Annual Report

Liquor
Control Board
of Ontario

1988

The Honourable William Wrye

Minister of Consumer and Commercial Relations

From the Chairman

Sir;

I have the honour to submit for your approval the 1987/88 Annual Report of the Liquor Control Board of Ontario.

Respectfully submitted,

J. W. Ackroyd
Chairman

CONTENTS

Board of Directors

Jack Ackroyd,
chairman

Steven Stavro,
president,
Knob Hill
Farms Ltd.

Dr. Katy Driver-
Radhakrishnan,
professor of
pediatrics,
University
of Toronto

Richard Sharpe,
chief executive
officer,
chairman of the board,
Sears Canada Inc.

John Fryer,
national president,
National Union
of Provincial
Government Employees

During this past fiscal year, the LCBO remitted profits of $635 million to the Treasurer of Ontario.

Chairman and Board of Directors' Report

Chairman

Jack

Ackroyd

Although spirit sales remained flat, the popularity of coolers was evident by a 106 per cent increase in sales. Ontario wineries also experienced modest growth in market share and imported beers had a 25 per cent increase in sales.

As the public's tastes change and our customers demand the best possible products in a pleasing and stimulating environment, we will continue to improve our service.

For example, last year we increased our tasting counters to enable customers to sample products. We expanded our hours of operation in many stores and offered Vintages' selections in additional stores. We will continue to improve services to meet the needs of more sophisticated consumers.

In order for us to reach our goal to be the best, most efficient and professional retailer of its type in the world, the LCBO underwent a large-scale reorganization last year. We now have a solid foundation on which to build a customer-driven retail business.

Retail expertise on board

The most significant change in our structure was the strengthening of the composition and role of the Board of Directors. Our Board which meets monthly provides us with outside input and an objective look at the way we do business.

Two new Board members have many years of successful retail experience to offer the LCBO. Richard Sharpe, chairman of the board and chief executive officer of Sears Canada Inc., and Steve Stavro, founder and president of Knob Hill Farms, are contributing their extensive knowledge of the retail business.

The recent reorganization has made the Board more retail-oriented and has created a new senior management operating structure. Len Pitura was appointed to the newly created position of Executive Vice President. His job is to ensure that the LCBO's customer-related functions (merchandising, retail and distribution) and the Board's support functions (human resources, information services and finance) work together smoothly.

A Senior Vice President of Operations has been appointed. This position is responsible for co-ordinating merchandising, retail and distribution activities at the LCBO. We plan to further streamline senior management in the future by combining the positions of Senior Vice President Operations and Executive Vice President. All Vice Presidents will report to the new position.

Four key areas

The LCBO has targeted four key areas for future consideration. CUSTOMER SERVICE is number one. A new merchandising division has been formed to ensure that our customers get the products they want, when and where they want them.

Our store network will be more responsive to customer needs and local stores will reflect customer shopping habits. Plans are underway to open the first full-service store which will include all product brands, refrigerator units, wine chillers, tasting counters, a beer boutique and the service of wine consultants, all under one roof!

The second key area is MERCHANDISING AND EFFECTIVE DISTRIBUTION of the products. We plan to monitor our success through a series of independent customer surveys. The results of the first such survey indicated that our customers are generally very satisfied with the service we are offering.

FINANCIAL AND OPERATING PERFORMANCE is our third key area. We will set performance standards for inventory in the warehouses and stores as part of our effort to focus attention on achieving improved financial and operating performance.

ORGANIZATIONAL ACCOUNTABILITY is the fourth key area. We have introduced a performance appraisal system which will make management more accountable for results.

Our communications activities have been expanded both internally and externally. LCBO staff now receive more information through the ''Exchange'' newsletter and we are responding to customer requests for more information by providing the ''LCBO Today'' customer newsletter in all stores. We are also launching a 1-800 information line province-wide so that the public can access information by telephone in both English and French.

The LCBO is undergoing tremendous change, creating an atmosphere of openness with more outside consultation. An example of this new external participation was the choosing of a new Grappa product for listing. We invited representatives from the Italian community to taste and choose the Grappa. We also had an outside panel of tasters choose our Beaujolais Nouveau product last year. This was the first time the Board invited outside tasters to choose a product to be sold in our stores.

Of course, it will take time to truly transform a large organization such as the LCBO into the customer-driven retailer we plan to become. We can look forward to offering Ontario consumers the finest products in the best possible surroundings.

We will continue to improve services

to meet the needs

of more sophisticated consumers.

Executive Vice President, Len Pitura

Executive

Vice

President

Len

Pitura

My number one priority since joining the LCBO recently has been to form a new effective management team. We recently concluded an intensive search in the private sector for a senior vice president operations who, reporting to me, will oversee the three operations divisions – Merchandising, Retail and Distribution. This position has the mandate to modernize and improve our activities in these very important areas.

