2023-24

ANNUAL REPORT

LCBO

Ontario

LETTER OF TRANSMITTAL

The Honourable Peter Bethlenfalvy, Minister of Finance:

Dear Minister, I have the honour to present you with the 2023-24 Annual Report of the Liquor Control Board of Ontario.

Respectfully submitted,

Carmine Nigro, Chair

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HIGHLIGHTS

BY THE NUMBERS:

- **Dividend of $2.43 billion to the Government of Ontario to support critical services like healthcare, education, and infrastructure**
- **Operated a network of 688 retail stores selling alcoholic beverages, increasing convenience and choice**
- **Wholesaler to 448 grocery stores and serviced 388 LCBO Convenience Outlets**
- **Built on the success of the Same-Day Pickup (SDP) service by expanding the program to 531 stores**
- **More than 1.1 billion litres of beverage alcohol products sold in Ontario during FY2024, with an estimated value in excess of $10.1 billion**
- **Over $13.3 million in charitable donations supporting the health and well-being of Ontario communities**

Ontario's economic landscape was characterized by a series of significant shifts in FY2024. The LCBO had another successful year in FY2024 as it faced unique changes, challenges, and opportunities with a nimble and future-forward mindset. Throughout the year, the LCBO continued to provide the best service to retail customers and wholesale customers alike while continuing to evolve the *Spirit of Sustainability* social impact platform and its pillars of *Good People, Good Planet, and Good Partnerships.*

FINANCIAL OVERVIEW

The LCBO is a proud contributor to the Government of Ontario. The revenues it generates support key public programs and services for Ontarians, including healthcare, education, and infrastructure, both at a provincial and municipal level.

- Dividends transferred to the Ontario Government: $2.43 billion
- Revenue: $7.46 billion
- Net Income: $2.57 billion
- Revenue surpassed FY2023 by $52.9 million

RETAIL OVERVIEW

The LCBO remained agile in response to economic challenges while maintaining a focus on the needs of retail and wholesale customers, as well as industry partners.

- 688 LCBO stores serving communities across Ontario. Nine stores were either relocated or underwent major renovations.
- LCBO continued to build on the success of the Same-Day Pickup service by expanding the program by 145 stores to 531 stores and formed partnerships with popular On-Demand Delivery providers to offer more convenience and choice for customers.

SUSTAINABILITY & SOCIAL IMPACT

As LCBO continues its journey, we are evolving the Spirit of Sustainability social impact platform and building momentum in our environmental, social, and governance strategy. Bringing social and environmental needs together allows us to make an industry-leading, measurable impact through our three pillars - Good People, Good Planet, and Good Partnerships.

- In FY2024, meaningful community investment was achieved, with over $13.3 million raised for 25 impact partners and their programs across the province including:
  - Women's College Hospital Foundation (WCHF): The LCBO's Equity Campaign in support of WCHF hit a significant milestone of raising $10 million since 2019.
  - BlackNorth Academy: LCBO donations helped to provide opportunities for Black Canadian professionals in the wine, distilling, and brewery fields, resulting in 10 participants in a new cohort for 2024/2025.
  - Tree Canada: Resulting in the planting of over 244,000 trees across Ontario to date.
  - Ontario's children's charities: Children's Health Foundation, Children's Hospital of Eastern Ontario (CHEO) Foundation, McMaster Children's Hospital Foundation, SickKids Foundation, and Campfire Circle to support the health and well-being of children and families across the province.
  - Indspire: LCBO's donation of $75,000 in 2023/2024 will support Indspire's Building Brighter Futures Bursaries and Scholarship Award, providing scholarships to Indigenous students (19+) attending post-secondary institutions across Ontario.
- 3,455 Ontario local beverage alcohol products offered that generated over $2 billion in sales
- 36 Good Partners featured in four campaigns supporting social and sustainability initiatives
- 398 extra-light and light beverage alcohol products offered at LCBO retail stores and online; 832 low-sugar products offered; 23 non-alcoholic products offered
- 652,640 tests in the LCBO's world-class quality assurance laboratory
- More than 92 per cent of Retail Service Centre waste was diverted from landfills, an increase over FY2023

