# L.C.B.O.

# ANNUAL REPORT 1988 ◆ 1989

Liquor Control Board of Ontario

# FROM THE CHAIRMAN

The Honourable William Wrye
Minister of Consumer and Commercial Relations

Sir:

I have the honour to submit for your approval the 1988/89 Annual Report of the Liquor Control Board of Ontario.

Respectfully submitted,

**J.W. Ackroyd**
Chairman

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# BOARD OF DIRECTORS

Dr. Katy Driver-Radhakrishnan, Professor of Pediatrics, University of Toronto

John Fryer, National President, National Union of Provincial Government Employees

Jack Ackroyd, Chairman

Steven Stavro, President Knob Hill Farms Ltd.

Richard Sharpe Chief Executive Officer, Chairman of the Board, Sears Canada Inc.

# THE CHAIRMAN'S MESSAGE

Fiscal 1988/89 was one of the most important years in the LCBO's history. It was a year of change and challenge, a year which signalled the arrival of a new reality in the beverage alcohol marketplace.

One of the most important, and indeed historic events was the signing of new agreements on international trade. Both the Free Trade Agreement with the United States, and the General Agreement on Tariffs and Trade called for a new pricing structure on wine and spirits. These changes will create an increasingly competitive marketplace, and represent new challenges for Ontario grape growers and wine makers. To help them remain competitive, the Ontario and federal governments introduced a major support program.

A new listings policy, one which would treat all suppliers exactly the same, was also established. The new policy is based on performance and was developed in co-operation with suppliers. It asks them to prepare a business plan for their products; products that sell will continue to be listed, those that don't may be de-listed.

A third important factor affecting our operations last year was not new. For the eighth consecutive year, sales of spirits continued to decline. This is the result of shifting consumer preferences – away from more traditional products to those that reflect contemporary tastes.

The impact of that factor on our operations can best be seen by looking at the financial figures. Total sales were $1,930, 319, 000, and profits remitted to the Treasurer of Ontario were $645 million. Both figures represent increases over the previous year. That, however, is due to the retail price increases implemented last year, rather than any growth in the volume of products sold.

The new realities have created a new imperative for the LCBO–to continue to

*"The new realities have created a new imperative for the LCBO—to continue to be an efficient and responsive organization in a dramatically changing marketplace."*

be an efficient and responsive organization in a dramatically changing marketplace. Senior management clearly recognized that necessity when, last year, it developed and adopted a new Strategic Direction. Customer service, increased efficiency and a business-like product management system are the key components of that new direction. The Board's awareness of, and strong commitment to the LCBO's social responsibilities are the basis for that new direction.

Our new statement of purpose also reflects our determination to succeed: "The LCBO, in a socially responsible manner, will be the best customer-focused and profitable retailer of beverage alcohol and related services."

Some of our achievements this year clearly illustrate our commitment to reaching our goals. In an effort to expand service to areas that cannot support a regular LCBO operation, Cabinet approved the expansion of the Agency Store Program on a trial basis to ten rural areas in central and southeastern Ontario. The program previously operated in northern Ontario. At the same time, the Board released ambitious plans to build and open what would become the largest, most sophisticated store in the 626 store network. The Crossroads store will be located in northwest Toronto and open in the spring of 1989.

Our own administrative operations also met new challenges in 1988/89. Both the French Language Services and the Freedom of Information Acts came into effect. The steps that we took to implement these important pieces of legislation once again indicated our ability to respond to change.

The LCBO faces a significant challenge in the year ahead. It will succeed if it listens and adapts to the changing tastes and preferences of the marketplace. The Board's actions in 1988/89 marked a strong step in that direction, and I look forward to continuing that progress.

Sincerely,

**J.W. Ackroyd**
Chairman

# MESSAGE FROM THE EXECUTIVE VICE-PRESIDENT

The most important initiative in 1988/89 was the adoption and implementation of a new Strategic Management Plan. The plan is a response to the new strategic directions set by the Board of Directors, and recognizes that the most critical parts of our operations are the 626 LCBO stores. What happens in those stores, and how it happens, will ensure the success of the organization. As a result, the plan outlines the main operating principles that will guide the LCBO through the next three to five year period. The plan will be communicated to all employees by mid-1989.

The key components of the plan include the move to a head buyer concept of product management, and the establishment of a new business-like listings policy. The strategic plan will also see the LCBO place a greater emphasis on the quality of customer service in every phase of its operations. Underlying and unifying these changes is a call for the LCBO to continue to demonstrate its social responsibility concerning beverage alcohol.

In 1988/89, improved communication with our suppliers was also achieved. Establishment of a good working Trade Relations Committee was another major advance.

The Board also capped a major thrust it began the previous year when it put into place a streamlined management team. Heading the team is the newly created position of Senior Vice-President, Operations. That individual reports directly to me, and oversees the activities of our three main operating divisions – Merchandising, Retail and Distribution. The results of this move are already noticeable, as steps have been taken to streamline our operations in these important areas. Others are being planned for the future.

Considerable change in all aspects of the LCBO's activities have taken place this year, particularly in our operations area. This momentum of change has to continue in the years ahead as we adjust to trends in the industry and society as a whole. The challenge will be to make the corporate culture more comfortable with the changes needed to reach our objectives.

Thanks to everyone, 1988-89 was a year of accomplishments at the LCBO. I look forward to a year of continued achievement in 1989-90.

