

51st REPORT

LIQUOR CONTROL BOARD
OF ONTARIO

APRIL 1st, 1976
to MARCH 31st, 1977



The Liquor Control Board of Ontario

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The Liquor Control Board of Ontario

55 Lake Shore Boulevard East,
Toronto, Ontario M5E 1A4,
September 29, 1977.

The Honourable Pauline M. McGibbon, O.C., B.A., LL.D., D.U., B.A.A.,
The Lieutenant Governor of the Province of Ontario,
Parliament Buildings,
Queen's Park,
Toronto, Ontario.

May It Please Your Honour,

The fifty-first report of the Liquor Control Board is submitted in accordance with the requirements of section 7 of The Liquor Control Act 1975. This report covers the fiscal year ended March 31, 1977 during which time the Board was responsible for the control and sale of products of distilleries, wineries and breweries in Ontario.

To satisfy a requirement of the 1976-77 Ontario Budget, the selling prices of all products listed by the Board were increased on April 20, 1976. This increase together with normal growth resulted in an increase in sales of \$89,965,359 and an increase in the net operating income from 33 to 35% of sales.

Under the Liquor Licence Act 1975 revenues, mainly representing fees collected from the brewers and licenced establishments as well as from Special Occasion Permits, were remitted separately to the Consolidated Revenue Fund. This explains the decrease in "Other Revenue", as shown in the statement of income.

In the interest of protecting the Ontario grape growing industry, the Board entered into a program to provide assistance to the Ontario wineries. The program included the accelerated distribution of Ontario wines to our retail outlets; a decrease in the Board's mark-up of these products; and a moratorium on the delisting of Ontario wines. These actions resulted in an overall sales increase of Ontario produced wines.

I would like to thank the permanent employees of the Board. Their work and support played an important part in the successful operation of the Board.

Special thanks are extended to Mr. R.J. Harris, Vice Chairman of the Board and to Board members, Mr. W. Austin, Mrs. R. Rounthwaite and Mr. J. Slade for their assistance. A warm tribute is also extended to Mr. F.A. MacInnis, General Manager, Mr. J.S. Abra, retiring General Manager, and all the executives of the Board for their achievements over the past year.

I have the honour to be Madam,

Your Obedient Servant,

William J. Bosworth,
Chairman.

Sales

The sales of spirits, wine and beer from liquor stores during the twelve months amounted to \$857,507,325. Sales in Ontario, of Canadian wine made direct to customers from licenced retail wine stores and wineries, amounted to \$10,879,615. The net value of beer sold in Ontario, from breweries and brewers' retail stores, exclusive of any charge for containers, totalled \$456,813,662.

The following comparative sales statistics are given for the fiscal period under review and also for the preceding twelve months.

Sales by Value

	Twelve Months Ending March 31, 1977	Twelve Months Ending March 31, 1976	Increase
Sales by Board Stores			
Canadian Spirits	\$533,091,226	\$486,757,449	\$46,333,777
Imported Spirits	133,620,462	117,647,472	15,972,990
Canadian Wines	54,085,873	50,076,197	4,009,676
Imported Wines	97,783,370	78,712,790	19,070,580
Canadian Beers	29,953,519	27,512,757	2,440,762
Imported Beers	8,972,875	6,835,301	2,137,574
Total Sales by Board Stores	\$857,507,325	\$767,541,966	\$89,965,359
Sales by Ontario Wineries And Winery Stores	\$ 10,879,615	\$ 11,232,328	\$ (352,713)
Sales by Breweries and Brewers' Retail Stores (exclusive of container value)	\$456,813,662	\$429,376,249	\$27,437,413

Sales by Gallons

	Twelve Months Ending March 31, 1977	Twelve Months Ending March 31, 1976	Increase
Sales by Board Stores			
Canadian Spirits	13,270,340	12,658,465	611,875
Imported Spirits	2,798,086	2,624,179	173,907
Canadian Wines	4,883,308	4,482,247	401,061
Imported Wines	5,466,539	4,649,954	816,585
Canadian Beers	7,497,387	7,055,813	441,574
Imported Beers	1,104,582	983,547	121,035
Total Sales by Board Stores	<u>35,020,242</u>	<u>32,454,205</u>	<u>2,566,037</u>
Sales by Ontario Wineries and Winery Stores	<u>1,033,984</u>	<u>1,040,506</u>	<u>(6,522)</u>
Sales by Breweries and Brewers' Retail Stores	<u>144,586,896</u>	<u>149,977,732</u>	<u>(5,390,836)</u>

Revenue payments totalling \$748,541,424 were received by the Treasurer of Ontario and the Government of Canada as a result of levies on beverage alcohol sold in Ontario during the year. In addition the Board paid \$2,059,784 to the Ontario municipalities as grants in lieu of realty and business taxes. These amounts are exclusive of corporation, realty and business taxes paid to these Governments and municipalities by the distilleries, wineries, breweries and licence holders. Ontario retail stores tax collected by licence holders and agency stores on their sales of beverage alcohol is also excluded.