MESSAGE FROM THE CHAIR

When I joined the LCBO, I knew it was an organization with strong, deep roots in providing the best of local and the world to the people of Ontario - all while supporting critical services through our annual dividend to the province. So, it is no surprise to me that the LCBO's transformative legacy has set the company up not only to keep pace, but to lead the charge. Competition, like any change or challenge, presents an opportunity for us to show how capable we are as we enter a more open and competitive beverage alcohol marketplace in Ontario - and the next chapter of our history.

As Chair, my role is to help ensure the LCBO continues to offer exceptional service to our retail and wholesale customers. After all, operating effectively and efficiently to deliver maximum returns to the province is what we do best. President & CEO George Soleas and I discuss how the Board can support the leadership team as they stay focused on delivering against the company's strategic goals and the government's mandate.

With respect to the Board, I want to thank all Members for their continued commitment to the ongoing success of our organization and for sharing a future-forward mindset to drive innovation. This fiscal year, we also wish a fond farewell to Board and governance committee Member James Bradbury as he retires after more than 40 years of experience as an entrepreneur and business leader. Please join me in thanking him for his contributions to the LCBO over the years.

One way to ensure the success of an organization and the happiness of its people is to ensure you are united around a shared set of values. As one of the largest retailers and wholesalers of beverage alcohol in the world, we believe we have an important responsibility to use our influence for good. Part of our future-focus is continuing to evolve our *Spirit of Sustainability* social impact platform around the pillars of *Good People, Good Planet, and Good Partnerships.* This includes environmental stewardship and minimizing our impact on the planet. This year, 98 per cent of products within our Lightweight Glass program met requirements. The program provides ergonomic benefits for our retail and supply chain employees through reduced case weight handling, reduces carbon emissions through more sustainable distribution, and supports and recognizes sustainability efforts by our suppliers and partners in the beverage alcohol industry.

Our *Good People* pillar ensures our customers, employees and communities are our top priority as we support their health and wellbeing. This includes our moderation mandate. In FY2024, we conducted more than 600,000 quality assurance tests while offering nearly 400 light beverage options and 23 non-alcoholic beverages to meet every taste and lifestyle. Our engaged employees continue to be champions of our *Good People* mandate, assisting in fundraising efforts, providing exceptional customer service, and even marching in Pride parades as we continue to partner with Pride Toronto and became an official sponsor of Ottawa Capital Pride.

By teaming up with like-minded *Good Partners,* we are fostering positive change in the industry. In FY2024, 36 partners were featured in four campaigns supporting social and sustainable initiatives. The LCBO also offered more than 3,400 Ontario beverage products and delivered billions of dividends back to the local economy.

As the world around us evolves, we meet changes by remaining agile, nimble, and prepared to pivot with the best interest of our employees and the people of Ontario at the core of what we do. I look forward to providing oversight to the Board, and LCBO senior leadership as we continue to navigate and support the changing beverage alcohol marketplace.

Carmine Nigro, Chair

MESSAGE FROM THE PRESIDENT & CEO

In FY2024, LCBO once again experienced unique changes, challenges, opportunities, and success. The economy continued to be a contributor to shifts in customer purchasing behaviour as Ontarians made more mindful choices that saw their dollar go further. We pride ourselves in continuously scanning what is new, trending and what our customers are buying, so we can evolve our selection alongside customer demand – providing something for every taste and budget, including a growing array of non-alcoholic products. This is just one of the ways that we try to provide an outstanding customer experience - one of our organizational values and strategic priorities.

