Liquor Stores Income Fund

Interim Consolidated Financial Statements
(unaudited)

September 30, 2010
(expressed in thousands of Canadian dollars)

Liquor Stores Income Fund

Consolidated Balance Sheets

(**expressed in thousands of Canadian dollars)**

	September 30, 2010	December 31, 2009 (restated – note 2)
Assets		
Current assets		
Cash and cash equivalents	$ 2,215	$ 5,288
Accounts receivable	985	1,846
Inventory (at cost)	116,222	122,571
Prepaid expenses and deposits	1,473	2,031
	120,895	131,736
Property and equipment	42,975	47,013
Intangible assets	46,731	47,963
Goodwill	282,901	283,097
	$ 493,502	$ 509,809
Liabilities		
Current liabilities		
Bank indebtedness	$ 41,310	$ 41,094
Accounts payable and accrued liabilities	23,185	24,554
Distributions payable to unitholders (note 5)	2,552	2,493
Distributions payable to non-controlling interest (note 5)	492	547
	67,539	68,688
Long-term debt (note 6)	100,594	100,126
Future income tax liability (note 7)	10,904	9,254
	179,037	178,068
Unitholders' Equity		
Equity attributable to Unitholders (note 8 (a))	275,376	286,165
Non-controlling interest (note 8 (b))	39,089	45,576
	314,465	331,741
	$ 493,502	$ 509,809

Liquor Stores Income Fund

Consolidated Statements of Earnings and Comprehensive Income

(**expressed in thousands of Canadian dollars**)

	Three months ended September 30, 2010	Three months ended September 30, 2009 (restated – note 2)	Nine months ended September 30, 2010	Nine months ended September 30, 2009 (restated – note 2)
Sales	$ 151,605	$ 138,915	$ 416,144	$ 385,520
Cost of sales	113,291	104,796	313,133	287,886
Gross margin	38,314	34,119	103,011	97,634
Operating and administrative expense	25,749	21,953	75,379	65,837
Operating earnings before amortization, interest and other	12,565	12,166	27,632	31,797
Amortization				
Property and equipment	2,076	1,542	6,317	4,628
Intangible assets	484	723	1,616	2,222
	2,560	2,265	7,933	6,850
	10,005	9,901	19,699	24,947
Interest expense and other				
Bank indebtedness	740	406	1,712	942
Long-term debt	502	307	1,398	740
Convertible debentures	1,368	1,332	4,025	3,920
Loss (gain) on foreign exchange	(285)	146	(707)	116
Gain on sale of investments	-	(179)	-	(179)
	2,325	2,012	6,428	5,539
Earnings before income tax	7,680	7,889	13,271	19,408
Future income tax expense	638	423	1,421	196
Net earnings for the period	7,042	7,466	11,850	19,212
Other comprehensive gain (loss)				
Net gain (loss) on translation of self-sustaining foreign operations	(1,800)	(2,193)	(1,139)	(3,501)
Comprehensive income for the period	$ 5,242	$ 5,273	$ 10,711	$ 15,711
Net earnings attributable to:				
Unitholders of the Fund	$ 5,637	$ 5,951	$ 9,325	$ 15,509
Non-controlling interest	1,405	1,515	2,525	3,703
	$ 7,042	$ 7,466	$ 11,850	$ 19,212
Comprehensive income attributable to:				
Unitholders of the Fund	$ 4,147	$ 3,758	$ 8,379	$ 12,008
Non-controlling interest	1,095	1,515	2,332	3,703
	$ 5,242	$ 5,273	$ 10,711	$ 15,711
Earnings per Unit (note 9)				
Basic	$ 0.30	$ 0.32	$ 0.50	$ 0.84
Diluted	$ 0.30	$ 0.32	$ 0.50	$ 0.84

Liquor Stores Income Fund

Consolidated Statements of Changes in Unitholders' Equity

(**expressed in thousands of Canadian dollars**)