Information Services, Finance and Administration, and Human Resources Divisions will report directly to me. One of our main goals is to move to a more decentralized organization and progress has already taken place in Human Resources with the placement of Regional Personnel Administrators in our regional offices throughout the province.

Another major thrust was to improve the financial position of the LCBO. Operating costs were increasing at a rate greater than total sales or net profit.

A more stringent budgeting process was implemented. The main theme is to ensure a solid business approach to budgeting with attention to our bottom line.

Our managers have been challenged to work more effectively with their staff in order to achieve certain goals; we have introduced a system of accountability so all managers have a clearer understanding of their goals and the objectives of the organization as a whole. We are in the process of introducing a performance appraisal system for all staff.

We also signed an agreement with a supplier to assist us in implementing Point of Sale (POS), one of the largest projects the Board has ever initiated. POS will computerize our inventory and sales system and help us obtain information faster to improve our business decision-making.

The number of new initiatives underway coupled with the changes in senior management present a major challenge to the LCBO. I look forward to helping build a cost-effective, customer-oriented organization.

One of our main goals is to move

to a more decentralized organization…

Divisional Reports

During the past year several initiatives were undertaken and others expanded both in the areas of improved customer service and increased efficiency.

Retail Division

For example, 68 LCBO stores throughout the province extended hours of service on Saturday evenings. This program was well received and will be continued.

A new Distribution Centre servicing 1200 licencees was opened in Mississauga. The LCBO now operates distribution centres in Thunder Bay, Windsor, Hamilton and Ottawa.

As of March 31st, 1988 there were 623 LCBO stores in operation, an increase of six stores over last year.

Vintages tastings in regular stores

The success of in-store tastings in Vintages stores in Ottawa, London, Mississauga and Toronto proved so successful the program was expanded to 11 LCBO stores with Vintages sections throughout Ontario. Customers enjoy the opportunity to "sample" products before purchasing so plans are underway to expand this service.

Educating staff on customer service and products continues to be a top priority. The Product Knowledge Program was expanded to include a correspondence course available to every Retail Division employee. Two employees in each of the 26 districts were selected as trainers and delivered various training programs to retail staff.

A new system of operating performance measurement was instituted during the past year to increase the effectiveness of the Retail Division.

The Provincial Auditor's Report raised the issue of inventory management and the lack of formal store staffing criteria in the Retail Division. During the year, improved monitoring systems resulted in an overall reduction of inventory. A project was initiated to develop formal staffing criteria and to address other issues raised by the Provincial Auditor.

Last year's major organizational review provided a renewed focus on customer service. The Retail Division was reorganized to provide better support to the field and ultimately to LCBO customers. The thrust of this decentralization was accelerated in order to increase the responsibility and accountability of store managers, district managers, and regional directors. This management group will have more involvement in local decision-making and have more autonomy to better meet the needs of their customers.

The success of in-store tastings in Vintages stores in Ottawa, London, Mississauga and Toronto proved so successful the program was expanded to 11 LCBO stores with Vintages sections throughout Ontario.

The Distribution Division is responsible for administering all activities related to purchasing, shipping, warehouse, pricing, and quality control.

D i s t r i b u t i o n   D i v i s i o n

All products are subject to rigid quality control. Testing involves scrutiny by LCBO Laboratory experts to ensure that all alcoholic products meet stringent standards established by Health and Welfare, Canada. If a product poses a potential safety hazard, the LCBO takes immediate action to remove it from store shelves and issues a news release. Recalled products are accepted at any LCBO store and a full refund is provided, even if the bottle is open.

Inventory management is a top priority of the Distribution Division. A computerized forecasting and ordering system was expanded and an inventory monitoring system developed in both the domestic and import purchasing areas. Operating procedures were enhanced to improve inventory performance and service levels.

The Board maintains four distribution warehouses to service the more than 620 stores in the Province. The warehouses are located in London, Ottawa, Thunder Bay, and Durham Region, the main storage warehouse.

The LCBO operates distribution warehouses

Testing involves scrutiny by the LCBO Laboratory experts to ensure that all alcoholic products meet stringent standards established by Health and Welfare, Canada.

As a result of last year's reorganization a Merchandising Division was formed in December, 1987.

Merchandising Division

This Division is currently being organized and staffed to fulfill the three main areas of responsibility within the Division.

Product Management

The Product Management Department (formally Product Listings and Control) will be responsible for designing and managing the LCBO product assortment plan. This function will be supported by a team of category and product managers. The Department will carry out the mandate of the new LCBO Listing and Product Policy.

The Department also plans the LCBO merchandising approach and approves marketing proposals from the trade.