Whether enhancing the way customers can purchase online, helping them discover something new in store or providing exciting ways to experience our extensive product selection, we want to make it easy to find the perfect choice. We have a long history of doing just that, evidenced by 30 years of Food & Drink magazine. It's hard to believe that in 1993, the first edition hit LCBO shelves, providing customers with food, drink and entertaining inspiration while showcasing the best of what Ontario had to offer. That legacy continues today, as a trusted source of information for almost three million Ontarians.

While we have a long proud history, we recognize that to continue to provide the best service to our retail customers and wholesale customers, we must evolve. Our Future State Modernization (FSM) program is a multi-year project that will transform LCBO's technology landscape to support long-term, sustainable success and re-envision the way we operate across the business. This year, we selected Accenture, a leading professional services company with broad enterprise transformation experience, as our FSM partner to progress our plan to help strengthen the foundations of our organization and enhance the customer and employee experience.

Change can sometimes be difficult and requires strong leadership, vision, and teams at every level to help steer the ship. We also need to create a workplace that attracts top talent who align with our values and are change agents. In FY2024, the LCBO was named one of Greater Toronto's Top Employers, as well as a Top Diversity Employer for the second year in a row – both testament to our efforts in building a safe, inclusive workplace where everyone feels they belong and can grow a rewarding career.

As a purpose-led, values-driven organization, LCBO continues to build on the positive impact we make in the communities in which we operate by using our influence and resources to do good and harnessing the power of our people and partners. This includes leading the charge for a more sustainable future and continuing to provide strong dividends to the province to fund healthcare, build infrastructure, and allow our province to be a world-leading place to live and work. In FY2024 we were proud to deliver $2.43 billion back to Ontario to support those goals.

Since launching our social impact platform, the *Spirit of Sustainability,* we have raised over $50 million for Ontario communities. Our three pillars - *Good People, Good Planet*, and *Good Partnerships* have clear, enterprise-wide goals. In addition to our dividend support, the LCBO, along with our customers, suppliers, and employees, raised more than $13 million towards charitable organizations across Ontario in FY2024 alone. One achievement I am particularly proud of is the LCBO's Equity Campaign for Women's College Hospital Foundation, which hit a significant milestone of raising $10 million since 2019. What makes this so special? Women's College Hospital is one of the world's only hospital-based research centres focusing on women's health – with a vision to change practice, change policy, and change lives. As a retailer in a diverse province, LCBO also continues to be a proud supporter of the BlackNorth Initiative and its new Academy cohort, with some individuals focusing on the beverage alcohol space to work toward a more equitable, diverse future for the industry.

As I look forward, the beverage alcohol landscape in Ontario is evolving to provide even greater convenience and choice for Ontarians. LCBO will continue to have an important role to play – both as a retailer and wholesaler - and in shaping the beverage alcohol marketplace for years to come. I have never felt more confident in LCBO's ability to continue to build on our proud history during a transformative time in the industry. This is an opportunity that inspires our entire team. We will support our people, partners, and customers as we navigate change, and remain focused on offering best-in-class retail and wholesale experiences and helping create a more sustainable Ontario.

I would like to thank Carmine Nigro, Chair of the Board, and our strong Board Members for their advocacy and work with the leadership team to build an innovative, inviting workplace where people are compelled by our vision to deliver remarkable experiences as the trusted destination for the world's wines, beers, and spirits.

Dr. George Soleas
President & CEO

CORPORATE STRUCTURE & GOVERNANCE

MISSION STATEMENT

We are a best-in-class, customer-first, responsible retailer and wholesaler, supporting our local communities and delivering value to Ontarians.

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

The LCBO is overseen by a Board of Directors consisting of up to eleven (11) Members. They are appointed by the Lieutenant-Governor, through Orders-in-Council on the recommendation of the Premier of Ontario or the Minister of Finance. Members are appointed for a term of up to five (5) years and terms can be renewed. There are generally seven (7) regular Board meetings annually and special Board meetings if required.

