MAXIMIZING VALUE

LCBO Annual Report 2015–16

Letter of Transmittal

The Honourable Charles Sousa, Minister of Finance

Dear Minister,

I have the honour to present you with the 2015–16 Annual Report of the Liquor Control Board of Ontario.

Respectfully submitted,

Edward Waitzer,
Chair

Table of Contents

For a more detailed discussion of fiscal 2015–16, please see the LCBO's Year In Review section on www.lcbo.com under "About LCBO."

Highlights

Dividend to the Government
$1.935 billion

Revenues
$5.57 billion

Net Earnings
$1.969 billion

Total Fundraising
$10.9 million

Total Ontario Wine Sales Increase
8.0%

Ontario Craft Beer Sales Increase
36%

New Stores, Expansions and Relocations
14

Total Number of Stores
654

Total Number of Challenges for all Reasons
14.5 million

Total Refusals for all Reasons
346,000

Quality Assurance Laboratory Tests
554,252

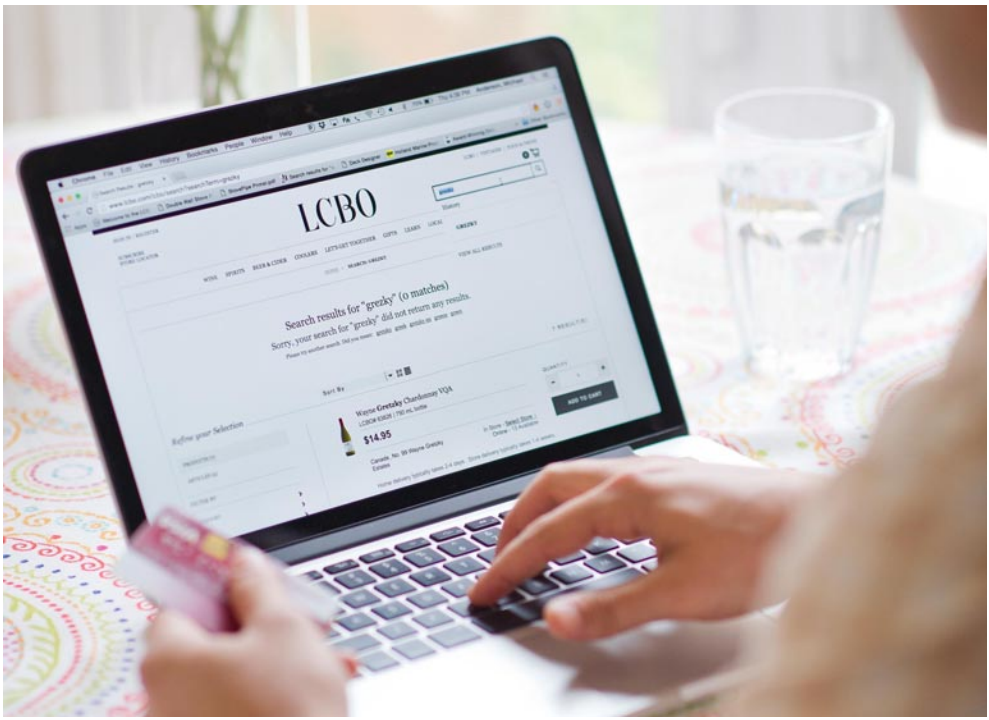
Number of Countries we sell Products from
85

Number of Beverage Alcohol Containers Returned Through Ontario Deposit Return Program (ODRP) Since 2007
2.6 billion

Maximizing Value

In April 2014, the Ontario government announced the appointment of an Advisory Council to recommend ways to improve the efficiency and optimize the value of certain crown assets, including the LCBO. The Premier's Advisory Council on Government Assets was directed to examine the existing system for beverage alcohol distribution and how value for Ontarians could be maximized. As its mandate evolved, the focus shifted to increasing consumer choice and introducing an element of retail competition.

The Council's resulting recommendations, endorsed by the government, will see as many as 450 grocers selling beer and cider, of which up to 150 will sell wine and up to 150 will host wine boutiques. These are the most significant changes to the marketplace since the end of prohibition. The LCBO now faces more competition than ever before and is making strategic adjustments to its business model — investing in frontline staff development, strengthening data-based decision-making, further expanding its wholesale business, and launching a new e-commerce platform. We face the future with confidence.



Continuous improvement has long been the mindset of the LCBO and we were pleased to co-operate with the Council in developing proposals to increase consumer choice and convenience, and continue to promote the responsible enjoyment of the products we sell. Below is a summary of key initiatives that the LCBO has underway to maximize value for Ontario in this more competitive environment.

E-commerce

The past year has seen significant investment and cross-divisional effort to create a new e-commerce platform for the LCBO. Being launched in mid-2016, this convenient online shopping experience will initially allow customers to purchase from a selection of up to 5,000 items from LCBO's general list, Vintages Essentials, as well as consignment products from Canada and the world. Orders will be delivered to a local LCBO store for free pick-up or home-delivered for a fee. The second phase will result in up to 16,000 products available online by 2017 as we work with suppliers around the globe to make virtually any wine, beer or spirit available for case ordering.

Products of the World Destination Stores

The LCBO has always carried an assortment of the world's finest beverage alcohol, and new Products of the World destination stores allow us to offer the best selection of products outside a particular country or region within a single store. Our first destination store focused on the products of Greece. Located in Toronto's Greektown neighbourhood, the store offers more than 100 Greek wines and spirits, three-quarters of which are from LCBO's Consignment Program, meaning the wines are available for purchase by consumers for the first time outside of bars and restaurants. We opened destination stores in 2015–16 for Greece, Portugal, Spain, kosher, Argentina, East Asia, and New Zealand, and more are scheduled to open in 2016–17.

Wholesaling to Grocers

LCBO is best known as a retailer and its Logistics, Sales & Marketing and Retail Operations also serve such customers as the Beer Store, agency stores, and duty free shops. With grocers now entering the beverage alcohol marketplace in Ontario, the LCBO will gain a new source of revenue through this additional wholesale channel. Just as we have high expectations of our suppliers so that we can best serve shoppers in our own stores, we are committed to providing our wholesale customers with outstanding service so they can do the same for their customers.

Sale of 12-Packs of Beer

The LCBO is in the midst of a pilot selling 12-packs in 10 stores. The addition of beer 12-packs is more convenient for customers and also offers them the same multi-pack pricing advantage they receive at the Beer Store.

Craft Beer Zones and Spirits Boutiques

Craft beer, particularly from Ontario, continues to be a high-growth category. To make these products easier for customers to find, we have begun merchandising all craft beer together in “Craft Beer Zones” at stores throughout the LCBO network. Further, we introduced the sale of growlers, which are 1.89 litre glass jugs of freshly-dispensed beer, at our Summerhill store in Toronto. Three brews, typically Ontario craft, are rotated through the taps each week and poured fresh for customers. We will expand this service to the Ottawa region in the coming year. In addition, we are working to improve our selection of premium spirits, such as high-end Scotch, showcasing this assortment in specialty Spirits Boutiques within our store network.

Message From the Minister

The beverage alcohol market in Ontario is in the midst of great change.

Our government has brought in the most extensive reforms to the marketplace in the province since the end of prohibition in 1927. That was the same year the LCBO was founded. Its mandate, to sell beverage alcohol in a socially responsible manner, continues. Yet, the organization of today would be unrecognizable to those who witnessed its founding nearly 90 years ago.

We remain committed to investing in Ontario, and the LCBO is part of this plan. I commend the LCBO for delivering its 22nd consecutive year of dividend growth, resulting in more than $1.9 billion to support programs and services for Ontarians. Revenues generated through the LCBO will contribute to improving key public services important to Ontarians, such as health care, education and infrastructure. With the introduction of beer, cider and wine sales at authorized grocers, we appreciate that the LCBO will need to adapt to a more competitive retail marketplace and play a pivotal role by expanding its wholesale business to support these new retail channels. In the next few years, beer and cider will be available in up to 450 grocery stores and wine in up to 300 of those locations. Even in this more competitive market, we are confident that the LCBO will continue to exceed customers' expectations.

Revenues generated through the LCBO will contribute to improving key public services important to Ontarians, such as health care, education and infrastructure.

Beginning this year, a new e-commerce platform has made the vast majority of the LCBO's products available online, increasing consumers' selection and convenience. The introduction of "Products of the World" stores is providing customers with the best selection of products from a specific country or region, such as Greece, Portugal and Spain. Enhanced spirits boutiques within LCBO stores are also offering spirits enthusiasts a wider assortment of premium Scotch and whisky to choose from, and Craft Beer Zones are doing the same for beer drinkers.

The LCBO works in partnership with social responsibility and public health groups to promote responsible alcohol consumption. I appreciate the efforts of store employees who are the frontlines of socially responsible retailing and I thank them for their commitment to providing friendly, knowledgeable and responsible service to Ontarians.

The government is also grateful to outgoing President and CEO Bob Peter for 14 years of record dividends to the province under his stewardship, and has confidence that his successor, George Soleas, will build on this tradition of excellence.

We further welcome the new Chair of the Board of Directors, Bonnie Brooks, who brings extensive experience in the retail sector, and thank Edward Waitzer for his service on the LCBO Board over the past three years. The board of directors has done an exemplary job of ensuring the LCBO is transparent and accountable to all its stakeholders, including the Province of Ontario, and stays true to its responsible-retailing roots.

As we work to build Ontario up, we know we can count on the LCBO to balance excellence in customer service, social responsibility and operational efficiency, a practice that continues to serve Ontario well.

The Honourable Charles Sousa,
Minister of Finance

Message From the Chair

This year heralded a time of great change for the LCBO and the beverage alcohol marketplace in Ontario. While dedicating significant resources to support this process our performance remains impressive.

Financial results in fiscal 2015–16 were marked by $5.57 billion in sales — delivering a dividend exceeding $1.9 billion for the first time. That these results were achieved in a period of uncertainty about the future direction of the LCBO and the marketplace is a credit to our leadership team and our employees' focus and commitment.

The year witnessed the dawn of a new framework for selling beverage alcohol in Ontario as the LCBO faced the first wave of competition from grocers selling beer. In the next few years, there will be up to 450 grocery outlets selling beer and cider and up to 300 selling wine.

These changes stem from the recommendations of the Premier's Advisory Council on Government Assets, which reviewed the LCBO's operations for more than a year. The LCBO welcomed this review and our Finance and Corporate Affairs groups provided information to assist the Council in reaching its recommendations. We have also been fully engaged in launching new initiatives and programs to further enhance service to our customers and suppliers and value for the province. This has been and remains our focus and is reflected in the LCBO's culture of continuous improvement.

This year heralded a time of great change for the LCBO and the beverage alcohol marketplace in Ontario.

The competitive landscape is changing, however, the LCBO has faced some degree of retail competition since 1927. And let's not forget who has been tasked to be the beer, cider and wine wholesaler to authorized grocers: the LCBO. These public policy decisions reflect confidence in our ability to compete, as well as our past success as a wholesaler to the Beer Store, duty free operators and agency stores. We welcome the challenge and are committed to servicing our wholesale customers with the same level of excellence we do at retail.

We are also focusing on new ways to better serve our stakeholders. Our new e-commerce platform (which will bring the global marketplace to Ontario online), new Products of the World destination stores (focusing on specific countries and regions), the debut of craft beer zones and freshly-dispensed "growlers" of beer, and the quick and successful start-up of the new Grocery Operations group all portend a landscape rich in opportunity for the LCBO.

The past year has seen changes not only in the business and competitive environment, but also with respect to people. Within the Board, we said goodbye to Laurel Murray, Susan Pigott, Paul Sparkes and Ramesh Srinivasan. These longtime directors served the organization and the people of Ontario well and we thank them for their dedication.

The LCBO also bid farewell to our President & CEO Bob Peter. I want to thank Bob for an extraordinary legacy. The LCBO is fortunate to bear Bob's indelible mark – shaped over 14 years by his focus on operational efficiency, inventory flow, expense control, business sustainability, employee safety and commitment to the communities we serve. Bob led by example, fostering an organizational culture that has the capacity to embrace and meet the challenges and opportunities we now face. On behalf of all at the LCBO, I wish him the best in his future endeavors.

We have full confidence in incoming President & CEO George Soleas and our superb senior management team. The Board will continue to oversee and guide the leadership team to ensure that the LCBO can provide outstanding service to our customers and suppliers while delivering performance that contributes to the strength of Ontario and makes all of our stakeholders proud of a great public institution.

Edward Waitzer
Chair

Message From the President & CEO

Fiscal 2015–16 was my last year as President & CEO of the LCBO and I am proud of the results we posted and the direction this organization is heading.

We transferred $1.935 billion to the Ontario government, an increase of $130 million versus last year and marking our 22nd consecutive year of dividend growth. These funds help pay for infrastructure and government services. Our sales were also a record at $5.57 billion, which was ahead of plan and 6.6 per cent above last year – an excellent result and well above the Ontario retail average.

We benefitted from market conditions, which were fairly positive for our business overall. The low Canadian dollar brought more tourists to Ontario, resulting in more out-of-town visitors shopping our stores. Likewise, the exchange rate kept more Ontarians vacationing at home, which also helped boost sales. But I have to also credit our marketing efforts and frontline staff. For anyone looking for a bottle of wine with dinner, a recipe to accompany a favourite craft beer, or the perfect gift for a whisky-lover, our customers know they can count on us.

In addition to selling product, the public also counts on us to know when *not* to sell product. To that end, our frontline staff challenged 14.5 million customers and refused service to nearly 346,000, 85 per cent for reasons of age.

We transferred $1.935 billion to the Ontario government, an increase of $130 million versus last year and marking our 22nd consecutive year of dividend growth.

This trusting relationship we have with our customers is especially important in a time of increasing competition in the beverage alcohol marketplace. As customers will have the option of buying their beer, cider and wine from grocery stores, we have to ensure that making a trip to the LCBO is more enjoyable and informative than ever.

At the same time, we are being entrusted by the government to be the wholesaler of beer, cider and wine to authorized grocers. We have created a Grocery Operations team that quickly put systems in place to serve this new customer channel. We know from our own experience that retailers have high expectations of their suppliers and we welcome the challenge to expand our wholesaling capabilities.

While we stand to gain from an increase in wholesale sales, we are not taking a "wait-and-see" attitude when it comes to retail. We are reviewing all our operations with a renewed customer-first mindset. We have many competitive advantages to build upon, such as our frontline product knowledge experts, broad product assortment, selection of local/craft products, and a network of 654 stores staffed with teams of employees that make each visit an experience that is both enjoyable and educational.

Our frontline staff will play a key role in the new e-commerce platform, one of the most significant cross-divisional projects ever undertaken by the LCBO. Launching in 2016, customers will initially be able to purchase from a selection of some 5,000 products, including general list, Vintages Essentials, products from LCBO's Consignment Program and other Canadian provinces. Customers will have the option of having the product shipped to them via Canada Post (for a fee) or picking it up at the store most convenient to them at no extra charge. Store staff look forward to serving our customers and engaging with them through this new channel when they come into the store to collect their orders.

When I reflect on where the LCBO was 14 years ago and all that the organization has accomplished during my tenure, I could not be more pleased. Sales and the dividend to the province have practically doubled. Our employees' fundraising efforts have improved exponentially. We have made the working environment safer for our employees through new training programs and such initiatives as lightweight glass. Domestic producers have thrived through our partnership. And we have fulfilled our social responsibility mandate with care and creativity in encouraging responsible hosting and the prevention of drinking and driving and other high-risk behaviours.

I want to thank everyone at the LCBO for delivering 14 record years under my leadership. The LCBO has a strong track record of results, is changing with the times, and as the next chapter begins under George Soleas I think the future is equally bright.

Bob Peter,
President & CEO

Corporate Structure

Mission Statement

We make a difference in Ontario by being a best-in-class, socially responsible, customer-focused and profitable retailer of beverage alcohol.

The LCBO is a Crown agency reporting to the Minister of Finance and is classified by the Ontario government as an operational enterprise.

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 of Ontario and the Minister of Finance, for terms of no more than five years that can be renewed. The chair of the Board of Directors is responsible for providing strategic leadership to its members and to the president & CEO and ensuring 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. Its most important responsibilities are to:

- ensure that policies and processes are in place to maintain the integrity of the LCBO's internal controls
- submit annual financial plans, strategic/business plans, and periodic and annual financial statements to the Minister of Finance
- establish by-laws governing the operations of the LCBO
- approve the three-year strategic plan and monitor management's success in meeting the objectives and goals set out in this plan
- ensure the LCBO has an appropriate communications policy
- ensure the LCBO operates in a fair, ethical and impartial manner in accordance with applicable laws
- establish and oversee the succession planning strategy for senior management
- 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; at present this includes an audit committee and a governance and compensation committee.

Ethics and Business Conduct

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

Health and Safety

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

Board Committees

Audit Committee

The Audit Committee assists the Board of Directors with oversight of the integrity of LCBO's financial statements; the financial reporting process; the systems of internal control and risk management functions; and the performance of the Internal Audit Services Department's functions.

Governance and Compensation Committee

The Governance and Compensation Committee is responsible for reviewing and advising on possible changes to the Board's corporate governance practices and framework and ensuring the LCBO adheres to sound corporate governance principles. It also makes recommendations on human resources and management employee compensation.

Management Committees

Store Planning and Development Committee reviews real estate and leasing transactions and makes recommendations to the Board for final approval.

Listings Appeals Committee reviews supplier and agent appeals of business unit decisions concerning product listings.

Management Positions Evaluation Committee evaluates and rates management positions in the organization for purposes of determining appropriate pay classifications.

Accountability

The LCBO is committed to transparency and accountable to its stakeholders in a number of ways:

- our annual report is tabled in the provincial legislature and is made available to all Ontarians online (http://www.lcbo.com/content/lcbo/en/corporate-pages/about/annual-report.html)
- our annual business plan is posted on the LCBO website (http://www.lcbo.com/content/lcbo/en/corporate-pages/about/business-plan.html)
- the memorandum of understanding between the LCBO Chair and the Minister of Finance can be read online (http://www.lcbo.com/content/lcbo/en/corporate-pages/about/memorandum-of-understanding.html)
- information concerning the operations, governance and policies of the LCBO is available online at lcbo.com, on the LCBO's customer service website hellolcbo.com and on www.doingbusiness-withlcbo.com
- we promote and practice routine disclosure and active dissemination of information as well as respecting timelines when providing public access to records under the Freedom of Information and Protection of Privacy Act
- travel expenses for Board members and senior management are reviewed by the Office of the Integrity Commissioner and posted online on lcbo.com (http://www.lcbo.com/webapp/wcs/stores/servlet/OverViewView?catalogId=10001&langId=-1&storeId=10151)

- Board members are appointed by Order-in-Council (for more information see the Public Appointments Secretariat website: https://www.pas.gov.on.ca/scripts/en/home.asp)
- LCBO employee conduct is governed by a Code of Business Conduct (http://www.lcbo.com/content/dam/lcbo/corporate-pages/about/pdf/Code%20of%20Business%20Conduct%20E.pdf)
- The Supplier Code of Business Conduct (http://www.doingbusinesswithlcbo.com/tro/Forms-Documents/Documents/Downloads/GuideandManuals/Supplier%20Code%20of%20Business%20Conduct%20-%20English.pdf) sets out the principles applicable to every supplier that wishes to establish and maintain a business relationship with the LCBO.
- LCBO financial statements are audited annually by the Office of the Auditor General of Ontario and are included in the LCBO annual report
- LCBO has also been the subject of external reviews, a number of which are publicly available, such as the review of LCBO new product procurement by the Office of the Auditor General of Ontario, the agency review by the Standing Committee on Government Agencies of the Legislative Assembly, and most recently by the Premier's Advisory Council on Government Assets

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*[1]
George Soleas, *executive vice president*[2]
Nancy Cardinal, *senior vice president, Sales, Marketing, & Insights*
Bob Clevely, *senior vice president, Retail Operations*
Rob Dutton, *senior vice president, Finance & Administration and chief financial officer*
Michael Eubanks, *senior vice president, Information Technology and chief information officer*
Patrick Ford, *senior vice president, Human Resources*[3]
Penny Wyger, *senior vice president, general counsel and corporate secretary, Legal Services*
Jackie Bonic, *vice president, Store Development and Real Estate*
Kerri Dawson, *vice president, Marketing*
Shari Mogk-Edwards, *vice president, Products, Sales & Merchandising*
Bill Kennedy, *executive director, Corporate Communications*
Beili Wong, *chief audit executive and executive director, Internal Audit*
Ian Loadman, *senior director, Corporate Affairs*[4]
Pamela Lawson, *acting director, Strategic Planning & Enterprise Risk Management*[5]
Lisa MacGregor, *director, supply chain*
Shelley Sutton, *director, Strategic Planning & Enterprise Risk Management*[6]

1. *Retired March 31, 2016.*
2. *Named president and chief executive in June 2016.*
3. *Effective November 12, 2015.*
4. *Effective November 12, 2015.*
5. *Effective June 30, 2015.*
6. *Retired July 2015.*

Edward J. Waitzer

Appointed chair of the Board on August 28, 2013, for a three-year term. Ex Officio member of the Audit Committee and Governance & Compensation Committee.

