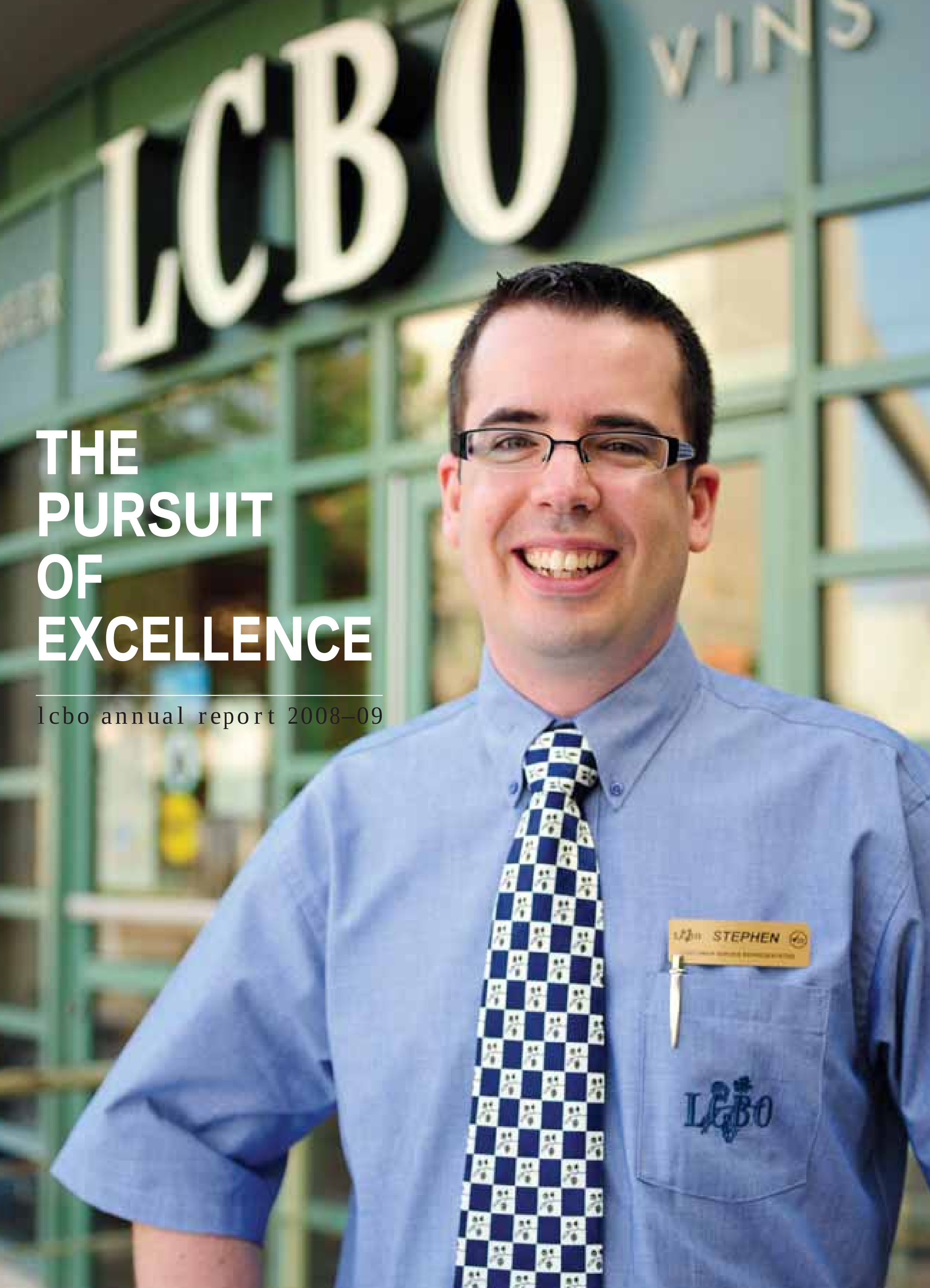

THE PURSUIT OF EXCELLENCE

lcbo annual report 2008–09

LETTER OF TRANSMITTAL

The Honourable Dwight Duncan
Minister of Finance

Dear Minister,

I have the honour to present you with the 2008–09 Annual Report of the Liquor Control Board of Ontario.

Respectfully submitted,

Philip J. Olsson
Chair

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IN FISCAL 2008–09, LCBO…

TRANSFERRED AN ALL-TIME HIGH $1.4 BILLION DIVIDEND, EXCLUDING ALL TAXES, TO THE GOVERNMENT OF ONTARIO.

ONTARIO VQA TABLE WINE SALES WERE UP 17.3 PER CENT AND TOTAL SALES FROM ONTARIO WINERIES WERE UP 6.4 PER CENT.

PHASED OUT PLASTIC SHOPPING BAGS, ELIMINATING SOME 80 MILLION BAGS A YEAR FROM THE WASTE STREAM ACROSS ONTARIO.

CUSTOMERS AND EMPLOYEES RAISED MORE THAN $2.7 MILLION FOR A VARIETY OF WORTHY CAUSES.

OPENED FOUR NEW STORES AND REPLACED 11 WITH NEW AND EXPANDED STORES.

CUSTOMER SATISFACTION WAS 77 PER CENT.*

STAFF CHALLENGED 2.4 MILLION PEOPLE WHO APPEARED UNDERAGE OR INTOXICATED.

* lcbo customer satisfaction represents the average score on a 10-point scale where customers were asked the following question: "on a 10-point scale with 1 being low and 10 being high, how would you rate your overall shopping experience at the lcbo over the last year?"

The LCBO transferred a dividend of $1.4 billion (excluding taxes) to the Ontario government in 2008–09, a $55 million increase over the previous year.

Government business enterprises, such as the LCBO, must provide excellent service to customers while improving their financial performance. The LCBO helps the government of Ontario fund schools, hospitals and the social services Ontarians value.

Through in-store merchandising, employee development programs and special events, the LCBO continued to support the homegrown beverage alcohol industry. The evidence of their success is reflected in the numbers. Sales of Ontario craft beers rose 46.5 per cent, Ontario VQA table wine sales were up 17.3 per cent and total sales from Ontario wineries were up 6.4 per cent. In October, the *Go Local* promotion led to $26.7 million in net sales – a year-over-year increase of 10.4 per cent.

Individually, and in partnership with others, the LCBO continues to promote responsible drinking; the agency discourages high-risk activities such as drinking and driving, while maintaining vigilant responsible service to prevent sales to minors and intoxicated adults.

My challenge to the LCBO in 2009–10 is to maintain this level of performance in the face of a changing retail sales environment. I expect the same level of customer service, social responsibility, environmental stewardship and support for local businesses and communities in the coming years.

The LCBO has a well thought out five-year strategic plan that should successfully guide the organization through the years ahead.

By capitalizing on its significant strengths, I am confident the LCBO's innovative spirit will safeguard its role as a significant contributor to the province's schools, hospitals and investments in job creation and economic growth.

Sincerely,

The Honourable Dwight Duncan
Minister of Finance


PHILIP OLSSON | *Chair*

As a professional investment advisor, my clients expect me to provide them with knowledgeable, well-researched recommendations, along with a good return on their investments. LCBO customers and the Ontario public are no different when it comes to their expectations of our organization's management, staff, and board of directors.

These days, choosing the right investment is difficult. One thing I've learned from past periods of market volatility is people seek value. People seek value in their stock purchases and they also seek value in their discretionary purchases, including beverage alcohol.

During fiscal 2008–09, this trend was epitomized by a slower growth in VINTAGES sales and increased sales of lower-priced wines that offer great value at their price point.

The LCBO values its reputation as a socially-responsible retailer. In consumer satisfaction surveys, customers constantly tell us "responsible" is the essence of the LCBO brand. Consumers today demand more corporate accountability and responsible governance. More and more Canadians are thinking green, with a growing proportion of consumers factoring corporate accountability and social issues into their purchasing decisions.

LCBO's efforts to help the environment have included eliminating plastic bags, sourcing hundreds of lighter weight and alternative containers, reducing its energy consumption in our stores and warehouses, and raising more than $2 million to restore Ontario wildlife and habitat.

LCBO customers appreciate this and they've shown their caring once again this past year by giving back at our checkouts. Despite the economic downturn, LCBO customers set a new record for our United Way campaign, raising more than $1.55 million, $1.15 million of which was raised directly from customer donations.

I've been an enthusiastic supporter of the United Way for many years and know that its good works make Ontario a better place for everyone.

This past year, we further strengthened our board by adding Walter Sendzik, an entrepreneur and executive from St. Catharines; Walter is currently the general manager and executive vice-president of the St. Catharines-Thorold Chamber of Commerce. As the former publisher of *Vines* magazine, Walter has witnessed first-hand the growth and refinement of the Ontario wine industry. Walter brings an understanding of industry trends and the Niagara economy to the LCBO board, along with extensive governance experience.

In 2008, LCBO adopted the *Public Service Act*, 2006, which sets out conflict of interest rules for public servants in the Ontario government. LCBO adopted these policies to strengthen its transparency and accountability and help make sure no actual or perceived conflict of interest occurs between our employees and our suppliers.

Looking ahead to 2009–10, I'm confident that, thanks to our strong leadership team and a sound five-year strategic plan as its guide, LCBO will continue to meet and exceed the expectations of its shareholders – the citizens of Ontario. I look forward to contributing to the agency's further development as a profitable, socially-responsible and innovative retailer.

Sincerely,

Philip Olsson
Chair

In 2008–09, the LCBO had its 14th consecutive year of increasing sales, profits and dividends. This year's performance was the result of good expense management, excellent customer service and a continued commitment to corporate social responsibility.

Our dividend to government was $1.4 billion on sales of $4.267 billion. This modest increase in sales came in the face of changing consumer buying patterns. During the year, consumers increasingly looked for good value in all of their purchases.

What will the coming year bring?

In fiscal 2009–10 we expect LCBO sales to be flat. We expect our customers to continue to search out good buys with the result that lower priced products will experience sales growth. This trend will be particularly noticeable for wine. Given this new consumer mindset, a top priority in the coming year is to make sure our inventories are aligned with actual sales. We will source products at a variety of price points to ensure that we offer our customers variety and value.

We will continue to engage our customers in a socially-responsible manner and invest in our stores to provide better service and selection to communities across Ontario. For fiscal 2008–09, four new stores were opened and there were 11 store relocations. Next year, LCBO plans to add an additional 100,000 square-feet of selling space; eight new stores and nine relocations are planned for 2009–10.

Fiscal 2008–09 also marked year one of our five-year strategic plan (2008–13). LCBO's No. 1 priority over this period is to achieve excellence in the customer experience and excellence in operational efficiency.

Challenging times are part of the retail cycle. By fine tuning our strategy, I am confident the LCBO will not only meet the challenges that lie ahead but will emerge more customer-focussed, efficient and profitable than ever before.

Sincerely,

Bob Peter
President and CEO

BOB PETER | *President and CEO*

The LCBO is a Crown agency reporting to the Minister of Finance and is classified by the Ontario government as an operational enterprise. Its mission statement is: “We are a socially responsible, performance-driven, innovative and profitable retailer, engaging our customers in a discovery experience of the world of beverage alcohol.”

The LCBO is overseen by a board of directors consisting of up to 11 members appointed by the Lieutenant-Governor in council, on the recommendation of the Premier and the Minister of Finance, for terms of no more than five years*. The Chair of the board of directors is responsible for providing strategic leadership to members of the board and to the president and CEO and making sure the LCBO and its board of directors meet their respective responsibilities.

The mandate of the board is to oversee the management of the business affairs of the LCBO. Among its most important responsibilities are to:

- establish by-laws governing the operations of the LCBO
- make sure that policies and processes are in place to maintain the integrity of the LCBO’s internal controls
- approve both the five-year strategic plan and annual business plans and monitor management’s success in meeting the objectives set out in these plans
- submit annual financial plans and business plans to the Minister of Finance
- make sure the LCBO has an appropriate communications policy
- make sure the LCBO performs its role in a fair, ethical and impartial manner and in accordance with applicable laws
- establish and oversee senior management succession planning
- approve major policy and business decisions
- assess and evaluate annually the performance of the president and CEO
- establish committees of the board as appropriate to exercise some or all of the board’s responsibilities; presently this includes: an audit committee and a governance and compensation committee.

* according to the *LIQUOR CONTROL ACT*, “the members of the board shall be appointed to hold office for a term not exceeding five years and reappointed for further succeeding terms not exceeding five years each.”

ETHICS AND BUSINESS CONDUCT

The board has adopted a code of conduct that includes policies addressing human rights, conflict of interest, confidentiality, the outside activities of employees and officers, gifts and entertainment.

HEALTH AND SAFETY

The board approves an annual health and safety policy and the senior vice-president, Human Resources, provides the board with regular health and safety reports.

BOARD COMMITTEES:

AUDIT COMMITTEE

The audit committee is responsible for the reliability and accuracy of the LCBO's financial statements and for overseeing the LCBO's risk management function.

GOVERNANCE AND COMPENSATION COMMITTEE

The governance and compensation committee is responsible for recommending to the board the LCBO's corporate governance policies and practices and making sure the LCBO adheres to sound corporate governance principles. It also makes recommendations concerning human resources and compensation matters.

MANAGEMENT COMMITTEES:

STORE PLANNING AND DEVELOPMENT COMMITTEE

This is a management committee that reviews real estate and leasing transactions and makes recommendations to the board for final approval.

LISTINGS APPEALS COMMITTEE

This committee reviews supplier and agents appeals of business unit decisions concerning product listings.

MANAGEMENT POSITIONS EVALUATION COMMITTEE

This committee evaluates and rates management positions in the organization for purposes of determining appropriate pay classifications.

ACCOUNTABILITY

The LCBO is accountable to its stakeholders in a number of ways, including:

- its annual report is required to be tabled in the provincial legislature and available to all Ontarians in print or online at www.lcbo.com
- annual audits of LCBO financial statements are required by the *Liquor Control Act* and conducted by the office of the auditor general of Ontario
- public access to various records under the *Freedom of Information and Protection of Privacy Act*
- board members must be appointed by order-in-council
- various statutory reporting requirements under the *Liquor Control Act* require the corporation to provide reports to the minister of finance and the treasurer of Ontario
- the corporation is required to comply with applicable Management Board directives.

SENIOR MANAGEMENT TEAM

Day-to-day operations of the LCBO are overseen by the following members of senior management:

BOB PETER, *president and chief executive officer*

LESLEY DE BOERR, *chief audit executive and executive director, Internal Audit Services*

JACKIE BONIC, *vice-president, Store Development and Real Estate*

ALEX BROWNING, *senior vice-president, Finance and Administration, and chief financial officer*

NANCY CARDINAL, *vice-president, Marketing and Customer Insights*

BOB DOWNEY, *senior vice-president, Sales and Marketing*

ROY ECKER, *senior vice-president, Retail Operations*

MARY FITZPATRICK, *senior vice-president, general counsel and corporate secretary*

PATRICK FORD, *senior director, Policy and Government Relations*

MURRAY KANE, *senior vice-president, Human Resources*

HUGH KELLY, *senior vice-president, Information Technology*

BILL KENNEDY, *executive director, Corporate Communications*

IAN MARTIN, *senior vice-president, Logistics*[1]

SHARI MOGK-EDWARDS, *vice-president, Merchandising*

BARRY O'BRIEN, *director, Corporate Affairs*

GEORGE SOLEAS, *vice-president, Quality Assurance*

SHELLEY SUTTON, *director, Strategic Planning*

TOM WILSON, *vice-president,* VINTAGES

[1] ian martin retired from the lcbo march 31, 2009; george soleas was appointed svp, logistics and quality assurance in march 2009.

PHILIP J. OLSSON

STEVE DIAMOND

PHILIP J. OLSSON

He was appointed to the board as vice chair in June, 2004, became acting chair and CEO on February 6, 2006, and non-executive Chair (pursuant to the new Liquor Control Act*) on March 7, 2007. Term expires March 6, 2010.*

Philip Olsson is a partner in K J Harrison & Partners Inc., a privately-held investment firm for private individuals. He has had a career of more than 30 years in finance, as an investor and investment and commercial banker, including Managing Director, Private Equity, at Altamira Investment Services Inc., where he restructured and oversaw Altamira's private equity functions. Prior to that he was Managing Director of Royal Bank Equity Partners Limited, the Royal Bank Financial Group's merchant banking unit, and, before that, was vice chairman of RBC Dominion Securities, Canada's largest investment bank. Mr. Olsson holds BA and MBA degrees from Vanderbilt University, Nashville, Tennessee, and studied monetary economics as a postgraduate at the London School of Economics. He holds a CBV designation from the Canadian Institute of Chartered Business Valuators. He has long been active in community and civic affairs on behalf of such organizations as the United Way, Atlantic Salmon Federation, the Shaw Festival and Trout Unlimited.

STEVE DIAMOND

Appointed September 21, 2005, and appointed vice chair March 7, 2007. Term expires March 6, 2010.