Sincerely,

L L Pitura

**Len Pitura**
Executive Vice-President

*"The challenge will be to make the corporate culture more comfortable with the changes needed to reach our objectives."*

# MESSAGE FROM THE SENIOR VICE-PRESIDENT, OPERATIONS

This past year saw several major developments in the LCBO's continuing drive to become a responsive, consumer-driven retail organization. Activities in all our divisions focused on a single goal – to deliver the highest level of customer service possible.

To meet that goal the Board made significant organizational changes, and added and expanded other services that will benefit consumers. A major step was the creation of the category manager position. The move is part of the Board's new product management policy that integrates all the marketing functions for a single product category under one of five category managers. The policy was designed with the customer in mind – to ensure that our shelves are stocked with the products that consumers want, when they want them.

During the next year customers will also see several new and helpful merchandising innovations in LCBO stores. This is the result of our decision to expand the position of Promotions and Visual Communications Manager. One of the manager's main responsibilities is to create attractive and dynamic retail environments. In co-operation with suppliers, the manager will also develop in-store promotions for particular products, and introduce new services to customers in selected stores.

Some of those services are being planned for the Crossroads store. To see those plans is to look into the very near future – a new era in LCBO retailing. Lectures on wine. Cooking demonstrations. Inter-active video terminals to help customers choose an appropriate wine or spirit. These are just several of the many exciting services that will be offered for the first time.

Progress was also made by expanding our in-store tastings and wine chiller programs. Both had proven popular in tests with customers in selected stores during the previous year. The shelf management program, whose goal is to move more products out of the storage area, onto store shelves, was also expanded.

The success of any retail organization is based on its commitment to delivering superior customer service. Our achievements this year demonstrate the LCBO's intention to deliver on that commitment, and I look forward to strengthening these efforts in the year ahead.

Sincerely,

L. Gee

**Larry Gee,**
Senior Vice-President, Operations

*"Activities in all our divisions focused on a single goal – to deliver the highest level of customer service possible."*

# DIVISIONAL REPORTS

Technician Nadine Salij in the Quality Control Testing Lab.

# RETAIL DIVISION

The Retail Division's activities over the year reflected the LCBO's growing emphasis on customer service.

In co-operation with the LCBO's Communications Branch, a quarterly newsletter was launched to help consumers become better informed about products, and the socially responsible use of alcohol. "LCBO TODAY" carries columns by recognized wine experts, recipes for popular cocktails, and other informative, regular features. This information packed publication is available exclusively in LCBO stores.

Another major initiative was the installation of a computerized cash register system that will link individual stores directly to the head office mainframe computer. This new point-of-sale technology will reduce paperwork and provide a high speed capability to monitor market trends and sales patterns. The system was tested in a pilot store, and store-wide installation is expected to start in the next fiscal year.

Late in the year the Board's new Infoline service was expanded across the province. Operated by the Communications Branch, the bilingual service provides consumers toll-free telephone access to information on products and services in LCBO outlets. Two other successful programs were also expanded. In-store tastings that allow customers to sample selected products before buying them, began to take place in regular stores, as well as in those with a Vintages corner. And high-speed wine chillers, which had proven popular with customers in some LCBO stores, were placed in an additional 42 stores.

Vintages Stores, such as this one in North York, offer a wide selection of fine domestic and imported wines.

Two trial programs were announced in 1988. The Agency Store program, which has operated for 25 years in remote areas of Northern Ontario, will be tested in 10 small towns and villages in the central and southeastern regions of the province. These small Agency Stores will operate out of existing retail stores, and bring service to areas with insufficient population to justify the opening of a regular LCBO outlet. Stores will be opened in 1989 and customer reaction will be closely monitored.

No single project better represents the LCBO's new approach to retailing than the Crossroads store. With 17,000 square feet of floor space, Crossroads will be more than twice as large as the average LCBO outlet. It will also offer customers the widest and most varied range of products and services ever featured in a single LCBO store.

The Retail Division is on the leading edge of change at the LCBO. In 1989/90, it looks forward to providing customers improved service in progressive and dynamic retail environments.

*"The Retail Division is on the leading edge of change at the LCBO."*

# MERCHANDISING DIVISION

Last year, many of the strategic plans that the division had made in its first year of operation came into effect. By year end, Merchandising's responsibilities spanned the full spectrum of marketing activities. This will be of vital importance in helping the LCBO become a truly market-driven organization.

One of the most significant events was the introduction of the new product management policy. All products sold by the LCBO were grouped into one of five categories: North American and imported wines, domestic and imported spirits, and miscellaneous products. A category manager was given total marketing responsibility for a single category of products.

The policy was developed in co-operation with suppliers, and takes a business-like approach to the listing of beverage alcohol products. The policy will give consumers better access to a broad selection of products, and give suppliers an improved ability to move products in and out of the store system, according to changing consumer tastes.

While the category managers will ensure that the right products are bought, the newly expanded position of Promotions and Visual Communications Manager will ensure that those products are displayed in the right way, in the right retail environment. The manager will be responsible for creating a clear and consistent corporate identity in all LCBO stores.

Product testing is an integral part of marketing, and the division assumed this responsibility last year when the Quality Assurance Department became part of its operations. Last winter the quality control lab moved into a new \$1.7 million facility where technicians can perform close to 20 different tests on more than 150 samples each week. Samples of each of the more than 3,000 products carried by the Board are tested here at least once a year.

Responsibility for purchasing Vintages products was also given to the division last year. The move was a highly strategic one. By the end of 1988, responsibility to test, buy and position all products had been centralized in one Merchandising Division.