Mr. Waitzer is a professor and Jarislowsky Dimma Mooney Chair in Corporate Governance at Osgoode Hall Law School and the Schulich School of Business, York University, a title he has held since its inception in 2007. He is also director of the Hennick Centre for Business and Law.

He served as chair of Stikeman Elliott LLP from 1999 to 2006 and remains a senior partner at the firm. His practice focuses on complex business transactions and a wide range of public policy and governance matters.

Mr. Waitzer earned his LL.B. and LL.M. from the Faculty of Law, University of Toronto. He was called to the Ontario Bar in 1978 and the New York Bar in 1985. From 1993 to 1996, he was chair of the Ontario Securities Commission and, until 1981, was vice-president of the Toronto Stock Exchange. He has written and spoken extensively on a variety of legal and public policy issues, and has served as director of many corporations, foundations and community organizations as well as editorial boards and advisory groups.

Penny Lipsett

Appointed May 30, 2007. Term renewed in 2010, 2013 and on February 1, 2015, for a two-year term. Vice chair and chair, Governance and Compensation Committee.

Ms Lipsett was an 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 as a special assistant on Parliament Hill in Ottawa 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 ran her own consulting practice with a focus on investor and government relations starting in 1993. She is chair of the Ontario Place Corporation and a member of the Board of Directors of the Bank of America Canada Bank and Speed River Track & Field Club, Guelph, Ontario.

Noble Chummar

Appointed July 23, 2014. Term renewed July 23, 2016, for a three-year term. Member, Governance and Compensation Committee.

Mr. Chummar is a partner with Cassels Brock & Blackwell LLP, a leading Canadian law firm with offices in Toronto and Vancouver, and is a member of the firm's Business Law and Government Relations groups. He advises clients on public policy matters from a wide range of industry sectors, including energy, government, education, pharmaceutical, hospitals, insurance, mining, transportation, banking, retail and real estate development.

Mr. Chummar serves on a number of private and public sector boards, and has served two terms at the College of Physicians and Surgeons, the regulatory body that governs doctors in the Province of Ontario. He was also a strategic advisor to the chair of the Toronto 2015 Pan Am/Parapan Am Games, and a past president of the Empire Club of Canada.

He has been decorated with the Government of Canada's 125th Anniversary of the Confederation of Canada medal, the Queen's Diamond Jubilee medal and by decree of the President of France, has been given the rank of Knight in the National Order of Merit (Chevalier, Ordre National du Mérite).

Mr. Chummar graduated from law school at the London School of Economics and also received his Masters of Law from Osgoode Hall Law School. He is a graduate of the corporate directors' program at the Rotman School of Management at the University of Toronto and holds the ICD.D designation granted by the Institute of Corporate Directors.

Cheryl Hooper

Appointed February 12, 2014. Term renewed February 12, 2016, for a two-year term. Chair, Audit Committee.

Ms Hooper has an extensive financial and managerial background including C-suite, board and international experience. She has an MBA from York University, is a CPA, CA and is a member of the Institute of Corporate Directors.

As a board member of Velan Inc., a public company with international operations, she is chair of the Audit Committee and a member of the Corporate Governance and Human Resource Committee. Previous board involvement included not-for-profit organizations in Toronto, Quebec and France.

From 2005 to 2012, Ms Hooper was employed at the Canadian Public Accountability Board (CPAB), Canada's regulator of public company auditors. Prior to joining CPAB, she was president of a Montreal-based company providing strategic consulting, financial monitoring and management services to a high net worth family with forestry and real estate holdings in Canada and internationally. From 1983 to 1996, Ms Hooper worked for Olympia & York Developments and then its property management successor, O & Y Properties Inc., where she became its first Chief Operating Officer in 1993.

Stacey Mowbray

Appointed October 22, 2014 for a two-year term. Member, Governance and Compensation Committee.

Ms Mowbray is the President of the Americas for Weight Watchers International, a global consumer brand that is a leader in the health and wellness segment. This appointment follows a six-year tenure as CEO and president of Second Cup Ltd., a publicly-traded Canadian company in the specialty coffee business.

Prior to Second Cup, Ms. Mowbray had roles with Molson Canada as CMO and Cara Operations, where she was the president of Milestone's and, prior to that, the SVP of branding and marketing.

Earlier in her career, Ms. Mowbray held the position of VP of marketing for Pepsi Canada and held several sales and marketing positions at Weston Bakeries. She is a director of the board and chair of the Governance Committee for Trillium Health Partners, one of Canada's largest regional hospitals.

Ms Mowbray has been recognized for her contributions, having been named a 2012 Women of Diversity Champion, Women's Executive Network's Top 100 women in 2011 and Wilfrid Laurier's Top 100 Alumni, as well a, Laurier's inaugural CEO in residence.

Michael Strople

Appointed February 12, 2014. Term renewed February 12, 2016, for a two-year term. Member, Audit Committee.

Michael Strople is managing director, Canada, and president, Zayo Managed Services with the Zayo Group. Zayo, headquartered in Boulder, Colorado, builds and operates communications infrastructure, including fibre optic systems and data centres to provide the enormous bandwidth that drives the global

economy. A licensed professional engineer with a bachelor of applied science in electrical engineering, he has more than two decades of experience in the telecommunications industry.

Mr. Strople joined Zayo (Zayo acquired Allstream from MTS in 2016) in October 2005, as vice-president, Technology, overseeing the integration of the MTS and Allstream networks. He then served as chief technology officer for the combined companies before being named president of Allstream. In his capacity as president, he was accountable for all aspects of the operations and strategic direction of Allstream.

His career began at Nortel Networks in 1994 in its Global Operations division as a research and development engineer. During his tenure, he acquired increasingly senior roles within the organization in both technical and customer relationship management. He worked closely with large global telecom carriers to implement voice, data and wireless networks.

Mr. Strople is currently chair of MEF (Metro Ethernet Forum), an industry organization dedicated to realizing the vision of a seamlessly interconnected planet. He has previously been an advisory board member of the University of Toronto's Master of Engineering in Telecommunications Executive Development Program. He also sat on the TR Tech board of directors, where he served as chair of its Governance Committee and its Technology Advisory Council.

Remuneration

Board members receive a per diem remuneration for all Board-related business, such as attending regularly scheduled meetings, serving on either the Audit Committee or the Governance and Compensation Committee, and representing the LCBO. The table below lists the total remuneration each Board member received for the 2015 calendar year.

Board Member	Remuneration
Edward Waitzer (chair)	$ 40,285
Penny Lipsett (vice chair)	$ 6,750
Noble Chummar	$ 3,710
Cheryl Hooper	$ 4,740
Stacey Mowbray	$ 3,050
Michael Strople	$ 3,450
Laurel Murray[1]	$ 3,930
Susan Pigott[2]	$ 1,200
Paul Sparkes[3]	$ 2,000
Ramesh Srinivasan[4]	$ 1,400

1. *Did not seek renewal (August 2015).*
2. *Did not seek renewal (April 2015).*
3. *Did not seek renewal (April 2015).*
4. *Did not seek renewal (April 2015).*

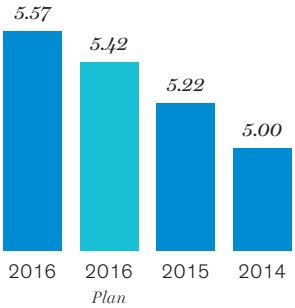
The LCBO is a government business enterprise. In the fiscal year ended March 31, 2016 (hereafter referred to as 2016) it operated a network of 654 retail stores and special-order services as well as supporting 212 agency stores across the province of Ontario, offering almost 23,000 spirits, wine and beer products to consumers and licensed establishments. The LCBO estimates 1.2 billion litres of beverage alcohol products were sold in Ontario during 2016, with an estimated retail value of more than $11 billion. The LCBO accounts for more than one-third of these volume sales and half of the retail value sales.

Financial Highlights

Revenue
($ billions)

$5.57B

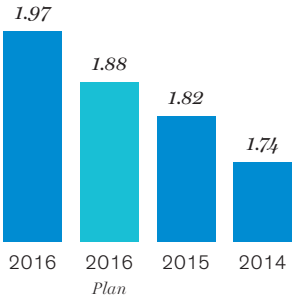
+6.8% vs LY
+2.7% vs Plan



Net Income
($ billions)

$1.97B

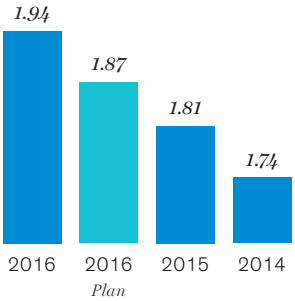
+8.2% vs LY
+4.9% vs Plan



Dividend
($ billions)

$1.94B

+7.2% vs LY
+3.8% vs Plan



Operational Highlights

- The LCBO retail network added three net new stores during the year to a total of 654 locations[1]. An additional 11 stores were relocated and expanded in 2016.
- On the recommendation of the Premier's Advisory Council on Government Assets, a grocery channel was established in December 2015 with an initial 60 grocery locations across the province authorized to sell beer. The LCBO is the wholesaler of record for products sold through this new channel.
- The *Products Of The World* program opened nine new LCBO destination boutiques; specialty stores offering an expanded assortment of products from Greece, Portugal, Spain, New Zealand, Argentina, and East Asia, as well as three Kosher locations.

1. *Location count includes three licensee depots.*

- Craft Beer Zones were rolled out to 25 locations across the province.
- A pilot program was launched to sell 12-packs of beer at ten LCBO stores.
- LCBO commenced development of a new e-commerce platform to provide an online marketplace to enhance the customer experience and provide opportunities for suppliers. Customers will be able to order online and pick up products in-store or have them delivered to their home. The platform will launch in fiscal 2017.
- The mark-up on beer was increased by $0.03 per litre effective November 1, 2015.
- There were two Easter holidays during fiscal 2016 and one less selling day compared to the previous year.

External Environment

LCBO financial performance was positively affected by a number of factors in 2016. Ontario's economy posted solid growth for the second consecutive year, with real gross domestic product up more than two per cent. Oil and gasoline prices were down from the previous year and overall inflation was modest, up 1.3 per cent. The Ontario labour market added 86,000 jobs and unemployment averaged 6.7 per cent during the year, 40 basis points better than the previous year. However, it was the low Canadian dollar which had the greatest impact on the provincial economy in 2016, particularly on net trade and domestic spending.

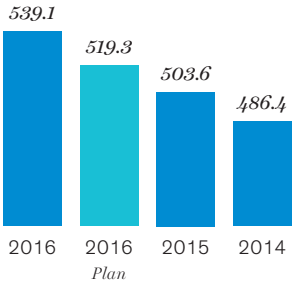
The weaker Canadian dollar bolstered retail sales in Ontario. Cross-border shopping by Ontarians declined sharply, resulting in fewer retail dollars leaving the province. In addition, the exchange rate impacted travel patterns, with more U.S. visitors and increased "staycations" by Ontarians as a result. LCBO sales benefitted significantly from the impact of a CAD/USD exchange rate below 0.80 for the first time in more than ten years.

Meanwhile, the LCBO's ongoing investment in its retail network also contributed to year-over-year sales performance. In addition, sporting events – especially the playoff run by the Toronto Blue Jays – and favourable weather over the balance of the year, contributed to annual sales growth.

Volume Sold
(millions of litres)

539.1M

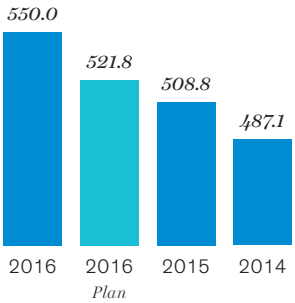
+7.1% vs LY
+3.8% vs Plan



Units Sold
(millions of units)

550.0M

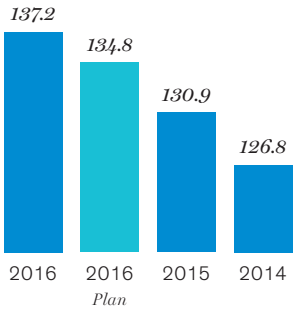
+8.1% vs LY
+5.4% vs Plan



Customer Transactions
(millions of transactions)

137.2M

+4.9% vs LY
+1.8% vs Plan



Evolution of Ontario's Beverage Alcohol Marketplace[2]

The provincial beverage alcohol marketplace has begun to evolve following recommendations of the Premier's Advisory Council on Government Assets. The Council was mandated with maximizing the value of key government assets, including the LCBO, for Ontarians. Following a comprehensive review of Ontario's beverage alcohol system, the Council developed a number of recommendations to maintain the benefits and efficiencies of the existing system, while increasing consumer convenience and choice.

As a result of the Council's recommendations, the Ontario government introduced the sale of beer in grocery stores. Starting in December 2015, authorizations to sell beer were granted to an initial 60 grocery stores selected through a competitive process managed by the LCBO.

In the upcoming year, the province will further increase consumer choice and convenience by expanding wine and cider sales to grocery stores. Cider will be added to the initial 60 authorizations in June 2016. By the fall of 2016, up to an additional 70 grocery stores across Ontario will have authorization to sell beer, cider and wine. The LCBO will be the wholesaler of record for all beverage alcohol sold at these authorized grocery stores.

2. *For more information please refer to the following reports from the Premier's Advisory Council on Government Assets: Striking the Right Balance: Modernizing Beer Retailing and Distribution in Ontario (April 2015) and Striking the Right Balance: Modernizing Wine and Spirits Retailing and Distribution in Ontario (February 2016).*

The Advisory Council further recommended permitting existing winery retail stores adjacent to grocery stores to operate within the shopping space of the grocers. Products in these "wine boutiques" will be permitted to be purchased through the checkout of the grocer. The regulation allows for up to 70 wine boutiques to be authorized with four owners of winery retail stores eligible: Andrew Peller Limited, Colio Estate Wines, Constellation Brands Canada, and Magnotta Winery Estates. A wine boutique owner is required to sell the wines of other Ontario manufacturers in addition to its own, meet certain shelf space requirements for VQA wine and wine from small wineries, and achieve sales targets for VQA wine and wines of other manufacturers. As is the case for wine in grocery stores, the LCBO will be the sole wholesale supplier to the wine boutique owners of other manufacturers' VQA wines.

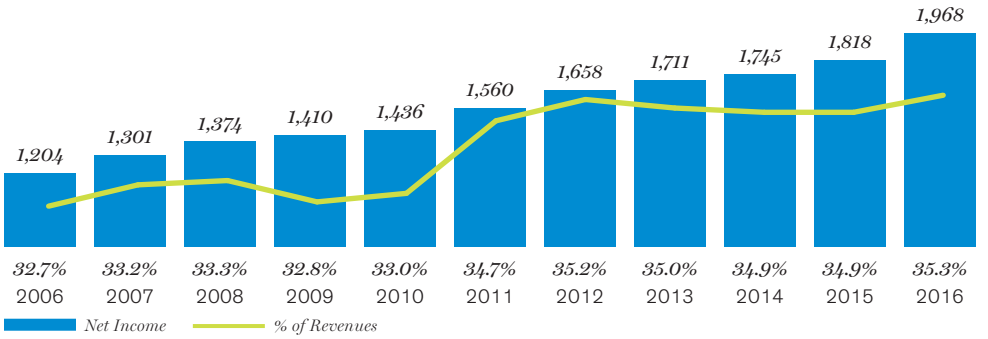
In the coming years, up to 450 grocery stores could eventually be approved to sell beer and cider and up to 300 of which selling wine.

In addition, the government has approved, and the LCBO has adopted, recommendations from the Advisory Council regarding mark-up changes to beer and wine products. The mark-up rate on beer was increased $0.03 per litre effective November 1, 2015 and will increase by another $0.03 per litre effective November 1, 2016. In addition, the beer cost of service fees (in-store and out-of-store service fee charges on beer) have been included in annual inflation indexing since March 1, 2016. For wine products (including cider), mark-up rates will increase by two percentage points, effective June 20, 2016.

Net Income

In 2016, net income represented 35.3 per cent of revenues, 40 basis points higher than the previous year.

Net Income** ($ millions) **and as a Percentage of Revenues

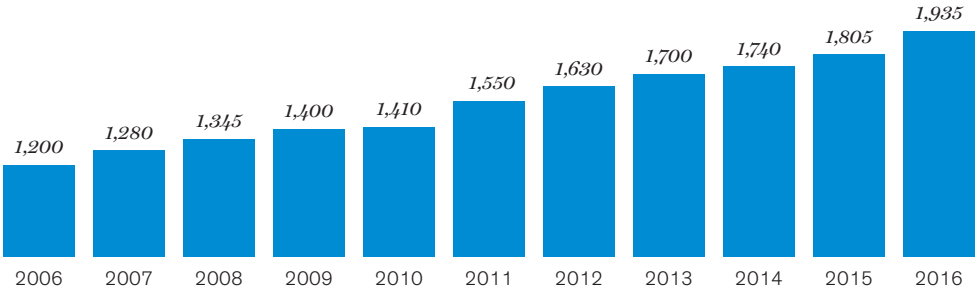


Over the past 10 years, net income has risen by $764 million, or 63 per cent, as a result of sales growth, improved margins and expense control[3].

Dividend

The LCBO transferred a $1.935 billion dividend to the Ontario government in 2016 excluding taxes. This was $130 million more than in 2015 and marked the 22nd straight year of increased transfers.

Dividend *($ millions)*



The dividend has grown by 61 per cent since 2006, reflecting an additional $735 million. Cumulatively, the Ontario government has received almost $16 billion in dividend transfers from the LCBO during the past decade.

Payments to Government

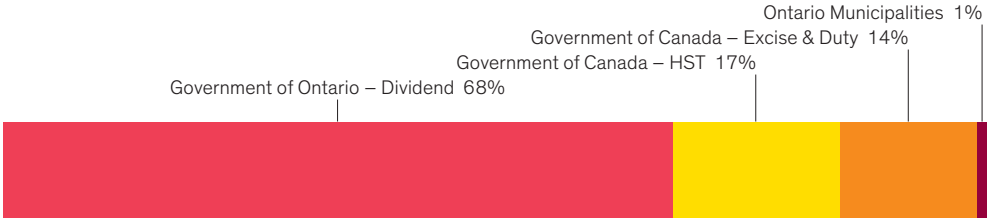
The LCBO paid $2.8 billion to all levels of government in 2016. The dividend, which excludes excise, duty and all sales and municipal taxes, was the sole payment at the provincial level and accounted for 68 per cent of the total. The Canadian government received $868 million in the form of excise, duty and sales taxes. Realty and leased property taxes paid to Ontario municipalities by the LCBO totaled over $31 million.

		2016
Total payments	$ 2,834,038,283	
Government of Ontario – Dividend	1,935,000,000	68%
Government of Canada – HST	485,135,466	17%
Government of Canada – Excise & Duty	382,414,680	14%
Ontario Municipalities – Property taxes	31,488,137	1%

Note: HST collected by the LCBO is remitted to the Canadian government where a portion near eight per cent, approximately $298 million, is later transferred back to the Ontario government.

3. *The introduction of the harmonized sales tax (HST) on July 1, 2010, and related markup structure changes to ensure overall revenue neutrality to the province, added approximately two percentage points to the ratio of net income as a percentage of revenues.*

LCBO Payments to Government



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, Ontario winery retail stores, on-site brewery and distillery stores, and duty-free operators. In addition, the LCBO has authorized established retailers in smaller Ontario communities to act as agents on its behalf and sell beverage alcohol products in conjunction with other goods. These agency stores sell spirits, wine and imported beer purchased from the LCBO and domestic beer purchased from the Beer Store or other domestic beer suppliers. Newly-authorized grocer locations across the province sell imported and domestic beer with the LCBO established as the wholesaler of record.

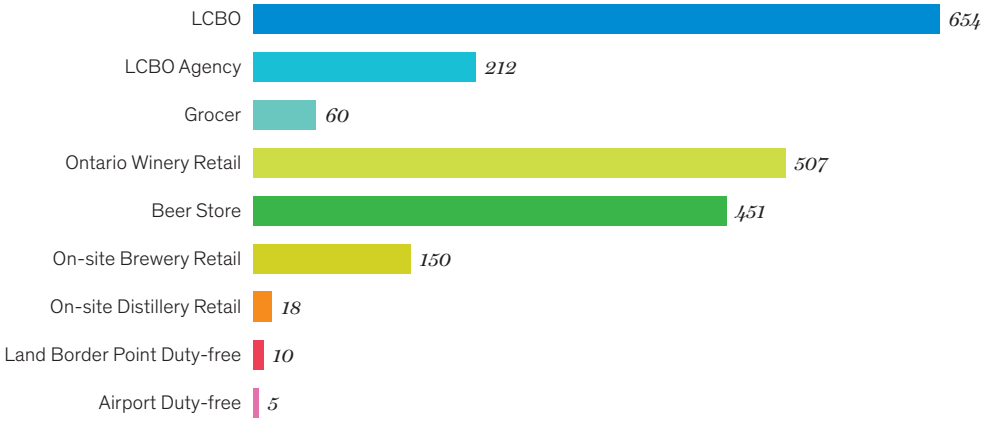
Number of outlets

As of March 31, 2016, there were 2,067 retail outlets selling alcoholic beverages in Ontario. Since 2012, the number of outlets has increased by 252 locations, or 14 per cent.

