CARING.
/
EVERY DAY.

LCBO annual report 2009–10

$1.41 billion Transferred $1.41 billion, excluding all taxes, to the government of Ontario – its 16th record dividend.

19% & 49% Ontario VQA table wine sales jumped 19 per cent; sales of Ontario craft beers were up 49 per cent year-over-year.

2.6 million people More than 2.6 million people challenged for reasons of age or intoxication, up 9.8 per cent from 2008–09. Service was refused to 155,000 people, 82 per cent for age.

83% LCBO customer satisfaction rose from 77 per cent in 2008–09 to 83 per cent in 2009–10.

$3.74 million Customers and employees raised $1.94 million for the United Way and $1.8 million for MADD Canada and four Ontario sick children's hospitals.

7, 9 & 1 Opened seven new stores, replaced nine with upgraded stores and had one major expansion to increase product selection and better serve customers.

600 million The Ontario Deposit Return Program had a container recovery rate of 76.3 per cent, bringing the total number of glass containers diverted from landfills since the program began in 2007 to more than 600 million.


goLOCAL
why we love it
Dinner on the porch or patio? Keep a spot open for this down-to-earth sipper
HAITI EARTHQUAKE
OOCH
OOCH
OOCH
ECONO LIFT


goLOCAL
VQA



VICTOR




VQA



LETTER OF TRANSMITTAL

The Honourable Dwight Duncan
Minister of Finance

Dear Minister,

I have the honour to present you with the 2009–10 Annual Report of the Liquor Control Board of Ontario.

Respectfully submitted,

PHILIP J. OLSSON
Chair

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MESSAGE FROM THE MINISTER

In 2009–10 Ontario's economy began to emerge from the global recession. While many economic indicators had improved, there were some that remained below pre-recession levels.

Through our Open Ontario Plan, the McGuinty government is managing taxpayer dollars responsibly to ensure that we protect services in schools and hospitals, while reducing the deficit.

During these lean times, the government has brought in a number of measures to improve accountability, find savings, and deliver better value for taxpayers. We also expect government business enterprises, such as the LCBO, to continue to provide excellent service to customers while finding efficiencies to improve its financial performance. The LCBO helps the Government of Ontario fund education, healthcare, and the social services Ontarians value.

As a result of good expense and inventory management, and investments in upgrading its retail network, the LCBO transferred $1.41 billion to the Government of Ontario this past fiscal year. That was $10 million higher than 2008–09.

Daily, LCBO staff serve thousands of customers across Ontario in a responsible manner. The LCBO helps to promote responsible consumption through its annual social responsibility advertising campaign. The *Deflate the Elephant* campaign was launched in December 2009 to encourage Ontarians to speak up and help prevent friends, family members and guests from driving after drinking by providing solutions and responsible hosting tips. I commend the organization for its contributions to making Ontario roads safer.

Through in-store merchandising, employee development programs and special events, the LCBO continued to support the award-winning products of Ontario's vintners, distillers and brewers. At every opportunity, staff encourage customers to *"go local,"* both for its economic and environmental benefits. For the past fiscal year, Ontario VQA table wine sales were up 19 per cent and sales of Ontario craft beers were up 49 per cent year-over-year. Great news for local Ontario wines and beers creating jobs in our communities.

Promoting environmental sustainability is one of the LCBO's corporate strategic objectives. This past year, the LCBO continued to include more green initiatives in its operations. The agency diverted hundreds of millions of containers from landfills through the Ontario Deposit Return Program (Bag it Back); reduced energy consumption in its stores, offices and warehouses; and encouraged its suppliers to source products in lightweight packages that have less of an impact on the environment.

Entering the third year of its current five-year plan, the LCBO is well-positioned to continue to serve Ontarians responsibly through the years ahead. I am confident that its continuous efforts to provide excellent customer service 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

MESSAGE FROM THE CHAIR

During my 30 plus years working in the financial industry, a good corporate governance structure has always been a key consideration when I evaluate whether or not to invest in a company. Over the past three years, I've drawn on this experience often while serving as Chair of the LCBO. This Crown agency is a valuable public asset and the government and taxpayers rightly expect it to be well-governed and accountable. My fellow board members and I are helping make sure the LCBO management team is operating this agency in a customer-focused and socially-responsible manner – capitalizing on the agency's strengths, while safeguarding against potential risks.

LCBO posted a net income of $1.436 billion in 2009–10. This income is a result of good expense management, inventory control, effective marketing, and the return on investment generated from new stores that opened and existing outlets that were upgraded during the fiscal year.

Our board continues to have open communication with the government. We share the LCBO's five-year strategic and annual business plans, along with updates and changes to them. We also keep them informed of any significant issues as they emerge.

I've worked every year with the board and with the LCBO management team to increase the organization's support for Ontario's manufacturers, including wine, spirits, and craft beer.

Continuous improvement of LCBO's governance is another priority. One way we've done this is by adding individuals to the board with varied expertise. This past year, Pamela Livingstone joined the board. She brings extensive retail knowledge, based on her 14-year career with Sears Canada. Pamela currently works as a planning manager for Home Outfitters, a division of the Hudson's Bay Company. This retail background gives her experience in building and executing complex business plans; she adds another asset to an already capable board.

As a strong supporter of the work of the United Way, I was pleased to see LCBO once again set a new record for its corporate campaign in 2009. The $1.94 million raised epitomizes how much our customers and employees care for those less fortunate in their communities. This fundraising accomplishment was thanks to customers giving generously at the checkout and LCBO employees giving back through payroll deduction.

I look forward to continuing to help the LCBO on its successful evolution as a profitable, socially and environmentally-responsible retailer that strives to constantly improve the customer shopping experience.

PHILIP J. OLSSON
Chair

MESSAGE FROM THE PRESIDENT & CEO

From Red Lake to Pelee Island, our staff take pride in serving customers well and responsibly; they also take pride in raising money for charities in the hundreds of communities across Ontario where they work and live.

In this report, you will meet some of these employees. You will learn how they give back and how they bring our corporate value of responsible service to life.

This past year, generous LCBO customers gave charities millions of reasons to smile. From the record-breaking fundraising for the United Way ($1.94 million), MADD Canada and the foundations of the four Ontario sick children's hospitals ($1.8 million) to the $571,000 raised for the Red Cross to help provide emergency relief and recovery following the devastating earthquake in Haiti, the caring nature of our customers and staff was evident like never before in 2009–10. While many customers cut back on their purchases, they didn't cut back on their philanthropy.

In my letter last year, I predicted sales would be flat. Not surprisingly, they were. This was mainly because customers chose value products over luxury. A positive trend saw customers increase support for local producers, driving sales of VQA table wines, which were up 19 per cent in 2009–10.

Overall, net sales for 2009–10 were $4.3 billion, 0.9 per cent higher than the previous year. Net income was $1.436 billion, an increase of 1.8 per cent over the previous year; this was thanks largely to good expense management and the return on investment from new and renovated stores. Care was also taken to monitor and adjust inventory levels to match sales, while maximizing store and warehouse productivity. We also adjusted our marketing to address customers "shift to thrift".

In the summer, LCBO reached a new collective agreement with its unionized staff. The days leading up to this successful outcome saw customer traffic unlike any seen before, with one-day sales of $56 million. The real story is not about how much product was sold, but how LCBO employees – both management and unionized – still served customers well under these difficult circumstances and how quickly our stores were restocked.

As a responsible retailer, we work hard to create and maintain a safe work environment. In 2009–10, we made ergonomic improvements to our Durham warehouse and introduced new lift tables in many stores to make unloading products from pallets easier and safer. In the coming year, we will continue to invest in and enhance our employee health and safety programs, aiming to become a best-in-class retailer in this field.

The LCBO also cares for the environment. As one of the largest retailers of alcohol in the world, we source products from more than 80 countries. The Ontario Deposit Return Program has achieved an overall recovery rate of 76.3 per cent in its third year (ending February 4, 2010) surpassing the 75 per cent target. Ontarians have returned more than three quarters of a billion beverage alcohol containers since the Bag it Back program began, including 600 million glass containers; this represents 287,000 metric tonnes. In the coming year, we are encouraging suppliers to source more environmentally sustainable packaging options such as lightweight glass to further reduce our environmental footprint.

Looking ahead, even though the economy is growing, Ontario consumers remain cautious in their discretionary spending, so we will have to continue to run a tight ship.

In 2010–11, LCBO will further enhance its store network across the province. We plan to add an additional 95,000 square-feet of selling space through eight new stores, 10 relocations, one expansion, and 18 significant renovations and décor upgrades. These new and improved outlets will provide even better service to our customers. New stores also provide a solid return on investment; these additions to the store network are estimated to generate pro-rated incremental sales of $25 million. We're doing more to highlight VQA wines through our "Best of Ontario" sections in new stores. This is a concept we'd like to expand to an additional 10 to 12 stores over the next two years.

With our strategic plan as our guide, our staff are ready to meet both the challenges and the opportunities that 2010–11 brings.

BOB PETER
President & CEO

CORPORATE STRUCTURE

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[1]. The Chair of the board of directors is responsible for providing strategic leadership to its members and to the President & 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 bylaws 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 operates 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 & 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.

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.

[1] 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."

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's directives.

SENIOR MANAGEMENT TEAM

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

BOB PETER, *president & chief executive officer*

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*[2]

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

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

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

BILL KENNEDY, *executive director, Corporate Communications*

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

GEORGE SOLEAS, *senior vice-president, Logistics and Quality Assurance*

SHELLEY SUTTON, *director, Strategic Planning*

TOM WILSON, *vice-president, VINTAGES*

[2] Retired April 30, 2010

BOARD MEMBERS

Philip J. Olsson

Steve Diamond

PHILIP J. OLSSON

Appointed vice-chair in June 2004, became acting chair and CEO on February 6, 2006, and non-executive chair (pursuant to amendments to the *Liquor Control Act*) on March 7, 2007. Current term expired March 6, 2010; it was renewed for another two-year-term, which expires March 5, 2012.

Mr. Olsson is a partner in K J Harrison & Partners Inc., a privately-held investment firm for private individuals. He is also the chair of Connaught Oil & Gas Limited, a private energy exploration and production firm. 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 an MBA degree 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 expired March 6, 2010; it was renewed for another two-year term, which expires March 5, 2012.

Mr. 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


Geoffrey R. Larmer


Jay Lee

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

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

Mr. Larmer is president of Larmer Professional Corporation, North Bay, a law firm restricted to 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 in1992 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 the 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 expired 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

Pamela Livingstone

PENNY LIPSETT

Appointed May 30, 2007. Term expires May 29, 2010; it was renewed for another three-year term expiring May 28, 2013. Member, Governance and Compensation Committee.

Penny Lipsett is a former investor and government relations specialist. She spent much of her career in the political and business worlds. Following graduation from the University of Western 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 included Sherritt International, Manulife Financial and the Westaim Corporation. She is on the board of bank holding company MBNA (Canada).

PAMELA LIVINGSTONE

Appointed June 8, 2009. Term expires June 7, 2012.

After a highly successful, 14-year career with Sears Canada, Pamela Livingstone now works as a planning manager for the Home Outfitters banner in the Hudson Bay Company. Her Sears Canada career culminated with her last position as a national operations manager from 2007–2009 where she was responsible for all inventory flow and processes for the company's multi-channel, home décor business. Her retail background has given her experience in building and executing complex business plans. Ms. Livingstone launched her Sears Canada career as a merchandise flow analyst in 1995, progressing to an associate buyer in home décor five years later and was named buyer in 2004. During her tenure at Sears, she acquired strengths in negotiating, leadership, process management, as well as coaching, mentoring and staff training. Ms. Livingstone earned a master's degree in public administration at Queen's University and an Honours B.A. at Wilfrid Laurier University. She also worked as an English teacher in Osaka, Japan for two years.

Laurel Murray

Walter Sendzik

LAUREL MURRAY

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

Ms. 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. 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

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

Walter is the CEO 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, Business Education Council and the St. Catharines and District United Way. He founded *Vines* magazine, wrote the *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.


Jean Simpson


Ramesh Srinivasan

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. Walter 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.

Ms. 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 COO 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

Appointed April 18, 2007. Term expired April 17, 2010; it was renewed for another three-year term, which expires on April 16, 2013. Member, Audit Committee.

Ramesh 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.

Harvey T. Strosberg, QC, LLD, DCL

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, Ramesh 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 expired March 6, 2010; it was renewed for another two-year term, which expires on March 5, 2012. Member, Governance and Compensation Committee.

Mr. 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, and teaches a course in class action law there. The Law Society of Upper Canada awarded him the Law Society Medal in May 2010.

CARING.
/
COMMUNITY.

CARING FOR THE COMMUNITY

Selling beverage alcohol responsibly is a public trust the LCBO takes seriously. Being a good corporate citizen is part of the LCBO brand essence and caring is one of the LCBO's core values. Our customers also expect us to deliver a high standard of corporate social responsibility, including a strong commitment to the environment.

Here's a sampling of how LCBO gave back to the communities we serve in 2009–10.

Donation box program

In calendar 2009, thanks largely to the generosity of the public, LCBO raised $4.2 million for various charities, including: MADD Canada, Friends of We Care, and Camp Oochigeas, which provides summer getaways to kids with cancer. This included $3.8 million for 26 provincial and numerous local charities through in-store fundraising. Of this, $1.9 million was for the United Way. In 2010, another 26 provincial and numerous local charities will benefit from LCBO's province-wide donation box program. For more information about LCBO community support and fundraising initiatives, visit: www.lcbo.com.

LCBO customers and employees raised $580,000 for Haiti relief

From tsunamis to hurricanes, floods to earthquakes, LCBO and its customers have always stepped up to help those affected by natural disasters. The powerful earthquake, which occurred in Haiti on January 12, 2010, was one of the most devastating natural disasters in recent history – affecting three million people, killing hundreds of thousands and leaving just as many more homeless. LCBO customers and employees showed their generosity, raising more than $580,000 for the Canadian Red Cross Haiti Earthquake Relief Fund at stores across the province.

"During the Haiti fundraising, I was elated daily as the opportunity was given to customers, LCBO team members, and me to not just sit back and watch in horror the devastation on TV; with great relief, we could do our part in aiding the Haitians through the efforts of the LCBO and Red Cross." – LAURA BEYAK, *Store 494 Mississauga*

"This support helped the Red Cross continue to provide for immediate needs including shelter, clean water and medical support, as well as addressing longer-term needs of the affected communities as we started to help them rebuild and recover," – RON KELUSKY, *director general for the Ontario Red Cross*.

JENNIFER HORNER

CSR, Store 607, Gooderham

"Why do I volunteer? Motherhood and cancer. Both happened the same month, and both changed how I view life. Having a serious health scare, if I can use my life to do some good, then I should. I volunteer to set a good example for my children, and to help improve the world they live in. What I give pales in comparison to what I get in return. Being in the company of others who give is so inspiring and to see first hand the kindness and generosity that others are capable of is amazing."

CARING.
/
ENVIRONMENT.