*"By year end, Merchandising's responsibilities spanned the full spectrum of marketing activities."*

Marketing activities are now concentrated in the Merchandising Division. Management personnel from left are Don Lawson, Denise War, Nancy Cardinal, Ken Locke, Anne Hartley, Bruce Haines (seated), Rick Wood, Susan Williams and Bob Downey.

# HUMAN RESOURCES DIVISION

Human Resources produces and delivers high quality, cost-effective programs and services to help the organization and its almost 6,500 employees function successfully in a customer oriented environment.

To help achieve that goal the division last year developed and launched the Product Knowledge Correspondence Course for all retail and distribution employees. Almost 1,000 employees have passed Level 1. Late in the year a second level was added, and over 600 employees are now preparing for their exams in this phase of the course. To increase store employees' awareness of the socially responsible use of alcohol, the division produced and screened an interactive video entitled "Strategies for Managing Age and Alcohol Related Troubles". It demonstrates how store staff can properly deal with intoxicated or under-age individuals.

The division also promoted and recognized employee initiative by launching an employee suggestion program, "Innovators". The program encourages staff to develop creative, cost-effective ways of improving both the LCBO's customer services and operational efficiency.

The creation of a safe working environment is one of the LCBO's most important goals. Part of the effort last year saw the production of an employee information guide to hazardous materials in the workplace. The guide was one part of an educational program that also included management seminars on this important topic.

For employees approaching retirement, the division prepared and delivered a "Pre-retirement" program. The program offers advice on topics such as financial and lifestyle planning, as well as others that will help employees lead a productive life in their retirement years.

Human Resources also set up mechanisms to ensure the smooth implementation of two important programs recently introduced across the Ontario Public Service. A joint management/union Pay Equity Committee was formed, and an Employment Equity data base was developed.

A new two-year Collective Agreement was negotiated, without resorting to arbitration. Highlights include Regional Labour/Management Committees, and an arbitration system that will facilitate timely, cost-effective and fair solutions to many grievances.

These, and other activities during 1988, demonstrated the division's commitment to developing a proactive approach to human resource management. The Human Resources Division looks forward to maintaining that commitment in the future, and to providing the LCBO with an efficient, responsive and client focused service.

Human Resources Division personnel discuss components of a training seminar. Leading the session is Isobel Gallagher, while clockwise around the table are Pierre Lebel, Margaret Stathakos, Sandy Rae, Wayne Zachar, Janet Naidu, Carole Ann Wilneff, Geoff Crane and Diane Bernas.

*"These activities demonstrated the division's commitment to developing a proactive approach to human resource management."*


Warehouseman Stuart Finlayson mergers orders in Toronto Distribution Depot.

# DISTRIBUTION DIVISION

The Distribution Division directs and manages all LCBO warehousing and transportation activities. Focal points of those activities are four distribution warehouses in London, Ottawa, Thunder Bay and the main storage facility in Whitby.

In one of its major initiatives late in the fiscal year, the division began a comprehensive review of its overall operations. The goal is to find ways to achieve greater operating efficiencies and to recommend alternatives to established procedures.

The various traffic services used by the LCBO is one of the most important areas being reviewed. Included among those services are ocean shipping, the movement of goods between warehouses, from the warehouses to stores, and from suppliers' storage facilities to LCBO warehouses. The goal is to determine the most efficient and cost-effective ways of contracting for those services.

The division also began to implement a new computer system to improve service to its Private Stock customers. The Private Stock department imports only wine and spirits not found on the LCBO's regular listings. The new system will record and trace all Private Stock orders, and is expected to be up and running by the end of 1989.

An efficient inventory management program also began last year, and its smooth operation will continue to be a top priority in 1989.

*"The division also began to implement a new computer system to improve service to its Private Stock customers."*

# FINANCE AND ADMINISTRATION

In a year which saw the LCBO improve its strategic decision making process, Finance and Administration focused on providing the critical financial data needed to make those decisions.

In 1988, the division continued to develop and implement improvements to the management reporting systems that had been put into place earlier. To provide more relevant and timely data to the Board of Directors and senior management, it re-designed the periodic corporate financial statement package. And for the first time, retail store financial statements were prepared and issued. The statements will assist the Retail Division to review individual store performance.

Finance and Administration also took a lead role in preparing a five-year Financial Plan, as well as the 1988/89 Fiscal Year Plan. Both included substantial input from the operating divisions.

As a result of improved cash management practices, debt elimination, and better inventory controls, borrowing costs for the year were reduced by $2.8 million. Debt was also significantly reduced and eliminated at year end.

In other initiatives, the division:
*established a separate treasury function to develop and administer corporate cash management practices, including foreign exchange and treasury systems;
*re-organized the Accounting Operations Department to support the introduction of the computerized Point-of-Sale system in stores. This will also smooth the way for the future implementation of a new Financial Information System;
*initiated systems to track and report financial results by product, sales channel, location, and type of customer.

In the coming year, Finance and Administration looks forward to providing efficient services to the LCBO's operating and support divisions, and to senior managers and executives in the organization.

*"As a result of improved cash management practices, debt elimination and better inventory controls, borrowing costs for the year were reduced by $2.8 million."*

Total 1988-89 sales were $1,930,319,000.00; profits remitted to the Treasurer of Ontario were $645,000,000.00.

# INFORMATION SERVICES DIVISION

In 1988 Information Services continued to expand the level of computerization within the LCBO, and to consider cost-effective, sophisticated systems to improve administrative and operational efficiency.