	Attributable to Unitholders of the Fund							
(restated – note 2)	**Fund Units**	**Equity component of convertible debentures**	**Contributed surplus**	**Accumulated other comprehensive income**	**Cumulative undistributed earnings (excess distributions)**	**Total**	**Non-controlling interest**	**Total Unitholders' 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	712	-	-	-	-	712	(754)	(42)
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	-	-	274	-	-	274	-	274
Foreign currency translation adjustment	-	-	-	(3,501)	-	(3,501)	-	(3,501)
Net earnings for the period	-	-	-	-	15,509	15,509	3,703	19,212
Distributions declared	-	-	-	-	(22,407)	(22,407)	(4,944)	(27,351)
Dividends declared	-	-	-	-	-	-	(338)	(338)
Balance – September 30, 2009	$ 311,034	$ 4,970	$ 756	$ (2,097)	$ (29,421)	$ 285,242	$ 45,697	$ 330,939
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	3,650	-	-	-	(227)	3,423	(3,650)	(227)
Vested long-term incentive plan units	635	-	(635)	-	-	-	-	-
Cash distributions on vested units	(112)	-	-	-	-	(112)	-	(112)
Forfeited long-term incentive plan units	40	-	-	-	-	40	-	40
Unit-based compensation expense (note 10a)	-	-	44	-	-	44	-	44
Foreign currency translation adjustment	-	-	-	(946)	-	(946)	(193)	(1,139)
Net earnings for the period	-	-	-	-	9,325	9,325	2,525	11,850
Distributions declared (note 5)	-	-	-	-	(22,563)	(22,563)	(4,826)	(27,389)
Dividends declared	-	-	-	-	-	-	(343)	(343)
Balance – September 30, 2010	$ 315,257	$ 4,970	$ 266	$ (2,971)	$ (42,146)	$ 275,376	$ 39,089	$ 314,465

Liquor Stores Income Fund

Consolidated Statements of Cash Flow

(**expressed in thousands of Canadian dollars**)

	Three months ended September 30, 2010	Three months ended September 30, 2009 (restated – note 2)	Nine months ended September 30, 2010	Nine months ended September 30, 2009 (restated – note 2)
Cash provided by (used in)				
Operating activities				
Net earnings for the period	$ 7,042	$ 7,466	$ 11,850	$ 19,212
Items not affecting cash				
Amortization	2,560	2,265	7,933	6,850
Amortization of inventory fair value adjustment	-	-	-	155
Amortization of financing charges	199	108	415	108
Non-cash interest on convertible debentures	388	351	1,084	979
Future income tax expense (recovery)	638	423	1,421	196
Unrealized loss (gain) on foreign currency	(285)	-	(535)	-
Gain on sale of investment	-	(179)	-	(179)
Unit-based compensation (note 10 (a))	15	220	44	555
Loss on sale of forfeited incentive plan units	3	-	10	30
	10,560	10,654	22,222	27,906
Net change in non-cash working capital items (note 12)	9,229	7,232	6,261	9,057
	19,789	17,886	28,483	36,963
Financing activities				
Increase (decrease) in bank indebtedness	(8,572)	481	203	(4,772)
(Repayment of) proceeds from long-term debt	-	-	(426)	4,818
Distributions paid to unitholders	(7,507)	(7,479)	(22,505)	(22,392)
Distributions paid to non-controlling interest	(1,623)	(1,638)	(4,880)	(4,955)
Dividends paid to non-controlling interest by subsidiaries	(76)	(84)	(343)	(338)
Net distributions and proceeds on long-term incentive plan units	12	(18)	(81)	(20)
	(17,766)	(8,738)	(28,032)	(27,659)
Investing activities				
Business acquisitions, including contingent consideration paid (note 3)	-	(953)	(578)	(1,087)
Proceeds from sale of investment	-	966	-	966
Net deposits on future acquisitions	-	-	(20)	(1,155)
Note receivable	-	234	-	234
Purchase of property and equipment	(553)	(1,720)	(2,249)	(2,807)
Purchase of intangible assets	(153)	-	(634)	-
	(706)	(1,473)	(3,481)	(3,849)
Foreign exchange gain (loss) on cash held in foreign currency	(21)	65	(43)	93
Increase (decrease) in cash and cash equivalents	1,296	7,740	(3,073)	5,548
Cash and cash equivalents balance, beginning of period	919	1,338	5,288	3,530
Cash and cash equivalents balance, end of period	$ 2,215	$ 9,078	$ 2,215	$ 9,078

