnership ("Vines"), its 80% owned subsidiary Corinthia Liquor Store Limited Partnership and its 50% owned subsidiary Crossroads Liquor Depot. All inter-entity balances and transactions have been eliminated on consolidation.

(b) Revenue recognition

Revenue is generated from sales to customers through retail stores and licensee sales to commercial customers. Revenue from retail sales is recognized at the point of sale and from commercial sales at the time of shipment.

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks.

(d) Inventory

Inventory, consisting primarily of liquor for resale, is valued at the lower of cost, determined on a weighted average basis, and net realizable value.

(e) Property and equipment

Property and equipment is recorded at cost, which is amortized over the estimated useful lives of assets on a straight-line basis at annual rates disclosed in note 6. The Company will test its property and equipment for impairment when events and circumstances warrant such a review. An impairment loss is recorded when it is determined that the carrying amount is no longer recoverable and exceeds its fair value.

(f) Goodwill

Goodwill represents the excess of the cost of an acquired business over the fair value of the identifiable net assets acquired. Goodwill is not amortized, but is assessed for impairment at least annually or when events and circumstances indicate the carrying value may not be recoverable. The Company uses the two step impairment test as outlined in the Canadian Institute of Chartered Accountants ("CICA") Handbook to determine if there is impairment in the carrying value of goodwill.

(g) Intangible assets

Intangible assets, consisting of software and acquired customer relationships, retail liquor licenses and business permits, tradenames and property leases acquired at less than market rates, are recorded at cost.

The amount attributed to customer relationships and software are amortized over five years and the amount attributed to property leases is amortized over the remaining terms of the leases ranging from one to 12 years.

Certain retail liquor licenses and business permits to operate a retail liquor store have an indefinite life and are therefore not amortized. Other retail liquor licenses are amortized based on license expiry terms ranging from 5 to 25 years. Tradenames have an indefinite life and are not amortized.

The Company will assess the carrying value of limited life intangible assets for impairment when events or circumstances warrant such a review. An impairment loss is recorded when it is determined that the carrying amount of the assets is no longer recoverable and exceeds their fair value. The Company will assess the carrying value of indefinite life intangible assets for impairment annually, or more frequently, if events or changes in circumstances indicate that their carrying value may not be recoverable. The amortization method and estimated useful life of amortizing intangible assets are reviewed on an annual basis.

(h) Income taxes

Future income taxes are recognized at substantively enacted tax rates for the future income tax consequences attributable to differences between the carrying values of assets and liabilities and their respective income tax bases. The effect on future income tax assets and liabilities of a change in rates is included in earnings in the period that includes the date of substantive enactment.

(i) Share-based compensation

The Company's share-based compensation plans consist of a Long Term Incentive Plan and a 2007 Incentive Plan for the benefit of certain employees and a Deferred Share Plan for the benefit of Company directors as further described in note 17. The Company accounts for share-based compensation using the fair value method, in which the fair value of compensation is measured at the grant date and recognized over the service period.

(j) Financial instruments

The Company has designated its cash and cash equivalents as held for trading, which are measured at fair value. Accounts receivable are classified as loans and receivables, which is measured initially at fair value, and subsequently at amortized cost. Bank indebtedness, accounts payable and accrued liabilities, distributions payable and long-term debt are classified as other financial liabilities which are measured initially at fair value, and subsequently at amortized cost.

Transaction costs related to the issuance of financial liabilities are capitalized on initial recognition and are recognized in income using the effective interest method.

(k) Convertible debentures

The Company's convertible debentures have been classified as debt with a portion of the proceeds representing the value of the conversion option bifurcated to equity. The debt balance accretes over time to the amount owing on maturity. Upon conversion, portions of debt and equity are transferred into Company shares.

(l) Translation of foreign currencies

The Company has foreign subsidiaries in the United States that are considered to be self-sustaining. Assets and liabilities of the foreign subsidiaries are translated into Canadian dollars using the current rate method of translation. Accordingly, foreign exchange gains and losses arising from the translation of the foreign subsidiaries' accounts into Canadian dollars are reported as a component of other comprehensive income.

Transactions denominated in foreign currencies are recorded at the rate of exchange on the transaction date. Monetary assets and liabilities are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet date, with any resulting gain or loss being included in earnings.

Adoption of new accounting standards

Business combinations

Effective January 1, 2010, the Fund adopted CICA Handbook Section 1582, *Business Combinations*, which replaces Section 1581. This new standard aligns accounting for business combinations under Canadian GAAP and International Financial Reporting Standards ("IFRS"). The standard requires assets and liabilities acquired in a business combination to be measured at fair value at the acquisition date. The standard also requires acquisition-related costs, such as advisory or legal fees, incurred to effect a business combination to be expensed in the period in which they are incurred. The adoption of this standard will impact the accounting treatment of business combinations completed after January 1, 2010. This standard was applied prospectively as required by the transitional provisions of the standard and past business combinations have not been restated.