A significant initiative was the beginning of the Information Resource Management Study. The study will map a strategic plan to help the LCBO manage its information resources and investment in technology. The study will be completed in the summer of 1989.

Another major project was the installation of a network support system for the Point-of-Sale (POS project). POS is a computerized cash register system that will link individual stores to a head office, mainframe computer. As well, mainframe software to support the POS implementation was upgraded, and head office applications to process POS-generated information were converted.

The division also decided to acquire a standard methodology for future information system development. It will ensure that new systems are cost-effective and conform to the organization's business requirements.

The first phase of a new system that captures customer information, automates order taking, and generates purchase orders for the Private Stock Department was put into place. Reduced paper work, more accurate reporting and improved customer service are some advantages of the new system.

Linda Dal-Den instructs Sault Sainte Marie store clerk Jill Nicholson on the new Point-of-Sale system.

The division also improved service provided by the Information Centre. To cut down on the delivery time for PC equipment, it established a Standing Purchase Order Agreement for microcomputers. It also launched a PC Loaner Program that will reduce the expense of renting equipment. And to improve and streamline service delivery, a Systems Co-ordination area was created. The new area will provide the division's clients with a single, convenient contact for a variety of service-related enquiries.

These and other inititiatives that the division hopes to take next year, will help it continue to play a key support role in the LCBO's operations.

*"The study will map a strategic plan to help the LCBO manage its information resources and investment in technology."*

# MARKET DATA

Wine consultants Stephan Kusinski, Edward Finstein, Elizabeth Maldaver and Mike Thurner in Quality Control's Tasting Lab.

# SALES BY BREWERIES

### TO OTHER PROVINCES AND COUNTRIES

| (in litres) | 1989 (000) | 1988 (000) | 1987 (000) | 1986 (000) | 1985 (000) |
|---|---|---|---|---|---|
| Sales to Other Provinces | 6,371 | 2,812 | 3,031 | 17,619 | 11,326 |
| Export Sales | 139,538 | 123,363 | 119,175 | 140,811 | 116,875 |
| | 145,909 | 126,175 | 122,206 | 158,430 | 128,201 |

Five new micro breweries opened during the year as follows:

| | |
|---|---|
| Halton County Brewery<br>2187 Dunwin Drive, Mississauga | July 8, 1988 |
| Sculler Brewing Company<br>227 Bunting Road, St. Catharines | July 13, 1988 |
| The Sleeman Brewing & Malting Co. Ltd.,<br>551 Clare Road West, Guelph | July 15, 1988 |
| Wheatley Brewery<br>5 Frase Road, Wheatley | November 21, 1988 |
| The Northern Algonquin Brewing Company Limited<br>1 Old Brewery Lane, Formosa | January 11, 1989 |

At fiscal year-end there were 32 brewery plants (including 15 micro-breweries) licensed to sell beer in Ontario. During the year five Brewers stores were opened. At March 31, 1989, a total of 467 stores were in operation.

# WINERIES AND WINERY RETAIL STORES

There were 19 wineries in Ontario at March 31, 1989.
One new winery was granted an Ontario Wine Licence as follows:

| | |
|---|---|
| De Sousa Cellars Corporation, Beamsville | August 18, 1988 |

One winery, Paul Masson & Company Limited, Beamsville, closed January 1, 1989 and Barnes Wines Limited, St. Catharines, was sold to Chateau-Gai Wines Limited, Niagara Falls, on August 19, 1988.

There was a net increase of eight winery retail stores during the year as a total of 220 wine stores (156 conventional and 64 mini stores) were in operation throughout the province at March 31, 1989.

# SALES BY WINERIES

## TO OTHER PROVINCES AND COUNTRIES

| (in litres) | 1989 (000) | 1988 (000) | 1987 (000) | 1986 (000) | 1985 (000) |
|---|---|---|---|---|---|
| Sales to Other Provinces | 2,746 | 6,341 | 4,650 | 5,376 | 5,886 |
| Export Sales | 118 | 141 | 127 | 173 | 262 |
| | 2,864 | 6,482 | 4,777 | 5,549 | 6,148 |

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

| | 1989 | 1988 | 1987 | 1986 | 1985 |
|---|---|---|---|---|---|
| Grapes used in the manufacture of wine | 24,372 | 33,242 | 30,970 | 33,850 | 29,546 |
| Grapes used in the manufacture of concentrate | 1,730 | 4,910 | 4,140 | 5,315 | 3,724 |
| Apples used in the manufacture of cider | 487 | 632 | 832 | 840 | 464 |
| | 26,589 | 38,784 | 35,942 | 40,005 | 33,734 |

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

| 1989 | 1988 | 1987 | 1986 | 1985 |
|---|---|---|---|---|
| 820,306 | 859,871 | 561,432 | 855,961 | 392,518 |

# AGENCY STORES

At March 31, 1989 there were 70 agency stores in operation.