1 Nature of operations and organization

Liquor Stores Income Fund (the "Fund") is an unincorporated, open ended, limited purpose trust established under the laws of the Province of Alberta pursuant to a Declaration of Trust dated August 10, 2004.

As at September 30, 2010, the Fund operated 237 retail liquor stores, of which 174 (2009 – 171) were in Alberta, 35 (2009 - 35) were in British Columbia, 20 (2009 – 19) were in Alaska and 8 (2009 – nil) were in Kentucky. Of the stores operated, 203 (2009 – 197) were acquired by the Fund and 34 (2009 - 28) were developed by the Fund.

2 Significant accounting policies and basis of presentation

The accompanying unaudited interim consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP") for interim financial statements. The accounting principles and methods of computation adopted in these financial statements are the same as those of the audited financial statements for the year ended December 31, 2009, except as noted below. However, these interim consolidated financial statements do not include all information and footnote disclosures required under Canadian GAAP for annual financial statements. Accordingly, these unaudited consolidated interim financial statements should be read in conjunction with the audited financial statements and notes thereto, for the year ended December 31, 2009.

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. 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

No retail liquor stores were acquired during the three months ended September 30, 2010 (2009 – one). During the nine month ended September 30, 2010, the Fund acquired one (2009 – one) retail liquor store. The operating results of the acquisition are included in the results of the Fund from May 26, 2010.

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.

There were no adjustments to goodwill relating to prior period acquisitions for the three months ended September 30, 2010 (2009 - nil). During the nine month period ended September 30, 2010, there were adjustments to goodwill for $200,000 (2009 - $134,858) for contingent payments and transaction costs relating to prior year acquisitions. For the three and nine months ended September 30, 2009, an additional $42,994 related to prior year acquisitions was reclassified from working capital to goodwill as a result of finalizing third party valuations.

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 nine month period ended September 30, 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)		**Nine months ended September 30, 2010**
Purchase price:		
Cash paid during period third quarter of 2010	$	-
Cash paid during six months ended June 30, 2010 (includes deposits tendered of $20)		398
	$	398
Net assets acquired:		
Working Capital		123
Property and equipment		201
Goodwill		74
	$	398

(expressed in thousands of Canadian dollars)	Three months ended September 30, 2009	Nine months ended September 30, 2009
Purchase price:		
Cash paid during period	$ 953	$ 1,087
Net assets acquired:		
Working capital	259	215
Property and equipment	177	177
Goodwill	517	695
	$ 953	$ 1,087

4 Store and pub closures

The Fund closed three retail liquor stores during the nine month period ended September 30, 2010 due to lease expirations. During the nine month period ended September 30, 2010, the Fund accelerated amortization for property and equipment for these stores of $295,798, respectively. Additional costs of $20,504 related to equipment removal were included in operating and administrative expense for the nine month period ended September 30, 2010.

During the nine month period ended September 30, 2010, the Fund closed three pubs in British Columbia and accelerated amortization for property and equipment for the pubs of $572,090. Additional cost of $65,000 and $118,873 related to net rent obligations for the three pubs for the three and nine months end September 30, 2010, respectively were recorded as operating and administrative expenses.

5 Distributions

Distributions are determined in accordance with the Trust Indenture, and are based on earnings, before amortization and adjusted by capital expenditures. Distributions totalling $0.405 (2009 - $0.405) 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 three month period ended September 30, 2010.