Consolidated Financial Statements and Non-controlling Interests

Effective January 1, 2010, the Fund adopted CICA Handbook Sections 1601, *Consolidated Financial Statements* and 1602, *Non-controlling Interests*, which together replace the former consolidated financial statements standard. Section 1602 introduces the following changes:

- In the consolidated balance sheets and consolidated statements of unitholders' equity, non-controlling interest is now presented as a separate component of unitholders' equity, rather than as a liability;
- Non-controlling interest is no longer recorded as a deduction from net earnings;
- Net earnings and other comprehensive income are attributed to the Unitholders of the Fund and non-controlling interest based on their respective ownership interests.

The Fund elected to early adopt these standards effective January 1, 2010 in order to more closely align its accounting treatment of those items with IFRS at the changeover date. These standards have been applied prospectively, except for the presentation requirements for non-controlling interest, which were applied retrospectively as required by the transitional provisions of the standards.

3 Business acquisitions

(a) During the year, the Company acquired one retail liquor store. The business acquisition has been accounted for using the acquisition method, whereby the purchase consideration was allocated to the estimated fair values of the identifiable assets acquired and liabilities assumed at the effective date of the purchase.

During the year, there were adjustments to goodwill for $200,000 for contingent payments and transaction costs relating to prior year acquisitions.

The goodwill is attributable to the acquired geographic location, customer base and economies of scale expected from combining the operations of the store acquired with the Fund's operations. For the year ended December 31, 2010, $273,705 of acquired goodwill qualifies as eligible capital property of which 75 percent is expected to be deductible for tax purposes. The purchase price allocated to the assets acquired and liabilities assumed is as follows:

(expressed in thousands of Canadian dollars)		**2010**
Purchase price:		
Cash paid during the year (includes deposits tendered of $20)	$	398
Net assets acquired:		
Working Capital		123
Property and equipment		201
Goodwill		74
	$	398

(b) Store and pub closures

The Company closed three retail liquor stores during the year ended December 31, 2010 due to lease expirations. The Company accelerated amortization for property and equipment for these stores of $295,798. Additional costs of $20,504 related to equipment removal were included in operating and administrative expense for the year ended December 31, 2010.

The Company also closed five pubs in British Columbia in 2010, which resulting in accelerated amortization for property and equipment for the pubs of $856,737 and additional costs of $134,086 related to net rent obligations, which were included in operating and administrative expense.

(c) 2009 Acquisitions

On September 24, 2009, the Company acquired one retail liquor store in Canada and on October 22, 2009, the Company acquired eight retail liquor stores in Kentucky. The operating results of the stores are included in the results of the Company from each store's date of acquisition.

Adjustments to goodwill of $177,852 were made for prior year acquisitions and relate to contingent payments, transaction costs and the finalization of third party valuations. Of the goodwill acquired for retail liquor store acquisitions during the year ended December 31, 2009, $13,026,552 is expected to be deductible for tax purposes.

(expressed in thousands of Canadian dollars)	Acquisition of liquor stores in Kentucky	Other acquisitions	2009
Net assets acquired:			
Working capital (including $44 cash)	$ 12,271	$ 215	$ 12,486
Property and equipment	1,439	177	1,616
Intangible assets	4,092	-	4,092
Goodwill	12,330	697	13,027
	30,132	1,089	31,221
Consideration:			
Cash	30,132	1,089	31,221
Cash paid consists of the following:			
Total cash consideration	30,132	1,089	31,221
Less:			
Amounts payable at December 31, 2009	(15)	-	(15)
Cash acquired	(44)	-	(44)
	$ 30,073	$ 1,089	$ 31,162

Acquired intangible assets are summarized as follows:

(expressed in thousands of Canadian dollars)	Total
Finite life intangible assets:	
Leases	$ 809
Indefinite life intangible assets:	
Retail liquor licenses	2,909
Tradename	374
	$ 4,092

(e) Contingent Consideration

In respect of the acquisition of a store in 2005, provided that certain sales thresholds are achieved, the Company may be required to make a contingent payment of $100,000 in 2011.

Given the uncertainty with respect to the amount and timing of this payment, no amount was recorded with respect to this contingent consideration at the time of the acquisition. The Company will recognize additional consideration payable and goodwill when the outcome of this contingency becomes determinable.

4 Deposits on future acquisitions

Deposits represent refundable and non-refundable amounts paid for the acquisition of retail liquor stores where the purchase transaction is incomplete at the balance sheet date. Deposits for the acquisition of inventory and working capital are included in prepaid expenses and deposits.

Current year activity is as follows:

(expressed in thousands of Canadian dollars)		Non-current Deposits		Current Deposits
Balance – December 31, 2008	$	10	$	223
Deposits tendered		1,165		12
Acquisitions completed		(1,165)		-
Holdback released and refunds received		(10)		(1)
Balance – December 31, 2009	$	-	$	234
Deposits tendered		-		21
Holdbacks released and refunds received		-		(40)
Balance – December 31, 2010	$	-	$	215

5 Sale of stores

During the year ended December 31, 2010, the Company sold two stores (2009 - 80% interest in one store) for proceeds of $167,496 (2009 - $965,983). The net gain on the sales was $8,676 (2009 – $179,493).