# LCBO PRODUCT LISTINGS

| DOMESTIC | March 31, 1989 | March 31, 1988 |
|---|---|---|
| Canadian Whisky | 161 | 163 |
| Canadian Blended Rums | 119 | 120 |
| Canadian Gin | 53 | 54 |
| Canadian Vodka | 77 | 73 |
| Canadian Brandy | 6 | 6 |
| Canadian Blended Brandy | 17 | 17 |
| Canadian Spirit Coolers | 41 | 17 |
| Alcohol | 6 | 6 |
| Fruit Spirits | 6 | 6 |
| Miscellaneous Liquors | 11 | 15 |
| Canadian Liqueurs | 137 | 135 |
| Ontario Wines | 632 | 602 |
| Ontario Wine Coolers | 60 | 55 |
| Other Canadian Wines | 1 | 1 |
| Canadian Ciders | 11 | 15 |
| Canadian Beers (Includes Beer Coolers) | 271 | 250 |
| Miniatures | 33 | 44 |
| Bitters | 2 | 2 |
| | 1,644 | 1,581 |

| IMPORTED | March 31, 1989 | March 31, 1988 |
|---|---|---|
| Whisky – Scotch | 90 | 89 |
| – Irish | 5 | 5 |
| – Bourbon | 2 | 2 |
| – Tennessee | 4 | 4 |
| – Kentucky | 1 | 1 |
| – American | – | – |
| Gin | 12 | 13 |
| Rum | 13 | 14 |
| Vodka | 23 | 16 |
| Tequila | 7 | 7 |
| Brandy | 73 | 71 |
| Fruit Spirits | 4 | 3 |
| Miscellaneous Liquors | 38 | 24 |
| Liqueurs | 68 | 63 |
| Wines | 904 | 815 |
| Cider | 1 | 1 |
| Beer & Sake | 47 | 45 |
| Miniatures | 20 | 52 |
| Bitters | 18 | 8 |
| | 1,330 | 1,233 |
| Total Regular Listings | 2,974 | 2,814 |
| Vintage Wines and Spirits | 738 | 730 |
| Duty-Free Listings | 92 | 87 |
| Total Product Listings | 3,804 | 3,631 |

# FINANCIAL RESULTS

Wine consultants constantly evaluate products and also provide helpful service to shoppers in stores with Vintages corners. Pictured above are Stephan Kusinski and Edward Finstein.

Finance and Administration Division personnel from left are Joan Chapman, David Pratt, Peter Mokriy (seated), Serena Sequeira (standing) and Rosemary LeClair.

# ANALYSIS OF INCOME & EXPENDITURES 1988-89

| INCOME | ($000) | % of Total |
|---|---|---|
| Sales | 1,922,521 | 90.7 |
| Sales Tax | 188,774 | 8.9 |
| Fees & Other | 7,798 | 0.4 |
| Total | 2,119,093 | 100.0 |

| EXPENDITURES | | |
|---|---|---|
| Net Profit | 660,445 | 31.2 |
| Suppliers | 556,580 | 26.3 |
| Receiver General, Government of Canada | 405,810 | 19.2 |
| Retail Sales Tax | 188,774 | 8.9 |
| Retail Stores & Marketing | 187,955 | 8.8 |
| Freight | 43,804 | 2.1 |
| Administrative Costs * | 29,456 | 1.4 |
| Warehousing | 26,009 | 1.2 |
| Fixed Assets | 15,448 | 0.7 |
| Municipalities | 4,812 | 0.2 |
| Total | 2,119,093 | 100.0 |

* Total remuneration paid to LCBO Board Members in 1989 was $95,438.

Finance and Administration Division employees Rani Persaud and Jacqueline Henry (seated).

# FINANCIAL OVERVIEW

| | 1989 ($000) | 1988 ($000) | 1987 ($000) |
|---|---|---|---|
| Sales and Other Income | 1,930,319 | 1,867,684 | 1,775,296 |
| % increase/previous year | 3.5 | 5.2 | 7.3 |
| | ($000) | ($000) | ($000) |
| Operating Expenses | 263,680 | 245,662 | 222,026 |
| % of expenses/sales | 13.6 | 13.2 | 12.5 |
| | ($000) | ($000) | ($000) |
| Net Income | 660,445 | 641,027 | 637,194 |
| % of Income/Sales | 34.2 | 34.3 | 35.9 |
| Self-serve Stores in Operation | 607 | 585 | 558 |
| Total Stores in Operation | 626 | 623 | 617 |
| Number of Permanent Employees | 3,396 | 3,460 | 3,348 |
| Number of Regular Products Listed | 2,974 | 2,814 | 2,988 |

# RETAIL PRICE BREAKDOWN

Examples at March 31, 1989

| SPIRITS | Domestic Spirit 750 ml Bottle (26.4 oz.) | Imported Spirit 750 ml Bottle (26.4 oz.) |
|---|---|---|
| Provincial Sales Tax | $1.78 | $2.01 |
| LCBO Markup and Levy | 7.89 | 9.09 |
| Federal Sales Tax | 1.06 | 1.14 |
| Federal Excise Duty | 3.22 | 3.24 |
| Supplier Price to LCBO | 2.70 | 3.27 |
| Total | $16.65 | $18.75 |

| SUMMARY | | |
|---|---|---|
| To Supplier | $2.70 | $3.27 |
| Federal Government | 4.28 | 4.38 |
| Provincial Government | 9.67 | 11.10 |
| Total | $16.65 | $18.75 |

# RETAIL PRICE BREAKDOWN

Examples at March 31, 1989

| WINES | Ontario Table Wine 1 L Bottle (35.2 oz.) | Imported Table Wine 1 L Bottle (35.2 oz.) |
|---|---|---|
| Provincial Sales Tax | $0.67 | $0.82 |
| LCBO Markup, Levy & Flat Tax | 1.78 | 3.79 |
| Federal Sales Tax | 0.58 | 0.42 |
| Federal Excise Duty | 0.45 | 0.49 |
| Supplier Price to LCBO | 2.77 | 2.13 |
| Total | $6.25 | $7.65 |

| SUMMARY | | |
|---|---|---|
| To Supplier | $2.77 | $2.13 |
| Federal Government | 1.03 | 0.91 |
| Provincial Government | 2.45 | 4.61 |
| Total | $6.25 | $7.65 |

# SALES

Total sales of spirits, wine and beer by board stores during the fiscal year ended March 31, 1989 were $1,922,521 thousand.