(expressed in thousands of Canadian dollars)		Fund Units		Liquor Stores Exchangeable LP Units		Liquor Stores Series 1 Exchangeable LP Units		Total	
Date distribution declared	**Date distribution paid**	**Declared**	**Paid**	**Declared**	**Paid**	**Declared**	**Paid**	**Declared**	**Paid**
Jan 15, 2010	Feb 15, 2010	$ 2,500	$ 2,500	$ 432	$ 432	$ 111	$ 111	$ 3,043	$ 3,043
Feb 15, 2010	Mar 15, 2010	2,500	2,500	432	432	111	111	3,043	3,043
Mar 15, 2010	Apr 15, 2010	2,501	2,501	431	431	111	111	3,043	3,043
Apr 15, 2010	May 14, 2010	2,501	2,501	431	431	111	111	3,043	3,043
May 14, 2010	Jun 15, 2010	2,501	2,501	431	431	111	111	3,043	3,043
Jun 15, 2010	Jul 15, 2010	2,501	2,501	431	431	111	111	3,043	3,043
Jul 15, 2010	Aug 13, 2010	2,503	2,503	429	429	111	111	3,043	3,043
Aug 13, 2010	Sep 15, 2010	2,504	2,504	429	429	111	111	3,044	3,044
Sep 15, 2010	Oct 15, 2010	2,552		381		111		3,044	
		$ 22,563	$ 20,011	$ 3,827	$ 3,446	$ 999	$ 888	$ 27,389	$ 24,345

6 Long-term debt

On June 29, 2010, the Fund concluded an amended and restated credit agreement which is effective until June 26, 2012. The Fund's credit facilities are with a syndicate of Canadian banks and are comprised of an available $95 million extendible revolving operating facility and a $48 million extendible revolving term facility. Financing fees of $398,245 related to the amendment of the credit agreement have been capitalized and are being amortized over the term of the credit facilities.

7 Future income taxes

Prior to June 12, 2007, the Fund provided for current and future income taxes only for its incorporated subsidiaries. On June 22, 2007, Bill C-52, including provisions related to the taxation of income trusts commencing January 1, 2011 (or sooner in certain circumstances), received Royal Assent. As a consequence, Canadian income trusts are required to provide for future income taxes arising from those temporary tax differences expected to reverse after January 1, 2011. The substantively enacted tax rates for 2011 and 2012 are 26.5% and 25.0% respectively.

Determining future income taxes involves a number of assumptions and variables that could reasonably change in the period to January 1, 2011, including: the useful lives of recorded property and equipment and intangible assets that determine the amount of amortization recorded thereon; the amount of discretionary tax deductions the Fund will claim from its existing tax depreciation pools, the rates of tax applicable to various jurisdictions in which the Fund is taxable and the allocation of taxable income to those jurisdictions; and the acceptance of the Fund's tax filing positions by the taxation authorities. Changes in these assumptions and variables, which are re-evaluated at each balance sheet date, could result in changes in the recorded amount of future income taxes, and these changes could be material.

Future income tax assets and liabilities are recognized based on temporary differences between accounting and tax bases of existing assets and liabilities as follows:

(expressed in thousands of Canadian dollars)	**September 30, 2010**	**December 31, 2009**
Future income tax liabilities:		
Intangible assets	$ 6,202	$ 5,806
Property and equipment	2,575	2,081
Goodwill	4,759	3,263
	13,536	11,150
Future income tax assets:		
Issue and financing costs	712	696
Deferred lease inducements	604	237
Long term incentive plans	193	67
Non-capital losses	1,123	896
	2,632	1,896
	$ 10,904	$ 9,254

The above includes a net future income tax liability recorded by wholly-owned US subsidiaries of $344,489 (2009 – net future income tax asset of $184,979).

Future income taxes of $2,100,287 attributable to the Fund's exchangeable interests are not recorded. During the three month period ended September 30, 2010, 371,363 (2009 – 5,788) units were exchanged resulting in an increase to future income taxes of $212,966 (2009 – $3,311). During the nine month period ended September 30, 2010, 399,084 (2009 – 77,853) units were exchanged which increased future income taxes by $226,966 (2009 - $42,150).

