LCBO Annual Report 2010–11

WORK SMART. WORK SAFE.

Work Smart. Work Safe.

AS A RESPONSIBLE EMPLOYER, WE CARE ABOUT THE WELL-BEING AND SAFETY OF OUR EMPLOYEES. PREVENTING WORKPLACE ACCIDENTS IS A TOP PRIORITY. LOOKING AHEAD, WE HAVE SET AN AGGRESSIVE GOAL OF REDUCING LOST-TIME INJURIES BY 50 PER CENT BY THE END OF 2011.

2010–2011 Highlights

$1.55 billion

Transferred $1.55 billion, excluding all taxes, to the government of Ontario, a $140 million increase over the previous year.

$4.58 billion

LCBO's net sales, a 5.6 per cent increase over the previous year.

83%

Customer satisfaction remains high at 83 per cent.

$5.4 million

$5.4 million raised for various charities in 2010, including $2.1 million for the United Way and $1.93 million for MADD Canada and four Ontario regional children's hospitals.

92%

Achieved a combined waste diversion rate of 92 per cent for the containers LCBO sells when the Ontario Deposit Return Program and municipal Blue Box systems are taken together.

8+9 stores

Opened eight new stores and completed nine relocations.

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$1.56 billion

LCBO's net income, an 8.8 per cent increase over the previous year.

121 million transactions

121 million total transactions in LCBO stores.

52.7%

LCBO sales of VQA table wine rose 14.8 per cent while Ontario craft beers were up by 52.7 per cent over the previous year.

1 billion containers

Ontario Deposit Return Program surpassed one billion containers returned since launching in 2007.

505,605 tests

Quality Assurance lab conducted 505,605 tests and sampled 22,268 products.

82 countries

Sold products from 82 countries.

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LOST TIME: 173


TOYOTA

Work Smart. Work Safe.

WHAT DOES SAFETY MEAN TO YOU?

KATRINA ZIATYK,
regional health & safety coordinator, Central Regional Office

"It is important that employees return home each day uninjured. I encourage employees to be aware of their surroundings, to not work fast but to work safe, to never ignore a potential hazard and to ensure that their work areas are kept clean and clear of clutter. I always encourage employees to communicate effectively, consistently and openly about safety in the workplace. Safety is important in everything we do in life. It is imperative that our attitudes, beliefs and actions exude safety at work and at home always."

HARI SINGH, *manager, Store 568 Toronto*

“Health and safety at the LCBO is paramount. Several times a day, I do a walk-through of the store and try to identify potential health and safety hazards, both for our customers and our employees. I also ensure that my health and safety representative/committee is beyond thorough with their inspections. Daily team huddles are an integral part of my management strategy, I encourage staff to ‘work smart and work safe’. It’s a small statement that goes a long way.”

ED MASON, *health & safety projects officer, Employee Relations, Head Office*

“Safety as a core value means that all LCBO employees can be part of a consistent culture of safety, whether you work in an office, warehouse, or retail store. In my workplace, I am mindful of ergonomics related to the office environment and computer use. I try to organize my work so I can get up and move around regularly. I encourage others to work smart and work safe by providing support for safety programs and initiatives for locations throughout the company.”

TYRONE MIRANDA, *warehouse worker, Toronto*

"Safety means arriving home safely to my family every day. We are taught safe work practices and techniques at our monthly safety meeting. At the Toronto Retail Service Centre, we work together as a team to incorporate these practices into our daily routines. It is important to think of other's lives as our own. Safety is everyone's responsibility. Everyone is encouraged to take the appropriate precautions and set good examples, which create a safe working environment."

STACY CHANG, *CSR and health & safety representative, Store 511 Toronto*

"Safety being one of the LCBO's core values means working in an environment where employees come first. As an employee, it means being able to work with confidence in the safety of the equipment and in the surroundings that the job entails. I encourage others to work smart and safe by being aware of their surroundings at all times. I invite employees to bring any potential hazards and/or safety concerns to my attention at first sight as a preventative measure."

HEALTH AND SAFETY NOW ONE OF LCBO'S CORE VALUES

As a responsible employer, we care about the well-being and safety of our employees. Preventing workplace accidents is a top priority. Looking ahead, we have set an aggressive goal of reducing lost-time injuries by 50 per cent by the end of 2011.

This safety-first culture is a shared responsibility between management and staff. Management provides the tools and resources and promises its employees a safe work environment. Proper training is also essential. Our people work together to spot hazards, frequently inspect their workplaces and make suggestions for improvements. Ongoing two-way communication helps everyone know and understand their responsibilities.

BETTER EQUIPMENT, COMBINED WITH BEST PRACTICES, EQUALS FEWER INJURIES

LCBO employees work in environments that have the potential to be dangerous. Our store and warehouse employees do a significant amount of physical labour in their daily jobs. In our warehouses, fast-moving objects, high-racking systems and machines that move thousands of cases could all be hazardous if our employees were not properly trained. In LCBO stores, employees unload and lift cases daily, which can cause repetitive strain injuries. Two-thirds of our retail employees' injuries are the result of over-exertion and strain. We've eliminated hazards as they've been identified and are finding ways to reduce them more effectively by using sound ergonomic principles in the workplace and by employing better-designed machines and more automation. We are also working with suppliers to eliminate cases weighing more than 18.9 kilograms as muscle strains from lifting cases are a common cause of workplace injuries

14%

According to WSIB (Workplace Safety and Insurance Board) information, in calendar year 2010, total WSIB claims went down by 14 per cent when compared to 2009 for the LCBO.

1,079 days

Toronto Retail Service Centre had gone without a lost-time incident as of March 31, 2011.

179 lift tables

Implemented 18 lift tables – ergonomic solution to safe lifting in 2010–11 – bringing total number since program began to 179.

and lost time. Lighter cases are easier for staff to lift. We are adapting the workplace to the worker, instead of trying to adapt the worker to the workplace.

We've added better equipment such as lift tables and destuffing machines that are ergonomically-designed to encourage proper lifting. These tools make unloading cases and pallets easier for retail and logistics workers. We've also increased our health and safety training. This past year, a video was produced for all employees that provides step-by-step instructions on proper lifting. Other tools include: an annual health and safety calendar with monthly tips, an interactive health and safety page on our intranet, a ladder safety program and eye wash stations in all stores.

SAFETY COORDINATORS LEND A HELPING HAND

Head Office health and safety coordinators help retail and office staff inspect their workplaces, identify hazards, and make improvements. Each warehouse has a health and safety coordinator. There are set procedures and guidelines in place for all LCBO facilities and regular audits help ensure facilities meet all Ministry of Labour safety regulations.

The Toronto Retail Service Centre is a leader in health and safety. It has now gone more than three years without a lost-time incident. More than 300 LCBO stores have also gone over two years without a lost-time incident.

We will continue to integrate health, safety and wellness into LCBO's corporate culture, building on our successes of the past year to make sure all LCBO employees work smart and stay safe.

Letter of Transmittal

The Honourable Dwight Duncan
Minister of Finance

Dear Minister,

I have the honour to present you with the 2010–11 Annual Report of the Liquor Control Board of Ontario.

Respectfully submitted,

PHILIP J. OLSSON, *Chair*

Message from the Minister

Ontario has turned the corner on the global recession. Ontario's Tax Plan for Jobs and Growth is working; it is attracting investments and jobs while protecting key public services like schools and hospitals.

Through prudent fiscal management, the McGuinty government is committed to finding savings and getting better value for money to target the deficit, which stands lower than earlier projected and is on schedule to be eliminated by 2017–2018. We are instructing agencies such as the LCBO to manage their operations as efficiently and responsibly as possible to maximize returns to the Province while continuing to provide high-quality customer service. The LCBO's annual dividend helps fund education, health care and the social services Ontarians value.

Good expense and inventory management, and incremental sales generated by investing in its retail network contributed to the LCBO's transfer of $1.55 billion to the Government of Ontario this past fiscal year. This was the 17th year it increased its dividend, returning $140 million more than 2009–10.

In addition to growing sales, the LCBO found several opportunities to improve its operations while still maintaining excellent customer service. Its annual customer tracking study showed that 83 per cent of respondents were satisfied with their relationship with the LCBO. We commend the LCBO for maintaining this high level of retail excellence while finding ways to do more with less.

Capital investment in its retail network, in the form of eight new stores and nine renovations and expansions, paid dividends for Ontarians. These brought jobs and expanded access and product selection to communities where LCBO research showed there was a growing need. Given the high return on investment, we support the LCBO's plan to open even more stores in the coming years.

The LCBO continued to include green initiatives in its operations over the past year. The agency helped to divert hundreds of millions of containers from landfills through the Ontario Deposit Return Program (Bag it Back) and the Blue Box program. Together these two programs recycled 92 per cent of the containers the LCBO sold. The LCBO also reduced energy consumption in its stores, offices and warehouses, and encouraged suppliers to source products in lightweight packages that have less of an impact on the environment. Some of these initiatives are highlighted in this report; other key sustainability objectives can be found in the LCBO's first Environmental Sustainability Report. (http://www.lcbo.com/enviro/index.shtml)

Now in the fourth year of its five-year strategic plan, the LCBO has successfully adapted to changes in the economy and continues to deliver on its mandate to promote responsible consumption. It continues to support Ontario's wine and craft beer industries, be a leading retailer and deliver funds to support the public services Ontarians expect from their government.

THE HONOURABLE DWIGHT DUNCAN, *Minister of Finance*

PHILIP J. OLSSON, *Chair*

BOB PETER, *President & CEO*

Message from the Chair

Once again, LCBO delivered a record dividend to the government – $1.55 billion, which was $140 million more than in 2009–10. This money helps fund schools, hospitals and investment in job creation and economic growth.

The LCBO board is committed to good governance and providing strategic leadership to senior management. We make sure performance measures and targets are established and monitored as well as realistic and challenging. We make decisions based on independent assessments of LCBO's plans and compliance with all government rules and regulations. We act with honesty and integrity and stay informed of all issues relevant to LCBO stakeholders.

Our board is a diverse group of individuals who bring to the table a wide range of expertise and a broad base of professional skills. Current board members represent a variety of professions and industries, including law, retail, finance and hospitality. This past year, two board members finished their terms. I thank them for their valuable advice and the contribution they made through their dedication and service. Susan Pigott and Paul Sparkes replaced these departing members. Both bring a mix of public and private board experience that will ensure our board representation continues to be well-rounded with a focus on good governance and accountability.

Susan Pigott, vice-president, Communications and Community Engagement at the Centre for Addiction and Mental Health, is committed to community service. Throughout her career, she has worked in public organizations overseen by volunteer boards of directors; she understands the important role these governing bodies play. Paul Sparkes, a former media executive at CTVglobemedia, also believes in public service. He serves on several other boards, including those of the National Arts Centre Foundation, the Banff World Media Festival and digital television channel Animal Planet.

The LCBO board is committed to regular, open and transparent communication with the government. We review with them our five-year strategic plans along with our annual business plans; we have regular meetings to discuss any issues that may arise. We keep the Ministry of Finance informed of any significant changes to our plans and ensure that the LCBO management team is aware of and supportive of government priorities and expectations.

We've fully supported and implemented measures the government has introduced to increase accountability for public sector agencies. We also make sure that LCBO supports the Ontario wine, beer and spirits industries at every opportunity through increased shelf space in stores, marketing and merchandising and other special programs that highlight the best products produced in our province.

My fellow board members and I acknowledge LCBO's senior management for managing expenses this year and growing the business in a socially-responsible manner during a changing economic environment.

Our board reviewed the business cases behind all the real estate developments this past year and approved these capital expenditures to renovate stores and build new ones. LCBO chooses these stores after extensive research that examines demographics and area growth potential. This determines where there is a need to upgrade or increase service.

As a strong supporter of the United Way, I was pleased to see LCBO once again increased its support for this cause, setting a new record for its 2010 corporate campaign. The $2.1 million raised exemplifies how much our customers and employees care for those less fortunate in our communities. This accomplishment was the result of customers giving generously at the checkout and LCBO employees giving back through payroll deductions and organizing fundraising events throughout the province.

Looking ahead to 2011–12, the board encourages LCBO senior management to set goals that are even more ambitious. We will continue to guide the organization through its continued evolution as a profitable, socially and environmentally-responsible retailer that strives to continually improve the customer shopping experience.

PHILIP J. OLSSON, *Chair*

Message from the President & CEO

"Work Smart. Work Safe." This is more than a motto. In 2010, to demonstrate our ongoing commitment to the well-being of staff, we added health and safety as a fifth core value of the organization. It exemplifies how LCBO is working to ingrain health and safety into its culture every day.

The four existing core values, identified in consultation with our employees, are: our commitment to providing *engaging customer service*, *being socially responsible*, striving for *excellence* in everything we do and operating with *integrity*, transparency and good faith in all of our interactions with stakeholders.

Health and safety has always been a priority for the LCBO. Making it one of our core values is designed to spark a fundamental shift in attitudes, perceptions and behaviour. By working safely every day, LCBO employees in every workplace help contribute to our vision of zero workplace injuries and accidents. We have done a great deal to improve health and safety over the past year, but there is more work ahead. Through training, new technology, developing health and safety leaders and regional coordinators as well as regular inspections and audits, we will continue to increase our focus on health and safety.

Working smarter is also about operational efficiency. One area that epitomized this efficiency was our excellent inventory management. We had record inventory turns (in dollars) for VINTAGES and Beers and Spirits, which was combined with good in-stock position in our stores and warehouses. Total turns increased to 7.85 from 7.7 turns the previous year. We also managed other fixed expenses such as reducing our store operating costs through energy efficiencies.

Excellent customer service and new and innovative products helped sales grow by more than five per cent over the previous year. With the economy slowly improving in the latter half of the year, customers started to return to buying more premium products. This trend translated into increased VINTAGES sales and overall sales for 2010–11 that were better than forecast, coming in at $4.55 billion. Effective marketing, warm summer weather and strong holiday sales of $543 million also contributed to this year-over-year increase.

Maintaining tight operational expense control was a factor in achieving our 17th straight year of increasing our dividend to the government, which was $1.55 billion, $140 million more than 2009–10. LCBO continued to support Ontario products; while all major product categories saw year-over-year increases, Ontario VQA wines and Ontario craft beers did exceptionally well. VQA table wines rose 14.8 per cent while Ontario Craft Brewers' sales were up 52.7 per cent over last year.

Capital investment in new, renovated and relocated stores also paid dividends. In 2010–11, LCBO opened eight new stores and had nine relocations. All new stores featured larger VQA wine sections, expanded beer offerings, and many had VINTAGES sections. These new stores improved service and product selection and added convenient access in communities where our demographic research showed there was a need due to population growth.

Our employees take great pride in providing responsible service. I congratulate our frontline staff for taking this responsibility seriously and making it a top priority every day, in every store. Retail staff challenged more than 3.6 million people for reasons of age, suspected second-party purchase, or for suspected intoxication in 2010–11. Of those challenged, 192,686 were refused service for all reasons, with age accounting for 82 per cent of refusals.

At the LCBO we also take environmental sustainability seriously. Several key sustainability objectives were achieved in 2010–2011. Through LCBO funding of the Ontario Deposit Return Program and municipal Blue Box systems, 92 per cent of beverage alcohol containers are diverted from landfills. We also opened our sixth LEED (Leadership in Energy and Environmental Design) certified store. Our strategy to migrate mainstream wine bottles to lightweight glass bottles made great progress over the past year. We established the systems necessary to reduce utilities usage across our network, which is already starting to pay off with real savings in energy and carbon emissions. In the coming year, LCBO will start to report on our greenhouse gas emissions, which will help us better understand the factors that promote environmental sustainability.

Looking ahead, fiscal 2011–12 marks year four of our current five-year plan. We will continue to improve product flow, operational efficiencies and customer service. By working collaboratively with suppliers we will help refine joint inventory forecasting initiatives. LCBO is constantly finding ways to improve the speed with which new products get to market by streamlining processes, automating manual procedures, and exploring opportunities to reduce time to market in all categories.

By working smarter and working safely, and by managing expenses, investing in new stores, investing in our people and remaining focused on evolving and enhancing the customer in-store experience, we will continue to support the growth of the business in a dynamic and socially responsible manner.

BOB PETER, *President & CEO*

Corporate Structure

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

MISSION STATEMENT

"We are a socially responsible, performance-driven, innovative and profitable retailer, engaging our customers in a discovery experience of the world of beverage alcohol."

The LCBO is overseen by a board of directors consisting of up to 11 members appointed by the Lieutenant-Governor-in-Council, on the recommendation of the Premier of Ontario and the Minister of Finance, for terms of no more than five years. The chair of the board of directors is responsible for providing strategic leadership to its members and to the president & CEO and making sure the LCBO and its board of directors meet their respective responsibilities.

The mandate of the board is to oversee the management of the business affairs of the LCBO. Among its most important responsibilities are to:

- make sure that policies and processes are in place to maintain the integrity of the LCBO's internal controls
- establish by-laws governing the operations of the LCBO
- approve both the five-year strategic plan and annual business plans and monitor management's success in meeting the objectives set out in these plans
- submit annual financial plans and business plans to the Minister of Finance
- make sure the LCBO has an appropriate communications policy
- make sure the LCBO operates in a fair, ethical and impartial manner and in accordance with applicable laws
- establish and oversee senior management succession planning
- approve major policy and business decisions
- assess and evaluate annually the performance of the president & CEO
- establish committees of the board as appropriate to exercise some or all of the board's responsibilities; presently this includes an audit committee and a governance and compensation committee.

ETHICS AND BUSINESS CONDUCT

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

HEALTH AND SAFETY

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

BOARD COMMITTEES

Audit Committee
The audit committee is responsible for the reliability and accuracy of the LCBO's financial statements and for overseeing the LCBO's risk management function.

Governance and Compensation Committee
The governance and compensation committee is responsible for recommending the LCBO's corporate governance policies and practices to the board and making sure the LCBO adheres to sound corporate governance principles. It also makes recommendations concerning human resources and compensation matters.

MANAGEMENT COMMITTEES

Store Planning and Development Committee
This is a management committee that reviews real estate and leasing transactions and makes recommendations to the board for final approval.

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

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

ACCOUNTABILITY

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

– its annual report is required to be tabled in the provincial legislature and is available to all Ontarians in print or online at www.lcbo.com
– annual audits of LCBO financial statements are required by the *Liquor Control Act* and conducted by the Office of the Auditor General of Ontario
– public access to various records under the *Freedom of Information and Protection of Privacy Act*
– board members must be appointed by Order-in-Council
– various statutory reporting requirements under the *Liquor Control Act* require the corporation to provide reports to the Minister of Finance and the Treasurer of Ontario
– the corporation is required to comply with applicable Management Board directives.