Steve Diamond is currently president of Diamondcorp, a real estate development and consulting business, and is a director of Whitecastle Investments. Prior to entering the real estate business, Mr. Diamond was a partner at McCarthy Tetrault and head of its municipal and environmental law department. He also served as director of the firm. In his practice, he acted as counsel on some of the largest and most sophisticated projects that have been approved in the Greater Toronto Area for both private and public sector clients. Mr. Diamond is active in the community, serving as chair of Paye (partnership to advance youth employment), director of the Mount Sinai Hospital Foundation, and is a member of Toronto Mayor David Miller's Committee on Community Safety. Mr. Diamond received his LLB from the University of Western Ontario and was called to the Ontario bar in 1978. He gives back to the educational community through frequent lectures at local law schools and other educational organizations.


GEOFFREY R. LARMER


JAY LEE

GEOFFREY R. LARMER

Appointed May 30, 2006, renewed May 29, 2009. Term expires May 29, 2012. Member, Governance and Compensation Committee.

Geoffrey Larmer is president of Larmer Professional Corporation, North Bay, a law firm specializing in personal injury and insurance litigation. His practice gives him a unique perspective on social responsibility and liability, particularly in terms of underage alcohol consumption and the consequences of not drinking responsibly. His clients include victims of drinking and driving accidents. He graduated from the University of Western Ontario in 1989 with an honours degree in medical biophysics and in 1992 with a bachelor of laws degree. He articled with Bereskin & Parr, Toronto, where he trained in intellectual property, patent, trademark, copyright and related licensing matters. He was called to the bar in 1994 and founded Larmer & Larmer Barristers, North Bay. Larmer Professional Corporation was formed in 2005. He is a member of Nipissing Law Association, Ontario Trial Lawyers Association and the Association of Trial Lawyers of America, and a former director and past-president of the North Bay and District Humane Society.

JAY LEE

Appointed May 30, 2007. Term expires May 29, 2010. Member, Audit Committee.

Jay Lee is a capital markets professional with wide experience in portfolio management, trading and analysis in U.S. and Canadian capital markets. A Chartered Financial Analyst with a Bachelor of Arts degree in economics from the University of Toronto, he has a diverse background including trading and analysis in a broad array of sectors and products such as equities, equity and credit derivatives.

PENNY LIPSETT

Appointed May 30, 2007. Term expires May 29, 2010. Member, Governance and Compensation Committee.

Penny Lipsett is an investor and government relations specialist. She has spent much of her career in the political and business worlds. Following graduation from the University of Western

PENNY LIPSETT

LAUREL MURRAY

Ontario, she worked on Parliament Hill in Ottawa as a special assistant to a cabinet minister (Judd Buchanan) during the Trudeau years. Following this and until 1992, she worked for Xerox Canada in increasingly responsible roles concluding with the management of all corporate affairs functions. Ms. Lipsett returned to Parliament Hill as chief of staff to Justice minister Allan Rock from 1993 to 1995. Since 1995, she has run her own consulting practice with a focus on investor and government relations. Her clients include Sherritt International, Manulife Financial and the Westaim Corporation. She is on the board of bank holding company MBNA (Canada).

LAUREL MURRAY

Appointed August 8, 2005, renewed August 8, 2008. Term expires August 7, 2011. Chair, Audit Committee.

Laurel Murray is a chartered accountant with more than 20 years of senior management experience in the private and public sectors. Since 2000, Ms. Murray has headed up her own management consulting firm. Over the past 20 years, she has helped a number of federal and provincial agencies and ministries improve the way they manage risks, measure performance and improve accountability. Ms. Murray is a proponent of good governance and oversight. She is also the chair of the Audit Committee of the Office of the Privacy Commissioner of Canada and a member of the Audit Committee of the Office of the Commissioner of Official Languages. She was also the lead in developing the Treasury Board of Canada Secretariat's *Guidebook for Departmental Audit Committees*. She has a keen interest in the environment. Her areas of expertise include strategic planning and reporting; performance measurement; integrated risk management; financial management, accounting and auditing; financial systems; project management; program implementation and organizational design. She graduated with honours from Carleton University in 1986 with a Bachelor of Commerce degree. She received her Chartered Accountant designation from the Canadian Institute of Chartered Accountants in 1989. An active mother, wife and volunteer, Ms. Murray balances work and family while still playing an active role to help those in need in her community.

WALTER SENDZIK

JEAN SIMPSON

WALTER SENDZIK

Appointed June 4, 2008. Term expires June 3, 2011. Member, Audit Committee.

Walter Sendzik is executive vice-president and general manager of the St. Catharines-Thorold Chamber of Commerce. He is also a member of the board of directors of the Niagara Wine Festival, the Hotel Dieu Shaver Rehabilitation Centre, St. Catharines Museum and the St. Catharines and District United Way. He founded *Vines* magazine, wrote *Guide to Niagara's Wine Country* and is co-author of the *Buyers' Guide to Canadian Wine*. He sold *Vines* to Osprey Media Group in 2003 when he joined that company as publisher of the *Niagara* magazine division, where he helped launch *Niagara* magazine. He left Osprey to join the St. Catharines Chamber of Commerce in 2006 and oversaw the merger of the St. Catharines and Thorold chambers, which created one of the largest chambers of commerce in southern Ontario. Mr. Sendzik was awarded the Bernie Gillespie Award by the Ontario Chamber of Commerce for outstanding leadership, was a recipient of a Niagara's Top 40 Under 40 award, the St. Catharines Volunteer Recognition Award and was a finalist in the Niagara Youth Entrepreneur of the Year Award.

JEAN SIMPSON

Appointed November 3, 2004. Renewed November 3, 2007. Term expires November 2, 2010. Chair, Governance and Compensation Committee.

Jean Simpson has had a lifelong interest in mental health, beginning her career as a nurse and moving into management at the Clarke Institute of Psychiatry and Women's College Hospital in Toronto. She then became Director of Mental Health Programs and Services at the Ministry of Health, returning to the Clarke Institute as executive vice-president and COO and subsequently executive vice-president and chief operating officer of the Centre for Addiction and Mental Health when it was created in 1998. She retired in June, 2003, but continues her work in mental health through membership of the board of the Ontario Council of Alternative Businesses, a not-for-profit organization with a provincial mandate to develop alternative businesses owned and operated by psychiatric survivors and consumers of the mental health system. As a former COO, she also coaches senior business executives.

RAMESH SRINIVASAN

HARVEY T. STROSBERG

RAMESH SRINIVASAN

Appointed April 18, 2007. Term expires April 17, 2010. Member, Audit Committee.

Ramesh Srinivasan is a senior hospitality educator with more than 25 years of international experience in hospitality management. He holds a masters degree in hotel administration from Cornell-Essec in Paris, France. Areas of expertise include hotels, restaurants, catering and convention centre management, marketing and finance. He is Professor of Hospitality Management, School of Hospitality, Recreation and Tourism, Humber Institute of Technology and Advanced Learning, Toronto. Areas of specialization include food and wine pairing, revenue management, hospitality systems and controls, entrepreneurship, convention and meetings management. His professional certifications include Certified Foodservice Manager; Certified Specialist of Wine; Certified Hospitality Educator; and, most recently, Mr. Srinivasan completed his Wine & Spirit Education Trust Diploma from the U.K. He is a member of the Hospitality Sales and Marketing Association International; Canadian Association of Professional Sommeliers; International Council on Hotel Restaurant and Institutional Education; Canadian Restaurant and Foodservices Association and the Institute of Internal Auditors.

HARVEY T. STROSBERG, QC, LLD, DCL

Appointed March 7, 2007. Term expires March 6, 2010. Member, Governance and Compensation Committee.

Harvey T. Strosberg, Q.C., is a senior partner at Sutts, Strosberg, LLP, Windsor. He has extensive trial and appellate experience in the areas of torts, personal injury, product liability, commercial disputes and class action litigation. He was called to the bar in 1971, has been a bencher (director) of the Upper Canada Law Society since 1987 and was Treasurer (President) from 1997 to 1999. He is the editor of the *Canadian Class Action Review*. He is an adjunct professor of law at the University of Windsor. He teaches a course in class action law at the University of Windsor law school.

JOURNEY TO EXCELLENCE

connect emotionally

AS ONE OF THE FOUR THEMES OF THE LCBO'S FIVE-YEAR STRATEGIC PLAN (2008–2013), CONNECT EMOTIONALLY IS ABOUT ENHANCING INNOVATION AND DEEPENING CUSTOMER ENGAGEMENT AT EVERY POINT OF CONTACT WITH THE LCBO.

Like all retailers, LCBO looks at ways to improve the shopping experience for its customers. For the past 11 years, LCBO has conducted an annual customer satisfaction study. This study is a key component in developing our annual and five-year strategic plans. This year's results showed an overall satisfaction rating of 77 per cent and our goal is to reach 85 per cent by 2013.

Our marketing strategy is to help our customers better appreciate beverage alcohol by offering the best products from Ontario and from around the world. Our staff then help customers to choose and serve these products with confidence. This is accomplished through innovative thematic promotions, appealing displays and informative product presentation – in our stores, on our website, and in *Food & Drink* magazine.

LCBO also connects with customers by showing leadership in corporate social responsibility: promoting the responsible use of beverage alcohol and furthering environmental sustainability through choosing products with the goal of reducing packaging waste. We share our customers' pride in local products by supporting Ontario wineries, craft brewers and distillers.

In 2008–09, several other initiatives contributed to customer engagement and satisfaction including the following:

STAFF PICKS HELPS FRONTLINE STAFF CONNECT WITH CUSTOMERS

Staff Picks was initiated a few years ago in select stores and is now an LCBO-wide initiative. Store employees provide recommendations to customers at the checkout and on shelf with Staff Pick tags.

Customer response to *Staff Picks* has been very positive; they appreciate our staff sharing their knowledge with them and recommending products that offer good value. In this way, employees also increase their product knowledge and engage customers in conversation.

NEW STORES OFFER MORE PRODUCT SELECTION AND BIGGER, BETTER VINTAGES SECTIONS

LCBO continues to invest in new stores to provide customers with more product selection and expanded VINTAGES sections. For fiscal 2008–09, four new stores were opened and there were 11 relocations. LCBO has also renovated existing stores to increase product display space and bring older stores up to current LCBO corporate standards.

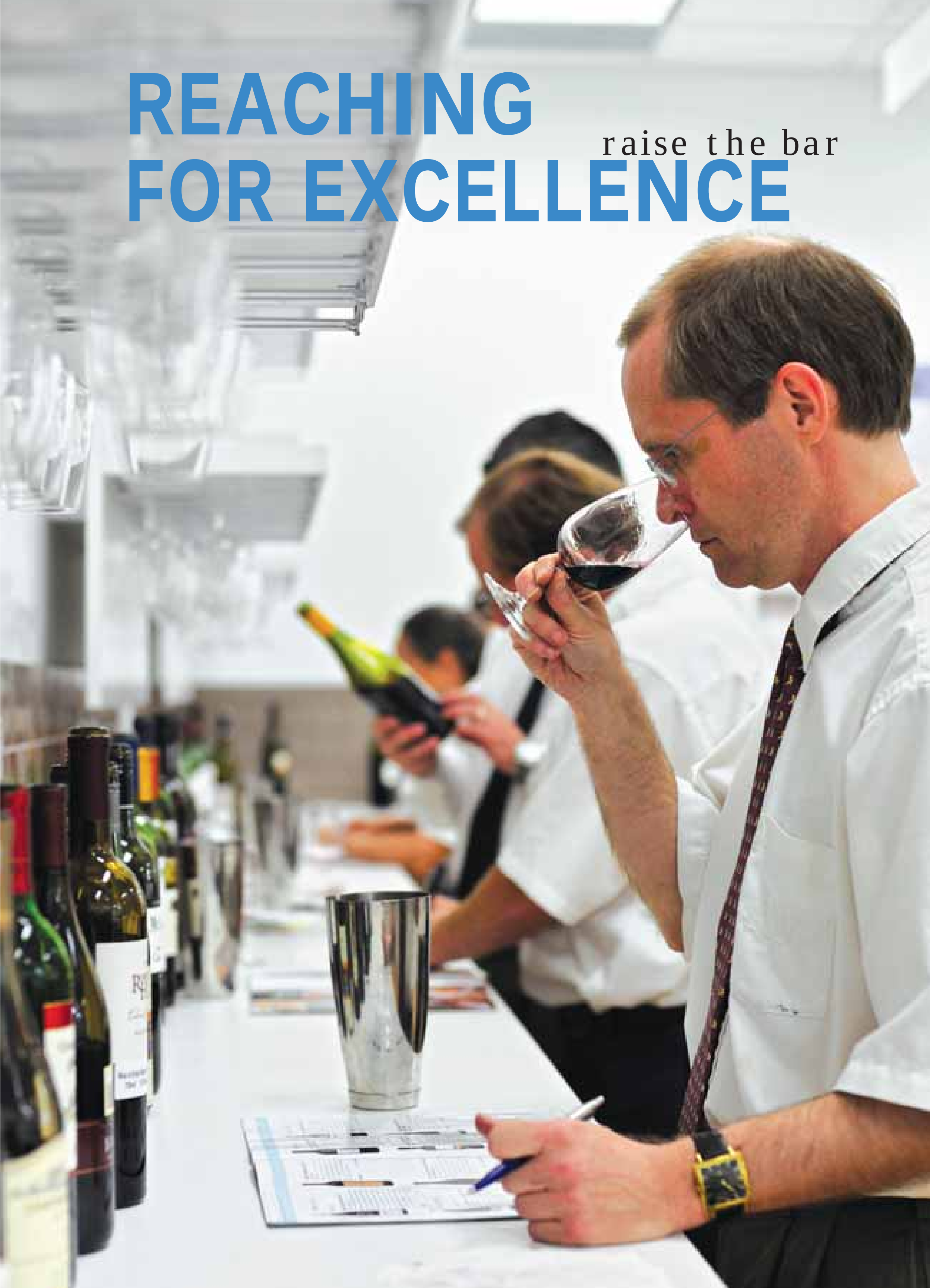
TECHNOLOGY ENHANCES THE CUSTOMER EXPERIENCE

LCBO launched *VINTAGES Shoponline* in October 2008, offering another channel to serve customers. This new LCBO online service brings wine and spirits enthusiasts an ever-changing assortment of premium products at www.vintagesshoponline.com.

VINTAGES ShopOnline gives customers unparalleled access to the best estates and châteaux of premium wine regions such as Bordeaux, Burgundy, Champagne and California on a first-come, first-served basis from anywhere in Ontario, 24 hours a day, seven days a week. Customers make their purchases online and their products are delivered to their local LCBO store free of charge.

Another way LCBO is connecting more with customers is with in-store digital media. These screens were piloted in select VINTAGES sections in 2008–09; they feature videos produced in-house and short segments on a selection of wines – offering an interactive learning experience. LCBO is also looking into other forms of in-store media.

REACHING FOR EXCELLENCE



AS ONE OF THE FOUR THEMES OF THE LCBO'S FIVE-YEAR STRATEGIC PLAN (2008–2013), RAISE THE BAR IS ABOUT CONTINUALLY IMPROVING OUR OPERATIONAL PERFORMANCE.

IMPROVING OPERATIONAL PERFORMANCE IS A PRIORITY FOR THE LCBO.

Our Logistics division ships more than 40 million cases a year; by 2013, we expect this number to increase to more than 50 million. Our goal is to operate a constantly improving, integrated product distribution and information system that enhances our profitability. We are striving for a world-class supply chain – providing quality service at the lowest cost to benefit our retail customers and licensees.

IMPROVING LOGISTICS TO BETTER SERVE CUSTOMERS

The LCBO's Durham distribution facility in Whitby employs 270 staff and services 328 LCBO stores. Thanks to the efforts of several departments, a 20 per cent reduction of the time needed to process orders was achieved and implemented in 2008–09. The Durham team not only improved productivity, but also improved its level of customer service.

We also improved supply chain performance in 2008–09 and continued to work with our suppliers to better plan our inventory and product assortment. We also engaged in joint marketing research with suppliers and worked at improving compliance with packaging standards.

HEALTH AND SAFETY PROGRAMS STEPPED UP IN 2008–09

The LCBO is committed to the health, safety and wellness of its employees. Our goal is to create a safety first culture.

"EVERYONE IS RESPONSIBLE FOR SAFETY. OVER THE NEXT FIVE YEARS, LCBO IS PUTTING RENEWED EMPHASIS ON EMPLOYEES' WELL-BEING. WE AIM TO PROMOTE SAFETY LEADERS AND MAKE SAFETY AN INTEGRAL PART OF OUR CULTURE."