A summary of the aforementioned revenue payments follows:

Treasurer of Ontario

Remitted by the Board —

On account of profits, licence fees etc. \$302,195,807

Ontario Retail Sales Tax on sales through
liquor stores

73,456,565

375,652,372

Remitted by others —

Ontario Retail Sales Tax on sales through
retail wine stores and brewers' retail stores

35,390,206

\$411,042,578

Government of Canada

Paid by the Board —

Customs and Excise Duties

189,941,926

Federal Sales Tax on spirits, wines and

Imported beers

44,881,327

234,823,253

Paid by others —

Malt duties and taxes on domestic beers
and wines

102,675,593

\$337,498,846

\$748,541,424

Ontario Municipalities

Paid by the Board —

Grants in lieu of realty and business taxes

\$ 2,059,784

\$750,601,208

Sales by Breweries to Other Provinces and Countries

Sales to other	1973 Gallons	1974 Gallons	1975 Gallons	1976 Gallons	1977 Gallons
Provinces	1,806,931	1,685,924	746,703	420,100	134,536
Export Sales	<u>2,872,772</u>	<u>4,043,696</u>	<u>6,203,685</u>	<u>8,147,926</u>	<u>10,383,157</u>
	<u>4,679,703</u>	<u>5,729,620</u>	<u>6,950,388</u>	<u>8,568,026</u>	<u>10,517,693</u>

All brands of beer produced by the Ontario breweries and by the Quebec and Manitoba breweries which were sold in this province were periodically analysed as in previous years. This ensures that beer sold in Ontario is in conformity with the Regulations passed pursuant to the Food and Drugs Act of Canada and the standards set by the Board.

The Board receives from its laboratory at the Toronto Warehouse, current analytical reports on all brands of spirits, wine and beer.

Wineries

On June 1, 1976, Chateau Cartier Wines Limited and Chateau Gai Wines Limited amalgamated to become Chateau Gai Wines Limited. This decreased to nine the number of wineries in operation at March 31, 1977. The number of Winery stores in operation increased to 53 after Andres Wines Limited and Inniskillen House Wines Incorporated were permitted to open a retail outlet in their plant premises.

Six retail Wine stores were relocated during the year as follows:

- | | |
|---|--|
| Barnes Wines Limited | - from 118 Main Street East, North Bay
to 300 Lakeshore Drive, North Bay |
| T.G. Bright & Company Limited | - from 113 Rideau Street, Ottawa
to 62 William Street, Ottawa |
| Chateau-Gai Wines Limited | - from 306 St. Paul Street, St. Catharines
to 84 Lynden Road, Brantford
from 6410 Yonge Street, Toronto
to 9350 Yonge Street, Richmond Hill
from 878 Yonge Street, Toronto
to 2900 Warden Avenue, Toronto |
| Jordan and St. Michelle Cellars Limited | - from 939 Lawrence Avenue East, Toronto
to 4841 Yonge Street Toronto |

Sales by Wineries to Other Provinces and Countries

Sales to other	1973 Gallons	1974 Gallons	1975 Gallons	1976 Gallons	1977 Gallons
Provinces	4,315,648	4,031,620	4,035,073	3,360,683	3,124,471
Export Sales	59,266	48,919	33,783	27,188	22,995
	<u>4,374,914</u>	<u>4,080,539</u>	<u>4,068,856</u>	<u>3,387,871</u>	<u>3,147,466</u>

The tonnage of grapes and cherries used by the various Ontario wineries during the past five years was as follows:

	1973 Tons	1974 Tons	1975 Tons	1976 Tons	1977 Tons
Grapes used in the manufacture of wine	39,739	45,348	46,916	44,525	42,850
Grapes used in the manu- facture of concentrate	434	1,358	2,058	268	492
Cherries used in the manufacture of wine	<u>78</u>	<u>67</u>	<u>21</u>	<u>41</u>	<u>48</u>
	<u>40,251</u>	<u>46,773</u>	<u>48,995</u>	<u>44,834</u>	<u>43,390</u>