SAFEGUARDING THE ENVIRONMENT

The LCBO has a multi-pronged strategy to reduce its environmental footprint, which builds on five specific goals:

- to reduce package waste generated by LCBO sales
- to increase the rate of material diverted from landfill to recycling and re-use
- to reduce the consumption of energy and utilities
- to lower our overall carbon footprint and other environmental impacts (Note: LCBO is set to meet its goal of cutting its print output costs in half over five years.); and
- to support local conservation and natural heritage initiatives that involve both LCBO staff and external environmental organizations.

Utility management system

A new utility management system has been installed to give LCBO a clear picture of exactly how much its stores, offices and warehouses are consuming in electricity, gas, water, propane, and oil. Efforts to conserve and reduce can now be more readily compared and analyzed.

New store designs reduce energy consumption

LCBO's store planning department is continuously updating its standard specifications and design details. Many of these details contribute to LCBO sustainability goals and help to reduce energy consumption in LCBO stores. Here are a few examples:

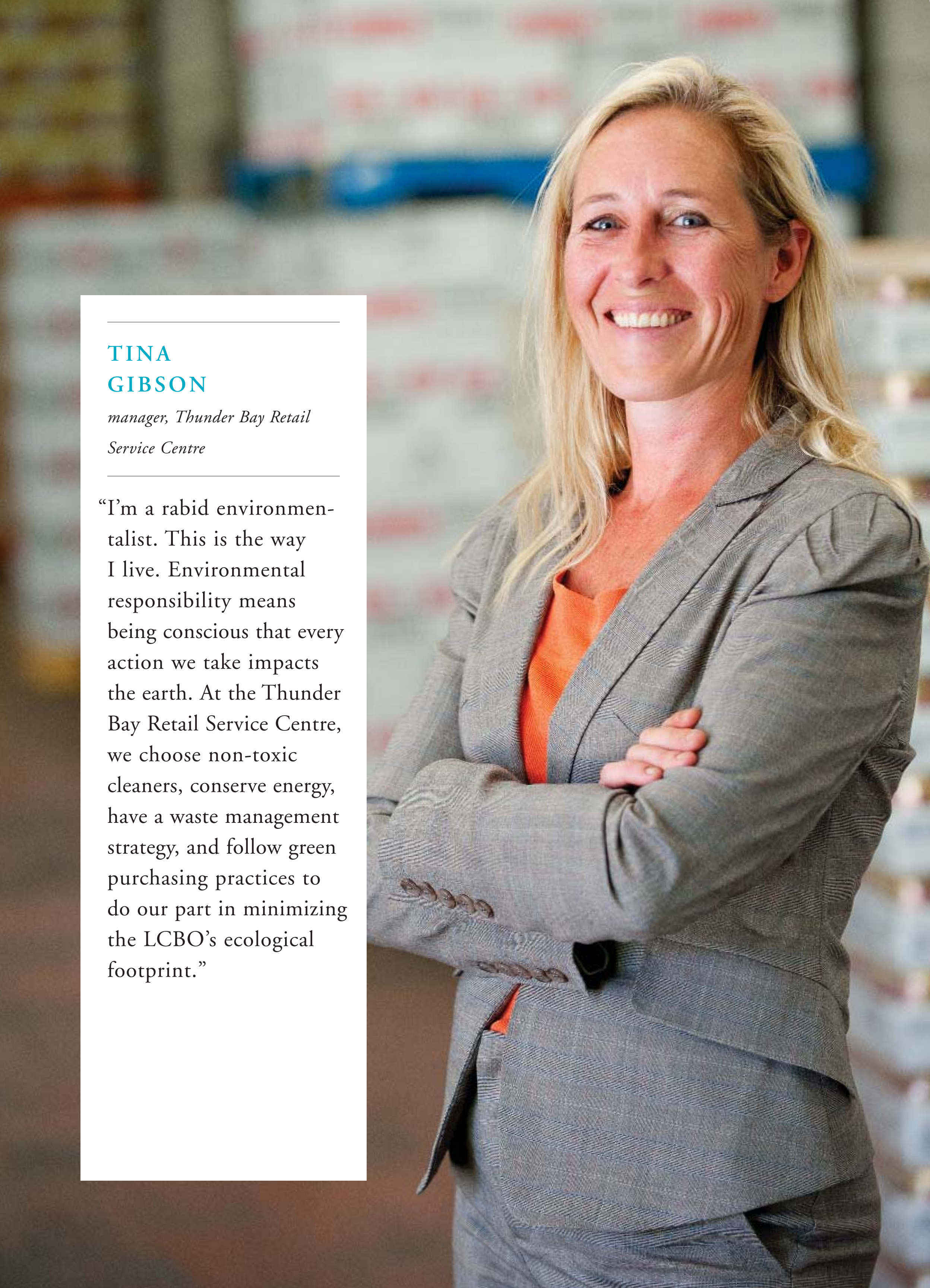
- lighting control systems/light zoning: enables staff to reduce and adjust retail lighting during stocking hours, or when the store is not open to customers
- more efficient refrigeration means expanded chilled selection and lower utilities usage
- exterior light photo sensors come on automatically when it is dark
- occupancy sensors for mezzanines, washrooms and other non-retail areas; and
- illuminated sign boxes and exterior signs are now just as bright (but use far less energy).

Lighten up! Lightweight glass provides environmental, ergonomic benefits

Reducing the amount of energy expended to ship products from their place of origin to our shelves is also an ongoing priority. Tetra, PET and aluminum containers for beer, wine and spirits are now common in LCBO stores and consumers have embraced them. The next step is lightweight glass.

Why reduce glass bottle weight?

- less fuel for transportation and manufacturing
- less raw materials used
- space efficiencies in warehouses (potential for higher stacking)



TINA GIBSON

manager, Thunder Bay Retail Service Centre

"I'm a rabid environmentalist. This is the way I live. Environmental responsibility means being conscious that every action we take impacts the earth. At the Thunder Bay Retail Service Centre, we choose non-toxic cleaners, conserve energy, have a waste management strategy, and follow green purchasing practices to do our part in minimizing the LCBO's ecological footprint."

CARING.
/
CUSTOMERS.

RESPONSIBLE RETAILING AND CONSUMPTION

Challenge and Refusal

Year round, through our Challenge and Refusal program, LCBO retail staff prevent sales to minors and those who appear intoxicated. It's also illegal for anyone to supply alcohol to minors. When staff have reasonable grounds to believe someone is buying for a minor, the *Liquor Licence Act* gives them the right and responsibility to refuse the sale.

In fiscal 2009–10:

- total challenges were more than 2.6 million; and
- annual total refusals were more than 155,000 (82 per cent for reasons of age).

SMARRT Training

Every LCBO employee serving the public takes part in the organization's award-winning *Working SMAART* (Strategies for Managing Age- and Alcohol-Related Troubles) program. It trains staff how to deal with customers who appear intoxicated or underage, second-party purchasers (those buying alcohol for someone not legally entitled to purchase it) and difficult refusals at the checkout. Employees learn to identify potential problems and handle them tactfully and to distinguish between characteristics related to health conditions, disabilities and impairment resulting from intoxication.

Drinking and driving prevention campaign

Launched in December 2009, our *Deflate the Elephant* social responsibility advertising campaign and website were developed to encourage Ontarians to speak up to help prevent friends and guests from drinking and driving. Post-tracking research conducted by Ipsos ASI indicated one in two participants recalled LCBO as the sponsor and believed the ads strongly communicated the intended message of helping prevent drinking and driving. Consumer response to the website was positive and 73 per cent believed it was informative, promoted the responsible use of alcohol and strongly communicated the need to speak up to help prevent impaired driving.

Supporting MADD Canada and other causes

In December 2009, LCBO customers and staff raised close to $900,000 for MADD Canada and its high school multi-media assembly program. These funds will make sure the English and French versions of the video *Shattered* will be delivered to 500,000 students across Ontario at no cost to the schools.

LCBO also helped promote alcohol and pregnancy awareness in partnership by printing and distributing brochures with *Best Start*. This included two advertisements in LCBO's *Food & Drink* magazine.

LAURA BEYAK

CSR, Store 494, Mississauga

"Working for an organization that not only speaks about social responsibility, but acts on it, is an honour. I serve my community with pride by upholding the oath I took when I joined the LCBO: to provide responsible service. The communities we serve depend on us to help keep their families safe by applying our training to help make sure the people we serve are of legal age, and 'deflating the elephant' by refusing individuals we believe to be impaired."

CARING.
/
QUALITY.

QUALITY ASSURANCE

The majority of products sold in LCBO stores must first be tasted and tested by the LCBO's Quality Assurance (QA) department. This means they are safe to consume, authentic and meet standards set out in Canada's *Food and Drugs Act* and *Consumer Packaging and Labelling Act* and their related regulations. The QA laboratory is world-renowned and meets the high standards set by the Geneva-based International Organization for Standardization. It is registered under ISO 9001:2000 as well as under ISO/IEC 17025, a designation specific to chemistry laboratories.

Tasting facility gets makeover

The QA (sensory evaluation) lab got a much needed upgrade in 2009. The new facility holds up to 25 people comfortably and benefits QA, LCBO buying groups and VINTAGES. QA is responsible for providing sensory evaluation (tasting) services and, along with VINTAGES, hosts tastings of new releases for the media.

Product consultants and many members of the media who have used the facility are impressed. Margaret Swaine – a wine writer and a regular *National Post* columnist – said this about the transformation:

"The new room is a vast improvement over the former space. It's bright, spacious and well laid out for handling the large VINTAGES release tastings."

Some features of the new facilities include:

- wireless network that allows electronic data collection using tablet PCs
- upgraded air flow
- better temperature control
- ergonomic enhancements such as higher counters, stools, improved operational flow;
- superior sample coordination management; and
- secured access to the facilities.

Quality Assurance: by the numbers

- total lab samples: 21,448
- percentage rejected by laboratory (which is determined based on number of samples rejected as a proportion of total samples tested): 10.9 per cent
- total units returned/customer complaints: 80,469
- number of customer complaints requiring investigation: 275

ALAN SHEPPARD

chemist, Quality Assurance

"I get great satisfaction to know that I've contributed to assuring that not only are our products safe but as a laboratory we meet and exceed the most rigorous standards held to chemistry laboratories. Over the past 10 years, I've tested more than 200,000 products for contaminants such as lead, arsenic, pesticides, ethyl carbamate and ochratoxin A. As an internal auditor, I've had the opportunity to contribute to our lab meeting the ISO 17025 standard and our commitment to continuous improvement."

CARING.
/
EMPLOYEES.

PROMOTING A HEALTH AND SAFETY CULTURE

Workplace health and safety is an ongoing priority at LCBO and is a key component of its short and long-term strategic plans. In 2009–10, LCBO made it a priority to increase this focus on workplace health and safety. Creating and maintaining a safe work environment is considered an integral part of being a responsible retailer; LCBO wants its leaders to encourage and mentor employees to excel at health and safety as is the case with challenge and refusal and customer service.

In 2009–10, LCBO made ergonomic improvements to its Durham Retail Service Centre and introduced new lift tables in many stores to make unloading products from pallets easier and safer for our frontline employees. Various other safety measures contributed to an eight per cent reduction in lost-time injuries this past fiscal year. Such measures include, but are not limited to, comprehensive training, awareness promotion and, with the support of our suppliers, reduced case weights.

"Workplace safety is about our people and looking out for each other," says LCBO President & CEO Bob Peter. "Our aim is to become a best-in-class retailer in this field and eliminate all workplace accidents."

In the last two years, more than 300 LCBO locations (stores and warehouses) have recorded zero lost-time injuries and the goal is to make all LCBO workplaces accident free.

Toronto Retail Service Centre goes two years without a lost-time accident

LCBO employees at the Head Office Retail Service Centre in Toronto have led by example in developing and maintaining a safe and healthy work environment. Beginning in 2008–09, they've gone more than two years without a lost-time accident thanks to good communication and the introduction of new policies and procedures.

"It's all about communication and teamwork," says Bev James, health and safety coordinator. "We have an open dialogue and everyone is encouraged to ask questions and give feedback. We don't just tell people what must be done. We explain why it's important and what can happen if it's not done."

LCBO highlights health and safety best practices such as the above example through training and videos and we encourage employees to help us identify areas where we can make further improvements.

BEV JAMES

Health & Safety coordinator, Toronto Logistic Facility

"Incorporating the right health and safety policies, procedures and training for our facility has made health and safety an integral part of our daily activities. Being aware of our surroundings and reporting deficiencies allows us to proactively improve our work areas. We encourage employees to ask questions and timely feedback is given. Our Joint Health and Safety Committee collectively work towards maintaining a safe work environment. With communication and teamwork, we have achieved more than two years of no lost-time accidents."

SUPPORTING. / LOCAL.

LCBO SUPPORTS ONTARIO WINERIES

LCBO conducts a number of initiatives consistent with international trade obligations to promote Ontario wines and help Ontario wineries grow their business. In 2009–10, LCBO introduced 231 new Ontario VQA wines to VINTAGES and another 56 in the WINES category. All new LCBO stores feature prominent signage that encourages customers to *"Go Local"*. While LCBO saw many consumers shift to wines priced at less than $10 to stretch their budgets this past year, premium Ontario VQA wines bucked this trend as more customers decided to support local wineries. LCBO VQA table wine sales were up 19 per cent compared to the previous year, benefitting also from LCBO's *goLOCAL* marketing support, additional prominent displays, and high-value products from suppliers, including several with eye-catching labels and names.

Other initiatives that help support Ontario wineries include:

Shelf space/location: Ontario wines are normally located at the front of the store and more than 250 LCBO stores feature special VQA wine displays. In 2009, the LCBO increased VQA shelf space by 20 per cent in its "A" and "B" stores; all new stores are now built with this added VQA space.

WOW (World of Ontario Wines) leaders: LCBO employees take pride in recommending Ontario wines and some 300 LCBO store employees are specially-trained and designated to promote Ontario wines with customers and to help their colleagues.

Ontario Superstars: Every month, two Ontario VQA wines are highlighted in some 292 LCBO stores, with dedicated shelving and promotional materials. Superstar wines are also featured in every issue of *Food & Drink*.

Annual promotion: Every year, from mid-September to mid-October, Ontario wines (especially VQA) are showcased in all LCBO stores.

VINTAGES VQA promotions: Under Small Winery support, LCBO and VINTAGES features a wine-of-the month promotion and other product profiles for Ontario VQA wines and wineries.

Small winery support: LCBO *Go-to-Market* and *Ontario Craft Winery* programs provide in-store presence for smaller Ontario wineries along with support to help them build sales for wider distribution.

Ontario craft brews continue to shine: Customers continued to "go local" this past year when it came to buying beer as well. Total net sales of Ontario Craft Beer sold at LCBO in 2009–10 was $10.4 million – an increase of 49.5 per cent year-over-year or $3.4 million. A key factor to these phenomenal sales for craft beers was the success of LCBO sampler packs. Throughout the year, there were five packs available (three Ontario craft beer samplers and two Mill Street), which collectively accounted for more than $1.4 million in net sales.

ASTRID BRUMMER

product manager, Ontario Wines

"Ontario VQA wines are fresh, elegant and delicious and the natural partners to earth-to-table cuisine. I am passionate about Ontario wines because their success is so important to our local economies. I love that I can get to know the growers and winemakers by visiting their vineyards and seeing all of the great things that are happening here at home. There are so many delicious wines made here and they can be found on our shelves. There is a discovery just waiting to be found for every occasion, every meal, every taste and every budget."