The mandate of the Board is to supervise the business affairs of the LCBO. Among its most important responsibilities are:

- ensuring that the LCBO provides high-quality service to the public;
- developing and approving the strategic plan and monitoring management's success in meeting its business plans;
- approving the annual financial plan;
- ensuring that the organization remains financially sound;
- assessing the management of business risks;
- submitting an annual financial plan to the Minister of Finance;
- ensuring the organization has communication programs to inform stakeholders of significant business developments and;
- ensuring that the LCBO performs its regulatory role in a fair and impartial manner.

ETHICS AND BUSINESS CONDUCT
The LCBO Board of Directors has adopted a Code of Business Conduct that includes policies addressing conflict of interest, confidentiality, the external activities of employees and officers, receipt of gifts and entertainment.

HEALTH AND SAFETY
The Board approves an annual Health and Safety Policy and the Chief People Officer provides the Board with regular health and safety reports.

BOARD MEMBERS (AT MARCH 31, 2024)

CARMINE NIGRO

Chair

Appointed Chair in April 2019 for a three-year term. Term renewed April 2022 for a three-year term.

Carmine Nigro is an accomplished real estate development executive and entrepreneur known for his practical and solutions-focused approach to complex projects. Carmine is an active member of the community. In addition to volunteering for children's Make-A-Wish Foundation, he is a member of the Friends of the Orphans Canada organization, helping to design and build schools, hospitals and other facilities in Guatemala, the Dominican Republic and other countries. In addition, Carmine is the Chair of Ontario Place Corporation, a member of the board of directors of Invest Ontario and Runnymede Healthcare Centre and has been on the Senate of The Canadian Military Regiment, The Queens Own Rifles since 2021.

Total Annual Remuneration: $11,500
Per Diem Remuneration Rate: $350

QUINTO ANNIBALE

Vice Chair, Board, and Chair, Governance Committee

Appointed in April 2019 for a three-year term. Term renewed April 2022 for a three-year term.

Quinto Annibale is a lawyer at Loopstra Nixon LLP where he has practiced municipal, land-use planning and development law for 37 years. With over 36 years' experience as an advocate, he has appeared before the Ontario Land Tribunal (formerly the Local Planning Appeal Tribunal and the Ontario Municipal Board) on hundreds of cases, providing advocacy and counsel for some of the most important and complex land-use planning law cases in Ontario. He is a distinguished author and lecturer. He is Chair of the Board of St. Rita at Marylake Long Term Care Home and has been instrumental in building a new long term home for the Augustinian Fathers in King City. He is most proud to be the founder and president of the Carol Annibale Ovarian Cancer Foundation, a charity he oversees in memory of his late wife, Carol.

Total Annual Remuneration: $9,250
Per Diem Remuneration Rate: $250

David Colfer
Member, Audit Committee, and Chair, Technology Committee
Appointed February 2019 for a three-year term, renewed February 2022 for a three-year term.

David Colfer has over 25 years of experience in the Canadian retail industry specializing in brand and product development. Currently, he is the General Manager of Lagostina (Canada). He holds a Bachelor of Business Administration in finance from Bishop's University in Quebec and has attended the IMD Leadership and Management Program in Switzerland and China. He actively gives back to the community through his involvement in several charities focused on education and family support.

Total Annual Remuneration: $6,700
Per Diem Remuneration Rate: $200

Larry Flynn
Chair, HRCC, and member, Technology Committee
Appointed April 2020 for a one-year term, renewed in April 2021 for a three-year term and again in April 2024 for an additional one-year term.

Larry Flynn is the President of 2 Vice Advice Inc. and the O'Flynn Group of Companies Inc. Previously, he was the Senior Vice President, Gaming, of the Ontario Lottery and Gaming Corporation (OLG), a role that he held for 14 years until his retirement in April 2015. He is also a Chartered Director (C.Dir.) and has completed management programs at Wilfrid Laurier University, Dalhousie University, Ivey School of Business and the University of Nevada.