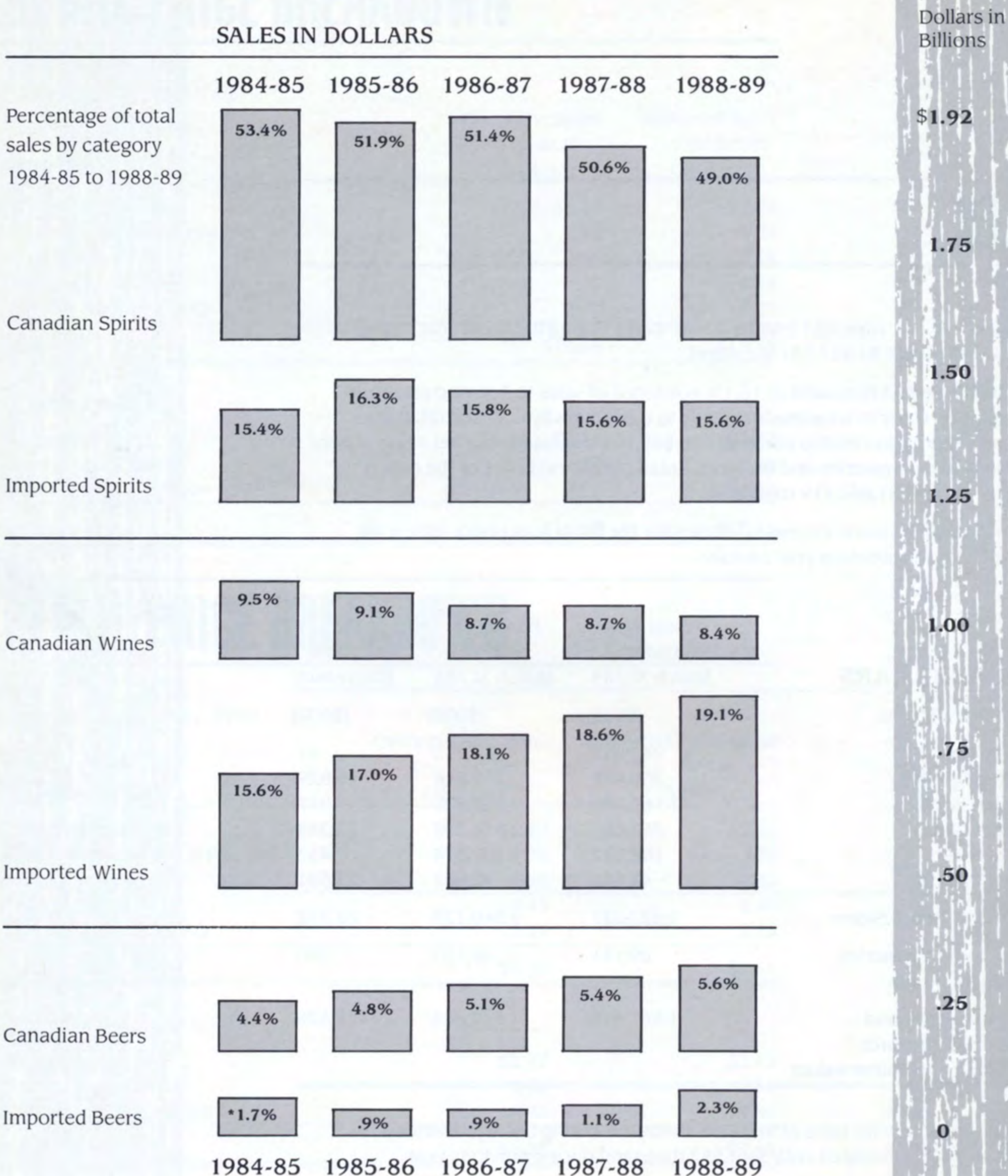
Of this total,$308,633 thousand or 16.1% consisted of sales to licensed establishments. Sales of Ontario wine made directly to customers by licensed retail wine stores and wineries in Ontario amounted to $49,141 thousand. The net value of beer sold in Ontario by breweries and Brewers' Retail outlets exclusive of the cost of containers totalled $1,661,419 thousand.

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

| SALES IN DOLLARS | Fiscal Year Ended March 31/89 | Fiscal Year Ended March 31/88 | Increase (Decrease) |
|---|---|---|---|
| Sales by Board Stores | ($000) | ($000) | ($000) |
| Canadian Spirits | 941,012 | 940,915 | 97 |
| Imported Spirits | 300,675 | 289,846 | 10,829 |
| * Canadian Wines | 161,712 | 162,629 | (917) |
| Imported Wines | 367,652 | 345,303 | 22,349 |
| Canadian Beers | 108,027 | 100,574 | 7,453 |
| Imported Beers | 43,443 | 20,862 | 22,581 |
| Total Sales by Board Stores | 1,922,521 | 1,860,129 | 62,392 |
| Sales by Ontario Wineries and Winery Stores | 49,141 | 48,151 | 990 |
| Sales by Breweries and Brewers' Retail Stores (exclusive of container value) | 1,661,419 | 1,542,844 | 118,575 |

* Includes Ontario wine sales of $160,276 thousand during fiscal year ended March 31, 1989, compared with $161,552 thousand during previous year.