Number of outlets	2016	2015	2014	2013	2012
LCBO	654	651	639	634	623
LCBO Agency	212	212	217	219	214
Grocer	60	–	–	–	–
Ontario Winery Retail	507	504	491	479	472
Beer Store	451	450	447	446	442
On-site Brewery Retail	150	113	73	52	45
On-site Distillery Retail	18	14	12	7	5
Land Border Point Duty-free	10	10	10	10	10
Airport Duty-free	5	5	5	4	4
Total	2,067	1,959	1,894	1,851	1,815

Note: When the LCBO's 654 locations are combined with Ontario's 212 LCBO agency stores, the total market share as a percentage of the total number of outlets is 42 per cent.

Ontario's Alcohol Marketplace by Number of Outlets



Market share

Ontario's total beverage alcohol marketplace, which includes the LCBO, the Beer Store, Ontario winery retail stores, as well as other legal (e.g. ferment on premise), homemade and illegal[4] channels, amounted to an estimated 1.2 billion litres sold during 2016. The LCBO's overall market share by volume increased to 38.2 per cent from 37.7 per cent in 2015.[5]

Wine[6]

During 2016, wine sales in the province grew by 5.3 per cent, or 9.7 million litres, to 191 million litres. Ontario wine accounted for 64 per cent of the favourable variance, as volume sales increased 8.5 per cent year-over-year. Based on this strong growth, wine produced in Ontario increased its share of the total provincial wine market by 130 basis points to 41.2 per cent. Imported wines' share slipped below 60 per cent (to 58.8 per cent) and experienced moderate volume sales growth of 3.2 per cent compared to the previous year.

Sales of Ontario wine registered strong growth through all channels in 2016. Ontario wine sales at the LCBO accounted for 24.8 per cent of the total wine market, an 80 basis-point improvement from a year earlier, as volume sales increased by 8.8 per cent. Ontario winery on-site and off-site retail stores improved volume sales share by 30 basis points to 13.7 per cent on 7.3 per cent volume sales growth. Sales through the direct delivery channel – Ontario winery sales directly to licensed establishments – experienced robust growth, up 12.4 per cent over last year, and grew share by 20 basis points to 2.7 per cent.

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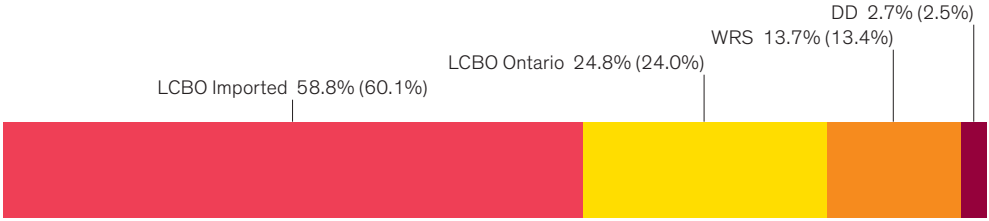
4. Illegal channel sales consist of LCBO estimates for smuggling and illegal wine manufacturing.
5. See Ontario Sales Channel Summary for further detail.
6. Wine products include cider and wine coolers.

Since 2007, the LCBO share of Ontario wine sold in the province has grown by nearly 300 basis points to 60.3 per cent while winery retail store (WRS) share has declined 330 basis points to 33.2 per cent. Direct delivery (DD) sales account for the remaining 6.5 per cent of Ontario wine sales, up 30 basis points.

2016 Wine Market – Volume *(2015 share in brackets)*



↑ 41% // Ontario wines represent 41% of provincial wine volume sales.

Beer

Beer volume sales in Ontario increased 2.5 per cent, or 19.6 million, to 797 million litres during 2016. The Beer Store (TBS) accounts for approximately 73.9 per cent of provincial beer sales and registered a 1.0 per cent increase in litres sold during the year. At the LCBO, beer volume sales increased 6.2 per cent compared to the previous year and expanded market share by 90 basis points to 25.9 per cent. The new grocer channel, with 60 authorized locations between December 2015 and March 2016, accounted for 0.2 per cent of the annual share.

Retail network expansion and growing consumer preference for imported beers and premium craft beers, particularly those produced in Ontario, continue to drive sales growth in this category at the LCBO. In 2016, Ontario craft beers sold at the LCBO registered sales growth of 36 per cent compared to a year earlier, the leading performance amongst all beer segments. The LCBO has increased its share of the provincial beer market by 780 basis points over the past ten years.

2016 Beer Market – Volume *(2015 share in brackets)*

↑ 26% // LCBO accounts for 26% of all beer sold in Ontario.

Net Sales[7]

LCBO net sales totaled $5.57 billion in 2016, growth of $355 million, or 6.8 per cent over the previous year.

Sales by channel

The LCBO sells beverage alcohol to its customers through a variety of sales channels. Sales to home consumers through the retail channel represented 79.9 per cent of total LCBO sales in 2016, a decline of 40 basis points from the previous year. Sales through this channel increased 6.4 per cent to more than $4.4 billion during the year.

Channel	Share	2016	vs. 2015
Retail	79.9%	$ 4,452,294,000	6.4%
Licensee	9.3%	$ 518,202,000	3.3%
Beer Store	6.7%	$ 371,123,000	13.6%
Agency	2.0%	$ 113,527,000	7.2%
Direct Delivery	1.3%	$ 69,332,000	12.3%
Duty-free	0.6%	$ 31,411,000	15.2%
Grocer	0.1%	$ 7,883,000	
Other*	0.1%	$ 7,993,000	22.7%
Total	100%	$ 5,571,765,000	6.8%

** Includes revenue from other sources, including remittances from Ontario wineries and distilleries, sales to other Canadian provinces and revenue from unredeemed gift cards.*

Beverage alcohol purchased by licensed establishments, such as bars and restaurants, make up the second-largest LCBO sales channel. Sales to licensees increased at a relatively modest 3.3 per cent pace to $518 million in 2016. As a result, this channel registered 30 basis points less share than in 2015, at 9.3 per cent of total LCBO sales.

LCBO sales to the Beer Store, the third-largest LCBO sales channel, increased 13.6 per cent to $371 million in 2016. As a percentage of overall LCBO sales, this channel gained 40 basis points to 6.7 per cent share.

Sales to agency stores, an extension of the LCBO retail channel through authorized independent local retailers serving smaller communities around Ontario, increased 7.2 per cent to more than $113 million during the year. This channel maintained its 2.0 per cent share of total LCBO sales from last year.

Sales through the direct delivery channel, based on remittances by Ontario wineries to the LCBO, registered sales growth of 12.3 per cent in 2016. At $69 million, this channel increased its share of total LCBO sales by 10 basis points to 1.3 per cent.

Duty-free operators at airports and land-border points, accounting for 0.6 per cent of LCBO sales in 2016, experienced sales growth of 15.2 per cent at $31 million.

7. *Net sales are equal to gross sales less discounts and taxes. Net sales are used to calculate retail and logistics productivity ratios.*

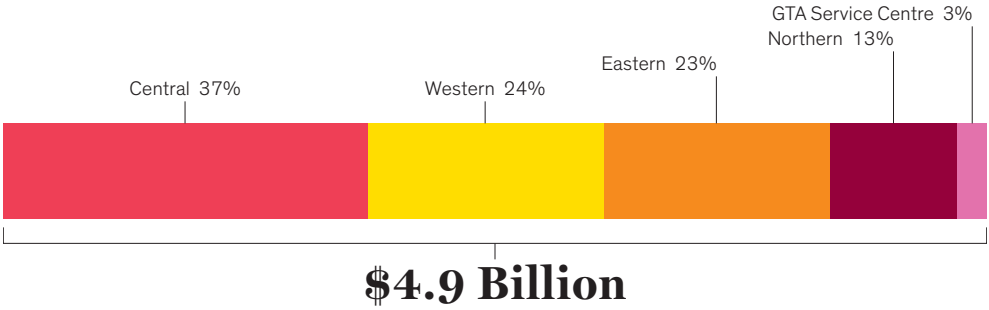
Sales of beer to grocers, comprising of 60 authorized grocery locations across the province, accounted for 0.1 per cent of LCBO sales, totaling almost $8 million. This new channel was established in December 2015.

Sales by region[8]

The LCBO's four geographically-based retail regions each achieved sales gains over the previous year. On-going store network investments – including new stores, relocations and expansions – contributed significantly to this growth. The GTA Service Centre, providing service to licensee and agency store customers throughout the province, is located geographically within central Ontario, but is considered a fifth LCBO retail region.

	2016		vs. 2015	
Region	Store count	Sales	Store count	Sales
Central	152	$ 1,797,718,537	+3	6.2%
Western	168	$ 1,198,937,264	-1	6.0%
Eastern	173	$ 1,128,430,362	+1	5.5%
Northern	160	$ 659,944,481		6.4%
GTA Service Centre	1	$ 134,606,432		15.9%
Total	654	$ 4,919,637,076	+3	6.2%

LCBO Sales by Region



The Central Region, representing 37 per cent of total LCBO store sales at nearly $1.8 billion, contributed $104 million to overall net sales improvement in 2016. This performance was bolstered by seven store development projects in the region, three of which were new retail locations.

8. *Regional sales represent sales at store and depot locations only; therefore totals do not reconcile to the total LCBO Channel sales presented on page 27.*

Sales in the Western Region reached almost $1.2 billion, or 24 per cent share of the total, and were up $68 million from the previous year. The Western Region result was supported by three store projects, which offset the closure of one location.

The Eastern Region accounted for a 23 per cent share of total sales and experienced a sales increase of more than $58 million in 2016, exceeding $1.1 billion. Two store relocations and one new location contributed to this region's favourable result.

Northern Region stores registered an $18 million increase in sales during the year to $660 million (13 per cent of the total). The region had two relocated and upgraded stores in 2016.

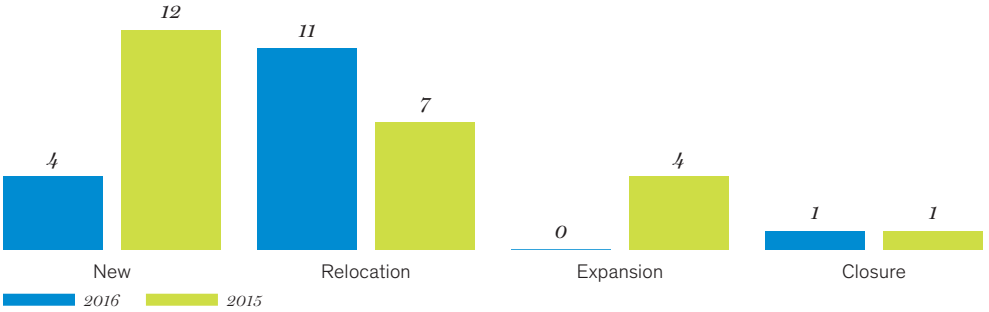
Same versus non-same store sales

The retail industry utilizes same store sales growth as a metric to measure performance at all company stores that have not changed location or physical size (materially) over the past year or longer. This measurement excludes any "non-same" stores that were added, moved, substantially renovated or closed during the year. To calculate annual sales growth, same stores must have been in the same location for two full years.

In 2016, sales at LCBO same stores rose 4.0 per cent compared to the previous year, representing $4.4 billion in retail sales. Non-same stores, which included four new stores, eleven relocations and one closure, achieved sales of almost $305 million during the year.

Same Versus Non-same Store Sales Growth in 2016

Store Investment Activity *(number of projects)*



Sales by category[9]

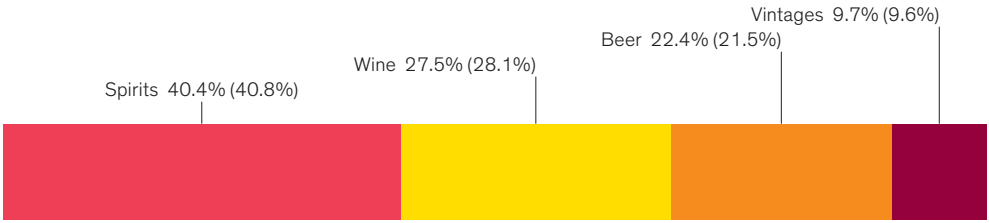
Spirits maintained the largest portion of LCBO product sales in 2016 at $2.1 billion, or 40.4 per cent, of total sales. Despite a 5.7 per cent increase in sales, the category's representative share declined for the seventh consecutive year. However, compared to the annual plan, spirits sales outpaced expectations by 3.4 per cent.

Wine (excluding Vintages) remained the second-largest category at 27.5 per cent of total net sales, with sales near the $1.5 billion mark. Wine sales increased 4.7 per cent versus 2015, marginally outperforming plan by 0.5 per cent.

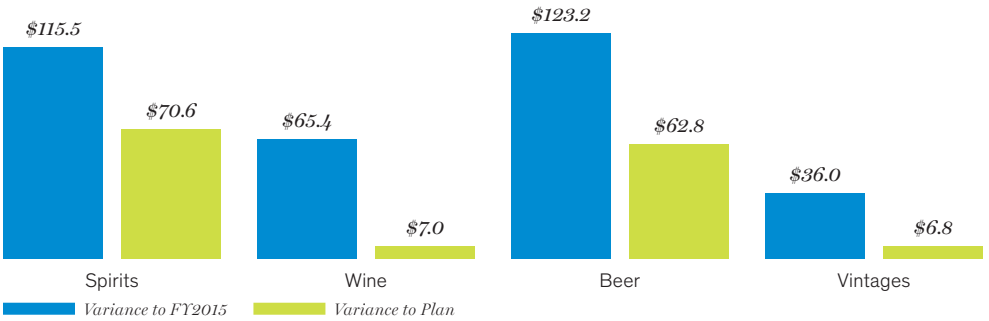
Vintages, exceeding half of a billion dollars for the first time, expanded its share of total net sales to 9.7 per cent. The category improved 7.6 per cent over last year and was 1.4 per cent better than plan.

Beer sales were exceptional during the year, topping all major categories, with growth of 11.6 per cent over the previous year and nearly $1.2 billion in sales. Exceeding plan by 5.6 per cent, this category increased its share of overall sales by 90 basis points to 22.4 per cent.

Sales Share by Category *(2015 share in brackets)*



Category Sales Performance *($ millions)*



9. *Analysis of category sales examines performance by LCBO buyer group only and excludes specialty services and other sales.*

Operating Results

In 2016, every $1 in revenue was broken out in the following manner:

Product cost	$ 0.50
Income from operations	$ 0.35
Selling, general and administrative expenses	$ 0.15

Margins

Total LCBO gross margin totaled $2.8 billion in 2016, representing an improvement of 6.1 per cent compared to 2015 and 2.1 per cent more than plan. As a percentage of revenues, gross margin declined 30 basis points to 50.0 per cent owing to the increased sales share of lower-margin beer.

The major categories generated the following gross margin from every $1 in sales:

Spirits	$ 0.58
Wine	$ 0.52
Vintages	$ 0.48
Beer	$ 0.39

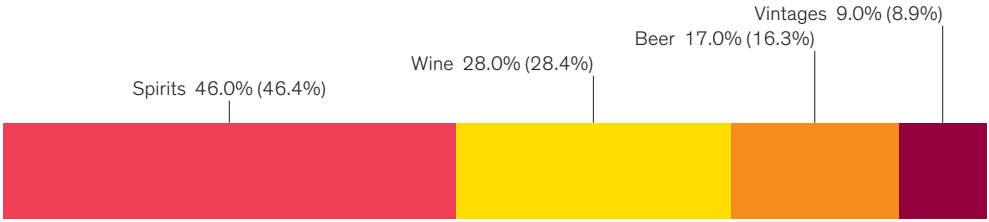
Spirits accounted for 46.0 per cent, or more than $1.2 billion, of total gross margin in 2016. Despite rising 5.4 per cent versus the previous year and 2.8 per cent over plan, spirits margin experienced a 40 basis point decline in share compared to 2015, but was 30 basis points higher than plan.

Wine share declined to 28.0 per cent of total LCBO gross margin during 2016, 40 basis points lower than last year and plan. This category posted margin growth of 4.7 per cent over the previous year to $757 million, 0.3 per cent more than plan.

Gross margin from beer totaled $459 million in 2016, 10.3 per cent higher year-over-year and 3.3 per cent greater than plan. At 17.0 per cent of total margin, beer's share grew 70 basis points from last year, and exceeded plan by 20 basis points.

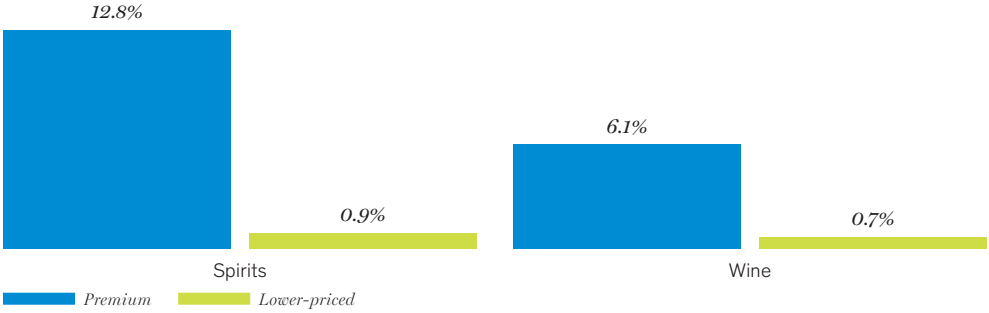
Vintages gross margin, at $243 million, increased 7.0 per cent and was 0.4 per cent above plan. As a result, margin share for Vintages increased 10 basis points to 9.0 per cent, but was 10 basis points below plan.

Margin Share by Category *(2015 share in brackets)*



Sales growth of premium spirits and wines continue to outpace that of lower-priced products in the same category. This trend has supported absolute margin improvement at the LCBO. However, unlike spirits and wine, the mark-up on beer is applied on a volume basis, which means similar-sized beer products generate the same margin, regardless of their price.

Lower-priced Versus Premium Product Volume Sales Growth



Premium spirits, with prices of at least $30 for a 750 mL bottle, registered volume sales growth of 12.8 per cent year-over-year in 2016 compared to a 0.9 per cent of similar-sized, lower-priced spirits products. Volume sales of premium wines, retailing for $15 or more for a 750 mL bottle, likewise increased at a higher rate than lower-priced wine products at 6.1 per cent versus 0.7 per cent, respectively, compared to 2015.

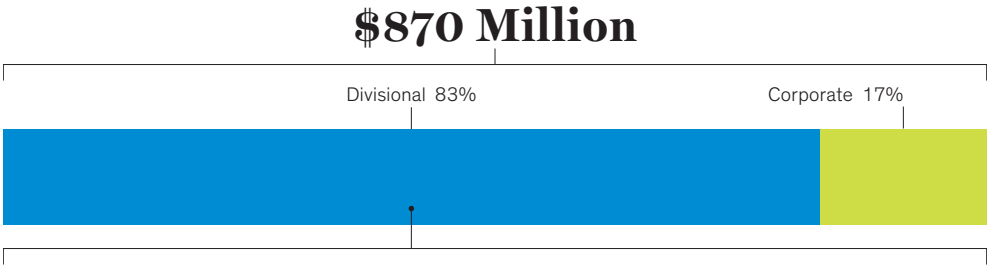
Selling, general and administrative expenses

In this section, expenses refer to all selling, general and administrative (SG&A) expenses as per the audited Statement of Income and Comprehensive Income.

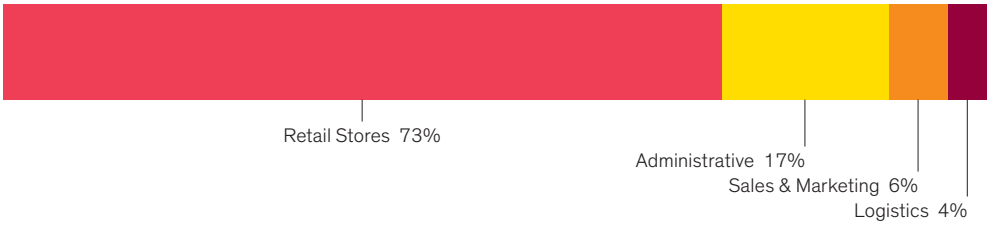
At $870 million, LCBO total expenses increased $35 million, or 4.2 per cent, in 2016 compared to the previous year. However, total expenses were 1.4 per cent below plan. Corporate expenses drove the $13 million favourable variance to plan, owing entirely to lower-than-expected employee benefit obligation expense[10].

10. *Employee benefit obligation is an actuarially calculated obligation estimate for such items as WSIB, LTIP, contractual severance, non-vested sick leave for the bargaining unit and service awards.*

Total Expenses



Divisional Expenses



Divisional expenses represented 83 per cent of the total and accounted for most of the overall expense growth during the year. Retail store expenses, representing 79 per cent of higher divisional expense, rose 5.5 per cent versus the previous year, attributable primarily to new stores. Retail salaries and benefits essentially matched plan (-0.1 per cent), but were 4.3 per cent, or $14 million, higher than the previous year. Expenses related to rent, property tax and utilities were 1.4 per cent, or $2 million, more than plan and $11 million more than last year.

Despite increased expense related to three key projects in 2016 – introduction of beer in grocery, E-Commerce development, and a time and motion study – Administrative and Sales and Marketing expenses were below plan.