MURRAY KANE, *senior vice-president, Human Resources*

Here are some ways LCBO enhanced its health and safety culture in 2008–09:

- hired more safety managers
- piloted ergonomic checkouts at stores
- trained more staff, including a new safe lifting/material handling program and supervisor/shift leader competency training to make sure anyone who runs a shift understands their role in maintaining a safe environment; and
- developed an award-winning *Shop Theft* program for store employees to drive home the message that no one is expected to attempt to stop or physically detain and/or apprehend a suspected shoplifter. During its initial rollout, this DVD-based interactive training program not only changed the culture, but also changed the behaviour of front-line employees. Since the rollout, incidents of store staff taking aggressive action against shop theft suspects have decreased 65 per cent.

"THE SAFETY OF OUR STAFF AND CUSTOMERS IS PARAMOUNT AND MORE IMPORTANT THAN ANY PRODUCT WE SELL."

ROY ECKER, *senior vice-president, Retail Operations*

SCARBOROUGH STORE LEEDS THE WAY

In 2008–09, a new store opened in Scarborough's LEED (Leadership in Energy and Environmental Design)-certified Morningside Crossing development; the store is a model for ways LCBO can reduce its energy use and environmental footprint in retailing.

A few of these measures include:

- the use of natural cold air, at times of the year when it is available, to cool the walk-in refrigeration room
- a compressor-free wine cooler that uses LED lighting and fog-resistant doors; and
- a switching system to automatically switch lighting on or off (e.g. in back room areas when they are not in use).

COMMITTING TO EXCELLENCE

take care every day

AS ONE OF THE FOUR THEMES OF THE LCBO'S FIVE-YEAR STRATEGIC PLAN (2008–2013), TAKE CARE EVERY DAY IS ABOUT BUILDING UPON OUR LONG HISTORY AS A RESPONSIBLE RETAILER AND THE VALUES WE SHARE WITH OUR CUSTOMERS AND THE PUBLIC.

CORPORATE SOCIAL RESPONSIBILITY STRATEGY

Since its creation in 1927, LCBO has promoted social responsibility – responsible retailing, encouraging responsible consumption through education and advertising, as well as fundraising to support charities and community organizations in Ontario. Recently, however, a broader understanding of what is commonly referred to as corporate social responsibility (corporate SR) has developed.

LCBO's new five-year strategic plan embraces corporate SR and makes it integral to the agency's future. A corporate SR council was formed in 2008–09 to strengthen and extend the LCBO's policies in four areas:

1. Responsible Retailing
2. Environmental Stewardship
3. Community Service
4. Quality Assurance

RESPONSIBLE RETAILING

Although LCBO is a retailer, there are some people we won't serve: those who lack proper identification to prove their age, appear intoxicated, or are suspected of shopping for those who are underage or impaired. Our year-round *Check 25* program helps make sure potential customers who appear to be under 25 years of age are routinely asked for proof of age, making sure minors who look older than their years are not served.

> **"OUR EMPLOYEES CARE ABOUT THE IMPACT WE HAVE ON THEIR COMMUNITIES. WE ARE CONTINUALLY WORKING TO MAKE A POSITIVE DIFFERENCE IN WAYS THAT ARE GOOD FOR OUR CUSTOMERS AND FOR THE PLACES WHERE THEY LIVE."**
>
> **BOB PETER,** *president and CEO*

ILLEGAL PURCHASE POSTER CAMPAIGN

In 2008–09, LCBO created an in-store poster campaign – called *Responsibility Starts Here* – to remind customers it is illegal to purchase alcohol for minors or people who are intoxicated.

ENVIRONMENTAL STEWARDSHIP: GOING GREEN

Over the next five years, LCBO's key environmental goals are to:

- reduce package waste by more than 20 million kilograms per year by promoting lightweight packaging
- increase recycling of packaging to 85 per cent
- reduce energy consumption in stores and warehouses by 10 per cent; and
- raise funds to support wildlife and wildlife habitat restoration throughout Ontario.

COMMUNITY SERVICE

In 2008–09, despite being in the midst of an economic recession, LCBO customers and employees donated a record amount – more than $2.7 million – to charities. The LCBO United Way employee campaign alone raised $1.5 million through employee donations, payroll deductions, special events and the *Gift of Giving* customer donations.

QUALITY ASSURANCE

SELLING SAFE, HIGH-QUALITY PRODUCTS

The LCBO's ISO-certified Quality Assurance laboratory makes sure only safe, high-quality beverage alcohol products are offered to customers. All products are evaluated by expert tasting panels for potential defects and chemically tested to comply with both federal and provincial standards.

In fiscal 2008–2009, our lab conducted more than 492,000 tests on more than 22,100 products. Our Quality Assurance staff also reviewed more than 4,000 labels.

MANAGING FOR EXCELLENCE

cultivate leaders

AS ONE OF THE FOUR THEMES OF THE LCBO'S FIVE-YEAR STRATEGIC PLAN (2008–2013), CULTIVATE LEADERS IS ABOUT CONTINUING TO ENGAGE OUR EMPLOYEES AND BUILDING OUR LEADERSHIP CAPACITY.

The ultimate goal of LCBO's human resources strategy is to deliver on our employee promise – Engage, Inspire, Excel. // These three words speak to the type of corporate culture LCBO strives to create. // Engage – means to create an environment that is rich in respect and where there is a free sharing of information and open communication. // Inspire – means to provide opportunities for employees to realize their potential, to contribute to society in a responsible way, and to make a difference. // Excel – means to individually and collectively perform beyond current expectations.

The four key HR strategies that bring this employee promise to life are:

- fostering leadership
- promoting corporate excellence
- meeting the challenges of a changing workforce; and
- enhancing workplace health and safety.

During 2008–09, we continued to develop and cultivate an environment of learning with training programs to help our staff deliver engaging customer service and cultivating the leaders of tomorrow.

> **“THE DISTRICT MANAGER ASSESSMENT CENTRE PROGRAM HAS BEEN AN INVALUABLE RESOURCE FOR OUR RETAIL DIVISION OVER THE PAST SEVEN YEARS. THE PROGRAM MAKES SURE WE HAVE SOLID LEADERSHIP, NOT ONLY AT THE DISTRICT MANAGER LEVEL, BUT THAT WE ALSO HAVE THE ‘SAVVY’ TO ACHIEVE OUR BUSINESS OBJECTIVES.”**
>
> **ROY ECKER,** *senior vice-president, Retail Operations*

INDUSTRY SUPPORT

LCBO partners with the Wine Council of Ontario to educate employees about Ontario wines; we have a program called *World of Ontario Wines* (WOW), in which more than 300 employees are designated WOW Leaders to promote the sale of Ontario wines with their customers.

Other employees have been trained as beer experts – “Beer Guys” and “Beer Gals” – to promote consumer beer knowledge and interest, while “Spirits Advocates” do the same for spirits.

LEADERSHIP TRAINING; SUCCESSION PLANNING

Another key focus in fiscal 2008–09 was to build our leadership capacity. This is both a short- and long-term strategy to develop strong leaders throughout the organization. A significant percentage of our management team is eligible for retirement over the next few years, so succession planning is a priority. Before 2013, our Retail division also plans to recruit and train more than 100 new store managers.

We develop, educate, and inspire current leaders through programs such as our Think1 Leader program for assistant store managers, and the District Manager Assessment Centre (DMAC) program which recruits district managers from within the organization.

CORPORATE EXCELLENCE

A key way we track corporate excellence is through our recurring employee engagement surveys. The 2008–09 survey found that the LCBO had achieved its highest level of employee engagement, reaching its long-term goal two years ahead of plan.

Looking ahead, we will use this information to create a better work environment for our employees and one that further brings our values to life. We will build on our strengths while addressing shortcomings.

VALUING OUR DIVERSITY

In fiscal 2008–09, LCBO held its first-ever Diversity Day where employees celebrated and showcased their cultural heritage. LCBO’s Diversity management office is responsible for implementation of Equal Employment Opportunity initiatives, human rights issues and general workplace issues.

ONTARIO VQA WINES GREW BY 34 PER CENT

2008–09:

Net sales: $325.7 million

Increase over year before: $23.6 million (7.8 per cent)

Performance to plan: -$19.2 million (-5.6 per cent)

Margin dollars: $146.2 million

Increase over year before: $9.3 million (6.8 per cent)

Performance to plan: -$9.5 million (-6.1 per cent)

KEY TRENDS:

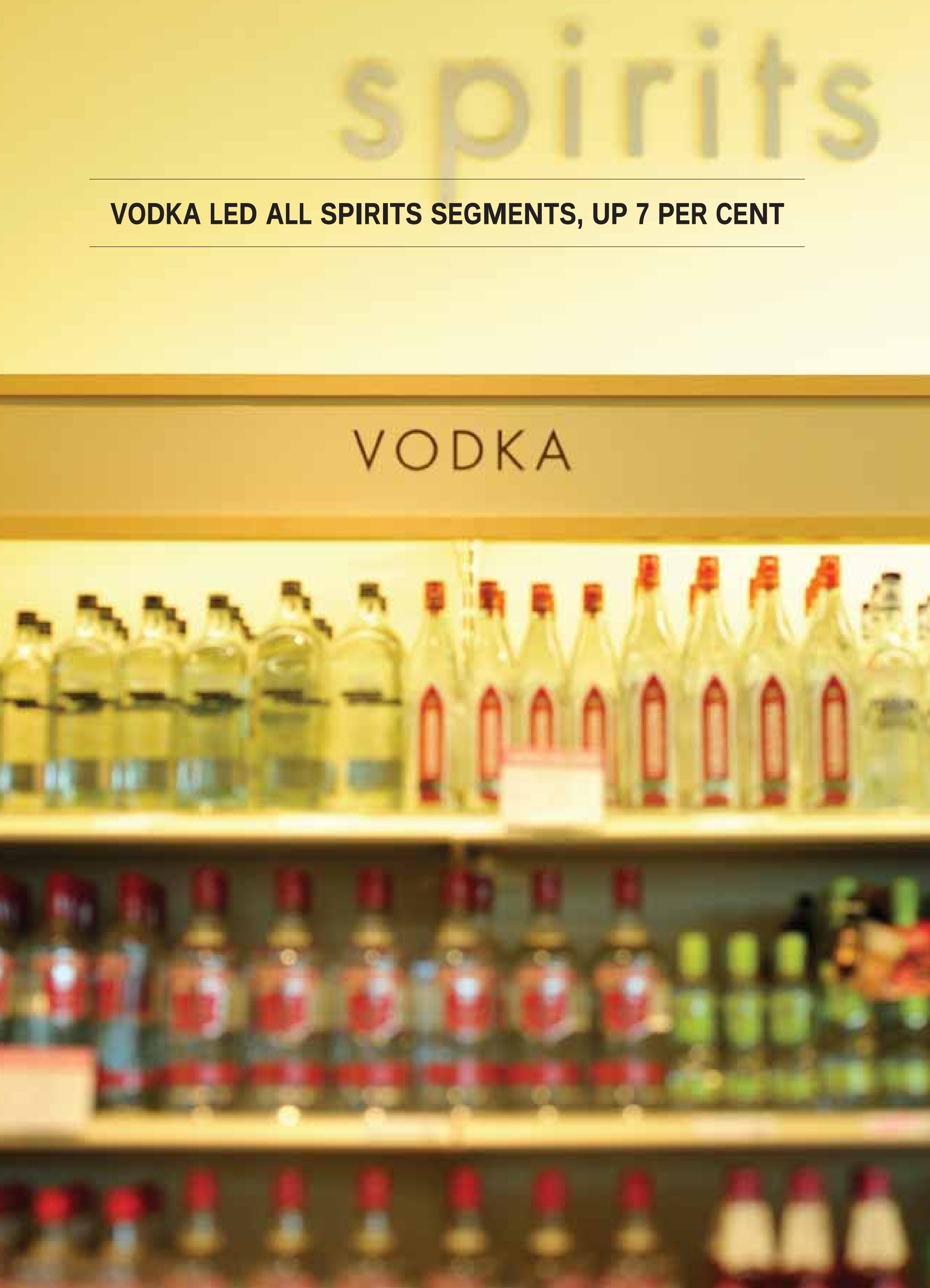
- VQA white wine sales were up 34.3 per cent year-over-year
- VQA red wine sales were up 33.8 per cent year-over-year
- Argentinean white wine sales were up 52.9 per cent year-over-year
- Argentinean red wine sales were up 71.2 per cent year-over-year
- red Italian Ripasso sales rose 40.2 per cent
- red wines from the south of France increased by 43.7 per cent.

OUTLOOK FOR 2009–10

- net sales are projected to decline slightly (-0.8 per cent) compared to 2008–09, totalling $322.9 million
- VINTAGES expects to achieve a margin dollar target of $144.5 million, a decline of 1.2 per cent compared to 2008–09
- Ontario table wine sales are projected to grow by 18.1 per cent
- VINTAGES will offer a broader range of wines priced $15 to $35
- continue to promote *VINTAGES ShopOnline* website, while continually improving the shopping experience
- capitalize on product/regional trends including Ontario, Argentina, Veneto region of Italy and the south of France
- continue to support the LCBO's environmental strategy by sourcing products that use organic ingredients and sustainable production practices and come in lighter weight containers
- offer more VINTAGES products: e.g. spirits, specialty and niche products
- expand and showcase VINTAGES product line through planned new and renovated stores.

note: vintages totals do not include sales through the wines, spirits, and beer and ready-to-drink business units or the private ordering or consignment programs.

VODKA LED ALL SPIRITS SEGMENTS, UP 7 PER CENT



2008–09:

Net sales: $1.57 billion

Increase over year before: $42 million (2.7 per cent)

Increase over plan: $2.4 million (0.2 per cent)

Margin dollars: $915 million

Increase over year before: $13.9 million (1.5 per cent)

Performance to plan: $4.1 million (0.5 per cent)

KEY TRENDS:

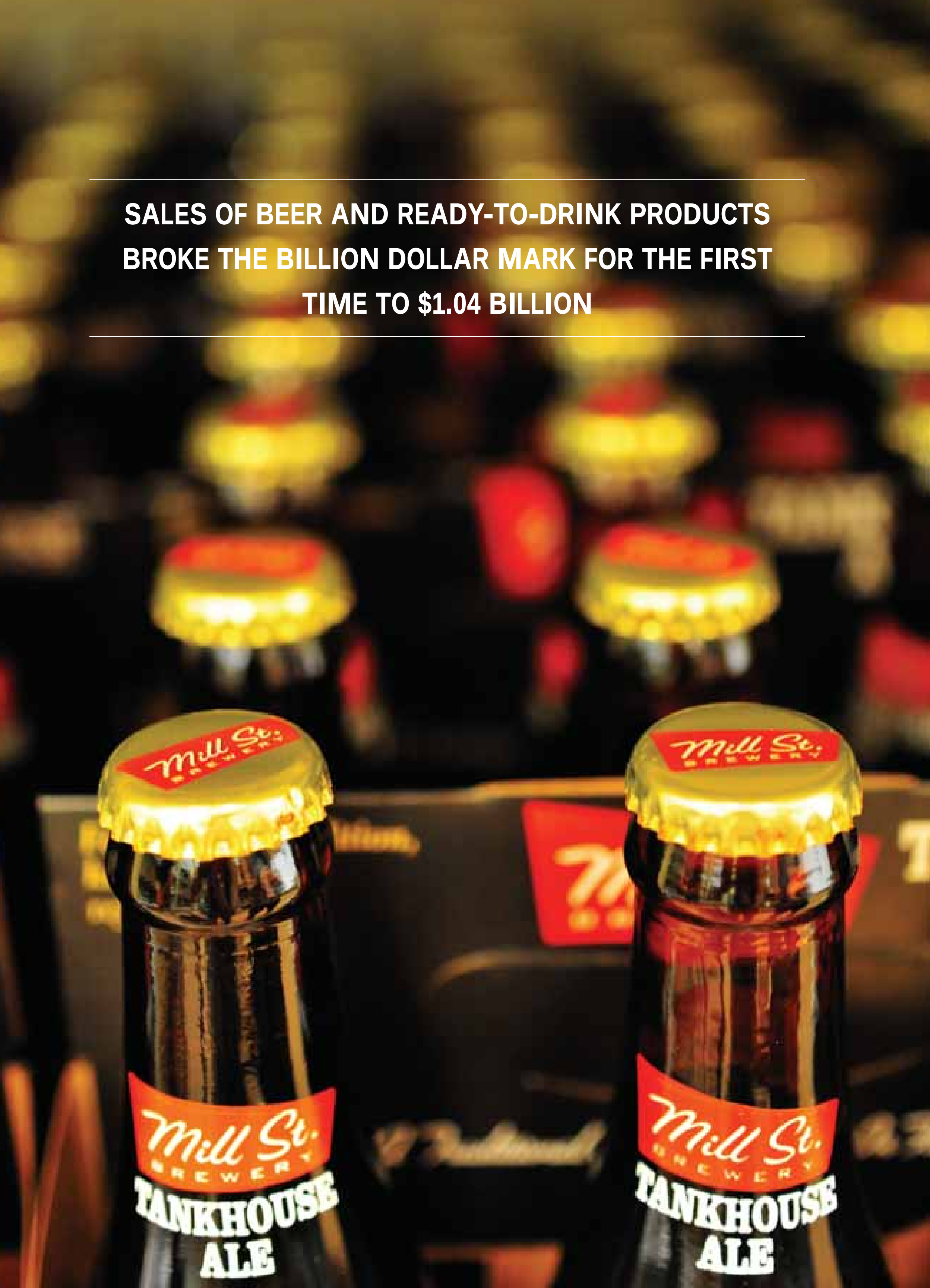
- vodka was the leading contributor of spirits sales growth in fiscal 2008–09, growing by 7.0 per cent and accounting for 60 per cent of overall growth; it is now the largest spirits product category at $387 million
- net sales of deluxe and premium spirits grew 5.0 per cent and 3.8 per cent respectively, outpacing standard spirits, which were flat to the previous year
- customers continued to discover new and unique premium spirits such as small-batch Canadian whiskies
- brown spirits are back; whisky customers are finding new ways to enjoy this staple category, with sales trending 1.8 per cent over last year and contributing almost $10 million in incremental growth to the spirits business
- a new Asian spirits category was established with the introduction of Shōchū from Japan and Soju from Korea, which together now contribute almost $2 million in annual sales.