Total Annual Remuneration: $9,700
Per Diem Remuneration Rate: $200

Claudia Hepburn
Member, HRCC
Appointed October 2021 for a three-year term.

Claudia Hepburn has spent her career building innovative organizations to develop human capital. She is the CEO of Windmill Microlending, a national charity that empowers skilled immigrants to achieve their economic potential through affordable loans and support. She serves on the board of SickKids Foundation, on the C.D. Howe Institute's Human Capital Council and is an advisor of Impression Ventures and Gotcare. Claudia is a recipient of the Queen's Diamond Jubilee Medal and has been named one of Canada's Top 25 Women of Influence.

Total Annual Remuneration: $5,200
Per Diem Remuneration Rate: $200

Dr. Dragan Matovic
Member, Audit Committee and member, Technology Committee
Appointed January 2020 for a three-year term, renewed January 2023 for a three-year term.

Dragan Matovic is the Chairman and CEO of Halex Capital Inc. and has more than 25 years of experience in several industries including real-estate development, tourism, green energy, environmental remediation, software and consumer services. He previously served as a Director of the Canadian Tourism Commission and Chair of the Business Leadership Council of Niagara, a Director of the Niagara Health System and as a Governor of Niagara College. Dragan was the Founder and Chairman of the Niagara Falls Convention Centre and the Tourism Partnership of Niagara.

Total Annual Remuneration: $6,514
Per Diem Remuneration Rate: $200

Mina Mawani
Member, Governance Committee and member, HRCC
Appointed January 2023 for a three-year term.

Mina Mawani has more than 15 years of leadership experience in the private, public and non-profit sectors. Currently, Mina is the CEO of Dixon Hall, a multi-service agency in Downtown East Toronto that serves more than 10,000 people annually, impacting the lives of the most vulnerable and at-risk members of the community. Mina was named one of Canada's Top 100 Most Powerful Women by the Women's Executive Network (WXN). She also received the RBC Top 25 Canadian Immigrant Award and the ICCC Humanitarian of the Year Award.

Total Annual Remuneration: $5,000
Per Diem Remuneration Rate: $200

Kathleen Novak
Chair, Audit Committee and member, Technology Committee
Appointed March 2020 for a three-year term, renewed March 2023 for a three-year term.

Kathleen Novak has over 22 years of experience in the Financial Services industry. Kathleen has been a community leader for many years, serving as Chair of Saakaate House Women's Shelter, Vice-Chair of the Kenora and District Chamber of Commerce and as Vice-Chair of Kenora Bass

International. In 2015 Kathleen won KDCC “Manager of the Year” and RBC Top Performer in 2020 and 2022.

Total Annual Remuneration: $10,200
Per Diem Remuneration Rate: $200

Khamini (Kandy) Samsundar
Member, HRCC and member, Governance Committee
Appointed January 2020 for a three-year term, renewed January 2023 for a three-year term.

Khamini Samsundar has more than 30 years of experience in banking and is currently a Senior Manager for International Trade Finance at CIBC. She has 20 years of teaching experience and has worked to enhance the learning abilities of students within the multicultural community. With a passion to serve and give back to the community, Khamini has held various positions in business and charitable organizations across Ontario, such as Rouge Valley Hospital, United Way, Race Relations Board of Canada and Duffins Creek Non-Profit Housing. She is also the founder of the Canadian Caribbean Cultural Association of Durham and recipient of many prestigious awards such as Queen’s Diamond Jubilee Medal and the Black Impact Award for Education.

Total Annual Remuneration: $3,700
Per Diem Remuneration Rate: $200

FORMER BOARD MEMBERS (AT MARCH 31, 2024)

James Bradbury
Member, Governance Committee
Appointed March 2019 for a three-year term, renewed March 2022 for a three-year term. Resigned in November 2023.