Beginning in 2016, and reflected in the plan, expenses relating to all divisional information technology (IT) projects are now included under the IT division which resides within the Administrative group. As a result, Administrative expenses were 7.9 per cent higher in 2016 compared to prior year, but 1.1 per cent below plan. Sales and Marketing expenses were 2.6 per cent below plan, but 6.2 per cent lower than in 2015 due to the IT change as well as a reduction in spending on thematic programs. Logistics experienced a 3.6 per cent increase compared to 2015, and 3.1 per cent more than plan.

Divisional Expenses		2016	vs. 2015	vs. Plan
Retail Stores	$	522,841,000	5.5%	0.5%
Administrative	$	122,218,000	7.9%	-1.1%
Sales & Marketing	$	43,052,000	-6.2%	-2.6%
Logistics*	$	31,584,000	3.6%	3.1%
Total	$	719,695,000	5.1%	0.1%

** As per IFRS, direct labour costs in Logistics are included in cost of goods sold. In 2016, direct labour costs were approximately $32 million, up $0.4 million from the preceding year.*

Corporate expenses, accounting for the remaining 17 per cent of total operating expenses, registered at 0.2 per cent above 2015. Depreciation, the single-largest corporate expense component, increased 4.7 per cent versus last year but remained below plan by 5.5 per cent.

Expenses related to environmental initiatives, comprising mainly of LCBO Ontario stewardship obligations and service fees to the Beer Store for the Ontario Deposit Return Program, exceeded both plan and last year. Debit and credit card charges were also higher than plan and last year owing to the higher level of sales registered in 2016 as well as more customers switching from cash to higher-fee premium credit cards. Head Office redevelopment costs were similar to last year but below plan.

Employee benefit obligation (EBO), an actuarial estimate, was significantly lower than plan and last year and favourably affected overall expense results. The main drivers of the variance were management assumptions, applied discount rates and favourable experience in some of the plans. EBO totaled $1.3 million in 2016, which was almost $8 million, or 86 per cent, lower than the previous year and $13 million or 91 per cent below plan.

		2016	vs. 2015	vs. Plan
Depreciation	$	64,541,000	4.7%	-5.5%
Environmental Initiatives	$	42,950,000	7.5%	3.6%
Debit Credit Charges	$	38,645,000	3.2%	6.8%
Other Expenses*	$	4,554,000	-59.6%	-75.3%
Total	$	150,690,000	0.2%	-8.3%

** Other expenses include gift card program expenses, employee benefit obligations and head office redevelopment.*

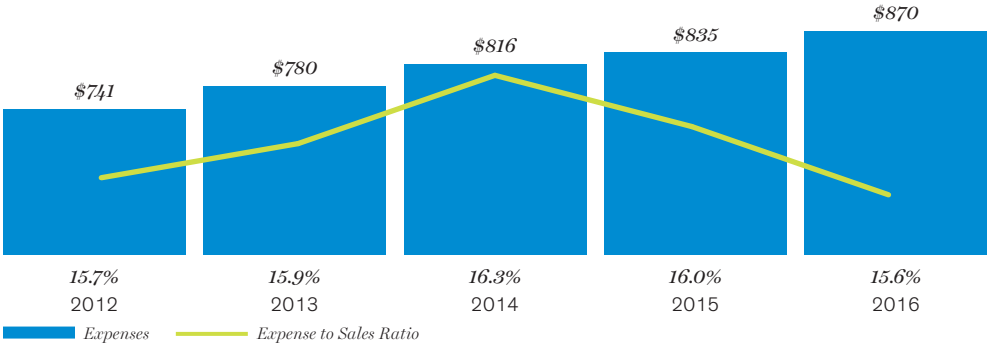
Expense to sales ratio

The ratio of expense to sales was 15.6 per cent in 2016, 40 basis points less than the prior year and 70 basis points better than plan.

In 2016, lower employee benefit obligation expense – an actuarially estimated number – favourably benefited the expense to sales ratio by 20 basis points. However, stronger impacts were derived from overall tight expense control and net sales growth which held the ratio below plan. The improvement in net sales, up a solid 6.8 per cent year-over-year, outpaced the increase in expenses (up 4.2 per cent) by more than 60 per cent.

Note the ratio increase in 2014 was affected by costs related to Collective Bargaining ratification as well as contingency planning for possible labour action.

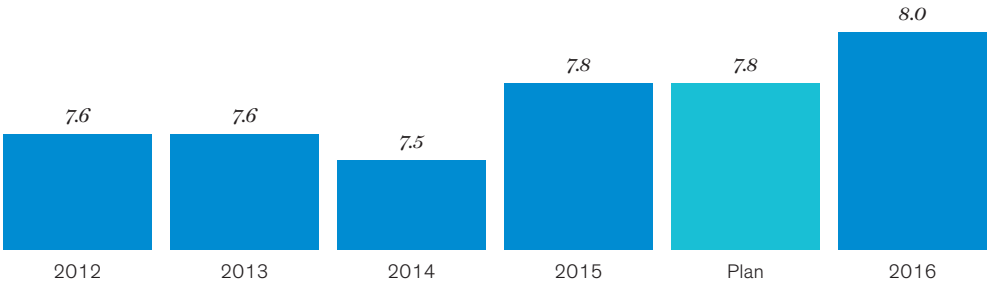
Expense Trend *($ millions)*



Inventory

Total inventory turns reached 8.0 in 2016, outpacing both the previous year's result and target for the current year of 7.8. Efficiency realization from the movement of Spirits, Wine and Vintages inventory triggered the increase for 2016.

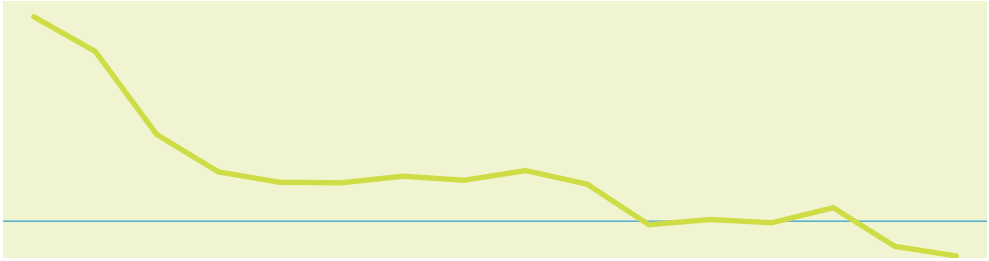
Total Inventory Turns



All categories, with the exception of Beer, registered improved inventory turns during the year. Spirits turns increased to 9.0 from 8.9 last year while Wine turns rose to 6.9 from 6.8. Vintages turns increased the highest to 3.7 from 3.4. Beer turns declined from 16.9 in 2015 to 16.1 during 2016 as inventory levels were increased to ensure fill rates to grocers.

Average net inventory investment during 2016 was negative $19 million. Since 2001, LCBO net investment in inventory has fallen by more than $130 million.

Net Inventory Investment *($ millions)*



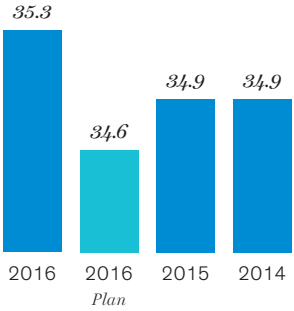
Key Performance Indicators

Financial ratios

Net Income Ratio
(percentage of revenue)

35.3%

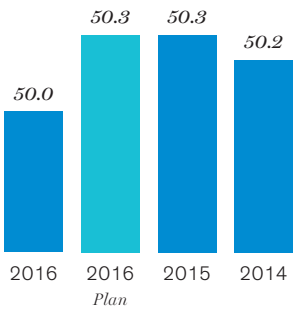
+40bp vs LY
+70bp vs Plan



Gross Margin Ratio
(percentage of revenue)

50.0%

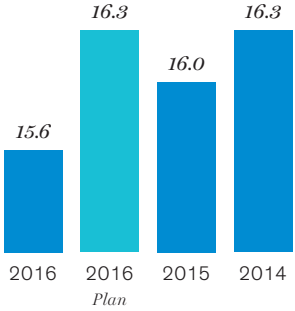
-30bp vs LY
-30bp vs Plan



SG&A Expense Ratio
(percentage of revenue)

15.6%

-40bp vs LY
-70bp vs Plan



In 2016, net income was 35.3 per cent of revenues, exceeding plan of 34.6 per cent, and above last year by 40 basis points. Gross margin as a percentage of revenues was 30 basis points lower than target and the previous year, at 50 per cent. Selling, general and administrative expenses were 15.6 per cent of revenues, 70 basis points lower than plan and 40 basis points below last year's ratio.

Productivity ratios

To help monitor expenses and identify areas of focus, the LCBO establishes productivity ratio targets each year. The store expense-to-sales ratio, for example, shows the total amount of store expenses as a percentage of the store's net sales.

Retail productivity highlights

	2016	Plan	2015	2014	2013	2012
Store expenses as a percentage of sales	10.5%	10.8%	10.6%	10.9%	10.5%	10.4%
Store expense per unit sold	$ 1.11	$ 1.16	$ 1.12	$ 1.15	$ 1.09	$ 1.05
Store salary per unit sold	$ 0.71	$ 0.75	$ 0.73	$ 0.77	$ 0.74	$ 0.72
Unit sales per hour paid	43.6	43.4	42.7	41.8	43.1	43.3
Sales per transaction	$ 35.62	$ 35.79	$ 35.38	$ 35.04	$ 34.39	$ 33.66
Sales per square foot	$ 1,837	$ 1,754	$ 1,745	$ 1,783	$ 1,809	$ 1,850

Retail productivity was favourable during 2016. In recent years, the accelerated expansion of the store network through the addition of new stores, relocations and selling space placed pressure on ratio performance. While sales growth at new stores expands over time, the effect of expense growth related to wages and rent, in particular, are immediate. In 2016, improvement in ratio performance was reflected as the efficiency and sales potential of these stores developed.

In 2016, store expenses as a percentage of sales were 10.5 per cent, 30 basis points below plan and 10 basis points better than last year. Average store expense per unit sold during the year was $1.11, one cent lower than in 2015 and five cents below plan. Store salaries are responsible for $0.71 of the store expense per unit, which was lower than last year's $0.73 and plan of $0.75 per unit sold.

During 2016, customers spent a record high $35.62 per transaction, $0.24 more than they did a year earlier, but below the $35.79 plan. This was largely due to the impressive growth within the beer category, a lower absolute value and margin category, which captured share from higher priced spirits and wines.

Sales per square foot increased for the first time in four years, rising to $1,837 per square foot, $83 more than plan and $92 above last year. The accelerated expansion in the LCBO store network system had resulted in yearly declines during the last three fiscal years.

Logistics productivity highlights

	2016	Plan	2015	2014	2013	2012
Warehouse cost per case	$ 1.20	$ 1.27	$ 1.26	$ 1.29	$ 1.26	$ 1.26
Warehouse salary cost per case	$ 0.98	$ 1.03	$ 1.02	$ 1.06	$ 1.04	$ 1.03
Logistics cases per hour paid	38	34	35	35	34	34

In 2014, Logistics productivity ratios related to cost were driven higher by expenses resulting from the Collective Agreement. In 2015, productivity measures largely improved and back to normal levels of prior years. Further improvements were realized in 2016 among all calculated metrics. Total warehouse cost per case was $1.20 during the year compared to $1.26 last year, and better than plan by $0.07. Salaries made up the largest portion of the total cost per case at $0.98 for the year, four cents per case better than last year and $0.05 favourable to plan. Logistics cases per hour paid increased to 38, surpassing last year by three cases and plan by four cases.

Capital Expenditures

Capital expenditures (capex) totaled $76 million in 2016, with the majority of investment allocated to LCBO retail network expansion and improvement.

Information Technology (IT) projects accounted for the second-largest portion of capex, totaling more than $19 million in 2016. Beginning this year, the IT division started to manage all IT related projects across the organization. In previous years, each division was responsible for its own capex for these projects. Costs for two key projects were included under IT in 2016 – development of the E-Commerce platform and the system supporting sales to grocers.

($ thousands)	2016	2015	2014	2013	2012
Store Development	$ 46,012	$ 57,338	$ 47,042	$ 55,981	$ 44,443
IT – All Divisions	$ 19,381	$ 8,153	$ 8,293	$ 9,002	$ 8,145
Logistics	$ 8,280	$ 11,648	$ 5,381	$ 8,792	$ 8,186
Other	$ 2,362	$ 8,831	$ 18,527	$ 7,542	$ 8,484
Total Capital Expenditures	$ 76,034	$ 85,970	$ 79,243	$ 81,317	$ 69,258

Enterprise Risk Management

The LCBO Enterprise Risk Management (ERM) efforts align to the company's strategic plan and business operations. Processes are used to mitigate risks throughout the organization. The ERM program will continue to mature and affect how the LCBO operates.

The LCBO ERM program consists of a risk framework, an ERM assessment process, continuous monitoring of key risks and semi-annual reporting to the Audit Committee of the Board of Directors. In 2016, 17 ranked risks were identified that could negatively impact the LCBO's performance. Senior management is responsible for developing and implementing risk mitigation strategies for these enterprise risks.

The top three risks considered key by the LCBO are:

1. Government policy and legislative change
2. Competition and customer engagement
3. Labour-related risk

Government policy and legislative change

The LCBO must anticipate and respond quickly to changes in legislation and regulation, interprovincial and international trade agreements, public service directives and standards, and changes to the beverage alcohol structure, carefully balancing its roles as a public agency and a socially-responsible and customer-focused retailer. To mitigate these challenges, the LCBO remains focused on providing excellence in socially responsible retailing, customer service and operational efficiency.

The LCBO provides input and advises government on the potential impacts on LCBO's financial performance and operations of any policy and legislative changes. With respect to the Premier's Advisory Council on Government Assets, which reviewed the LCBO's operations for more than a year, led by our Finance and Corporate Affairs groups, we committed significant resources to provide information and data to assist the Council in reaching its recommendations.

Competition and customer engagement

We now face increased competition due to the government's decision to allow up to 450 grocery stores to sell domestic and imported beer and cider and up to 150 grocery stores to sell wine (in addition, up to 150 existing winery retail stores are permitted to relocate inside grocery stores). These grocery stores enter into a wholesale agreement with the LCBO to legally purchase beer, cider and wine for resale to the public. Grocery represents a growth opportunity for our wholesale business, and we believe we can compete successfully with grocers at the retail level as we demonstrated with our other wholesale customers.

To mitigate these challenges, the LCBO will focus on achieving high customer engagement, particularly in the emotional engagement areas (brand equity). We are pursuing several strategies to improve service to retail customers, including an enhanced product selection and enhanced training for frontline staff, as well as digital initiatives such as our new e-commerce platform, which offers in-store pick-up and home delivery for thousands of products, including those available exclusively online.

Labour related risk

The Ontario Public Service Employees' Union (Liquor Board Employees' Division) represents more than 7,000 LCBO employees for collective bargaining and labour-management relations. The efficiency and performance of the LCBO directly correlate to the quality of this relationship, the extent of employee engagement and the conditions established through collective bargaining. To mitigate these challenges, the LCBO focuses on positive employee relations, ongoing dialogue on matters of common interest and targeted initiatives aimed at a collaborative labour environment. Provincial and local labour-management meetings relating to labour and employee relations and health and safety, support regular dialogue with the Union. Corporate and divisional employee engagement strategies are focused on making the LCBO a great place to work.

The LCBO will continue to manage these risks and is committed to the continuous advancement of the ERM process to protect and support the achievement of LCBO objectives. The LCBO incorporates effective risk management programs into LCBO's strategic planning process to mitigate risks and leverage opportunities that could impact LCBO's ability to meet its objectives.

Looking Ahead

In fiscal 2017, LCBO revenues are planned to reach $5.8 billion, a new all-time high. This will represent a 4.9 per cent, or $270 million increase, compared to 2016.

Overall sales growth will be supported by continuing favourable economic conditions, including increased domestic tourism and retail spending, implementation of recommendations by the Premier's Advisory Council, and further investment in the LCBO retail network.

Gross margin expectations are in line with revenue growth, with a 5.7 per cent planned increase to $2.9 billion in 2017. As a percentage of revenues, margin is expected to increase to 50.4 per cent.

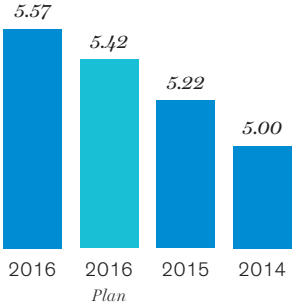
Expenses are planned to be 7.6 per cent higher in 2017 at $939 million. The continuing expansion of the store network and growing non-divisional expenses will contribute to this increase.

Net income is expected to surpass the $2 billion mark for the first time in 2017, at $2.05 billion. This will represent growth of 4.2 per cent, or $82 million more than in 2016, and will support the 23rd consecutive increase in the dividend transferred to the Ontario government by the LCBO. The dividend projection for 2017 will be $2.03 billion, $95 million, or 4.9 per cent more than the amount transferred in 2016 and also in excess of the $2 billion barrier for the first time.

Revenue
($ billions)

$5.572B

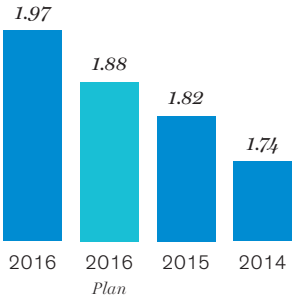
+6.8% vs LY
+2.7% vs Plan



Net Income
($ billions)

$1.968B

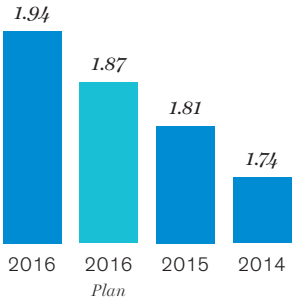
+8.2% vs LY
+4.9% vs Plan



Dividend
($ billions)

$1.935B

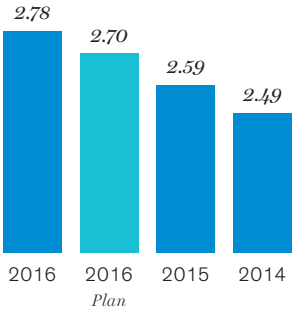
+7.2% vs LY
+3.8% vs Plan



Cost of Sales
($ billions)

$2.785B

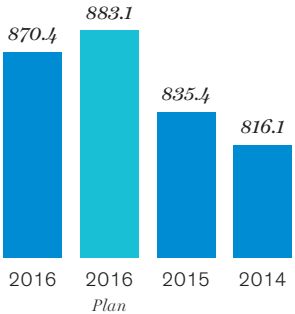
+7.5% vs LY
+3.3% vs Plan



Expenses
($ millions)

$870.4M

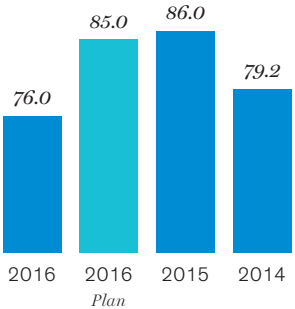
+4.2% vs LY
-1.4% vs Plan



CapEx
($ millions)

$76.0M

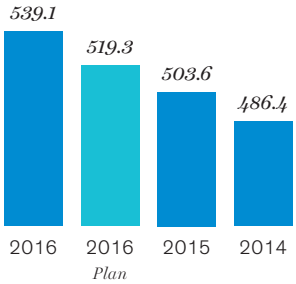
-11.6% vs LY
-10.5% vs Plan



Volume Sold
(millions of litres)

539.1M

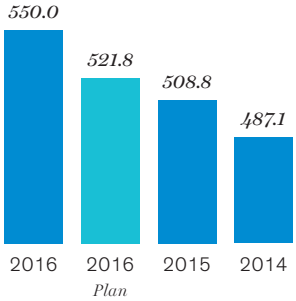
+7.1% vs LY
+3.8% vs Plan



Units Sold
(millions of units)

550.0M

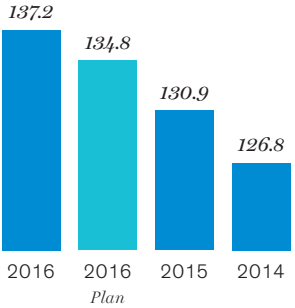
+8.1% vs LY
+5.4% vs Plan



Customer Transactions
(millions of transactions)

137.2M

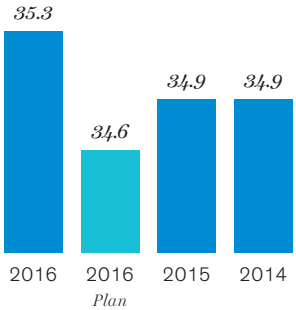
+4.9% vs LY
+1.8% vs Plan



Net Income Ratio
(percentage of revenue)

35.3%

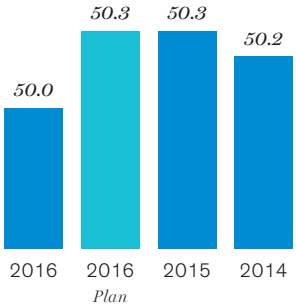
+40bp vs LY
+70bp vs Plan



Gross Margin Ratio
(percentage of revenue)

50.0%

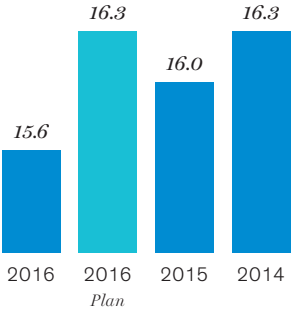
-30bp vs LY
-30bp vs Plan



SG&A Expense Ratio
(percentage of revenue)

15.6%

-40bp vs LY
-70bp vs Plan



Responsibility for Financial Reporting

The preparation, presentation and integrity of the financial statements are the responsibility of management. This responsibility includes the selection and consistent application of appropriate accounting principles and methods in addition to making the estimates, judgments and assumptions necessary to prepare the financial statements in accordance with Canadian generally accepted accounting principles, which complies with International Financial Reporting Standards. The accompanying financial statements of the Liquor Control Board of Ontario have been prepared in accordance with International Financial Reporting Standards 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 of Directors, through the Audit Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Audit Committee, composed of three Members who are not employees/officers of the LCBO, generally meets periodically with management, the internal auditors and the Office of the Auditor General of Ontario to satisfy itself that each group has properly discharged its respective responsibility. Also, the Office of the Auditor General of Ontario meets with the Audit Committee without management present.