OUTLOOK FOR 2009–10

- continued support of the LCBO's environmental strategy by sourcing products that use organic ingredients and sustainable production practices, result in less waste and come in lighter weight glass and PET containers
- sales of high-end categories, such as Cognac, deluxe vodka, and classic liqueurs have begun to slow down as consumers look for more value, i.e. a quality product that offers good value for the money
- despite an overall softening of spirits sales as a result of the recession in 2008–09, some categories, such as tequila, American and Irish whiskey, are set to grow
- a greater emphasis on value, which is not necessarily defined as least expensive, but is rather about product quality
- first decline in spirits sales in 10 years is predicted (-6.3 per cent).

note: lcbo product category totals do not include sales through vintages or the private ordering or consignment programs.

SALES OF BEER AND READY-TO-DRINK PRODUCTS BROKE THE BILLION DOLLAR MARK FOR THE FIRST TIME TO $1.04 BILLION



2008–09:

Net sales: $1.04 billion

Increase over year before: $46.6 million (4.7 per cent)

Increase over plan: $1.7 million (0.2 per cent)

Margin dollars: $390.8 million

Increase over year before: $14.3 million (3.8 per cent)

Performance to plan: -$915,000 (-0.2 per cent)

KEY TRENDS:

- sales of beer and ready-to-drink products were up almost five (4.7) per cent and broke the billion dollar mark for the first time to reach $1.04 billion
- Ontario craft beer was the fastest growing segment in the beer category, increasing in sales by 46.6 per cent over the previous year
- volume share for beer sold at the LCBO increased by almost one percentage point to 19.6 per cent; each percentage point is valued at approximately $30 million
- single-serve cans have become the preferred format for LCBO beer customers. This segment accounts for almost one third of all beer sold at the LCBO; it increased 14 per cent over the previous year
- ciders experienced growth of 21.7 per cent and achieved net sales of $12.8 million, driven primarily by an expanded assortment and the popularity of single-serve cans
- one-pour cocktails achieved exceptional growth of 69.1 per cent; this category continues to gain popularity among Ontario consumers with new introductions from well-known brands such as Smirnoff and Bacardi.

OUTLOOK FOR 2009–10

- a greater emphasis on value in the beer category
- consumers are seeking simple drinks, increasing the appeal of one-pour cocktails; and they are seeking less sweet, lower calorie and lower alcohol ready-to-drink products
- net sales are projected to grow modestly by 1.7 per cent in 2009–10 compared to 2008–09.

note: lcbo product category totals do not include sales through vintages or the private ordering or consignment programs.

ARGENTINEAN WINE SALES GREW BY 121.8 PER CENT TO $32.2 MILLION DRIVEN BY THE LAUNCH OF FUZION

2008–09:

Net sales: $1.1 billion

Increase over year before: $32.8 million (3 per cent)

Performance to plan: -$4.1 million (-0.4 per cent)

Margin dollars: $561.2 million

Increase over year before: $14.2 million (2.6 per cent)

Performance to plan: -$5.7 million (-1 per cent)

KEY TRENDS:

- Argentinean wine sales grew by 121.8 per cent to $32.2 million. This growth was driven by the launch of Fuzion in June 2008; this shiraz-malbec, priced at less than $8, became LCBO's top-selling wine (more than 150,000 cases were sold)
- wine sales overall were up four per cent to $1.49 billion
- VQA wines were up 14.9 per cent – one of the fastest growing segments in wines thanks in part to the successful *Go Local* campaign in the fall that created positive sales momentum for the rest of the fiscal year
- Italian wines grew by 2.2 per cent, generating incremental net sales of $3.9 million
- LCBO successfully promoted California wines during the *California Style* promotion in May 2008; for the past fiscal year, net sales of California wines were up more than $85.2 million (19.7 per cent).

OUTLOOK FOR 2009–10

- net sales forecasted to decline slightly (-2.1 per cent)
- consumers will continue to trade down to lower price points and demand higher price/quality from their purchases
- sales of wines from Argentina, Spain, Portugal and Chile are forecast to grow in the coming year
- streamlined processes will bring new products to the market faster and better highlight them in our stores
- continued support of the corporate environmental strategy by buying new environmentally-aware products and negotiating with suppliers to convert current brands to lighter weight glass.

Every business faces risks, such as a breach of computer systems or a downturn in the economy, and must make plans to manage them.

Beginning in 2006–07, LCBO took steps to identify various risks to the organization and assess these potential threats to our business. Risks identified ranged from changing customer demographics to cross-border issues and their effect on tourism.

An Enterprise Risk Management Group was set up to identify risks, how likely they were to occur, how they can be controlled and what could be done to lessen their impact if they occurred. More than a dozen focus groups with senior team members and department managers at head office were held and identified business risks, from possible to unlikely, serious to negligible. All divisions were involved in these risk management brainstorming sessions and risks were tied directly to divisional business plans.

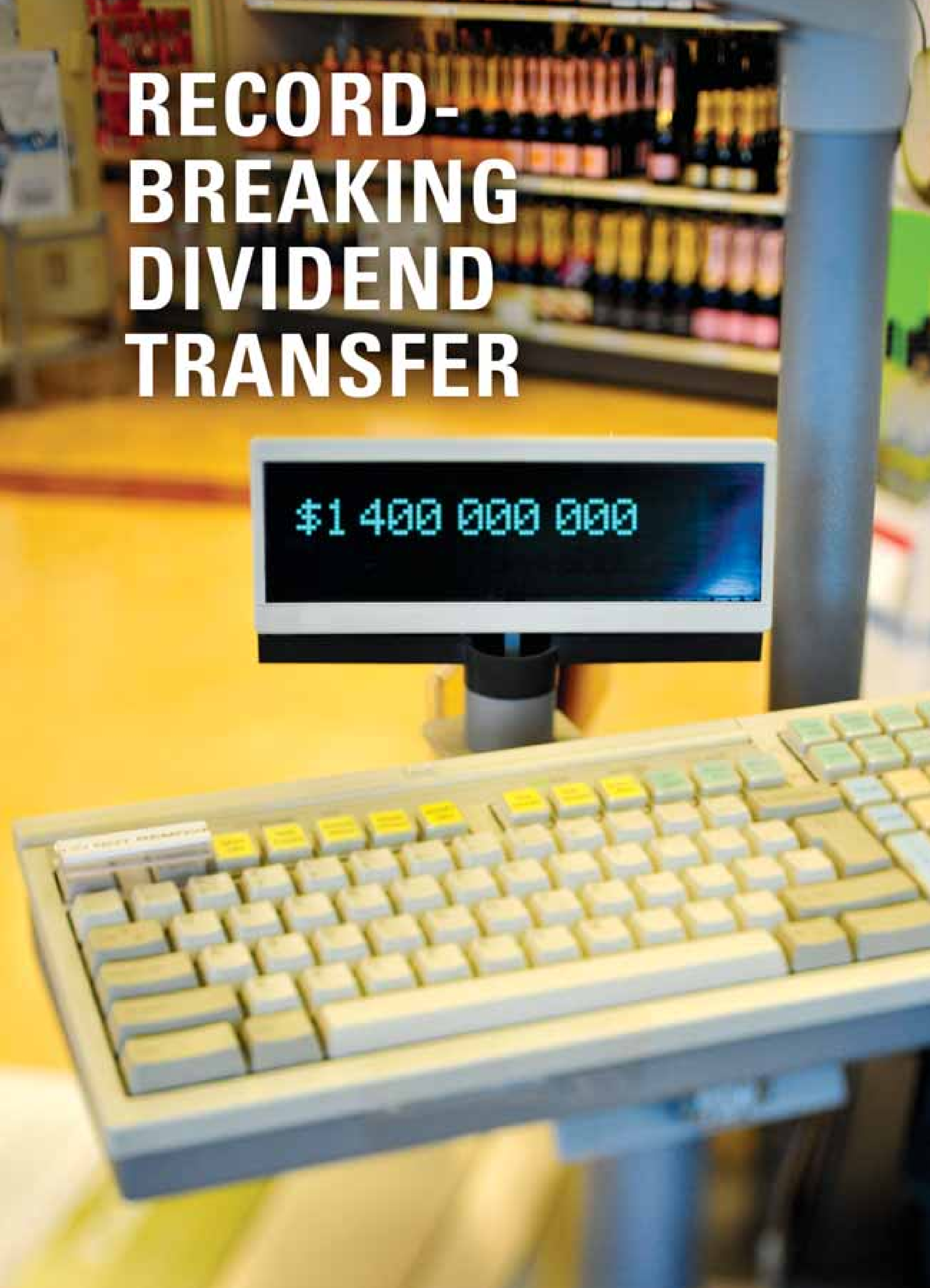
A further review and assessment of these potential risks was conducted in 2007–08 resulting in 17 key business risks identified and incorporated into the annual business plans of various divisions.

Risk champions were assigned within each division to develop and implement risk mitigation strategies. These plans have been reviewed and approved by the Audit Committee of the LCBO board.

The process of monitoring, assessing and implementing a risk management process is ongoing and will continue to be developed to identify and assess new risks and ensure current risks are mitigated appropriately.

In 2008–09, these 17 risks were further narrowed down to 14, which are currently being reviewed by the LCBO board.

RECORD-BREAKING DIVIDEND TRANSFER



Beyond the Numbers 2008–09

Canadian securities regulations require public companies to include a discussion of operating results in the annual report, along with annual financial statements. As a provincial government enterprise, LCBO is not subject to these regulations. However, we have included this discussion to increase understanding of our operations and make sure our results are disclosed to the widest possible audience. This section of the LCBO annual report explains the financial results for the past year and provides background for evaluating its performance.

HIGHLIGHTS

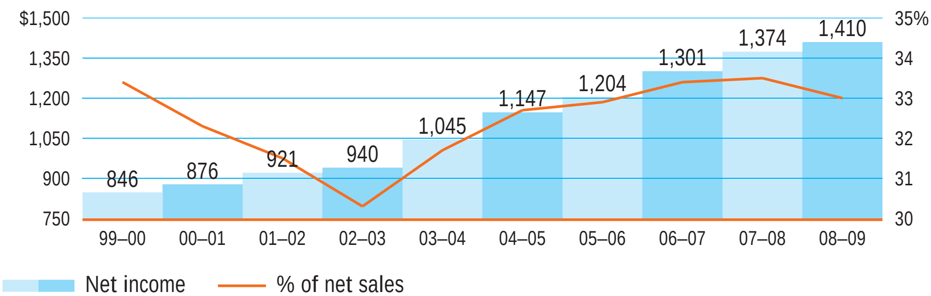
(value in $000)	2007–08	2008–09	% change
Dividend to Government	1,345,000	1,400,000	4.1%
Net sales and other income	4,133,191	4,297,642	4.0%
Operating expenses	659,429	682,526	3.5%
Net income	1,374,357	1,410,174	2.6%

NET INCOME

LCBO net income reached a record $1.41 billion in 2008–09, $35.8 million more than in the previous fiscal year. However, net income as a percentage of net sales declined to 33.0 per cent from 33.5 per cent a year ago.

The following chart gives a 10-year history of LCBO net income and net income as a percentage of net sales.

NET INCOME ($000,000) **AND AS PERCENTAGE OF NET SALES**



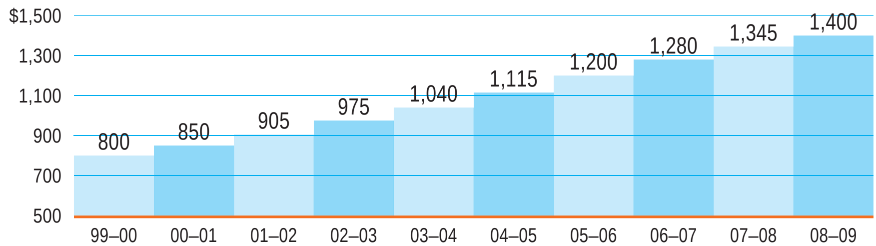
Since 1999–2000, LCBO net income has improved by 66.7 per cent or $564 million. Net income growth exceeded growth in net sales between 2002–03 and 2007–08 through improved margins and expense control. In 2008–09, tighter margins resulting from the domestic spirits harmonization initiative* and changes in the product and channel sales mix put pressure on net income growth. Increased expenses related to the *Bag It Back* deposit return program and higher credit card transaction costs also affected net income.

DIVIDEND

The LCBO transferred an all-time high $1.40 billion dividend, excluding all taxes, to the Government of Ontario in 2008–09. This represents a $55 million increase over the previous year. It was the 15th straight year the LCBO increased its dividend to the Ontario government, the 14th straight record year and the sixth consecutive dividend of more than $1 billion.

The following chart gives a 10-year history of LCBO dividends transferred to the Government of Ontario.

DIVIDEND ($000,000)



Since 1999–2000, the dividend has grown by 75.0 per cent or $600 million. Over the past 10 years, the LCBO has transferred $10.91 billion in dividends to the provincial government.

* the lcbo reduced the markup on spirits on february 4, 2008 to ensure the consistent treatment of comparable spirits products and to enhance economic opportunity and growth.

GOVERNMENT REVENUE DISBURSEMENT

The LCBO dividend does not include the Ontario Retail Sales Tax (ORST), which amounted to $398 million in 2008–09.

The following tables show LCBO payments to various levels of government in fiscal 2008–09 and the breakdown of $1 in net sales.

LCBO PAYMENTS TO GOVERNMENT

Total payments ($000)	2,265,512
Government of Ontario – Dividend	61.8%
Government of Ontario – ORST	17.6%
Government of Canada – Excise & Duty	15.3%
Government of Canada – GST	4.6%
Ontario Municipalities	0.7%

BREAKDOWN OF $1 IN NET SALES

Product cost	$ 0.52
Net income	0.33
Retail and marketing	0.09
Administration and other	0.04
Warehousing and distribution	0.02

LCBO'S EXTERNAL ENVIRONMENT

In fiscal 2008–09, LCBO net sales increased 3.9 per cent year-over-year, outperforming Ontario's total retail sector sales growth, at 0.8 per cent, during the same period.

During the first half of the year, Ontario's export-sensitive manufacturing sector was faced with an unfavourable exchange rate and a slumping demand from the U.S., the province's largest trading partner. Real GDP growth was flat and consumers were burdened with rising costs led by record-high gasoline prices. Despite these challenges, between selling periods 1 and 7, LCBO and provincial retail sales managed growth of four per cent year-over-year. Relatively low unemployment, a healthy stock market, and stable consumer confidence supported these results.

The second half of the year witnessed a crisis in the global economy. The economic downturn in the U.S. became a full-scale recession. To the relief of consumers, oil and gasoline prices plunged and overall inflation cooled off. However, stock market portfolios plummeted, eroding consumer wealth. While manufacturers welcomed the retreat of the Canadian dollar from near parity with the U.S. dollar, consumer demand south of the border evaporated. Domestic automakers in particular were affected by this climate. Job losses began to mount on both sides of the border and consumer confidence sank to historic lows.

From Period 8 to the end of the fiscal year, overall retail sales in Ontario decreased three per cent as consumers pulled back on spending. Meanwhile, sales at the LCBO continued to grow steadily, rising almost four per cent year-over-year. Nonetheless, sales growth of premium products began to slow – as witnessed by an abrupt change in the pace of sales growth in VINTAGES in particular – and purchases by bars and restaurants through the licensee channel declined.
Beverage alcohol sales are not immune to economic downturns, but they are somewhat "recession cushioned." LCBO customers sought more value, buying less expensive brands and increasingly entertaining at home instead of dining out.

Other factors impacting LCBO sales during the year included the "wettest summer ever" for the Greater Toronto Area, when record rainfall reduced beer and cooler sales during the pivotal summer months, and a spirits floor price increase on July 21, 2008, which contributed approximately $8.0 million to net sales in 2008–09. An increase to the minimum price of beer and coolers on November 24, 2008 supported net sales growth but did not benefit the LCBO bottom line due to the nature of the markup for these product types*.