Marketing Services

The Marketing Services Department is a service group comprised of three main areas: Marketing Research, Merchandising Program Management and Information Development.

Market Research will identify the LCBO's information (consumer and sales-related research) needs and will design research programs to analyze this information. The research will support the Program Development Department by providing analyses of population growth and important demographic information.

The Merchandising Program Management area will manage the LCBO's in-store merchandising and promotional programs, i.e., the IMAGE Program. This area will be responsible for developing and administering the new District Merchandisers Program.

Program Development

The Program Development Department will have the responsibility of designing, developing and monitoring new LCBO programs. Examples of programs to be developed in this area are the Agency Stores Program, Full-Service and Mini-Stores Programs.

In-Store displays are designed by the LCBO's new merchandising division

Finance and Administration Division

Financial Information System

During the year, the Finance Division, with the assistance of independent consultants, undertook a major review of the LCBO's Financial Information System (FIS). It was recognized that the current systems were ineffective in supporting the new initiatives of the operations with timely, accurate and relevant financial information. Strategic initiatives such as the introduction of Point-Of-Sale (POS) will have a wide-ranging impact on how the LCBO operates its business. This has direct implications on FIS requirements from a financial, merchandising, and management information perspective.

The reorganized Finance and Administration division

Phase I of the FIS project consisted of a review and assessment of existing financial information and merchandise control systems.

Under Phase II, the functional requirements were developed for an integrated FIS to meet the present and future needs of the LCBO.

In the 1988 fiscal year, Phase III of the FIS project will involve the issuance of a comprehensive request for proposal to be followed by the selection of a suitable application software vendor. The FIS project will integrate the reporting, analysis and financial control requirements of the LCBO.

Consolidation of Banking Activities

To improve cash management, the Finance Division consolidated its banking activities with one banking institution effective December, 1987.

Divisional Reorganization

In January, 1988, changes to the LCBO's organizational structure resulted in a merging of administrative service's functions with financial functions to form a new division – Finance and Administration. The reorganized Finance and Administration division includes a Financial Policy and Planning group to analyze and anticipate the financial impact of strategic and business decisions.

Strategic initiatives such as the introduction of Point-Of-Sale (POS) will have a wide-ranging impact on how the LCBO operates its business.

The Systems Development Support Department of the Information Services Division(IS) has had a busy and productive year

Information Services Division

in serving the needs of its corporate divisional users. As the division responsible for designing and developing new computer information systems, as well as enhancing the LCBO's current computer applications, it has focused on several high yield applications. For example:

– A Laboratory Information System has been implemented to improve data management efficiency and accuracy in the operation of the increasingly busy lab sample testing operations.

– An on-line application in support of corporate Product Pricing, enabling modeling and 'what-if' analysis is near completion.

The Information Services Division Data Centre is running a 24-hour operation.

Also, major enhancements have been necessary to LCBO operational systems to cater to external influences, such as changing requirements for customers and the need to accommodate a new 'permanent/part-time' LCBO employee classification.

In support of the exciting Point-Of-Sale (POS) initiative, IS has established a head office team charged with ensuring that necessary adaptations will be made to the present corporate production systems. This work will continue into the upcoming fiscal year as an integral part of the overall POS project schedule, leading to successful store to head office implementation of this key corporate undertaking.

Systems Facilities: During 1987-88 the demand on the Central Computer Facilities continued to grow significantly as more systems, more users and more accessible corporate data, were added.

To accommodate this growth, a faster Central Processing Unit was installed and new technology disk storage units were added to increase our on-line capacity by almost 75 per cent.

During the same period, an extra shift was added to the Data Centre to begin a 24-hour operation.

In support of the exciting Point-Of-Sale (POS) initiative, IS has established a head-office team charged with ensuring that necessary adaptions will be made to the present corporate production systems.

The Human Resource function has been realigned to directly focus its role to help managers take ownership and responsibility

Human Resources Division

A Human Resources Training Session

for effective Human Resource management.

Human Resource services and programs support the decisions and actions of managers at all levels to achieve their strategic plans and operational goals. The overall LCBO strategy of customer service applies directly to the Human Resources Division. As Retail serves the LCBO customer as a client, the Human Resources Division provides services to management/and staff in order to assist them in achieving corporate goals and objectives.

The new alignment of the Human Resources Division includes:

Staff Relations

This function is designed to facilitate positive communication and co-operation between management and the Union in the achievement of improved management-union relations.

Employee Development

This department includes Training and Development, Human Resources Planning, Recruitment, Classification, and Human Resource Information Systems functions. With the consolidation of these related functions into one Employee Development department the thrust is toward providing more timely and effective service to management.

Regional Services

Regional Human Resources Services are currently in the process of implementation. Their focus is to provide the highest calibre of service in the field. Regional Human Resources Administrators are located in all regions and are supported by functional specialists at head office.