VQA WINES CONTINUED TO BE UP, REPORTING AN IMPRESSIVE 19 PER CENT GROWTH LAST YEAR.

WINES

2009–10:
Net sales: $1.121 billion
Increase over year before: $6.5 million (+0.6 per cent)
Increase over plan: $24.8 million (+2.3 per cent)
Margin dollars: $572.1 million
Increase over year before: $13.3 million (+2.4 per cent)
Performance to plan: +$22 million (+4 per cent)

Key trends:

- consumers continued to trade down to the less than $10 segment, which represents 52.8 per cent of the LCBO Wines category net dollar sales. The market share for wines less than $10 grew by 2.23 per cent in the past 12 months. Value wines – priced less than $8 – topped all price bands in growth, up 1.4 per cent versus the previous year.
- VQA table wines continued to be up, reporting an impressive 19 per cent growth.
- LCBO successfully promoted Spanish and Portuguese wines during the *Viva Vino* promotion in P1 (March 29 to April 25, 2009); for the past fiscal year, net sales of Spanish wines were up more than $1.8 million (13 per cent), Portuguese wines increased by $2.4 million (21 per cent) and Ports grew by $233,042 (4.9 per cent).
- in the Italian category, Primitivo grew by $364,895 (101 per cent), Pinot Grigio continues to grow and increased by $681,721 (1.8 per cent). Prosecco sales were up $411,403 (6.7 per cent).
- Argentinean wine sales grew by 118.3 per cent to $70.9 million. The success of Fuzion continues to drive this exponential growth; this value-priced wine sold 399,007 cases last year.

Outlook for 2010–11:

- net sales forecast to increase to $1.189 billion, up 4.5 per cent versus the previous year
- value wines in the less than $10 price point will continue to be popular. As the global economy improves, a moderate shift in growth in the $10 to $12 range is expected.
- Rosé program selling season will be expanded to launch for Easter and continue to Thanksgiving. Selection will be increased to 33 Rosé wines. Sales are forecast to increase from $2.6 to $5.9 million (up 127 per cent).
- Ontario VQA wines are expected to continue their strong sales growth.
- convert wine in-store sections from brand focused displays to more emphasis on grape variety and region to make it easier for customers to find the wines they want.
- continue to support the corporate environmental strategy by buying new products and working with suppliers to convert current brands to lightweight glass.

A NEW GENERATION OF WHISKY CUSTOMERS TURNED TO AMERICAN AND IRISH WHISKIES IN INCREASING NUMBERS. THE TWO CATEGORIES FINISHED THE YEAR UP 5.3 AND 14.5 PER CENT RESPECTIVELY.

SPIRITS[1]

2009–10:
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:

- spirits finished $2.4 million ahead of the year before, despite a downturn in the economy, making it the 15th consecutive year of spirits sales growth.
- while the largest whisky category – Canadian Whisky – lagged somewhat last year, a new generation of whisky customers turned to American and Irish whiskies in increasing numbers. The two categories finished the year up 5.3 and 14.5 per cent respectively.
- fuelled by the growth of Captain Morgan and other spiced rums, the flavoured rum category grew by 18.7 per cent; it is the fastest growing of any rum segment, and it increased its share of total rum sales from 11.3 to 13.2 per cent.
- net sales of deluxe and premium spirits grew five per cent and 1.4 per cent respectively, outpacing standard spirits, which were down 2.5 per cent.
- staying home was the new going out last year as consumers tightened their spending belts; sales of spirits to licensees declined 6.8 per cent.

Outlook for 2010–11:

- predict relatively flat sales growth
- vodka shows no sign of slowing down as consumers continue to gravitate to this trendy and versatile mixer. The category is expected to grow by 1.5 per cent or almost $6 million.
- hip, approachable in flavour and yet still steeped in heritage, American and Irish whiskies are expected to continue to attract the next generation of whisky consumers.
- ready-to-drink products are expected to rebound fuelled by an expected hot summer and the introduction of many new and exciting products from well established brands such as Jack Daniel's and José Cuervo.

[1] At the end of fiscal 2009–10, the ready-to-drink category moved from Beer to Spirits.
Note: LCBO product category totals do not include sales through VINTAGES or the Private Ordering or Consignment programs.

ONTARIO CRAFT BEER WAS ONCE AGAIN POPULAR WITH CUSTOMERS – SALES INCREASED BY 49 PER CENT OVER THE PREVIOUS YEAR.

/

BEER

2009–10:

Net sales: $1 billion
Increase over year before: $46.6 million (+4.7 per cent)
Increase over plan: $1.7 million (+0.2 per cent)
Margin dollars: $391.7 million
Increase over year before: $14.3 million (+3.8 per cent)
Performance to plan: -$915,000 (-0.2 per cent)

Key trends:

- LCBO beer sales had a remarkable year, growing by 6.3 per cent.
- the business unit, which includes beer and cider sold at the LCBO and imported beer shipped to The Beer Store, grew by almost five per cent during a year of economic uncertainty.
- volume share for beer sold at the LCBO increased by just over one percentage point to 20.8 per cent.
- sales of single-serve cans continue to drive category growth. The segment has tripled in volume over the past six years. Last year, it was the fastest growing format again, up 11.7 per cent.
- ciders experienced growth of 14.9 per cent and achieved net sales of nearly $15 million, driven primarily by the growing popularity of dry and more traditional styles and the LCBO's wide assortment of single-serve cans.

Outlook for 2010–11:

- after two consecutive cool summers, forecasts are for a warmer and drier summer period that should help boost the sales of both beer and cider.
- in response to growing consumer demand, the beer category is expanding its assortment of beer gift items and mixed sampler packs this year.
- it is expected consumers will continue to exercise caution in their discretionary spending as the economy improves; value will remain a high priority.
- there is growing consumer interest in lower calorie and lower alcohol beer products such as Molson 67 and Moosehead's Cracked Canoe.
- after the widely popular introduction of Bud Light Lime last year, the lime beer craze is expected to continue with the introduction of a few new products.

Footnote: For fiscal 2009–10 ready-to-drink sales were included as part of in the Beer category.
Note: LCBO product category totals do not include sales through VINTAGES or the Private Ordering or Consignment programs.

ONTARIO VQA TABLE WINES GREW BY 17 PER CENT OVER LAST YEAR – EXCEEDING PLAN BY 0.2 PER CENT.

VINTAGES

2009–10:

Net sales: $331 million
Increase over year before: $0.6 million (+0.2 per cent)
Performance to plan: $8.1 million (+2.5 per cent)
Margin dollars: $150 million
Increase over year before: $1.5 million (+1 per cent)
Performance to plan: $5.7 million (+3.9 per cent)

Key trends:

- two successful regions for VINTAGES European wines: Spanish reds increased by 15 per cent, driven primarily by growth from the Penedes region whose reds grew by 19 per cent and France's Southern Rhône reds, which grew by 27 per cent to last year.
- in contrast to Italy's Veneto region, wines declined by a modest four per cent to last year; Tuscan wines increased by a respectable seven per cent to last year, driven equally by Chianti (up seven per cent) and Brunello (up five per cent).
- more than 75 per cent of California's $55 million in sales are driven by sales of red wine, which grew by a solid 10.2 per cent to last year.
- Argentina was still on a steep growth curve with VINTAGES; sales of reds grew by 36 per cent.
- Ontario VQA table wines grew by 17 per cent over last year – exceeding plan by 0.2 per cent, driven off heavy growth in reds by 18.4 per cent to last year.

Outlook for 2010–11

- net sales are projected and reflect more buoyant growth to last year with total sales of $349 million up 4.8 per cent to last year.
- VINTAGES is expected to achieve margin dollars of $163 million, up eight per cent to last year.
- while driving sales, VINTAGES also will be increasing inventory turns from 4.86 last year to five turns in 2010–11.
- key drivers of VINTAGES sales will be retail front-line releases, which are expected to grow by six per cent and Essentials, which are targeted to grow by seven per cent.
- continued focus on successful price bands particularly in key segments including California and Italy.
- Ontario VQA table wines are planned to grow by 10.5 per cent.
- capitalize on growth segments both regionally, by varietal and product type, as examples: Argentina (13 per cent), France – Rhône (13.8 per cent) and Spain (14 per cent). Rosés and specialty products will continue to be a focus.
- continue to expand and showcase VINTAGES products through planned new and renovated stores.
- develop an iconic supplier/product strategy to maximize the potential of these portfolios.

/

BEYOND THE NUMBERS 2009–10

This section of the LCBO annual report explains the financial results for the past year and provides background for evaluating its performance.

HIGHLIGHTS

Dividend to Government
2008–09 → 2009–10
$1.40 billion → $1.41 billion
0.7% change

Net sales and other income
2008–09 → 2009–10
$4.30 billion → $4.34 billion
1.1% change

Operating expenses
2008–09 → 2009–10
$683 million → $710 million
4.0% change

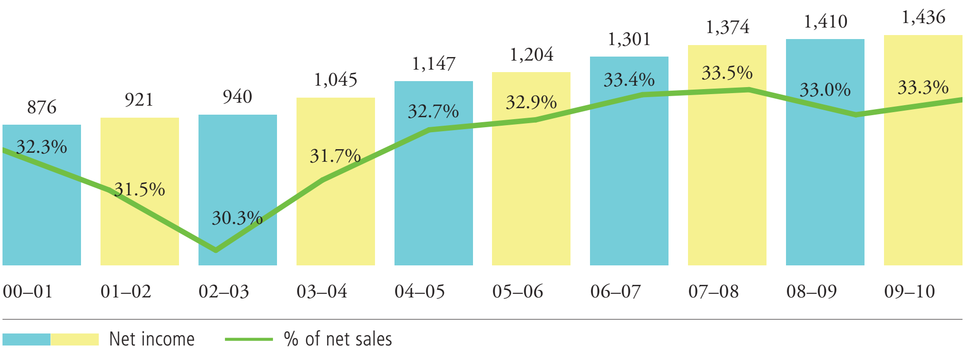
Net income
2008–09 → 2009–10
$1.41 billion → $1.44 billion
1.8% change

NET INCOME

LCBO net income reached a record $1.44 billion in 2009–10, $25.4 million more than in the previous fiscal year. Net income as a percentage of net sales improved to 33.3 per cent from 33.0 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**



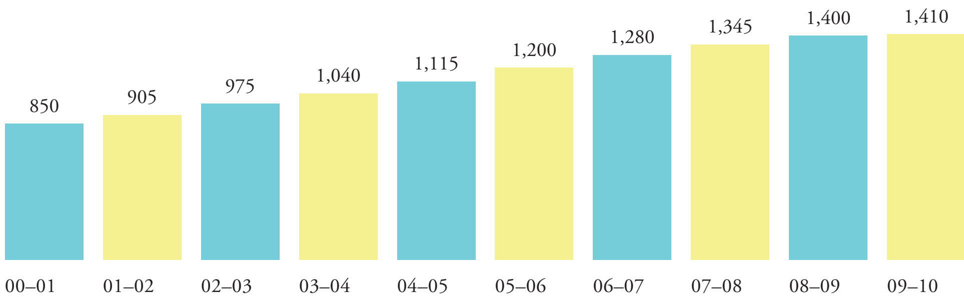
Since 2000–01, LCBO net income has improved by 63.8 per cent or $559 million. Net income growth exceeded growth in net sales between 2002–03 and 2007–08 and again in 2009–10 due to improved margins and expense control.

DIVIDEND

The LCBO transferred an all-time high $1.41 billion dividend, excluding all taxes, to the Government of Ontario in 2009–10. This represents a $10 million increase over the previous year. It was the 16th straight year the LCBO increased its dividend to the Government of Ontario and the 15th straight record year.

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

Dividend ($000,000)



Since 2000–01, the dividend has grown by 66.0 per cent or $560 million. Over the past 10 years, the LCBO has transferred $11.52 billion in dividends to the provincial government.

GOVERNMENT REVENUE DISBURSEMENT

The LCBO dividend does not include the Ontario Retail Sales Tax (ORST), which amounted to $405 million in 2009–10.

These tables show LCBO payments to various levels of government in fiscal 2009–10 and the breakdown of $1 in net sales.

LCBO payments to government

Total payments ($000)	2,286,832
Government of Ontario – Dividend	61.7%
Government of Ontario – ORST	17.7%
Government of Canada – Excise & Duty	15.1%
Government of Canada – GST	4.7%
Ontario Municipalities	0.8%

Breakdown of $1 in net sales

Product cost	$ 0.51
Net income	0.33
Retail and marketing	0.10
Administration and other	0.04
Warehousing and distribution	0.02

LCBO'S EXTERNAL ENVIRONMENT

Beverage alcohol sales are not immune to economic downturns, but are often "cushioned" from the effects. The LCBO business plan for 2009–10 anticipated three key shifts resulting from slower economic activity: trading down by customers to less expensive products, greater home consumption and less dining out, and increased support for local producers.

During fiscal 2009–10, LCBO net sales increased 0.9 per cent over the previous year. During the same time frame, Ontario's total retail sector experienced a sales growth of 0.1 per cent.

In the first half of the year, the provincial economy was caught in the turmoil of the global economic crisis that began in October 2008. Unemployment levels had risen to more than 9.0 per cent and consumer confidence was low. Demand from the U.S., the province's largest trading partner, remained at decreased levels. Despite these challenges, LCBO sales increased 1.2 per cent year-over-year during the first seven selling periods of the year. Provincial retail sales declined 4.0 per cent over the same timeframe.

The Ontario economy started to recover going into the second half of the year. Trade began to accelerate, stock markets rebounded, and domestic spending increased, spurred by rising confidence and low interest rates. However, unemployment remained elevated from the previous year and the LCBO began to feel the impact. From October 2009 to the end of the year, LCBO net sales growth slowed, up 0.5 per cent compared to a year earlier. Conversely, the total provincial retail sector made strides from the lows of the previous year and posted sales growth of 4.5 per cent.

While the final outcome for fiscal 2009–10 outperformed the original plan, the three key shifts predicted in the LCBO annual business plan occurred. Faced with tighter household budgets, LCBO customers purchased more wine than the previous year, but at a lower price point. Despite the modest net sales dollars increase, LCBO litre sales increased by more than 2.0 per cent. Also, as expected, sales to bars and restaurants declined by almost 7.0 per cent during the year, offset by a 2.0 per cent improvement in sales to home consumers. Finally, local producers experienced strong sales during the year and supported overall growth at the LCBO – sales of Ontario VQA table wine and beer produced by Ontario craft brewers were impressive, with respective growth of 19.0 and 49.0 per cent.

Weather also impacted LCBO sales during the year. A cool and wet summer constrained growth, while a mild winter and early spring provided a boost.

SALES BY REGION

Despite challenging economic conditions, LCBO's four retail regions achieved positive year-over-year net sales growth in fiscal 2009–10.