The financial statements have been audited by the Office of the Auditor General of Ontario. The Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with International Financial Reporting Standards. The Independent Auditor's Report outlines the scope of the Auditor's examination and opinion.

On behalf of management:

George Soleas
President & Chief Executive Officer

Rob Dutton
Senior Vice President, Finance & Administration, and Chief Financial Officer

June 24, 2016

Independent Auditor's Report

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

I have audited the accompanying financial statements of the Liquor Control Board of Ontario, which comprise the statement of financial position as at March 31, 2016, and the statement of income and comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Liquor Control Board of Ontario as at March 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Toronto, Ontario
June 24, 2016

Bonnie Lysyk, MBA, CPA, CA, LPA
Auditor General

Statement of Financial Position

(thousands of Canadian dollars)

	Note	March 31 2016	March 31 2015
Asset			
Current Assets			
Cash and cash equivalents	5	273,125	257,192
Trade and other receivables	6	60,881	44,863
Inventories	7	432,852	414,218
Prepaid expenses		9,410	9,497
Assets held for sale	8	10,249	9,284
Total Current Assets		786,517	735,054
Property, plant and equipment and intangible assets	9	387,646	378,195
Total Assets		1,174,163	1,113,249
Liabilities & Equity			
Current Liabilities			
Trade and other payables	10	588,725	554,617
Provisions	12	18,932	18,738
Current portion of non-pension employee benefits	13	15,356	12,254
Total Current Liabilities		623,013	585,609
Non-pension employee benefits	13	105,241	116,082
Total Liabilities		728,254	701,691
Equity			
Retained earnings		447,199	414,363
Accumulated other comprehensive loss		(1,290)	(2,805)
Total Equity		445,909	411,558
Total Liabilities and Equity		1,174,163	1,113,249

See accompanying notes to the financial statements.

Approved By:

Chair

Board Member, Chair, Audit Committee

Statement of Income and Comprehensive Income

(thousands of Canadian dollars)

For the year ended	*Note*	March 31 2016	March 31 2015
Revenue	*18*	5,571,765	5,215,976
Cost of sales	*7*	(2,784,913)	(2,590,418)
Gross margin		2,786,852	2,625,558
Other income		53,877	31,430
Selling, general and administrative expenses	*19*	(870,385)	(835,401)
Income from operations		1,970,344	1,821,587
Finance income	*21*	1,458	1,709
Finance costs	*13, 21*	(3,966)	(4,881)
Net income		1,967,836	1,818,415
Other comprehensive income (loss):			
Actuarial gains (losses) on non-pension employee benefits	*13*	1,515	(1,040)
Total other comprehensive income (loss)		1,515	(1,040)
Total comprehensive income		1,969,351	1,817,375

See accompanying notes to the financial statements.

Statement of Changes in Equity

(thousands of Canadian dollars)

	Retained Earnings	Accumulated other comprehensive income (loss)	Total Equity
Balance at April 1, 2015	414,363	(2,805)	411,558
Net income	1,967,836	–	1,967,836
Other comprehensive income	–	1,515	1,515
Dividends paid to province	(1,935,000)	–	(1,935,000)
Balance at March 31, 2016	447,199	(1,290)	445,909
Balance at April 1, 2014	400,948	(1,765)	399,183
Net income	1,818,415	–	1,818,415
Other comprehensive loss	–	(1,040)	(1,040)
Dividends paid to province	(1,805,000)	–	(1,805,000)
Balance at March 31, 2015	414,363	(2,805)	411,558

Statement of Cash Flows

(thousands of Canadian dollars)

For the year ended	March 31 2016	March 31 2015
Operating activities:		
Net income	1,967,836	1,818,415
Depreciation and amortization	64,541	61,664
Gain on sale of property, plant and equipment and intangible assets	(358)	(627)
Non-pension employee benefit expenses	8,120	16,366
Non-pension employee benefit payments	(14,344)	(12,539)
	57,959	64,864
Change in non-cash balances related to operations:		
Trade and other receivables	(16,018)	(2,032)
Inventories	(18,634)	(27,473)
Prepaid expenses	87	1,059
Trade and other payables	34,108	5,362
Provisions	194	(299)
	(263)	(23,383)
Net cash provided by operating activities	2,025,532	1,859,896
Investing activities:		
Purchase of property, plant and equipment, intangible assets and assets held for sale	(76,034)	(85,970)
Proceeds from sale of property, plant and equipment and intangible assets	1,435	1,889
Net cash used in investing activities	(74,599)	(84,081)
Financing activities:		
Dividend paid to the Province of Ontario	(1,935,000)	(1,805,000)
Net cash used in financing activities	(1,935,000)	(1,805,000)
Increase (decrease) in cash	15,933	(29,185)
Cash and cash equivalents, beginning of year	257,192	286,377
Cash and cash equivalents, end of year	273,125	257,192

(thousands of Canadian dollars)

For the years ended March 31, 2016 and 2015

1. General Information and Statement of Compliance

1.1 General Information

The Liquor Control Board of Ontario ("LCBO") is a corporation without share capital incorporated under the *Liquor Control Act*, R.S.O. 1990, Chapter L.18. LCBO is a government enterprise responsible for regulating the production, importation, distribution and sale of alcoholic beverages in the Province of Ontario ("Province").

As an Ontario Crown Corporation, LCBO is exempt from income taxes. LCBO transfers most of its earnings to the Province's Consolidated Revenue Fund in the form of a dividend.

LCBO's head office is located at 55 Lake Shore Blvd East, Toronto, Ontario, Canada, M5E 1A4.

1.2 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

The financial statements are presented in Canadian dollars ("C$"), LCBO's functional currency.

The audited financial statements were approved by the Board of Directors and authorized for issue on June 24, 2016.

2. Adoption of New and Amended Standards and Interpretations

2.1 Accounting standards adopted in the current year

The IASB and International Financial Reporting Interpretations Committee ("IFRIC") have issued the following standards and amendments that have been applied in preparing our March 31, 2016 financial statements as their effective dates fall in the current financial reporting period. The standards did not have any significant impact on LCBO's financial statements.

Standards and amendments	Description	LCBO Effective Date	Assessed Impact
Amendments to International Accounting Standards ("IAS")19 *Employee Benefits*	The standard has been revised to incorporate amendments issued by the IASB in November 2013. The amendments simplify the accounting for contributions from employees or third parties to defined benefit plans that are independent of the number of years of service. The amendments are effective for annual periods beginning on or after July 1, 2014.	April 1, 2015	No impact

(thousands of Canadian dollars)

2.1 Accounting standards adopted in the current year (continued)

Standards and amendments	**Description**	**LCBO Effective Date**	**Assessed Impact**
Annual Improvements to IFRSs – 2010–2012 Cycle	The following standards have been revised to incorporate amendments issued by the IASB in December 2013: • IFRS 2 *Share-based Payment* has been revised to clarify the definition of "vesting conditions". • IFRS 3 *Business Combinations* has been revised to clarify the accounting for contingent consideration in a business combination. • IFRS 8 *Operating Segments* has been revised to add a disclosure requirement for the aggregation of operating segments and clarify the reconciliation of the total reportable segments' assets to the entity`s assets. • IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* have been revised to clarify the requirements for the revaluation model regarding the proportionate restatement of accumulated depreciation. • IAS 24 *Related Party Disclosures* has been revised to clarify the identification and disclosure requirements for related party transactions when key management personnel services are provided by a management entity. The amendments are effective for annual periods beginning on or after July 1, 2014.	April 1, 2015	No impact

(thousands of Canadian dollars)

2.1 Accounting standards adopted in the current year (continued)

Standards and amendments	Description	LCBO Effective Date	Assessed Impact
Annual Improvements to IFRSs – 2011–2013 Cycle	The following standards have been revised to incorporate amendments issued by the IASB in December 2013: • IFRS 3 *Business Combinations* has been revised to modify the scope exception for joint ventures to exclude the formation of all types of joint arrangements and clarify that the scope exception applies only to the financial statements of the joint arrangement itself. • IFRS 13 *Fair Value Measurement* has been revised to clarify that the portfolio exception applies to all contracts within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* or IFRS 9 *Financial Instruments*, regardless of whether they are financial assets or financial liabilities. • IAS 40 *Investment Property* has been revised to clarify that judgment is required to determine whether the acquisition of investment property is the acquisition of an asset, a group of assets or a business combination in the scope of IFRS 3 and that this judgment is based on the guidance in IFRS 3, not IAS 40. The amendments are effective for annual periods beginning on or after July 1, 2014.	April 1, 2015	No impact

(thousands of Canadian dollars)

2.2 Accounting standards not yet effective

The following standards and amendments issued by IASB and IFRIC have not been applied in preparing our March 31, 2016 financial statements as their effective dates fall in periods beginning subsequent to the current financial reporting period.

Proposed standards and amendments	Description	LCBO Effective Date	Estimated impact
Amendments to IAS 19 *Employee Benefits*	Amended in September 2014 to clarify the application of the discount rate requirements for currencies for which there is no deep market in high quality corporate bonds. The amendments are effective for annual periods beginning on or after January 1, 2016.	April 1, 2016	No anticipated impact
IAS 16 & IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortization	IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* have been revised to incorporate amendments issued by the IASB in May 2014. The amendments to IAS 16 clarify the use of revenue-based methods to determine the depreciation of an asset is not appropriate. The amendments to IAS 38 clarify that an amortization method based on revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible. The amendments are effective for annual periods beginning on or after January 1, 2016.	April 1, 2016	No anticipated impact
Investments Entities: Applying the Consolidation Exception	Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investments in Associates and Joint Ventures* to clarify the following three issues associated with Investment Entities. • IFRS 10 – clarifying which subsidiaries of an investment entity are consolidated in accordance with IFRS 10 • IFRS 10 – exemption from preparing consolidated financial statements for an indeterminate parent of an investment investee • IAS 28 – application of the equity method by a non-investment entity investor to an investment entity investee The amendments are effective for annual periods beginning on or after January 1, 2016.	April 1, 2016	No anticipated impact

(thousands of Canadian dollars)

2.2 Accounting standards not yet effective (continued)

Proposed standards and amendments	**Description**	**LCBO Effective Date**	**Estimated impact**
IFRS 11 *Joint Arrangements*	The standard has been revised to incorporate amendments issued by the IASB in May 2014. The amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business, as defined in IFRS 3. The amendments are effective for annual periods beginning on or after January 1, 2016.	April 1, 2016	No anticipated impact
IFRS 14 *Regulatory Deferral Accounts*	This new standard, issued by the IASB in January 2014, provides interim guidance on rate-regulated activities. IFRS 14 is effective for annual periods beginning on or after January 1, 2016.	April 1, 2016	No anticipated impact
Disclosure Initiative	IAS 1 *Presentation of Financial Statements* has been revised to incorporate amendments issued by the IASB in December 2014. The amendments clarify the existing presentation and disclosure requirements in IAS 1, including the presentation of line items, subtotals and notes. They also provide guidance to assist entities to apply judgment in determining what information to disclose, and how that information is presented in their financial statements. The amendments are effective for annual periods beginning on or after January 1, 2016.	April 1, 2016	LCBO is assessing the potential impact

(thousands of Canadian dollars)

2.2 Accounting standards not yet effective (continued)

Proposed standards and amendments	Description	LCBO Effective Date	Estimated impact
Annual Improvements to IFRSs – 2012–2014 Cycle	The following standards have been revised to incorporate amendments issued by the IASB in September 2014: • IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* has been amended to clarify the application of the guidance in the standard in circumstances in which an entity reclassifies an asset from held for sale to held for distribution (or vice versa), and the circumstances in which an asset no longer meets the criteria for held for distribution. • IFRS 7 *Financial Instruments: Disclosures* has been amended to clarify guidance on servicing contracts and the applicability of the amendments to IFRS 7 regarding offsetting financial assets and financial liabilities, to interim financial statements. • IAS 19 *Employee Benefits* has been amended to clarify the application of the discount rate requirements for currencies for which there is no deep market in high quality corporate bonds. • IAS 34 *Interim Financial Reporting* has been amended to clarify the meaning of disclosure of information "elsewhere in the interim financial report." The amendments are effective for annual periods beginning on or after January 1, 2016.	April 1, 2016	LCBO is assessing the potential impact
IFRS 9 *Financial Instruments*	Previous standard(s): • IAS 39 *Financial Instruments: Recognition and Measurement* • IFRIC 9 *Reassessment of Embedded Derivatives* Finalized version issued in July 2014 incorporating the classification and measurement requirements and new hedge accounting model included in earlier versions. This version introduces a single forward-looking expected credit loss impairment model. The final version of this new standard is effective for annual periods beginning on or after January 1, 2018.	April 1, 2018	LCBO is assessing the potential impact

(thousands of Canadian dollars)

2.2 Accounting standards not yet effective (continued)

Proposed standards and amendments	Description	LCBO Effective Date	Estimated impact
IFRS 15 *Revenue from Contracts with Customers*	Previous standard(s): • IAS 11 *Construction Contracts*; • IAS 18 *Revenue*; • IFRIC 13 *Customer Loyalty Programmes*; • IFRIC 15 *Agreements for the Construction of Real Estate*; • IFRIC 18 *Transfer of Assets from Customers*; • SIC-31 *Revenue – Barter Transactions Involving Advertising Services* IFRS 15 establishes a comprehensive framework for the recognition, measurement and disclosure of revenue that applies to all contracts with customers (except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments).The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard is effective for annual periods beginning on or after January 1, 2018.	April 1, 2018	LCBO is assessing the potential impact
IFRS 16 *Leases*	Previous standard(s): • IAS 17 *Leases* • IFRIC 4 *Determining Whether an Arrangement Contains a Lease* • SIC-15 *Operating Leases – Incentives* • SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease* IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. The new standard is effective for annual periods beginning on for after January 1, 2019.	April 1, 2019	LCBO is assessing the potential impact

(thousands of Canadian dollars)

3. Significant Accounting Policies

These financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value through profit or loss ("FVTPL").

3.1 Cash & Cash Equivalents

Cash and cash equivalents comprise of cash, deposits held in trust and highly liquid investments with original maturity dates of 90 days or less from the date of acquisition.

LCBO's investment policy restricts short-term investments to highly liquid, high-grade money market instruments such as federal/provincial treasury bills, bankers' acceptances and term deposits. The resulting disclosures are presented in Note 5.

3.2 Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost less an allowance for impairment, if any.

The carrying amount of account receivables are reduced through the use of an allowance account where there is objective evidence that LCBO will not be able to collect all amounts due according to the original terms of the receivables. LCBO establishes an allowance taking into consideration customer credit worthiness, current economic trends and past experience. When receivables are deemed to be uncollectible after recording an allowance, they are written off against the allowance. The loss is recognized as a selling, general and administrative expense in the Statement of income and comprehensive income. The resulting disclosures are presented in Note 6.

3.3 Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is determined by the weighted average cost or landed cost method. Landed cost includes the supplier quote, rebate, excise, import duties and inbound freight. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

The cost of inventories comprises all 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. Inventories are written down to net realizable value when the cost of inventories is not estimated to be recoverable. The resulting disclosures are presented in Note 7.

3.4 Assets classified as held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, and it should be expected to qualify for recognition as a completed sale within one year from the date of classification. Assets classified as held for sale are measured at the lower of the carrying amount or fair value less costs to sell. An asset that is classified as held for sale is no longer depreciated. The resulting disclosures are presented in Note 8.

(thousands of Canadian dollars)

3.5 Property, plant and equipment

Major capital expenditures with a future useful life beyond the current year are measured at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition, construction or development of the asset.

Depreciation is recognized in the Statement of income and comprehensive income over the expected useful lives of each major component of property, plant and equipment, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The estimated useful lives for property, plant and equipment are as follows:

Buildings	5 to 40 years
Leasehold Improvements	5 to 20 years
Furniture and Equipment	5 to 20 years
Computer Equipment	4 years

Land assets are carried at cost, less any recognized impairment losses and are not depreciated.

Property, plant and equipment under construction and not available for use, are carried at cost, less any recognized impairment loss. Such assets are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

The cost of subsequently replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits related to the part will flow to LCBO, and its cost can be measured reliably. The carrying amount of the replaced item of property, plant and equipment is derecognized, if any. The costs of the day-to-day servicing of property, plant and equipment are recognized in the Statement of income and comprehensive income as incurred. The resulting disclosures are presented in Note 9.

3.6 Intangible assets

i. Acquired intangible assets

Acquired intangible assets, such as software, are measured initially at cost and are amortized on a straight-line basis over their estimated useful lives.

The estimated useful lives for intangible assets are as follows:

Computer software	4 years

The resulting disclosures are presented in Note 9.

(thousands of Canadian dollars)

3.6 Intangible assets (continued)

ii. Internally generated intangible assets – research & development costs

Expenditures related to research activities are recognized as an expense in the period in which they are incurred.

Development expenditures incurred are capitalized only if LCBO can demonstrate all of the following:

(a) the technical feasibility of completing the intangible asset so that it will be available for use or sale as intended by management;
(b) its intention to complete the intangible asset and use or sell it;
(c) its ability to use or sell the intangible asset;
(d) how the intangible asset will generate probable future economic benefits;
(e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
(f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Software under development and not available for use, are carried at cost, less any recognized impairment loss. When completed and ready for intended use these assets are amortized on the same basis as other acquired intangible assets. The resulting disclosures are presented in Note 9.

3.7 Impairment of property, plant and equipment and intangible assets

Annually LCBO reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication of an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where the asset does not generate cash flows that are independent from other assets, LCBO estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. For property, plant and equipment and intangible assets, the CGU is deemed to be each retail store. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. Any impairment charge is recognized in the Statement of income and comprehensive income in the year in which it occurs. The resulting disclosures are presented in Note 9.

3.8 Trade and other payables

Trade and other payables are classified as other financial liabilities and are generally short term in nature and due within one year of the Statement of financial position date. Trade payables are non interest-bearing and are initially measured at fair value and subsequently remeasured at amortized cost. The resulting disclosures are presented in Note 10.

3.9 Provisions

Provisions are recognized when there is a present legal or constructive obligation as a result of a past event, for which it is probable that a transfer of economic benefits will be required to settle the obligation and where a reliable estimate can be made of the amount of the obligation. The resulting disclosures are presented in Note 12.

(thousands of Canadian dollars)

3.10 Financial instruments

Financial assets and financial liabilities are recognized when LCBO becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Their measurement in subsequent periods and the recognition of changes in fair value depend on the category in which they are classified.

The LCBO has classified its financial instruments as follows:

Financial Asset / Financial Liability	Category	Measurement
Cash and cash equivalents	Loans and receivables or available for sale ("AFS")	Loans and receivables are measured at amortized cost. AFS is measured at fair value through other comprehensive income.
Trade and other receivables	Loans and receivables	Amortized cost
Trade and other payables	Other financial liabilities	Amortized cost
Provisions	Other financial liabilities	Amortized cost
Derivatives and embedded derivatives[1]	Fair value through profit or loss ("FVTPL")	Fair value through profit or loss ("FVTPL")

Financial instruments measured at fair value must be classified according to a three-level hierarchy based on the type of inputs used to make the measurements. This hierarchy is as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than the Level 1 quoted prices that are observable for the asset or liability either directly (i.e. prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market inputs (unobservable inputs).

At the end of each reporting period, the LCBO determines whether there is any indication that a financial asset may be impaired. It does so for all financial assets except for those recognized at fair value through profit or loss. A financial asset or group of financial assets is impaired when there is objective evidence of impairment. In instances of impairment, the recognized impairment loss is the difference between the carrying amount of the asset and the present value of estimated future cash flows.

1. *Derivatives are included in Trade and other payables in the Statement of financial position. The resulting disclosures are presented in Note 16.*

(thousands of Canadian dollars)

3.10 Financial instruments (continued)

LCBO's financial assets and liabilities are generally classified and measured as follows:

i. Financial assets

Financial assets are classified into the following specified categories: financial assets at 'fair value through profit or loss' ("FVTPL"), 'available-for-sale' ("AFS") financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at FVTPL

Financial assets are classified as FVTPL when the financial asset is either held for trading or designated as such upon initial recognition. Financial assets are classified as held for trading if acquired principally for the purpose of selling in the near future or it has been part of an identified portfolio of financial instruments that LCBO manages together and has a recent actual pattern of short-term profit-making. Derivatives are also categorized as held for trading.