SENIOR MANAGEMENT TEAM

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

BOB PETER, *president & chief executive officer*

JACKIE BONIC, *vice-president, Store Development and Real Estate*

ALEX BROWNING, *senior vice-president, Finance & Administration, and chief financial officer*

NANCY CARDINAL, *vice-president, Marketing & Customer Insights*

BOB DOWNEY, *senior vice-president, Sales & Marketing*

ROY ECKER, *senior vice-president, Retail Operations*[1]

PENNY WYGER, *senior vice-president, general counsel and corporate secretary*

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

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

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

BILL KENNEDY, *executive director, Corporate Communications*

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

BARRY O'BRIEN, *director, Corporate Affairs*

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

SHELLEY SUTTON, *director, Strategic Planning*

BEILI WONG, *executive director, Internal Audit, and chief audit executive*

TOM WILSON, *vice-president, VINTAGES*[2]

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1 Retired April, 2011

2 Retired August, 2011

Board Members

Philip J. Olsson

Steve Diamond

PHILIP J. OLSSON

He was appointed to the Board as Vice Chair in June, 2004, became Acting Chair and CEO on February 6, 2006, and non-executive Chair (pursuant to the new *Liquor Control Act*) on March 7, 2007. Current term expired March 6, 2010; it was renewed for another three-year-term, which expires March 5, 2012.

Mr. Olsson has been a partner in K J Harrison & Partners Inc., a privately-owned investment firm, since 2002. He is also Chairman of Connaught Oil & Gas Limited, a private energy exploration and production firm. He has had a career of more than 30 years in finance, as an investor and investment and commercial banker, including Managing Director, Private Equity, at Altamira Investment Services Inc., where he restructured and oversaw Altamira's private equity functions. Prior to that he was Managing Director of Royal Bank Equity Partners Limited, the Royal Bank Financial Group's merchant banking unit, and, before that, was Vice Chairman of RBC Dominion Securities, Canada's largest investment bank. Mr. Olsson holds BA and MBA degrees from Vanderbilt University, Nashville, Tennessee, and studied monetary economics as a postgraduate at the London School of Economics. He holds a CBV designation from the Canadian Institute of Chartered Business Valuators. He has long been active in community and civic affairs on behalf of such organizations as the United Way, Atlantic Salmon Federation, the Shaw Festival and Trout Unlimited.

STEVE DIAMOND

Appointed September 21, 2005, and appointed Vice Chair March 7, 2007. Term expired March 6, 2010; it was renewed and expires March 5, 2012.

Mr. Diamond is currently President of Diamond Corp, a real estate development and consulting business, and is a director of Whitecastle Investments. Prior to entering the real estate business, Mr. Diamond was a partner at McCarthy Tetrault and head of its municipal and environmental law department. He also served as director of the firm. In his practice, he acted as counsel on some of the largest and most sophisticated projects that have been approved in the Greater Toronto Area for both private and public sector clients. Mr. Diamond is actively involved in the community, serving as committee member for the PAYE program (Partnership to Advance Youth Employment), and director of the Mount Sinai Hospital Foundation. Mr. Diamond received his LLB from the University of Western Ontario and was called to the Ontario bar in 1978. He gives back to the educational community through frequent lectures at local law schools and other educational organizations.

Geoffrey R. Larmer

Penny Lipsett

GEOFFREY R. LARMER

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

Mr. Larmer is president of Larmer Professional Corporation, North Bay, a law firm restricted to personal injury and insurance litigation. His practice gives him a unique perspective on social responsibility and liability, particularly in terms of underage alcohol consumption and the consequences of not drinking responsibly. His clients include victims of drinking and driving accidents. He graduated from the University of Western Ontario in 1989 with an honours degree in Medical Biophysics and in 1992 with a bachelor of laws degree. He articled with Bereskin & Parr, Toronto, where he trained in intellectual property, patent, trademark, copyright and related licensing matters. He was called to the bar in 1994 and founded Larmer & Larmer Barristers, North Bay. Larmer Professional Corporation was formed in 2005. He is a member of Nipissing Law Association, Ontario Trial Lawyers Association and the Association of Trial Lawyers of America, and a former director and past-president of the North Bay and District Humane Society.

PENNY LIPSETT

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

Ms. Lipsett is an investor and government relations specialist. She spent much of her career in the political and business worlds. Following graduation from the University of Western Ontario, she worked as a special assistant on Parliament Hill in Ottawa during the Trudeau years. Following this and until 1992, she worked for Xerox Canada in increasingly responsible roles concluding with the management of all corporate affairs functions. Ms. Lipsett returned to Parliament Hill as chief of staff to Justice Minister Allan Rock from 1993 to 1995. Since 1995, she has run her own consulting practice with a focus on investor and government relations. She is a board member of MBNA (Canada) and Ontario Place Corporation where she is also chair of the Marketing and Communications Committee.


Pamela Livingstone


Laurel Murray

PAMELA LIVINGSTONE

Appointed June 8, 2009. Term expires June 7, 2012. Member, Audit Committee.

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

LAUREL MURRAY

Appointed August 8, 2005, renewed August 8, 2008. Term expired August 7, 2011, it was renewed for another one-year term, expiring August 7, 2012. Chair, Audit Committee.

Ms. Murray is a chartered accountant with more than 20 years of senior management experience in the private and public sectors. Since 2000, Ms. Murray has headed up her own management consulting firm. Over the past 20 years, she has helped a number of federal and provincial agencies and ministries improve the way they manage risks, measure performance and improve accountability. Ms. Murray is a proponent of good governance and oversight. She is also the chair of the Audit Committee of the Office of the Privacy Commissioner of Canada and a member of the Audit Committee of the Office of the Commissioner of Official Languages. She was also the lead in developing the Treasury Board of Canada Secretariat's *Guidebook for Departmental Audit Committees*. She has a keen interest in the environment. Her areas of expertise include strategic planning and reporting; performance measurement; integrated risk management; financial management, accounting and auditing; financial systems; project management; program implementation and organizational design. She graduated with honours from Carleton University in 1986 with a Bachelor of Commerce. She received her Chartered Accountant designation from the Canadian Institute of Chartered Accountants in 1989. An active mother, wife and volunteer, Ms. Murray balances work and family while still playing an active role to help those in need in her community.


Susan Pigott


Walter Sendzik

SUSAN PIGOTT

Appointed February 9, 2011. Term expires February 8, 2014. Member, Governance and Compensation Committee.

Ms. Pigott is the vice president, Communications and Community Engagement at the Centre for Addiction and Mental Health (CAMH). Trained as a nurse and a social worker, Ms. Pigott has worked in the non-profit human services field in Toronto for over 25 years. For nine years, Ms. Pigott was the Chief Executive Officer of St. Christopher House, a community-based multi-service agency that operates in the west end of Toronto. Prior to that, she spent seven years at United Way of Greater Toronto, first as allocations director and then as vice president of Fundraising. In 2006–07, she took a leave of absence from St. Christopher House to serve as the Executive Lead for Citizen Engagement, supporting the Ontario Citizens' Assembly on Electoral Reform. Ms. Pigott is an active volunteer, currently serving as a board member of the Toronto Civic Action Alliance. Formerly she was a trustee of the Hospital for Sick Children and a member of the board of Soulpepper Theatre Company. In June 2011, she was appointed by the McGuinty government to serve on the Commission on the Reform of Ontario's Public Services.

WALTER SENDZIK

Appointed June 4, 2008. Term expired June 3, 2011, it was renewed for another three-year term, expiring June 3, 2014. Member, Audit Committee.

Mr. Sendzik is the Chief Executive Officer of the St. Catharines-Thorold Chamber of Commerce. He is also a member of the board of directors of the Niagara Wine Festival, the Hotel Dieu Shaver Rehabilitation Centre (Audit Chair), Business Education Council and the St. Catharines and District United Way. He founded *Vines* magazine, wrote *Guide to Niagara's Wine Country* and is co-author of the *Buyers' Guide to Canadian Wine*. He sold *Vines* to Osprey Media Group in 2003 when he joined that company as publisher of the *Niagara* magazine division, where he helped launch *Niagara* magazine. He left Osprey to join the St. Catharines Chamber of Commerce in 2006 and oversaw the merger of the St. Catharines and Thorold chambers, which created one of the largest chambers of commerce in southern Ontario. Mr. Sendzik was awarded the Bernie Gillespie Award by the Ontario Chamber of Commerce for outstanding leadership, was a recipient of a Niagara's Top 40 Under 40 award, the St. Catharines Volunteer Recognition Award and was a finalist in the Niagara Youth Entrepreneur of the Year Award.

Paul Sparkes

Ramesh Srinivasan

PAUL SPARKES

Appointed February 1, 2011. Term expires March 31, 2014. Member, Audit Committee.

Mr. Sparkes brings a wealth of media, public and private sector service experience to the LCBO Board. He joined CTVglobemedia in 2001 as senior vice president, Corporate and Public Affairs. He was appointed executive vice president, Corporate Affairs in 2007. Over the course of his decade-long tenure there, he oversaw the company's communication and regulatory functions including all strategy, public and media relations, internal and corporate communications. Prior to joining CTVglobemedia, Mr. Sparkes held senior management positions with the Government of Canada and the Government of Newfoundland and Labrador. From 1996 to 2001, he served as Director of Operations to then Prime Minister Jean Chretien and, prior to that, was special assistant for Atlantic Canada in the Prime Minister's Office. He also served as executive assistant to two premiers of Newfoundland and Labrador – Clyde Wells and Brian Tobin. Mr. Sparkes serves on several boards, including the National Arts Centre Foundation and the Banff World Media Festival; he is also the Chair of the board and founding member of the Smiling Land Foundation. He holds a bachelor of arts in Political Science from Memorial University.

RAMESH SRINIVASAN

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

Mr. Srinivasan is a senior hospitality educator with more than 25 years of international experience in hospitality management. He holds a master's degree in hotel administration from Cornell-Essec in Paris, France. Areas of expertise include hotels, restaurants, catering and convention centre management, marketing and finance. He is professor of Hospitality Management, School of Hospitality, Recreation and Tourism, Humber Institute of Technology and Advanced Learning, Toronto. Areas of specialization include wine education, revenue management, hospitality management accounting, entrepreneurship, convention and meetings management. His professional certifications include Certified Foodservice Manager; Certified Specialist of Wine; Certified Hospitality Educator; and the Wine & Spirit Education Trust Diploma. Mr. Srinivasan is currently pursuing the Master of Wine (MW) credential administered by the Institute of Masters of Wine, U.K.

Harvey T. Strosberg, QC, LLD, DCL

HARVEY T. STROSBERG, QC, LLD, DCL

Appointed March 7, 2007. Term expired March 6, 2010; it was renewed for another two-year term, which expires on March 5, 2012. Member, Governance and Compensation Committee.

Mr. Strosberg, Q.C., is a senior partner at Sutts, Strosberg, LLP, Windsor. He has extensive trial and appellate experience in the areas of torts, personal injury, product liability, commercial disputes and class action litigation. He was called to the bar in 1971, has been a bencher (director) of the Upper Canada Law Society since 1987 and was Treasurer (President) from 1997 to 1999. He is the editor of the *Canadian Class Action Review*. He is an adjunct professor of law at the University of Windsor. He teaches a course in class action law at the University of Windsor law school. The Law Society of Upper Canada awarded him the Law Society Medal in May 2010.

REMUNERATION

Board members receive a per diem remuneration for attending regularly scheduled meetings and for serving on either the Audit Committee or the Governance and Compensation Committee. The table below lists the total remuneration each board member received for the 2010 calendar year.

Board member	Remuneration
Philip J. Olsson (chair)	$ 17,675
Steve Diamond	$ 2,400
Geoffrey Larmer	$ 2,580
Penny Lipsett	$ 3,800
Pamela Livingstone	$ 3,220
Laurel Murray	$ 3,360
Walter Sendzik	$ 3,310
Ramesh Srinivasan	$ 1,750
Harvey T. Strosberg	$ 2,230
*Jean Simpson	$ 2,150
*Jay Lee	$ 550

* These board members ended their terms during the 2010 calendar year.

14.8%

VQA table wine sales were up 14.8 per cent.[1]

Product Trends

Wines

2010–11[2]:

Net sales: $1.192 billion
Increase over year before: $50 million (+4.4 per cent)
Increase over plan: $3.3 million (+0.3 per cent)
Margin dollars: $618.7 million
Increase over year before: $35.8 million (+6.1 per cent)
Performance to plan: -$1.344 million (-0.2 per cent)
Total turns decrease (in dollars): 6.30 from 6.44 turns the previous year

KEY TRENDS:

Consumers are again trading up in price. Value wines (priced less than $8) saw the largest decline; net sales were down 4.9 per cent and market share was down 3.1 per cent. Wines priced $12 to $13.95 topped all priced bands in growth (up 13.7 per cent).

Growing varietals, styles, regions and countries include:

- Ontario (ICB + VQA)[3] (up 6.9 per cent)
- Malbec (French Malbec was up 157.5 per cent and Argentinean Malbec was up 28.7 per cent)
- Carmenère (up 94.7 per cent)
- Prosecco (up 21 per cent) and Champagne (up 10 per cent)
- Pinot Grigio (up 14 per cent)
- Ripasso (up 16.1 per cent)
- Burgundy Pinot Noir (up 42 per cent), Burgundy Chardonnay (up 31 per cent)
- New Zealand (up 13.1 per cent)
- Chile (up 14.4 per cent).

OUTLOOK FOR 2011–12:

- net sales forecast to increase to $1.233 billion, up 3.4 per cent.
- Ontario VQA wines forecast to continue to sell well; overall, Ontario sales forecast to grow by 7.8 per cent.
- New World wines forecast to grow by 1.8 per cent; Australia will lead the way, driven by new product launches.
- sales of wines less than $10 will continue to decline as consumers shift to purchasing more wines priced $10 to $15; new product launches will contribute to this growth.
- Moscato becoming a very popular grape variety; signs indicate its rise in popularity will continue.

1 This growth increase excludes sales of VQA wines sold through VINTAGES.
2 LCBO product category totals do not include sales through VINTAGES or the Private Ordering or Consignment programs.
3 ICB stands for International Canadian Blended wines; VQA stands for Vinters Quality Alliance.

$1.048 billion

Spirits sales had a banner year; margin dollars exceeded the billion-dollar mark for the first time.

Product Trends

Spirits & Ready-to-Drink

2010–11[1]:

Net sales: $1.8 billion
Increase over year before: $74 million (+4.3 per cent)
Increase over plan: $84 million (+4.9 per cent)
Margin dollars: $1.048 billion
Increase over year before: $61.1 million (+6.2 per cent)
Performance to plan: $52.8 million (+5.3 per cent)
Total turns increase (in dollars): 8.92 from 8.80 turns the previous year

KEY TRENDS:

- vodka sales continued to be the biggest driver of spirits growth. The category finished just shy of $430 million, up 7.3 per cent or $29 million over the previous year.
- rum sales grew by 5.6 per cent or $12.7 million on the popularity of spiced rums such as Captain Morgan. Spiced rum contributed to an overall increase of 28 per cent in flavoured rum sales this past year.
- American and Irish whiskies continued to appeal to the next generation of whisky consumers. The two categories finished the year up 12.6 and 21.3 per cent, respectively.
- the other significant whisky trend was the shift in Scotch preferences from blends to single malts. Malts finished up 9.4 per cent, while blended whisky sales were up 2.4 per cent.
- the ready-to-drink category enjoyed resurgence on the strength of new products and a warmer, drier summer compared to the previous couple of years. The category grew by 3.6 per cent.

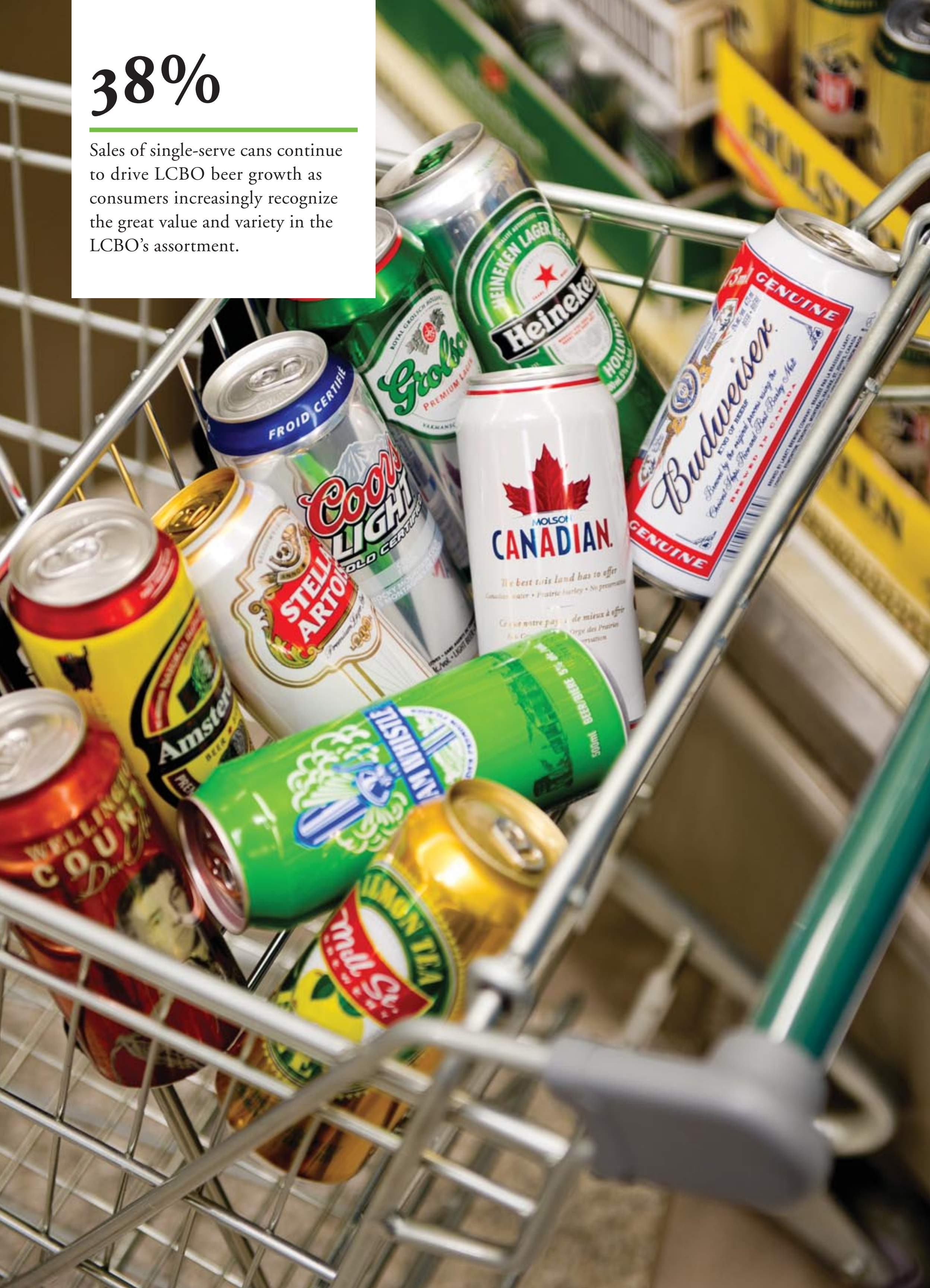
OUTLOOK FOR 2011–12:

- predicting solid spirits growth of 2.7 per cent (excludes duty-free).
- vodka, spiced rum, Scotch, American and Irish whiskies are expected to continue to lead the growth.
- expect to see an increased interest in award-winning and craft-oriented whiskies from around the world as part of the LCBO's Whisky Shop program.
- expect to see a proliferation of unique and more exotic flavoured spirits and liqueurs.