SALES BY REGION

LCBO's four retail regions achieved positive year-over-year net sales growth in fiscal 2008–09. While performance to plan was essentially flat, Central Region experienced lower-than-anticipated sales growth primarily due to delayed new store openings while Western Region continued to be most affected by the economic downturn.

The following table shows how net sales in each region fared compared both to plan and to the previous year.

Region	2008–09 ($000)	change from 2007–08	variance from plan
Northern	527,494	3.7%	0.6%
Eastern	867,028	3.6%	0.9%
Central	1,352,399	4.2%	-1.4%
Western	928,404	3.0%	-0.4%

COMPARABLE STORE SALES

"Comparable stores" are defined as stores that have been open in their present location for more than two years. "Non-comparable stores" include stores open less than two years and closed stores. In 2008–09, owing to three net new locations, non-comparable stores witnessed tremendous net sales growth of 45.9 per cent over the previous year. Comparable stores posted net sales growth of 1.4 per cent.

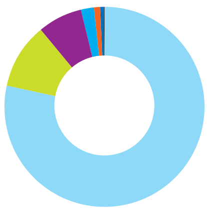
* see share of margin by buyer 2008–09 on page 48

SALES BY CHANNEL

LCBO retail sales, defined as sales to home consumers, increased to $3.35 billion in 2008–09, a four per cent increase over the previous year. As a share of total LCBO sales, retail sales remained at 78.4 per cent while the licensee channel lost share to The Beer Store (TBS). Licensee sales, which include sales to hotels and restaurants, grew a modest 1.1 per cent in 2008–09, to $451 million. As a percentage of total LCBO sales, licensee sales declined for the second consecutive year to 10.6 per cent.

LCBO wholesale sales to TBS totalled $307 million during the year, up 7.2 per cent from 2007–08. This increased TBS sales as a percentage of total LCBO sales to 7.2 per cent.

BREAKDOWN OF LCBO SALES BY CHANNEL



LCBO sales to duty-free stores at land border points decreased for the fourth consecutive year, albeit at a slower pace in 2008–09, falling 1.0 per cent compared to the previous year. During the first half of the year, Americans stayed home, faced with inflated gas prices and little exchange rate advantage on this side of the border. In the second half, cross-border travel from the U.S. was still soft due to prevailing economic conditions and border crossing concerns, but improved as gas prices fell and the Canadian dollar weakened.

Agency store sales grew 5.6 per cent during the year to $90 million. As a percentage of total LCBO sales, agency store sales share was unchanged at 2.1 per cent.

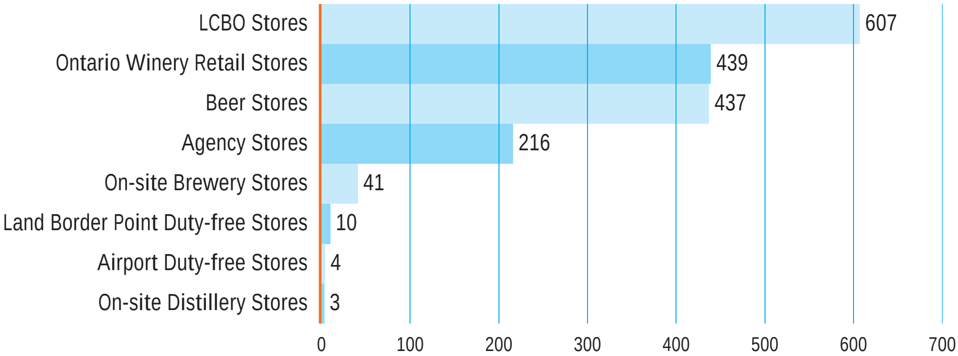
The direct delivery program, which enables Ontario wineries to deliver their products – predominantly VQA wines – directly to licensees, experienced year-over-year net sales growth of 3.6 per cent. During 2008–09, direct delivery channel sales represented 16.2 per cent of the total value of the licensee market for wine, compared to 16.0 per cent the previous year.

LCBO IN THE SHARED MARKETPLACE

The LCBO operates in a shared marketplace along with other retailers of beverage alcohol, including The Beer Store, which is owned by Molson-Coors, Labatt (InBev SA) and Sleeman (Sapporo), Ontario winery retail stores (WRS), on-site brewery stores, agency stores, duty-free operators and on-site distillery stores. As of March 31, 2009, there were 1,757 outlets selling alcohol in Ontario.

Here is what the market looked like at March 31, 2009:

ONTARIO'S ALCOHOL MARKETPLACE BY NUMBER OF OUTLETS



CHANGES IN MARKET SHARE

The total Ontario beverage alcohol marketplace, which includes LCBO, TBS, WRS, as well as other legal (e.g. ferment on premise), homemade and illegal channels, amounted to more than $9.4 billion in gross sales in 2008–09. The LCBO's market share by value remained unchanged from 2007–08 at 50.8 per cent.

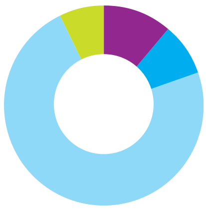
In fiscal 2008–09, volume sales in the Ontario wine market rose 2.5 per cent over the previous year. Imported wine accounted for 61.1 per cent of wines sold in the province, unchanged from a year ago. Wine from Ontario, sold though the LCBO and winery retail stores, as well as delivered directly by Ontario wineries, remained at a 38.4 per cent share.

Direct delivery wine sales declined 0.3 per cent year-over-year in volume terms during 2008–09. Direct delivery represents 2.3 per cent of the provincial wine market compared to 2.4 per cent a year earlier.

WINE VOLUME MARKET SHARE, 2008–09 (2007–08 share in brackets)

Volume sales of beer in Ontario were essentially flat in 2008–09, down 0.5 per cent from a year earlier. However, beer sold at the LCBO, excluding sales to TBS, grew by 3.5 per cent, while sales at TBS decreased 1.3 per cent versus 2007–08. As a result, LCBO's volume market share increased to 19.6 per cent from 18.9 per cent in 2007–08. TBS's volume market share declined to 80.4 per cent from 81.1 per cent over the same period.

BEER VOLUME MARKET SHARE, 2008–09 (2007–08 share in brackets)



TBS Domestic	73.1% (74.2%)
TBS Imported	7.3% (6.9%)
LCBO Domestic	11.1% (11.0%)
LCBO Imported	8.5% (7.9%)

OPERATING RESULTS

GROSS MARGIN

Gross margin increased to $2.06 billion in 2008–09, an improvement of 2.7 per cent from 2007–08, but 1.2 per cent below plan. Gross margin expressed as a percentage of net sales was 48.3 per cent, less than 48.9 per cent last year and below plan of 48.7 per cent. While the domestic spirits markup harmonization initiative effective in February 2008 deflated margin by approximately $12.7 million during 2008–09, sales growth of premium products, especially those from VINTAGES, boosted margin during the year. However, due to the fixed proportion of the markup structure, the gross margin to sales ratio declines as wine net sales per litre rises – this is known as the inverse yield curve.

Wine was the main contributor to the gross margin increase, accounting for 43.4 per cent of the increase. Spirits and beer accounted for 32.6 per cent and 24.0 per cent of the improvement, respectively. LCBO receives the highest margin per dollar of net sales from spirits products at 56.9 cents per net sales dollar. Wine contributes 48.8 cents per net sales dollar while beer accounts for 35.3 cents. (Note: These margin numbers include sales through VINTAGES.)

Spirits accounted for the largest proportion of gross margin at 45.4 per cent due to higher margins on spirits products. Wines and VINTAGES represented 27.9 per cent and 7.3 per cent of share of margin, respectively, while Beer, Ready-to-Drink and Accessories (BRTDA) accounted for 19.4 per cent.

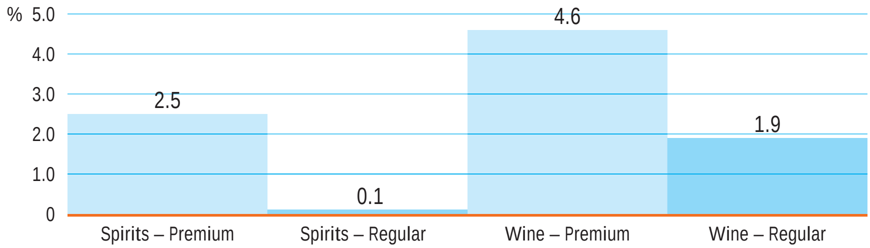
LEVEL OF CUSTOMER SATISFACTION

SHARE OF MARGIN BY BUYER, 2008–09

note: excludes private ordering

In 2008-09, sales of spirits products priced higher than $30 for a 750 mL bottle increased by 2.5 per cent compared to 0.1 per cent improvement for other spirits products. Premium wine, priced at $15 or more, posted a 4.6 per cent increase during the year, compared to 1.9 per cent for all other wines. The trend toward premium products extends to beer as well, but this has no effect on LCBO margins because beer markups are flat: they do not change along with the product's value, as is the case with wine and spirits.

PREMIUM PRODUCT SALES GROW AT A FASTER RATE (year over year volume growth)



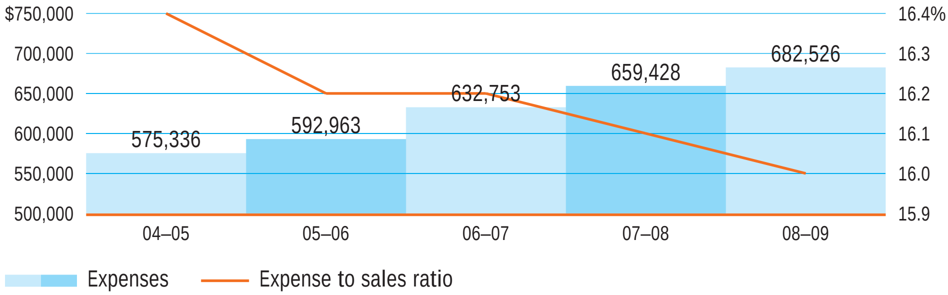
While wine sales as a share of total LCBO sales volume held steady at 28.9 per cent in 2008–09, volume sales of beer increased to 51.3 per cent from 50.7 per cent in 2007–08, resulting in a decline in spirits share to 19.8 per cent from 20.5 per cent.

EXPENSES

Expense control was effective throughout the year. Total expenses came in at $683 million, 1.6 per cent below budget and 3.5 per cent higher than the previous year. The increase was primarily due to planned wage increases and increased occupancy costs relating to new and upgraded stores.

In fiscal 2008–09, the expense-to-net-sales ratio improved to 16.0 per cent from the previous year's level of 16.1 per cent. Each one per cent reduction in operating expenses translates into approximately $40 million in savings.

EXPENSE TREND (value in $000)



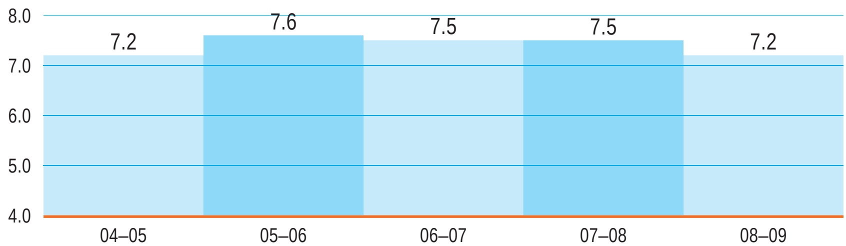
Head office expenses were 8.0 per cent below budget, increasing 2.3 per cent year-over-year to $119 million. Warehouse expenses increased by 3.8 per cent to $56 million, and were 1.9 per cent over plan primarily due to higher than anticipated freight costs for shipments to TBS. Store expenses rose 4.2 per cent to $379 million, which was 1.2 per cent over plan resulting from higher salaries and benefits expenses as well as increased freight, repairs and maintenance costs.

INVENTORY

Total inventory turns were negatively impacted by the slowing economy as buying patterns began to change and slower sales of imported goods were reflected in higher inventories. Total inventory turns were 7.2 in 2008–09, 0.3 turns below plan and last year. While turns for wines, excluding VINTAGES, were similar to the previous year at 6.0, inventory turns for spirits decreased to 8.5 from 8.6, VINTAGES declined to 2.9 from 3.1, and Beer, Ready-to-Drink and Accessories fell to 13.9 from 15.2.

Warehouse inventory turns decreased to 11.6 in 2008–09 from 12.1 a year ago and below the budgeted target of 12.2. Retail inventory turns also declined by 0.8 turns below last year and plan to 13.4.

TOTAL INVENTORY TURNS



FINANCIAL AND OPERATING RATIOS

Income statement ratio performance was steady in 2008–09.

Administrative expenses matched last year and plan at 1.5 per cent of net sales. Likewise, operating expenses as a percentage of net sales remained at 11.5 per cent.

Gross margin as a percentage of net sales came in at 48.3 per cent for the year, below last year's ratio of 48.9 per cent as well as the plan ratio of 48.7 per cent. This was due to changes in the product sales mix and the domestic spirits markup harmonization initiative, which took effect February 4, 2008.

PRODUCTIVITY RATIOS

To help track expenses and identify where improvements are occurring, or are needed, the LCBO sets targets for many productivity ratios each year. For example, the store expenses-to-sales ratio shows what percentage of net sales is needed to pay retail expenses such as salaries, store rents and other expenses. A declining store expenses-to-sales ratio indicates employees are becoming more productive.

RETAIL – FINANCIAL AND OPERATING HIGHLIGHTS

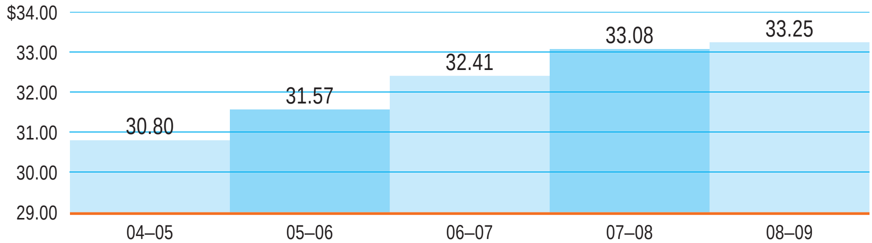
	04–05	05–06	06–07	07–08	08–09
Store salary to sales	7.0%	7.0%	6.8%	6.8%	6.9%
Store expenses as percentage of sales	10.4%	10.3%	10.0%	10.0%	10.0%
Store salary per unit sold	$0.76	$0.76	$0.74	$0.72	$0.72
Store expenses per unit sold	$1.13	$1.12	$1.08	$1.05	$1.05
Unit sales per hour	33.5	34.9	36.7	38.6	39.8
Sales per customer	$30.80	$31.57	$32.41	$33.08	$33.25
Sales per square foot	$1,859	$1,816	$1,898	$1,885	$1,878

For the retail channel, store salaries as a percentage of net sales increased 10 basis points from the previous year to 6.9 per cent in 2008–09. Store salaries per unit sold was static at $0.72, but better than the planned value of $0.73.

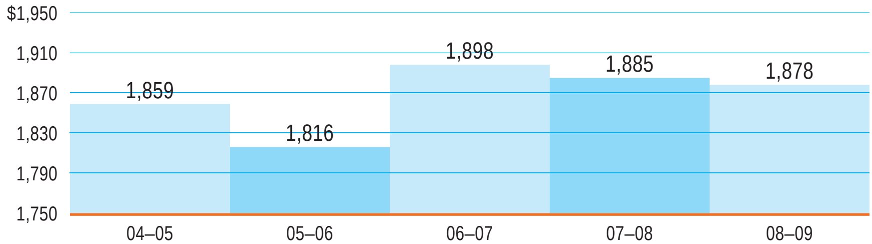
Store expenses as a percentage of sales remained at 10.0 per cent, just over the planned proportion of 9.9 per cent. Store expenses per unit sold was unchanged at $1.05, outperforming the plan figure of $1.06.

Sales per customer figures have improved significantly over the past five years, rising from $30.80 in 2004–05 to $33.25 in 2008–09. These results reflect the trend toward premium products. Store sales per square foot decreased slightly to $1,878 due to the additional square footage in newer stores. This is below last year's figure of $1,885, but better than the planned figure of $1,863.

AVERAGE SALES PER CUSTOMER



AVERAGE SALES PER SQUARE FOOT



For the logistics channel, distribution cases per hour improved to 73 in 2008–09, more than last year's 70 but below the target of 79. Warehouse cost per case (excluding freight) increased to $1.21 compared to $1.19 a year earlier. This was primarily due to higher labour costs. Salary cost per case rose to $1.00, $0.02 more than in 2007–08.

Freight expense per case was $0.13 lower than last year at $1.66. This decrease was primarily due to lower ocean freight expenses resulting from lower rates in the new ocean freight contract. As a percentage of sales, inbound freight declined to 2.5 per cent in 2008–09 while outbound freight continued to hold steady at 0.7 per cent.