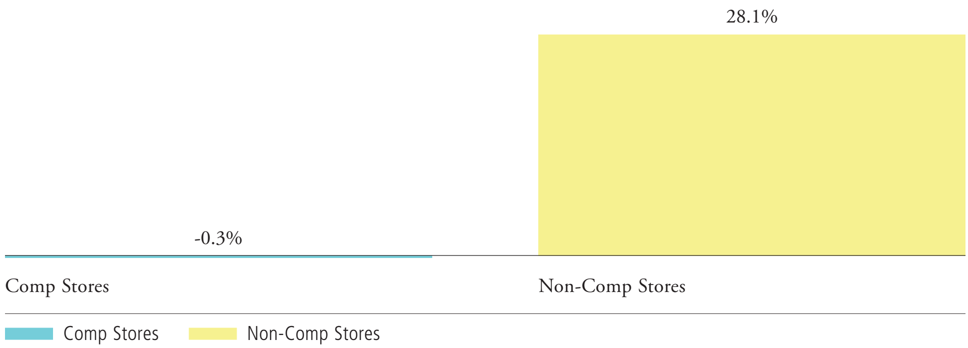
The following table shows regional net sales and growth performance compared to the previous year.

Region	2009–10 ($000)	change from 2008–09
Northern	531,356	0.7%
Eastern	882,444	1.8%
Central	1,374,055	1.6%
Western	937,480	1.0%

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 2009–10, owing to seven new locations and nine store relocations, non-comparable stores posted net sales growth of 28.1 per cent over the previous year. Comparable stores experienced a slight net sales decline of 0.3 per cent. This reinforces the important contribution of investments in the retail store network.

Comparable vs Non-Comparable Store Sales Growth in 2009–10



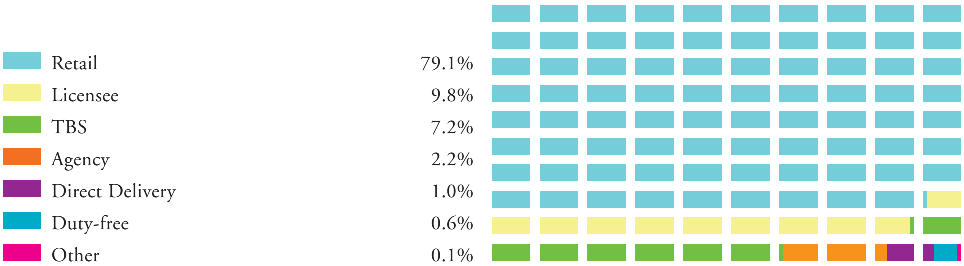
SALES BY CHANNEL

LCBO sales to home consumers through the retail channel increased to $3.41 billion during fiscal 2009–10, rising 1.8 per cent over the previous year. Retail sales as a share of total LCBO sales increased 70 basis points to 79.1 per cent.

Sales through the licensee channel, which includes hotels and restaurants, were most affected by the economic downturn, declining 6.6 per cent to $421 million during the year. As a percentage of total LCBO sales, licensee sales decreased 80 basis points during the year to 9.8 per cent.

LCBO wholesale sales to The Beer Store (TBS) totalled $311 million during the year, up 1.2 per cent from 2008–09. TBS sales as a percentage of total LCBO sales remained steady at 7.2 per cent.

Breakdown of LCBO sales by channel



LCBO sales to duty-free stores at airport and land border points increased for the first time since fiscal 2004–05, rising 2.8 per cent year-over-year.

Agency store sales grew 3.6 per cent during the year to $94 million. As a percentage of total LCBO sales, agency store sales share increased 10 basis points to 2.2 per cent.

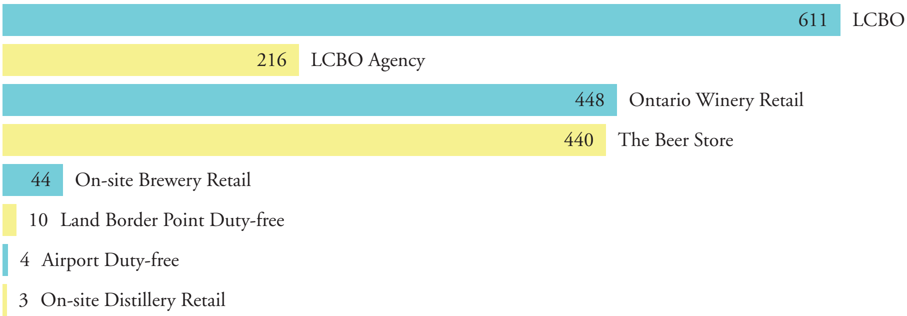
The direct delivery program, which enables Ontario wineries to deliver their products – predominantly VQA wines – directly to licensees, experienced a net sales decline of 0.6 per cent year-over-year. Given the larger overall decline in the licensee channel, direct delivery sales improved to 17.4 per cent of the total value of the licensee market for wine in 2009–10, compared to 16.2 per cent the previous year.

LCBO IN THE SHARED MARKETPLACE

The LCBO operates in a shared marketplace along with other retailers of beverage alcohol in the Province of Ontario, including The Beer Store (TBS), which is owned by Molson-Coors, Labatt (InBev SA) and Sleeman (Sapporo), Ontario winery retail stores (WRS), on-site brewery and distillery stores and duty-free operators. Furthermore, the LCBO has authorized established retailers in smaller Ontario communities to sell alcoholic beverages in conjunction with their other goods. These agency stores sell spirits, wine and imported beer purchased from the LCBO and domestic beer purchased from TBS or other domestic beer suppliers.

As of March 31, 2010, there were 1,776 outlets selling alcohol in Ontario. Here is what the market looked like:

Ontario's alcohol marketplace by number of outlets



Note: When the LCBO's 611 stores and Ontario's 216 LCBO agency stores are combined, the total market share is approximately 47.0 per cent.

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[1] channels, amounted to nearly $9.7 billion in gross sales during 2009–10. The LCBO's market share by value declined to 50.0 per cent from 50.8 per cent in 2008–09[2].

In fiscal 2009–10, total volume sales in the Ontario wine market rose 2.7 per cent over the previous year. Imported wine accounted for 61.4 per cent of wines sold in the province, up 30 basis points from a year ago. Wine from Ontario decreased 10 basis points to 38.3 per cent share – Ontario wine sold at the LCBO increased 20 basis points while sales through winery retail stores as well as delivered directly by Ontario wineries decreased 30 basis points during the year.

While Ontario wine sold at the LCBO increased 3.7 per cent during the year, improving its share of the wine market to 22.3 per cent, sales through winery retail stores were essentially flat in fiscal 2009–10 and its share declined to 13.7 per cent. Direct delivery sales maintained a 2.3 per cent market share.

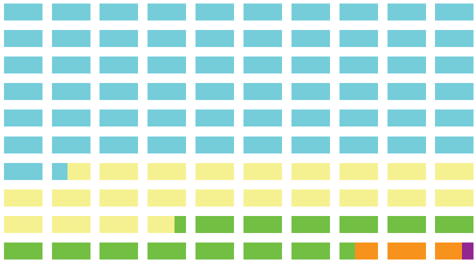
[1] Illegal channel sales consist of LCBO estimates for smuggling and illegal wine manufacturing. Smuggling is estimated based on the variance between Ontario's expected per capita consumption of spirits (based on its relationship to U.S. per capita consumption in 1981) and Ontario's current actual per capita consumption. Illegal wine manufacturing is estimated by obtaining imported grape juice for wine-making data from Statistics Canada and deducting the legal and reliable uses for the raw material. The dollar value is based on the comparable average value of product sold through the LCBO and not the actual street value. Current findings and trends are also considered in the estimation of illegal channel sales.

[2] See Ontario Sales Channel Summary on page 84 for further detail.

MANY LCBO STORES OFFER CUSTOMERS THE OPPORTUNITY TO TRY BEFORE THEY BUY.

Wine volume market share, 2009–10 (2008–09 share in brackets)

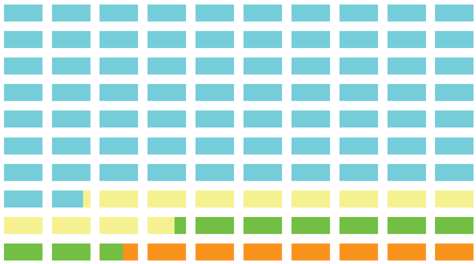
LCBO Imported	61.4% (61.1%)
LCBO Ontario	22.3% (22.1%)
Wine Retail Stores	13.7% (14.0%)
Direct Delivery	2.3% (2.3%)
LCBO Domestic – Other	0.4% (0.5%)



Volume sales of beer in Ontario decreased 1.1 per cent in 2009–10 compared to a year earlier. However, beer sold at the LCBO, excluding sales to TBS, grew by 4.7 per cent as sales at TBS declined 2.6 per cent versus 2008–09. As a result, LCBO's volume market share increased to 20.8 per cent from 19.6 per cent last year. TBS's volume market share declined to 79.2 per cent from 80.4 per cent over the same period.

Beer volume market share, 2009–10 (2008–09 share in brackets)

TBS Domestic	71.8% (73.1%)
LCBO Domestic	11.9% (11.1%)
LCBO Imported	8.9% (8.5%)
TBS Imported	7.4% (7.3%)



OPERATING RESULTS

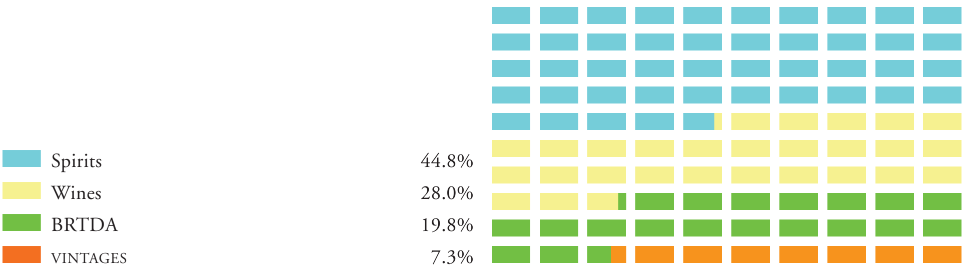
Gross Margin

Gross margin increased to $2.11 billion in 2009–10, an improvement of 2.2 per cent from the previous year and 4.7 per cent more than plan. Expressed as a percentage of net sales, gross margin was 48.9 per cent, an improvement from 48.3 per cent last year and higher than the budgeted 48.5 per cent. The favourable variance to plan was primarily due to better than anticipated spirits and wine sales. The year-over-year improvement was supported by strong wine and beer sales as well as better inbound freight costs during the first half of the year (relating to the ocean freight contract signed in July 2008).

Wine and beer products were responsible for a respective 56.2 per cent and 51.9 per cent of the gross margin increase from last year. Conversely, despite higher than planned sales, spirits gross margin declined from the previous year and had an 8.1 per cent downward effect on the favourable variance. LCBO receives the highest margin per dollar of net sales from spirits products at 56.9 cents per net sales dollar. Wine contributes 49.6 cents per net sales dollar while beer accounts for 35.4 cents. (Note: these margin numbers include sales through VINTAGES.)

Spirits accounted for the largest portion of gross margin at 44.8 per cent due to higher margins on spirits products. Wines and VINTAGES represented 28.0 per cent and 7.3 per cent of share of margin, respectively, while Beer, Ready-to-Drink and Accessories (BRTDA) accounted for 19.8 per cent.

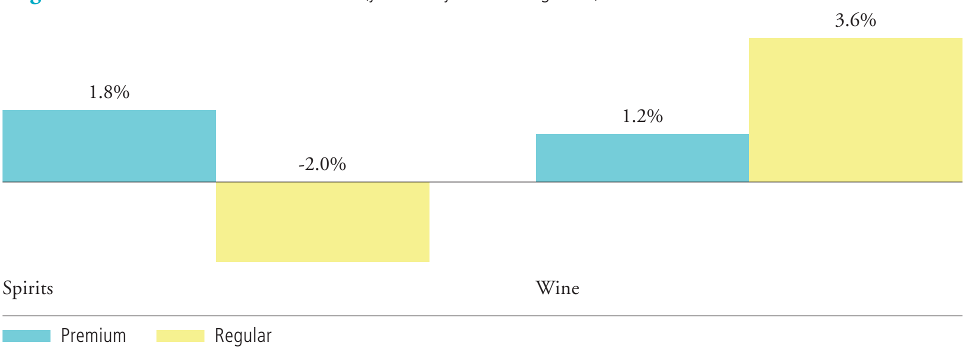
Share of margin by buyer, 2009–10



Note: Excludes private ordering

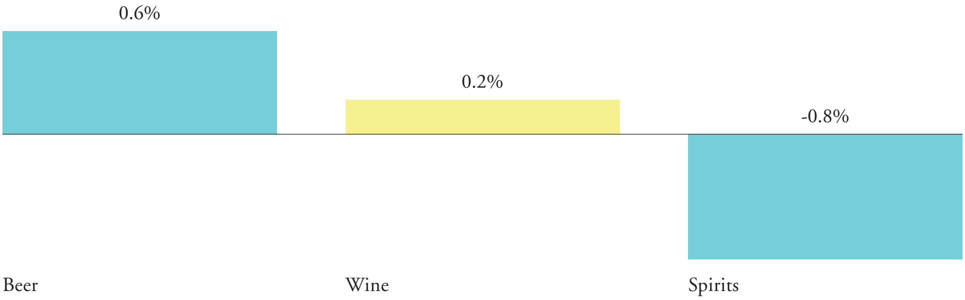
Premium wine priced at $15 or more posted a 1.2 per cent increase in 2009–10 compared to 4.6 per cent for all other wines. This represents the first time in years that growth in regular wine outpaced growth in premium wine. For spirits, premium products priced higher than $30 for a 750 mL bottle increased by 1.8 per cent while other spirits products declined 2.0 per cent year-over-year. The price point of beer has no effect on LCBO margins because beer mark-ups are flat: they do not change along with the product's value, as is the case with wine and spirits.

Regular versus Premium Product (year over year volume growth)



In 2009–10, beer and wine sales gained share of total LCBO sales volume at the expense of spirits. Beer sales share increased 0.6 per cent from the previous year to 51.9 per cent and wine sales share improved 0.2 per cent to 29.1 per cent. Spirits sales share declined to 19.0 per cent from 19.8 per cent in 2008–09.

Change in share of LCBO sales volume



Expenses

Total expenses came in at $710 million, 0.4 per cent below budget and 4.0 per cent higher than the previous year.

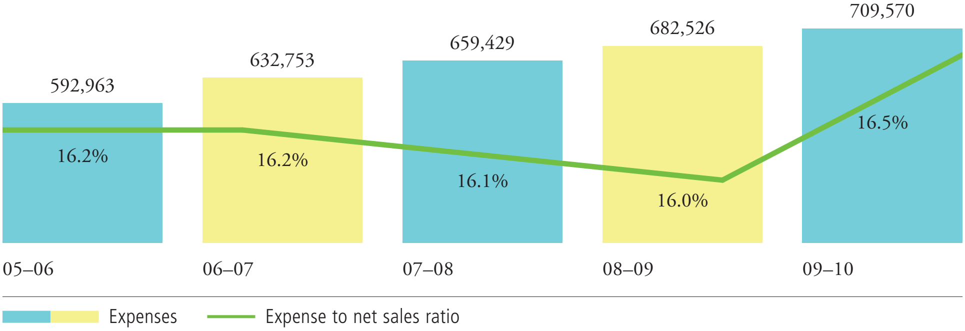
From a divisional perspective, expenses increased $13 million or 2.4 per cent compared to fiscal 2008–09, but remained 1.2 per cent below plan. Wage increases related to a new collective agreement as well as higher occupancy costs relating to new and upgraded stores primarily contributed to the variance. Retail division expenses increased $17 million or 4.4 per cent over the previous year – salaries and benefits were almost $10 million higher, $8 million of which was bargaining unit related, and rent-related accounts were up over $7 million. Logistics experienced a 3.1 per cent increase in costs, primarily due to wage increases, while administration expenses were essentially flat, down 0.6 per cent year-over-year. Sales and Marketing reduced their expenses by over $4 million or 16.5 per cent during the year.