1 LCBO product category totals do not include sales through VINTAGES or the Private Ordering or Consignment programs.

38%

Sales of single-serve cans continue to drive LCBO beer growth as consumers increasingly recognize the great value and variety in the LCBO's assortment.



Beer and Cider

2010–11[1]:

Net sales: $923.2 million
Increase over year before: $45.7 million (+5.2 per cent)
Performance to plan: -$916 thousand (-0.1 per cent)
Margin dollars: $344.5 million
Increase over year before: $32.5 million (+10.4 per cent)
Increase over plan: $4.2 million (+1.2 per cent)
Total turns increase (in dollars): 17.70 from 16.65 the previous year

KEY TRENDS:

- LCBO beer and cider sales had a remarkable year, growing by 7.8 per cent in an overall beer market that was flat.[2]
- value share for beer sold at the LCBO increased by just over one percentage point to 24.64 per cent in fiscal 2010–11; each percentage point is valued at approximately $30 million.
- single-serve can sales grew by 13.8 per cent in volume and now account for 38 per cent of total beer sales at the LCBO.
- growth of single domestic 473 mL cans contributed to an increase in domestic beer share. Domestic beer share grew from 59.9 to 62.1 per cent in volume last year.
- demand for local craft beer continues to grow. Ontario craft beer net dollar sales grew by 35.2 per cent (includes both Ontario Craft Brewers (OCB) and non-OCB craft producers.)

OUTLOOK FOR 2011–12:

- consumers are becoming more sophisticated. They want more beer product knowledge and they want to know what to serve with beer. They are also interested in a wider range of styles, which will continue to fuel the growth of craft beer, both locally and globally.
- since the very successful launch of Bud Light Lime two years ago, lime beer has established itself as an important category, accounting for two per cent of total beer sales. Consumer interest in flavoured beer will continue to fuel growth and product offerings.
- sales of cider have grown by 34 per cent in litres over the last three years and are expected to continue to grow by 20.4 per cent this year.

1 LCBO product category totals do not include sales through VINTAGES, Private Ordering or Consignment programs.

2 Excludes sales to The Beer Store, which is included in the 5.2 per cent growth above.

15.3%

VINTAGES sales rebounded this past year; net sales were up 15.3 per cent year-over-year.

Product Trends

VINTAGES

2010–11:

Net sales: $383.7 million
Increase over year before: $50.9 million (+15.3 per cent)
Performance to plan: $35.0 million (+10 per cent)
Margin dollars: $188.1 million
Increase over year before: $37.1 million (+24.6 per cent)
Performance to plan: $25.1 million (+15.4 per cent)
Total turns increase (in dollars): 3.27 from 3.05 turns last year

KEY TRENDS:

- retail programs drove the bulk of VINTAGES sales; the greatest growth came from the Front Line Release program, which increased 18 per cent to $225.8 million (representing 59 per cent of total VINTAGES sales).
- Ontario VQA VINTAGES wine sales grew by 7.0 per cent.
- Essentials program sales were $136.8 million (up 13.1 per cent).
- for the first time, driven by California wines, the United States led all countries in sales. California reds, including Cabernet Sauvignon, Zinfandel and Meritage blends, grew by 26.7 per cent to sales of $53.3 million; California whites grew by 25.1 per cent to $16.4 million.
- New Zealand whites were the fastest-growing segment (up 30.1 per cent to $20.3 million).
- Italian reds, especially wines from Tuscany and Veneto also drove category growth; sales were $51.5 million (up 19.8 per cent).
- French reds grew by 11.1 per cent to $44.2 million; Southern Rhone, Chateauneuf-du-Pape and Bordeaux drove this growth.

OUTLOOK FOR 2011–12:

- net sales are forecast to increase 11 per cent to $425.2 million.
- margin dollars are forecast to increase 11.4 per cent to $209.3 million.
- VINTAGES will look to increase inventory turns to 3.32.
- retail programs will continue to drive growth; the VINTAGES Release program is expected to grow by 11.7 per cent while the Essentials program is forecast to grow by 8.6 per cent.
- focus will remain on the $15 to $20 and more than $20 price bands.
- Ontario table wines are forecast to grow by 9.7 per cent and Icewine by 4.9 per cent for a total growth of 8.5 per cent.

Support for the Domestic Wine Industry

14.8%

Ontario VQA wines grow by 14.8 per cent.

Growing Ontario wine sales is a key strategic objective of the LCBO's five-year plan. When you include VINTAGES, more than 900 different Ontario VQA wines from over 80 different wineries were sold in the LCBO in 2010–11. Ontario VQA table wine sales through all LCBO channels grew by 14.8 per cent over last year; Ontario VQA sales through LCBO Wines grew by 15.9 per cent while Ontario VQA VINTAGES wine sales grew by 7.6 per cent. Total Ontario wine, including International Canadian Blend wines, grew by 6.9 per cent over last year. The introduction of new wines and innovative marketing were key sales drivers. The number of Ontario table wines available in LCBO stores in fiscal 2010–11 increased from 431 to 461. Of these, 291 were VQA products. Ontario wine listings increased by seven per cent and VQA listings increased by 13 per cent.

In 2010–11, LCBO continued to work with the Wine Council of Ontario and individual suppliers on many initiatives to increase Ontario wine sales. One of these initiatives is expanded VQA shelf space. LCBO retail shelf space for Ontario wines usually exceeds their market share, particularly in the Greater Toronto Area. Ontario wine always gets the best retail selling space, which is usually the front of the store, and more than 250 LCBO stores feature special VQA wine displays. All new LCBO stores include larger VQA sections; expanding the square-footage of VQA sections is also a key component of store renovations. Four LCBO stores now include a *Best of Ontario* section dedicated to Ontario wine and three more are planned for fiscal 2011–12. In these large sections, products are grouped by varietal, which makes it easier for customers to shop.

Other initiatives consistent with international trade obligations that help support Ontario wineries, include:

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

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

Annual promotion: From mid-September to mid-October, Ontario wines and wineries take centre stage when they are highlighted in all LCBO stores as part of the annual *goLOCAL* promotion. No other country is the focus of a major annual LCBO promotion. In 2010, the *goLOCAL* promotion saw sales of Ontario wine increase by 8.7 per cent.

VINTAGES VQA programs: Through regular VINTAGES programs such as Alanna's Pick, Local Talent and VQA Flagship In-store Discovery, Ontario wine regions and new VQA wines and producers are showcased and featured monthly for customers.

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


VQA
DAVE

VINTAGES Celebrates 25 Years

$3.1 billion

Over the past 25 years, VINTAGES sales have totalled $3.1 billion.

$383.7 million

In 2010–11, VINTAGES net sales totalled $383.7 million.

6,000 products

Today, VINTAGES releases some 6,000 products a year (120 to 150 new products released every two weeks).

300 stores

There are VINTAGES boutiques and sections in some 300 LCBO stores.

The LCBO took a major step forward in 1985 when it revamped its Rare Wines & Spirits program, rebranding it VINTAGES. Claudius Fehr, who retired from the LCBO in 2006 and who was one of the first employees of the Rare Wines & Spirits department, shares some of his memories.

"There was a time when many of the great wines of the world were not available in Ontario and the idea of buying wine futures would have been a radical concept," says the then VINTAGES category manager for European wines. "That time was 1972 when the LCBO opened Rare Wines & Spirits. It began with wines from Bordeaux and Burgundy, some Champagnes, Sauternes, a few Italian wines, and the occasional wine from California."

In the fall of 1985, the first VINTAGES store opened as a boutique at Toronto's Queen's Quay store. It was the LCBO's crown jewel, featuring a radical new look and layout compared to the other Ontario liquor stores at the time.

Free-standing VINTAGES locations were subsequently built in Toronto (York Mills and Bayview), London, Mississauga and Ottawa. In 1991, a free-standing store was opened in Toronto's Hazelton Lanes. These first stores offered 500–600 products with 50–60 new products released monthly. Annual sales were less than $20 million. Over time, VINTAGES sections were introduced to many regular LCBO stores.

"They invited customers to browse and learn about products in attractive, relaxed settings," recalls Chris Layton, LCBO's media spokesperson, who was there for the launch. "They were also the first LCBO stores to offer in-store samplings – another radical concept. The launch of VINTAGES was a recognition that beverage alcohol consumers were becoming more sophisticated in their tastes and that interest in quality wines was on the rise."

Today, VINTAGES releases some 6,000 products a year (120–150 new products released every two weeks) and there are VINTAGES boutiques and sections in some 300 LCBO stores. In 2010–11, VINTAGES annual sales totalled $383.7 million.

Tom Wilson, vice-president, VINTAGES, who retired in August 2011, took over the department in 1992 when annual sales were about $21 million.

"I was challenged to leverage the full potential of the business," he says. "Implementing programs and tactics to repatriate high-end fine wine customers back from shopping in cross-border U.S. states was a key strategy."

He commends the LCBO for taking "a quantum leap" in 1985 with its progressive store design and commitment to fine wines and premium spirits.

"VINTAGES played a catalyst role in transforming the organization to the customer-focused retailer it is today. Our strength then and now is the passionate, extremely knowledgeable VINTAGES staff."

Over the past 25 years, VINTAGES sales have totalled $3.1 billion. Today, VINTAGES offers premium wines and spirits through a variety of channels. In 1995, it introduced its *Classics Catalogue* allowing customers for the first time to order the world's recognized classic wines and spirits by mail, fax and telephone. As interest grew, VINTAGES introduced Bordeaux futures programs, special orders, online shopping, its Essentials program, wines of the month and special tasting events to bring consumers face-to-face with the world's best winemakers and distillers.

Under current President & CEO Bob Peter's leadership, an expanded presence for VINTAGES has become a hallmark of new and renovated stores – further growing the business and consumer interest in premium wines and spirits.

New LCBO Stores Provide Solid Return on Investment

$80 million

Investing in new stores adds $80 million in incremental revenue.

In communities across Ontario, LCBO operated 617 retail stores during fiscal 2010–11. To evolve the shopping experience, increase product selection and enhance service, LCBO regularly upgrades existing stores and explores opportunities to build new ones.

LCBO's Store Development and Real Estate division operates from a five-year plan that outlines where opportunities exist. Projects must show a capital return of at least 12 per cent to proceed and on average, a new LCBO pays for itself in less than two years. The LCBO store location process is comprehensive and objective. New store location plans are reviewed and approved at several levels, including departmental, committee and finally by LCBO's board of directors.

All real estate decisions are made following extensive research and market analysis that examine population growth and residential and commercial developments. Analysis is conducted in high growth communities, rural areas and smaller urban centres. The business case developed for each project includes a forecast of incremental expenses and sales. Following completion, the actual financial performance of new and relocated stores is reviewed annually and compared to what was forecast in the original business case.

In fiscal 2010–11, LCBO invested $36 million in its store network, including maintenance and repairs. This included 20 new stores, relocations and expansions in: Oakville, Toronto, Mississauga, Rockland, Vaughan, Stittsville, Kitchener, Hamilton, Scarborough, Innisfil, Guelph, Trenton, Burlington and Windsor. An additional 32 stores were renovated. These projects added 86,000 square-feet of overall selling space, including 13 VINTAGES sections and increased selling space for Ontario VQA wines. These new stores and relocations also added $80 million in incremental revenue, more than $11 million more than forecast in the 2010–11 business plan[1]. An added benefit of new stores is that they create jobs during the construction phase and provide long-term economic benefits to the community.

Looking ahead to fiscal 2011–12, LCBO is set to open eight new stores, relocate nine other outlets to better locations with significantly improved shopping environments and complete 34 major renovations and décor upgrades. VINTAGES capacity will be expanded in all these stores and 12 new VINTAGES sections will be added. These projects will add sales of $15 million annually to the LCBO store network.

With each new LCBO store the ultimate goal is to offer customers a shopping experience that exceeds their expectations with convenient, informative shopping environments. At the same time, these new stores drive LCBO sales and profitability, increasing the revenue generated for the government to pay for health care, education and other important social programs.

1 This $80 million includes new stores opened in the previous fiscal year, which had been open for 12 months.


LCBO
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LCBO NOW OPEN
WINE SPIRITS BEER
GRAND OPENING
JANUARY 31
LCBO


DISCOVER THE WORLD

Corporate Social Responsibility

One of LCBO's strategic objectives is to be a socially responsible retailer that promotes:

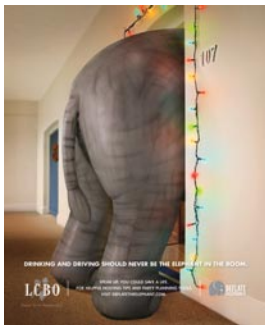
- **RESPONSIBLE CONSUMPTION OF ALCOHOL**
- **PRODUCT QUALITY AND SAFETY**
- **ENVIRONMENTAL SUSTAINABILITY AND**
- **COMMUNITY INVOLVEMENT AND FUNDRAISING.**

LCBO has a Corporate Social Responsibility Council with company-wide representation that meets to monitor, measure and evaluate our progress in each of these areas. During fiscal 2010–11, LCBO employees demonstrated their commitment to corporate social responsibility in many ways.

RESPONSIBLE CONSUMPTION OF ALCOHOL

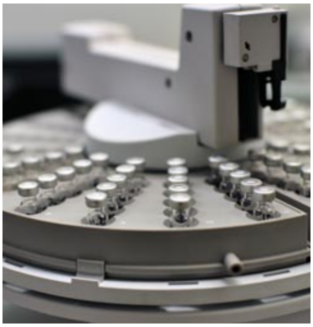
Challenge and Refusal numbers for 2010–11 increased by nearly 35 per cent
Preventing sales to minors and those who appear intoxicated is a year-round responsibility that frontline retail staff take seriously. In fiscal 2010–11, LCBO employees challenged approximately 3.6 million customers. Total refusals were 192,686, up 24 per cent from the previous year. The increase was driven by the reinforcement of our Check 25 program, where customers who appear under 25 are routinely asked for proof of age ID. We also provided a refreshed video and training program for new hires and seasonal staff that puts more emphasis on our Challenge and Refusal program.

Drinking and driving should never be the elephant in the room
LCBO's annual anti-drinking and driving social responsibility campaign – *Deflate the elephant* – evolved in 2010–11, adding social media elements to better engage our target audience. An interactive website (www.deflatetheelephant.com) allowed visitors to test their knowledge and 'deflate the elephant' by acting as a responsible host in entertaining scenarios. A Speak Up! app was also created for iPhone where customers could send pre-recorded messages to their friends



to help them get to and from the party safely; users of this app could also download a variety of alcohol-free Mocktail recipes. A companion Facebook page shared responsible hosting tips and encouraged users to commit themselves to not drinking and driving.

PRODUCT QUALITY AND SAFETY



Products sold in LCBO stores must first be tasted, tested and certified by the LCBO's Quality Assurance (QA) laboratory. The QA department conducts more than 500,000 laboratory tests and tastes over 5,000 products each year. These tests confirm that the products are safe to consume, authentic and meet the standards set out in Canada's *Food and Drugs Act* and *Consumer Packaging and Labelling Act* and their related regulations. The lab is world-renowned and meets the high standards set by the Geneva-based International Organization for Standardization. It is registered under ISO 9001, as well as under ISO/IEC 17025, a designation specific to chemistry laboratories.

Other liquor jurisdictions within Canada, as well as international beverage alcohol producers and quality assurance bodies, use the findings of the LCBO QA department as benchmarks.

In 2010–11, QA continued to measure bottle weights on incoming shipments at our Durham Retail Service Centre as part of the lightweight strategy. Quarterly reports were produced to help with LCBO's environmental initiatives.

Quality Assurance by the numbers

- total lab samples: 22,268
- total lab tests: 505,605
- percentage rejected by laboratory (which is determined based on number of samples rejected as a proportion of total samples tested): 10.6 per cent
- total units returned/customer complaints: 78,752
- number of customer complaints requiring investigation: 172

ENVIRONMENTAL SUSTAINABILITY WORKING SMART TO GREEN OUR OPERATIONS

We are working smarter in many ways to reduce our environmental impact. From measuring and reducing energy consumption in our retail stores, service centres and offices, to looking at more fuel-efficient ways to transport our products, LCBO is constantly finding new and innovative ways to lessen the carbon footprint of our operations. In 2010–11, we released our

first online Sustainability Report to help document our progress and report on LCBO's various environmental initiatives. Below, we offer some of the highlights outlined in this report.

LCBO has an environmental committee that consists of a cross-functional team of employees who help to implement the organization's environmental strategy, review best practices and develop new ideas. LCBO's environmental strategy has five key goals:

– reducing package waste generated by LCBO sales;
– increasing the amount of material diverted from landfill to recycling and reuse;
– improving all aspects of environmental management;
– reducing consumption of energy and utilities at LCBO facilities; and
– promoting reuse and conservation.

We achieved several key sustainability objectives in 2010–2011. These included a combined waste diversion rate of 92 per cent for the containers LCBO sells when the Ontario Deposit Return Program and Blue Box program are taken together. Across its 617 store network, LCBO employees have now eliminated plastic (shrink-wrap) waste. In addition, through reduce, reuse and recycle principles, we have cut store level garbage to an average of half a bag per day from a previous high of six bags per day. Waste has been reduced in many ways, from reusing and recycling cardboard to collecting and recycling damaged or spoiled products (including the alcohol contents) for recycling and conversion into ethanol.

Our participation in a national strategy to migrate mainstream wine bottles to lightweight glass bottles made great progress over the past year.