Financial assets classified as FVTPL are measured at fair value, with changes in fair value recorded in the Statement of income and comprehensive income in the period in which they arise.

Available for sale ("AFS")

Financial instruments classified as AFS financial assets are measured at fair value with changes in fair value recognized in other comprehensive income ("OCI") until realized through disposal or impairment.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment.

ii. Financial liabilities

Financial liabilities are classified as 'other financial liabilities', which are subsequently measured at amortized cost using the effective interest method.

iii. Derivatives

A derivative financial instrument is a fixed price commitment to buy or sell a financial instrument at a future date. Derivative financial instruments are classified as FVTPL. Derivatives are initially recognized at fair value on the date a contract is entered into and are subsequently re-measured at fair value, with changes recognized in the Statement of income and comprehensive income. The resulting disclosures are presented in Note 16.

iv. Embedded derivatives

An embedded derivative is a feature within a contract, where the cash flows associated with that feature behave in a similar fashion to a stand-alone derivative. LCBO enters into inventory purchase contracts in currencies other than the Canadian dollar or of the supplier's home or local currency, in which an embedded derivative may exist.

(thousands of Canadian dollars)

3.10 Financial instruments (continued)

These embedded derivatives are accounted for as separate instruments and accounted for independently from the host contract and are measured at fair value at the end of the reporting period using forward exchange market rates. Embedded derivatives are included within trade and other payables in the Statement of financial position, any changes in their fair values are recognized in the Statement of income and comprehensive income. The resulting disclosures are presented in Note 16.

3.11 Revenue recognition

Revenue consists of the fair value of consideration received or receivable for the sale of goods in the ordinary course of LCBO's activities less any sales taxes. Sales taxes on the sale of goods are recorded as a liability in the period the sales taxes are deemed to be owed and are excluded from revenues. Revenue is recognized when the significant risks and rewards of ownership of the goods have been transferred to the buyer and the amount of revenue can be measured reliably. For goods delivered to customers, revenue is recognized at the time the customer receives the product or upon estimated receipt by the customer. Revenue is recorded net of returns, trade discounts, volume rebates, applicable taxes and container deposits, in the Statement of income and comprehensive income.

i. Gift Cards

Revenue generated from gift cards is recognized when gift cards are redeemed. LCBO also recognizes revenue from unredeemed gift cards if the likelihood of gift card redemption by the customer is considered to be remote.

ii. AIR MILES®[2]

Income from the AIR MILES® "program" is recognized in the period in which it is earned, in accordance with the terms of the contract. The program is split into two distinct components:

(1) Base – LCBO pays LoyaltyOne a fee for each Base AIR MILES® issued to customers. Base AIR MILES® are treated as a sales incentive to customers, therefore the associated costs of the Base are accounted for as a reduction to revenues in the Statement of income and comprehensive income.

(2) Bonus – LCBO charges vendors a fee whose products are participating in the Bonus AIR MILES® program. The associated income net of costs of the Bonus is accounted for as a reduction to cost of sales in the Statement of income and comprehensive income.

3.12 Other income

i. Services rendered

Income from services rendered is recognized when the services are provided and the income can be measured reliably. Such services consist of border point levies and fees generated from special occasion permits such as those required by an individual or organization, who plan to serve alcohol at an event or location other than a private place.

Revenue received from grocery stores related to the Request for Bids process to legally purchase beer for resale in grocery stores was also included in this year's income. Refer to Note 26 for details regarding recommendations by the Premier's Advisory Council of Government Assets (the "Council").

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2. *AIR MILES® is a trademark of AIR MILES International Trading B.V. Used under license by LoyaltyOne.*

(thousands of Canadian dollars)

3.12 Other income (continued)

ii. Unredeemed Ontario Deposit Return Program container deposits

LCBO recognizes income from estimated unredeemed Ontario Deposit Return Program ("ODRP") container deposits as not all customers return the container for their deposit. LCBO determines its ODRP container redemption rate based on historical redemption data and estimates the unredeemed ODRP container deposit income. The resulting income is recognized based on historical redemption patterns, commencing when the container deposits are collected. The resulting disclosures are presented in Note 24.

3.13 Vendor allowances

LCBO receives allowances from certain suppliers whose product it purchases for resale. The allowances are received for a variety of promotional activities, including allowances received for in store promotion of the supplier's product, advertising the launch of a new product and labeling and shelf space provided on limited time product offers. LCBO recognizes consideration received from vendors as a reduction in the price of the vendors' products and reflects it as a reduction to cost of sales when recognized in the Statement of income and comprehensive income. Certain exceptions apply where the cash consideration received is a direct reimbursement of specific, incremental and identifiable costs incurred by LCBO for assets or services delivered to the vendor or reimbursement of selling costs incurred to promote the vendor's product. In these particular instances, the consideration is reflected as a reduction in selling, general and administrative expenses.

3.14 Employee benefits

i. Short-term employee benefits

Short-term employee benefit obligations are expensed as the related service is provided. LCBO recognizes a liability and an expense for short-term benefits such as performance pay, unused vacation entitlements and other employee benefits if LCBO has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reasonably. The resulting disclosures are presented in Note 20.

ii. Pension Benefit Costs

LCBO provides defined 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). The Province, which is the sole sponsor of the PSPF and a joint sponsor of the OPSEU Pension Fund, determines LCBO'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 LCBO.

LCBO's contributions to both plans are accounted for on a defined contribution basis with LCBO's contribution charged to the Statement of income and comprehensive income in the period the contributions become payable. The resulting disclosures are presented in Note 13.

(thousands of Canadian dollars)

3.14 Employee benefits (continued)

iii. Non-pension employee benefits

Employee benefits other than those provided by the Province include accrued contractual severance payments ("CSC"), executive compensation time banking ("ECTB"), unfunded workers compensation obligation ("WCB") and benefits extended to employees on long-term income protection ("LTIP"). These plans provide benefits to employees when they are no longer providing active service. Other non-pension employee benefit obligations of the LCBO include accumulating non-vesting sick leave ("NVSL") and Service Awards. LCBO accrues these employee benefits over the periods in which the employees earn the benefits or upon absence. 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 comprehensive income.

The liability of the CSC, ECTB, LTIP, NVSL and Service Awards was actuarially determined by using the Projected Unit Credit Method and management's best estimate. The WCB liability was actuarially determined by calculating the present value of the projected future payments. The annual benefit cost is the sum of the service cost and one year's interest cost.

LCBO recognizes all actuarial gains and losses due to remeasurements of the net defined benefit liability arising from the CSC and ECTB benefits immediately in other comprehensive income, and reports them in accumulated other comprehensive income in the Statement of financial position, as these benefits are accrued over an employee's years of service. Any actuarial gains and losses due to remeasurements of the net defined benefit liability arising from the LTIP, WCB, NVSL and Service Awards benefits are recognized in the Statement of income and comprehensive income in the period in which they arise, as these benefits are defined as Other Long-Term Employee Benefits which do not have remeasurements that can be recognized in Other comprehensive income. The resulting disclosures are presented in Note 13.

3.15 Finance income

Finance income comprises of interest income on funds invested. Interest income is recognized as it accrues in the Statement of income and comprehensive income, using the effective interest method. The resulting disclosures are presented in Note 21.

3.16 Finance costs

Finance costs consist of interest expense on the non-pension employee benefits obligation and financing charges on capital leases. The resulting disclosures are presented in Notes 13 and 21.

3.17 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. LCBO has very few finance leases which are immaterial.

(thousands of Canadian dollars)

3.17 Leasing (continued)

All other leases are classified as operating leases. Operating lease payments, including scheduled escalations, are recognized as an expense on a straight-line basis over the term of the lease. In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability and amortized over the lease term. The aggregate benefit of incentives is recognized as a reduction of selling, general and administrative expenses on a straight-line basis. The resulting disclosures are presented in Note 11.

3.18 Foreign currencies

Transactions in currencies other than LCBO's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. Items denominated in foreign currencies, comprised of US bank accounts and liabilities, are translated at the prevailing rates at the end of each reporting period. Exchange gains and losses are recognized immediately in the Statement of income and comprehensive income.

4. Use of Estimates and Judgments

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the carrying amount of assets and liabilities, and disclosures of contingent assets and liabilities as at the date of the financial statements, and the carrying amount of revenues and expenses for the reporting period. These estimates are changed periodically, and as adjustments become necessary, they are recognized in the financial statements in the period in which they become known.

The judgments and key sources of estimation uncertainty that have a significant effect on the amounts recognized in the financial statements are discussed below.

i. Non-pension employee benefits

The present value of the non-pension employee benefits obligation depends on a number of factors that are determined using an actuarial estimate based on numerous assumptions, including the discount rate, wage escalation, inflation rates, mortality rate and employee turnover. Any changes in these assumptions will impact the carrying amount of non-pension employee benefits obligations.

LCBO determines the appropriate discount rate at the end of each year. In determining the appropriate discount rate, LCBO uses the interest rates of high-quality corporate bonds that are denominated in the Canadian dollars in which the benefits will be paid. Other key assumptions for employee benefit obligations are based in part on current market conditions. Additional disclosures are presented in Note 13.

ii. Impairment of property, plant and equipment and intangible assets

LCBO has determined each store as a separate cash-generating unit ("CGU"). When there are indicators for impairment, LCBO performs an impairment test.

(thousands of Canadian dollars)

4. Use of Estimates and Judgments (continued)

Intangible assets and property, plant and equipment are subject to impairment reviews based on whether current circumstances suggest that their recoverable amount may be less than their carrying value. Recoverable amount for CGUs are based on a calculation of expected future cash flows using suitable discount rates and includes management assumptions and estimates of future performance. Additional disclosures are presented in Note 9.

iii. Inventories

LCBO makes estimates on the warehouse handling costs that directly relate to bringing inventories to their selling location and condition. Accordingly, LCBO includes the direct warehouse handling costs within inventories and they are expensed to cost of sales in the period the inventories are sold. Additional disclosures are presented in Note 7.

iv. Leases

LCBO leases a significant number of retail store locations as part of its operations as well as other assets. In determining the classification of a lease as either a finance or an operating lease, judgment is required in assessing whether substantially all of the risks and rewards incidental to ownership are transferred. LCBO analyzes each lease independently, considering various factors such as whether there is a bargain purchase and/or renewal option included in the lease, the economic life of the asset when compared to the term of the lease, and the minimum lease payments when compared to the fair value of the leased asset.

In respect of finance leases, judgment is required in determining the appropriate discount rate implicit in the lease to discount minimum lease payments. For leases where it is not practical to determine the implicit discount rate, LCBO estimates an appropriate discount rate based on the Ontario government borrowing rate.

v. Provisions

Provisions have been made for certain employee benefits, sales returns and store closing costs. These provisions are estimates and the actual costs and timing of future cash flows are dependent on future events. Any difference between expectations and the actual future liability will be accounted for in the period when such determination is made. Additional disclosures are presented in Note 12.

vi. ODRP unredeemed container deposit income

LCBO has determined that not all deposits paid by customers for the ODRP containers will be redeemed. Estimates have been made for the redemption rate on ODRP containers based on past history. The estimated unredeemed ODRP container deposits are treated as other income in the period the likelihood of redemption is considered to be remote. Additional disclosures are presented in Note 24.

(thousands of Canadian dollars)

4. Use of Estimates and Judgments (continued)

vii. Unredeemed Gift cards

LCBO has determined that not all gift cards purchased will be redeemed in full by customers. Estimates have been made for the redemption rate on gift cards based on past history and industry trends. The estimated unredeemed gift cards are included in revenues in the period the likelihood of redemption is considered to be remote.

5. Cash and Cash Equivalents

Cash and cash equivalents include both cash on hand and in transit, deposits held in trust, and short term investments (such as term deposits and bankers' acceptances), as follows:

	March 31, 2016	March 31, 2015
Cash on hand and in transit	109,195	63,305
Deposit Held in Trust	5,000	–
Bankers' acceptances	158,930	193,887
	273,125	257,192

The deposit held in trust was received from the prospective buyer as a deposit for the contingent sale of LCBO's Head Office facility, warehouse facility, retail store and adjacent lands located in downtown Toronto. A corresponding liability for the deposit held in trust is recognized in trade and other payables. See Note 8 for more details relating to the sale.

6. Trade and Other Receivables

	March 31, 2016	March 31, 2015
Trade and other receivables	61,233	45,172
Allowance for impairment	(352)	(309)
	60,881	44,863

Trade and other receivables arise primarily from sales billed to independent businesses, agents and other debtors. Almost all of LCBO's receivables are due within 30 days.

The carrying amount of trade and other receivables is reduced through the use of an allowance for impairment at levels LCBO considered adequate to absorb credit losses. Subsequent recoveries of receivables previously provisioned are credited to the Statement of income and comprehensive income.

(thousands of Canadian dollars)

7. Inventories

The cost of inventories sold and recognized as cost of sales during the year ended March 31, 2016 was $2,785 million (2015 – $2,590 million). There were no significant write-downs or reversal of previous write-downs to net realizable value during the year ended March 31, 2016 and 2015.

8. Assets Classified as Held for Sale

Land and buildings are transferred to assets classified as held for sale from property, plant and equipment when they meet the criteria to be assets classified as held for sale as per LCBO's accounting policy.

In February 2012, the Minister of Finance announced the Province's intention to sell the LCBO's Head Office facility, warehouse facility, retail store and adjacent lands located in downtown Toronto (collectively LCBO Head Office Lands). A Request for Proposal ("RFP") in connection with the disposition of the LCBO Head Office Lands and for the provision of new LCBO Head Office and retail facility was issued in September 2014 by Infrastructure Ontario ("IO"), on behalf of LCBO.

It was announced on May 5, 2016 by the Minister of Finance that the LCBO has a firm and binding agreement with Menkes Developments Ltd., on behalf of a partnership comprised of Menkes, Greystone Managed Investments and Triovest Realty Advisors for the sale of LCBO Head Office Lands. The sale closed on June 8, 2016 and yielded approximately $260 million, subject to closing adjustments. The LCBO will be leasing back the Head Office Lands during the interim period until the office and retail space is ready to be relocated.

During the fiscal year, LCBO received a deposit from the prospective buyer relating to the sale which has been recognized in the Statement of financial position. The deposit has been applied against the proceeds on closing.

As of March 31, 2016, the net book value of assets held for sale is $10.2 million (2015 – $9.3 million) on the Statement of financial position.

9. Property, Plant & Equipment and Intangible Assets

Net book value of property, plant & equipment and intangible assets	March 31, 2016	March 31, 2015
Land	10,381	10,437
Buildings	100,608	95,081
Furniture and equipment	40,317	41,416
Leasehold improvements	169,870	162,931
Computer equipment	18,185	21,916
Computer software	19,290	19,115
Software/construction in progress	28,995	27,299
	387,646	378,195

(thousands of Canadian dollars)

9. Property, Plant & Equipment and Intangible Assets (continued)

The following table presents the changes in the cost and accumulated depreciation and impairment on the LCBO's property, plant and equipment and intangible assets:

Property, plant & equipment and intangible assets continuity for the year ended March 31, 2016

	Land	Buildings
Cost		
Balance at April 1, 2015	10,437	351,602
Additions	–	15,501
Net Additions	–	15,501
Disposals/Retirements	(56)	(2,000)
Balance at March 31, 2016	10,381	365,103
Accumulated depreciation and impairment		
Balance at April 1, 2015	–	256,521
Depreciation for the year	–	9,205
Impairment losses	–	–
Disposals/Retirements	–	(1,231)
Balance at March 31, 2016	–	264,495
Net book value at March 31, 2016	10,381	100,608

(thousands of Canadian dollars)

Furniture and equipment	Leasehold improvements	Computer equipment	Computer software	Software/ Construction in progress	Total
141,524	460,721	54,333	84,453	27,299	1,130,369
8,087	34,205	5,506	10,074	1,696	75,069
8,087	34,205	5,506	10,074	1,696	75,069
(1,484)	(279)	(2,749)	(108)	–	(6,676)
148,127	494,647	57,090	94,419	28,995	1,198,762
100,108	297,790	32,417	65,338	–	752,174
9,015	27,266	9,232	9,823	–	64,541
–	–	–	–	–	–
(1,313)	(279)	(2,744)	(32)	–	(5,599)
107,810	324,777	38,905	75,129	–	811,116
40,317	169,870	18,185	19,290	28,995	387,646

(thousands of Canadian dollars)

9. Property, Plant & Equipment and Intangible Assets (continued)

Property, plant & equipment and intangible assets continuity for the year ended March 31, 2015

	Land	Buildings
Cost		
Balance at April 1, 2014	12,596	393,283
Additions	–	8,466
Transfers to assets held for sale	(1,991)	(46,890)
Net Additions	(1,991)	(38,424)
Disposals/Retirements	(168)	(3,257)
Balance at March 31, 2015	10,437	351,602
Accumulated depreciation and impairment		
Balance at April 1, 2014	–	288,585
Depreciation for the year	–	9,889
Impairment losses	–	–
Transfers to assets held for sale	–	(39,597)
Disposals/Retirements	–	(2,356)
Balance at March 31, 2015	–	256,521
Net book value at March 31, 2015	10,437	95,081

(thousands of Canadian dollars)

Furniture and equipment	Leasehold improvements	Computer equipment	Computer software	Software/ Construction in progress	Total
125,560	427,993	52,101	75,495	16,262	1,103,290
17,127	32,728	7,552	9,060	11,037	85,970
–	–	–	–	–	(48,881)
17,127	32,728	7,552	9,060	11,037	37,089
(1,163)	–	(5,320)	(102)	–	(10,010)
141,524	460,721	54,333	84,453	27,299	1,130,369
93,649	271,697	28,972	55,952	–	738,855
7,527	26,093	8,732	9,423	–	61,664
–	–	–	–	–	–
–	–	–	–	–	(39,597)
(1,068)	–	(5,287)	(37)	–	(8,748)
100,108	297,790	32,417	65,338	–	752,174
41,416	162,931	21,916	19,115	27,299	378,195

(thousands of Canadian dollars)

10. Trade and Other Payables

	March 31, 2016	March 31, 2015
Trade payables	301,446	273,514
Accruals and other payables	287,279	281,103
	588,725	554,617

11. Operating Lease Arrangement

LCBO enters into operating leases in the ordinary course of business, primarily for retail stores. The leases have varying terms, escalation clauses, renewal rights and do not contain any contingent rental payments.

Minimum lease payments recognized as an expense in 2016 were $82.6 million (2015 – $77.5 million). The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	March 31, 2016
Fiscal 2017	84,749
Fiscal 2018 to 2021	301,365
Beyond fiscal 2021	484,283
	870, 397

(thousands of Canadian dollars)

12. Provisions

The following table represents the changes to LCBO's provisions:

Provisions continuity for the year end March 31, 2016

	Short term employee benefits	Other	Total
Balance at April 1, 2015	17,927	811	18,738
Charges recognized during the year	18,364	568	18,932
Utilization of provision	(17,927)	(811)	(18,738)
Balance at March 31, 2016	18,364	568	18,932

Provisions continuity for the year end March 31, 2015

	Short term employee benefits	Other	Total
Balance at April 1, 2014	18,370	667	19,037
Charges recognized during the year	17,927	811	18,738
Utilization of provision	(18,370)	(667)	(19,037)
Balance at March 31, 2015	17,927	811	18,738

Disclosed as:	March 31, 2016	March 31, 2015
Current	18,932	18,738
Non-current	–	–
	18,932	18,738

The employee benefits provision includes vacation entitlements earned by employees and performance bonus payments expected to be paid in the following year.

Other provisions include store closure provisions, which arise when LCBO agrees to restore a leased property to a specified condition at the completion of the lease period. These lease retirement provisions relate primarily to leases which expire over the next year. Other provisions also include a sales returns allowance for future returns on goods sold in the current period. The estimate has been made on the basis of historical sales returns trends.

(thousands of Canadian dollars)

13. Employee Benefits

a. Pension plan

For the year ended March 31, 2016, the expense was $28.3 million (2015 – $27.3 million) and is included in selling, general and administrative expenses in the Statement of income and comprehensive income.

b. Non-pension employee benefits

The non-pension employee benefits obligation ("benefit obligation") include accruals for contractual severance payments ("CSC"), executive compensation time banking ("ECTB"), benefits extended to employees on long-term income protection ("LTIP"), unfunded workers compensation obligation ("WCB"), non-vesting sick leave plan ("NVSL") and service awards.

LCBO measures its benefit obligation for accounting purposes as at March 31st of each year.