Personnel

The number of Board Members and permanent employees of the various departments of the Board was at March 31, 1977, was as follows:

Board Members	5	Legal	3
		Mail and Multigraph	7
Staffs of Departments		Personnel	21
Chairman's Office	1	Planning and Development	4
General Manager	10	Product Administration	26
Accounting	62	Properties Management	24
Audit	54	Purchasing	4
Customs	8	Records Management	7
Data Processing	37	Stores	2,797
Distribution Depot	61	Store Operations	40
Garage	5	Traffic	12
Laboratory	11	Warehouses	301
			3,507

In addition there were 1,812 temporary or daily rate employees at March 31, 1977. Of this total 1,750 were employed in the stores.

Board Stores

There were 575 Board stores in operation during the year which included the distribution depot in Toronto, two duty free stores at Toronto International Airport and a Rare Wines and Spirits store.

Fifteen self-serve stores were opened at the following locations:

April	9, 1976	747 Don Mills Road	Toronto
April	12, 1976	Highway 35 and 60, P.O. Box 110	Dwight
May	28, 1976	John Street, P.O. Box 119	Victoria Harbour
June	3, 1976	93 Main Street West	Norwich
* June	19, 1976	Queen's Crescent, Queen's University	Kingston
June	25, 1976	300 King George Road	Brantford
June	25, 1976	General Delivery	Buckhorn
August	6, 1976	25 Cameron Street, East	Cannington
September	9, 1976	Goderich and Trunk Road, P.O. Box 340	Spanish
September	17, 1976	2946 Finch Avenue, East	Toronto
October	18, 1976	555 Rossland Road	Oshawa
November	27, 1976	3350 Fairview Mall	Burlington
December	13, 1976	Highway 21 North, P.O. Box 188	Thamesville
February	10, 1977	1 Dundas Street, West	Toronto
February	15, 1977	Kovel Street	Pickle Lake

* This store was a temporary outlet to accommodate the Olympics and was closed on July 31, 1976.

The following six stores were relocated and converted to a self-serve operations during the year.

Store	From	To
26	126 Dundas Street East	126 York Street, London
49	317 Pitt Street	317 Pitt Street, Cornwall
106	7 Minerva Street East	Huntsville Shopping Centre, Huntsville
191	536 Albert Street West	172 James Street, Sault Ste. Marie
221	210 Queen Street	135 Perry Street, Port Perry
254	King Street	Centre Street, Millbrook

The stores in Haliburton, Hagersville, Stroud and Sydenham ceased to operate as combination stores. Trailer stores located at Maynooth and Goulais River were relocated to permanent buildings. In addition thirty-eight were converted to self-serve at their present locations. This is in keeping with the Board's policy of establishing new outlets, relocations and renovations to self-serve wherever possible.

At March 31, 1977 there were 304 self-serve stores in operation.

Agency Stores

During the year, five agency stores changed ownership and four agency stores surrendered their licences. Two of these stores were later reopened to bring to 59 the number of agency stores in operation at March 31, 1977.

Breweries and Brewers' Retail Stores

Six new Brewers' Retail stores were opened during the year at the following locations:

May	5, 1976	747 Don Mills Road	Toronto
June	23, 1976	Highway 121, P.O. Box 700	Haliburton
September	24, 1976	2934 Finch Avenue East	Toronto
October	12, 1976	55 Main Street North	Hagersville
November	23, 1976	Highway 11 and Glenn Avenue	Stroud
December	2, 1976	General Delivery	Sydenham

On January 6, 1977, the Brewers Retail Store at 56 Dover Street in Chatham was relocated to 441 St. Clair Street in Chatham.

There were 419 retail stores in operation at March 31, 1977.

Financial Statements

Current Assets totalling \$82,708,919 consisted of the following:

Cash on Hand and in Banks	\$ 8,416,804
Accounts Receivable: Licence holder fees, winery fees, freight claims, hospital charge sales etc.	1,637,045
Inventories of liquors, supplies and equipment	72,301,049
Prepaid charges for Insurance, taxes etc.	354,021
	<u>\$82,708,919</u>

Included in inventories of liquors, supplies and equipment is prepaid merchandise for future delivery amounting to \$674,707 and supplies and equipment valued on \$681,800.

Mortgage receivable \$11,346 represents the principal amount outstanding of the mortgage taken on the old Thunder Bay warehouse property which was sold in 1965.