We also opened our sixth LEED (Leadership in Energy and Environmental Design) certified store and established the systems necessary to improve utilities usage across all our facilities, which is already starting to show real savings in energy and carbon emissions. LCBO's store network consumes electricity, natural gas, propane and oil to keep its operations running. Energy demand continues to grow; yet LCBO remains on target to achieve a three per cent total energy reduction in our retail stores this year. The organization is also committed to a 10 per cent reduction in total store energy use over the next five years. LCBO's Real Estate & Store Development team continues to collaborate with its Retail Operations department to explore other ways to reduce stores' energy consumption. Other initiatives include:

– energy management systems that enable, among other things, automated time of day control of lighting, ventilation/heating systems and refrigeration cooling. As of March 2011, this has been installed in 47 stores;
– cooler doors and LED lighting in refrigeration units (results in a 60 per cent reduction in refrigeration electricity consumption). To date, these doors have been installed in 33 stores.

- free-cooling refrigeration (where the outside temperature cools the cold rooms at certain times of the year). This can result in up to a 10 per cent electricity reduction;
- energy efficient lighting and mechanical systems; and
- preventative maintenance programs.

Logistics efficiencies reduce fuel consumption

Trucks making deliveries from retail service centres to LCBO stores travel nearly 11 million kilometres per year. Less use of temperature-controlled containers saved an estimated 80,000 litres (21,000 gallons) of diesel fuel in 2010. This amount of fuel would take 70 full-size fully loaded highway trucks from Toronto to Vancouver. Reducing reliance on temperature-controlled containers is made possible by studying weather forecasts and ensuring shipments are not delayed in transit and are unloaded promptly on arrival. To save on fuel costs further in the coming fiscal year, LCBO is considering an increase in its use of energy-efficient water and rail transportation for shipping and is better planning its delivery routes to stores.

COMMUNITY INVOLVEMENT AND FUNDRAISING

Thanks to the generosity of our customers and employees, we raised $5.4 million for worthy causes in 2010–11, of which $4.8 million was raised through in-store fundraising. Of note was our corporate United Way campaign, which set a new record. The $2.1 million raised was a demonstration of our customers' and employees' concern for those less fortunate in our communities. This accomplishment was made possible thanks to customers giving generously at the checkout and LCBO employees giving back through payroll deductions and organizing fundraising events throughout the province.

LCBO also raises money to support charitable organizations each year through its in-store donation box program. In December, LCBO retail employees encouraged customers to donate a toonie at the checkout to MADD Canada and four Ontario regional children's hospitals. The result was $1.93 million raised – another record – topping last year's total by more than $200,000. In the more than 600 LCBO stores across the province, LCBO employees actively fundraise on a grassroots level to help those in need in their communities. In one example, LCBO stores in Listowel and Milverton set up collections for the wives of two local firefighters who died while on duty. The local effort raised $3,372.

Finally, LCBO is always quick to fundraise for natural disaster relief, collaborating with the Red Cross to raise money at the checkout to aid victims of these tragedies. In 2011, $560,000 was raised to help the victims of Japan's devastating earthquake and tsunami.

Management Discussion and Analysis of Operations

BEYOND THE NUMBERS 2010–11

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

HIGHLIGHTS

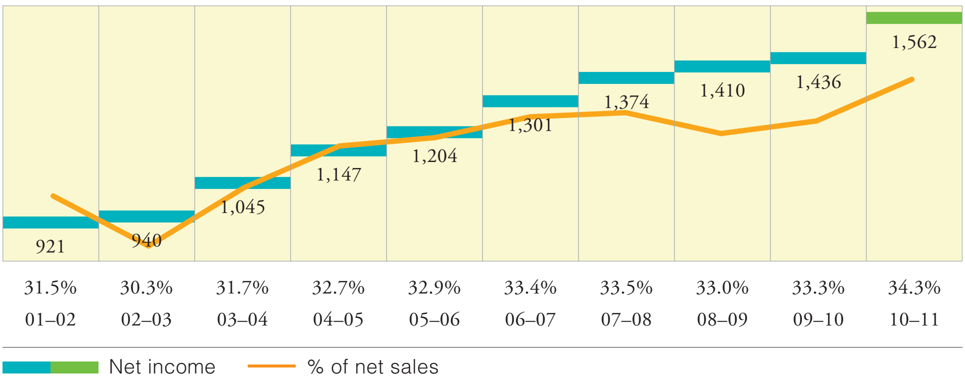
(value in $000)	2009–10	2010–11	% change
Dividend to Government	1,410,000	1,550,000	9.9%
Net sales and other income	4,344,099	4,576,871	5.4%
Operating expenses	709,570	735,490	3.7%
Net income	1,435,609	1,562,309	8.8%

NET INCOME

In 2010–11, LCBO net income reached a record $1.56 billion, a $126.7 million increase over the previous fiscal year. Net income as a percentage of net sales improved to 34.3 per cent from 33.3 per cent a year prior.

The following chart gives a 10-year history of LCBO net income and net income as a percentage of net sales.

NET INCOME ($000,000) AND AS PERCENTAGE OF NET SALES



Over the past 10 years, LCBO net income has improved $641 million or almost 70 per cent. Improved margins and expense control have enabled net income growth to exceed growth in net sales every year but one since 2002–03.

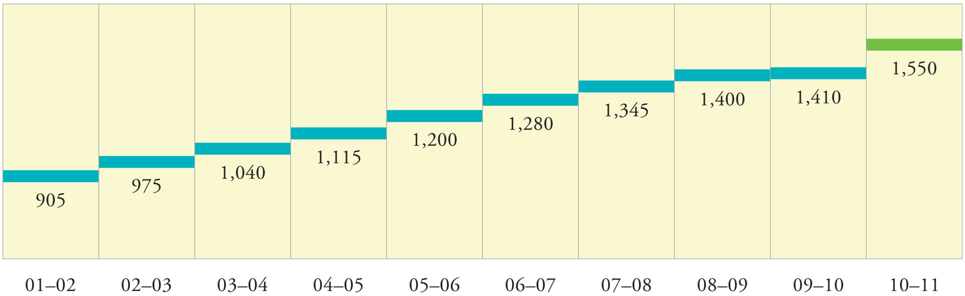

SALUD! CHILE
vodka
VODKA
VODKA
PARTY PAK!

DIVIDEND

The LCBO transferred a dividend of $1.55 billion, excluding all taxes, to the Government of Ontario in 2010–11. This represents a $140 million increase over the previous year. It was the 17th straight year the LCBO increased its dividend to the Ontario government, and the 16th straight record year.

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

DIVIDEND ($000,000)



Since 2001–02, the dividend has grown by $645 million or more than 71 per cent. Over the past 10 years, the LCBO has transferred more than $12 billion in dividends to the provincial government.

GOVERNMENT REVENUE DISBURSEMENT

The LCBO dividend does not include sales taxes or payments to municipalities. The Ontario Retail Sales Tax (ORST) was collected from April 1, 2010 to June 30, 2010 and amounted to an additional $102 million for the province. Following the introduction of the harmonized sales tax (HST) on July 1, 2010, ORST is no longer collected and remitted by the LCBO.

These tables show LCBO payments to various levels of government in fiscal 2010–11 and the breakdown of $1 in net sales.

LCBO PAYMENTS TO GOVERNMENT

Total payments ($000)	2,317,593
Government of Ontario – Dividend	66.9%
Government of Ontario – ORST	4.4%
Government of Canada – Excise & Duty	14.9%
Government of Canada – GST/HST	13.0%
Ontario Municipalities	0.9%

BREAKDOWN OF $1 IN NET SALES

Product cost	$ 0.50
Net income	0.34
Retail and marketing	0.11
Administration and other	0.03
Warehousing and distribution	0.02

LCBO'S EXTERNAL ENVIRONMENT

During fiscal 2010–11, Ontario continued its recovery from the global economic downturn of 2008–09. Key economic indicators, such as employment and real gross domestic product, returned to pre-downturn levels.

Beverage alcohol sales were affected by economic conditions last year – customers traded down to less expensive products, there was greater home consumption and less dining out, and demand for product from local producers grew. In early 2010–11, these trends continued. However, as the year progressed, customers began to trade up and sales through licensed establishments experienced a rebound. Support for Ontario producers remains strong – sales of Ontario VQA table wine increased almost 15 per cent while beer produced by Ontario Craft Brewers was up almost 53 per cent.

In 2010–11, LCBO net sales increased 5.6 per cent or $243 million compared to the previous year. Over the same timeframe, Ontario's total retail sector experienced sales growth of 4.4 per cent, bolstered by price inflation of almost three per cent.

The LCBO's strong sales performance is partly due to the transfer of provincial revenues from the sales tax line to gross margin following the July 1, 2010 introduction of the harmonized sales tax (HST). This had minimal impact on the final selling price of beverage alcohol as the changeover was designed to be revenue neutral overall to the provincial government. Approximately $116 million was added to LCBO overall sales while provincial sales tax revenue on LCBO sales fell by a comparable amount.

The remainder of the improvement in sales can be attributed to new and renovated stores ($80 million), promotional activity and trading up ($38 million), and organic population growth ($8 million). Price inflation, unlike in overall provincial sales, was not a factor in LCBO sales growth in fiscal 2010–11.

Weather also impacted LCBO sales during the year. Near perfect summer weather supported sales, particularly beer and coolers, while normal winter conditions (compared to the mild winter and early spring of 2010) constrained results marginally.

The 2010 FIFA World Cup, held in South Africa between June 11 – July 11, 2010, also provided a significant boost to sales growth of beer.

During the G20 Summit held in Toronto on June 26–27, 2010, the LCBO closed seven locations closest to the security zone in the downtown core. These stores posted no sales from Friday, June 25 through Sunday, June 27.

SALES BY REGION

Each of the LCBO's four geographical retail regions posted strong year-over-year net sales results in fiscal 2010–11.

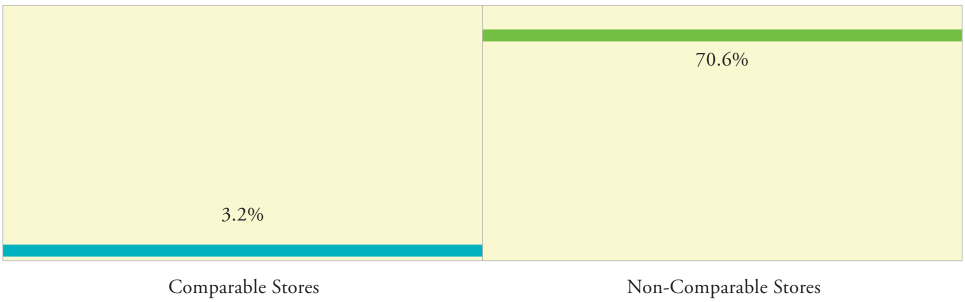
The following table shows regional net sales and growth performance compared to the previous year.

Region	2010–11 ($000)	change from 2009–10
Northern	560,962	5.6%
Eastern	929,638	5.3%
Central	1,459,448	6.2%
Western	989,599	5.6%

COMPARABLE STORE SALES

"Comparable stores" are defined as stores that have been open in their present location for more than two years. "Non-comparable stores" include stores open less than two years and closed stores. In 2010–11, owing to eight new locations and nine store relocations, non-comparable stores experienced net sales growth of over 70 per cent compared to the previous year. Meanwhile, comparable stores posted a sales increase of 3.2 per cent.

COMPARABLE VS NON-COMPARABLE STORE SALES GROWTH IN 2010–11



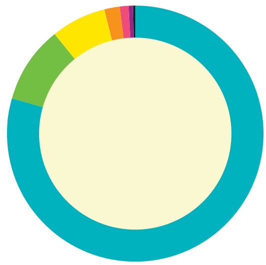
SALES BY CHANNEL

LCBO's retail channel, which represents sales to home consumers, increased to $3.62 billion during fiscal 2010–11, rising 6.3 per cent over the previous year. As a share of total LCBO sales, the retail channel increased 50 basis points from 79.1 per cent last year to 79.6 per cent. LCBO wholesale sales to The Beer Store (TBS) were essentially flat on a year-over-year basis (+0.1 per cent) at $311 million. As a result, TBS sales as a percentage of total LCBO sales declined to 6.8 per cent from 7.2 per cent a year ago.

Sales to restaurants and hotels through the licensee channel benefitted from the economic recovery as sales improved 4.8 per cent to $441.3 million during the year. However, as a percentage of total LCBO sales, licensee sales declined 10 basis points during the year to 9.7 per cent.

BREAKDOWN OF LCBO SALES BY CHANNEL

Retail	79.6%
Licensee	9.7%
TBS	6.8%
Agency	2.1%
Direct Delivery	1.0%
Duty-free	0.6%
Other	0.1%



LCBO sales to duty-free stores at airport and land border points decreased for the fifth time since fiscal 2004–05, falling 2.9 per cent year-over-year. This is attributable to the strength of the Canadian dollar and fewer visits by American tourists.

Agency store sales grew 3.7 per cent during the year to $97 million. Sales through this channel decreased 10 basis points versus last year to 2.1 per cent when expressed as a percentage of total LCBO sales.

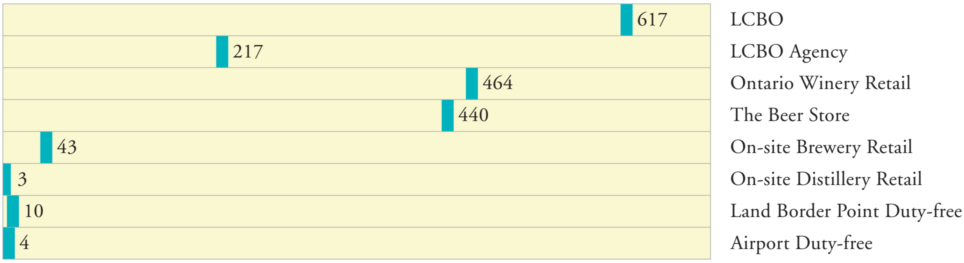
Sales through the direct delivery program, which enables Ontario wineries to deliver their products – predominantly VQA wines – directly to licensees, improved 10.4 per cent year-over-year. Direct delivery remained at 1.0 per cent of total LCBO sales in 2010–11. Furthermore, its value share of the total Ontario licensee market for wine improved to 18.1 per cent, compared to 17.7 per cent the previous year.

LCBO IN THE SHARED MARKETPLACE

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

As of March 31, 2011, there were 1,798 outlets selling alcohol in Ontario. Here is what the market looked like:

ONTARIO'S ALCOHOL MARKETPLACE BY NUMBER OF OUTLETS



Note: When the LCBO's 617 stores and Ontario's 217 LCBO agency stores are combined, the total market share is approximately 46 per cent.

CHANGES IN MARKET SHARE

The total Ontario beverage alcohol marketplace, which includes LCBO, TBS, WRS, as well as other legal (e.g., ferment on premise), homemade and illegal[1] channels, amounted to an estimated 1.3 billion litres sold during 2010–11. The LCBO's market share by volume increased to 34.1 per cent from 33.0 per cent in 2009–10[2].

In fiscal 2010–11, the Ontario wine market grew 2.9 per cent over the previous year. Imported wine sales, up 3.6 per cent year-over-year, accounted for 61.8 per cent of wines sold in the province, up 40 basis points from a year ago. Wine from Ontario, with volume sales growth of 1.9 per cent, decreased from 38.3 per cent of the market last year to a share of 37.9 per cent in 2010–11.

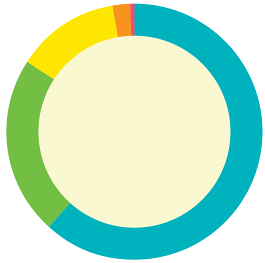
However, Ontario wine sold at the LCBO grew 3.6 per cent, increasing market share by 20 basis points to 22.5 per cent. Winery retail stores experienced a sales decline of 1.4 per cent during the year, resulting in the loss of 50 basis points in share to 13.2 per cent. Direct delivery sales increased 4.5 per cent over last year, maintaining its 2.3 per cent market share.

1 Illegal channel sales consist of LCBO estimates for smuggling and illegal wine manufacturing. Smuggling is estimated based on the variance between Ontario's expected per capita consumption of spirits (based on its relationship to U.S. per capita consumption in 1981) and Ontario's current actual per capita consumption. Illegal wine manufacturing is estimated by obtaining imported grape juice for wine-making data from Statistics Canada and deducting the legal and reliable uses for the raw material. Current findings and trends are also considered in the estimation of illegal channel sales.

2 See Ontario Sales Channel Summary on page 88 for further detail.

WINE VOLUME MARKET SHARE, 2010–11 (2009–10 SHARE IN BRACKETS)

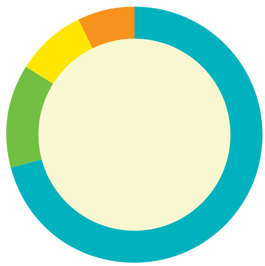
LCBO Imported	61.8% (61.4%)
LCBO Ontario	22.4% (22.3%)
Wine Retail Stores	13.2% (13.7%)
Direct Delivery	2.3% (2.3%)
LCBO Domestic – Other	0.3% (0.4%)



During 2010–11, provincial beer volume sales were essentially flat, down 0.2 per cent compared to a year earlier. However, the LCBO continued to gain market share. Beer sold at the LCBO, excluding sales to TBS, grew by 4.9 per cent. Meanwhile sales at TBS declined 1.5 per cent versus 2009–10. LCBO volume market share increased to 21.8 per cent from 20.8 per cent last year. Meanwhile, TBS volume market share declined to 78.2 per cent from 79.2 per cent over the same timeframe.

BEER VOLUME MARKET SHARE, 2010–11 (2009–10 SHARE IN BRACKETS)

TBS Domestic	71.0% (71.8%)
LCBO Domestic	13.0% (11.9%)
LCBO Imported	8.8% (8.9%)
TBS Imported	7.2% (7.4%)



OPERATING RESULTS

Gross Margin

Gross margin totalled $2.27 billion in fiscal 2010–11, 7.7 per cent more than the previous year and 3.6 per cent better than plan. Expressed as a percentage of net sales, gross margin was 49.9 per cent, an improvement from 48.9 per cent last year and more than the budgeted 49.7 per cent. The favourable variance to plan was primarily due to stronger than anticipated sales of premium and imported spirits. The increase over last year was supported by strong product sales as well as the new mark-up structure related to HST implementation, which added approximately $116 million to LCBO margin[3].