The Fund has recognized future income taxes related to non-capital losses of $4,258,426 (2009 - $1,610,673) 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, $486,378 will expire in 2028, $2,049,153 will expire in 2029 and $1,722,895 will expire in 2030.

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

8 Unitholders' equity

(a) Equity attributable to Unitholders

Units outstanding are as follows:

	Number of units
Balance – December 31, 2009	# 18,470,448
Issued for Exchangeable Units	399,084
Vested Units (note 10 (a))	29,403
Forfeited Units (note 10 (a))	1,621
Balance – September 30, 2010	# 18,900,556

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.

Consideration for units issued on exchange of Liquor Stores Exchangeable LP Units and Series 1 Exchangeable LP Units during the three and nine month periods ended September 30, 2010 was recorded at the carrying amount of the Liquor Stores Exchangeable LP Units and Series 1 Exchangeable LP Units.

(b) Non-controlling interest

Units outstanding are as follows:

		Liquor Stores Exchangeable LP Units		**Series 1 Exchangeable LP Units**		**Total**
Balance – December 31, 2009	#	3,196,842	#	845,409	#	4,042,251
Exchanged for Fund Units		(375,751)		(23,333)		(399,084)
Balance – September 30, 2010	#	2,821,091	#	822,076	#	3,643,167

Liquor Stores LP Exchangeable LP Units ("Exchangeable LP Units") and Liquor Stores LP Series 1 Exchangeable LP Units ("Series 1 Exchangeable LP Units")

The Exchangeable LP Units and Series 1 Exchangeable LP Units issued by Liquor Stores LP have economic and voting rights equivalent to the Fund Units, except in connection with the exchangeability terms as described below. They are exchangeable, directly or indirectly, on a one-for-one basis for Fund Units at the option of the holder, under the terms of the Exchange Agreement. The Exchangeable LP Units are not required to be exchanged for Fund Units before transferring to third parties. Exchangeable LP Units and Series 1 Exchangeable Units have been treated as non-controlling interest.

Each Exchangeable LP Unit and Series 1 Exchangeable LP Unit entitles the holder to receive distributions pro-rata with distributions made on Fund Units.

9 Earnings per Unit

(expressed in thousands of Canadian dollars, except per unit amounts)	Three months ended September 30, 2010	2009	Nine months ended September 30, 2010	2009
Net earnings attributable to Unitholders of the Fund (numerator utilized in basic and diluted Earnings per Unit)	$ 5,637	$ 5,951	$ 9,325	$ 15,509
Units outstanding, beginning of period	# 18,528,730	# 18,463,440	# 18,470,448	# 18,356,996
Weighted average of Units issued less treasury Units acquired	33,506	3,649	64,668	80,526
Denominator utilized in basic earnings per unit	# 18,562,236	# 18,467,089	# 18,535,116	# 18,437,522
Potential units under unit-based compensation plans (note 10 (a))	9,610	4,844	9,610	15,115
Denominator utilized in diluted earnings per unit	# 18,571,846	# 18,471,933	# 18,544,726	# 18,452,637
Earnings per Unit – Basic	$ 0.30	$ 0.32	$ 0.50	$ 0.84
Earnings per Unit – Diluted	$ 0.30	$ 0.32	$ 0.50	$ 0.84

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

10 Unit-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, 2009	# 31,038	# 13,232	# 44,270
Vested Units transferred to participants	(16,171)	(13,232)	(29,403)
Forfeited Units	(1,621)	-	(1,621)
Unvested Units – September 30, 2010	# 13,246	# -	# 13,246

In 2010, 1,621 forfeited LTIP Units were sold on the market resulting in a reduction to compensation expense of $5,816 and $24,601 for the three and nine month periods ended September 30, 2010, respectively.