LOGISTICS – FINANCIAL AND OPERATING HIGHLIGHTS

	04–05	05–06	06–07	07–08	08–09
Warehouse salary cost per case	$0.90	$0.93	$0.94	$0.98	$1.00
Warehouse cost per case	$1.11	$1.16	$1.14	$1.19	$1.21
Distribution cases per hour	62	64	68	70	73
Distribution expenses per case	$0.66	$0.68	$0.67	$0.70	$0.71
Freight expense per case	$1.52	$1.67	$1.73	$1.79	$1.66
Inbound freight as percentage of sales	2.5%	2.7%	2.8%	2.8%	2.5%
Outbound freight as percentage of sales	0.7%	0.7%	0.7%	0.7%	0.7%

CAPITAL EXPENDITURES

As the LCBO continues to help customers *Discover the World* of beverage alcohol, capital spending in 2008–09 was again focused on upgrading more retail stores to current corporate standards and improving service in markets where population growth is occurring or is projected.

($000)	04–05	05–06	06–07	07–08	08–09
Retail	27,981	39,650	38,292	45,101	40,673
Retail Store Development and Real Estate	1,639	1,310	1,025	1,126	146
Information Technology	6,917	7,980	7,320	7,709	7,887
Logistics	6,487	2,464	3,332	2,433	3,108
Marketing Programs	1,355	666	1,225	1,274	1,402
Other Administrative Divisions	3,084	2,466	3,022	6,016	6,552
Total Capital Expenditures	47,465	54,535	54,217	63,659	59,769

LOOKING AHEAD

The 2009–10 fiscal year will be a challenging one for the LCBO. Given continuing difficult economic conditions in the province, net sales are forecast to decline to $4.15 billion, 2.7 per cent lower than 2008–09.

Gross margin is forecast to decrease by 2.4 per cent to $2.01 billion. However, gross margin as a percentage of net sales is expected to improve to 48.5 per cent, up from the 2008–09 rate of 48.3 per cent, due to lower freight costs and decreased sales of premium wine (the inverse yield curve referred to earlier).

Net income is forecast to be $1.33 billion in 2009–10, a decrease of $83 million or 5.9 per cent year-over-year. As a result, the LCBO's dividend to the Government of Ontario is expected to decrease for the first time in 15 years to $1.32 billion, $80 million less than in fiscal 2008–09.

IFRS LCBO – MARCH 31, 2009

Last March, the Canadian Accounting Standards Board confirmed that publicly traded accountable enterprises will be required to transition their accounting procedures by 2011 to comply with the move to International Financial Reporting Standards (IFRS), in use in more than 100 countries.

The LCBO is required to present its first set of published IFRS statements in the year ending March 31, 2012, providing comparative information. During the transition, LCBO will follow the disclosure guidelines proposed by Canadian Securities administrators in May 2008 for publicly traded securities. LCBO will provide an update of its IFRS conversion plan in each financial reporting period prior to transitioning on April 1, 2011.

LCBO began its IFRS conversion project in 2007 and has adopted a formal, structured approach. Components include a steering committee consisting of senior levels of management from finance and representatives from all business units that regularly report to executive management and the Audit Committee of the board of directors. LCBO has also engaged an external expert advisor to help with its IFRS conversion project, consisting of three phases:

- scope and diagnostic analysis
- plan, design and build
- implementation and review.

During 2008–09, LCBO completed the scope and diagnostic phase, which involved a high level review of the major differences between existing standardized practices and IFRS. It concluded the transactions most impacted include accounting for fixed assets, lease accounting, employee future benefits accounting, provisions and contingencies. LCBO continues to monitor developments at the International Accounting Standards Board.

During 2008–09, LCBO achieved a number of milestones as part of the first phase. These included the completion of all significant LCBO accounting processes, identifying relevant areas of compliance under the new guidelines and creating a communication plan that deals with the broader implications of adopting IFRS. LCBO is well underway with its analysis of the systems, processes and the internal control impacts of conversion.

LCBO is currently determining appropriate accounting policies and identifying areas within its financial statements where disclosure gaps exist between current practices and IFRS requirements.

During 2009–10, LCBO will determine the projected impacts on its financial statements after considering the options available. It will then develop significant accounting policies under IFRS, and determine the systems, processes and internal control impacts of the conversion. Finally, LCBO will execute a training plan for the broader organization to make sure it is well positioned to adopt IFRS requirements within all impacted areas.

Project status and updates will continue throughout 2009–10.

The preparation, presentation and integrity of the financial statements are the responsibility of management. The accompanying financial statements of the Liquor Control Board of Ontario have been prepared in accordance with Canadian generally accepted accounting principles and include amounts that are based on management's best estimates and judgment.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. An internal audit function independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its findings to management and the Audit Committee of the Board.

The Board, through the Audit Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Audit Committee, composed of four Members who are not employees/officers of the LCBO, generally meets periodically with management, the internal auditors and the Office of the Auditor General to satisfy itself that each group has properly discharged its respective responsibility.

The financial statements have been audited by the Office of the Auditor General. The Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditor's Report outlines the scope of the Auditor's examination and opinion.

On behalf of management:

Bob Peter

N. Robert Peter
President & Chief Executive Officer

J. C. Browning

J. Alex Browning
Senior Vice-President, Finance & Administration, and Chief Financial Officer

June 10, 2009

To the Liquor Control Board of Ontario and to the Minister of Finance

I have audited the balance sheet of the Liquor Control Board of Ontario as at March 31, 2009 and the statements of income and retained income and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Jim McCarter, CA
Auditor General
Licensed Public Accountant

Toronto, Ontario
June 10, 2009

BALANCE SHEET

As at March 31, 2009

($000)	2009	2008
ASSETS		
CURRENT		
Cash and cash equivalents	162,098	141,652
Accounts receivable, trade and others	21,612	26,124
Inventories (note 5)	342,860	335,355
Prepaid expenses	16,889	18,403
	543,459	521,534
LONG-TERM		
Capital assets (note 6)	259,986	247,559
	803,445	769,093
LIABILITIES AND RETAINED INCOME		
CURRENT		
Accounts payable and accrued liabilities	381,418	363,421
Current portion of accrued benefit obligation (note 3)	13,299	12,825
	394,717	376,246
LONG-TERM		
Accrued benefit obligation (note 3)	54,552	52,609
RETAINED INCOME	354,176	340,238
	803,445	769,093
Commitments and Contingencies (notes 7 and 10)		

see accompanying notes to financial statements.

Approved by:

Chair

Board Member, Chair
Audit Committee

STATEMENT OF INCOME AND RETAINED INCOME

Year Ended March 31, 2009

($000)	2009	2008
SALES AND OTHER INCOME	4,297,642	4,133,191
COST AND EXPENSES		
Cost of sales	2,204,942	2,099,405
Retail stores and marketing	450,345	433,093
Warehousing and distribution	88,845	84,023
Administration	96,930	93,556
Amortization	46,406	48,757
	2,887,468	2,758,834
NET INCOME FOR THE YEAR	1,410,174	1,374,357
RETAINED INCOME, BEGINNING OF YEAR	340,238	310,881
Adjustment to opening retained income resulting from adoption of new accounting standards for inventories (note 2f)	3,764	–
	1,754,176	1,685,238
DEDUCT		
Dividend paid to the Province of Ontario	1,395,000	1,340,000
Payment on behalf of the Province of Ontario (note 11)	5,000	5,000
	1,400,000	1,345,000
RETAINED INCOME, END OF YEAR	354,176	340,238

see accompanying notes to financial statements.

STATEMENT OF CASH FLOWS

Year Ended March 31, 2009

($000)	2009	2008
CASH PROVIDED FROM OPERATIONS		
Net income	1,410,174	1,374,357
Amortization	46,406	48,757
(Gain) Loss on sale of capital assets	(1,330)	407
	1,455,250	1,423,521
Net change in non-cash items		
Working capital	20,282	(13,512)
Accrued benefit obligation	2,417	4,508
	1,477,949	1,414,517
CASH USED FOR INVESTMENT ACTIVITIES		
Purchase of capital assets	(59,769)	(63,659)
Proceeds from sale of capital assets	2,266	9
	(57,503)	(63,650)
CASH USED FOR FINANCING ACTIVITIES		
Dividend paid to the Province of Ontario	(1,395,000)	(1,340,000)
Payment on behalf of the Province of Ontario	(5,000)	(5,000)
	(1,400,000)	(1,345,000)
INCREASE IN CASH DURING THE YEAR	20,446	5,867
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	141,652	135,785
CASH AND CASH EQUIVALENTS, END OF YEAR	162,098	141,652

see accompanying notes to financial statements.

1. NATURE OF THE CORPORATION

The Liquor Control Board of Ontario (Board) is a corporation without share capital incorporated under the *Liquor Control Act*, R.S.O. 1990, Chapter L.18. The corporation is a government enterprise responsible for regulating the production, importation, distribution and sale of alcoholic beverages in the Province of Ontario. As an Ontario Crown Corporation, the Board is exempt from income taxes under Section 149(1)(d) of the *Canadian Income Tax Act*. The Board transfers most of its profits to the Province of Ontario's Consolidated Revenue Fund in the form of a dividend.

2. SIGNIFICANT ACCOUNTING POLICIES

(A) BASIS OF ACCOUNTING

The Board's financial statements are prepared in accordance with Canadian generally accepted accounting principles (Generally Accepted Accounting Principles – GAAP).

(B) USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of 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.

(C) FINANCIAL INSTRUMENTS

Under Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855 *"Financial Instruments – Recognition and Measurement"*, financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments are measured at fair value upon initial recognition except for certain related party transactions. After initial recognition, financial instruments are measured at their fair values, except for financial assets classified as held-to-maturity, loans and receivables and other financial liabilities, which are measured at cost or amortized cost, using the effective interest rate method.

The Board's financial assets and liabilities are classified as follows:

- Cash and cash equivalents are classified as held-for-trading and recorded at fair value.
- Accounts receivable, trade and others are classified as loans and receivables and are measured at amortized cost, which approximates fair value given their short-term nature.
- Accounts payable and accrued liabilities are classified as other financial liabilities and are recorded at amortized cost. Accounts payable and accrued liabilities are generally short term in nature and due within one year of the balance sheet date.
- Derivative financial instruments are classified as held-for-trading and recorded at fair value. The Board enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate risk. The fair value of such derivative financial instruments is determined by reference to current market exchange rates and any gains or losses are included in the Statement of Income and Retained Income.

Effective April 1, 2008, the Board adopted CICA Handbook Section 3862 "*Financial Instruments – Disclosures*" and Section 3863 "*Financial Instruments – Presentations*", which replaced Section 3861, "*Financial Instruments – Disclosure and Presentation*". The disclosure requirements in Section 3862 require increased disclosures regarding the risks associated with financial instruments such as credit risk, foreign exchange risk, liquidity risk and the techniques used to identify, monitor and manage these risks. Section 3863 essentially carries forward the standards for presentation of financial instruments and non-financial derivatives previously found in Section 3861. The adoption of Section 3862 and Section 3863 did not have an impact on the Board's financial results or position. See Note 8 for the resulting disclosures from implementation.

(D) CAPITAL DISCLOSURES

CICA Handbook Section 1535 "*Capital Disclosures*" requires disclosure of the Board's objectives, policies and processes for managing capital as well as its compliance with any externally imposed capital requirements. The standard is effective for fiscal years beginning on or after October 1, 2007. The implementation of this standard did not have any impact on the Board's results of operations or financial position. The resulting disclosures from implementation are presented in Note 9.

(E) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash and highly liquid investments with original maturity dates of less than 90 days.

The Board's investment policy restricts short-term investments to high-liquidity, high-grade money market instruments such as federal/provincial treasury bills, banker's acceptances and term deposits.

(F) INVENTORIES

Effective April 1, 2008, the Board implemented CICA Handbook Section 3031 "*Inventories*", issued in June 2007, which replaces Section 3030 of the same title. The new standard provides guidance on the determination of cost and requires inventories to be measured at the lower of cost and net realizable value – with cost being determined using the first-in, first-out or weighted average cost method. Reversal of previous write-downs to net realizable value is now required when there is a subsequent increase in the value of inventories. The new standard also requires additional disclosures including the accounting policies used in measuring inventories, the carrying amounts of the inventories, amounts recognized as an expense during the period, write-downs and the amount of any reversal of any write-downs recognized as a reduction in expenses.

The Board values inventories at the lower of cost and net realizable value with cost being determined by the weighted average cost method. Cost includes the cost of purchase net of vendor allowances and includes other direct costs, such as transportation and direct warehouse handling costs that are incurred to bring inventories to their present location and condition.

Storage costs, indirect administrative overhead and certain selling costs related to inventories are expensed in the period that these costs are incurred. The Board estimates net realizable value as the amount that inventories are expected to be sold at less than the estimated costs necessary to make the sale. Inventories are written down to net realizable value when the cost of inventories is not estimated to be recoverable due to obsolescence, damage or declining selling prices. The resulting disclosures from implementation are presented in Note 5.

In accordance with the transitional provisions allowed under Section 3031, the Board has elected to treat the difference in inventory measurement as a retrospective adjustment to opening retained income without restatement of prior periods. The initial impact of measuring inventories under the new standard is an increase to the carrying amount of opening inventories and retained income as at April 1, 2008 of $3.8 million.

(G) CAPITAL ASSETS

Major capital expenditures with a future useful life beyond the current year are capitalized at cost and are amortized on a straight-line basis according to their estimated useful lives, as follows:

Buildings	20 years
Furniture and Equipment	5 years
Leasehold Improvements	5 years or 10 years
Computer Equipment	3 years or 4 years

Minor capital expenditures and expenditures for repairs and maintenance are charged to income.

(H) REVENUE RECOGNITION

Revenue is recognized when the sale of products is made to customers.

(I) EXPENSE RECOGNITION

Expenses are recognized as incurred, on an accrual basis, in the period to which they relate.

3. ACCRUED BENEFIT OBLIGATION

The accrued benefit obligation includes accruals for employee termination payments and unfunded workers compensation obligation and unused vacation entitlements.

For the year ended March 31, 2009 the cost of these employee future benefits was $13.0 million (2008 – $13.3 million) and is included in Cost and expenses in the Statement of Income and Retained Income. The accrued benefit obligation as at March 31, 2009, is $67.9 million (2008 – $65.4 million) of which $13.3 million (2008 – $12.8 million) is classified as a current liability.

The cost of post-retirement, non-pension employee benefits is paid by the Ministry of Government and Consumer Services and is not included in the Statement of Income and Retained Income.

4. PENSION PLAN

The Board provides pension benefits for all its permanent employees (and to non-permanent employees who elect to participate) through the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union Pension Fund (OPSEU Pension Fund) which are multi-employer defined benefit pension plans. The Province of Ontario, which is the sole sponsor of the PSPF and a joint sponsor of the OPSEU Pension Fund, determines the Board's annual contribution to the funds. As the sponsors are responsible for ensuring that the pension funds are financially viable, any surpluses or unfunded liabilities arising from statutory actuarial funding valuations are not assets or obligations of the Board.

For the year ended March 31, 2009, the expense was $17.8 million (2008 – $17.1 million) and is included in Cost and expenses in the Statement of Income and Retained Income.

5. INVENTORIES

The cost of inventories recognized as a Cost of sales expense during the year ended March 31, 2009 was $2,205 million (2008 – $2,099 million). There were no significant write-downs or reversal of previous write-downs to net realizable value during the year ended March 31, 2009 (2008 – nil).

6. CAPITAL ASSETS

($000)			2009	2008
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	12,952	–	12,952	13,139
Buildings	352,911	247,407	105,504	102,860
Furniture and equipment	103,014	64,993	38,021	37,682
Leasehold improvements	271,778	204,980	66,798	56,854
Computer equipment	128,066	91,355	36,711	37,024
	868,721	608,735	259,986	247,559

7. LEASE COMMITMENTS

The Board is committed under operating leases on leased premises with future minimum rental payments due as follows:

($000)	
2010	49,107
2011	48,457
2012	45,241
2013	42,111
2014	38,026
Thereafter	294,373
	517,315

8. FINANCIAL INSTRUMENTS

The Board's financial instruments consist of cash and cash equivalents, accounts receivable, trade and others, accounts payable and accrued liabilities and derivative financial instruments. The carrying values of these instruments approximate fair value due to the short-term maturities of these instruments.

A) FOREIGN EXCHANGE RISK

The Board is exposed to foreign exchange risk principally through transactional exposure, from the cost of future purchases of goods for resale, where those purchases are denominated in a currency other than the functional currency of the Board. The Board is exposed to foreign currency risk arising from various currency exposures, primarily with respect to US dollars and Euro dollars.

To manage foreign exchange risk associated with its purchases from foreign suppliers, the Board is authorized to enter into foreign exchange forward contracts, which are commitments to purchase foreign currencies at a specified date in the future at a fixed rate. As at March 31, 2009, the Board had no foreign exchange forward contracts (2008 – $5.2 million).