Fixed assets are shown at a nominal valuation of \$1.00 for each parcel of land, and \$1.00 for each building and trailer, either completed or in process, plus \$1.00 for all furniture, fixtures, machinery, equipment and leasehold improvements in stores, warehouses and offices. The real estate consists of the land and buildings at 55 Lake Shore Boulevard East, Toronto, together with the adjacent land between Cooper Street and the Government building occupied by the Ontario Provincial Police: land and warehouse at Thunder Bay; land and warehouse at Ottawa; and land and warehouse at London. Also included in the real estate are 218 store sites on which completed stores are located; 27 store sites, against which charges have been made for costs of uncompleted store buildings and 1 store parking lot.

The costs of all lands and buildings incurred during the year (less \$1.00 each unit), totalling together \$3,036,986 have been charged against income.

The accumulations of reserve for depreciation have been increased by \$1,883,945 which represents the purchases, less disposals of furniture, fixtures, machinery, equipment and alterations to leased premises.

Current liabilities of the Board totalled \$42,857,653 and consisted of trade accounts payable and accrued charges.

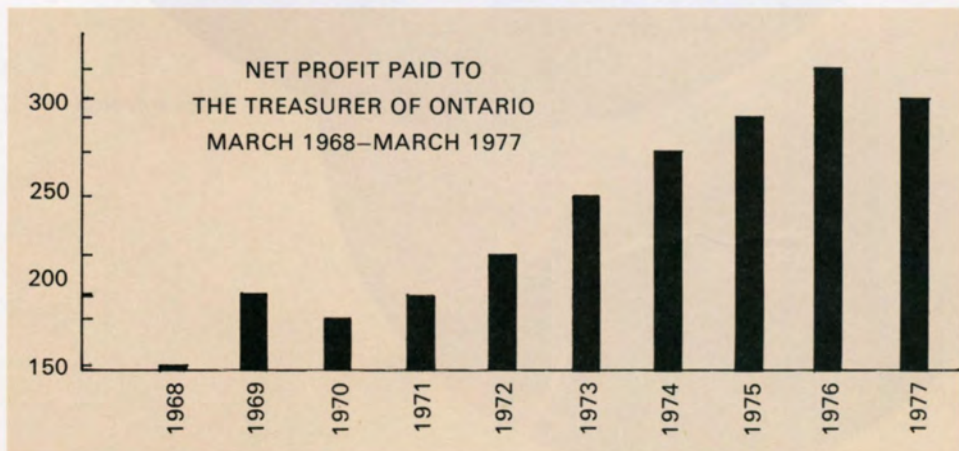
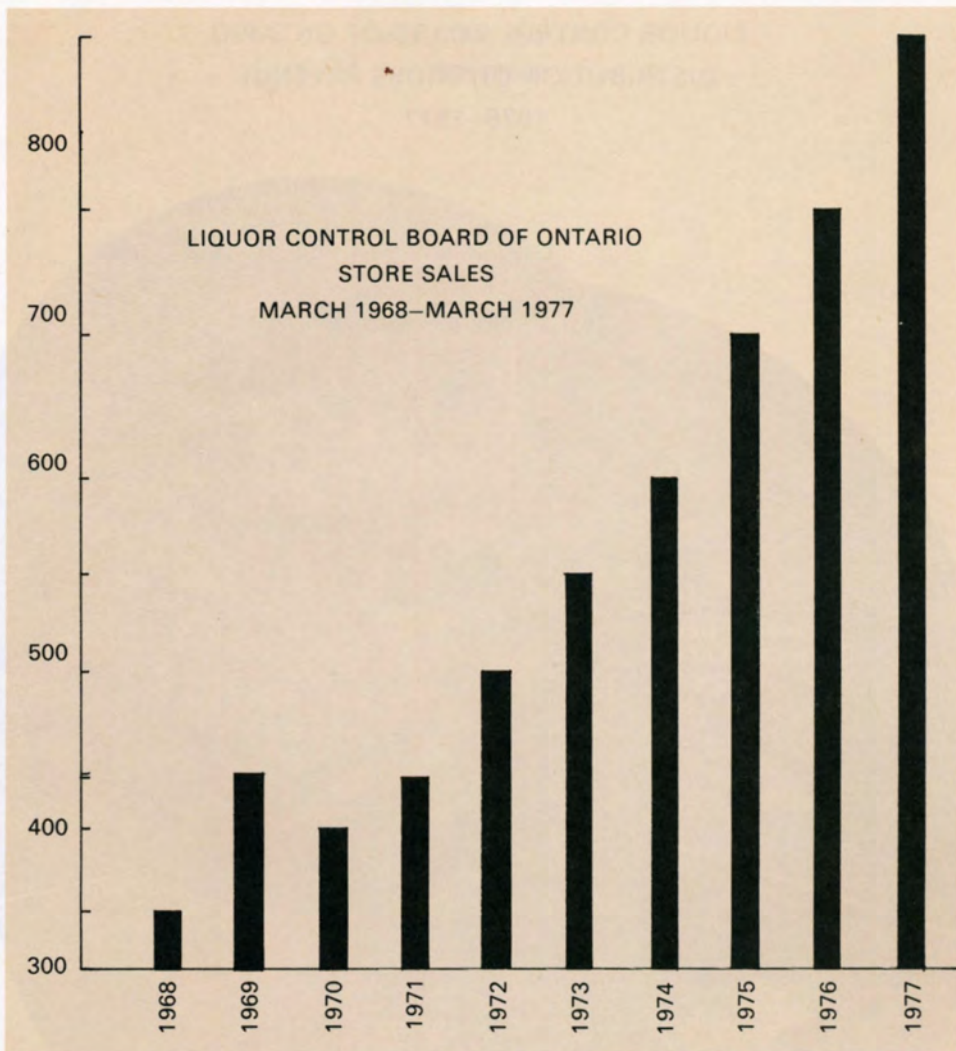
The statement of income shows that the sales for the twelve months of spirits, wines and beer from Liquor Control Board stores amounted to \$857,507,325.