6 Property and equipment

(expressed in thousands of Canadian dollars)				**2010**
	Rate %	**Cost**	**Accumulated amortization**	**Net book value**
Leasehold improvements	8	$ 43,202	$ 16,242	$ 26,960
Operating equipment	10	5,995	2,115	3,880
Office equipment and fixtures	10	2,999	1,214	1,785
Computer equipment	20	6,935	2,912	4,023
Automotive	20	756	546	210
Signage	10	3,086	1,090	1,996
Shelving and racking	10	2,873	1,216	1,657
Building	4	389	40	349
		$ 66,235	$ 25,375	$ 40,860

In conjunction with a review of its long-lived assets for potential impairment, the Company determined that leasehold improvements and equipment relating to certain stores within the Canadian segment were no longer providing an economic benefit to the Company and consequently were written off. Accordingly, an impairment charge amounting to $654,123 (2009 - $nil) for these write offs is included in amortization expense in the consolidated statements of earnings.

(expressed in thousands of Canadian dollars)				**2009**
	Rate %	**Cost**	**Accumulated amortization**	**Net book value**
Leasehold improvements	8	$ 44,408	$ 13,460	$ 30,948
Operating equipment	10	5,666	1,588	4,078
Office equipment and fixtures	10	2,913	958	1,955
Computer equipment	20	8,949	3,391	5,558
Automotive	20	724	459	265
Signage	10	2,883	805	2,078
Shelving and racking	10	2,765	996	1,769
Building	4	387	25	362
		$ 68,695	$ 21,682	$ 47,013

7 Intangible assets

During the year ended December 31, 2010, the Fund acquired two liquor licenses for $650,176 (2009 – nil) related to existing stores. The original licenses purchased had finite lives. The incremental payments made during the period will extend the lives of the liquor licenses indefinitely.

(expressed in thousands of Canadian dollars)			2010
	Cost	**Accumulated amortization**	**Net book value**
Finite life			
Customer relationships	$ 1,454	$ 1,130	$ 324
Retail liquor licenses	8,374	1,427	6,947
Leases	6,559	4,745	1,814
Software	175	13	162
Indefinite Life			
Retail liquor licenses	35,084	-	35,084
Tradenames	1,523	-	1,523
	$ 53,169	$ 7,315	$ 45,854

Intangible assets with a net book value of $17.3 million were transferred from finite life to indefinite life in 2010 due to a change in liquor license legislation during the year.

(expressed in thousands of Canadian dollars)			2009
	Cost	**Accumulated amortization**	**Net book value**
Finite life			
Customer relationships	$ 1,505	$ 899	$ 606
Retail liquor licenses	26,698	3,342	23,356
Leases	6,716	3,781	2,935
Indefinite life			
Retail liquor licenses	19,530	-	19,530
Tradenames	1,536	-	1,536
	$ 55,985	$ 8,022	$ 47,963

8 Goodwill

(expressed in thousands of Canadian dollars)	2010	2009
Balance – beginning of year	$ 283,097	$ 271,533
Retail Liquor Store acquisitions	274	13,027
Sale of investment (note 5)	-	(41)
Goodwill adjustment due to store closures	-	-
Foreign currency translation	(1,205)	(1,422)
Balance – end of year	$ 282,166	$ 283,097

The Company tests goodwill for impairment as of September 30 every year, and determined that goodwill was not impaired as of September 30, 2010 or 2009. Significant assumptions included in this test include management's expectations regarding future revenues, expenses, and other factors impacting cash flow, as well as various inputs to determine the Company's weighted average cost of capital. While the assumptions reflect management's best estimates, they are subject to the measurement uncertainty associated with material estimates. As a result, material revisions could be required to these estimates in future periods.

9 Bank indebtedness and long-term debt

The Company renewed its restated credit agreement effective June 29, 2010, with significant terms as described below.

(a) Bank indebtedness

The Company's credit facilities with a syndicate of Canadian banks is comprised of an extendible revolving $95 million operating facility ("Operating Facility") and a $48 million extendible revolving term loan facility ("Term Loan Facility"). The Company also has a $5 million USD operating facility with a US bank ("US operating facility").

Interest on bank indebtedness related to the Operating Facility is payable at the lender's prime rate plus 1.50% or the banker's acceptance discount rate plus a stamping fee of 2.50%. Interest on amounts outstanding on the Term Loan Facility is payable at the lender's prime rate plus 1.50% or the banker's acceptance discount rate plus a stamping fee of 2.50%. Standby fees for the Operating Facility and Term Loan Facility are charged at an annual rate of 0.625% payable monthly on undrawn portions of the facilities. Interest on the US operating facility is payable at three month LIBOR + 2.00%. Financing fees relating to the Operating Facility have been capitalized and are being amortized over the term of the credit facility.