3 See LCBO's external environment on page 45 for more information.

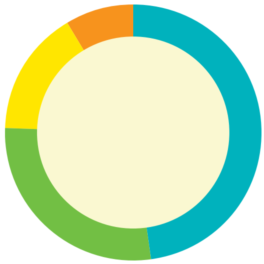

VINTAGES
Spain & Portugal's
RIVERS OF GOLD

Wine and spirits products were responsible for more than 80 per cent of the gross margin growth over last year – or 42.9 per cent and 38.4 per cent, respectively. Beer accounted for 18.7 per cent of the improvement. LCBO receives the highest margin per dollar of net sales from spirits products at 58 cents per net sales dollar. Wine contributes 51 cents per net sales dollar while beer provides 37 cents. (Note: these margin numbers include sales through VINTAGES.)

Spirits accounted for the largest portion of total gross margin at 47.8 per cent due to higher margins on spirits products. Wines and VINTAGES represented 28.0 per cent and 8.5 per cent of share of margin, respectively, while Beer and Cider accounted for 15.7 per cent.

SHARE OF MARGIN BY BUYER, 2010–11

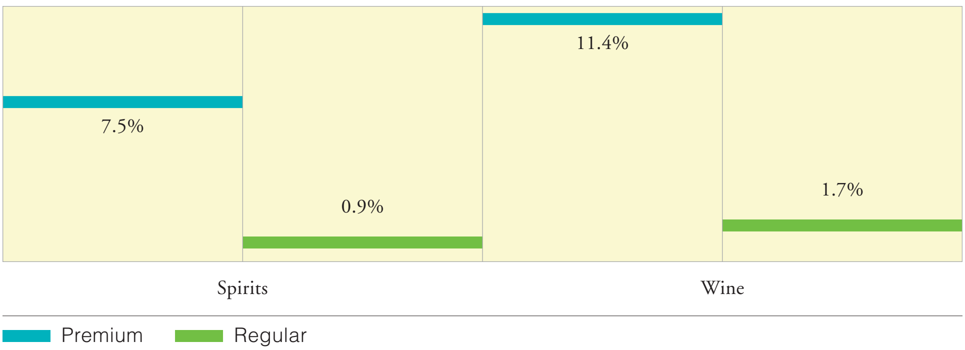
Spirits	47.8%
Wines	28.0%
Beer and Cider	15.7%
VINTAGES	8.5%



Note: Excludes private ordering

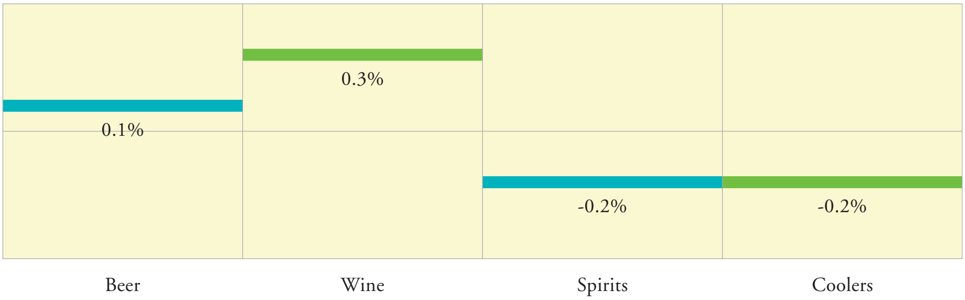
In 2010–11, premium wine priced at $15 or more for a 750 mL bottle posted a sales increase of 11.4 per cent compared to growth of 1.7 per cent for all other wines. Among spirits, premium products priced over $30 for a 750 mL bottle experienced a sales increase of 7.5 per cent while other spirits products were essentially flat, up 0.9 per cent year-over-year. The price point of beer has no effect on LCBO margins because beer mark-ups are flat: they do not change along with the product's value, as is the case with wine and spirits.

REGULAR VERSUS PREMIUM PRODUCT (YEAR OVER YEAR VOLUME GROWTH)



Wine and beer gained share of total LCBO sales volume at the expense of spirits and coolers in 2010–11. Wine sales share increased 0.3 per cent from the previous year to 29.3 per cent and beer sales share improved 0.1 per cent to 51.9 per cent. Spirits sales share declined to 12.6 per cent from 12.8 per cent in 2009–10 while coolers sales share also slipped 0.2 per cent to 6.2 per cent.

CHANGE IN SHARE OF LCBO SALES VOLUME



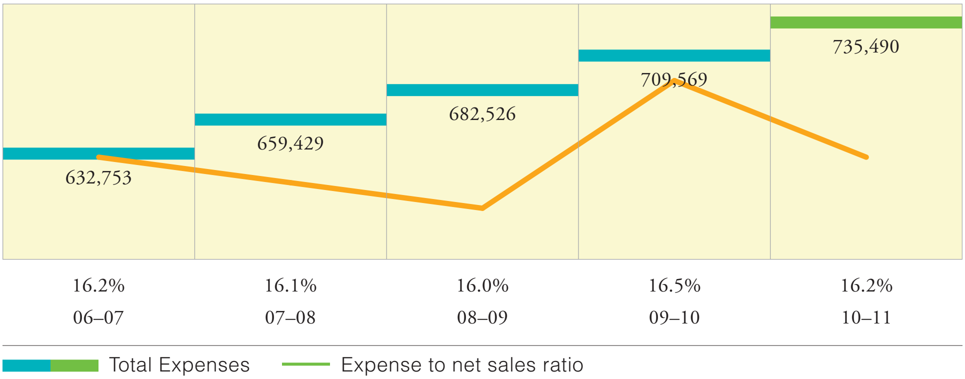
Expenses
Total expenses were $735.5 million during fiscal 2010–11, 0.3 per cent over budget and 3.7 per cent higher than in 2009–10. For each comparative, expense growth was well below the respective increases in sales over budget and last year.

From a divisional perspective, expenses increased $29.8 million or 5.3 per cent compared to the previous year, but essentially met plan, over by 0.2 per cent. Wage increases related to the 2009 collective agreement as well as higher occupancy costs relating to new and upgraded stores contributed to the variance. Retail division expenses increased $22.9 million or 5.8 per cent over the previous year. Administrative expenses grew $8.1 million, while Logistics experienced a 3.5 per cent, or $1.8 million, increase in costs. Sales and Marketing reduced their expenses by more than $3 million or 14.2 per cent during the year.

Non-divisional expenses were 2.1 per cent more than budget, but 3.2 per cent lower than in the previous year. The favourable variance primarily resulted from lower charges for employee benefit obligations as last year there were substantial charges relating to an actuarial assessment. This variance was partially offset by environmental initiatives costs, $8 million or 60.6 per cent more than a year ago, and depreciation expense, $4 million or 9.0 per cent higher year-over-year.

In fiscal 2010–11, due to expenses rising at a slower rate than sales, the expense-to-net-sales ratio was 16.2 per cent, better than the planned target of 16.6 per cent and last year's ratio of 16.5 per cent. Each one per cent difference in the ratio represents a change of approximately $45 million.

EXPENSE TREND (VALUES IN $000)

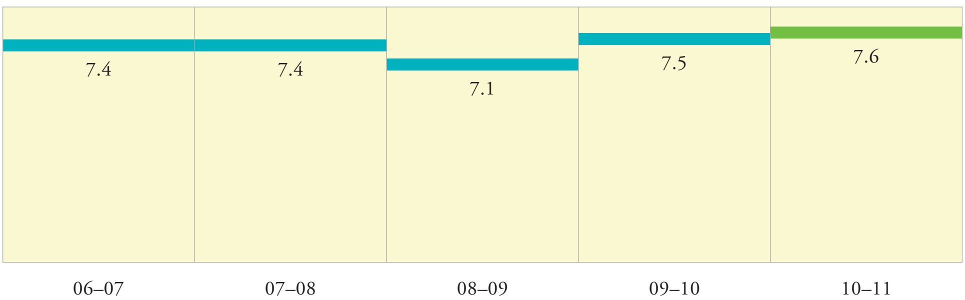


Inventory

Total inventory turns improved to 7.6 in 2010–11, better than plan and last year. By product category, turns for Wines (excluding VINTAGES) decreased slightly from 6.4 last year to 6.3 while all other categories showed improvement. Inventory turns for Spirits increased to 8.9 from 8.8, Beer and Cider rose to 17.7 from 16.7, and VINTAGES moved to 3.3 from 3.1.

Retail inventory turns increased to 13.4, which was 0.3 turns better than last year and 0.1 more than plan. Warehouse inventory turns advanced to 13.0, 0.1 better than a year ago and 0.2 ahead of the budgeted target.

TOTAL INVENTORY TURNS



Financial and Operating Ratios

Income statement ratio performance was favourable in 2010–11.

Net income improved to 34.3 per cent of net sales for the year, surpassing last year's ratio of 33.3 per cent and the budgeted ratio of 33.6 per cent.

Gross margin as a percentage of net sales was 49.9 per cent for the year, more than the target of 49.7 per cent and the previous year's ratio of 48.9 per cent[4].

[4] See Gross Margin section on page 49 for further detail.

Administrative expenses as a percentage of net sales were 10 basis points better than plan and last year at 1.4 per cent. Operating expenses came in at 11.7 per cent of net sales, the same as the previous year but better than the target of 12.0 per cent.

Productivity Ratios

To help track expenses and to identify where improvements are occurring, or are needed, the LCBO sets targets for many productivity ratios each year. For example, the store expenses-to-sales ratio shows what percentage of net sales is needed to pay retail expenses such as salaries, store rents and other expenses.

RETAIL – FINANCIAL AND OPERATING HIGHLIGHTS

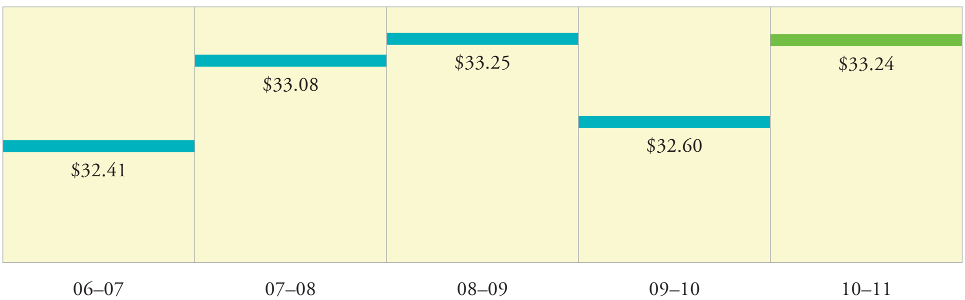
	06–07	07–08	08–09	09–10	10–11
Store salary to sales	6.8%	6.8%	6.9%	7.0%	7.1%
Store expenses as percentage of sales	10.0%	10.0%	10.0%	10.4%	10.4%
Store salary per unit sold	$0.74	$0.72	$0.72	$0.71	$0.72
Store expenses per unit sold	$1.08	$1.05	$1.05	$1.05	$1.05
Unit sales per hour	36.7	38.6	39.8	41.5	42.0
Sales per customer	$32.41	$33.08	$33.25	$32.60	$33.24
Sales per square foot	$1,898	$1,885	$1,878	$1,808	$1,820

As a percentage of net sales, LCBO retail store salaries in 2010–11 increased 10 basis points from the previous year to 7.1 per cent. Store salaries per unit sold rose to $0.72.

Store expenses as a percentage of sales were 10.4 per cent, the same as last year and equal to plan. Store expenses per unit sold were also unchanged at $1.05, matching the planned amount.

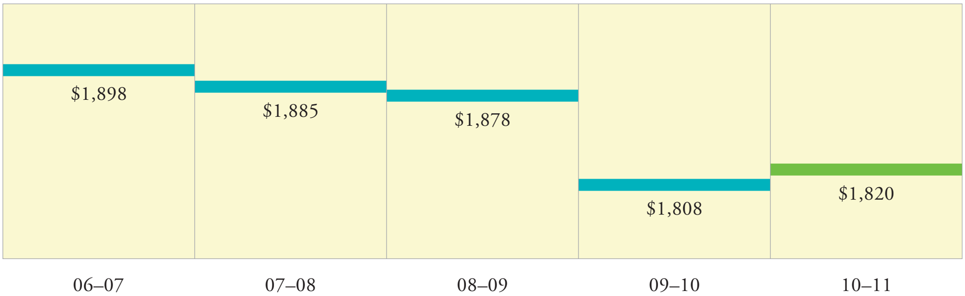
In 2010–11, average sales per customer during 2010–11 increased to $33.24, rebounding from a three-year low of $32.60 in 2009–10 when economic pressures resulted in many customers trading down to lower-priced products.

AVERAGE SALES PER CUSTOMER



The "trading down" effect also reduced store sales per square foot last year, but additional square footage in newly-opened stores was also a leading contributor to the decline in 2009–10. While the ratio improved in 2010–11 to $1,820 per square foot – exceeding the planned amount of $1,784 – the result remains historically lower due to added selling space.

AVERAGE SALES PER SQUARE FOOT



LCBO logistics productivity ratios largely outperformed plan in 2010–11 while results were slightly unfavourable to the previous year. Warehouse cost per case (excluding freight) increased to $1.24, but remained below the target of $1.25. Likewise, salary cost per case increased $0.02 to $1.02, or $0.01 below than the planned figure.

Distribution cases per hour decreased to 73 in 2010–11, one less than last year but three better than the target of 70.

Freight expense per case rose slightly to $1.36 in 2010–11, but remains historically favourable. Lower ocean freight expenses resulting from lower rates in the current ocean freight contract signed in July 2008 led to the improvement in this ratio. Inbound freight as a percentage of sales improved to 1.9 per cent in 2010–11 while outbound freight continues to hold steady at 0.7 per cent.

LOGISTICS – FINANCIAL AND OPERATING HIGHLIGHTS

	06–07	07–08	08–09	09–10	10–11
Warehouse salary cost per case	$0.94	$0.98	$1.00	$1.00	$1.02
Warehouse cost per case	$1.14	$1.19	$1.21	$1.22	$1.24
Distribution cases per hour	68	70	73	74	73
Distribution expenses per case	$0.67	$0.70	$0.66	$0.66	$0.67
Freight expense per case	$1.73	$1.79	$1.66	$1.35	$1.36
Inbound freight as percentage of sales	2.8%	2.8%	2.5%	2.0%	1.9%
Outbound freight as percentage of sales	0.7%	0.7%	0.7%	0.7%	0.7%

Capital Expenditures

The LCBO remained committed to investing in its retail stores during 2010–11. The agency upgraded more locations to current corporate standards, increased the total number of stores in the province, and improved service in markets where population growth is occurring or is projected.

($000)	06–07	07–08	08–09	09–10	10–11
Retail	38,292	45,101	40,673	42,044	36,767
Retail Store Development and Real Estate	1,025	1,126	146	149	629
Information Technology	7,320	7,709	7,887	8,572	10,916
Logistics	3,332	2,433	3,108	3,875	5,130
Marketing Programs	1,225	1,274	1,402	1,132	1,418
Other Administrative Divisions	3,022	6,016	6,552	4,187	2,615
Total Capital Expenditures	54,217	63,659	59,769	59,959	57,476

LOOKING AHEAD

As of fiscal 2011–12, the LCBO has adopted International Financial Reporting Standards (IFRS). For this section only, 2010–11 results have been adjusted to IFRS accounting standards for comparability to 2011–12 and differ from the results following Canadian generally accepted accounting principles (CGAAP) presented elsewhere in this annual report[5].

In fiscal 2011–12, LCBO net sales are forecast to increase to $4.68 billion, representing year-over-year growth of 4.1 per cent.

Gross margin is forecast to improve by 4.8 per cent to $2.35 billion during the upcoming fiscal year. Gross margin as a percentage of net sales is expected to rise to 50.2 per cent, up from 49.9 per cent in 2010–11.

Net income is forecast to be $1.64 billion in 2011–12, $77 million or 4.9 per cent more than the previous year. As a result, the LCBO's dividend to the Government of Ontario is expected to increase for the 18th consecutive year to $1.63 billion, $80 million more than in fiscal 2010–11.

5 See Transition to International Financial Reporting Standards (IFRS) on page 58 for further detail.


Ontario
Craft Beer
A nine pack of our
all-natural premium beer.
A CONNOISSEUR
ACCOUNTANT
9 Bottles
9 Bottles
CRAFT
BEER

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

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

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

The LCBO performed its review of the IFRS standards. The LCBO's accounting policy decisions and their financial impacts are discussed in the following section.

LCBO's financial reporting for the IFRS year ended March 31, 2012 and comparative year ended March 31, 2011 will be based on the standards that are effective at March 31, 2012. After adoption of IFRS, the LCBO will continue to monitor changes to IFRS. The International Accounting Standards Board (IASB) has issued certain exposure drafts, including the standards on leases, which will have a material impact on LCBO in the foreseeable future. Currently, there are no IFRS exposure drafts that are expected to create a change during the LCBO's transition to IFRS for the year ended March 31, 2012.

The LCBO has made preliminary determinations regarding LCBO's accounting policies relative to certain IFRS standards. The financial impacts are considered preliminary and should not be regarded as the complete changes that will result from the transition to IFRS. Readers are cautioned that the determinations and financial impacts are based on preliminary IFRS 1 elections and exemptions and accounting policy choices and may be subject to change.

OPENING BALANCE SHEET – APRIL 1, 2010

First-time Adoption of International Financial Reporting Standard (IFRS 1) Elections

IFRS 1 allows preparers to make certain elections upon the initial adoption of IFRS as of the opening balance sheet date. The election options that are relevant to LCBO and the decisions made by LCBO with respect to those options, along with the resulting financial impact, are discussed as follows:

IFRS 1 Standard	Option	Decision and Financial Impact on LCBO's April 1, 2010 Opening Balance Sheet
Fair value or revaluation as deemed cost	This exemption allows a first-time adopter to initially measure an item of capital assets and intangible assets upon transition to IFRS at either fair value or a previous GAAP valuation (i.e. historical cost) and set this as the deemed cost at that date.	LCBO has chosen to continue to use historical cost for items of capital assets and intangible assets. Upon transition, LCBO expects there will be no financial impact.
Employee benefits	This exemption permits a first-time adopter to reset the cumulative actuarial gains and losses to zero by recognizing the full amount in the retained earnings on the transition date.	LCBO has chosen to take this election, resulting in the recognition of previously unrecognized actuarial losses as a charge to opening retained earnings and an increase in non-pension employee future benefits. Upon transition to IFRS, the LCBO expects the impact to be an increase in non-pension employee future benefits and a decrease to opening retained earnings of $12.4 million, respectively.
Borrowing costs	This exemption allows a first-time adopter to adopt IAS 23, which requires the capitalization of borrowing costs on all qualifying assets, prospectively from the date of the opening IFRS balance sheet.	The LCBO has chosen to take this election. Upon transition to IFRS, LCBO expects there will be no financial impact. LCBO has no past borrowing costs on qualifying assets, but will apply IAS 23 on qualifying assets going forward.