As of March 31, 2016, the weighted average duration of the plans obligations are 7.3 years (2015 – 7.4 years).

i. Statement of financial position

The non-pension employee benefits recognized in the Statement of financial position is as follows:

	March 31, 2016	March 31, 2015
Current	15,356	12,254
Non-current	105,241	116,082
Total non-pension employee benefit obligation	120,597	128,336

The current portion represents LCBO's estimated contribution to non-pension employee benefits for fiscal 2016/2017.

ii. Statement of income and comprehensive income

The non-pension employee benefit costs recognized in the Statement of income and comprehensive income is as follows:

	March 31, 2016	March 31, 2015
Current service cost	10,826	10,357
Actuarial (gains) losses on non-vesting benefits	(6,616)	1,247
Total costs included in expenses	4,210	11,604
Interest costs	3,910	4,762
Total costs included in finance costs	3,910	4,762
Total non-pension employee benefit expenses	8,120	16,366

(thousands of Canadian dollars)

13. Employee Benefits (continued)

iii. Other comprehensive income

The non-pension employee benefits recognized in the other comprehensive income are as follows:

	March 31, 2016	March 31, 2015
Opening cumulative actuarial losses recognized	(2,805)	(1,765)
Net actuarial gains (losses) recognized	1,515	(1,040)
Closing cumulative actuarial losses recognized	(1,290)	(2,805)

iv. Movement in the obligation

The movements in the non-pension employee benefit obligation are as follows:

	March 31, 2016	March 31, 2015
Opening benefit obligation	128,336	123,469
Current service cost	10,826	10,357
Interest on obligation	3,910	4,762
Actuarial (gains) losses from changes in demographic assumptions	(1,538)	215
Actuarial (gains) losses from changes in financial assumptions	(5,062)	6,748
Actuarial gains from other	(1,531)	(4,676)
Benefits paid	(14,344)	(12,539)
Closing benefit obligation	120,597	128,336

(thousands of Canadian dollars)

13. Employee Benefits (continued)

v. Significant assumptions

The significant assumptions used are as follows:

	CSC, ECTB, NVSL & Service Awards		**WCB**		**LTIP**	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Discount rate to determine the benefit obligation	3.20%	3.00%	3.20%	3.00%	3.20%	3.00%
Discount rate to determine the benefit cost	3.00%	3.80%	3.00%	3.80%	3.00%	3.80%
Salary rate increase • Bargaining Unit • Management and Executive	2% inflation plus OPT Promotional Scale	3% per annum	n/a	n/a	2.00%	2.00%
	FY2015: 0% COLA + 2% merit FY2016: 1.95% COLA + 2% merit FY2017: 0% COLA + 2% merit	3% per annum	n/a	n/a	2.00%	2.00%
Benefit index	n/a	n/a	2.5% for fully indexed benefit and 0.5% for partially indexed benefits	2.5%	n/a	n/a
Health cost rate increase	n/a	n/a	6.60% (7.5% per annum in 2013 reducing to 4.5% in 2023)	6.90% (7.5% per annum in 2013 reducing to 4.5% in 2023)	6.60% (7.5% per annum in 2013 reducing to 4.5% in 2023)	6.90% (7.5% per annum in 2013 reducing to 4.5% in 2023)

(thousands of Canadian dollars)

13. Employee Benefits (continued)

vi. Sensitivity analysis

The sensitivity of the non-pension employee benefit obligation to changes in assumptions is set out below.

	Impact on total non-pension employee benefit obligation	
Assumption	0.5% increase in assumption	0.5% decrease in assumption
Discount rate	(3,999)	4,288
Health care trend rate	707	(694)
Salary Scale	3,112	(2,940)
Benefit Indexation	569	(524)

14. Contingent Liabilities

LCBO is involved in various legal actions arising out of the ordinary course and conduct of business. In view of the inherent difficulty of predicting the outcome on such matters, LCBO cannot state what the eventual outcome on such matters will be. However, based upon legal assessment and information presently available, LCBO does not believe that liabilities, if any, arising from pending litigation will have a material effect on the financial statements, with the exception of the following items.

In January 2015, LCBO was served with a proposed class proceeding seeking damages in the amount of $1.4 billion against LCBO, Brewers Retail Inc. ("BRI") and BRI's 3 corporate owners. The claim is commenced by an individual and a corporation who intend to represent a class composed of those individuals and businesses who purchased beer in Ontario since June 1, 2000 under the Framework for Improved Cooperation & Planning between Brewers Retail Inc. and the Government of Ontario (through the LCBO), dated June 1, 2000. The statement of claim alleges conspiracies regarding beer market allocation, pricing and licensee fees. The claim is being defended vigorously. At this point in time it is not possible to estimate the amounts, if any, that LCBO may have to pay in the future regarding the claim.

In May 2013, during collective bargaining, OPSEU filed an Application with the Human Rights Tribunal against LCBO and Ministry of Finance alleging systemic gender discrimination. In essence, the claim alleges that by not compensating Casual Customer Service Representatives ("CSR's") at the same amount as Permanent Full Time CSR's, LCBO is discriminating on the basis of sex, which imposes significant disadvantages on workers in the predominantly female job classification of Casual CSR. LCBO's Permanent Full Time CSR's job classification is also predominantly female dominated. This Human Rights Tribunal application addresses matters related to the revised Pay Equity Plan required for OPSEU Employees, that LCBO and OPSEU are in the process of developing. The revised Pay Equity Plan may have a financial liability attached to it. LCBO is vigorously defending the Human Rights application, which proceeding may commence in September 2016. At this point in time it is not possible to reasonably estimate the amounts, if any, that LCBO may have to pay in the future regarding the Human Rights complaint, or the value of the liability, if any, that may be arise from the updated Pay Equity Plan.

(thousands of Canadian dollars)

15. Financial Risk Management

The LCBO's Treasury policies regarding financial risk management are clearly defined and consistently applied. They are a fundamental part of the long-term strategy covering areas such as credit risk, liquidity risk and market risk (foreign exchange risk and interest rate risk). LCBO's financial risk management approach is to minimize the potential adverse effects from these risks on its financial performance. Financial risk management is carried out by LCBO, under the direction of the Board of Directors through its Governance Committee, in accordance with its Treasury Risk Management Policy. This Policy sets out the prudential framework for the identification, measurement, management and control of financial risks. Treasury operates as a centralized service and does not engage in speculative activities. Strict limits on the size and type of transaction permitted as well as authorized counterparties are set by the Board of Directors and are subject to rigorous internal controls.

a. Credit Risk

Credit risk is the risk of financial loss due to a financial counter party or another third party failing to meet its financial or contractual obligations to the LCBO. It arises from cash and cash equivalents, derivative financial instruments, and outstanding accounts receivable. LCBO minimizes credit risk associated with the various instruments as follows:

- Derivative financial instruments and cash and cash equivalents are placed only with approved counterparties. At March 31, 2016, all derivative instruments and cash and cash equivalents were held with regulated Canadian financial institutions that met minimum credit rating requirements. Trade and others receivables arise primarily from sales invoiced to independent businesses, agents and other debtors. LCBO does not consider its exposure to credit risk associated with trade and other receivables to be material. As at March 31, 2016, approximately 58% (2015 – 66%) of LCBO's receivable is due from one customer whose account is in good standing.
- Where there is objective evidence that the total balance of an accounts receivable is unlikely to be recovered, an allowance for impairment is made to reduce the carrying amount of the accounts receivable to the recoverable amount. See Note 6 for additional disclosures.

b. Liquidity Risk

Liquidity risk is the risk that LCBO may not have cash available to satisfy financial liabilities as they fall due. LCBO seeks to limit its liquidity risk by actively monitoring and managing its available cash reserves to ensure that it has sufficient access to liquidity at all times to meet financial obligations when due as well as those relating to unforeseen events. Cash that is surplus to working capital requirements is managed by LCBO and may be invested in federal/provincial treasury bills, bankers' acceptances, bearer deposit notes, term deposits and guaranteed income certificates, choosing maturities which are aligned with expected cash needs. It may also be held in a bank account if the interest rate is more favourable than the aforementioned investment instruments.

c. Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market price. Market risk typically comprises four main types of risk:

(thousands of Canadian dollars)

15. Financial Risk Management (continued)

foreign exchange risk, interest rate risk, equity risk and commodity risk. Currently, LCBO is exposed only to foreign exchange risk and interest rate risk.

d. Foreign Exchange Risk

Foreign exchange risk is the risk of financial loss due to adverse changes in exchange rates. LCBO is exposed to foreign exchange risk with respect to future inventory purchases denominated in currencies other than the Canadian dollar, primarily US dollars and Euros. LCBO seeks to limit its exposure to foreign exchange fluctuations by entering into Canadian dollar contracts on a majority of its inventory purchases. In accordance with the LCBO's Treasury Risk Management Policy, LCBO engages in non-speculative hedging of committed and reasonably anticipated foreign currency exposures resulting from the payment of suppliers in foreign currencies. LCBO limits its exposure to movements in exchange rates through the use of foreign exchange forward contracts which are commitments to purchase a fixed amount of a foreign currency at a specified date in the future at a fixed exchange rate.

- In LCBO's assessment, a significant strengthening or weakening of the Canadian dollar against the US dollar or Euro, with all other variables held constant, would not have a significant impact on net income.
- The overall effects of changes in exchange rates was a foreign exchange gain of $0.5M in 2016 (2015 – $3.6 million gain).

e. Interest Rate Risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instruments will fluctuate due to changes in market interest rates. LCBO is exposed to interest rate risk on its cash and cash equivalents of short-term investments with maturity dates of less than 90 days and to a lesser extent on its financial lease obligations (which have fixed interest rates over their entire lease term). In LCBO's assessment, the impact of changes in interest rates would not have a significant impact on net income.

16. Financial Instruments

a. Foreign Exchange Contracts

LCBO uses foreign exchange contracts to manage foreign exchange risk on the purchase of inventory in a currency other than the Canadian dollar. LCBO has elected not to use hedge accounting on these derivative financial instruments. The derivative financial instruments are classified at level 2 of the three-level hierarchy and are measured at fair value. As at March 31, 2016, LCBO has twelve foreign exchange contracts totaling $4.8 million (2015 – $6.2 million).

b. Embedded Derivative

Embedded derivatives arise from the purchase of inventory in a currency other than Canadian dollar or of the supplier's domestic or local currency. For the year ended March 31, 2016, LCBO reviewed these contracts and determined that it does not have significant embedded derivatives or gains or losses resulting from these derivatives that require separate accounting and disclosure (2015 – nil).

(thousands of Canadian dollars)

17. Capital Management

LCBO is a corporation without share capital. Its capital structure consists of cash and cash equivalents and retained earnings.

LCBO's objectives in managing its capital are first to preserve capital and maintain sufficient liquidity to meet future financial commitments and second to maximize the earnings of such capital. By achieving these objectives, LCBO is able to fund its future growth and provide continuous dividends to the Province.

The Board of Directors is responsible for oversight of management including policies related to financial risk management. LCBO management is responsible for overseeing its capital structure and mitigating financial risk in response to changing economic conditions.

18. Revenue

Virtually all revenue is from the sale of goods. In late fiscal 2016, under the recommendation of the Council, LCBO began the sale of beer in grocery stores where LCBO acts as a wholesaler of beer to authorized grocery stores. Included in revenue is $7.9 million (2015 – nil) related to the sale of beer to grocery stores. Refer to Note 26 for other recommendations by the Council.

19. Selling, General and Administrative Expenses by Nature

The components of selling, general and administration expenses include the following:

	March 31, 2016	March 31, 2015
Employee costs (Note 20)	451,869	440,864
Occupancy costs	182,563	169,109
Depreciation and amortization	64,541	61,664
Debit/credit charges	38,645	37,437
Environmental initiatives	42,950	39,959
Other	89,817	86,368
	870,385	835,401

20. Employee Costs

Employee costs for LCBO for the year ended amounts to the following:

	March 31, 2016	March 31, 2015
Salaries & wages	372,302	355,670
Short-term employee benefits	79,567	85,194
	451,869	440,864

(thousands of Canadian dollars)

21. Finance Income and Finance Costs

Finance income and costs recognized by LCBO for the year ended amounts to the following:

	March 31, 2016	March 31, 2015
Finance income		
Interest earned	1,458	1,709
Total finance income	1,458	1,709
Finance costs		
Interest on non-pension employee benefits	3,910	4,762
Financing charges on capital leases	56	119
Total finance costs	3,966	4,881

22. Related Parties

Related parties of the LCBO include the Province of Ontario, Stewardship Ontario and key management personnel. For the year ended March 31, 2016, LCBO transferred a total of $1.935 billion (2015 – $1.805 billion) in dividends to the Province, which is presented in the Statement of changes in equity. LCBO also provides an annual contribution to the Province for the defined benefit plan which is discussed in Notes 3 and 13. Refer to Note 23 for disclosure surrounding the payment to Stewardship Ontario.

Key management personnel are those individuals having authority and responsibility for planning, directing and controlling the activities of LCBO. Key management personnel include members of the Board of Directors, President and Chief Executive Officer, Chief Financial Officer and the top senior officers. The Board members receive a per diem remuneration for attending regularly scheduled meetings and for serving on either the Audit Committee or the Governance and Compensation Committee.

Key management personnel compensation, including directors' fees comprise of:

	March 31, 2016	March 31, 2015
Salaries and short-term employee benefits	4,173	4,282
Post-employment benefits	254	260
Other long term benefits	70	73
Termination benefits	130	26
	4,627	4,641

(thousands of Canadian dollars)

23. Waste Diversion

LCBO 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, 2016, LCBO contributed $1.9 million (2015 – $1.9 million) and these expenditures are included in selling, general and administrative expenses in the Statement of income and comprehensive income.

24. Ontario Deposit Return Program

On November 6, 2006, the Province 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 LCBO, 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. Effective, February 6, 2012, the Province entered into another agreement with Brewers Retail Inc. for management of the program, thereby extending the program for another period of five years.

Under the program, LCBO collects a deposit of 10 or 20 cents on wine, liquor and most beer containers. LCBO 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, 2016, LCBO collected $66.9 million (2015 – $63.3 million) of deposits on containers and was invoiced $52.7 million (2015 – $50.2 million) for refunds to the customers. The net amounts are included in trade and other payables in the Statement of financial position.

In connection with the program, expenditures related to service fees paid to Brewers Retail Inc. for the year ended March 31, 2016, amounted to $41.0 million (2015 – $38.0 million), inclusive of $4.7 million (2015 – $4.4 million) of harmonized sales tax which is unrecoverable by LCBO, but is recoverable by the Province. These expenditures are included in selling, general and administrative expenses in the Statement of income and comprehensive income.

LCBO's experience indicates that not all container deposits collected would be redeemed based upon its redemption data. Based on historical redemption patterns, for the year ended March 31, 2016, LCBO recognized $18.4 million (2015 – $12.6 million) of unredeemed deposits as other income as LCBO has determined the likelihood of redemption to be remote. The remaining reserve for unredeemed container deposits reflects the ODRP program to-date redemption rate.

25. The Beer Store (TBS) Common Product Deposit Return Program

LCBO participates in a separate deposit-refund system, TBS common product program, managed and administered by Brewers Retail Inc. for containers that are not within the scope of the Ontario Deposit Return Program. Containers fall under the TBS program if:

(1) the product is available for sale at both the LCBO and TBS; or
(2) the product is an Industry Standard Bottle (ISB) regardless of whether or not the product is available at TBS

The TBS program is not mandated by government regulations; however, the TBS program is a requirement in dealing with Brewers Retail Inc.

(thousands of Canadian dollars)

25. The Beer Store (TBS) Common Product Deposit Return Program (continued)

Under the program, LCBO purchases imported and domestic beer products from various suppliers including some domestic beer products from TBS. Payment to these suppliers includes the container deposit in addition to the product cost. The container deposit is only paid to the suppliers if the products meet the program criterions above. If the products do not meet either criterion, they are excluded from the TBS common product program and will follow the Ontario Deposit Return Program as described in Note 24.

When LCBO sells TBS common products to customers including imported beer to TBS, the container deposit is collected as part of the sale proceeds.

TBS common product program deposits paid and collected are offset and included in trade and other receivables in the Statement of financial position.

For the year ended March 31, 2016, $2.6 million (2015 – $2.2 million) is included in trade and other receivables related to the TBS common product deposits.

26. Other Matters

In April 2015, the Premier's Advisory Council of Government Assets (the "Council") released a report to government entitled "Striking the Right Balance: Modernizing Beer Retailing and Distribution in Ontario", which recommended changes to the beer distribution and retailing system in Ontario. At government's direction, LCBO began to work with the Ministry of Finance and the Council on implementing certain of those recommendations relating to the sale of beer in grocery stores. Up to 450 grocery stores across the province will be allowed to sell beer, including up to 150 stores by May 2017. The first 60 grocery stores were authorized by the Alcohol and Gaming Commission to sell beer in late 2015 and the LCBO now acts as the wholesaler of beer to those authorized stores. Authorized grocers purchase all beer for sale in grocery stores from the LCBO at a wholesale discount determined through a competitive allocation.

In February 2016, the Council released a follow up report to government entitled "Striking the Right Balance: Modernizing Wine and Spirits Retailing and Distribution in Ontario", which recommended substantive changes to the wine retailing system in Ontario. Once again, at government's direction, LCBO has been working with the Ministry of Finance and the Council on implementing certain of the recommendations relating to the sale of imported and domestic wine, beer and cider in grocery stores.

The initial phase of implementation is expected to occur in mid to late 2016, with a new competitive allocation taking place and 70 additional authorizations for wine, beer and cider being issued to grocers. LCBO will act as wholesaler of wine, beer and cider to the authorized grocery stores at a wholesale discount determined through the competitive allocation. In addition, up to 70 existing winery retail stores located next to grocery stores will be able to move inside grocery stores and offer an expanded selection of products. Ontario wine not produced by the owners of such outlets will be purchased from the LCBO. Grocers that sign agreements with winery retail stores to have an outlet operated within their store will receive an authorization to sell beer and cider purchased from the LCBO. No more than 20 of these beer and cider authorizations may be operational before May 1, 2017.

Financial Overview

Key Operational Indicators

Fiscal year	2016	2015	2014	2013	2012
LCBO stores*	654	651	639	634	623
Full-time equivalent employees	6,665	6,469	6,348	6,212	6,067
Product listings	22,711	23,557	24,580	24,012	22,296

** LCBO store count includes licensee depot locations (3 as of 2016)*

Financial Indicators *($ thousands)*

Fiscal year	2016	2015	2014	2013	2012
Total revenues*	5,627,100	5,249,115	5,057,033	4,928,824	4,750,617
Growth over previous year	7.2%	3.8%	2.6%	3.8%	5.0%
Total expenses**	874,351	840,282	820,839	784,242	745,693
As a percentage of total revenues	15.5%	16.0%	16.2%	15.9%	15.7%
Net income	1,967,836	1,818,415	1,744,683	1,710,967	1,658,234
As a percentage of total revenues	35.0%	34.6%	34.5%	34.7%	34.9%

** Total revenues represent revenues plus other income plus finance income.*
*** Total expenses represents selling, general and administrative (SG&A) expenses plus finance cost.*

Breakdown of Selling, Administrative & General Expenses *($ thousands)*

Fiscal year	2016	2015	2014	2013	2012
Employee costs	451,869	440,864	446,244	435,413	409,740
Occupancy costs	182,563	169,109	157,429	141,210	131,921
Depreciation	64,541	61,664	54,897	51,126	50,870
Other expenses	171,412	163,764	157,561	152,669	148,457
Total SG&A expenses	870,385	835,401	816,131	780,418	740,988

Revenue Payments *($ thousands)*

Treasurer of Ontario	2016	2015	2014	2013	2012
Remitted by the Liquor Control Board:					
on account of profits	1,935,000	1,805,000	1,740,000	1,700,000	1,630,000
Remitted by the Alcohol and Gaming Commission:					
on account of licence fees and permits (replaced by Tax)[1]	9,193	8,891	9,030	8,853	9,090
Remitted by the Ministry of Revenue:					
Beer and wine tax (replacing Fees)[1]	579,000	560,000	557,000	560,000	561,000
Total	2,523,193	2,373,891	2,306,030	2,268,853	2,200,090

Receiver General for Canada	2016	2015	2014	2013	2012
Remitted by the Liquor Control Board:					
Excise taxes and customs duties	382,415	368,605	362,936	361,019	351,865
Goods and Services Tax (GST) / Harmonized Sales Tax (HST)[2]	485,135	453,933	437,246	430,220	415,194
Remitted by others:					
Excise taxes, GST/HST and other duties/taxes[2]	497,458	479,659	475,263	479,846	477,962
GST/HST remitted on sales through agency stores[2]	16,421	15,312	14,926	14,780	14,352
Total	1,381,429	1,317,509	1,290,371	1,285,865	1,259,374

1 *Beer and wine tax, administered by the Ministry of Revenue, replaces beer and wine fees previously paid to the Alcohol and Gaming Commission of Ontario by breweries, microbreweries and wineries. The listed figure of $579 million is an interim number for 2016. The 2015 number has been restated to actual as per 2016 Ontario Budget.*

2 *Harmonized Sales Tax replaced the Goods and Services Tax as of July 1, 2010. From 2012 onward, excise and HST for breweries are based on estimates.*

Revenue Payments ($ thousands) (continued)

Ontario Municipalities	2016	2015	2014	2013	2012
Remitted by the Liquor Control Board:					
Realty taxes[3]	31,488	28,443	26,191	22,755	21,039
Total revenue payments	3,936,110	3,719,843	3,622,592	3,577,473	3,480,503

Ontario Sales Channel Summary *(thousands of litres)*

	2016	Growth	2015	2014	2013	2012
LCBO	465,338	5.8%	439,698	424,890	420,447	410,045
Beer Store	593,768	1.2%	586,697	601,075	623,227	637,025
Winery Retail Stores	26,136	7.3%	24,355	22,867	21,963	20,661
Grocer	1,620					
Other channels:						
Other Legal	61,413	25.2%	49,067	56,480	54,017	55,414
Homemade	19,989	9.7%	18,219	17,868	15,887	17,537
Illegal	49,536	1.7%	48,713	46,830	42,368	41,128
Total Ontario	1,217,800	4.4%	1,166,749	1,170,011	1,177,910	1,181,808

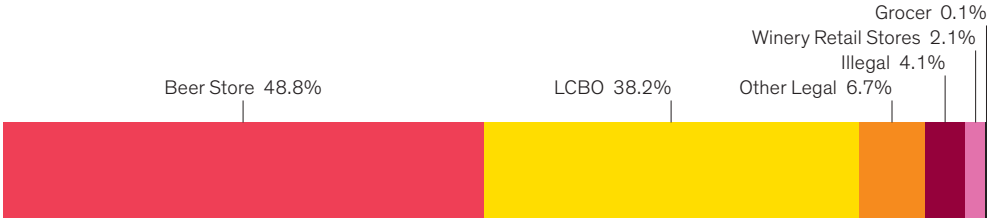
Note: All figures above are shown in litres. Sales volumes reported under the Other Channels category are estimates. LCBO and TBS figures exclude reciprocal sales. The LCBO is the wholesaler of record for beverage alcohol sold through Grocers – a new channel introduced in December 2015. Previous years may be restated based on new information received.