The bank indebtedness and long-term debt are collateralized by a general security agreement covering all present and after-acquired property of Liquor Stores Limited Partnership and its affiliates and subsidiaries, a floating charge over all of the present and after acquired real property of Liquor Stores Limited Partnership and its direct and indirect subsidiaries and an assignment of Liquor Stores Limited Partnership's insurance. Further, Liquor Stores Limited Partnership's direct and indirect subsidiaries have provided the syndicate with unlimited guarantees of the credit facilities. The assets of Liquor Stores Limited Partnership and its subsidiaries represent substantially all of the Company's assets.

At December 31, 2010, the Company had issued $2.2 million (2009 - $3.7 million) in letters of guarantee for day-to-day inventory purchases in Canada.

The Company's credit facility agreements contain both objectively determinable and subjective covenants which, if the Company fails to comply, could accelerate repayment requirements.

b) Long-term debt

Long-term debt comprises the following:

(expressed in thousands of Canadian dollars)	Due Date	December 31, 2010	December 31, 2009
Term Loan Facility advance (i)	June 26, 2012	$ 46,482	$ 47,188
Unamortized financing charges (ii)		(110)	(135)
		46,372	47,053
Convertible unsecured subordinated debentures:			
6.75% Debenture (iii)	December 31, 2012	54,045	52,543
8.00% Debenture (iv)		-	530
		54,045	53,073
		$ 100,417	$ 100,126

(i) Total term facilities includes debt denominated in US dollars in the amount of $3.5 Million.

(ii) Financing fees related to the Term Loan Facility have been capitalized and are being amortized over the term of the facility.

(iii) 6.75% unsecured subordinated convertible debentures (“6.75% Debentures”)

The 6.75% Debentures have a principal amount of $57.5 million and are convertible at the holder’s option into fully paid and non-assessable Shares at any time prior to the close of business on the earlier of December 31, 2012 and the business day immediately prior to a date specified by the Company for redemption of the 6.75% Debentures at a conversion price of $28.50.

The 6.75% Debentures are not redeemable by the Company prior to January 1, 2011. On or after January 1, 2011 and prior to January 1, 2012, the 6.75% Debentures are redeemable in whole or part from time to time at the option of the Company on not more than 60 days and less than 30 days notice at the principal amount thereof plus accrued and unpaid interest provided the current market price, as defined in the Indenture, of the Shares on the date of the notice of redemption is not less than 125% of the conversion price of $28.50. On or after January 1, 2012, the 6.75% Debentures are redeemable in whole or part from time to time at the option of the Company on not more than 60 days and less than 30 days notice at the principal amount thereof plus accrued and unpaid interest.

The value of the conversion feature was determined to be $4,830,000 and has been recorded as equity with the remaining $52,670,000 allocated to long-term debt, net of $2,663,951 in transaction costs. The debentures are being accreted such that the liability at maturity will be equal to the face value of $57,500,000. As at December 31, 2010, there were no conversions of these debentures.

During the year ended December 31, 2010, interest on convertible debentures of $5,409,246 (2009 - $5,251,621) represents coupon interest of $3,914,429 (2009 - $3,921,250) and $1,488,008 (2009 - $1,330,371) pertaining to the impact of capitalized transaction costs and the accretion of the debt using the effective interest method.

(iv) 8.00% unsecured subordinated convertible debenture ("8.00% Debenture")

On December 29, 2010, the 8.00% Debenture was converted at the holder's option into 33,134 fully paid and non-assessable Units with a fair value of $500,000 resulting in a gain on settlement of the debenture of $10,149.

10 Distributions

Distributions are determined in accordance with the Trust Indenture, and are based on earnings, before amortization and adjusted by capital expenditures. Distributions totalling $1.62 (2009 - $1.62) per Unit for each of Fund Units, Liquor Stores Exchangeable LP Units and Series 1 Exchangeable LP Units were declared by the Fund for the year ended December 31, 2010. On December 31, 2010, the Fund completed its conversion to a corporation (note 14).

2010

(expressed in thousands of Canadian dollars)	Fund Units		Liquor Stores Exchangeable LP Units		Liquor Stores Series 1 Exchangeable LP Units		Total	
	Declared	**Paid**	**Declared**	**Paid**	**Declared**	**Paid**	**Declared**	**Paid**
Distributions	$ 30,231	$ 27,668	$ 4,961	$ 4,588	$ 1,332	$ 1,221	$ 36,524	$ 33,477

2009

(expressed in thousands of Canadian dollars)	Fund Units		Liquor Stores Exchangeable LP Units		Liquor Stores Series 1 Exchangeable LP Units		Total	
	Declared	**Paid**	**Declared**	**Paid**	**Declared**	**Paid**	**Declared**	**Paid**
Distributions	$ 29,887	$ 27,394	$ 5,213	$ 4,781	$ 1,370	$ 1,255	$ 36,470	$ 33,430

11 Income tax

(a) Income tax expense (recovery) reconciliation

Income tax expense (recovery) differs from the amount computed by applying the statutory provincial and federal income tax rates to the respective years' earnings before income taxes. These differences result from the following items:

(expressed in thousands of Canadian dollars)		**December 31, 2010**
Net income before income taxes	$	22,225
Statutory income tax rates		28.08%
Income taxes at statutory rates		6,241
Increase (decrease) resulting from:		
Impact of corporate conversion		220
Impact of substantively enacted tax rates		253
Impact of difference between U.S. and Canada tax rates		23
Non-deductible expenses		491
Impact of exchangeable interests		415
Change in valuation allowance		97
Income distributed to unitholders prior to corporate conversion		(8,261)
Income tax recovery	$	(521)
Provision for income taxes:		
Current		192
Future		(713)
	$	(521)

(b) Future income tax assets/liabilities

The tax effects of the temporary differences that give rise to significant portions of the future income tax assets and future income tax liabilities are presented below:

(expressed in thousands of Canadian dollars)	December 31, 2010	December 31, 2009
Future income tax liabilities:		
Intangible assets	$ 6,971	$ 5,806
Property and equipment	1,094	2,081
Goodwill	4,632	3,263
	12,697	11,150
Future income tax assets:		
Issue and financing costs	444	696
Deferred lease inducements	888	237
Long term incentive plans	240	67
Non-capital losses	2,362	896
Unrealized foreign exchange losses	366	269
Valuation allowance	(366)	(269)
	3,934	1,896
	$ 8,763	$ 9,254

The above includes a net future income tax asset recorded by wholly-owned US subsidiaries of $289,815 (2009 – $184,979).

Future income taxes of $nil (2009 - $2,020,360) attributable to the Company’s exchangeable interests are not recorded. During the year ended December 31, 2010, 455,422 (2009 – 79,072) units were exchanged resulting in an increase to future income taxes of $217,134 (2009 – $42,799).

The Company has recognized future income taxes related to non-capital losses of $6,815,839 (2009 - $2,748,407) available in subsidiaries to offset income of future years. Realization of the non-capital losses is considered to be more likely than not. If not utilized, $512,727 will expire in 2028, $2,745,752 will expire in 2029, and $3,557,360 will expire in 2030.

Future income taxes are not recorded on $103,745,778 of non tax-deductible goodwill.

12 Contingencies

The Company may, from time to time, be subject to claims and legal proceedings brought against it in the normal course of business. Such matters are subject to many uncertainties. Management believes that adequate provisions have been made in the accounts where required and the ultimate resolution of such contingencies will not have a material adverse effect on the consolidated financial position of the Company.

13 Commitments

The Company occupies its head office and retail locations under lease agreements with terms varying from five to twenty-five years and expiring from 2011 to 2028. The leases provide for minimum annual lease payments as follows:

(expressed in thousands of Canadian dollars)		Amount
2011	$	19,553
2012		17,625
2013		15,349
2014		11,809
2015		8,462
Aggregate of all years thereafter		19,874
	$	92,672

14 Share capital

(a) Conversion to a corporation

On October 7, 2010 the Corporation announced the details of its intention to convert from an income trust to a traditional dividend-paying corporation. The conversion was being undertaken as a result of legislative changes to the tax treatment of business income trusts and was to be completed by way of a plan of arrangement (the "Arrangement") under the Canadian Business Corporation Act.

The Arrangement received all necessary court, regulatory, and Toronto Stock Exchange (the "TSX") approvals, and at a special meeting of securityholders held on December 14, 2010 the Arrangement received the approval of securityholders holding in excess of 99% of the trust units of Liquor Stores Income Fund (the "Fund") and the exchangeable limited partnership units of Liquor Stores Limited Partnership (the "LP").

The Arrangement was completed effective December 31, 2010. Pursuant to the Arrangement, unitholders of each of the Fund and the LP received one common share of Liquor Stores N.A. Ltd (the "Company") for each trust unit of the Fund and each exchangeable limited partnership unit and Series 1 exchangeable LP unit of the LP that they held on December 31, 2010. The Company also assumed the Fund's 6.75% convertible debentures.

The Company's common shares and convertible debentures commenced trading on the TSX on January 7, 2011 (and the trust units and convertible debentures of the Fund were delisted from the TSX on the same date).

The Company followed the guidelines included in Abstract 170 of the Emerging Issues Committee, *Conversion of an unincorporated entity to an incorporated entity* (EIC-170) to reflect the impact of the conversion.

The conversion was treated as a change in business form and was accounted for as a continuity of interests; as such the carrying amounts of assets, liabilities and unitholders' equity in the consolidated financial statements of the Fund immediately before the Conversion were the same as the carrying values of Liquor Stores N.A. Ltd. immediately after the conversion. The stated capital of the Company, in respect of the common shares was reduced by an amount of $174.4 million and contributed surplus was increased by the same amount.

Common Shares

An unlimited number of common shares are authorized to be issued.