## SALES IN DOLLARS




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

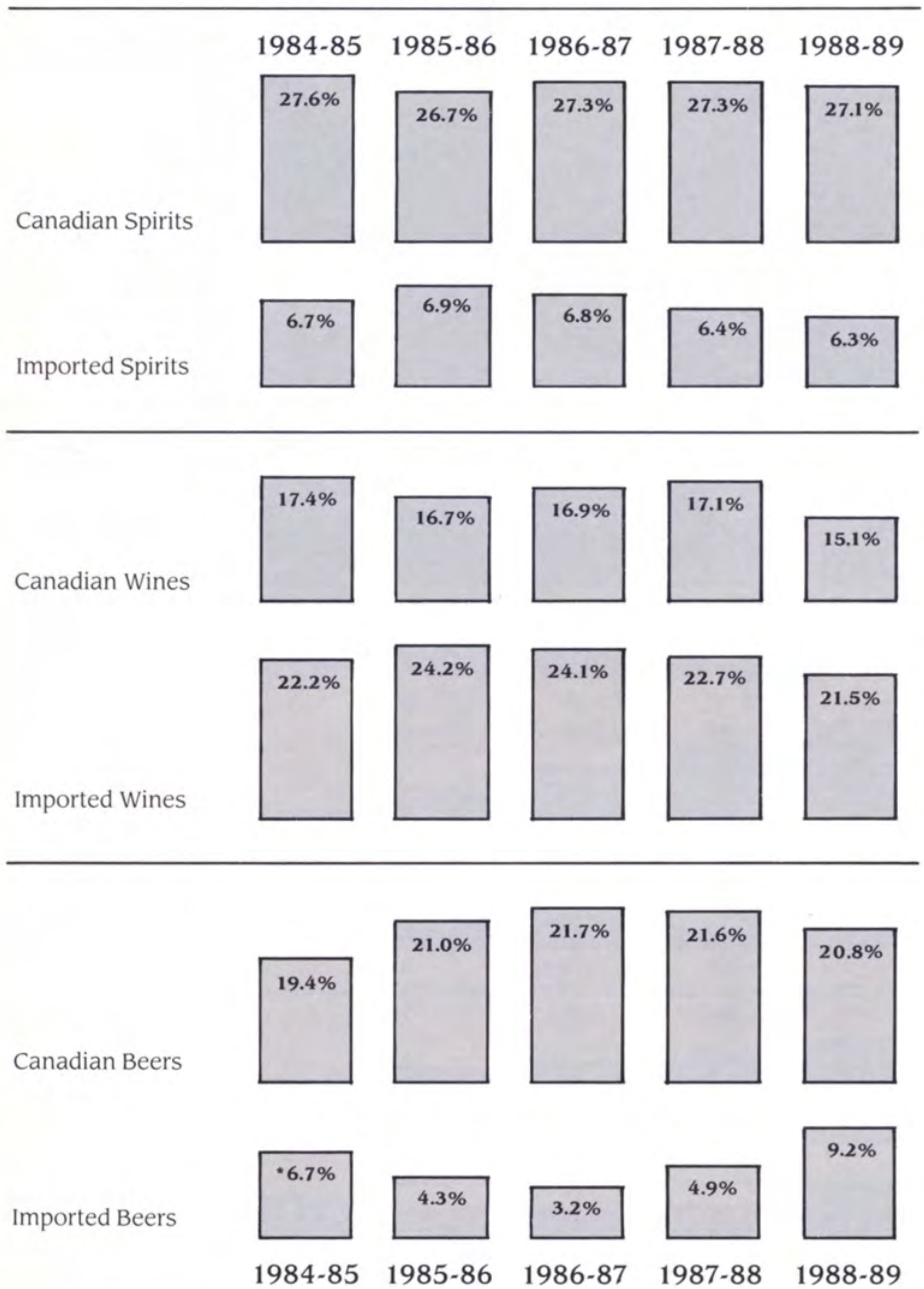
Warehouseman Mike Nehaul moves the goods at the Toronto Distribution Depot.

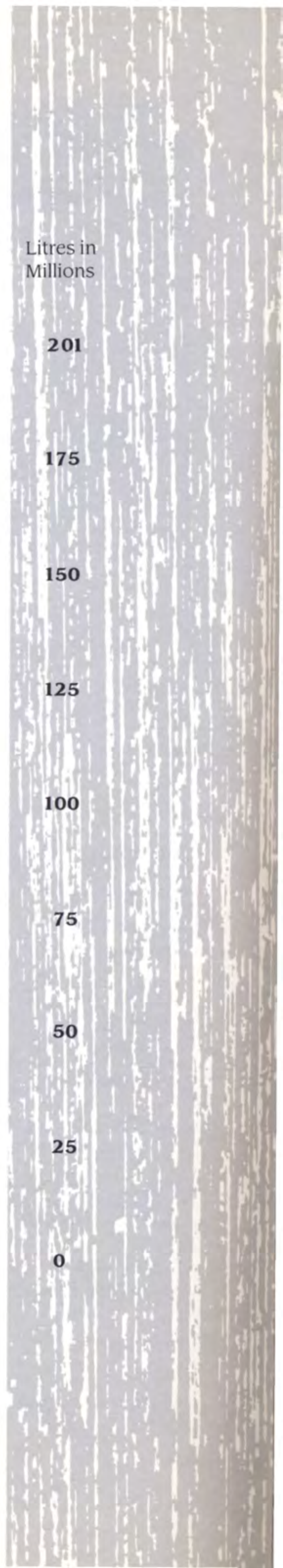
| SALES BY LITRES | Fiscal Year Ended March 31/89 | Fiscal Year Ended March 31/88 | Increase (Decrease) |
|---|---|---|---|
| Sales by Board Stores | (000) | (000) | (000) |
| Canadian Spirits | 54,597 | 54,470 | 127 |
| Imported Spirits | 12,630 | 12,690 | (60) |
| * Canadian Wines | 30,457 | 34,054 | (3,597) |
| Imported Wines | 44,922 | 45,197 | (275) |
| Canadian Beers | 42,011 | 43,049 | (1,038) |
| Imported Beers | 18,547 | 9,711 | 8,836 |
| Total Sales by Board Stores | 203,164 | 199,171 | 3,993 |
| Sales by Ontario Wineries and Winery Stores | 9,362 | 10,595 | (1,233) |
| Sales by Breweries and Brewers' Retail Stores | 776,011 | 788,805 | (12,794) |