3 Includes property taxes on leased properties.

Share of Ontario Beverage Alcohol Market by Volume Sold

	2016	Change	2015	2014	2013	2012
LCBO	38.2%	0.5%	37.7%	36.3%	35.7%	34.7%
Beer Store	48.8%	-1.5%	50.3%	51.4%	52.9%	53.9%
Other Legal	6.7%	0.9%	5.8%	6.4%	5.9%	6.2%
Illegal	4.1%	-0.1%	4.2%	4.0%	3.6%	3.5%
Winery Retail Stores	2.1%	0.1%	2.1%	2.0%	1.9%	1.7%
Grocer	0.1%	0.1%				

2016 Share of Ontario Beverage Alcohol Market by Volume Sold



Volume Sales *(thousands of litres)*

LCBO sales	2016	Growth	2015	2014	2013	2012
Domestic Spirits	31,841	2.6%	31,044	31,179	32,300	32,722
Imported Spirits	27,827	3.0%	27,023	26,436	26,210	25,958
Total Spirits	59,668	2.8%	58,067	57,615	58,510	58,680
Domestic Wine	53,227	10.2%	48,308	44,312	42,629	40,240
Imported Wine	111,485	3.1%	108,135	104,771	101,676	97,968
Total Wine	164,712	5.3%	156,443	149,084	144,306	138,207
Domestic Beer	123,647	7.5%	115,038	111,801	111,703	110,577
Imported Beer	153,044	8.9%	140,477	135,687	135,169	131,268
Total Beer	276,691	8.3%	255,514	247,488	246,872	241,845
Domestic Spirit Coolers	25,690	8.9%	23,599	24,897	25,918	25,188
Imported Spirit Coolers	10,646	43.3%	7,431	5,070	4,529	4,416
Domestic Wine Coolers	359	-18.9%	443	158	236	–
Imported Wine Coolers	564	28.5%	439	277	157	–
Domestic Beer Coolers	124	-5.5%	131	128	136	630
Imported Beer Coolers	793	-48.7%	1,545	1,728	899	4
Total Coolers	38,175	13.7%	33,588	32,258	31,874	30,238
Total Domestic	234,888	7.5%	218,563	212,475	212,921	209,357
Total Imported	304,358	6.8%	285,050	273,970	268,640	259,613
Total LCBO	539,246	7.1%	503,613	486,445	481,562	468,970

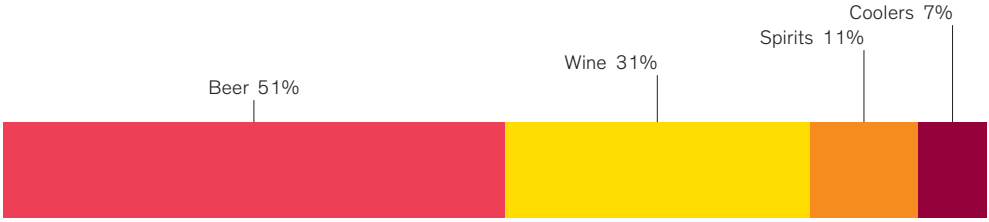
Other sales	2016	Growth	2015	2014	2013	2012
Ontario winery stores	26,136	7.3%	24,355	22,867	21,963	20,661
The Beer Store & brewer on-site stores	601,838	1.5%	592,818	605,819	627,933	641,216

Note: The FY2016 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 wineries and 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, 84,903,908 were to TBS. Prior year figures are restated annually to reflect changes in product hierarchy.

Share of LCBO Volume Sales *(thousands of litres)*

	2016		2015	
	Litres sold	% of total	Litres sold	% of total
Spirits	59,668	11%	58,067	11%
Wine	164,712	31%	156,443	31%
Beer	276,691	51%	255,514	51%
Coolers	38,175	7%	33,588	7%

2016 Share of LCBO Volume Sales



Value Sales *($ thousands)*

LCBO sales	2016	Growth	2015	2014	2013	2012
Domestic Spirits	948,672	3.9%	913,343	909,848	923,795	921,343
Imported Spirits	1,014,818	6.2%	955,676	911,102	875,010	835,363
Total Spirits	1,963,491	5.1%	1,869,019	1,820,951	1,798,806	1,756,706
Domestic Wine	552,962	9.5%	505,113	466,130	447,392	422,705
Imported Wine	1,641,371	4.8%	1,566,310	1,495,128	1,449,807	1,379,131
Total Wine	2,194,333	5.9%	2,071,424	1,961,258	1,897,199	1,801,836
Domestic Beer	518,520	10.1%	471,001	443,267	429,811	410,819
Imported Beer	681,718	10.5%	617,020	595,612	589,635	569,905
Total Beer	1,200,238	10.3%	1,088,020	1,038,879	1,019,446	980,724
Domestic Spirit Coolers	141,044	8.4%	130,110	137,181	142,945	140,790
Imported Spirit Coolers	61,551	40.6%	43,765	31,303	28,762	28,702
Domestic Wine Coolers	2,279	-18.1%	2,784	963	1,487	–
Imported Wine Coolers	3,904	41.0%	2,768	1,690	964	–
Domestic Beer Coolers	716	-5.1%	755	706	699	2,864
Imported Beer Coolers	3,881	-52.1%	8,102	8,366	4,099	24
Total Coolers	213,375	13.3%	188,283	180,209	178,956	172,380
Total Domestic	2,164,195	7.0%	2,023,105	1,958,096	1,946,129	1,898,522
Total Imported	3,407,242	6.7%	3,193,641	3,043,201	2,948,278	2,813,124
Non-Liquor and Other	(1,971)	-25.8%	(2,657)	(3,522)	(1,953)	(1,157)
Total LCBO	5,569,466	6.8%	5,214,089	4,997,774	4,892,454	4,710,489

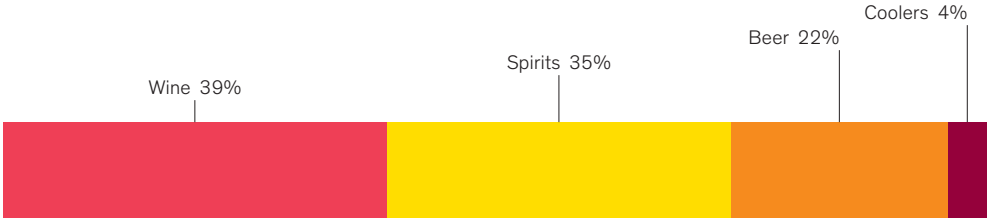
Other sales	2016	Growth	2015	2014	2013	2012
Ontario winery stores	303,367	7.6%	281,874	256,421	248,055	232,063
The Beer Store & brewer on-site stores	2,354,137	2.9%	2,287,357	2,270,299	2,307,715	2,300,452

Note: The FY2016 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 wineries or brewers not reporting by the time of publication. LCBO beer sales figures include LCBO sales to TBS; of LCBO's total beer sales, $371,123,291 were to TBS. Prior year figures are restated annually to reflect changes in product hierarchy.

Share of LCBO Value Sales *($ thousands)*

	2016		2015	
	Net sales ($)	% of total	Net sales ($)	% of total
Spirits	1,963,491	35%	1,869,019	36%
Wine	2,194,333	39%	2,071,424	40%
Beer	1,200,238	22%	1,088,020	21%
Coolers	213,375	4%	188,283	3%

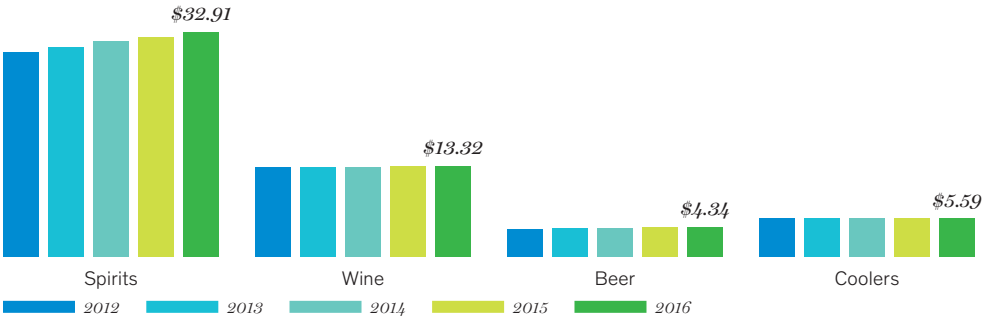
2016 Share of LCBO Value Sales



Average Net Sales Per Litre *(excludes sales tax)*

	2016	Growth	2015	2014	2013	2012
Spirits	$ 32.91	2.2%	$ 32.19	$ 31.61	$ 30.74	$ 29.94
Wine	$ 13.32	0.6%	$ 13.24	$ 13.16	$ 13.15	$ 13.04
Beer	$ 4.34	1.9%	$ 4.26	$ 4.20	$ 4.13	$ 4.06
Coolers	$ 5.59	-0.3%	$ 5.61	$ 5.59	$ 5.61	$ 5.70

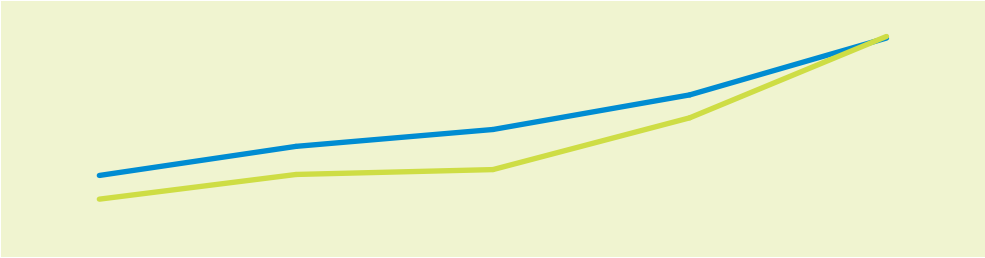
Average Net Sales Per Litre



Average Transaction Per Customer *(values in thousands)*

	2016	Growth	2015	2014	2013	2012
Net sales	$5,569,466	6.8%	$5,214,089	$4,997,774	$4,892,454	$4,710,489
Customer transactions	137,244	4.9%	130,885	126,840	126,460	124,530
Average transaction value per customer	$ 40.58	1.9%	$ 39.84	$ 39.40	$ 38.69	$ 37.83

Revenues & Customer Transactions



Average Transaction Value Per Customer

Product Listings

Fiscal year	2016	2015	2014	2013	2012
Domestic					
Spirits	469	469	458	425	386
Wine	554	574	565	560	556
Beer	692	573	626	546	525
Imported					
Spirits	815	762	797	705	658
Wine	1,156	1,170	1,167	1,156	1,095
Beer	391	390	393	347	351
Total regular listings	4,077	3,938	4,006	3,739	3,571
Vintages	5,361	5,468	5,949	6,408	6,087
Duty-free	273	252	264	263	239
Consignment and private ordering	13,000	13,899	14,361	13,602	12,399
Total product listings	22,711	23,557	24,580	24,012	22,296

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.

Revenue Distribution by Product Type

	Domestic Spirits	100% Ontario Wine	Ontario Beer
Supplier	23%	45%	43%
LCBO Mark-up	52%	44%	19%
Federal taxes (excise, duty) & HST*	25%	12%	38%
Container deposit**			

**Note: HST is collected by the federal government and a portion is later distributed back to the province of Ontario.*
***Note: Deposit collected on the sale of wine, spirits and beer is recorded as a liability, not revenue.*

LCBO Volume Sales Share by Category *(thousands of litres)*

	2016	2015	2014	2013	2012
Canadian Spirits					
Spirit Coolers	26.8%	26.6%	28.5%	28.3%	28.6%
Canadian Whisky	14.1%	14.7%	15.6%	15.5%	15.7%
Canadian Vodka	8.8%	9.1%	9.4%	9.6%	9.7%
Canadian Rum	6.9%	7.6%	8.0%	8.2%	8.4%
Canadian Liqueur	2.0%	2.2%	2.4%	2.2%	2.2%
Canadian Dry Gin	0.5%	0.5%	0.5%	0.6%	0.6%
Other	0.8%	0.7%	0.2%	1.4%	0.6%
Imported Spirits					
Spirit Coolers	11.1%	7.2%	5.8%	4.8%	5.0%
Vodka	7.5%	8.2%	8.4%	8.1%	8.0%
Scotch	4.1%	4.2%	4.3%	4.2%	4.3%
Miscellaneous Liquors	3.5%	3.9%	3.9%	3.8%	4.0%
Liqueur	3.0%	3.1%	2.9%	3.0%	2.9%
French Brandy	1.8%	1.8%	1.8%	1.8%	1.8%
Other	9.0%	10.1%	8.3%	8.7%	8.2%
Total Spirits	95,821	88,772	87,305	88,752	88,033
Canadian Wines					
White Table	14.7%	14.6%	14.5%	14.6%	14.4%
Red Table	10.1%	9.7%	9.3%	9.0%	8.9%
Fortified	1.1%	1.2%	1.2%	1.2%	1.3%
Rose Table	0.9%	0.9%	0.9%	0.9%	1.0%
7% Sparkling	0.7%	0.8%	0.8%	0.9%	0.9%
Wine Coolers	0.2%	0.0%	0.0%	0.0%	0.0%
Other	3.4%	2.6%	2.0%	2.0%	1.7%
Imported Wines					
Red Table	35.1%	36.4%	37.1%	38.0%	39.4%
White Table	20.4%	20.9%	21.5%	22.3%	22.6%
Sparkling	2.6%	2.5%	2.4%	2.5%	2.4%
Rose Table	1.5%	1.4%	1.4%	0.8%	0.9%
Fortified	0.9%	1.0%	1.0%	1.1%	1.2%
Wine Coolers	0.4%	0.3%	0.2%	0.1%	0.1%
Other	8.3%	8.1%	7.8%	6.7%	5.3%
Total Wine	154,569	146,403	139,540	135,079	129,281

LCBO Volume Sales Share by Category (thousands of litres) (continued)

	2016	2015	2014	2013	2012
Canadian Beer					
Ontario Beer	43.6%	45.0%	45.2%	45.4%	46.3%
Other Canadian Beer	4.3%	3.3%	3.0%	3.4%	3.1%
Imported Beer					
Other Imported Beer	42.0%	42.9%	43.7%	43.3%	42.6%
U.S. Beer	10.0%	8.7%	8.0%	7.8%	8.0%
Sake	0.1%	0.1%	0.1%	0.1%	0.1%
Total Beer	251,747	233,598	226,677	224,475	219,697
Total	502,137	468,773	453,522	448,306	437,011

LCBO Value Sales Share by Category *($ thousands)*

	2016	2015	2014	2013	2012
Canadian Spirits					
Canadian Whisky	19.1%	19.2%	20.2%	20.2%	20.5%
Canadian Vodka	11.9%	12.0%	12.2%	12.5%	12.6%
Canadian Rum	9.4%	10.0%	10.4%	10.7%	10.9%
Spirit Coolers	6.5%	6.4%	6.9%	7.0%	7.3%
Canadian Liqueur	2.4%	2.5%	2.7%	2.4%	2.4%
Canadian Dry Gin	0.7%	0.7%	0.7%	0.7%	0.7%
Other	0.4%	0.4%	0.3%	0.7%	0.8%
Imported Spirits					
Vodka	10.9%	11.5%	11.7%	11.6%	11.3%
Scotch	8.5%	8.4%	8.3%	8.1%	8.0%
Miscellaneous Liquors	5.0%	5.2%	5.2%	5.0%	5.3%
Liqueur	4.5%	4.4%	4.2%	4.3%	4.3%
French Brandy	3.7%	3.5%	3.4%	3.4%	3.4%
Spirit Coolers	2.9%	1.9%	1.6%	1.4%	1.5%
Other	14.1%	13.8%	12.2%	12.0%	10.9%
Total Spirits	$ 2,159,539	$ 2,035,369	$ 1,983,273	$ 1,965,498	$ 1,920,886
Canadian Wines					
White Table	11.3%	11.2%	11.1%	11.2%	11.0%
Red Table	8.4%	8.0%	7.7%	7.4%	7.4%
Fortified	1.0%	1.0%	1.1%	1.1%	1.1%
Rose Table	0.7%	0.7%	0.7%	0.7%	0.7%
7% Sparkling	0.5%	0.5%	0.5%	0.5%	0.6%
Wine Coolers	0.1%	0.0%	0.0%	0.0%	0.0%
Other 2.1%	1.8%	1.5%	1.6%	1.5%	
Imported Wines					
Red Table	43.2%	44.1%	44.5%	44.9%	45.5%
White Table	21.7%	21.9%	22.3%	22.6%	22.5%
Sparkling	4.8%	4.5%	4.4%	4.5%	4.4%
Rose Table	1.4%	1.3%	1.3%	0.8%	0.8%
Fortified	1.1%	1.2%	1.2%	1.2%	1.4%
Wine Coolers	0.2%	0.1%	0.1%	0.1%	0.1%
Other	3.8%	3.7%	3.6%	3.5%	3.0%
Total Wine	$ 2,016,659	$ 1,900,542	$ 1,802,878	$ 1,745,646	$ 1,659,521

LCBO Value Sales Share by Category ($ thousands) (continued)

	2016	2015	2014	2013	2012
Canadian Beer					
Ontario Beer	42.1%	43.0%	42.4%	41.9%	41.9%
Other Canadian Beer	4.3%	3.5%	3.2%	3.7%	3.4%
Imported Beer					
Other Imported Beer	43.6%	44.6%	46.2%	46.5%	46.5%
U.S. Beer	9.5%	8.4%	7.8%	7.6%	7.8%
Sake	0.4%	0.4%	0.4%	0.4%	0.4%
Total Beer	$ 1,086,962	$ 991,143	$ 948,990	$ 926,334	$ 891,591
Total	$ 5,263,161	$ 4,927,055	$ 4,735,141	$ 4,637,479	$ 4,471,999

LCBO Sales by Country of Origin

Spirits

Country	Net Sales ($)	Litres
Canada	$1,089,379,206	57,516,294
Ontario	$658,921,385	42,873,715
United Kingdom	$263,531,783	7,334,555
United States	$212,192,170	13,913,486
France	$148,714,703	3,126,611
Ireland	$82,516,295	2,515,229
Sweden	$69,871,385	2,317,775
Mexico	$66,710,065	1,667,873
Italy	$36,359,186	1,196,415
Germany	$25,686,590	791,546
Poland	$24,767,306	704,927
Other	$139,810,360	4,736,355
Total	$2,159,539,049	95,821,066

LCBO Sales by Country of Origin (continued)

Wine

	Net Sales ($)	Litres
Canada	$484,298,777	48,226,596
Ontario	$476,365,016	47,598,296
United States	$342,577,750	20,883,499
Italy	$340,259,175	23,466,708
France	$197,088,374	9,781,745
Australia	$180,100,452	11,989,257
Chile	$104,156,661	9,274,887
Argentina	$74,953,068	5,685,549
New Zealand	$68,209,293	3,276,179
Spain	$62,790,270	3,627,166
South Africa	$38,477,401	3,030,007
Other	$128,095,084	15,610,901
Total	$2,021,006,305	154,852,494

LCBO Sales by Country of Origin (continued)

Beer

Country	Net Sales ($)	Litres
Canada	$504,910,031	120,465,927
Ontario	$458,073,049	109,706,389
Netherlands	$111,585,359	25,253,666
United States	$103,493,252	25,264,075
Mexico	$99,168,392	20,909,522
Belgium	$69,762,705	14,215,279
Germany	$43,410,604	11,366,489
United Kingdom	$34,609,977	6,947,353
Poland	$20,094,858	5,596,345
Ireland	$17,215,033	3,318,163
Denmark	$15,354,183	3,864,317
Other	$63,010,880	14,262,143
Total	$1,082,615,274	251,463,278

In fiscal 2016, excluding sales through private ordering and grocers, the LCBO sold products from 85 different countries.

Credits

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