Support Services

This department includes Salary Administration, Benefits and Compensation, Employee Records, Health Centre, Workers' Compensation and Safety. These services have been grouped together to provide more responsive service to the organization.

The LCBO's corporate goal is to be the best, most efficient and professional retailer of its type in the world. The Human Resources Division plays a vital and critical role by providing the services and programs that management and employees at all levels require to help them accomplish this goal.

Sales by Breweries

TO OTHER PROVINCES AND COUNTRIES

(in litres)	1988 (000)	1987 (000)	1986 (000)	1985 (000)	1984 (000)
Sales to Other Provinces	2,812	3,031	17,619	11,326	1,367
Export Sales	123,363	119,175	140,811	116,875	114,554
	126,175	122,206	158,430	128,201	115,921

Five new breweries opened during the year as follows:

June 12, 1987	Connors Don Valley Brewery Company Ltd., North York
August 14, 1987	Creemore Springs Brewery Limited, Creemore
September 24, 1987	G.A. Miller Brewing Corp. (C.O.B. Conners Brewery), Thunder Bay
November 20, 1987	Simcoe Brewery Company Limited, Newmarket
March 7, 1988	Great Lakes Brewery Co. Inc., Brampton

At fiscal year-end, there were 27 brewery plants licensed to sell beer in Ontario. During the year seven permanent and two temporary Brewers stores were opened and one store closed. At March 31, 1988, 462 stores were in operation.

Wineries and Winery Retail Stores

The number of wineries in Ontario at March 31, 1988 was 20.
Two new wineries were granted an Ontario Wine Licence as follows:

July 23, 1987	Konzelmann Vineyards Inc., Niagara-on-the-Lake
July 30, 1987	Cave Spring Cellars, Jordan Village.

There was a net increase of five winery retail stores during the year as a total of 212 wine stores (150 conventional and 62 mini stores) were in operation throughout the province at March 31, 1988.

Sales by Wineries

TO OTHER PROVINCES AND COUNTRIES

(in litres)	1988	1987	1986	1985	1984
	(000)	(000)	(000)	(000)	(000)
Sales to Other Provinces	6,341	4,650	5,376	5,886	6,558
Export Sales	141	127	173	262	154
	6,482	4,777	5,549	6,148	6,712

The tonnage of Ontario grapes and apples used by the various Ontario wineries over the past five years is as follows:

	1988	1987	1986	1985	1984
Grapes used in the manufacture of wine	33,242	30,970	33,850	29,546	49,748
Grapes used in the manufacture of concentrate	4,910	4,140	5,315	3,724	4,257
Apples used in the manufacture of cider	632	832	840	464	417
	38,784	35,942	40,005	33,734	54,422

The following quantities of wine (in gallons) were imported for blending in accordance with the conditions of the Wine Content Act, 1976:

1988	1987	1986	1985	1984
859,871	561,432	855,961	932,518	914,360

Agency stores

At March 31, 1988 there were 70 agency stores in operation

LCBO PRODUCT LISTINGS

DOMESTIC		March 31, 1988	March 31, 1987
	Canadian Whisky	**163**	176
	Canadian Blended Rums	**120**	122
	Canadian Gin	**54**	63
	Canadian Vodka	**73**	79
	Canadian Brandy	**6**	6
	Canadian Blended Brandy	**17**	22
	Canadian Spirit Coolers	**17**	5
	Alcohol	**6**	6
	Fruit Spirits	**6**	6
	Miscellaneous Liquors	**15**	16
	Canadian Liqueurs	**135**	136
	Ontario Wines	**602**	648
	Ontario Wine Coolers	**55**	46
	Other Canadian Wines	**1**	4
	Canadian Ciders	**15**	14
	Canadian Beers	**250**	310
	Miniatures	**44**	59
	Bitters	**2**	–
		1,581	**1,718**

LCBO PRODUCT LISTINGS

IMPORTED		March 31, 1988	March 31, 1987
	Whisky – Scotch	**89**	94
	– Irish	**5**	4
	– Bourbon	**2**	3
	– Tennessee	**4**	4
	– Kentucky	**1**	1
	– American	–	1
	Gin	**13**	14
	Rum	**14**	15
	Vodka	**16**	10
	Tequila	**7**	6
	Brandy	**71**	61
	Fruit Spirits	**3**	6
	Miscellaneous Liquors	**24**	30
	Liqueurs	**63**	76
	Wines	**815**	838
	Cider	**1**	1
	Beer & Sake	**45**	38
	Miniatures	**52**	68
	Bitters	**8**	–
		1,233	**1,270**
	Total Regular Listings	**2,814**	2,988
	Vintage Wines and Spirits	**730**	480
	Duty-free Listings	**87**	83
	Total Product Listings	**3,631**	**3,551**