The same statement shows a gross trading profit of \$395,897,775 and other miscellaneous revenue of \$3,423,774. Expenses for the year totalled \$90,535,055 consisting of administrative and operating expenses and cost of additions to lands and buildings and furniture, fixtures, equipment and alterations. The net income carried forward to the statement of retained income is \$308,786,494. After payment to the Treasurer of Ontario of \$302,195,807 on account of profits, a balance of \$39,863,134 remained in retained income.

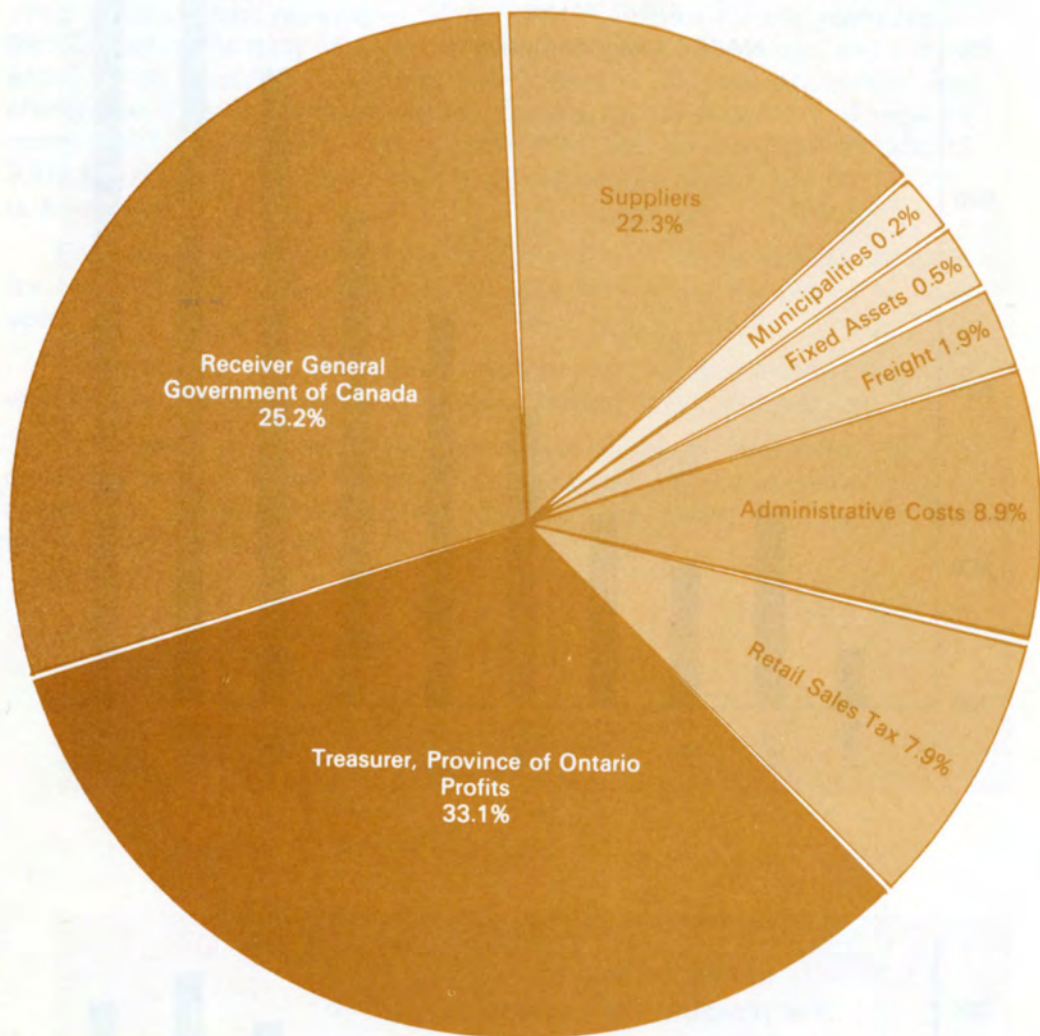
For comparative purposes the figures and percentages to sales are given for the twelve month period reported upon herein and the preceding fiscal year.