Accounting Policy Changes

There are several differences between IFRS requirements and the LCBO's existing CGAAP accounting policies. IFRS 1 requires that entities reflect the adoption of IFRS as if they had always been applying IFRS. Therefore, certain accounting policy changes that LCBO has chosen to implement will require an opening balance sheet adjustment to reflect the impact of applying IFRS as of April 1, 2010 being the opening IFRS balance sheet date as follows:

Standard	Comparison between current accounting and IFRS	Preliminary Conclusion
IAS 16: Property, Plant and Equipment ("Capital assets")	Current Accounting: The historical cost model is used. Capital assets are to be recorded at cost upon initial acquisition and are to be depreciated over the useful lives of the asset class. CGAAP also provides an option to componentize capital assets when an entity is able to do so. IFRS: Has more specific guidance on capitalization and required componentization of capital assets. After initial recognition, there is also the option to measure capital assets using the cost model or the revaluation model.	LCBO will continue to use the cost model. LCBO performed a detailed analysis to determine the impact of refining the component useful lives of capital assets and capitalization policy as of their initial recognition date. The impact was deemed to be insignificant and no adjustment was required as of the opening balance sheet date of April 1, 2010. Furthermore, LCBO elected to early adopt these refinements to capital assets for purchases made after April 1, 2010. This application is acceptable under both CGAAP and IFRS.

Standard	Comparison between current accounting and IFRS	Preliminary Conclusion
IAS 19: Employee Benefits ("Actuarial gains and losses")	Current Accounting: Actuarial gains and losses related to defined employee benefit obligations are recorded using a 10 per cent corridor approach, meaning the actuarial gains or losses are amortized over the employee's average remaining service life. IFRS: Actuarial gains and losses related to the valuation of defined employee benefit obligations are to be recorded using a 10 per cent corridor approach or immediately recognized in equity or net income depending on the nature of the benefits.	**Contractual Severance and Executive Compensation Time Banking Benefits** LCBO has adopted a policy of immediate recognition of actuarial gains and losses in other comprehensive income as these benefits accrue over the service life of employees. **Unfunded Workers Compensation and Long-term Income Protection Benefits** In accordance with IAS 19, LCBO has adopted a policy of immediate recognition of actuarial gains and losses in net income as these are event-driven, long-term employee benefit obligations. Upon transition to IFRS, the LCBO expects the impact to be an increase in non-pension employee future benefits and a decrease to opening retained earnings of $12.4 million, respectively.
IAS 19: Employee Benefits ("Short-term employee benefits")	Current Accounting: Short-term employee benefits are recognized within net income when they are deemed to be a present legal obligation. IFRS: Short-term employee benefits are recognized within net income when there is either a present legal or constructive obligation to make payments as a result of past events.	LCBO has adopted a policy to recognize short-term employee benefits in the year the employee has rendered service in exchange for those benefits and those benefits are either deemed to be legal or constructive obligations. Upon transition to IFRS, the LCBO expects the impact to be an increase in accounts payable and accrued liabilities and a decrease to opening retained earnings of $7.1 million, respectively. These amounts were not material to any prior year financial statements.

Standard	Comparison between current accounting and IFRS	Preliminary Conclusion
IAS 19: Employee Benefits ("other long-term employee benefits")	Current Accounting: Certain other long-term employee benefits, such as Long-term Income Protection benefits (LTIP) are recognized within net income when these benefits are received by the employee. IFRS: Other long-term employee benefits are recognized when an event occurs and an employee is eligible to receive benefits while not providing active service.	LCBO has adopted a policy to recognize LTIP benefits in the fiscal year an event occurs where an employee is eligible to receive benefits while not providing active service. Upon transition to IFRS, the LCBO expects the impact to be an increase in non-pension employee future benefits and a decrease to opening retained earnings of $9.1 million, respectively. These amounts were not material to any prior year financial statements.
IAS 36: Impairment of Assets ("Impairment")	Current Accounting: Capital assets and intangible assets are tested for impairment when events or circumstances indicate their carrying value exceeds the sum of the undiscounted cash flows expected from their use and disposal. An impairment loss is measured as the amount by which the carrying values of the asset or asset group exceed their fair values. Assets are reviewed for impairment at least annually. IFRS: Assets must be tested for impairment at the cash-generating unit level (CGU). A CGU is the smallest identifiable group of assets that generates cash flows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses can be reversed in subsequent years.	LCBO has adopted a policy of testing assets for impairment at the CGU level. The CGU level is defined as the independent cash flows at the store level. Upon transition to IFRS, the LCBO determined that additional impairments are not significant and no further adjustments are required.

OTHER IFRS CONSIDERATIONS

LCBO has identified other balance sheet presentation changes that will have no significant retained earnings impact. These changes include a reclassification of certain beer container deposits from inventories to accounts receivable, trade and other; and recognition of provisions that will reduce opening retained earnings and increase liabilities.

SUMMARY OF IFRS OPENING RETAINED EARNINGS IMPACT

The following is a summary of the expected impacts to LCBO's opening IFRS retained earnings as at April 1, 2010:

($000) Description	Opening Retained Earnings Impact – April 1, 2010 Increase/(Decrease)
Opening retained earnings under CGAAP – April 1, 2010	379,786
IFRS 1 – reset of unamortized actuarial losses	(12,444)
Recognition of short-term employee benefits	(7,130)
Recognition of other long-term employee benefits	(9,112)
Recognition of additional provisions – sales returns	(264)
Decrease in opening retained earnings – April 1, 2010	(28,950)
Opening retained earnings under IFRS – April 1, 2010	350,836

Responsibility for Financial Reporting

The preparation, presentation and integrity of the financial statements are the responsibility of management. The accompanying financial statements of the Liquor Control Board of Ontario have been prepared in accordance with Canadian generally accepted accounting principles and include amounts that are based on management's best estimates and judgment.

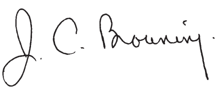
Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. An internal audit function independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its findings to management and the Audit Committee of the Board.

The Board, through the Audit Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Audit Committee, composed of four Members who are not employees/officers of the LCBO, generally meets periodically with management, the internal auditors and the Office of the Auditor General to satisfy itself that each group has properly discharged its respective responsibility.

The financial statements have been audited by the Office of the Auditor General. The Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditor's Report outlines the scope of the Auditor's examination and opinion.

On behalf of management:

N. ROBERT PETER, *President & Chief Executive Officer*



J. ALEX BROWNING, *Senior Vice President, Finance & Administration, and Chief Financial Officer*
June 28, 2011

Auditor's Report

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

I have audited the accompanying financial statements of the Liquor Control Board of Ontario, which comprise the balance sheet as at March 31, 2011, and the statement of income and retained income, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

OPINION

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Liquor Control Board of Ontario as at March 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

JIM MCCARTER, FCA, *Auditor General Licensed Public Accountant*
Toronto, Ontario
June 28, 2011

Balance Sheet

As at March 31, 2011

($000)	2011	2010
ASSETS		
Current		
Cash and cash equivalents	222,060	217,791
Accounts receivable, trade and others	25,090	23,705
Inventories (Note 3)	374,490	344,534
Prepaid expenses	26,963	13,574
	648,603	599,604
Long-term		
Capital assets & intangible assets (Note 4)	297,504	294,446
	946,107	894,050
LIABILITIES AND RETAINED INCOME		
Current		
Accounts payable and accrued liabilities	474,648	436,397
Current portion of non-pension employee future benefits (Note 5)	7,583	5,925
	482,231	442,322
Long-term		
Non-pension employee future benefits (Note 5)	71,781	71,942
Retained income	392,095	379,786
	946,107	894,050

Commitments and Contingencies (Notes 6 and 9)

See accompanying notes to financial statements.

Approved by:

Chair

Board Member, Chair Audit Committee

Statement of Income and Retained Income

Year Ended March 31, 2011

($000)	2011	2010
Sales and other income	4,576,871	4,344,099
Cost and expenses		
Cost of sales	2,279,072	2,198,920
Retail stores and marketing	484,632	477,517
Warehousing and distribution	87,192	85,913
Administration	110,554	97,424
Amortization	53,112	48,716
	3,014,562	2,908,490
Net income for the year	1,562,309	1,435,609
Retained income, beginning of year	379,786	354,177
	1,942,095	1,789,786
Deduct		
Dividend paid to the Province of Ontario	1,550,000	1,410,000
	1,550,000	1,410,000
Retained income, end of year	392,095	379,786

See accompanying notes to financial statements.

Statement of Cash Flows

Year Ended March 31, 2011

($000)	2011	2010
Cash provided from operations		
Net income	1,562,309	1,435,609
Amortization	53,112	48,716
(Gain) Loss on sale of capital assets	(342)	318
	1,615,079	1,484,643
Net change in non-cash items increase/(decrease)		
Accounts receivable, trade and others	(1,385)	(2,093)
Inventories	(29,956)	(1,674)
Prepaid expenses	(13,389)	3,315
Accounts payable and accrued liabilities	38,251	46,595
Employee Future Benefits	1,497	18,400
	1,610,097	1,549,186
Cash used for investment activities		
Purchase of capital assets	(57,477)	(84,148)
Proceeds from sale of capital assets	1,649	655
	(55,828)	(83,493)
Cash used for financing activities		
Dividend paid to the Province of Ontario	(1,550,000)	(1,410,000)
	(1,550,000)	(1,410,000)
Increase in cash during the year	4,269	55,693
Cash and cash equivalents, beginning of year	217,791	162,098
Cash and cash equivalents, end of year	222,060	217,791

See accompanying notes to financial statements.

Notes to Financial Statements

March 31, 2011

1. NATURE OF THE CORPORATION

The Liquor Control Board of Ontario (Board) is a corporation without share capital incorporated under the *Liquor Control Act*, R.S.O. 1990, Chapter L.18. The corporation is a government enterprise responsible for regulating the production, importation, distribution and sale of alcoholic beverages in the Province of Ontario. As an Ontario Crown Corporation, the Board is exempt from income taxes under Section 149(1)(d) of the *Canadian Income Tax Act*. The Board transfers most of its profits to the Province of Ontario's Consolidated Revenue Fund in the form of a dividend.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The Board's financial statements are prepared in accordance with Canadian generally accepted accounting principles.

(b) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(c) Financial Instruments

Financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments are measured at fair value upon initial recognition except for certain related party transactions. After initial recognition, financial instruments are measured at their fair values, except for financial assets classified as held-to-maturity, loans and receivables and other financial liabilities, which are measured at cost or amortized cost, using the effective interest rate method. See Note 7 for the resulting disclosures.

The Board's financial assets and liabilities are classified as follows:

- Cash and cash equivalents are classified as held-for-trading and recorded at fair value.
- Accounts receivable, trade and others are classified as loans and receivables and are measured at amortized cost, which approximates fair value given their short-term nature.
- Accounts payable and accrued liabilities are classified as other financial liabilities and are recorded at amortized cost. Accounts payable and accrued liabilities are generally short term in nature and due within one year of the balance sheet date.
- Derivative financial instruments are classified as held-for-trading and recorded at fair value. The Board enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate risk. The fair value of such derivative financial instruments is determined by reference to current market exchange rates and any gains or losses are included in the Statement of Income and Retained Income.

(d) Cash and Cash Equivalents

Cash and cash equivalents comprise cash and highly liquid investments with original maturity dates of less than 90 days.

The Board's investment policy restricts short-term investments to high-liquidity, high-grade money market instruments such as federal/provincial treasury bills, banker's acceptances and term deposits.

(e) Inventories

The Board values inventories at the lower of cost and net realizable value with cost being determined by the weighted average cost method. Cost includes the cost of purchase net of vendor allowances and includes other direct costs, such as transportation and direct warehouse handling costs that are incurred to bring inventories to their present location and condition. Storage costs, indirect administrative overhead and certain selling costs related to inventories are expensed in the period that these costs are incurred. The Board estimates net realizable value as the amount that inventories are expected to be sold at less than the estimated costs necessary to make the sale. Inventories are written down to net realizable value when the cost of inventories is not estimated to be recoverable due to obsolescence, damage or declining selling prices. The resulting disclosures are presented in Note 3.

(f) Capital Assets

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

Amortization is recognized in the Statement of Income and Retained Income on a straight-line basis over the estimated useful lives of each major component of capital assets, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leasehold improvements are amortized over the lesser of the lease term and their useful lives.

The estimated useful lives for capital assets are as follows:

- Buildings 5–40 years
- Furniture and Equipment 5–20 years
- Computer Equipment 3 years or 4 years

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

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

Capital assets are subjected to an impairment test. The impairment test compares the carrying amount of the capital assets with their fair value, and an impairment loss is recognized in an amount equal to the excess, if any.

(g) Intangible Assets

Intangible assets are assets which lack physical substance. Expenditures with a future useful life beyond the current year are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Amortization is recognized in the Statement of Income and Retained Income on a straight-line basis over the estimated useful lives of the intangible assets, since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset.

The estimated useful lives for intangible assets are as follows:

– Computer software 3 years or 4 years

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

Intangible assets are subjected to an impairment test. The impairment test compares the carrying amount of the intangible assets with their fair value, and an impairment loss is recognized in an amount equal to the excess, if any.

(h) Employee Future Benefits

i. Pension Plan

The Board provides pension benefits for all its permanent employees (and to non-permanent employees who elect to participate) through the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union Pension Fund (OPSEU Pension Fund) which are multi-employer defined benefit pension plans. The Province of Ontario, which is the sole sponsor of the PSPF and a joint sponsor of the OPSEU Pension Fund, determines the Board's annual contribution to the funds. As the sponsors are responsible for ensuring that the pension funds are financially viable, any surpluses or unfunded liabilities arising from statutory actuarial funding valuations are not assets or obligations of the Board. See Note 5 for the resulting disclosures.

ii. Non-pension Employee Future Benefits

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

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

(i) Revenue Recognition

Revenue on the sales of products is recognized upon the sale to customers. Revenue on the sales of services is recognized when the services are rendered.

(j) Expense Recognition

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

(k) Leases

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

(l) Translation of foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates in effect at the year-end. Non-monetary assets and liabilities are translated using historical exchange rates. Sales and expense transactions in foreign currencies are translated into Canadian dollars at rates in effect at the date of the transaction. Any exchange gains or losses are included in the Statement of Income and Retained Income.

3. INVENTORIES

The cost of inventories sold during the year and recognized as a Cost of sales expense during the year ended March 31, 2011 was $2,279 million (2010 – $2,199 million). There were no significant write-downs or reversal of previous write-downs to net realizable value during the year ended March 31, 2011 (2010 – nil).

4. CAPITAL ASSETS & INTANGIBLE ASSETS

($000) March 31,			2011	2010
Capital Assets	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	12,816	–	12,816	12,895
Buildings	369,889	264,195	105,694	107,123
Furniture and equipment	97,469	74,738	22,731	21,213
Leasehold improvements	321,804	210,363	111,441	106,284
Computer equipment	56,766	45,968	10,798	12,190
Construction in progress	8,341	–	8,341	7,781
	867,085	595,264	271,821	267,486
Intangible Assets				
Computer software	93,877	69,003	24,874	19,144
Software in development	809	–	809	7,816
	94,686	69,003	25,683	26,960
Total Capital and Intangible Assets	961,771	664,267	297,504	294,446

Impairments of Capital assets and intangible assets expensed for the year was $2.8 million (2010 – nil) and is included in Cost and expenses in the Statement of Income and Retained Income.

5. EMPLOYEE FUTURE BENEFITS

(a) Pension Plan

For the year ended March 31, 2011, the expense was $22.3 million (2010 – $19.2 million) and is included in Cost and expenses in the Statement of Income and Retained Income.

(b) Non-pension

The accrued benefit obligation includes accruals for contractual severance payments, executive compensation time banking and unfunded workers compensation obligation.

For the year ended March 31, 2011 the actuarially determined benefit obligation of the contractual severance, executive compensation time banking and unfunded workers compensation obligation was $88.4 million (2010 – $85.8 million). The accrued benefit liability as at March 31, 2011, is $79.4 million (2010 – $77.9 million) of which $7.6 million (2010 – $5.9 million) is classified as a current liability. The difference between the benefit obligation and the benefit liability is the unamortized net actuarial experience gain or loss.

The Board measures its accrued benefits obligation for accounting purposes as at March 31st of each year. The latest actuarial valuation for the contractual severance, executive compensation time banking and the unfunded workers compensation was performed as at March 31, 2011. The Board will at a minimum conduct an actuarial valuation of employee future benefits every three years.

($000) March 31,	2011	2010
Employee Benefit plan assets	–	–
Employee Benefit plan liabilities	88,356	85,838
Employee Benefit plan deficit	88,356	85,838
Unamortized net actuarial experience gain/(loss)	(8,992)	(7,971)
Accrued Benefit liability	79,364	77,867
Benefit obligation recognized on the balance sheet		
Benefit obligation, beginning of year	77,867	59,467
Expense for the year	12,253	27,185
Benefits paid during the year	(10,756)	(8,785)
Benefit obligation, end of year	79,364	77,867

The significant actuarial assumptions used are as follows:

	Contractual Severance and Executive Compensation Time Banking		Unfunded Workers Compensation	
	2011	2010	2011	2010
Discount rate to determine accrued benefit obligation	4.50%	4.50%	4.50%	4.50%
Discount rate to determine the benefit cost	4.50%	6.00%	4.50%	6.50%
Salary rate increase	3.00%	3.00%	4.00%	4.00%
Health cost rate increase	N/A	N/A	6.50%	6.50%
Average remaining service life	8–11 years	8–11 years	7.5 years	7.5 years

The cost of unused vacation entitlements are accrued and included in Accounts payable and accrued liabilities on the Balance Sheet. As at March 31, 2011, $9.2 million (2010 – $9.3 million) was accrued.

6. LEASE COMMITMENTS

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

($000)	
2012	58,521
2013	59,037
2014	56,805
2015	53,418
2016	51,232
Thereafter	390,539
	669,552

7. FINANCIAL INSTRUMENTS

The Board's financial instruments consist of cash and cash equivalents, accounts receivable, trade and others, accounts payable and accrued liabilities and derivative financial instruments. The carrying values of these instruments approximate fair value due to the short-term maturities of these instruments.

(a) Foreign Exchange Risk

The Board is exposed to foreign exchange risk principally through transactional exposure, from the cost of future purchases of goods for resale, where those purchases are denominated in a currency other than Canadian dollars. The Board is exposed to foreign currency risk arising from various currency exposures, primarily with respect to US dollars and Euro dollars.