(expressed in thousands of Canadian dollars)		Number of shares
Balance – December 31, 2009	#	-
Exchange of Fund units		18,990,259
Exchange of Liquor Stores Exchangeable LP Units		2,764,753
Exchange of Series 1 Exchangeable LP Units		822,076
Balance – December 31, 2010	#	22,577,088

Fund units

(expressed in thousands of Canadian dollars)		Number of units
Balance – December 31, 2008	#	18,356,996
Issued for Exchangeable Units		79,072
Vested Units (note 17(a))		31,256
Forfeited units (note 17(a))		3,124
Balance – December 31, 2009	#	18,470,448
Issued for Exchangeable Units		455,422
Vested Units (note 17(a))		29,403
Units issused on conversion of debenture		33,134
Forfeited Units (note 17(a))		1,852
Fund units exchanged for common shares		(18,990,259)
Balance – December 31, 2010	#	-

An unlimited number of Fund Units may be created and issued pursuant to the Declaration of Trust. Each Fund Unit is transferable and represents an equal undivided beneficial interest in any distributions from the Fund, whether of net income, net realized capital gains or other amounts and in the net assets of the Fund in the event of a termination or winding up of the Fund. All Fund Units entitle the holder thereof to one vote and each Fund Unit has equal voting rights and privileges.

The monthly cash distributions received by the Long Term Incentive Plan and the 2007 Incentive Plan are remitted to the participants when the associated Units vest.

(b) Non-controlling interest

Units outstanding are as follows:

	Liquor Stores Exchangeable LP Units	Series 1 Exchangeable LP Units	Total
Balance – December 31, 2008	# 3,275,914	# 845,409	# 4,121,323
Exchanged for Fund Units	(79,072)	-	(79,072)
Balance – December 31, 2009	# 3,196,842	# 845,409	# 4,042,251
Exchanged for Fund Units	(432,089)	(23,333)	(455,422)
Exchanged for common shares	(2,764,753)	(822,076)	(3,586,829)
Balance – December 31, 2010	# -	# -	# -

15 Capital management

The Company views capital as the combination of its Term Loan Facility, convertible debentures and Shareholders' equity balances. In general, the overall capital of the Company is evaluated and determined in the context of its financial objectives when managing capital, which are to ensure the Company has capital and capacity to support its growth strategy, provide investors with stable returns and ensure the Company has the financial capacity to support its operations.

The Company's capital structure reflects the requirements of a company focused on growth, both through the development of new stores and through acquisitions. Management continually monitors the adequacy of the Company's capital structure and adjusts the structure accordingly, either by accessing credit facilities, issuing debt instruments, or issuing new shares.

There were no changes to the Company's objectives, policies or processes for managing capital from the prior fiscal year.

The Company's credit facilities with a syndicate of Canadian banks are subject to a number of financial covenants. Management prepares financial forecasts to monitor its compliance with the financial covenants and to anticipate possible future issues. Under the terms of the Company's credit facility, the following ratios are monitored: current ratio, funded debt to EBITDA, adjusted debt to EBITDAR, and fixed charge coverage ratio. For the year ended December 31, 2010, the Company is in compliance with all covenants.

With respect to equity, the current level of capital is considered adequate and in line with the operations and the strategic growth plan of the Company. The equity component of capital changes primarily based upon the income of the Company less distributions paid.

16 Earnings per share

(expressed in thousands of Canadian dollars, except per share amounts)		2010		2009
Net earnings attributable to shareholders of the Company (numerator utilized in basic and diluted Earnings per Share)	$	18,685	$	23,729
Units outstanding, beginning of period	#	18,470,448	#	18,356,996
Weighted average of Units issued less treasury Units acquired		159,487		88,634
Denominator utilized in basic earnings per share	#	18,629,935	#	18,445,630
Exchangeable units		-		4,066,237
Potential shares under share-based compensation plans (note 17(a))		10,184		20,267
Denominator utilized in diluted earnings per share	#	18,640,119	#	22,532,134
Earnings per Share – Basic	$	1.00	$	1.29
Earnings per Share – Diluted	$	1.00	$	1.27

Due to their anti-dilutive effect, 2010 and 2009 potential shares for convertible debentures have been excluded from the diluted earnings per share calculation.

17 Share-based compensation plans

(a) Long-term incentive plan ("LTIP") and 2007 Incentive Plan ("2007 Plan")

The following table summarizes the status of the Plans:

		LTIP		2007 Plan		Total
Unvested Units – December 31, 2008	#	50,109	#	28,541	#	78,650
Vested Units transferred to participants		(16,985)		(14,271)		(31,256)
Forfeited Units		(2,086)		(1,038)		(3,124)
Unvested Units – December 31, 2009	#	31,038	#	13,232	#	44,270
Unvested Units – December 31, 2009	#	31,038	#	13,232	#	44,270
Vested Units transferred to participants		(16,171)		(13,232)		(29,403)
Forfeited Units		(1,852)		-		(1,852)
Unvested Shares – December 31, 2010	#	13,015	#	-	#	13,015

In 2010, 1,852 (2009 – 2,086) forfeited LTIP Units were sold on the market resulting in a reduction to compensation expense of $27,917 (2009 $30,714). For the remaining shares granted, the compensation expense will be recognized over the vesting period of three years.