Financial Results

Financial Overview

	1988	1987	1986
	($000)	($000)	($000)
Sales	**1,860,129**	1,767,341	1,646,814
% increase/previous year	**5.3**	7.3	2.9
	($000)	($000)	($000)
Operating expenses	**245,662**	222,026	197,057
% of expenses/sales	**13.2**	12,5	11.9
	($000)	($000)	($000)
Net income	**641,027**	637,194	612,573
% of income/sales	**34.5**	36.1	37.2
Self-serve stores in operation	**585**	558	529
Total stores in operation	**623**	617	609
Number of permanent employees	**3,460**	3,348	3,308
Number of regular products listed	**2,814**	2,988	2,800

Analysis of Income and Expenditures 1988

		($000)	% of Total
INCOME	Sales	1,860,129	90.7
	Sales Tax	182,863	8.9
	Fees & Other	7,555	0.4
	Total	**2,050,547**	**100.0**
EXPENDITURES	Receiver General, Government of Canada	396,338	19.3
	Supplies	540,724	26.3
	Municipalities	4,386	0.2
	Fixed Assets	9,968	0.5
	Freight	43,933	2.2
	Administrative Costs*	231,308	11.3
	Retail Sales Tax	182,863	8.9
	Net Profit	641,027	31.3
	Total	**2,050,547**	**100.0**

**Total remuneration paid to LCBO Board Members in 1988 was $155,100.*

Retail Price Breakdown

Examples as at March 31, 1988

		Domestic Spirit 750-mL Bottle (26.4 oz.)	Imported Spirit 750-mL Bottle (26.4 oz.)
SPIRITS	Provincial Sales Tax	$ 1.74	$ 2.01
	LCBO Markup and Levy	7.60	9.27
	Federal Sales Tax	1.05	1.11
	Federal Excise Duty	3.22	3.24
	Supplier Price to LCBO	2.59	3.12
	Total	**$16.20**	**$18.75**
SUMMARY	To Supplier	$ 2.59	$ 3.12
	Federal Government	4.27	4.35
	Provincial Government	9.34	11.28
	Total	**$16.20**	**$18.75**

		Ontario Table Wine 1-L Bottle (35.2 oz)	Imported Table Wine 1-L Bottle (35.2 oz)
WINES	Provincial Sales Tax	$ .62	$ .79
	LCBO Markup, Levy & Flat Tax	1.67	3.61
	Federal Sales Tax	.53	.41
	Federal Excise Duty	.44	.49
	Supplier Price to LCBO	2.49	2.05
	Total	**$ 5.75**	**$ 7.35**
SUMMARY	To Supplier	$ 2.49	$ 2.05
	Federal Government	.97	.90
	Provincial Government	2.29	4.40
	Total	**$ 5.75**	**$ 7.35**

Total sales of spirits, wine and beer by board stores during the fiscal year ended March 31, 1988, were $1,860,129,383.

Sales

Of this total $296,809,222 or 16.0% consisted of sales to licensed establishments. Sales of Ontario wine made directly to customers by licensed retail wine stores and wineries in Ontario amounted to $48,151,322. The net value of beer sold in Ontario by breweries and brewers' retail outlets exclusive of the cost of containers totalled $1,542,844,275.

The following tables show increases in sales for the fiscal year under review as compared with the previous year's totals:

SALES BY VALUE

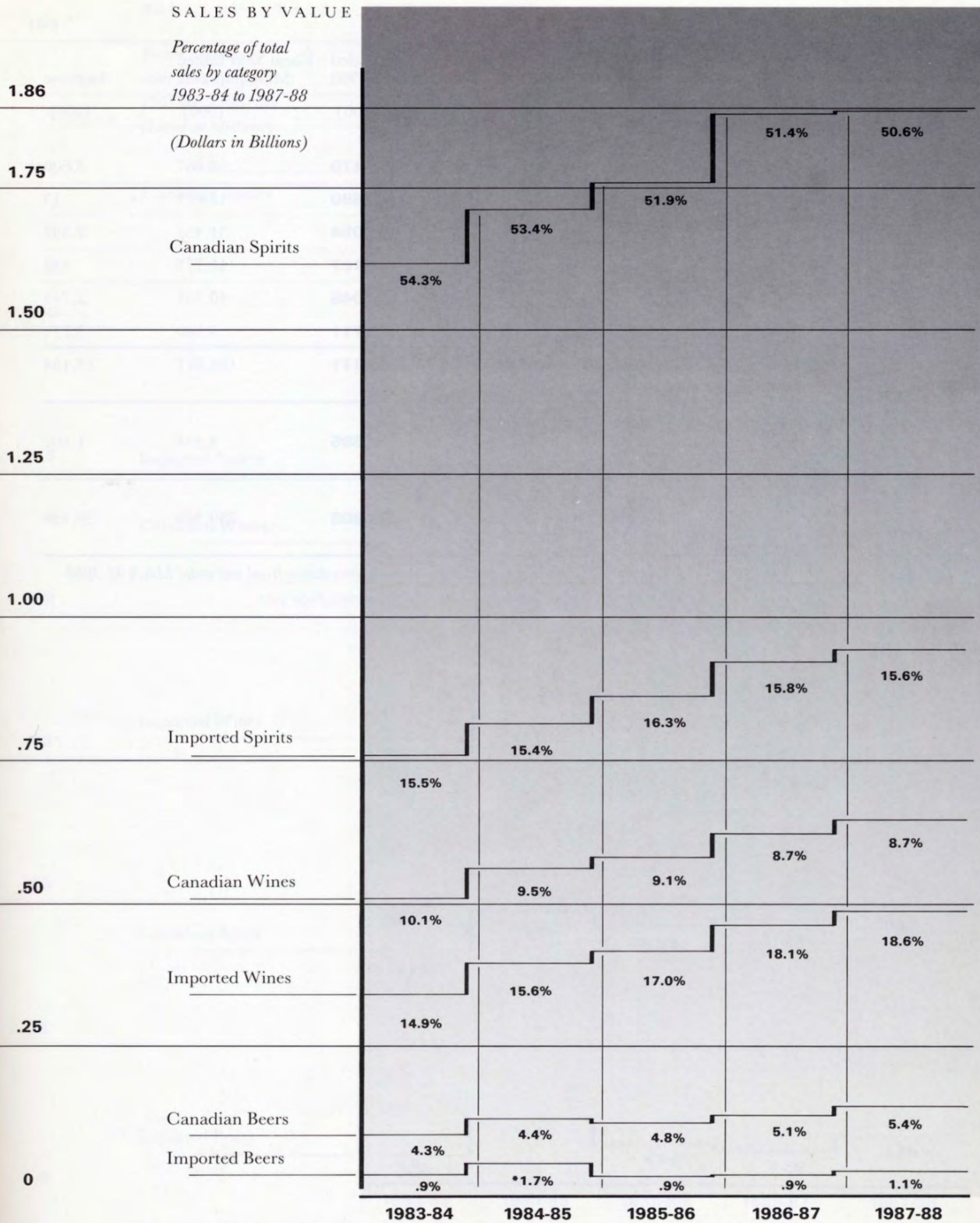
	Fiscal Year Ended March 31, 1988	Fiscal Year Ended March 31, 1987	Increase
	($000)	($000)	($000)
Sales by Board Stores			
Canadian Spirits	**940,915**	909,283	31,632
Imported Spirits	**289,846**	279,048	10,798
*Canadian Wines	**162,629**	154,293	8,336
Imported Wines	**345,303**	319,430	25,873
Canadian Beers	**100,574**	89,467	11,107
Imported Beers	**20,862**	15,820	5,042
Total Sales by Board Stores	**1,860,129**	1,767,341	92,788
Sales by Ontario Wineries and Winery Stores	**48,151**	44,464	3,687
Sales by Breweries and Brewers' Retail Stores (exclusive of container value)	**1,542,844**	1,406,893	135,951

**Includes Ontario wine sales of $161,552 during fiscal year ended March 31, 1988, compared with $150,289 during previous year.*

SALES BY VALUE

Percentage of total sales by category 1983-84 to 1987-88

(Dollars in Billions)



** The increase in imported beer sales is attributable to the labour dispute which closed the major breweries in Ontario for most of March 1985.*