Non-divisional expenses were 2.9 per cent more than budget and 10.7 per cent more than in the previous year. The unfavourable variance was related to unexpected charges under employee benefit obligations relating to an actuarial assessment[3]. This variance was eased by savings in outbound freight, $2 million or 7.1 per cent lower than last year, and $17 million in unredeemed bottle deposits that were offset against environmental expenses.

In fiscal 2009–10, the expense-to-net-sales ratio was better than the planned target of 17.2 per cent, but increased to 16.5 per cent from the previous year's level of 16.0 per cent. Each one per cent difference in the ratio represents a change of approximately $40 million.

[3] See note 5 in the Notes to Financial Statements section

Expense trend (values in $000)

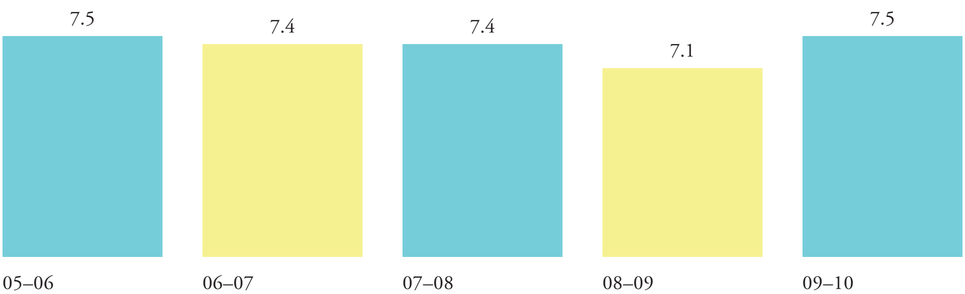


Inventory

Effective planning and control resulted in improved total inventory turns in 2009–10, coming in at 7.5, 0.3 turns better than plan and 0.4 more turns than last year. Amongst product categories, turns for wines, excluding VINTAGES, rose from 6.0 last year to 6.4, inventory turns for spirits increased to 8.8 from 8.5, VINTAGES improved to 3.0 from 2.9, and Beer, Ready-to-Drink and Accessories moved to 14.7 from 13.9.

Warehouse inventory turns increased to 12.9 from 11.6 a year ago and over the budgeted target of 12.1. Retail inventory turns remained static at 13.1, which was 0.2 turns more than plan.

Total inventory turns



Note: Retail and total inventory turns have been restated for years 2005–06 to 2008–09 for Section 3031 adjustment.

Financial and Operating Ratios

Income statement ratio performance was generally positive in 2009–10.

Net income came in at 33.3 per cent of net sales for the year. This result surpassed last year's ratio of 33.0 per cent and the budgeted ratio of 31.9 per cent.

Gross margin as a percentage of net sales was 48.9 per cent for the year, an improvement from the target of 48.5 per cent and the previous year's ratio of 48.3 per cent[4].

[4] See Gross Margin section on page 44 for further detail.

Administrative expenses as a percentage of net sales were 20 basis points better than plan at 1.5 per cent, the same as last year. Operating expenses were 11.7 per cent of net sales, 20 basis points more than last year but 40 basis points below plan.

Productivity Ratios

To help track expenses and to 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.

Retail – Financial and Operating Highlights

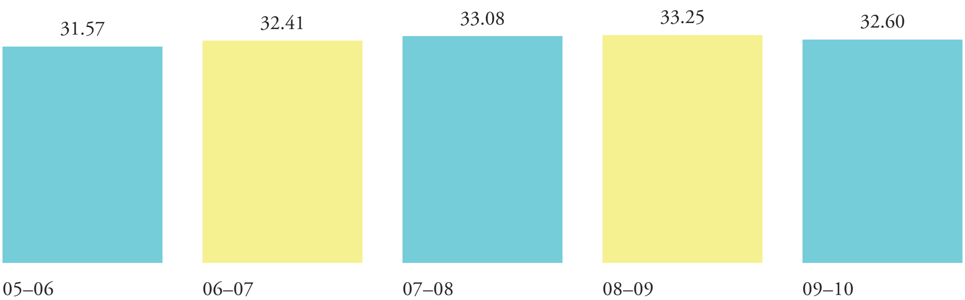
	05–06	06–07	07–08	08–09	09–10
Store salary to sales	7.0%	6.8%	6.8%	6.9%	7.0%
Store expenses as percentage of sales	10.3%	10.0%	10.0%	10.0%	10.4%
Store salary per unit sold	$ 0.76	$ 0.74	$ 0.72	$ 0.72	$ 0.71
Store expenses per unit sold	$ 1.12	$ 1.08	$ 1.05	$ 1.05	$ 1.05
Unit sales per hour	34.9	36.7	38.6	39.8	41.5
Sales per customer	$ 31.57	$ 32.41	$ 33.08	$ 33.25	$ 32.60
Sales per square foot	$ 1,816	$ 1,898	$ 1,885	$ 1,878	$ 1,808

LCBO retail store salaries as a percentage of net sales increased 10 basis points from the previous year to 7.0 per cent in 2009–10. Store salaries per unit sold improved to $0.71, better than the planned value of $0.74.

Store expenses as a percentage of sales increased to 10.4 per cent, higher than 10.0 per cent last year, but better than the plan of 10.6 per cent. Store expenses per unit sold were unchanged at $1.05, outperforming the planned amount of $1.08.

Sales per customer figures had been improving steadily over the past four years, rising from $31.57 in 2005–06 to $33.25 in 2008–09 as customers trended toward premium products. Economic pressures resulted in a shift to thrift during 2009–10 and many customers traded down to lower priced products. Average sales per customer decreased to $32.60.

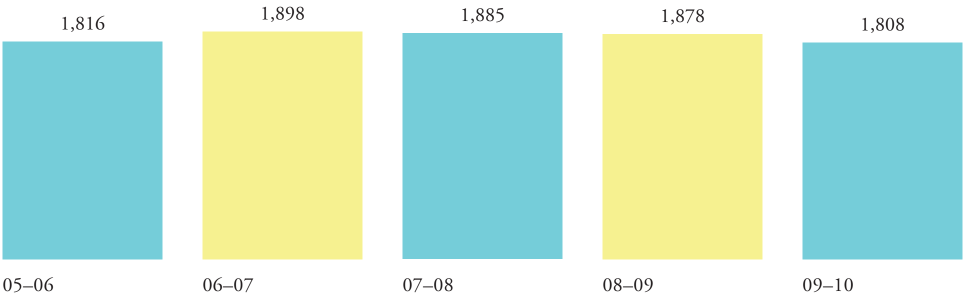
Average sales per customer



SALES OF SINGLE-SERVE CANS CONTINUE TO DRIVE CATEGORY GROWTH. THE SEGMENT HAS TRIPLED IN VOLUME DURING THE LAST SIX YEARS.

Store sales per square foot declined to $1,808 partly due to the "trading down" effect, but also due to the additional square footage in newly-opened stores. This result is below the previous year's figure of $1,878, but better than the planned amount of $1,701.

Average sales per square foot



LCBO logistics productivity ratios were mostly favourable. Distribution cases per hour increased to 74 in 2009–10, one more than last year but well over the target of 70. Warehouse cost per case (excluding freight) increased slightly to $1.22, remaining below the $1.27 plan. Salary cost per case was static at $1.00, $0.05 less than the planned figure.

Freight expense per case was considerably lower than last year at $1.35 in 2009–10. The $0.31 per case decrease was primarily due to lower ocean freight expenses resulting from lower rates in the new ocean freight contract signed in July 2008. Inbound freight as a percentage of sales improved to 2.0 per cent in 2009–10 while outbound freight continues to hold steady at 0.7 per cent.

LOGISTICS – FINANCIAL AND OPERATING HIGHLIGHTS

	05–06	06–07	07–08	08–09	09–10
Warehouse salary cost per case	$ 0.93	$ 0.94	$ 0.98	$ 1.00	$ 1.00
Warehouse cost per case	$ 1.16	$ 1.14	$ 1.19	$ 1.21	$ 1.22
Distribution cases per hour	64	68	70	73	74
Distribution expenses per case	$ 0.68	$ 0.67	$ 0.70	$ 0.66	$ 0.66
Freight expense per case	$ 1.67	$ 1.73	$ 1.79	$ 1.66	$ 1.35
Inbound freight as percentage of sales	2.7%	2.8%	2.8%	2.5%	2.0%
Outbound freight as percentage of sales	0.7%	0.7%	0.7%	0.7%	0.7%

Capital Expenditures

LCBO capital spending in 2009–10 continued to focus on upgrading more retail stores to current corporate standards, increasing the total number of stores in the province and improving service in markets where population growth is occurring or is projected.

($000)	05–06	06–07	07–08	08–09	09–10
Retail	39,650	38,292	45,101	40,673	42,044
Retail Store Development and Real Estate	1,310	1,025	1,126	146	149
Information Technology	7,980	7,320	7,709	7,887	8,572
Logistics	2,464	3,332	2,433	3,108	3,875
Marketing Programs	666	1,225	1,274	1,402	1,132
Other Administrative Divisions	2,466	3,022	6,016	6,552	4,187
Total Capital Expenditures	54,535	54,217	63,659	59,769	59,959

LOOKING AHEAD

In fiscal 2010–11, LCBO net sales are forecast to increase to $4.41 billion, a year-over-year increase of 2.3 per cent.

Gross margin is forecast to improve by 3.9 per cent to $2.11 billion. Gross margin as a percentage of net sales is expected to rise to 49.7 per cent, up from 48.9 per cent in 2009–10.

Net income is forecast to be $1.48 billion in 2010–11, $45 million or 3.2 per cent more than the previous year. As a result, the LCBO's dividend to Ontario government is expected to increase for the 17th consecutive year to $1.48 billion, $70 million more than in fiscal 2009–10.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

In February 2008, the Canadian Institute of Chartered Accountants (CICA) announced that Canadian GAAP (CGAAP) for publicly-accountable enterprises will be replaced by International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011. LCBO is a government business enterprise, which reports under the same basis of accounting as publicly-accountable enterprises as directed by the Public Sector Accounting Standards Board.

Accordingly, the conversion from CGAAP to IFRS will be applicable to LCBO's reporting for the fiscal year ending March 31, 2012, for which the current and comparative information will be prepared under IFRS.

Given the magnitude of the effort involved in this conversion, the project has been developed in three main phases.

Implementation Phase	Description and Status
Scoping	This phase involves performing a high-level impact assessment to identify key areas that may be impacted by the transition to IFRS. As a result of these procedures, the potentially affected areas are ranked as high, medium or low priority. Based upon the current state of IFRS, this phase has been completed and LCBO had identified certain differences between CGAAP and IFRS that may impact financial results. The International Accounting Standards Board (IASB) has activities currently underway which may change IFRS and ultimately may impact LCBO. Any changes will be assessed as they occur.
Plan, design and build	In this phase, each impacted area identified from the scoping phase will be further analyzed. This phase involves specification of changes required to existing accounting policies, information systems, internal controls over financial reporting, disclosure controls and procedures, and financial reporting, together with an analysis of policy alternatives allowed under IFRS. This phase is underway and is progressing as planned to make sure the financial statements are IFRS compliant by the first set of IFRS financial statements at March 31, 2012. The key significant differences identified between IFRS and CGAAP that will affect LCBO's accounting policies are outlined here.

<table>
<tr><th>Implementation Phase</th><th>Description and Status</th></tr>
<tr><td>Plan, design and build (continued)</td><td>Key elements of the plan that are currently in progress include, but are not limited to:

Financial reporting and disclosures and accounting policies:
• selection of accounting policy choices. This is expected to be substantially completed by the fiscal year ending March 31, 2011;
• preparation of financial statements and disclosures required under IFRS. This is expected to be completed by the fiscal year ending March 31, 2012.

Information systems:
• the review, development and implementation of information technology required for current financial reporting requirements. Management does not expect significant changes to the current information technology and financial reporting platforms.

Internal controls over financial reporting and disclosure controls and procedures:
• the review of existing control processes and procedures, including its impact on internal control over financial reporting (ICFR) and disclosure controls and procedures, to address significant changes to existing accounting policies. This is expected to be substantially completed by the fiscal year ending March 31, 2011 and thereafter for changes in IFRS.

Training and communication:
• ongoing updates to the Audit Committee;
• ongoing IFRS training to key personnel in various areas of the business, which is continuing throughout 2010/2011; and
• communication of the progress of the transition plan to staff and stakeholders.</td></tr>
<tr><td>Implement and review</td><td>This phase includes execution and testing of changes identified in the plan, build and design phase, and to approve recommended accounting policy changes and continue delivering training programs to LCBO staff, as required.</td></tr>
</table>

The following table summarizes our progress to date against the milestones contained in the key elements of the transition plan:

Key Activity	Milestones	Progress at March 31, 2010
Project team and project management		
• audit committee engagement • steering committee creation • technical advisory committee creation and training • engagement of external consultants • building of project team	• project team in place by end of fiscal 2008–09 and meeting plans in place for steering committee and audit committee communication.	• project team assembled by the end of fiscal 2008–09, including engagement of professional services firms. • steering committee and technical advisory committee meetings scheduled based on project outputs. • audit committee meeting updates scheduled regularly.
Accounting policies and procedures		
• identification of differences between CGAAP and IFRS applicable to LCBO. • selection of the IFRS accounting policies. • determination of first-time adoption of IFRS (also known as IFRS 1) choices.	• complete diagnostic identifying major areas of difference by the end of fiscal 2007–08. • evaluate accounting policy options and develop IFRS accounting policy documents between fiscal 2008–09 to 2010–11. • complete April 1, 2010 opening balance sheet during fiscal 2010–11.	• IFRS scoping completed in fiscal 2007–08. • evaluation and analysis of IFRS policy choices ongoing. • opening balance sheet is being developed during fiscal 2010–11.
Financial statement preparation		
• development of financial statements under IFRS. • make sure data required for enhanced note disclosures will be available.	• develop draft IFRS financial statements in conjunction with accounting policy choice selections. • make sure all required data is available and auditable during fiscal 2010–11.	• financial statements are being developed during fiscal 2010–11. • project team within the organization tasked with preparing the note disclosures.