Compensation expense for the LTIP was $80,510 (2009 - $284,936) and for the 2007 Incentive Plan was $113 (2009 - $89,746) for the year ended December 31, 2010. All unvested units outstanding at December 31, 2010 were converted to unvested common shares outstanding.

(b) Trustee and director deferred share plan ("DSU Plan")

The expense relating to the DSU plan in 2010 was $203,161 (2009 - $345,659). As at December 31, 2010 participants have accumulated an entitlement to the equivalent cash value of 42,204 (2009 – 39,180) common shares under the DSU Plan.

18 Related party transactions

The Company incurred expenses of $278,077 (2009 - $230,831) for legal services rendered by a firm where a director of the Company is a partner. Rent paid to companies controlled by the Executive Chairman of the Company amounted to $526,964 (2009 - $587,595). The Company also paid fees and expenses to a company controlled by the Executive Chairman of the Company for consulting services of $80,271 (2009 - $15,427). These operating and administrative expenses are incurred in the normal course of business at terms similar to those with unrelated parties and are measured at the exchange amount. There was $8,300 included in accounts payable and accrued liabilities (December 31, 2009 - $17,294) relating to these transactions.

19 Supplemental disclosure of cash flow information

Changes in non-cash working capital items:

(expressed in thousands of Canadian dollars)	2010	2009
Accounts receivable	$ 858	$ 22
Inventory	2,446	1,370
Prepaid expenses and deposits	(1,714)	(93)
Accounts payable and accrued liabilities	3,331	4,550
	$ 4,921	$ 5,849

(expressed in thousands of Canadian dollars)	2010	2009
Interest paid	$ 6,119	$ 6,323
Income taxes paid	103	46

20 Financial instruments

Recognition and measurement

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, bank indebtedness, accounts payable and accrued liabilities, distributions payable and long-term debt.

The following table shows the carrying amounts and fair values of the Company's financial instruments at December 31:

	December 31, 2010		December 31, 2009	
(expressed in thousands of Canadian dollars)	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Held for trading (i)				
Cash and cash equivalents	$ 2,815	$ 2,815	$ 5,288	$ 5,288
Loans and receivables (ii)				
Accounts receivable	974	974	1,846	1,846
Other financial liabilities (iii)				
Bank indebtedness	41,468	41,468	41,094	41,094
Accounts payable and accrued liabilities	27,264	27,264	24,554	24,554
Distributions payable to unitholders	2,563	2,563	2,493	2,493
Distributions payable to non-controlling interest	484	484	547	547
Term Loan Facility advance	46,372	46,372	47,053	47,053
Convertible debentures	54,045	59,225	53,073	60,444

(i) **Held for trading**

For cash and cash equivalents, the fair value represents cost plus accrued interest. Due to the short-term nature of the instruments, the carrying value approximates fair value.

(ii) **Loans and receivables**

The carrying value less impairment provision of trade receivables approximates fair value due to the short-term nature of the instruments.

(iii) **Other financial liabilities**

The carrying value of trade payables is assumed to approximate fair value due to the short-term nature of the instruments. The carrying value of bank indebtedness and long-term debt, excluding convertible debentures, approximates the fair value as the interest rate affecting these instruments is at a variable market rate. Convertible debentures have been recorded at amortized cost using the effective interest method. The fair value of the debentures was determined based on market trading values at December 31.

Credit risk

Credit risk is the risk that a third party to a financial instrument might fail to meet its obligations under the terms of the financial instrument. The Company's financial assets that are exposed to credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company maintains its cash and cash equivalents with large financial institutions in Canada and the US. The Company, in its normal course of operations, is exposed to credit risk from its wholesale customers. Risk associated with respect to accounts receivable is mitigated by credit management policies. The Company is not subject to significant concentration of credit risk with respect to its customers; however, all trade receivables are due from organizations in the Alberta hospitality industries. There was $59,130 (2009 - $107,800) recorded for bad debts or significant past due accounts for the year ended December 31, 2010.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as market prices change.

(i) Interest rate risk

The Company is subject to cash flow interest rate risk as its credit facilities bear interest at variable rates.

The following table presents a sensitivity analysis to changes in market interest rates and their potential annual impact on the Company, assuming an outstanding bank indebtedness and term loan balance of $85.9 million.

(expressed in thousands of Canadian dollars)	**+ 1.00%**	**- 1.00%**
Increase (decrease) in interest expense	$ 859	$ (859)
Increase (decrease) in earnings before income tax	$ (859)	$ 859

The Company manages its interest rate risk through credit facility negotiations and by identifying upcoming credit requirements based on strategic plans.

(ii) Foreign exchange risk

The Company's operations in the United States give rise to foreign exchange risk arising from exposure to the US dollar. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities, and the Company's net investment in foreign operations. The Company does not actively manage this exposure. At December 31, 2010, a weakening/strengthening of the Canadian dollar by 1% against the US dollar with all other variables held constant, would result in an increase/decrease of the Company's net assets of $554,340 (2009 - $506,562) as a result of translating the US operations.

The Company also has exposure to foreign exchange risk through its US denominated loans under the Operating and Term Loan Facilities. A 1% weakening/strengthening of the Canadian dollar against the US dollar with all other variables held constant would result in a foreign exchange gain or loss of $350,000.