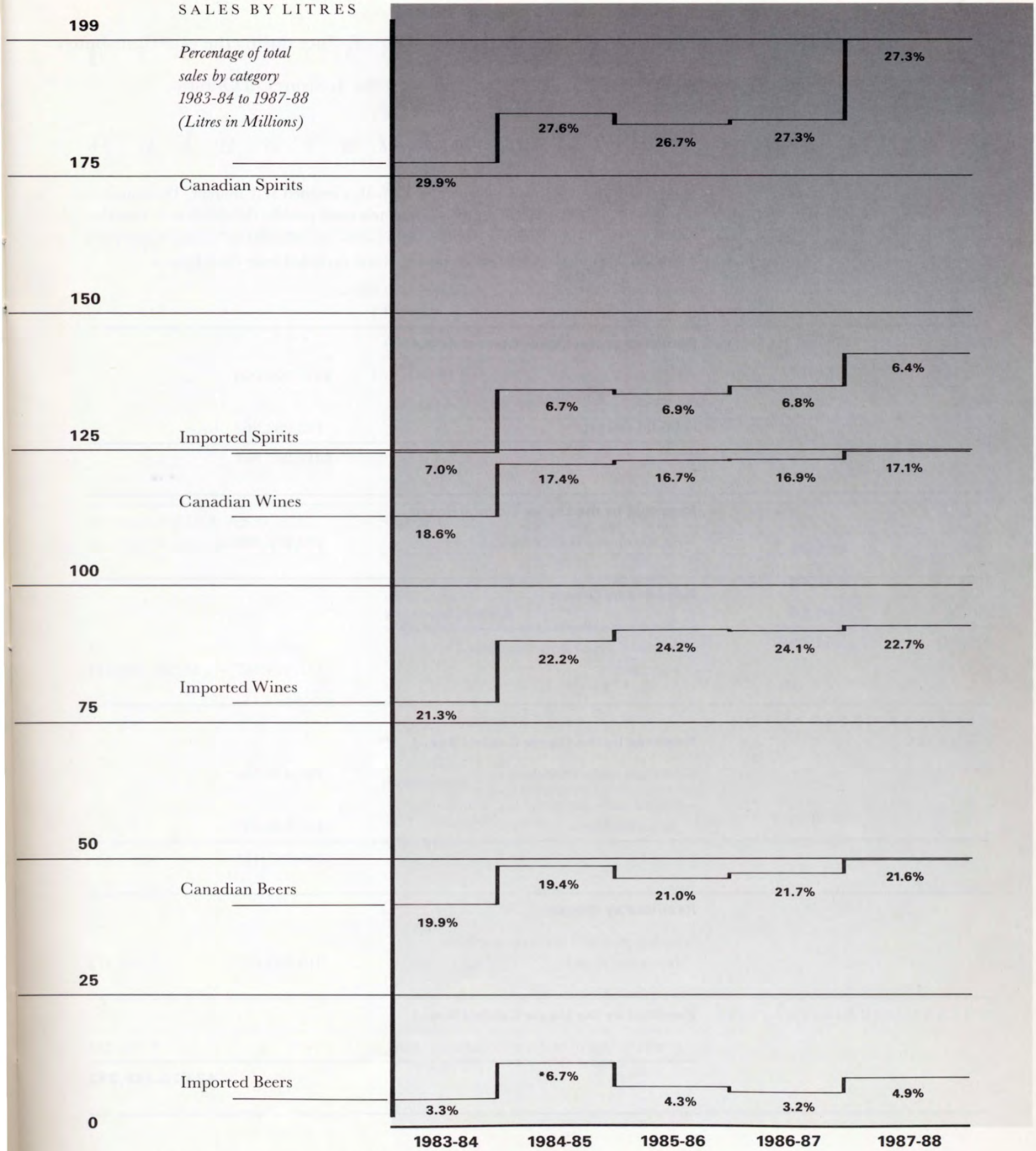
SALES BY LITRES

	Fiscal Year Ended March 31, 1988 (000)	Fiscal Year Ended March 31, 1987 (000)	Increase (000)
Sales by Board Stores			
Canadian Spirits	**54,470**	50,867	3,603
Imported Spirits	**12,690**	12,677	13
*Canadian Wines	**34,054**	31,457	2,597
Imported Wines	**45,197**	44,775	422
Canadian Beers	**43,049**	40,301	2,748
Imported Beers	**9,711**	5,940	3,771
Total Sales by Board Stores	**199,171**	186,017	13,154
Sales by Ontario Wineries and Winery Stores	**10,595**	9,493	1,102
Sales by Breweries and Brewers' Retail Stores	**788,805**	759,379	29,426

**Includes Ontario wine sales of 33,847 thousand litres during fiscal year ended March 31, 1988 compared with 30,723 thousand litres during previous fiscal year.*

SALES BY LITRES

Percentage of total sales by category 1983-84 to 1987-88 (Litres in Millions)



**The increase in imported beer sales is attributable to the labour dispute which closed the major breweries in Ontario for most of March 1985.*

Levies on beverage alcohol sold in the province during the year contributed an amount in excess of $1.3 billion to the Treasurer of Ontario,

Revenue Payments

and revenue paid to the Government of Canada exceeded $712 million. These amounts do not include corporation, realty and business taxes paid by the distilleries, wineries, breweries and licence holders. Ontario retail sales tax collected by licence holders and agency stores on sales of beverage alcohol is also excluded from these figures.