In the Board's assessment, a significant strengthening or weakening of the Canadian dollar against US dollars and euros dollars, with all other variables held constant, would not have a significant impact on earnings in comparison to the overall operations of the Board. For the year ended March 31, 2009, the Board recognized a net foreign exchange gain of $0.2 million (2008 – $4.4 million).

When the Board enters into inventory purchase contracts in a currency other than the Canadian dollar or that of the supplier's home or local currency, an embedded derivative may exist. Embedded derivatives (elements of contracts whose cash flows move independently from the host contract) are required to be separated and measured at their respective fair values except under certain circumstances. For the year ended March 31, 2009, management reviewed these contracts and has determined that the Board does not have any significant embedded derivatives or gains / losses resulting from these derivatives that require separate accounting and disclosure.

B) CREDIT RISK

Credit risk refers to the possibility that the Board can suffer financial losses due to failure of the Board's counterparties to meet their payment obligations. Exposure to credit risk exists for derivative instruments, cash and cash equivalents and accounts receivable. The Board minimizes credit risks associated with derivative instruments and cash and cash equivalents by dealing only with major Canadian chartered banks and Canadian subsidiaries of major foreign banks.

Accounts receivable arise primarily from sales billed to independent businesses, agents and other debtors. The Board does not consider its exposure to credit risk associated with accounts receivable, trade and others to be material. As at March 31, 2009, approximately 70 per cent of the Board's receivable is due from one customer whose account is in good standing.

The carrying amount of accounts receivable is reduced through the use of an allowance for doubtful accounts at levels the Board considered adequate to absorb future credit losses. Subsequent recoveries of receivables previously provisioned are credited to the Statement of Income and Retained Income. A continuity schedule of the Board's allowance for doubtful accounts is as follows:

($000's)	March 31, 2009	March 31, 2008
Allowance at beginning of period	256	18
Provision for losses	139	609
Recoveries	536	111
Write-offs	(646)	(482)
Allowance at end of period	285	256

C) LIQUIDITY RISK

Liquidity risk is the risk that the Board may not have cash available to satisfy financial liabilities as they come due. The Board's exposure to the liquidity risk is minimal as it has sufficient cash balances to settle all current liabilities.

9. CAPITAL DISCLOSURES

The Board is a corporation without share capital and has no long-term debt. Its definition of capital is cash and cash equivalents and retained income. The Board's main objectives when managing its capital are to:

- safeguard the Board's assets and its ability to operate
- ensure the Board has adequate capital to achieve its business plans
- provide an adequate return to the Province of Ontario in the form of a dividend

The Board is not subject to any externally imposed capital requirements and is meeting its objective in managing capital by holding adequate capital after issuing dividends to the Province.

10. CONTINGENCIES

The Board is involved in various legal actions arising out of the ordinary course and conduct of business. The outcome and ultimate disposition of these actions are not determinable at this time. Accordingly, no provision for these actions is reflected in the financial statements. Settlements, if any, concerning these contingencies will be accounted for in the period in which the settlement occurs.

11. WASTE DIVERSION

In prior years, the Board was directed by the Province to assist municipalities with their container recycling costs. For the year ended March 31, 2009, the Board was directed by the Province to contribute $5 million to assist municipalities with their transition costs associated with the implementation of the Ontario Deposit Return Program. The Board has been similarly directed to contribute $0.7 million to Stewardship Ontario, an industry funded waste diversion organization established under the authority of the *Waste Diversion Act, 2002* for the year ending March 31, 2010.

12. ONTARIO DEPOSIT RETURN PROGRAM

On November 6, 2006, the Province of Ontario entered into an agreement with Brewers Retail Inc. for management of a province-wide container deposit return program for wine, liquor and beer containers sold through the Board and winery, on-site microbrewery and distillery retail stores. Brewers Retail Inc. was appointed the exclusive service provider for a period of five years effective February 5, 2007.

Under the program, the Board collects a deposit of 10 or 20 cents on wine, liquor and beer containers. The Board reimburses Brewers Retail Inc. for deposits it pays to customers who return containers to locations it operates, plus a service fee. In addition, the government directed the Board to spend $7.5 million over the first two years of the agreement to promote the program.

For the year ended March 31, 2009, the Board collected $56.4 million (2008 – $55.7 million) of deposits on containers and was invoiced $41.3 million (2008 – $37 million) by Brewers Retail Inc. for refunds to the customers.

Expenditures in connection with this program for the year ended March 31, 2009, amounted to $27.3 million (2008 – $24.6 million) for service fees to Brewers Retail Inc. and $0.1 million (2008 – $0.8 million) for promoting the program. These expenditures are included in Administration in the Statement of Income and Retained Income.

The Board's experience indicates that not all container deposits are redeemed. Based upon its redemption data and research of industry experience, part of the container deposits collected would not be redeemed. Accordingly, for the year ended March 31, 2009 the Board applied $8.4 million (2008 – $8.2 million) of unredeemed deposits as a reduction to expenditures in connection with the program.

13. FUTURE CHANGES IN ACCOUNTING POLICIES

International Financial Reporting Standards

In February 2008, the Accounting Standards Board confirmed that Canadian generally accepted accounting principles (GAAP) for publicly accountable enterprises will be converged with International Financial Reporting Standards (IFRS) effective in calendar year 2011, with early adoption allowed starting in calendar year 2009. IFRS uses a conceptual framework similar to Canadian GAAP, but there are differences on recognition, measurement and disclosures. The Board is currently evaluating the impact of the adoption of IFRS on its financial statements.

In addition, the following standard will be effective for the fiscal year ended March 31, 2010:

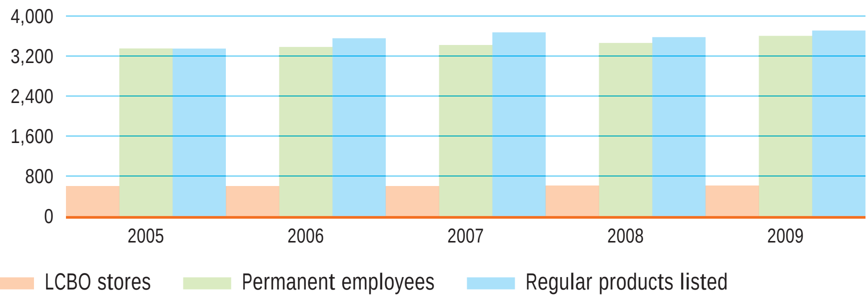
Goodwill and Intangibles

In January 2008, the CICA issued Handbook Section 3064, *Goodwill and Intangible Assets*. Handbook Section 3064 clarifies that costs may only be deferred when they relate to an item that meets the definition of an asset. The concept of matching revenues and expenses remains appropriate for allocating the cost of an asset that is consumed in general revenue over multiple reporting periods. Handbook Section 3064 replaces Handbook Section 3062 and provides extensive guidance on when expenditures qualify for recognition as intangible assets. These changes are effective for fiscal years beginning on or after October 1, 2008. The Board is currently evaluating the potential impact of this standard on its financial statements.

KEY INDICATORS: 2005–09

OPERATIONS

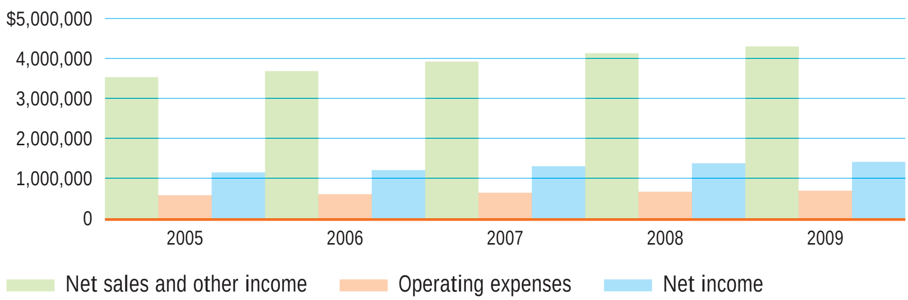
	2005	2006	2007	2008	2009
Number of LCBO stores	597	598	601	604	607
Number of permanent employees	3,352	3,382	3,421	3,462	3,604
Number of regular products listed	3,349	3,556	3,674	3,578	3,710



FINANCIAL INDICATORS: 2005–09

FINANCIAL (value in $000)

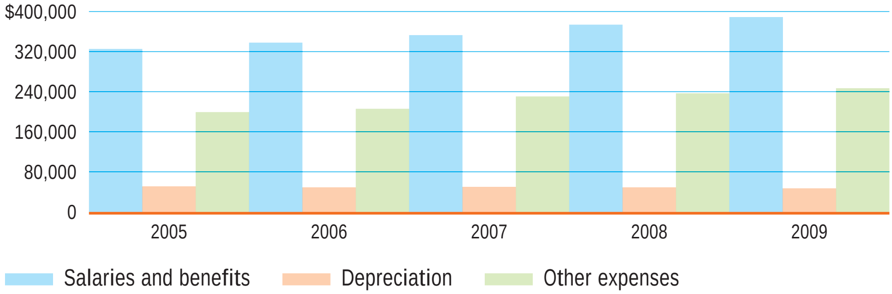
	2005	2006	2007	2008	2009
Net sales and other income	3,532,171	3,682,919	3,922,648	4,133,191	4,297,642
% change/previous year	6.4%	4.3%	6.5%	5.4%	4.0%
Operating expenses	575,336	592,963	632,750	659,429	682,526
As a % of net sales and other income	16.3%	16.1%	16.1%	16.0%	15.9%
Net income	1,146,810	1,204,344	1,300,601	1,374,357	1,410,174
As a % of net sales and other income	32.5%	32.7%	33.2%	33.3%	32.8%



OPERATING EXPENSES: 2005–09

BREAKDOWN OF OPERATING EXPENSES (value in $000)

	2005	2006	2007	2008	2009
Salaries and benefits	325,369	337,969	352,960	373,864	389,159
Depreciation	50,703	49,099	49,233	48,757	46,406
Other expenses	199,264	205,895	230,557	236,808	246,961
Total operating expenses	575,336	592,963	632,750	659,429	682,526



REVENUE PAYMENTS

TREASURER OF ONTARIO (value in $000)

	2005	2006	2007	2008	2009
Remitted by the Liquor Control Board: on account of profits	1,115,000	1,200,000	1,279,700	1,345,000	1,400,000
Remitted by the Liquor Control Board: Ontario retail sales tax on sales of liquor	328,753	341,773	363,338	382,631	398,057
Remitted by the Alcohol and Gaming Commission: on account of licence fees and permits	488,988	516,444	499,373	505,980	500,157
Remitted by others: Ontario retail sales tax on sales through The Beer Store and Ontario winery retail stores	197,890	213,264	206,405	211,814	213,691
Ontario retail sales tax on sales through agency stores	9,076	9,697	10,404	11,429	12,066
Total	2,139,707	2,281,177	2,359,220	2,456,853	2,523,971

RECEIVER GENERAL FOR CANADA (value in $000)

	2005	2006	2007	2008	2009
Remitted by the Liquor Control Board: Excise taxes and customs duties	308,514	321,350	332,839	339,202	346,477
Goods and Services Tax	119,444	124,978	119,185	119,283	104,372
Remitted by others: Excise taxes, GST and other duties/taxes	329,810	360,779	344,134	349,420	344,870
Goods and Services Tax remitted on sales through agency stores	5,294	5,656	5,381	5,557	5,027
Total	763,062	812,763	801,539	813,462	800,746

ONTARIO MUNICIPALITIES (value in $000)

	2005	2006	2007	2008	2009
Remitted by the Liquor Control Board: Realty taxes*	13,678	14,848	15,243	15,792	16,606
Total revenue payments	2,916,447	3,108,788	3,176,002	3,286,108	3,341,323

*note: includes property taxes on leased properties.

VOLUME SALES (volume in 000 litres)

PRODUCT TYPE

	2005	2006	2007	2008	2009	% change
Domestic Spirits	33,845	34,501	34,379	34,156	33,715	-1.3%
Imported Spirits	21,099	21,637	22,001	22,927	23,713	3.4%
Total Spirits	54,944	56,138	56,380	57,083	57,428	0.6%
Domestic Wine	32,528	33,491	34,337	35,522	36,362	2.4%
Imported Wine	75,150	78,528	83,575	86,847	89,213	2.7%
Total Wine	107,678	112,018	117,912	122,369	125,575	2.6%
Domestic Beer	82,273	81,373	85,641	91,590	92,530	1.0%
Imported Beer	99,228	107,422	114,463	122,817	130,085	5.9%
Total Beer	181,501	188,795	200,104	214,408	222,615	3.8%
Domestic Spirit Coolers	26,569	26,019	24,359	23,682	22,604	-4.6%
Imported Spirit Coolers	4,710	4,585	4,834	6,082	6,232	2.5%
Domestic Wine Coolers	136	113	62	1	0	-100.0%
Imported Wine Coolers	236	328	313	266	197	-25.9%
Domestic Beer Coolers	581	641	556	572	627	9.6%
Imported Beer Coolers	51	96	207	193	110	-42.7%
Total Coolers	32,282	31,782	30,332	30,795	29,770	-3.3%
Total Domestic	175,933	176,137	179,335	185,523	185,838	0.2%
Total Imported	200,473	212,596	225,393	239,132	249,550	4.4%
Total	376,406	388,733	404,728	424,655	435,388	2.5%

PRODUCT TYPE

	2005	2006	2007	2008	2009	% change
Sales by Ontario winery stores	17,926	18,751	19,338	20,046	20,516	2.3%
Sales by The Beer Store & brewer on-site stores	651,593	680,843	672,826	677,260	668,728	-1.3%

note: the 2009 sales figures for ontario winery stores, the beer store (tbs) and brewer on-site stores are unaudited and understate total sales due to various brewers not reporting by the time of publication. lcbo beer sales figures include lcbo sales to tbs; of lcbo's total beer sales in litres, 72,204,857 were to tbs. prior year figures are restated annually to reflect changes in product hierarchy.

SHARE OF VOLUME SALES

2008–09	Litres (000)	% of total
Spirits	57,428	13%
Wine	125,575	29%
Beer	222,615	51%
Coolers	29,770	7%
	435,388	100%

VALUE SALES (value in $000)

PRODUCT TYPE

	2005	2006	2007	2008	2009	% change
Domestic Spirits	813,997	834,655	866,917	875,353	885,716	1.2%
Imported Spirits	577,761	606,632	645,897	686,789	725,976	5.7%
Total Spirits	1,391,758	1,441,287	1,512,814	1,562,143	1,611,692	3.2%
Domestic Wine	287,631	297,185	318,119	338,828	358,580	5.8%
Imported Wine	945,407	1,005,253	1,108,826	1,180,669	1,225,405	3.8%
Total Wine	1,233,039	1,302,438	1,426,945	1,519,497	1,583,985	4.2%
Domestic Beer	301,607	297,216	310,679	332,359	344,479	3.6%
Imported Beer	403,456	444,258	473,834	514,442	552,410	7.4%
Total Beer	705,063	741,474	784,513	846,801	896,888	5.9%
Domestic Spirit Coolers	136,221	133,721	129,511	130,523	124,858	-4.3%
Imported Spirit Coolers	26,968	27,524	28,552	36,631	38,548	5.2%
Domestic Wine Coolers	552	470	260	1	0	-100.0%
Imported Wine Coolers	1,309	1,915	1,906	1,702	1,267	-25.6%
Domestic Beer Coolers	2,762	3,006	2,557	2,675	2,968	11.0%
Imported Beer Coolers	213	400	1,223	946	500	-47.2%
Total Coolers	168,024	167,034	164,008	172,478	168,141	-2.5%
Total Domestic	1,542,769	1,566,254	1,628,042	1,679,739	1,716,600	2.2%
Total Imported	1,955,115	2,085,981	2,260,238	2,421,178	2,544,107	5.1%
Non Liquor and Other	7,499	7,201	6,316	6,369	6,598	3.6%
Total	3,505,383	3,659,436	3,894,596	4,107,286	4,267,305	3.9%

PRODUCT TYPE

	2005	2006	2007	2008	2009	%
Sales by Ontario winery stores	164,155	176,214	187,385	198,613	210,045	5.8%
Sales by The Beer Store & brewer on-site stores	2,161,707	2,229,642	2,204,814	2,235,099	2,240,514	0.2%

note: the 2009 sales figures for ontario winery retail stores (wrs), the beer store (tbs) and brewer on-site stores are unaudited and understate total sales due to various brewers not reporting by the time of publication. value sales consist of net sales for lcbo and ontario winery stores. lcbo beer sales figures include lcbo sales to tbs; of lcbo's total beer sales, $307,306,511 were to tbs. prior year figures are restated annually to reflect changes in product hierarchy.