Liquidity risk

The Company's liabilities have maturities which are summarized below:

(expressed in thousands of Canadian dollars)	**Current**	**Non-current**
Bank indebtedness	$ 41,468	$ -
Accounts payable and accrued liabilities	27,264	-
Distributions payable to unitholders	2,563	-
Distributions payable to non-controlling interest	484	-
Long-term debt	-	46,372
6.75% debenture	-	54,045

The Company has long-term indebtedness with a maturity date of June 29, 2011 and 6.75% convertible debentures maturing on December 31, 2012.

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations as they come due. As well, the degree to which the Company is leveraged may reduce its ability to obtain additional financing for working capital and to finance growth acquisitions.

To manage liquidity risk, the Company has historically renewed credit terms prior to maturity dates and maintains financial ratios that are conservative compared to financial covenants applicable to the credit facilities. In addition, a portion of the Company's short and long-term credit facilities remain undrawn.

Management monitors liquidity risk through comparisons of current financial ratios with financial covenants contained in its credit facility agreements.

21 Segmented information

The Company's reportable segments are Canadian Operations and US Operations. Segmentation is based on differences in the regulatory environments of Canada and the US and reflects the basis on which management measures performance and makes decisions regarding the allocation of resources. Both segments operate retail liquor stores in their respective jurisdictions. The following segmented information is regularly reported to the Company's President and Chief Executive Officer (the Company's chief operating decision maker).

(expressed in thousands of Canadian dollars) **December 31, 2010**

	Canadian	**US**	**Intersegment Eliminations**	**Consolidated**
Sales to external customers	$ 439,290	$ 140,410	$ -	$ 579,700
Intersegment revenue (i)	4,312	-	(4,312)	-
	$ 443,602	$ 140,410	$ (4,312)	$ 579,700
Operating earnings before amortization, interest and other	$ 38,466	$ 3,520	$ -	$ 41,986
Property & equipment amortization	$ 8,203	$ 658	$ -	$ 8,861
Intangible asset amortization	2,015	120	-	2,135
Interest income (i)	(2,972)	-	2,607	(365)
Interest expense	9,885	2,776	(2,607)	10,054
Gain on foreign exchange	(915)	-	-	(915)
Gain on sale of stores	(9)	-	-	(9)
Earnings (loss) before income tax	$ 22,259	$ (34)	$ -	$ 22,225
Income tax expense (recovery)	$ (527)	$ 6	$ -	$ (521)
Net earnings (loss)	$ 22,786	$ (40)	$ -	$ 22,746
Other information				
Expenditures for additions to:				
Property and equipment	$ 2,342	$ 694	$ -	$ 3,036
Goodwill	274	-	-	274
Total assets	428,738	67,177	-	495,915

(expressed in thousands of Canadian dollars)				2009
	Canadian	US	Intersegment Eliminations	Consolidated
Sales to external customers	$ 444,870	$ 96,179	$ -	$ 541,049
Intersegment revenue (i)	3,036	-	(3,036)	-
	$ 448,006	$ 96,179	$ (3,036)	$ 541,049
Operating earnings before amortization, interest and other	$ 43,465	$ 1,781	$ -	$ 45,246
Property & equipment amortization	$ 5,775	$ 496	$ -	$ 6,271
Intangible asset amortization	2,846	45	-	2,891
Interest income (i)	(1,695)	-	1,695	-
Interest expense	7,782	1,786	(1,695)	7,873
Loss on foreign exchange	746	-	-	746
Gain on sale of investment	(179)	-	-	(179)
Earnings (loss) before income tax	$ 28,190	$ (546)	$ -	$ 27,644
Future income tax recovery	$ (1,265)	$ (139)	$ -	$ (1,404)
Net earnings (loss)	$ 29,455	$ (407)	$ -	$ 29,048
Other information				
Expenditures for additions to:				
Property and equipment	$ 4,462	$ 2,583	$ -	$ 7,045
Goodwill	697	12,330	-	13,027
Total assets	443,274	66,535	-	509,809

(i) Intersegment revenue consists of management fees charged by Canadian Operations to US subsidiaries for the provision of management services. Intercompany interest charged by Canadian Operations to US subsidiaries is related to financing arrangements. These charges are in the normal course of business and are recorded at the exchange amounts established by transfer pricing agreements, which reflect market rates.

22 Economic dependence

Under Alberta provincial legislation the Company is required to purchase liquor and related products sold in Alberta from the Alberta Gaming and Liquor Commission. As the Company's income in Alberta is derived entirely from the sale of liquor and related products, its ability to continue viable operations is largely dependent upon maintaining its relationship with this main supplier.

The Company is dependent on Connect Logistics Services Inc. and Brewers Distributor Ltd. in Alberta and the Liquor Distribution Branch in British Columbia for the majority of its products. Any significant disruption in the operations of these organizations resulting in interruption in supply would have a material adverse effect on liquor store operations including the operations of the Company.