A summary of these revenue payments is as follows:

TREASURER OF ONTARIO	**Remitted by the Liquor Control Board**		
	– on account of profits	$635,000,000	
	– Ontario retail sales tax on sales through liquor stores	182,862,867	
		$817,862,867	
	Remitted by the Liquor Licence Board		
	– on account of licence fees and permits	350,877,690	
	Remitted by Others		
	– Ontario retail sales tax on sales through brewers' retail stores and retail wine stores	141,248,287	$1,309,988,844
RECEIVER GENERAL FOR CANADA	**Remitted by the Liquor Control Board**		
	– customs and excise duties	283,448,586	
	– federal sales tax on spirits, wines and imported beers	112,888,892	
		396,337,478	
	Remitted by Others		
	– malt duties and taxes on domestic beers and wines	316,033,697	712,371,175
ONTARIO MUNICIPALITIES	**Remitted by the Liquor Control Board**		
	– grants in lieu of realty and business taxes		4,386,273
			$2,026,746,292

Financial Statements

LIQUOR CONTROL BOARD OF ONTARIO

Balance Sheet

as at March 31, 1988

ASSETS

	1988	1987
	($000)	($000)
Current		
Accounts receivable, trade and others	**9,392**	2,400
Inventories, at cost	**181,835**	191,421
Prepaid expenses	**1,677**	1,394
	192,904	195,215

LIABILITIES AND RETAINED INCOME

	1988	1987
Current		
Bank overdraft	**45,270**	27,867
Accounts payable and accrued liabilities	**84,790**	110,531
Retained income	**62,844**	56,817
	192,904	195,215

See accompanying notes to financial statements.

Approved:

J.W. Ackroyd
Chairman

John Noble
Controller

LIQUOR CONTROL BOARD OF ONTARIO

Statement of Income

year ended March 31, 1988

	1988	1987
	($000)	($000)
Sales	**1,860,129**	1,767,341
Cost of sales	**980,995**	916,076
Gross income	**879,134**	851,265
Operating expenses		
Salaries and employee benefits	**172,054**	156,581
Rent	**20,500**	17,609
Fixed assets	**9,968**	11,572
Repairs and maintenance	**5,092**	4,177
Utilities	**4,970**	4,612
Store supplies and expenses	**4,772**	5,497
Grants in lieu of taxes	**4,386**	4,313
Office supplies and expenses	**3,796**	3,174
Overdraft interest	**3,542**	1,776
Professional fees	**2,749**	1,053
Stock breakage and losses	**2,647**	2,297
Communication and travelling	**2,579**	2,253
Bank charges	**1,702**	1,479
Armoured car services	**1,462**	1,360
Agency commissions and expenses	**1,147**	1,103
Insurance (note 2)	**933**	1,132
Other	**3,363**	2,038
	245,662	222,026
Operating income	**633,472**	629,239
Other income		
Special occasion permit purchase fees	**5,047**	5,309
Miscellaneous income	**1,775**	1,915
Interest income	**733**	731
	7,555	7,955
Net income for the year	**641,027**	637,194

See accompanying notes to financial statements.

LIQUOR CONTROL BOARD OF ONTARIO

Statement of Retained Income

year ended March 31, 1988

	1988	1987
	($000)	($000)
Balance, beginning of year	**56,817**	64,623
Add net income for the year	**641,027**	637,194
	697,844	701,817
Deduct payments to the Treasurer of Ontario on account of net income	**635,000**	645,000
Balance, end of year	**62,844**	56,817

See accompanying notes to financial statements.

Notes to Financial Statements

March 31, 1988

1 SIGNIFICANT ACCOUNTING POLICY

The Board's financial statements are prepared in accordance with generally accepted accounting principles except for fixed assets which are written off to operations at the time of acquisition.

2 INSURANCE

The Board follows the policy of self-insuring its store assets for property damage such as fire, water, vandalism or theft. All other material assets are insured by insurance companies.

3 LEASE COMMITMENTS

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

	($000)
1989	16,817
1990	14,953
1991	13,315
1992	11,066
1993	8,036
Thereafter	18,545
	82,732

4 PENSION PLAN

The Board provides pension benefits for substantially all its permanent employees through participation in the Public Service Superannuation Fund and the Suparannuation Adjustment Fund established by the Province of Ontario. The Board's share of contributions to these funds during the year was $7,604,963 (1987–$6,083,783). This amount represents the total obligation of the Board and is included in salaries and employee benefits in the Statement of Income.

Auditors' Report

TO THE LIQUOR CONTROL BOARD OF ONTARIO AND TO THE MINISTER OF CONSUMER AND COMMERCIAL RELATIONS.

I have examined the balance sheet of the Liquor Control Board of Ontario as at March 31, 1988 and the statements of income and retained income 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, 1988, and the results of its operations for the year then ended in accordance with the accounting policy described in note 1 to the financial statements applied on a basis consistent with that of the preceding year.

Toronto, Ontario
July 29, 1988

D.F. Archer, F.C.A.
Provincial Auditor