Key Activity	Milestones	Progress at March 31, 2010
Information technology impacts		
• make sure systems are capable to produce and report IFRS required data. • develop a dual reporting strategy for the year in fiscal transition.	• review and modify the current financial reporting systems platform to incorporate required changes for IFRS. • design, implement and test dual reporting strategy.	• completed review of current financial reporting systems platform in early fiscal 2009–10. Concluded that no major changes are required to the general ledger platform to accommodate transition year dual reporting requirements. • ongoing monitoring and testing of dual reporting strategy to occur in fiscal 2010–11.
Business impacts		
• organizational performance metric results based on CGAAP measures may differ under IFRS. • budgeting functions for the fiscal 2011–12 adoption year will be impacted. • process changes may impact internal controls over financial reporting.	• impacts on organizational performance metrics to be reviewed following finalization of IFRS accounting policy choices. • budgeting for fiscal 2011–12 to incorporate IFRS impacts once final accounting policies selected. • process changes due to IFRS implementation to be reviewed for impact and to ensure compliance assurance on internal controls.	• ongoing review of business impacts in fiscal 2010–11.
Training and communication		
• make sure members of the project team receive adequate training and guidance. • provide communication of project status to internal and external stakeholders in a timely manner.	• internal training to be provided to personnel directly impacted by IFRS throughout implementation. • external updates to be provided through regularly communication with the Province of Ontario.	• key members of the project team have completed IFRS specific training courses and are continuing to participate in additional training courses. • ongoing communication with staff and external stakeholders through MD&A disclosures throughout 2010–11 and 2011–12 fiscal years.

Financial Statement Impact of International Financial Reporting Standards (IFRS)

There are currently several differences between IFRS requirements and existing CGAAP accounting policies. Some of the more significant ones at present, as they relate to LCBO, are set out in the following table, along with their impact on financial reporting in fiscal 2011–12 (and restated 2010–11 comparatives), where currently determinable.

The following table highlights the differences LCBO considers most relevant but should not be viewed as an all-encompassing list at this time.

Standard	Difference from existing CGAAP	Potential impact
IAS 1: Presentation of Financial Statements	IFRS requires significantly more disclosures than existing CGAAP. In addition, classification and presentation may be different for some balance sheet and income statement items.	LCBO is analyzing the impact of the classification, presentation and disclosure changes on its financial statements.
IAS 16: Property, Plant and Equipment ("Capital assets")	CGAAP: The historical cost model is required. Capital assets are to be recorded at cost upon initial acquisition and are to be depreciated over their useful lives. In addition, CGAAP provides an option to componentize capital assets when an entity is able to do so. IFRS: Has more specific guidance on capitalization and required componentization of capital assets. In addition, after initial recognition, there is the option to measure capital assets using the cost model or the revaluation model.	LCBO will continue to use the cost model. There is minimal impact on the financial statements. LCBO has elected to adopt early componentization of capital assets for purchases made after April 1, 2010. This application is acceptable under both CGAAP & IFRS.

Standard	Difference from existing CGAAP	Potential impact
IAS 17: Leases	CGAAP: CGAAP has established rule-based guidelines to determine if leases should be classified as operating leases or capital leases. IFRS: There are no specific rule-based guidelines to determine whether the risks and rewards of ownership of the leased asset have been transferred. Each asset must be assessed qualitatively to determinate if leases should be classified as operating leases or finance (i.e. capital) leases.	LCBO is analyzing the impact of the changes on its financial statements.
IAS 19: Employee Benefits	CGAAP: Actuarial gains and losses related to defined benefit obligations are recorded using a 10 per cent corridor approach. IFRS: Actuarial gains and losses related to the revaluation of defined benefit obligations can be recorded using a 10 per cent corridor approach or can be immediately recognized in equity or net income.	LCBO has not finalized its decision with respect to the accounting for actuarial gains and losses.

Several IFRS standards are in the process of being amended by the International Accounting Standards Board (IASB), who are responsible for drafting and implementing the new standards. Amendments to existing standards are expected to continue until March 31, 2012.

At March 31, 2010, LCBO cannot reasonably determine the full impact adopting IFRS would have on its financial statements. These disclosures reflect LCBO's expectations based on information available at March 31, 2010. Changes in IFRS standards or circumstances relating to LCBO may cause LCBO to revise its expectations, its project plan, and its potential IFRS accounting policy choices prior to the conversion date.

IFRS 1: First-Time Adoption of IFRS

A number of mandatory and optional exemptions and elections are available upon first-time adoption of IFRS. LCBO has not fully analyzed and concluded on IFRS 1, but has made preliminary analysis on some of the items in the table below.

Optional Exemption	LCBO Election
Fair value or revaluation as deemed cost	This exemption allows LCBO to initially measure an item of capital assets and intangible assets upon transition to IFRS at fair value or a previous GAAP valuation (i.e. historical cost). LCBO does not intend to use this exemption; instead it will value capital assets and intangible assets using its historic cost under IFRS.
Employee benefits	This exemption permits LCBO to reset the cumulative actuarial gains and losses to zero by recognizing the full amount in the retained earnings of the opening IFRS balance sheet. LCBO is currently analyzing this election.
Borrowing costs	This exemption allows LCBO to adopt IAS 23, which requires the capitalization of borrowing costs on all qualifying assets, prospectively from the date of the opening IFRS balance sheet. LCBO is currently analyzing this election.

RESPONSIBILITY FOR FINANCIAL REPORTING

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.

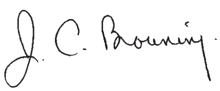
Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate 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:

N. ROBERT PETER
President & Chief Executive Officer



J. ALEX BROWNING
Senior Vice-President, Finance & Administration, and Chief Financial Officer

June 10, 2010

AUDITOR'S REPORT

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, 2010 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, 2010 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, FCA
Auditor General
Licensed Public Accountant

Toronto, Ontario
June 10, 2010

BALANCE SHEET

As at March 31, 2010

($000)	2010	2009
ASSETS		
Current		
Cash and cash equivalents	217,791	162,098
Accounts receivable, trade and others	23,705	21,612
Inventories (Note 3)	344,534	342,860
Prepaid expenses	13,574	16,889
	599,604	543,459
Long-term		
Capital assets & intangible assets (Note 4)	294,446	259,986
	894,050	803,445
LIABILITIES AND RETAINED INCOME		
Current		
Accounts payable and accrued liabilities	436,397	389,802
Current portion of non-pension employee future benefits (Note 5)	5,925	4,915
	442,322	394,717
Long-term		
Non-pension employee future benefits (Note 5)	71,942	54,552
Retained income	379,786	354,176
	894,050	803,445

Commitments and Contingencies (Notes 6 and 9)

See accompanying notes to financial statements.

Approved by:

Chair

Board Member, Chair Audit Committee

STATEMENT OF INCOME AND RETAINED INCOME

Year Ended March 31, 2010

($000)	2010	2009
Sales and other income	4,344,099	4,297,642
Cost and expenses		
Cost of sales	2,198,920	2,204,942
Retail stores and marketing	477,517	450,345
Warehousing and distribution	85,913	88,845
Administration	97,424	96,930
Amortization	48,716	46,406
	2,908,490	2,887,468
Net income for the year	1,435,609	1,410,174
Retained income, beginning of year	354,176	340,238
Adjustment to opening retained income resulting from adoption of new accounting standards for inventories (Note 2e)	–	3,764
	1,789,785	1,754,176
Deduct		
Dividend paid to the Province of Ontario	1,410,000	1,395,000
Payment on behalf of the Province of Ontario (Note 10)	–	5,000
	1,410,000	1,400,000
Retained income, end of year	379,785	354,176

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS
Year Ended March 31, 2010

($000)	2010	2009
Cash provided from operations		
Net income	1,435,609	1,410,174
Amortization	48,716	46,406
(Gain) Loss on sale of capital assets	318	(1,330)
	1,484,643	1,455,250
Net change in non-cash items increase/(decrease)		
Accounts Receivable, trade and others	(2,093)	4,512
Inventory	(1,674)	(3,741)
Prepaids	3,315	1,514
Accounts Payable and accrued liabilities	46,595	26,381
Employee future benefits	18,400	(5,967)
	1,549,186	1,477,949
Cash used for investment activities		
Purchase of capital assets	(84,148)	(59,769)
Proceeds from sale of capital assets	655	2,266
	(83,493)	(57,503)
Cash used for financing activities		
Dividend paid to the Province of Ontario	(1,410,000)	(1,395,000)
Payment on behalf of the Province of Ontario	–	(5,000)
	(1,410,000)	(1,400,000)
Increase in cash during the year	55,693	20,446
Cash and cash equivalents, beginning of year	162,098	141,652
Cash and cash equivalents, end of year	217,791	162,098

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
March 31, 2010

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.

(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 CICA 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 7 for the resulting disclosures from implementation.

(d) 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.

(e) Inventories

Effective April 1, 2008, the Board implemented CICA Handbook Section 3031 *"Inventories,"* 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 are presented in Note 3.

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 resulted in an increase to the carrying amount of opening inventories and retained income as at April 1, 2008 of $3.8 million.

(f) 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	Lesser of the average remaining lease term and estimated useful life of the improvements
Computer Equipment	3 years or 4 years

Construction in progress includes assets not available for use which are not amortized.

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

(g) Intangible Assets

In February 2008, the CICA adopted Handbook Section 3064, "Goodwill and Intangible Assets," which replaces CICA Handbook Section 3062, "Goodwill and Other Intangible Assets," and establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. This section applies to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008.

The Board adopted the Handbook Section on April 1, 2009 and reclassified prior period comparative amounts from property, plant and equipment to intangible assets.

Intangible assets, which lack physical substance, are stated at cost. Amortization is provided on a straight-line basis over their estimated useful service lives, as follows:

Computer software	3 years or 4 years

Software in development includes assets not yet available for use which are therefore not amortized.

(h) Employee Future Benefits

i. 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. See Note 5 for the resulting disclosures.

ii. Non-pension Employee Future Benefits

Employee future benefits other than those provided by the Province include accrued contractual severance payments, executive compensation time banking, unfunded workers compensation obligation and unused vacation entitlements. These plans provide benefits to employees when they are no longer providing active service. The Board accrues these employee future benefits over the periods in which the employees earn the benefits. The cost of other post-retirement, non-pension employee benefits is paid by the Province and is not included in the Statement of Income and Retained Income.

The cost of the contractual severance payments and executive compensation time banking was actuarially determined by using the Projected Unit Credit Method and management's best estimate. The unfunded workers compensation liability was determined using the Average Awards Method. The annual benefit cost is the sum of the service cost, one year's interest cost and any amortization of gains and losses. The net actuarial gains and losses are amortized on a straight-line basis over the expected average remaining service lifetime of the employee. See Note 5 for the resulting disclosures.

(i) Revenue Recognition

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

(j) Expense Recognition

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

(k) Leases

The Board leases most of its retail locations and office space. Terms vary in length and typically permit renewal for additional periods. Minimum rent, including scheduled escalations and any rent free periods, are expensed on a straight-line basis over the term of the lease. Landlord inducements are deferred and amortized as reductions to rent expense on a straight-line basis over the same period.

3. INVENTORIES

The cost of inventories sold during the year and recognized as a cost of sales expense during the year ended March 31, 2010 was $2,199 million (2009 – $2,205 million). There were no significant write-downs or reversal of previous write-downs to net realizable value during the year ended March 31, 2010 (2009 – nil).

4. CAPITAL ASSETS & INTANGIBLE ASSETS

($000) March 31,			2010	2009
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Capital assets				
Land	12,895	–	12,895	12,952
Buildings	363,367	256,244	107,123	105,504
Furniture and equipment	95,041	73,828	21,213	24,143
Leasehold improvements	301,131	194,847	106,284	66,798
Computer equipment	55,033	42,843	12,190	12,465
Construction in progress	7,781	–	7,781	11,200
	835,248	567,762	267,486	233,062
Intangible assets				
Computer software	80,373	61,229	19,144	24,246
Software in development	7,816	–	7,816	2,678
	88,189	61,229	26,960	26,924
Total Capital and Intangible Assets	923,437	628,991	294,446	259,986

5. EMPLOYEE FUTURE BENEFITS

a) Pension Plan
For the year ended March 31, 2010, the expense was $19.2 million (2009 – $17.8 million) and is included in cost and expenses in the Statement of Income and Retained Income.

b) Non-pension
The accrued benefit obligation includes accruals for contractual severance payments, executive compensation time banking and unfunded workers compensation obligation.

For the year ended March 31, 2010, the actuarially-determined benefit obligation of the contractual severance, executive compensation time banking and unfunded workers compensation obligation was $85.8 million (2009 – $57.3 million). The accrued benefit liability as at March 31, 2010 is $77.9 million (2009 – $59.5 million) of which $5.9 million (2009 – $4.9 million) is classified as a current liability. The difference between the benefit obligation and the benefit liability is the unamortized net actuarial experience gain or loss.

The Board measures its accrued benefits obligation for accounting purposes as at March 31st of each year. The latest actuarial valuation for the contractual severance and executive compensation time banking was performed as at March 31, 2010. The latest actuarial assessment for the unfunded workers compensation was performed as at December 31, 2009. The Board will conduct an actuarial valuation of employee future benefits every three years; therefore, the next valuation will be done for the year ending March 31, 2013.

($000's) March 31	2010	2009
Employee Benefit plan assets	–	–
Employee benefit plan liabilities	85,838	57,349
Employee benefit plan deficit	85,838	57,349
Unamortized net actuarial experience gain/(loss)	(7,971)	2,118
Accrued benefit liability	77,867	59,467
Benefit obligation recognized on the balance sheet		
Benefit obligation, beginning of year	59,467	56,920
Expense for the year	27,185	10,360
Benefits paid during the year	(8,785)	(7,813)
Benefit obligation, end of year	77,867	59,467

The cost of unused vacation entitlements is accrued and included in Accounts payable and accrued liabilities on the Balance Sheet. As at March 31, 2010, $9.3 million (2009 – $8.4 million) was accrued.

6. LEASE COMMITMENTS

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

($000)	
2011	55,459
2012	55,839
2013	52,662
2014	49,356
2015	45,915
Thereafter	364,942
	624,173

7. 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 Canadian dollars. The Board is exposed to foreign currency risk arising from various currency exposures, primarily with respect to US dollars and euros.

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, 2010, the Board had no foreign exchange forward contracts (2009 – nil).

In the Board's assessment, a significant strengthening or weakening of the Canadian dollar against the US dollar and euro, 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, 2010, the Board recognized a net foreign exchange gain of $6.3 million (2009 – $0.2 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, 2010, 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 (2009 – nil).

(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, 2010, approximately 68 per cent (2009 – 70 per cent) of the Board's accounts 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	2010	2009
Allowance at beginning of period	285	256
Provision for losses	361	139
Recoveries	160	536
Write-offs	(706)	(646)
Allowance at end of period	100	285

(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.

8. 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 ensure sufficient liquidity in support of its financial obligations to achieve its business plans,
- to maintain healthy liquidity reserves and access to capital as outlined in its investment and foreign exchange policies; and
- to ensure that cash management decisions are based upon the preservation of capital as a primary objective.

As at March 31, 2010, the LCBO met these objectives.

In managing cash and cash equivalents, the Board maintains balances that are:

- sufficient to meet its accounts payable obligations due within the next 45–60 days;
- sufficient to meet the timing of dividend transfers; and
- sufficient to meet approved capital expenditures throughout the current fiscal year.

The Board is not subject to any externally imposed capital requirements.

9. 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.