Total Annual Remuneration: $3,600
Per Diem Remuneration Rate: $200

Total Remuneration for all Board Members in FY2024: $71,364

COMMITTEES

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

The Governance Committee is responsible for recommending and monitoring the LCBO's corporate governance policies and practices and ensuring that the LCBO adheres to sound corporate governance principles.

The Human Resources and Compensation Committee (HRCC) assists the Board of Directors with oversight and makes recommendations concerning human resources and compensation matters, including workplace health and safety, and talent management strategies and programs to ensure that the LCBO has the employee capabilities to achieve its goals.

The Technology Committee assists the Board of Directors with oversight of certain technology risks and related matters.

SENIOR LEADERSHIP TEAM (AT MARCH 31, 2024)

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

Dr. George Soleas, *President & CEO*
Aaron Campbell, *chief of staff & vice president, corporate affairs, strategy & sustainability*
Geoff Cronin, *chief information officer*
Becky Hong, *chief financial officer*
Barb Keenan, *chief people officer*
Nick Nanos, *chief supply chain officer*
Vanda Provato, *chief marketing & digital officer*
John Summers, *chief retail officer*
Rosslyn Young, *chief legal officer*

ACCOUNTABILITY

The LCBO is committed to transparency and is accountable to its stakeholders in several ways:

- Our Annual Report, which is required to be tabled in the Provincial Legislature is available here (include hyperlink once available).
- Our annual Business Plan is available here.
- The Memorandum of Understanding (MOU) between the LCBO and the Minister of Finance.
- LCBO financial statements are audited annually by the Office of the Auditor General of Ontario and are included in the LCBO Annual Report and posted separately online.
- Public access to records under the *Freedom of Information and Protection of Privacy Act*.
- Board members appointed by Orders-in-Council.
- Various statutory reporting requirements under the *Liquor Control Board of Ontario Act, 2019* to the Minister of Finance.
- Compliance with Management Board's Agency Accountability Directives.
- Compliance with the LCBO Code of Business Conduct.

STRATEGIC PLAN OVERVIEW

The LCBO prepares strategic plans to track and monitor key mandates as part of a commitment to outcome and output-based performance measures. This creates enterprise-wide accountability for executing these mandates and our strategic objectives.

The LCBO is at a pivotal point with unique changes in the external landscape and marketplace, combined with its own transformative journey. Throughout the strategic planning process, the LCBO remains focused on our value – delivering to our customers, our partners, and providing strong dividends back to the province to ensure critical infrastructure and services can continue. In FY2024, we delivered a dividend of $2.43 billion to the government in support of this. Charitable donations reached over $13.3 million to support the health and well-being of Ontario's diverse communities.

As the world moves beyond the pandemic, the LCBO faces the same economic landscape as the wider retail sector. Economic prosperity has been interrupted by pressures and uncertainty resulting from geopolitical tensions, 40-year high price inflation, rapidly rising interest rates, and ongoing supply chain issues. These factors affected the LCBO's borrowing costs, investment decisions, and overall business operations. With these cost-of-living pressures and an economic slowdown, customers are cautious about spending over the medium-term. This is reflected in this year's revenue, which surpassed the previous year by $52.9 million but did not meet plan as customers grappled with economic challenges. Moving forward, the provincial beverage alcohol marketplace will continue to see moderation and product preference shifting, particularly as demographic age cohorts evolve.

Promoting Local and Helping Shape a Sustainable Ontario

As we look back at FY2024, the LCBO continued to be guided by its principles of customer-centricity, market competitiveness, and the preservation of core competencies – grounded by common values. This includes our *Spirit of Sustainability* platform which delivers on three pillars: *Good People, Good Planet, and Good Partnerships.* Each pillar has enterprise-wide goals that allow us to measure our impact and ensure our efforts are pushing the industry and province forward. These initiatives are outlined in detail below.