To manage foreign exchange risk associated with its purchases from foreign suppliers, the Board is authorized to enter into foreign exchange forward contracts, which are commitments to purchase foreign currencies at a specified date in the future at a fixed rate. As at March 31, 2011, the Board had no foreign exchange forward contracts (2010 – nil).

In the Board's assessment, a significant strengthening or weakening of the Canadian dollar against US dollars and Euro, with all other variables held constant, would not have a significant impact on earnings in comparison to the overall operations of the Board. For the year ended March 31, 2011, the Board recognized a net foreign exchange gain of $3.1 million (2010 – $6.3 million).

When the Board enters into inventory purchase contracts in a currency other than the Canadian dollar or that of the supplier's home or local currency, an embedded derivative may exist. Embedded derivatives (elements of contracts whose cash flows move independently from the host contract) are required to be separated and measured at their respective fair values except under certain circumstances. For the year ended March 31, 2011, management reviewed these contracts and has determined that the Board does not have any significant embedded derivatives or gains/losses resulting from these derivatives that require separate accounting and disclosure (2010 – nil).

(b) Credit Risk

Credit risk refers to the possibility that the Board can suffer financial losses due to failure of the Board's counterparties to meet their payment obligations. Exposure to credit risk exists for derivative instruments, cash and cash equivalents and accounts receivable. The Board minimizes credit risks associated with derivative instruments and cash and cash equivalents by dealing only with major Canadian chartered banks and Canadian subsidiaries of major foreign banks.

Accounts receivable arise primarily from sales billed to independent businesses, agents and other debtors. The Board does not consider its exposure to credit risk associated with accounts receivable, trade and others to be material. As at March 31, 2011, approximately 64% (2010 – 68%) of the Board's accounts receivable is due from one customer whose account is in good standing.

The carrying amount of accounts receivable is reduced through the use of an allowance for doubtful accounts at levels the Board considered adequate to absorb future credit losses. Subsequent recoveries of receivables previously provisioned are credited to the Statement of Income and Retained Income. A continuity schedule of the Board's allowance for doubtful accounts is as follows:

($000) March 31,	2011	2010
Allowance at beginning of period	100	285
Provision for losses	–	361
Recoveries	189	160
Write-offs	(87)	(706)
Allowance at end of period	202	100

(c) Liquidity Risk

Liquidity risk is the risk that the Board may not have cash available to satisfy financial liabilities as they come due. The Board's exposure to the liquidity risk is minimal as it has sufficient cash balances to settle all current liabilities.

8. CAPITAL DISCLOSURES

The Board is a corporation without share capital and has no long-term debt. Its definition of capital is cash and cash equivalents and retained income. The Board's main objectives when managing its capital are:

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

As at March 31, 2011 the LCBO met these objectives.

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

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

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

9. CONTINGENCIES

The Board is involved in various legal actions arising out of the ordinary course and conduct of business. The outcome and ultimate disposition of these actions are not determinable at this time. Accordingly, no provision for these actions is reflected in the financial statements. Settlements, if any, concerning these contingencies will be accounted for in the period in which the settlement occurs.

10. WASTE DIVERSION

The Board is responsible under the *Waste Diversion Act, 2002* to pay municipalities – through Stewardship Ontario, an industry funded waste diversion organization – for costs associated with container waste and non-container waste recycled through municipal Blue Box systems. For the year ended March 31, 2011, the Board contributed $1.8 million (2010 – $2.1 million) and these expenditures are included in Administration in the Statement of Income and Retained Income.

11. ONTARIO DEPOSIT RETURN PROGRAM

On November 6, 2006, the Province of Ontario entered into an agreement with Brewers Retail Inc. for management of a province-wide container deposit return program ("the program") on wine, liquor and non-common beer containers sold through the Board and Winery, on-site Microbrewery and Distillery Retail Stores. Brewers Retail Inc. was appointed the exclusive service provider for a period of five years effective February 5, 2007.

Under the program, the Board collects a deposit of 10 or 20 cents on wine, liquor and beer containers. The Board reimburses Brewers Retail Inc. for deposits it pays to customers who return containers to locations it operates, plus a service fee.

For the year ended March 31, 2011, the Board collected $57.8 million (2010 – $56.0 million) of deposits on containers and was invoiced $45.2 million (2010 – $43.5 million) for refunds to the customers.

In connection with the program, expenditures related to service fees paid to Brewers Retail Inc. for the year ended March 31, 2011, amounted to $32.0 million (2010 – $28.2 million), inclusive of $2.9 million (2010 – nil) of harmonized sales tax which is unrecoverable by the Board. In addition, the Board incurred expenditures in the amount of $0.1 million (2010 – $0.1 million) for promoting the program. These expenditures are included in Administration in the Statement of Income and Retained Income.

The Board's experience indicates that not all container deposits are redeemed. Based upon its redemption data and research of industry experience, part of the container deposits collected would not be redeemed. Based on historical redemption patterns, for the year ended March 31, 2010, the Board changed the estimated redemption rate for the program from 85% to 80%. Accordingly, for the year ended March 31, 2011 the Board applied $11.6 million (2010 – $16.8 million) of unredeemed deposits as a reduction to expenditures in connection with the program.

12. FUTURE CHANGES IN ACCOUNTING POLICIES

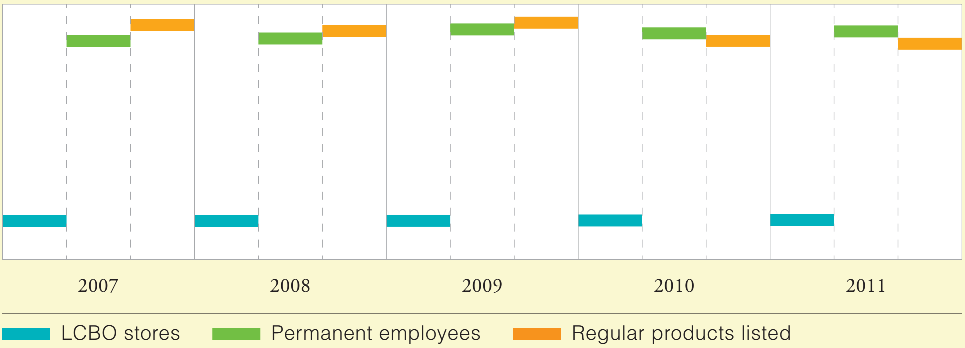
International Financial Reporting Standards

In February 2008, the Accounting Standards Board confirmed that Canadian generally accepted accounting principles (GAAP) for publicly-accountable enterprises will be converged with International Financial Reporting Standards (IFRS) effective in calendar year 2011, with early adoption allowed starting in calendar year 2010. IFRS uses a conceptual framework similar to Canadian GAAP, but there are differences on recognition, measurement and disclosures. The transition from Canadian GAAP to IFRS will be applicable to the Board's financial statements for fiscal 2011/2012, at which time the Board will prepare both its fiscal 2011/2012 and fiscal 2010/2011 comparative financial information using IFRS.

KEY INDICATORS: 2007–2011

Operations

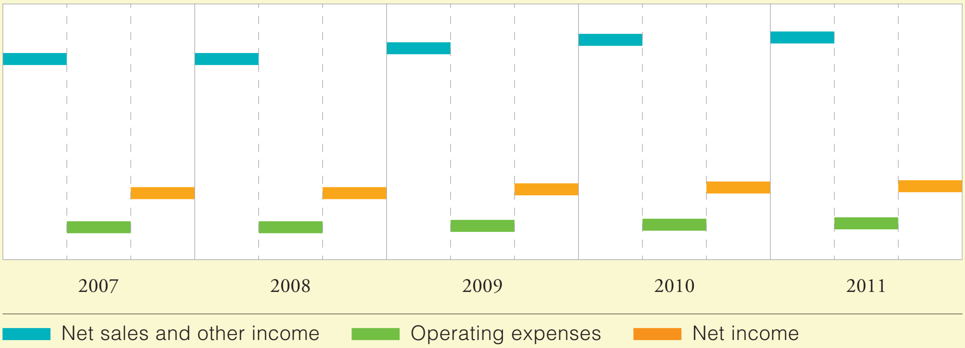
	2007	2008	2009	2010	2011
Number of LCBO stores	601	604	607	611	617
Number of permanent employees	3,421	3,462	3,604	3,542	3,573
Number of regular products listed	3,674	3,578	3,710	3,427	3,381



FINANCIAL INDICATORS: 2007–2011

Financial (values in $000)

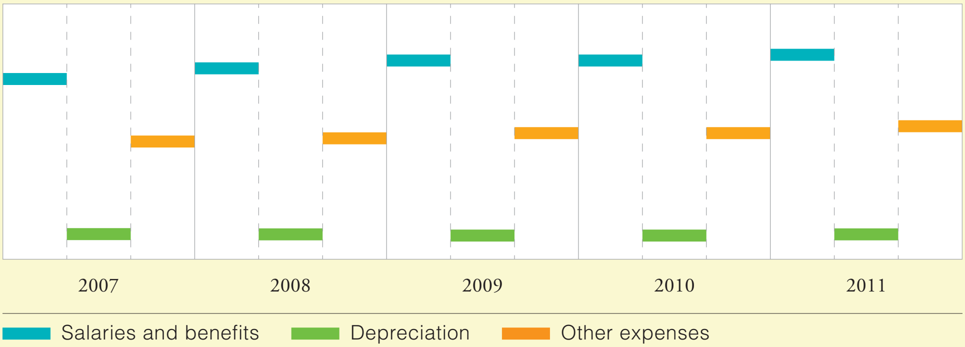
	2007	2008	2009	2010	2011
Net sales and other income	3,922,648	4,133,191	4,297,642	4,344,099	4,576,871
% change/previous year	6.5%	5.4%	4.0%	1.1%	5.4%
Operating expenses	632,750	659,429	682,526	709,570	735,490
As a % of net sales & other income	16.1%	16.0%	15.9%	16.3%	16.1%
Net income	1,300,601	1,374,357	1,410,174	1,435,609	1,562,309
As a % of net sales & other income	33.2%	33.3%	32.8%	33.0%	34.1%



OPERATING EXPENSES: 2007–2011

Breakdown of operating expenses (values in $000)

	2007	2008	2009	2010	2011
Salaries and benefits	352,960	373,864	389,159	400,335	424,177
Depreciation	49,233	48,757	46,406	48,716	53,112
Other expenses	230,557	236,808	246,961	260,519	258,201
Total operating expenses	632,750	659,429	682,526	709,570	735,490



REVENUE PAYMENTS

Treasurer of Ontario (values in $000)

	2007	2008	2009	2010	2011
Remitted by the Liquor Control Board: on account of profits	1,279,700	1,345,000	1,400,000	1,410,000	1,550,000
Remitted by the Liquor Control Board: Ontario retail sales tax on sales of liquor[1]	363,338	382,631	398,057	404,823	101,725
Remitted by the Alcohol and Gaming Commission: on account of licence fees and permits (replaced by Tax)[2]	499,373	505,980	500,157	491,398	202,641
Remitted by the Ministry of Revenue: Beer and Wine Tax (replacing fees)[2]					398,000
Remitted by others:					
Ontario retail sales tax on sales through The Beer Store and Ontario winery retail stores[1]	206,405	211,814	213,691	212,803	59,284
Ontario retail sales tax on sales through agency stores[1]	10,404	11,429	12,066	12,503	3,417
Total	2,359,220	2,456,853	2,523,971	2,531,527	2,315,068

1 Ontario Retail Sales Tax is no longer collected as of July 1, 2010

2 Beer and Wine Tax, administered by the Ministry of Revenue, replaces Beer and Wine Fees previously paid to the Alcohol and Gaming Commission of Ontario by breweries, microbreweries and wineries. There is no net new revenue for the Province. The listed figure of $398 million is an interim number.

REVENUE PAYMENTS (continued)

Receiver General for Canada (values in $000)

	2007	2008	2009	2010	2011
Remitted by the Liquor Control Board:					
Excise taxes and customs duties	332,839	339,202	346,477	346,072	344,804
Goods and Services Tax (GST) / Harmonized Sales Tax (HST)[3]	119,185	119,283	104,372	107,680	301,352
Remitted by others:					
Excise taxes, GST/HST and other duties/taxes[3]	344,134	349,420	344,870	348,275	484,420
GST/HST remitted on sales through agency stores[3]	5,381	5,557	5,027	5,210	11,764
Total	801,539	813,462	800,746	807,237	1,142,340

Ontario Municipalities (values in $000)

	2007	2008	2009	2010	2011
Remitted by the Liquor Control Board:					
Realty taxes[4]	15,243	15,792	16,606	18,256	19,712
Total revenue payments	3,176,002	3,286,108	3,341,323	3,357,020	3,079,120

[3] Harmonized Sales Tax replaced the Goods and Services Tax as of July 1, 2010

[4] Includes property taxes on leased properties.

VOLUME SALES (VOLUME IN 000 LITRES)

Product Type	2007	2008	2009	2010	2011	% change
Domestic Spirits	34,379	34,156	33,715	33,449	32,879	-1.7%
Imported Spirits	22,001	22,927	23,715	23,612	24,919	5.5%
Total Spirits	56,380	57,083	57,430	57,062	57,798	1.3%
Domestic Wine	34,337	35,522	36,362	37,448	38,753	3.5%
Imported Wine	83,575	86,847	89,211	92,062	95,356	3.6%
Total Wine	117,912	122,369	125,573	129,510	134,109	3.6%
Domestic Beer	85,641	91,590	92,531	97,981	106,842	9.0%
Imported Beer	114,463	122,817	130,084	132,980	130,617	-1.8%
Total Beer	200,104	214,408	222,615	230,961	237,458	2.8%
Domestic Spirit Coolers	24,359	23,682	22,604	22,522	21,506	-4.5%
Imported Spirit Coolers	4,834	6,082	6,232	5,194	5,944	14.4%
Domestic Wine Coolers	62	0	0	0	0	0.0%
Imported Wine Coolers	313	266	197	146	138	-5.8%
Domestic Beer Coolers	556	572	627	691	653	-5.6%
Imported Beer Coolers	207	193	110	16	14	-10.7%
Total Coolers	30,332	30,795	29,770	28,569	28,254	-1.1%
Total Domestic	179,335	185,523	185,838	192,091	200,632	4.4%
Total Imported	225,393	239,132	249,549	254,011	256,987	1.2%
Total	404,728	424,655	435,388	446,102	457,619	2.6%

VOLUME SALES (VOLUME IN 000 LITRES) (continued)

Product Type	2007	2008	2009	2010	2011	% change
Sales by Ontario winery stores	19,338	20,046	20,528	20,629	20,349	-1.4%
Sales by The Beer Store & brewer on-site stores	672,826	680,237	672,330	657,940	643,227	-2.2%

Note: The 2011 sales figures for Ontario winery stores, The Beer Store (TBS) and brewer on-site stores are unaudited and may understate total sales due to various wineries and brewers not reporting by the time of publication. LCBO beer sales figures include LCBO sales to TBS; of LCBO's total beer sales in litres, 70,197,709 were to TBS. Prior year figures are restated annually to reflect changes in product hierarchy.

SHARE OF VOLUME SALES

2010–11	Litres (000)	% of total
Spirits	57,798	13%
Wine	134,109	29%
Beer	237,458	52%
Coolers	28,254	6%
	457,619	100%

VALUE SALES (VALUES IN $000)

Product Type	2007	2008	2009	2010	2011	% change
Domestic Spirits	866,917	875,353	885,716	883,328	903,966	2.3%
Imported Spirits	645,897	686,789	726,000	728,795	783,361	7.5%
Total Spirits	1,512,814	1,562,143	1,611,716	1,612,123	1,687,327	4.7%
Domestic Wine	318,119	338,828	358,580	374,445	401,176	7.1%
Imported Wine	1,108,826	1,180,669	1,225,382	1,213,069	1,299,789	7.1%
Total Wine	1,426,945	1,519,497	1,583,961	1,587,513	1,700,965	7.1%
Domestic Beer	310,679	332,359	344,481	365,179	413,221	13.2%
Imported Beer	473,834	514,442	552,408	573,706	575,577	0.3%
Total Beer	784,513	846,801	896,888	938,884	988,797	5.3%
Domestic Spirit Coolers	129,511	130,523	124,858	124,438	121,251	-2.6%
Imported Spirit Coolers	28,552	36,631	38,548	32,801	37,694	14.9%
Domestic Wine Coolers	260	1	0	0	0	0.0%
Imported Wine Coolers	1,906	1,702	1,267	950	925	-2.6%
Domestic Beer Coolers	2,557	2,675	2,968	3,171	3,155	-0.5%
Imported Beer Coolers	1,223	946	500	89	78	-12.7%
Total Coolers	164,008	172,478	168,141	161,449	163,103	1.0%
Total Domestic	1,628,042	1,679,739	1,716,602	1,750,560	1,842,769	5.3%
Total Imported	2,260,238	2,421,178	2,544,105	2,549,409	2,697,424	5.8%
Non Liquor and Other	6,316	6,369	6,598	6,059	8,428	39.1%
Total	3,894,596	4,107,286	4,267,305	4,306,028	4,548,621	5.6%

VALUE SALES (VALUES IN $000) (continued)

Product Type	2007	2008	2009	2010	2011	% change
Sales by Ontario winery stores	187,385	198,612	210,271	214,971	222,223	3.4%
Sales by The Beer Store & brewer on-site stores	2,204,814	2,243,929	2,254,746	2,230,877	2,254,056	1.0%

Note: The 2011 sales figures for Ontario winery stores, The Beer Store (TBS) and brewer on-site stores are unaudited and may understate total sales due to various wineries or brewers not reporting by the time of publication. Value sales consist of net sales for LCBO and Ontario Winery Stores. LCBO beer sales figures include LCBO sales to TBS; of LCBO's total beer sales, $311,307,823 were to TBS. Prior year figures are restated annually to reflect changes in product hierarchy.

SHARE OF VALUE SALES

2010–11 % of total	$	(000)
Spirits	1,687,327	37%
Wine	1,700,965	37%
Beer	988,797	22%
Coolers	163,103	4%
	4,540,193	100%

PRODUCT LISTINGS

	2007	2008	2009	2010	2011
Domestic					
Spirits	440	440	524	420	380
Wine	450	463	515	515	545
Beer	491	477	470	458	498
Imported					
Spirits	761	674	695	685	612
Wine	1,225	1,208	1,122	980	1,002
Beer	307	316	384	369	344
Total regular listings	3,674	3,578	3,710	3,427	3,381
VINTAGES wines and spirits	5,633	6,927	6,688	5,256	6,178
Duty-free listings	231	231	200	211	224
Consignment warehouse and private ordering	9,225	9,434	11,793	9,896	11,911
Total product listings	18,763	20,170	22,391	18,790	21,694

Note: Product listing figures for Consignment and private ordering are estimated based on invoices produced by Specialty Services. The total does not include products no longer offered during the fiscal year.