The statement of changes in financial position summarizes how the working capital was made available and disbursed during the year.

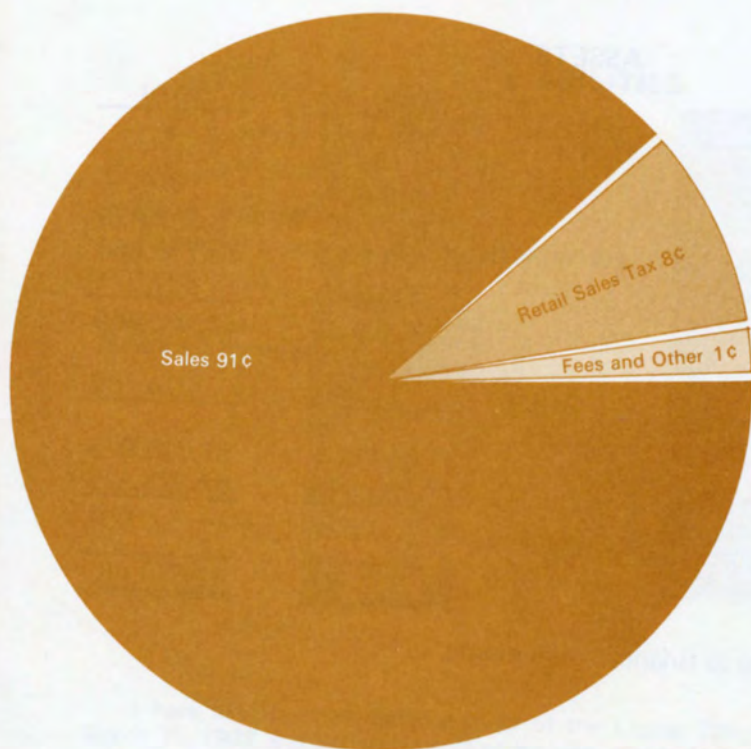
In addition, a schedule showing the expenses of administration and operation for the twelve months is also attached. Individual percentages in comparison to the total sales are given for the twelve months and also for the preceding fiscal year.