* Includes Ontario wine sales of 30,242 thousand litres during fiscal year ended March 31, 1989, compared with 33,847 thousand litres during previous fiscal year.

Percentage of total sales by category 1984-85 to 1988-89

## SALES BY LITRES




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

# REVENUE PAYMENTS

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, and revenue paid to the Government of Canada exceeded $764 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 the 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 | ($000) | ($000) |
|---|---|---|
| Remitted by the Liquor Control Board | | |
| - on account of profits | $645,000 | |
| - Ontario retail sales tax on sales through liquor stores | 188,774 | |
| | $833,774 | |
| Remitted by the Liquor Licence Board | | |
| - on account of licence fees and permits | 399,123 | |
| Remitted by others | | |
| - Ontario retail sales tax on sales through Brewers' Retail Stores and retail wine stores | 152,501 | $1,385,398 |
| **RECEIVER GENERAL FOR CANADA** | | |
| Remitted by the Liquor Control Board | | |
| - customs and excise duties | $306,095 | |
| - Federal sales tax on spirits, wines and imported beers | 99,715 | |
| | $405,810 | |
| Remitted by others | | |
| - malt duties and taxes on domestic beers and wines | 358,559 | $764,369 |
| **ONTARIO MUNICIPALITIES** | | |
| Remitted by the Liquor Control Board | | |
| - grants in lieu of realty and business taxes | | $4,812 |
| | | $2,154,579 |

# FINANCIAL STATEMENTS

Since their introduction in 1985, Vintages stores have proven extremely popular with shoppers. There are now five Vintages stores throughout the province.

# BALANCE SHEET

**LIQUOR CONTROL BOARD OF ONTARIO**
**Balance Sheet**
**as at March 31, 1989**

| Assets | 1989 ($'000) | 1988 ($'000) |
|---|---|---|
| Current | | |
| Cash | 108 | – |
| Accounts receivable, trade and others | 2,290 | 9,392 |
| Inventories, at cost | 174,977 | 181,835 |
| Prepaid expenses | 2,025 | 1,677 |
| | 179,400 | 192,904 |

| Liabilities and Retained Income | | |
|---|---|---|
| Current | | |
| Bank overdraft | – | 45,270 |
| Accounts payable and accrued liabilities | 101,111 | 84,790 |
| Retained income | 78,289 | 62,844 |
| | 179,400 | 192,904 |

See accompanying notes to financial statements.

Approved:

Chairman

Vice President,
Finance and Administration

# STATEMENT OF INCOME AND RETAINED INCOME

**LIQUOR CONTROL BOARD OF ONTARIO**
**Statement of Income and Retained Income**
**year ended March 31, 1989**

| | 1989 ($'000) | 1988 ($'000) |
|---|---|---|
| Sales and other income | 1,930,319 | 1,867,684 |
| Costs and expenses | | |
| Cost of sales | 1,006,194 | 980,995 |
| Retail stores and marketing | 187,955 | 177,053 |
| Administration | 34,268 | 32,204 |
| Warehousing and distribution | 26,009 | 26,437 |
| Fixed assets | 15,448 | 9,968 |
| | 1,269,874 | 1,226,657 |
| Net income for the year | 660,445 | 641,027 |
| Retained income, beginning of year | 62,844 | 56,817 |
| | 723,289 | 697,844 |
| Deduct payments to the Treasurer of Ontario on account of net income | 645,000 | 635,000 |
| Retained income, end of year | 78,289 | 62,844 |

See accompanying notes to financial statements.

# NOTES TO FINANCIAL STATEMENTS

**LIQUOR CONTROL BOARD OF ONTARIO**
**Notes to Financial Statements March 31, 1989**

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) |
|---|---|
| 1990 | 18,973 |
| 1991 | 16,887 |
| 1992 | 14,820 |
| 1993 | 11,806 |
| 1994 | 8,758 |
| Thereafter | 22,401 |
| | 93,645 |

4. **PENSION PLAN**

The Board provides pension benefits for substantially all its permanent employees through participation in the Public Service Superannuation Fund and the Superannuation Adjustment Fund established by the Province of Ontario. The Board's share of contributions to these funds during the year was $7,905,895 (1988 – $7,604,963). This amount represents the total obligation of the Board.

5. **COMPARATIVE FIGURES**

Comparative figures have been reclassified where necessary to conform with the 1989 presentation.

# AUDITOR'S 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, 1989 and the statement 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, 1989 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 21, 1989.

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