Compensation expense for the LTIP for the three month period ended September 30, 2010 was $21,061 (2009 - $74,906) and $68,131 (2009 – $226,550) for the nine month period ended September 30, 2010. No compensation expense was recorded for the 2007 Plan for the three month period ended September 30, 2010 (2009 - $25,800) and $1,292 (2009 - $78,140) was recorded for the nine month period ended September 30, 2010.

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

The following table summarizes the status of the plan:

		Total
Unvested Units – December 31, 2009	#	39,180
Vested Units (settled in cash)		(8,889)
Awards		9,990
Unvested Units – September 30, 2010	#	40,281

During the three and nine month periods ending September 30, 2010, awards accruing to DSU Plan participants were $71,279 (2009 – $119,490) and $160,443 (2009 - $281,111), respectively, which was recorded as compensation expense in the period.

11 Related party transactions

A director of a subsidiary of the Fund is a partner in a law firm to which the Fund incurred professional fees during the three and nine month periods ended September 30, 2010 of $72,490 (2009 - $60,708) and $188,538 (2009 - $191,923), respectively. Rent paid to companies controlled, by a director of the GP amounted to $128,412 (2009 - $140,633) and $398,566 (2009 - $447,222), respectively, for the three and nine month periods ended September 30, 2010. These operating and administrative expenses are incurred in the normal course of business at terms similar with unrelated parties and are measured at the exchange amount. There was $13,487 included in accounts payable and accrued liabilities (December 31, 2009 - $17,294) relating to these transactions.

12 Supplemental disclosure of cash flow information

Changes in non-cash working capital items:

	Three months ended September 30,		Nine months ended September30,	
(expressed in thousands of Canadian dollars)	2010	2009	2010	2009
Accounts receivable	$ (48)	$ (888)	$ 859	$ (89)
Inventory	5,512	(5,124)	5,932	11,412
Prepaid expenses and deposits	235	153	550	431
Accounts payable and accrued liabilities	3,530	(2,843)	(1,080)	(2,697)
	$ 9,229	$ (7,232)	$ 6,261	$ 9,057

	Three months ended September 30,		Nine months ended September30,	
(expressed in thousands of Canadian dollars)	2010	2009	2010	2009
Interest paid	$ 1,043	$ 641	$ 4,656	$ 3,577
Income taxes paid	11	4	66	43

13 Segmented information

The Fund'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 Fund's President and Chief Executive Officer (the Fund's chief operating decision maker).

(expressed in thousands of Canadian dollars)	Three months ended September 30, 2010			
	Canadian	**US**	**Intersegment Eliminations**	**Consolidated**
Sales to external customers	$ 115,873	$ 35,732	$ -	$ 151,605
Intersegment revenue (i)	1,131	-	(1,131)	-
	$ 117,004	$ 35,732	$ (1,131)	$ 151,605
Operating earnings before amortization, interest and other	$ 11,878	$ 687	$ -	$ 12,565
Property & equipment amortization	$ 1,910	$ 166	$ -	$ 2,076
Intangible asset amortization	453	31	-	484
Interest income (i)	(673)	-	673	-
Interest expense	2,572	711	(673)	2,610
Gain on foreign exchange	(285)	-	-	(285)
Gain on sale of investments	-	-	-	-
Earnings before income tax	$ 7,901	$ (221)	$ -	$ 7,680
Future income tax expense	389	249	-	638
Net earnings (loss)	$ 7,512	$ (470)	$ -	$ 7,042
Other information				
Expenditures for additions to:				
Property and equipment	$ 458	$ 95	$ -	$ 553
Goodwill	-	-	-	-
Total assets	427,847	65,655	-	493,502

(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.