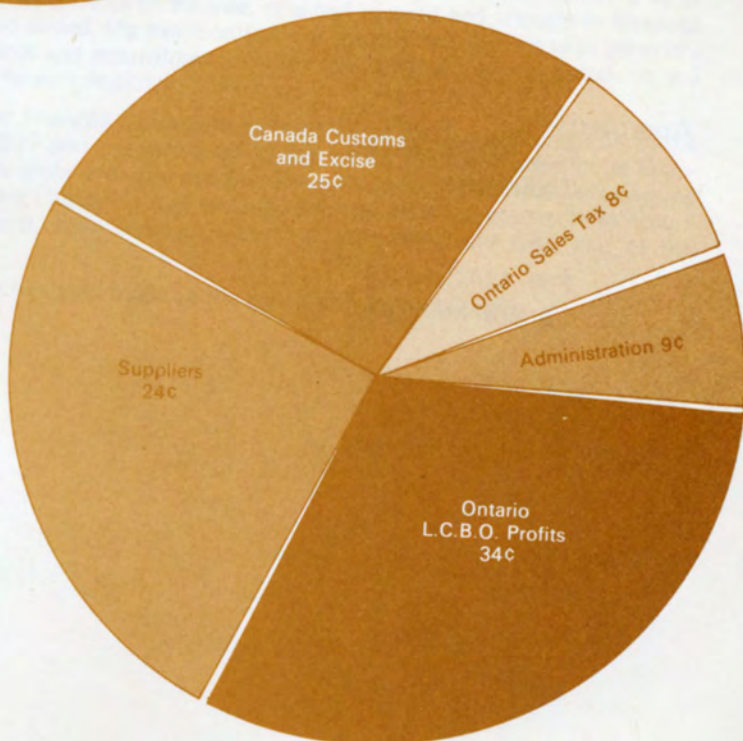
LIQUOR CONTROL BOARD OF ONTARIO
DISTRIBUTION OF GROSS REVENUE
1976-1977



THE L.C.B.O. DOLLAR
1976-1977



How it is spent



LIQUOR CONTROL BOARD OF ONTARIO

Balance Sheet

March 31, 1977

ASSETS

	1977	1976
	\$	\$
Current		
Cash	8,416,804	—
Accounts receivable	1,637,045	8,397,820
Inventories, at cost	72,301,049	73,738,668
Prepaid expenses	354,021	427,371
	<u>82,708,919</u>	<u>82,563,859</u>
Mortgage receivable	<u>11,346</u>	<u>14,102</u>
Fixed, at cost (note 2)	71,967,064	67,323,976
Less: amounts written off	<u>71,966,542</u>	<u>67,323,475</u>
	522	501
	<u><u>82,720,787</u></u>	<u><u>82,578,462</u></u>

See accompanying notes to financial statements.

Approved:

W.J. BOSWORTH
Chairman

F.A. MACINNIS
General Manager

LIABILITIES

	<u>1977</u>	<u>1976</u>
	\$	\$
Current		
Bank overdraft	—	587,893
Accounts payable and accrued expenses	<u>42,857,653</u>	<u>48,718,122</u>
	<u>42,857,653</u>	<u>49,306,015</u>
 Retained income	 <u>39,863,134</u>	 <u>33,272,447</u>
	 <u><u>82,720,787</u></u>	 <u><u>82,578,462</u></u>

I have examined the balance sheet of the Liquor Control Board of Ontario as at March 31, 1977 and the statements of income, retained income and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Board as at March 31, 1977 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles which, except for changes resulting from new legislation as referred to in note 1 to the financial statements, have been applied on a basis consistent with that of the preceding year.

A report on the audit has been made to the Board and to the Minister.

Toronto, Ontario,
August 4, 1977.

F.N. SCOTT, C.A.,
Provincial Auditor.

LIQUOR CONTROL BOARD OF ONTARIO

Statement of Income

Year Ended March 31, 1977

	1977	1976
	\$	\$
Sales	857,507,325	767,541,966
Cost of sales	461,609,550	432,778,675
Gross income	395,897,775	334,763,291
Operating expenses (notes 1 and 3)	90,535,055	80,195,048
Operating income	305,362,720	254,568,243
Other revenue (notes 1 and 4)	3,423,774	77,105,465
Net income for the year	308,786,494	331,673,708

See accompanying notes to financial statements.

LIQUOR CONTROL BOARD OF ONTARIO

Statement of Retained Income

Year Ended March 31, 1977

	1977	1976
	\$	\$
Balance at beginning of year	33,272,447	35,098,739
Add:		
Net income for the year	308,786,494	331,673,708
	342,058,941	366,772,447
Deduct:		
Payments to the Treasurer of Ontario on account of net income	302,195,807	333,500,000
Balance at end of year	39,863,134	33,272,447

See accompanying notes to financial statements.

LIQUOR CONTROL BOARD OF ONTARIO

Statement of Changes in Financial Position

Year Ended March 31, 1977

	<u>1977</u> \$	<u>1976</u> \$
Source of working capital		
Net income for the year	308,786,494	331,673,708
Item not requiring an outlay of funds –		
Fixed assets written off	4,920,930	4,344,575
Decrease in mortgage receivable	2,756	2,613
	<u>313,710,180</u>	<u>336,020,896</u>
Application of working capital		
Investment in fixed assets	4,920,951	4,344,590
Payments to Treasurer of Ontario on account of net income	<u>302,195,807</u>	<u>333,500,000</u>
	<u>307,116,758</u>	<u>337,844,590</u>
Increase (decrease) in working capital	6,593,422	(1,823,694)
Working capital at beginning of year	<u>33,257,844</u>	<u>35,081,538</u>
Working capital at end of year	<u><u>39,851,266</u></u>	<u><u>33,257,844</u></u>

See accompanying notes to financial statements.