ONTARIO SALES CHANNEL SUMMARY[1] (VOLUME SOLD IN 000 LITRES)

	2007	2008	2009	2010	2011
LCBO total sales	388,347	424,484	435,284	445,963	457,505
The Beer Store total sales	737,071	750,552	744,800	735,172	725,862
Winery retail stores	20,533	20,046	20,525	20,627	20,349
Other channels:					
Legal	46,402	46,805	48,631	51,994	50,103
Homemade	13,589	14,106	14,186	16,277	16,669
Illegal	31,383	32,135	34,110	38,787	37,474
Grand total	1,237,325	1,288,128	1,297,536	1,308,820	1,307,962

Note: All figures above are shown in litres. Sales volume reported under the Other Channels category are estimates. LCBO and TBS figures are slightly overstated due to reciprocal sales included in the totals. These sales are excluded in the table below.

SHARE OF ONTARIO BEVERAGE ALCOHOL MARKET BY VOLUME

	2011	2010
LCBO	34.1%	33.0%
The Beer Store	55.4%	56.1%
Other Legal	5.7%	5.9%
Illegal	3.1%	3.2%
Winery Retail Stores	1.7%	1.8%
	100.0%	100.0%

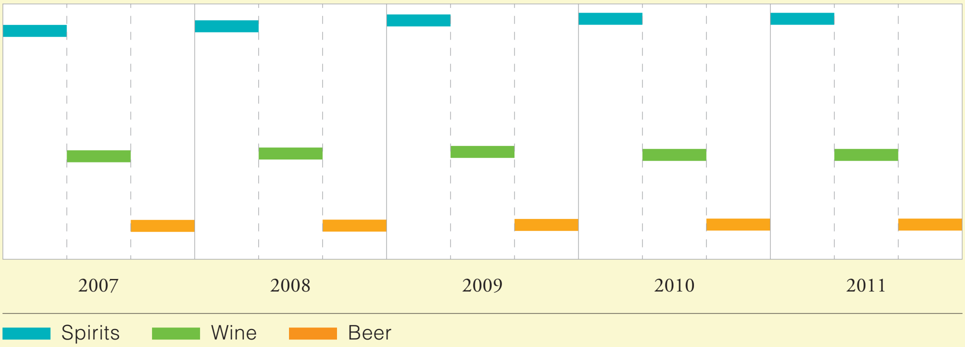
Footnote:

[1] In past annual reports, this table and the related Share of Ontario Beverage Alcohol Market table were based on gross dollar sales data. Sales values reported under the Other Channels category were based on estimates for volume then converted to value using the average retail price for spirits, wine and beer sold under the LCBO, Winery retail stores (WRS) and TBS respectively. This methodology inflated the true size of these channels. Changing to volume sales in litres provides a truer sense of the strength of each sales channel.

AVERAGE LCBO NET SALES PER LITRE (PRICES EXCLUDE HST, GST, AND PST)

Product Type	2007	2008	2009	2010	2011
Spirits	$ 26.83	$ 27.37	$ 28.06	$ 28.25	$ 29.19
Wine	$ 12.10	$ 12.42	$ 12.61	$ 12.26	$ 12.68
Beer	$ 3.92	$ 3.95	$ 4.03	$ 4.07	$ 4.16
Average transaction value per customer	$ 36.42	$ 37.32	$ 37.61	$ 36.80	$ 37.46

Note: Includes coolers



REVENUE DISTRIBUTION

	Domestic Spirits	100% Ontario Wine	Ontario Beer
Supplier	23%	45%	39%
LCBO Mark-up	52%	44%	38%
Federal Taxes & HST*	25%	12%	17%
Deposit**			6%

* Note: HST is collected by the Federal Government and a portion is later distributed back to the Province of Ontario.

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

LCBO LITRE SALES BY CATEGORY 2007–11

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

	2007	2008	2009	2010	2011
Canadian Spirits					
Canadian Whisky	17.4%	16.8%	16.7%	16.8%	16.3%
Canadian Rum	8.8%	8.7%	8.8%	8.9%	8.8%
Canadian Vodka	10.0%	9.9%	9.9%	10.1%	10.0%
Canadian Liqueur	2.5%	2.5%	2.4%	2.3%	2.3%
Spirit Coolers	28.5%	27.3%	26.3%	26.4%	25.1%
Canadian Dry Gin	0.8%	0.8%	0.7%	0.7%	0.6%
Other	0.5%	0.8%	0.8%	1.0%	1.0%
Imported Spirits					
Scotch	4.5%	4.4%	4.4%	4.3%	4.4%
Liqueur	3.9%	3.4%	3.2%	3.2%	3.1%
Miscellaneous Liquors	3.4%	3.9%	4.0%	4.0%	4.0%
Vodka	5.5%	6.2%	7.0%	7.4%	7.9%
French Brandy	2.1%	2.0%	2.0%	2.0%	1.9%
Spirit Coolers	5.7%	7.0%	7.2%	6.1%	7.0%
Other	6.4%	6.3%	6.8%	6.8%	7.8%
Total Spirits (000 litres)	85,348	86,621	86,048	84,521	85,002
Canadian Wines					
White Table	14.2%	14.3%	14.2%	14.2%	14.2%
Red Table	9.1%	9.2%	9.3%	9.1%	8.9%
Rosé Table	1.0%	1.0%	1.0%	1.0%	1.0%
7% Sparkling	1.2%	1.2%	1.1%	1.1%	1.0%
Fortified	1.5%	1.5%	1.5%	1.4%	1.3%
Wine Coolers	0.1%	0.0%	0.0%	0.0%	0.0%
Other	0.8%	0.7%	0.8%	1.1%	1.5%

LCBO LITRE SALES BY CATEGORY 2007–11 (continued)

	2007	2008	2009	2010	2011
Imported Wines					
White Table	22.5%	22.6%	22.2%	22.1%	22.3%
Red Table	39.3%	39.6%	40.2%	40.3%	40.0%
Rosé Table	1.4%	0.7%	0.7%	0.8%	0.9%
Sparkling	2.2%	2.3%	2.2%	2.2%	2.4%
Fortified	1.6%	1.4%	1.4%	1.3%	1.2%
Wine Coolers	0.3%	0.2%	0.2%	0.1%	0.1%
Other	5.0%	5.4%	5.4%	5.5%	5.3%
Total Wine (000 litres)	111,386	115,118	117,940	122,041	125,890
Canadian Beer					
Ontario Beer	42.1%	42.2%	42.1%	42.9%	45.6%
Other Canadian Beer	2.9%	2.9%	2.6%	2.6%	2.7%
Imported Beer					
U.S. Beer	9.5%	8.8%	8.4%	8.1%	7.5%
Other Imported Beer	45.4%	46.0%	46.9%	46.3%	44.1%
Sake	0.1%	0.1%	0.1%	0.1%	0.1%
Total Beer (000 litres)	181,959	195,432	203,005	211,505	216,935
Total (000 litres)	378,693	397,171	406,993	418,067	427,827

Notes: These figures exclude private ordering and other head office sales. Prior year figures are restated annually to reflect changes in product hierarchy.

LCBO NET SALES BY CATEGORY 2007–11

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

	2007	2008	2009	2010	2011
Canadian Spirits					
Canadian Whisky	22.7%	21.9%	21.6%	21.5%	20.9%
Canadian Rum	11.3%	11.0%	11.1%	11.2%	11.2%
Canadian Vodka	13.0%	12.7%	12.6%	12.7%	12.6%
Canadian Liqueur	2.9%	2.9%	2.7%	2.6%	2.5%
Spirit Coolers	7.8%	7.6%	7.1%	7.0%	6.5%
Canadian Dry Gin	1.0%	1.0%	0.9%	0.9%	0.8%
Other	0.6%	1.2%	1.2%	1.3%	1.2%
Imported Spirits					
Scotch	7.8%	7.8%	7.8%	7.8%	8.0%
Liqueur	6.0%	5.1%	4.8%	4.6%	4.5%
Miscellaneous Liquors	4.9%	5.7%	5.7%	5.5%	5.4%
Vodka	7.3%	8.6%	9.7%	10.3%	11.0%
French Brandy	3.7%	3.6%	3.5%	3.4%	3.4%
Spirit Coolers	1.7%	2.1%	2.2%	1.9%	2.0%
Other	9.3%	8.8%	9.3%	9.4%	10.1%
Total Spirits ($000)	1,667,000	1,724,763	1,770,955	1,764,434	1,841,573
Canadian Wines					
White Table	10.2%	10.3%	10.5%	10.9%	11.0%
Red Table	7.1%	7.2%	7.4%	7.6%	7.5%
Rosé Table	0.7%	0.7%	0.7%	0.8%	0.8%
7% Sparkling	0.7%	0.7%	0.7%	0.6%	0.6%
Fortified	1.2%	1.1%	1.2%	1.2%	1.2%
Wine Coolers	0.0%	0.0%	0.0%	0.0%	0.0%
Other	1.2%	1.1%	1.1%	1.2%	1.4%

LCBO NET SALES BY CATEGORY 2007–11 (continued)

	2007	2008	2009	2010	2011
Imported Wines					
White Table	22.1%	22.2%	22.0%	22.0%	22.2%
Red Table	46.3%	46.6%	46.8%	45.8%	45.7%
Rosé Table	1.2%	0.7%	0.7%	0.7%	0.9%
Sparkling	4.2%	4.3%	4.1%	4.1%	4.3%
Fortified	1.9%	1.7%	1.7%	1.6%	1.5%
Wine Coolers	0.1%	0.1%	0.1%	0.1%	0.1%
Other	3.3%	3.3%	3.1%	3.3%	3.0%
Total Wine ($000)	1,326,596	1,404,327	1,460,221	1,472,171	1,570,720
Canadian Beer					
Ontario Beer	38.3%	38.1%	38.2%	38.6%	41.8%
Other Canadian Beer	3.2%	3.2%	3.0%	3.0%	3.1%
Imported Beer					
U.S. Beer	8.4%	8.1%	7.2%	8.1%	7.2%
Other Imported Beer	49.8%	50.3%	51.3%	50.0%	47.7%
Sake	0.4%	0.4%	0.3%	0.3%	0.3%
Total Beer ($000)	723,221	780,068	822,585	865,245	908,348
Total ($000)	3,716,817	3,909,158	4,053,761	4,101,851	4,320,642

Notes: These figures exclude private ordering and other head office sales. Prior year figures are restated annually to reflect changes in product hierarchy.

LCBO SALES BY COUNTRY OF ORIGIN 2010–11 – SPIRITS

Country	Net Sales ($)	Litres
Canada	$ 1,013,430,937	54,083,159
United Kingdom	$ 212,800,987	8,110,160
United States	$ 143,621,477	7,788,653
France	$ 116,495,510	2,766,494
Ireland	$ 64,469,092	2,067,129
Sweden	$ 58,491,916	2,175,396
Mexico	$ 47,681,429	1,311,003
Italy	$ 37,308,814	1,304,498
Germany	$ 24,659,511	823,310
Russia	$ 19,585,461	709,005
Poland	$ 18,769,173	558,422
Finland	$ 12,830,430	460,997
New Zealand	$ 8,519,075	785,748
Jamaica	$ 5,936,878	180,539
Cuba	$ 5,754,519	190,575
Barbados	$ 5,309,840	170,687
Netherlands	$ 4,930,539	152,663
Trinidad	$ 4,899,768	150,681
Greece	$ 3,761,569	141,188
Guyana	$ 3,702,057	105,233
South Africa	$ 3,353,198	118,561
Switzerland	$ 2,772,858	81,728
Latvia	$ 2,231,624	76,950
South Korea	$ 1,857,243	120,856
Portugal	$ 1,584,216	49,012
Spain	$ 1,543,090	61,066
Bermuda	$ 1,436,259	50,989
Nicaragua	$ 1,376,130	44,897
Ukraine	$ 1,156,331	38,418
Croatia	$ 1,155,450	37,970
Puerto Rico	$ 990,998	20,671
Hungary	$ 975,630	31,207
Serbia	$ 932,317	29,797
China	$ 685,782	13,311

LCBO SALES BY COUNTRY OF ORIGIN 2010–11 – SPIRITS (continued)

Country	Net Sales ($)	Litres
Bahamas	$ 670,593	18,087
Dominican Republic	$ 658,399	23,422
Lebanon	$ 630,258	21,691
Austria	$ 570,352	12,807
India	$ 536,492	16,832
Denmark	$ 529,526	17,141
Czech Republic	$ 492,249	8,668
Japan	$ 429,614	7,957
Brazil	$ 426,577	13,154
Colombia	$ 416,148	13,960
Iceland	$ 356,573	8,784
Turkey	$ 127,901	3,958
Bulgaria	$ 120,989	3,865
Chile	$ 67,649	2,686
Lithuania	$ 65,209	2,341
Republic of Moldova	$ 58,914	1,767
Republic of Armenia	$ 56,945	1,159
Panama	$ 54,302	1,922
Saint Lucia	$ 51,910	1,045
Israel	$ 48,764	1,638
Belarus	$ 33,595	1,207
Guatemala	$ 33,224	1,602
Australia	$ 31,965	1,005
U.S. Virgin Islands	$ 31,289	2,504
Estonia	$ 17,369	450
Georgia	$ 15,628	319
Peru	$ 10,288	293
Taiwan	$ 8,382	28
Thailand	$ 6,277	189
Sri Lanka	$ 2,838	82
El Salvador	$ 1,271	50
Philippines	$ 1,070	40
Malta	$ 369	10
Total	$ 1,841,573,037	85,001,636

LCBO SALES BY COUNTRY OF ORIGIN 2010–11 – WINE

Country	Net Sales ($)	Litres
Canada	$ 352,418,304	35,122,925
Italy	$ 270,727,345	20,513,237
Australia	$ 207,871,377	13,840,858
United States	$ 182,041,439	12,869,140
France	$ 181,945,927	10,928,524
Argentina	$ 93,554,595	8,536,477
Chile	$ 86,916,895	8,080,748
South Africa	$ 42,965,974	3,623,575
Spain	$ 41,294,408	2,701,337
New Zealand	$ 33,973,463	1,660,463
Portugal	$ 29,181,020	2,215,796
Germany	$ 22,565,085	1,838,435
United Kingdom	$ 11,675,388	2,370,518
Greece	$ 3,253,528	302,821
Hungary	$ 2,379,485	232,871
Japan	$ 1,750,931	100,132
Ireland	$ 1,702,466	355,949
Sweden	$ 1,279,385	281,018
Serbia	$ 749,033	79,208
Austria	$ 701,165	43,144
Romania	$ 605,410	49,255
Belgium	$ 581,657	103,613
Israel	$ 576,053	27,784
Georgia	$ 415,051	26,255
Bulgaria	$ 386,253	40,767
Jamaica	$ 330,730	27,020
Mexico	$ 322,217	24,005
Montenegro	$ 227,275	22,932
Poland	$ 214,832	13,645
South Korea	$ 188,540	8,255
Denmark	$ 158,893	11,160
Ukraine	$ 150,732	7,559
Republic of Moldova	$ 145,172	14,852

LCBO SALES BY COUNTRY OF ORIGIN 2010–11 – WINE (continued)

Country		Sales ($)	Litres
Switzerland	$	127,737	6,414
Republic of Macedonia	$	116,045	11,194
Lebanon	$	95,014	5,222
Morocco	$	51,299	3,713
Slovenia	$	49,889	3,204
Croatia	$	46,803	3,376
Cyprus	$	39,188	2,061
China	$	38,996	3,072
Luxembourg	$	26,531	1,344
Bosnia-Herzegovina	$	17,618	2,014
Turkey	$	12,435	1,098
India	$	4,465	323
Uruguay	$	1,143	68
Brazil	$	266	19
Total	$	1,573,877,457	126,117,400

LCBO SALES BY COUNTRY OF ORIGIN 2010–11 – BEER

Country	Net Sales ($)	Litres
Canada	$ 407,080,615	104,796,738
Netherlands	$ 118,641,446	25,297,258
Mexico	$ 97,760,567	21,465,016
United States	$ 65,242,201	16,173,420
Belgium	$ 50,081,246	10,158,009
Germany	$ 37,882,749	9,890,814
United Kingdom	$ 37,610,506	7,433,418
Ireland	$ 20,131,585	3,780,962
Denmark	$ 13,852,960	3,362,937
Poland	$ 12,938,745	3,386,817
Czech Republic	$ 8,866,251	2,222,222
Turkey	$ 7,825,113	2,225,856
Austria	$ 4,423,575	1,332,881
France	$ 4,293,108	935,799
Jamaica	$ 3,642,270	711,927
Italy	$ 2,678,787	534,238
China	$ 1,552,006	375,131
Singapore	$ 1,193,018	329,960
Trinidad	$ 1,057,736	268,021
Slovakia	$ 983,565	224,872
Australia	$ 936,974	237,126
Thailand	$ 845,737	174,741
Brazil	$ 714,055	164,411
Japan	$ 679,334	161,196
Slovenia	$ 622,262	176,641
Portugal	$ 560,267	133,904
Spain	$ 543,436	145,248
Russia	$ 424,396	105,280
Ukraine	$ 329,867	85,787
Croatia	$ 253,327	63,361
Romania	$ 223,355	65,850
Lithuania	$ 191,976	49,971
Greece	$ 179,473	35,598

LCBO SALES BY COUNTRY OF ORIGIN 2010–11 – BEER (continued)

Country		Net Sales ($)	Litres
Philippines	$	147,201	31,903
Sri Lanka	$	135,909	27,858
Bosnia-Herzegovina	$	121,813	30,856
Kenya	$	111,302	20,545
South Korea	$	85,432	17,815
Barbados	$	72,062	14,852
Iceland	$	65,991	8,118
Colombia	$	61,764	12,170
Estonia	$	61,286	17,061
Vietnam	$	43,136	9,856
Latvia	$	39,634	10,902
New Zealand	$	2,246	442
Total	$	905,190,288	216,707,789

Note: Net value represents net sales excluding private ordering sales. In fiscal 2010–11, the LCBO sold products from 82 different countries.

Credits

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LCBO

3.6 million

3.6 million customers challenged for all reasons, nearly a 35 per cent increase over the previous year; 192,686 were refused service, 82 per cent of them for age.

$5.4 million

$5.4 million raised for various charities in 2010, including $2.1 million for the United Way and $1.93 million for MADD Canada and four Ontario regional children's hospitals.

$1.55 billion

Transferred $1.55 billion, excluding all taxes, to the government of Ontario, a $140 million increase over the previous year.

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