(expressed in thousands of Canadian dollars)	Three months ended September 30, 2009			
	Canadian	US	Intersegment Eliminations	Consolidated
Sales to external customers	$ 119,289	$ 19,626	$ -	$ 138,915
Intersegment revenue [(i)]	1,063	-	(1,063)	-
	$ 120,352	$ 19,626	$ (1,063)	$ 138,915
Operating earnings before amortization, interest and other	$ 12,386	$ (220)	$ -	$ 12,166
Property & equipment amortization	$ 1,437	$ 105	$ -	$ 1,542
Intangible assets amortization	719	4	-	723
Interest income [(i)]	(260)	-	260	-
Interest expense	2,044	261	(260)	2,045
Gain on foreign exchange	146	-	-	146
Gain on sales of investments	(179)	-	-	(179)
Earnings before income tax and non-controlling interest	$ 8,479	$ (590)	$ -	$ 7,889
Future income tax expense	531	(108)	-	423
Net earnings	$ 7,948	$ (482)	$ -	$ 7,466
Other information				
Expenditures for additions to:				
Property and equipment	$ 1,497	$ 223	$ -	$ 1,720
Total assets – December 31, 2009	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.

(expressed in thousands of Canadian dollars)	Nine months ended September 30, 2010			
	Canadian	US	Intersegment Eliminations	Consolidated
Sales to external customers	$ 315,812	$ 100,332	$ -	$ 416,144
Intersegment revenue (i)	3,244	-	(3,244)	-
	$ 319,056	$ 100,332	$ (3,244)	$ 416,144
Operating earnings before amortization, interest and other	$ 25,878	$ 1,754	$ -	$ 27,632
Property & equipment amortization	$ 5,826	$ 491	$ -	$ 6,317
Intangible asset amortization	1,525	91	-	1,616
Interest income (i)	(2,016)	-	2,016	-
Interest expense	7,029	2,122	(2,016)	7,135
Gain on foreign exchange	(707)	-	-	(707)
Gain on sale of investments	-	-	-	-
Earnings (loss) before income tax and non-controlling interest	$ 14,221	$ (950)	$ -	$ 13,271
Future income tax expense	787	634	-	1,421
Net earnings (loss)	$ 13,434	$ (1,584)	$ -	$ 11,850
Other information				
Expenditures for additions to:				
Property and equipment	$ 1,955	$ 294	$ -	$ 2,249
Goodwill	274	-	-	274
Total assets	427,847	65,655	-	493,502

(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.

(expressed in thousands of Canadian dollars)	Nine months ended September 30, 2009			
	Canadian	US	Intersegment Eliminations	Consolidated
Sales to external customers	$ 327,308	$ 58,212	$ -	$ 385,520
Intersegment revenue (i)	1,836	-	(1,836)	-
	$ 329,144	$ 58,212	$ (1,836)	$ 385,520
Operating earnings before amortization, interest and other	$ 31,039	$ 758	$ -	$ 31,797
Property & equipment amortization	$ 4,285	$ 343	$ -	$ 4,628
Intangible assets amortization	2,208	14	-	2,222
Interest income (i)	(1,073)	-	1,073	-
Interest expense	5,585	1,090	(1,073)	5,602
Gain on foreign exchange	116	-	-	116
Gain on sale of investments	(179)	-	-	(179)
Earnings (loss) before income tax and non-controlling interest	$ 20,097	$ (689)	$ -	$ 19,408
Future income tax (recovery) expense	91	105	-	196
Net earnings (loss)	$ 20,006	$ (794)	$ -	$ 19,212
Other information				
Expenditures for additions to:				
Property and equipment	$ 2,379	$ 428	$ -	$ 2,807
Goodwill	660	35	-	695
Total assets – December 31, 2009	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.

14 Economic dependence

Under Alberta provincial legislation the Fund is required to purchase liquor and related products sold in Alberta from the Alberta Gaming and Liquor Commission. As the Fund'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 Fund 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 Fund.

15 Seasonal nature of the business

The Fund historically experiences higher sales in the third and fourth quarters, while the first and second quarters typically experience lower sales levels due to seasonal shopping patterns. Occupancy related expenses, operating and administrative expense and amortization remain relatively steady throughout the year.