SHARE OF VALUE SALES

2008–09	$ (000)	% of total
Spirits	1,611,692	38%
Wine	1,583,985	37%
Beer	896,888	21%
Coolers	168,141	4%
	4,260,707	100%

PRODUCT LISTINGS

	2005	2006	2007	2008	2009
DOMESTIC					
Spirits	430	442	440	440	524
Wine	434	447	450	463	515
Beer	433	494	491	477	470
IMPORTED					
Spirits	680	737	761	674	695
Wine	1,143	1,151	1,225	1,208	1,122
Beer	229	285	307	316	384
Total regular listings	3,349	3,556	3,674	3,578	3,710
VINTAGES wines and spirits	4,464	5,953	5,633	6,927	6,688
Duty-free listings	229	234	231	231	200
Consignment warehouse and private ordering	8,204	9,483	9,225	9,434	11,793
Total product listings	16,246	19,226	18,763	20,170	22,391

note: product listing figures for consignment and private ordering are estimated based on invoices produced by specialty services. the total does not included products no longer available during the fiscal year.

ONTARIO SALES CHANNEL SUMMARY

	2005	2006	2007	2008	2009
LCBO total sales	4,101,684	4,284,222	4,530,392	4,724,138	4,875,417
The Beer Store total sales	2,639,319	2,686,509	2,647,897	2,719,131	2,714,574
Winery retail stores	195,280	208,452	227,768	233,940	245,918
OTHER CHANNELS:					
Legal	702,261	641,091	598,853	641,290	686,354
Homemade	157,301	153,239	142,626	155,607	160,852
Illegal	523,572	550,219	661,356	680,741	766,021
Grand total	8,319,418	8,523,732	8,808,892	9,154,848	9,449,136

note: all figures above are shown in gross sales. sales values reported under the other channels category are estimated using the average retail price for spirits, wine and beer sold under the lcbo, winery retail stores (wrs) and the beer store (tbs) respectively. lcbo and tbs figures are slightly overstated due to reciprocal sales included in the totals. these sales are excluded in the table below.

SHARE OF ONTARIO BEVERAGE MARKET

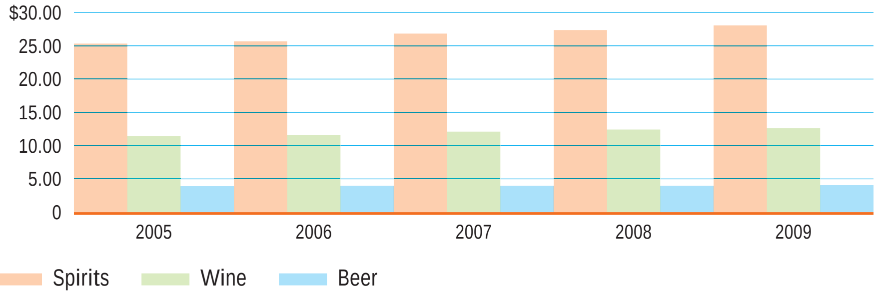
	2008–09	2007–08
LCBO	50.8%	50.8%
The Beer Store	28.5%	29.5%
Other Legal	9.5%	9.2%
Illegal	8.5%	7.8%
Winery Retail Stores	2.7%	2.7%

AVERAGE LCBO NET SALES PER LITRE (prices exclude gst and pst)

PRODUCT TYPE

	2005	2006	2007	2008	2009
Spirits	$ 25.33	$ 25.67	$ 26.83	$ 27.37	$ 28.06
Wine	$ 11.45	$ 11.63	$ 12.10	$ 12.42	$ 12.61
Beer	$ 3.88	$ 3.93	$ 3.92	$ 3.95	$ 4.03
Average transaction value per customer	$ 34.52	$ 35.55	$ 36.42	$ 37.32	$ 37.61

note: includes coolers



REVENUE DISTRIBUTION

	Domestic Spirits	100% Domestic Wine	Domestic Beer
Supplier	23%	45%	42%
Federal Government	18%	4%	11%
Provincial Government	59%	51%	40%
Deposit*			7%

*note: deposits collected on the sale of wine and spirits are recorded as a liability, not revenue.

LCBO LITRE SALES BY CATEGORY 2008–09

The tables below show the share of volume sales (in litres) held by various segments within major product categories.

	2005	2006	2007	2008	2009
CANADIAN SPIRITS					
Canadian Whisky	17.6%	17.4%	17.4%	16.8%	16.7%
Canadian Rum	8.7%	8.8%	8.8%	8.7%	8.8%
Canadian Vodka	9.1%	9.7%	10.0%	9.9%	9.9%
Canadian Liqueur	2.3%	2.4%	2.5%	2.5%	2.4%
Spirit Coolers	30.9%	30.1%	28.5%	27.3%	26.3%
Canadian Dry Gin	0.9%	0.8%	0.8%	0.8%	0.7%
Other	0.6%	0.6%	0.5%	0.8%	0.8%
IMPORTED SPIRITS					
Scotch	4.6%	4.5%	4.5%	4.4%	4.4%
Liqueur	3.9%	3.8%	3.9%	3.4%	3.2%
Miscellaneous Liquors	3.1%	3.1%	3.4%	3.9%	4.0%
Vodka	4.8%	5.0%	5.5%	6.2%	7.0%
French Brandy	2.1%	2.1%	2.1%	2.0%	2.0%
Spirit Coolers	5.5%	5.3%	5.7%	7.0%	7.2%
Other	6.1%	6.4%	6.4%	6.3%	6.8%
Total Spirits (000 litres)	86,035	86,527	85,348	86,621	86,048

LCBO LITRE SALES BY CATEGORY 2008–09 (continued)

	2005	2006	2007	2008	2009
CANADIAN WINES					
White Table	14.6%	14.5%	14.2%	14.3%	14.2%
Red Table	9.2%	9.1%	9.1%	9.2%	9.3%
Rosé Table	1.0%	1.0%	1.0%	1.0%	1.0%
7% Sparkling	1.4%	1.3%	1.2%	1.2%	1.1%
Fortified	1.8%	1.7%	1.5%	1.5%	1.5%
Wine Coolers	0.1%	0.1%	0.1%	0.0%	0.0%
Other	0.9%	0.8%	0.8%	0.7%	0.8%
IMPORTED WINES					
White Table	22.9%	22.9%	22.5%	22.6%	22.2%
Red Table	37.6%	38.3%	39.3%	39.6%	40.2%
Rosé Table	1.7%	1.6%	1.4%	0.7%	0.7%
Sparkling	2.2%	2.2%	2.2%	2.3%	2.2%
Fortified	1.9%	1.7%	1.6%	1.4%	1.4%
Wine Coolers	0.2%	0.3%	0.3%	0.2%	0.2%
Other	4.6%	4.7%	5.0%	5.4%	5.4%
Total Wine (000 litres)	102,077	105,724	111,386	115,118	117,940
CANADIAN BEER					
Ontario Beer	42.3%	42.7%	42.1%	42.2%	42.1%
Other Canadian Beer	5.6%	3.0%	2.9%	2.9%	2.6%
IMPORTED BEER					
U.S. Beer	8.9%	8.8%	9.5%	8.8%	8.4%
Other Imported Beer	43.1%	45.4%	45.4%	46.0%	46.9%
Sake	0.1%	0.1%	0.1%	0.1%	0.1%
Total Beer (000 litres)	164,827	170,245	181,959	195,432	203,005
Total (000 litres)	352,939	362,496	378,693	397,171	406,993

notes: these figures exclude private ordering and other head office sales. prior year figures are restated annually to reflect changes in product hierarchy.

LCBO NET SALES BY CATEGORY 2008–09

The tables below show the share of net sales held by various segments within major product categories.

	2005	2006	2007	2008	2009
CANADIAN SPIRITS					
Canadian Whisky	23.8%	23.1%	22.7%	21.9%	21.6%
Canadian Rum	11.5%	11.4%	11.3%	11.0%	11.1%
Canadian Vodka	12.2%	12.7%	13.0%	12.7%	12.6%
Canadian Liqueur	2.7%	2.8%	2.9%	2.9%	2.7%
Spirit Coolers	8.8%	8.4%	7.8%	7.6%	7.1%
Canadian Dry Gin	1.2%	1.1%	1.0%	1.0%	0.9%
Other	0.7%	0.6%	0.6%	1.2%	1.2%
IMPORTED SPIRITS					
Scotch	8.0%	7.9%	7.8%	7.8%	7.8%
Liqueur	6.1%	6.0%	6.0%	5.1%	4.8%
Miscellaneous Liquors	4.6%	4.5%	4.9%	5.7%	5.7%
Vodka	6.3%	6.7%	7.3%	8.6%	9.7%
French Brandy	3.8%	3.7%	3.7%	3.6%	3.5%
Spirit Coolers	1.7%	1.7%	1.7%	2.1%	2.2%
Other	8.7%	9.4%	9.3%	8.8%	9.3%
Total Spirits ($000)	1,551,337	1,598,743	1,667,000	1,724,763	1,770,955

LCBO NET SALES BY CATEGORY 2008–09 (continued)

	2005	2006	2007	2008	2009
CANADIAN WINES					
White Table	10.5%	10.4%	10.2%	10.3%	10.5%
Red Table	7.2%	7.0%	7.1%	7.2%	7.4%
Rosé Table	0.7%	0.7%	0.7%	0.7%	0.7%
7% Sparkling	0.8%	0.8%	0.7%	0.7%	0.7%
Fortified	1.4%	1.3%	1.2%	1.1%	1.2%
Wine Coolers	0.0%	0.0%	0.0%	0.0%	0.0%
Other	1.4%	1.3%	1.2%	1.1%	1.1%
IMPORTED WINES					
White Table	22.0%	22.3%	22.1%	22.2%	22.0%
Red Table	44.9%	45.3%	46.3%	46.6%	46.8%
Rosé Table	1.3%	1.3%	1.2%	0.7%	0.7%
Sparkling	4.2%	4.2%	4.2%	4.3%	4.1%
Fortified	2.2%	2.0%	1.9%	1.7%	1.7%
Wine Coolers	0.1%	0.2%	0.1%	0.1%	0.1%
Other	3.4%	3.3%	3.3%	3.3%	3.1%
Total Wine ($000)	1,151,038	1,209,678	1,326,596	1,404,327	1,460,221
CANADIAN BEER					
Ontario Beer	39.4%	39.0%	38.3%	38.1%	38.2%
Other Canadian Beer	5.6%	3.4%	3.2%	3.2%	3.0%
IMPORTED BEER					
U.S. Beer	7.8%	7.8%	8.4%	8.1%	7.2%
Other Imported Beer	46.8%	49.4%	49.8%	50.3%	51.3%
Sake	0.4%	0.4%	0.4%	0.4%	0.3%
Total Beer ($000)	653,391	679,264	723,221	780,068	822,585
Total ($000)	3,355,766	3,487,685	3,716,817	3,909,158	4,053,761

notes: these figures exclude private ordering and other head office sales. prior year figures are restated annually to reflect changes in product hierarchy.

LCBO SALES BY COUNTRY OF ORIGIN 2008–09 – SPIRITS

Country	Net Sales ($)	Litres
Canada	999,156,640	56,028,191
United Kingdom	206,279,827	8,794,117
United States	125,666,360	6,658,581
France	112,084,789	2,879,642
Ireland	65,293,315	2,137,678
Sweden	53,911,820	2,062,765
Mexico	45,051,915	1,301,016
Italy	35,776,961	1,299,986
Germany	22,385,520	715,082
Russia	16,372,215	633,468
Poland	14,522,452	458,272
Finland	13,611,302	514,309
New Zealand	9,632,132	747,744
Jamaica	5,685,599	184,874
Barbados	4,931,475	174,026
Netherlands	4,591,136	187,910
Cuba	4,480,407	153,351
South Africa	4,409,989	155,104
Greece	3,518,468	142,822
Switzerland	3,219,499	98,092
Spain	2,212,907	92,362
Guyana	1,890,581	57,032
South Korea	1,671,165	103,487
Bermuda	1,326,549	47,557
Portugal	1,292,086	41,989
Nicaragua	1,242,131	43,211
Puerto Rico	1,037,977	23,374
Croatia	976,500	33,395
Serbia	965,432	33,164
Trinidad	826,448	23,876
Hungary	732,107	25,473

LCBO SALES BY COUNTRY OF ORIGIN 2008–09 – SPIRITS (continued)

Country	Net Sales ($)	Litres
Bahamas	649,318	18,861
Lebanon	590,053	21,748
Denmark	571,657	22,091
Czech Republic	549,197	9,916
Ukraine	533,078	18,929
Austria	527,754	12,792
China	487,807	13,652
Dominican Republic	470,592	17,795
Iceland	368,079	9,422
U.S. Virgin Islands	338,259	18,694
Brazil	331,785	11,329
Japan	266,368	6,912
Turkey	149,154	4,392
Australia	89,719	2,063
Israel	86,697	3,895
Peru	52,627	1,515
Anguilla	41,157	608
Antigua	29,999	886
Cyprus	22,551	850
Latvia	17,735	539
Venezuela	14,689	520
Lithuania	13,386	461
British Virgin Islands	12,345	343
India	7,500	112
Republic of Armenia	288	7
Total	1,770,977,498	86,050,279

LCBO SALES BY COUNTRY OF ORIGIN 2008–09 – WINE

Country	Net Sales ($)	Litres
Canada	314,598,186	32,948,004
Italy	257,970,785	19,947,248
Australia	233,239,553	15,379,624
France	198,698,448	12,120,489
United States	158,810,888	12,225,113
Chile	78,161,520	7,034,482
Argentina	44,900,508	4,035,874
South Africa	39,752,986	3,401,239
Spain	36,114,953	2,318,369
Portugal	27,220,172	2,033,977
New Zealand	26,356,555	1,284,549
Germany	21,487,895	1,801,267
United Kingdom	9,691,004	2,036,518
Greece	3,508,887	349,788
Hungary	2,216,666	217,551
Japan	1,511,554	95,337
Ireland	1,126,674	238,625
Israel	902,946	62,074
Serbia	817,546	92,926
Austria	735,925	42,502
Mexico	632,386	49,651
Bulgaria	565,606	60,989
Belgium	533,407	86,151
Romania	452,993	37,993
Poland	339,958	22,506
Jamaica	302,432	24,714
Georgia	302,145	17,813
Republic of Moldova	283,372	28,402
Montenegro	265,157	25,976
Sweden	241,736	54,780
Macedonia	186,853	21,998

LCBO SALES BY COUNTRY OF ORIGIN 2008–09 – WINE (continued)

Country	Net Sales ($)	Litres
Denmark	172,678	13,362
South Korea	168,275	7,271
Switzerland	135,593	6,414
Brazil	117,347	7,084
Lebanon	106,082	4,075
Ukraine	87,502	4,497
Uruguay	70,592	5,367
Morocco	30,149	1,618
Cyprus	29,938	1,509
Slovenia	25,179	1,630
Croatia	23,091	1,255
Tunisia	2,423	156
Luxembourg	127	6
Total	1,462,898,672	118,150,773

LCBO SALES BY COUNTRY OF ORIGIN 2008–09 – BEER

Country	Net Sales ($)	Litres
Canada	338,618,720	90,627,179
Netherlands	121,441,809	26,049,699
Mexico	111,197,603	25,108,104
United States	59,567,380	17,094,736
Belgium	52,473,729	10,743,337
Germany	35,367,434	9,512,489
Ireland	20,038,499	3,856,842
United Kingdom	15,873,424	3,216,514
Denmark	15,119,047	3,658,016
Poland	11,433,406	3,024,462
Czech Republic	8,727,911	2,206,756
Turkey	6,337,793	1,908,926
Brazil	3,087,243	765,489
Jamaica	2,892,930	582,250
France	2,867,616	669,677
Austria	2,861,754	853,856
China	1,628,523	369,695
Italy	1,339,585	285,516
Slovakia	1,156,791	284,419
Trinidad	960,911	218,763
Thailand	927,530	193,483
Singapore	886,560	246,799
Japan	676,473	167,446
Portugal	650,703	165,275
Slovenia	556,796	163,082
Ukraine	430,263	124,923
Croatia	424,670	110,826
Russia	407,602	113,210
Lithuania	325,076	85,483
Bosnia-Hercegovina	175,953	41,772
Greece	172,475	41,444

LCBO SALES BY COUNTRY OF ORIGIN 2008–09 – BEER (continued)

Country	Net Sales ($)	Litres
Sri Lanka	164,792	35,410
Argentina	161,401	39,781
Australia	158,480	38,383
Philippines	139,735	27,734
Latvia	106,957	30,516
New Zealand	105,496	22,012
Estonia	90,946	26,068
Kenya	83,546	15,981
Romania	67,069	18,734
South Africa	66,369	18,446
Vietnam	52,496	12,835
Malta	47,661	12,728
Cyprus	12,828	2,568
Total	819,883,986	202,791,664

note: net value represents net sales excluding private ordering sales. in fiscal 2008–09, the lcbo sold products from 80 different countries.

CREDITS

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