10. WASTE DIVERSION

In prior years, the Board was directed by the Province to assist municipalities with their container recycling costs, including $5 million per year on a transitional basis for the first two years following the introduction of the Ontario Deposit Return Program effective February 5, 2007. Currently, the Board is responsible under the *Waste Diversion Act, 2002* to pay municipalities – through Stewardship Ontario, an industry-funded waste diversion organization – for costs associated with container waste and non-container waste recycled through municipal Blue Box systems. For the year ended March 31, 2010, the Board contributed $2.1 million and these expenditures are included in Administration in the Statement of Income and Retained Income.

11. 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 ("the program") on wine, liquor and non-common 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.

For the year ended March 31, 2010, the Board collected $56 million (2009 – $56.4 million) of deposits on containers and was invoiced $43.5 million (2009 – $41.3 million) for refunds to the customers.

Expenditures in connection with the program for the year ended March 31, 2010 amounted to $28.2 million (2009 – $27.3 million) for service fees to Brewers Retail Inc. and $0.1 million (2009 – $0.1 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. Based on historical redemption patterns, for the year ended March 31, 2010, the Board changed the estimated redemption rate for the program from 85 per cent to 80 per cent. Accordingly, for the year ended March 31, 2010, the Board applied $16.8 million (2009 – $8.4 million) of unredeemed deposits as a reduction to expenditures in connection with the program.

12. FUTURE CHANGES IN ACCOUNTING POLICIES

International Financial Reporting Standards

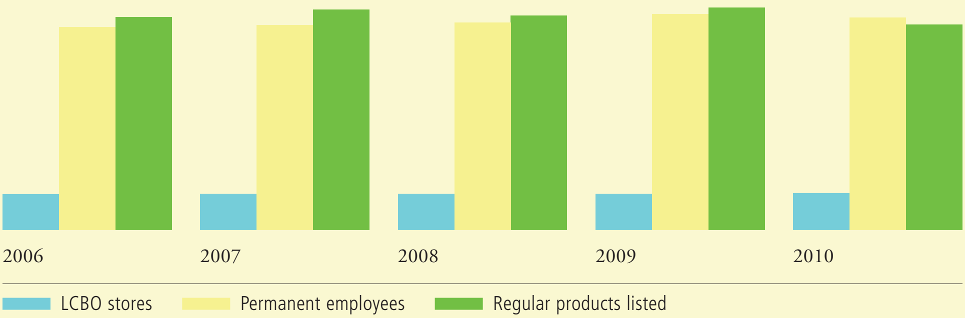
In February 2008, the Accounting Standards Board confirmed that Canadian generally accepted accounting principles (GAAP) for publicly-accountable enterprises will be converged with International Financial Reporting Standards (IFRS) effective in calendar year 2011, with early adoption allowed starting in calendar year 2009. IFRS uses a conceptual framework similar to Canadian GAAP, but there are differences on recognition, measurement and disclosures. The transition from Canadian GAAP to IFRS will be applicable to the Board's financial statements for fiscal 2011–12, at which time the Board will prepare both its fiscal 2011–12 and fiscal 2010–11 comparative financial information using IFRS.

FINANCIAL OVERVIEW

KEY INDICATORS: 2006–2010

Operations

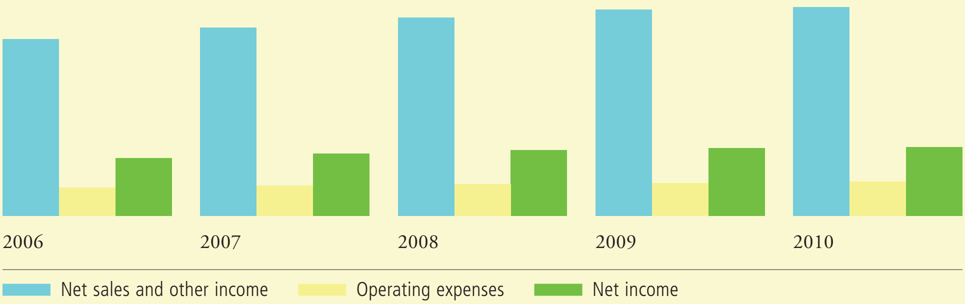
	2006	2007	2008	2009	2010
Number of LCBO stores	598	601	604	607	611
Number of permanent employees	3,382	3,421	3,462	3,604	3,542
Number of regular products listed	3,556	3,674	3,578	3,710	3,427



FINANCIAL INDICATORS: 2006–2010

Financial (values in $000)

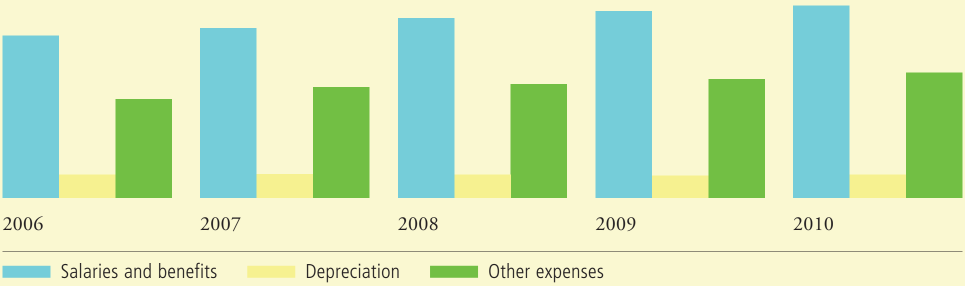
	2006	2007	2008	2009	2010
Net sales and other income	3,682,919	3,922,648	4,133,191	4,297,642	4,344,099
% change/previous year	4.3%	6.5%	5.4%	4.0%	1.1%
Operating expenses	592,963	632,750	659,429	682,526	709,570
As a % of net sales & other income	16.1%	16.1%	16.0%	15.9%	16.3%
Net income	1,204,344	1,300,601	1,374,357	1,410,174	1,435,609
As a % of net sales & other income	32.7%	33.2%	33.3%	32.8%	33.0%



OPERATING EXPENSES: 2006–2010

Breakdown of operating expenses (values in $000)

	2006	2007	2008	2009	2010
Salaries and benefits	337,969	352,960	373,864	389,159	400,335
Depreciation	49,099	49,233	48,757	46,406	48,716
Other expenses	205,895	230,557	236,808	246,961	260,519
Total operating expenses	592,963	632,750	659,429	682,526	709,570



REVENUE PAYMENTS

Treasurer of Ontario (values in $000)

	2006	2007	2008	2009	2010
Remitted by the Liquor Control Board: on account of profits	1,200,000	1,279,700	1,345,000	1,400,000	1,410,000
Remitted by the Liquor Control Board: Ontario retail sales tax on sales of liquor	341,773	363,338	382,631	398,057	404,823
Remitted by the Alcohol and Gaming Commission: on account of licence fees and permits	516,444	499,373	505,980	500,157	491,398
Remitted by others: Ontario retail sales tax on sales through The Beer Store and Ontario winery retail stores	213,264	206,405	211,814	213,691	212,803
Ontario retail sales tax on sales through agency stores	9,697	10,404	11,429	12,066	12,503
Total	2,281,177	2,359,220	2,456,853	2,523,971	2,531,527

REVENUE PAYMENTS (continued)

Receiver General for Canada (values in $000)

	2006	2007	2008	2009	2010
Remitted by the Liquor Control Board:					
Excise taxes and customs duties	321,350	332,839	339,202	346,477	346,072
Goods and Services Tax	124,978	119,185	119,283	104,372	107,680
Remitted by others:					
Excise taxes, GST and other duties/taxes	360,779	344,134	349,420	344,870	348,275
Goods and Services Tax remitted on sales through agency stores	5,656	5,381	5,557	5,027	5,210
Total	812,763	801,539	813,462	800,746	807,237

Ontario Municipalities (values in $000)

	2006	2007	2008	2009	2010
Remitted by the Liquor Control Board: Realty taxes*	14,848	15,243	15,792	16,606	18,256
Total revenue payments	3,108,788	3,176,002	3,286,108	3,341,323	3,357,020

*Note: Includes property taxes on leased properties.

VOLUME SALES

Product Type (volume in 000 litres)

	2006	2007	2008	2009	2010	% change
Domestic Spirits	34,501	34,379	34,156	33,715	33,449	-0.8%
Imported Spirits	21,637	22,001	22,927	23,715	23,614	-0.4%
Total Spirits	56,138	56,380	57,083	57,430	57,064	-0.6%
Domestic Wine	33,491	34,337	35,522	36,362	37,448	3.0%
Imported Wine	78,528	83,575	86,847	89,211	92,060	3.2%
Total Wine	112,018	117,912	122,369	125,573	129,508	3.1%
Domestic Beer	81,373	85,641	91,590	92,531	97,981	5.9%
Imported Beer	107,422	114,463	122,817	130,084	132,980	2.2%
Total Beer	188,795	200,104	214,408	222,615	230,961	3.7%
Domestic Spirit Coolers	26,019	24,359	23,682	22,604	22,522	-0.4%
Imported Spirit Coolers	4,585	4,834	6,082	6,232	5,194	-16.7%
Domestic Wine Coolers	113	62	0	0	0	0.0%
Imported Wine Coolers	328	313	266	197	146	-25.6%
Domestic Beer Coolers	641	556	572	627	691	10.2%
Imported Beer Coolers	96	207	193	110	16	-85.9%
Total Coolers	31,782	30,332	30,795	29,770	28,569	-4.0%
Total Domestic	176,137	179,335	185,523	185,838	192,091	3.4%
Total Imported	212,596	225,393	239,132	249,549	254,011	1.8%
Total	388,733	404,728	424,655	435,388	446,102	2.5%

VOLUME SALES (continued)

Product Type

	2006	2007	2008	2009	2010	% change
Sales by Ontario winery stores	18,751	19,338	20,046	20,528	20,627	0.5%
Sales by The Beer Store & brewer on-site stores	680,843	672,826	680,237	672,330	657,940	-2.1%

Note: The 2010 sales figures for Ontario winery stores, The Beer Store (TBS) and brewer on-site stores are unaudited and may 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, 71,993,846 were to TBS. Prior year figures are restated annually to reflect changes in product hierarchy.

SHARE OF VOLUME SALES

2009–10	Litres (000)	% of total
Spirits	57,064	13%
Wine	129,508	29%
Beer	230,961	52%
Coolers	28,569	6%
	446,102	100%

VALUE SALES

Product Type (values in $000)

	2006	2007	2008	2009	2010	% change
Domestic Spirits	834,655	866,917	875,353	885,716	883,328	-0.3%
Imported Spirits	606,632	645,897	686,789	726,000	728,812	0.4%
Total Spirits	1,441,287	1,512,814	1,562,143	1,611,716	1,612,140	0.0%
Domestic Wine	297,185	318,119	338,828	358,580	374,445	4.4%
Imported Wine	1,005,253	1,108,826	1,180,669	1,225,382	1,213,052	-1.0%
Total Wine	1,302,438	1,426,945	1,519,497	1,583,961	1,587,496	0.2%
Domestic Beer	297,216	310,679	332,359	344,481	365,179	6.0%
Imported Beer	444,258	473,834	514,442	552,408	573,706	3.9%
Total Beer	741,474	784,513	846,801	896,888	938,884	4.7%
Domestic Spirit Coolers	133,721	129,511	130,523	124,858	124,438	-0.3%
Imported Spirit Coolers	27,524	28,552	36,631	38,548	32,801	-14.9%
Domestic Wine Coolers	470	260	1	0	0	0.0%
Imported Wine Coolers	1,915	1,906	1,702	1,267	950	-25.0%
Domestic Beer Coolers	3,006	2,557	2,675	2,968	3,171	6.8%
Imported Beer Coolers	400	1,223	946	500	89	-82.1%
Total Coolers	167,034	164,008	172,478	168,141	161,449	-4.0%
Total Domestic	1,566,254	1,628,042	1,679,739	1,716,602	1,750,560	2.0%
Total Imported	2,085,981	2,260,238	2,421,178	2,544,105	2,549,409	0.2%
Non Liquor and Other	7,201	6,316	6,369	6,598	6,059	-8.2%
Total	3,659,436	3,894,596	4,107,286	4,267,305	4,306,028	0.9%

VALUE SALES (continued)

Product Type

	2006	2007	2008	2009	2010	% change
Sales by Ontario winery stores	176,214	187,385	198,612	210,271	214,917	2.2%
Sales by The Beer Store and brewer on-site stores	2,229,642	2,204,814	2,243,929	2,254,746	2,230,877	-1.1%

Note: The 2010 sales figures for Ontario winery stores, The Beer Store (TBS) and brewer on-site stores are unaudited and may 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, $310,913,096 were to TBS. Prior year figures are restated annually to reflect changes in product hierarchy.

SHARE OF VALUE SALES

2009–10	$ (000)	% of total
Spirits	1,612,140	37%
Wine	1,587,496	37%
Beer	938,884	22%
Coolers	161,449	4%
	4,299,969	100%

PRODUCT LISTINGS

	2006	2007	2008	2009	2010
Domestic					
Spirits	442	440	440	524	420
Wine	447	450	463	515	515
Beer	494	491	477	470	458
Imported					
Spirits	737	761	674	695	685
Wine	1,151	1,225	1,208	1,122	980
Beer	285	307	316	384	369
Total regular listings	3,556	3,674	3,578	3,710	3,427
VINTAGES wines and spirits	5,953	5,633	6,927	6,688	5,256
Duty-free listings	234	231	231	200	211
Consignment warehouse and private ordering	9,483	9,225	9,434	11,793	9,896
Total product listings	19,226	18,763	20,170	22,391	18,790

Note: Product listing figures for Consignment and private ordering are estimated based on invoices produced by Specialty Services. The total does not include products delisted during the fiscal year.

ONTARIO SALES CHANNEL SUMMARY

	2006	2007	2008	2009	2010
LCBO total sales	4,284,222	4,530,392	4,724,138	4,875,417	4,922,501
The Beer Store total sales	2,686,509	2,647,897	2,719,131	2,714,574	2,703,197
Winery retail stores	208,452	227,768	233,940	245,918	251,453
Other channels:					
Legal	641,091	598,853	641,290	686,354	736,426
Homemade	153,239	142,626	155,607	160,852	189,248
Illegal	550,219	661,356	680,741	766,021	896,215
Grand total	8,523,732	8,808,892	9,154,848	9,449,136	9,699,039

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 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

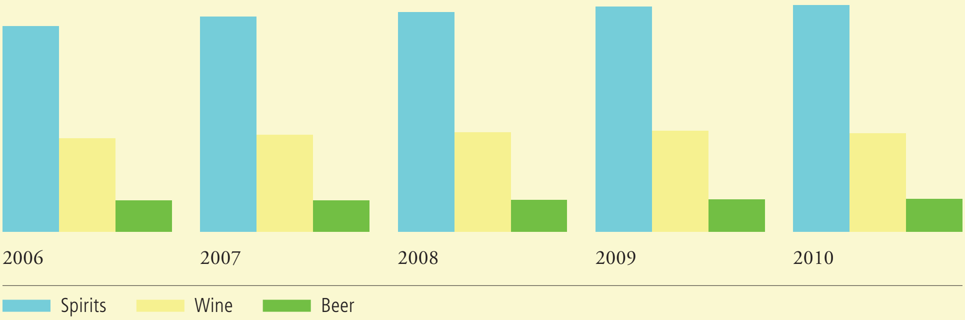
	2009–10	2008–09
LCBO	50.0%	50.8%
The Beer Store	27.5%	28.5%
Other legal	10.1%	9.5%
Illegal	9.7%	8.5%
Winery retail stores	2.7%	2.7%
	100.0%	100.0%

AVERAGE LCBO NET SALES PER LITRE

Product Type (prices excludes GST and PST)

	2006	2007	2008	2009	2010
Spirits	$ 25.67	$ 26.83	$ 27.37	$ 28.06	$ 28.25
Wine	$ 11.63	$ 12.10	$ 12.42	$ 12.61	$ 12.26
Beer	$ 3.93	$ 3.92	$ 3.95	$ 4.03	$ 4.07
Average transaction value per customer	$ 35.55	$ 36.42	$ 37.32	$ 37.61	$ 36.80

Note: Includes coolers



REVENUE DISTRIBUTION

	Domestic Spirits	100% Domestic Wine	Domestic Beer
Supplier	23%	45%	39%
Federal Government	18%	4%	11%
Provincial Government	59%	51%	44%
Deposit*			6%

*Note: Deposit collected on the sale of wine and spirits is recorded as a liability, not revenue.