LIQUOR CONTROL BOARD OF ONTARIO

Notes to Financial Statements

March 31, 1977

1. NEW LEGISLATION

The Liquor Control Act, 1975 and The Liquor Licence Act, 1975 came into force on January 2, 1976. Prior thereto, all revenues and expenses of the Liquor Licence Board of Ontario were recorded by and included in the financial statements of the Liquor Control Board of Ontario.

Commencing January 1976, pursuant to the above legislation, revenues of the Liquor Licence Board are paid to the Treasurer of Ontario. Expenses of the Liquor Licence Board are now paid out of moneys appropriated therefor by the Legislature.

Accordingly, comparative figures in the accompanying statement of income generally include revenue and expenses of the Liquor Licence Board of Ontario for the nine months ended December 31, 1975.

2. FIXED ASSETS

It is the policy of the Board to carry each parcel of land and each building on its books at the nominal value of \$1.00. The total of furniture and equipment in current use and leasehold improvements is carried on the books at the nominal value of \$1.00. All asset costs in excess of these nominal values are written off in the year of acquisition.

The cost at year-end of fixed assets is as follows:

	1977	1976
	\$	\$
Land	8,600,200	8,374,692
Buildings	45,115,577	42,341,458
Furniture and equipment	10,938,381	9,930,790
Leasehold improvements	7,312,906	6,677,036
	<u>71,967,064</u>	<u>67,323,976</u>

Details of fixed assets written off during the year are as follows:

	1977	1976
	\$	\$
Land	233,010	103,944
Buildings	2,803,976	2,667,597
Furniture and equipment	1,207,264	925,094
Leasehold improvements	676,681	647,940
	<u>4,920,931</u>	<u>4,344,575</u>

3. OPERATING EXPENSES

The comparative total includes expenses of the Liquor Licence Board of Ontario for the nine months ended December 31, 1975.

	1977		1976	
	\$	% of sales	\$	% of sales
Salaries and employee benefits	70,093,818	8.17	59,655,075	7.78
Rent	7,224,441	.84	5,442,044	.71
Repairs and maintenance	2,386,408	.28	1,854,710	.24
Grants in lieu of taxes	2,059,784	.24	1,879,163	.24
Utilities	1,705,489	.20	1,344,412	.17
Packing material	1,222,318	.14	1,171,858	.15
Stationery	1,033,416	.12	876,743	.11
Travelling	1,013,442	.12	995,057	.13
Stock breakage and losses	789,757	.09	633,744	.08
Agency commissions and expenses	569,343	.07	528,265	.07
Security services	483,027	.06	440,163	.06
Data processing equipment rental and supplies	477,990	.06	366,899	.05
Ontario Provincial Police – reimbursement of certain expenses	444,796	.05	401,273	.05
Telephone and telegraph	317,470	.04	297,642	.04
Other	1,404,912	.16	1,288,828	.17
Fixed assets written off	4,920,931	.57	4,344,575	.57
	<u>96,147,342</u>	<u>11.21</u>	<u>81,520,451</u>	<u>10.62</u>
Less: LLB expenses recovered (note 1)	<u>5,612,287</u>	<u>.65</u>	<u>1,325,403</u>	<u>.17</u>
	<u><u>90,535,055</u></u>	<u><u>10.56</u></u>	<u><u>80,195,048</u></u>	<u><u>10.45</u></u>

4. OTHER REVENUE

The comparative figures generally include revenue of the Liquor Licence Board of Ontario for the nine months ended December 31, 1975.

	1977	1976
	\$	\$
Brewers' licence fees	—	12,000
Brewery store and brewers' retail store licence fees	—	163,100
Gallonage fees on beer production — Ontario breweries	—	55,904,743
Gallonage fees on beer sales — Extra — Provincial Breweries	—	4,082,846
Licence fees — the Liquor Licence Act	—	10,167,904
Ontario wine licence fees	21,586	30,692
Special occasion permit fees	—	1,410,005
Special occasion permit purchase fees	2,746,025	2,931,746
Transfer fees	—	1,718,279
Interest on bank balances	173,509	78,546
Miscellaneous income	482,654	605,604
	<u>3,423,774</u>	<u>77,105,465</u>

5. ANTI-INFLATION LEGISLATION

Pursuant to the terms of an agreement between the Province of Ontario and the Government of Canada, the Board is subject to controls on compensation instituted by the Government of Canada in the Anti-Inflation Act, effective October 14, 1975.

6. COMPARATIVE FIGURES

Comparative figures have been reclassified where necessary to conform to 1977 presentation.