Supporting the Modernization of the Beverage Alcohol Marketplace

To ensure long-term, sustainable success, the LCBO will spend the next several years focused on improving the technology landscape to enhance the customer and employee experience and increase operational efficiency. This includes delivering on our Future State Modernization (FSM) program - a multi-year transformative business and technology system upgrade and rebuild, supported by change management, to create agility and value throughout the organization.

Delivering Returns to the People of Ontario

As the beverage alcohol market continues to evolve, the LCBO remains focused on delivering returns to the people of Ontario and meeting the performance indicators set out in our business plan. To activate this, we are optimizing the sales potential of our B2B customers, delivering the best value to all stakeholders, and planning for scalability in preparation for marketplace modernization. As the world changes, the LCBO will continue to deliver strong returns to the province, amplify a customer-first offering by increasing access, convenience, and choice for Ontarians, and deliver exceptional service and product selection across all channels.

ASSESSMENT OF STRATEGIC PROGRESS

The LCBO measures and evaluates the performance of its strategic plan using key metrics. This allows the LCBO to be agile, forward-thinking, and responsive to a changing environment and to seize new opportunities as they arise.

HELP SHAPE A SUSTAINABLE ONTARIO

The LCBO continues to deliver on our social and environmental commitments through the Spirit of Sustainability surrounding three pillars: Good People, Good Planet, and Good Partnerships.

- *GOOD PEOPLE: The LCBO is committed to improving the well-being of customers, employees, and communities across Ontario.*
- *GOOD PLANET: The LCBO is committed to minimizing its impact on the environment.*
- *GOOD PARTNERSHIPS: The LCBO is committed to improving the sustainability of the industry through leadership and partnerships.*

As part of our commitment to enhance industry diversity, the Spirit of Sustainability's signature program - the Spirit of Inclusion initiative - creates opportunities for diverse women to enter, advance, and thrive in the beverage alcohol industry.

GOOD PEOPLE

Moderation Mandate

Moderation, quality, and safety remained priorities for customers in FY2024. The LCBO offered 398 extra-light and light beverage alcohol products at LCBO retail stores and online, along with 832 low-sugar products and 23 non-alcoholic products. All products undertake rigorous quality testing, with the LCBO Quality Assurance Lab's standards used as a benchmark by other Canadian liquor jurisdictions and alcohol producers. Throughout the year, 652,640 tests took place in the LCBO's laboratory on 28,216 beverage products.

The LCBO is a leader in responsible retailing practices to promote the public safety of employees and customers. Through our responsible service program, our employees challenged more than

6.2 million individuals and refused more than 200,000 for failing to produce valid ID, appearing intoxicated, or attempting to purchase alcohol for a minor or an impaired individual.

Supporting Engaged Employees

The LCBO is committed to building a purpose-driven, inclusive, safe, healthy, and accountable culture where every employee feels valued, respected, and heard, working together to create moments made great and a sustainable future. The LCBO has made significant strides in the transformation of its workplace and has already seen positive results of improvements in its organizational structure, work processes, and culture. The LCBO continues to attract and grow diverse talent as a *Good Place to Work* and was named one of Greater Toronto's Top Employers in FY2024.

Thriving Communities

The LCBO continues to strategically select charitable partners that drive meaningful, measurable impact across the province. During FY2024, we provided $13,327,094 in charitable donations supporting the health and well-being of Ontario's diverse communities.

The LCBO also continues to be a proud partner and signatory of the BlackNorth Initiative CEO Pledge. In FY2024, our donation to BlackNorth Academy provided opportunities for Black Canadian professionals in the wine, distilling, and brewery fields, resulting in 10 participants in a new cohort for 2024/2025.

Supporting Indigenous Communities

In the continued spirit of reconciliation, the LCBO supports Indigenous communities across the province through a variety of initiatives and partnerships. This year, we launched a two-year partnership with Indspire to provide scholarships to Indigenous students. It provides $75,000 per year over two years for post-secondary education. The LCBO also donated to Habitat for Humanity towards its Indigenous Housing Partnership project in Ontario.