LCBO LITRE SALES BY CATEGORY 2006–2010

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

	2006	2007	2008	2009	2010
Canadian Spirits					
Canadian Whisky	17.4%	17.4%	16.8%	16.7%	16.8%
Canadian Rum	8.8%	8.8%	8.7%	8.8%	8.9%
Canadian Vodka	9.7%	10.0%	9.9%	9.9%	10.1%
Canadian Liqueur	2.4%	2.5%	2.5%	2.4%	2.3%
Spirit Coolers	30.1%	28.5%	27.3%	26.3%	26.4%
Canadian Dry Gin	0.8%	0.8%	0.8%	0.7%	0.7%
Other	0.6%	0.5%	0.8%	0.8%	1.0%
Imported Spirits					
Scotch	4.5%	4.5%	4.4%	4.4%	4.3%
Liqueur	3.8%	3.9%	3.4%	3.2%	3.2%
Miscellaneous Liquors	3.1%	3.4%	3.9%	4.0%	4.0%
Vodka	5.0%	5.5%	6.2%	7.0%	7.4%
French Brandy	2.1%	2.1%	2.0%	2.0%	2.0%
Spirit Coolers	5.3%	5.7%	7.0%	7.2%	6.1%
Other	6.4%	6.4%	6.3%	6.8%	6.8%
Total Spirits (000 litres)	86,527	85,348	86,621	86,048	84,521
Canadian Wines					
White Table	14.5%	14.2%	14.3%	14.2%	14.2%
Red Table	9.1%	9.1%	9.2%	9.3%	9.1%
Rosé Table	1.0%	1.0%	1.0%	1.0%	1.0%
7% Sparkling	1.3%	1.2%	1.2%	1.1%	1.1%
Fortified	1.7%	1.5%	1.5%	1.5%	1.4%
Wine Coolers	0.1%	0.1%	0.0%	0.0%	0.0%
Other	0.8%	0.8%	0.7%	0.8%	1.1%

LCBO LITRE SALES BY CATEGORY 2006–2010 (continued)

	2006	2007	2008	2009	2010
Imported Wines					
White Table	22.9%	22.5%	22.6%	22.2%	22.1%
Red Table	38.3%	39.3%	39.6%	40.2%	40.3%
Rosé Table	1.6%	1.4%	0.7%	0.7%	0.8%
Sparkling	2.2%	2.2%	2.3%	2.2%	2.2%
Fortified	1.7%	1.6%	1.4%	1.4%	1.3%
Wine Coolers	0.3%	0.3%	0.2%	0.2%	0.1%
Other	4.7%	5.0%	5.4%	5.4%	5.5%
Total Wine (000 litres)	105,724	111,386	115,118	117,940	122,041
Canadian Beer					
Ontario Beer	42.7%	42.1%	42.2%	42.1%	42.9%
Other Canadian Beer	3.0%	2.9%	2.9%	2.6%	2.6%
Imported Beer					
U.S. Beer	8.8%	9.5%	8.8%	8.4%	8.1%
Other Imported Beer	45.4%	45.4%	46.0%	46.9%	46.3%
Sake	0.1%	0.1%	0.1%	0.1%	0.1%
Total Beer (000 litres)	170,245	181,959	195,432	203,005	211,505
Total (000 litres)	362,496	378,693	397,171	406,993	418,067

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 2006–2010

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

	2006	2007	2008	2009	2010
Canadian Spirits					
Canadian Whisky	23.1%	22.7%	21.9%	21.6%	21.5%
Canadian Rum	11.4%	11.3%	11.0%	11.1%	11.2%
Canadian Vodka	12.7%	13.0%	12.7%	12.6%	12.7%
Canadian Liqueur	2.8%	2.9%	2.9%	2.7%	2.6%
Spirit Coolers	8.4%	7.8%	7.6%	7.1%	7.0%
Canadian Dry Gin	1.1%	1.0%	1.0%	0.9%	0.9%
Other	0.6%	0.6%	1.2%	1.2%	1.3%
Imported Spirits					
Scotch	7.9%	7.8%	7.8%	7.8%	7.8%
Liqueur	6.0%	6.0%	5.1%	4.8%	4.6%
Miscellaneous Liquors	4.5%	4.9%	5.7%	5.7%	5.5%
Vodka	6.7%	7.3%	8.6%	9.7%	10.3%
French Brandy	3.7%	3.7%	3.6%	3.5%	3.4%
Spirit Coolers	1.7%	1.7%	2.1%	2.2%	1.9%
Other	9.4%	9.3%	8.8%	9.3%	9.4%
Total Spirits ($000)	1,598,743	1,667,000	1,724,763	1,770,955	1,764,434
Canadian Wines					
White Table	10.4%	10.2%	10.3%	10.5%	10.9%
Red Table	7.0%	7.1%	7.2%	7.4%	7.6%
Rosé Table	0.7%	0.7%	0.7%	0.7%	0.8%
7% Sparkling	0.8%	0.7%	0.7%	0.7%	0.6%
Fortified	1.3%	1.2%	1.1%	1.2%	1.2%
Wine Coolers	0.0%	0.0%	0.0%	0.0%	0.0%
Other	1.3%	1.2%	1.1%	1.1%	1.2%

LCBO NET SALES BY CATEGORY 2006–2010 (continued)

	2006	2007	2008	2009	2010
Imported Wines					
White Table	22.3%	22.1%	22.2%	22.0%	22.0%
Red Table	45.3%	46.3%	46.6%	46.8%	45.8%
Rosé Table	1.3%	1.2%	0.7%	0.7%	0.7%
Sparkling	4.2%	4.2%	4.3%	4.1%	4.1%
Fortified	2.0%	1.9%	1.7%	1.7%	1.6%
Wine Coolers	0.2%	0.1%	0.1%	0.1%	0.1%
Other	3.3%	3.3%	3.3%	3.1%	3.3%
Total Wine ($000)	1,209,678	1,326,596	1,404,327	1,460,221	1,472,171
Canadian Beer					
Ontario Beer	39.0%	38.3%	38.1%	38.2%	38.6%
Other Canadian Beer	3.4%	3.2%	3.2%	3.0%	3.0%
Imported Beer					
U.S. Beer	7.8%	8.4%	8.1%	7.2%	8.1%
Other Imported Beer	49.4%	49.8%	50.3%	51.3%	50.0%
Sake	0.4%	0.4%	0.4%	0.3%	0.3%
Total Beer ($000)	679,264	723,221	780,068	822,585	865,245
Total ($000)	3,487,685	3,716,817	3,909,158	4,053,761	4,101,851

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 2009–10 – SPIRITS

Country		Net Sales ($)	Litres
Canada	$	995,893,504	55,667,903
United Kingdom	$	201,583,292	7,987,276
United States	$	126,595,983	6,341,645
France	$	111,090,895	2,785,580
Ireland	$	61,598,645	2,050,248
Sweden	$	54,367,182	2,106,348
Mexico	$	44,907,593	1,268,085
Italy	$	36,137,140	1,293,124
Germany	$	23,628,622	754,988
Russia	$	18,129,598	682,646
Poland	$	15,579,659	472,147
Finland	$	13,224,607	493,775
New Zealand	$	9,759,210	841,803
Jamaica	$	5,661,280	180,816
Cuba	$	5,217,884	177,718
Barbados	$	4,997,747	171,556
Netherlands	$	3,968,127	133,305
Greece	$	3,858,361	151,276
South Africa	$	3,808,363	134,497
Guyana	$	2,966,364	89,267
Switzerland	$	2,841,439	85,512
Spain	$	1,877,908	79,051
South Korea	$	1,623,311	100,879
Portugal	$	1,419,132	46,011
Bermuda	$	1,352,362	49,403
Nicaragua	$	1,230,972	42,026
Puerto Rico	$	1,008,004	22,015
Croatia	$	978,552	32,769
Ukraine	$	838,486	28,336
Hungary	$	818,472	27,559
Bahamas	$	739,880	21,265
Denmark	$	733,515	25,952

LCBO SALES BY COUNTRY OF ORIGIN 2009–10 – SPIRITS (continued)

Country	Net Sales ($)	Litres
Serbia	$ 728,290	24,025
Lebanon	$ 549,464	19,901
Czech Republic	$ 543,851	9,356
Brazil	$ 541,709	16,726
China	$ 492,499	11,549
Dominican Republic	$ 479,510	18,620
Austria	$ 450,450	10,368
India	$ 370,074	14,471
Iceland	$ 361,049	9,140
Japan	$ 333,989	8,161
Trinidad	$ 266,198	6,486
Colombia	$ 222,043	8,108
Turkey	$ 179,533	4,674
Israel	$ 92,581	3,021
Australia	$ 61,252	1,458
Republic of Armenia	$ 57,708	1,160
U.S. Virgin Islands	$ 51,953	4,241
Saint Vincent and The Grenadines	$ 50,472	990
Peru	$ 36,497	1,074
Bulgaria	$ 33,475	1,154
Lithuania	$ 28,035	930
St. Lucia	$ 27,761	383
Chile	$ 17,426	703
Panama	$ 16,647	590
Cyprus	$ 14,430	544
Georgia	$ 4,496	69
British Virgin Islands	$ 1,167	33
Thailand	$ 1,119	33
Anguilla	$ 883	16
Antigua	$ 254	8
Venezuela	$ 21	1
Total	$ 1,764,450,925	84,522,774

LCBO SALES BY COUNTRY OF ORIGIN 2009–10 – WINE

Country		Net Sales ($)	Litres
Canada	$	330,471,115	33,984,391
Italy	$	254,143,249	19,831,281
Australia	$	207,972,943	14,010,015
France	$	172,843,708	10,790,935
United States	$	161,463,810	12,368,693
Argentina	$	87,416,964	8,764,787
Chile	$	77,409,244	7,227,175
South Africa	$	40,275,788	3,506,652
Spain	$	39,399,840	2,600,087
Portugal	$	29,500,661	2,281,004
New Zealand	$	27,187,592	1,354,338
Germany	$	20,690,911	1,733,362
United Kingdom	$	10,752,303	2,199,570
Greece	$	3,166,458	304,130
Hungary	$	2,062,716	208,819
Japan	$	1,479,588	96,596
Ireland	$	1,167,986	241,730
Israel	$	950,001	47,863
Sweden	$	932,430	209,996
Serbia	$	752,967	81,310
Austria	$	660,490	39,574
Mexico	$	600,288	45,494
Romania	$	508,087	40,941
Bulgaria	$	489,973	53,124
Belgium	$	444,476	77,457
Jamaica	$	304,293	24,857
Montenegro	$	258,380	23,385
Poland	$	241,070	16,014
Georgia	$	185,002	11,825
Republic of Moldova	$	181,066	16,177
South Korea	$	170,815	7,148
Denmark	$	163,165	12,242

LCBO SALES BY COUNTRY OF ORIGIN 2009–10 – WINE (continued)

Country		Net Sales ($)	Litres
Macedonia	$	134,161	15,135
Ukraine	$	118,270	5,917
Lebanon	$	78,007	4,055
Switzerland	$	70,646	3,549
Cyprus	$	41,361	2,402
Slovenia	$	21,948	1,328
Morocco	$	19,941	1,166
Brazil	$	3,656	223
Croatia	$	865	56
Uruguay	$	23	3
Total	$	1,474,736,257	122,244,806

LCBO SALES BY COUNTRY OF ORIGIN 2009–10 – BEER

Country		Net Sales ($)	Litres
Canada	$	359,990,143	96,144,082
Netherlands	$	115,515,111	25,241,988
Mexico	$	105,704,680	24,410,032
United States	$	69,703,243	17,173,699
Belgium	$	49,782,807	10,183,611
United Kingdom	$	41,145,551	8,301,779
Germany	$	35,552,936	9,519,862
Ireland	$	19,470,346	3,740,224
Denmark	$	14,406,733	3,537,739
Poland	$	11,989,384	3,168,285
Czech Republic	$	8,492,102	2,119,320
Turkey	$	7,851,297	2,257,900
France	$	3,347,474	747,352
Jamaica	$	3,220,769	649,368
Austria	$	2,962,549	879,892
Italy	$	1,916,913	380,202
China	$	1,551,407	366,508
Brazil	$	1,395,368	337,427
Slovakia	$	1,043,293	246,351
Singapore	$	1,018,301	290,073
Thailand	$	820,286	170,165
Slovenia	$	670,222	185,196
Japan	$	647,530	156,227
Trinidad	$	589,618	126,369
Portugal	$	579,188	141,385
Russia	$	513,170	134,431
Ukraine	$	456,832	124,878
Croatia	$	434,464	113,400
Spain	$	376,075	102,375
Lithuania	$	250,753	63,425
Bosnia-Herzegovina	$	181,633	44,019
Greece	$	165,802	35,644

LCBO SALES BY COUNTRY OF ORIGIN 2009–10 – BEER (continued)

Country		Net Sales ($)	Litres
Kenya	$	142,831	27,437
Barbados	$	130,056	26,378
Philippines	$	122,904	25,387
Romania	$	121,079	31,119
Estonia	$	79,901	22,650
Latvia	$	74,819	21,336
Vietnam	$	58,860	13,557
New Zealand	$	55,177	11,231
Sri Lanka	$	52,567	10,684
Australia	$	37,665	7,956
South Korea	$	34,945	7,327
Cyprus	$	5,802	1,137
Argentina	$	9	2
Malta	$	2	1
Total	$	862,662,597	211,299,409

Note: Net value represents net sales excluding private ordering sales. In fiscal 2009–10, the LCBO sold products from 82 different countries.

Credits

The LCBO wishes to thank the members of the Audit Committee of the Board for their assistance in preparing this document. This report is also available at www.lcbo.com, under About LCBO. Produced by LCBO Corporate Communications. Design by ANITA CHEN DESIGN. Photography by As One Photography. Financial information prepared by LCBO Financial Planning & Development. French translation by LCBO French Language Services.

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In 2009–10, LCBO raised $4.2 million for charities through special programs and initiatives; most of this money is raised by customers at the checkout via the monthly province-wide donation box program.
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