GOOD PLANET

Waste, Energy Reduction & Responsible Supply Chain

As part of our *Good Planet* commitment to minimize environmental impacts, the LCBO strives to advance practices that reduce the waste and energy generated by the LCBO business operations. In FY2024, more than 92 per cent of retail service centre waste was diverted from landfills, an increase from FY2023. Through the Ontario Deposit Return Program, funded by the LCBO, more than 458 million containers were returned with a redemption rate of over 70 per cent[1].

[1] Redemption rate based on ODRP container deposits redeemed over deposits collected in FY2024.

The LCBO's lightweight glass program continues to be a resounding success, with 98 per cent of products in the program meeting today's requirements. The program reduces case weight handling, reduces carbon emissions through more sustainable distribution and recognizes sustainability efforts by our suppliers and partners in the beverage alcohol industry.

In FY2024, the LCBO proudly raised over $800,000 for Tree Canada. As part of our *Good Planet* pillar, province-wide tree planting events took place engaging over 178 employees across local communities to help create a more sustainable Ontario. The partnership has resulted in the planting of over 244,000 trees to date.

GOOD PARTNERSHIPS

Recognize Good Partners

Throughout the fiscal year, the LCBO continued to work with *Good Partners* to make an impact on communities across the province. Over $2 billion in revenue was generated from the sale of 3,455 Ontario local beverage alcohol products. Consumer confidence to find the local products they crave continued to be high, with 92 per cent of customers confident in their ability to find Ontario-based beverage alcohol products at the LCBO.

($ millions)	FY2024 Actual	FY2024 Plan	FY2023 Actual	Y/Y Change
VQA Wine	$158.4	$160.5	$168.7	-6.1%
Craft Beer	$146.2	$145.3	$153.4	-4.6%
Craft Cider	$18.2	$17.1	$17.6	3.5%
Small Distillers	$21.7	$22.0	$25.2	-14.1%

Craft cider saw an increase in year-over-year sales and exceeded plan numbers. Other categories fell under plan, which could be represented by an overall sales decline other potential factors such as buying directly from on-site stores.

Influence Industry Standards

As part of our *Good Partnerships* pillar, we are committed to influencing industry standards and encouraging the beverage alcohol industry to be more environmentally and socially conscious. The Supplier Code of Business Conduct is transparent and holds suppliers accountable to their responsibilities to our shared commitments, as well as the consequences for violations of the code. This ensures that we will not compromise on our commitment to creating a more sustainable industry and will only work with suppliers dedicated to doing the same.

Enhance Industry Diversity

The LCBO's *Spirit of Inclusion* initiative creates opportunities for diverse women to enter, advance, and thrive in the beverage alcohol industry. Together with our impact partners, the program provides bursaries and scholarships, facilitates mentorship relationships, and identifies paid co-op placements for diverse women who are looking to begin or advance their careers in the winery, brewery, and distillery fields. To date, 36 scholarships have been awarded to diverse women through the *Spirit of Inclusion* initiative across all education partners to enhance industry diversity.

Community Impact

Our diversity, equity and inclusion (DEI) initiatives aim to build communities where all individuals have equitable access to essential resources needed to live happy, healthy lives. The LCBO became the official sponsor of Ottawa's Capital Pride and North Bay Pride, while continuing our partnership with Pride Toronto. More than 180 LCBO employees, friends, and family marched in support of the 2SLGBTQI+ community at the Pride Toronto Parade.

In FY2024, our *Love Pairs with Everything* campaign returned after raising more than $4 million to date and provided customers with meaningful ways to support and celebrate. Thanks to the generosity of our customers, the LCBO was able to provide funds to charitable partners including Black CAP, Casey House, Rainbow Railroad, and Women's College Hospital Foundation, as well as first-time partner The 519. The 519 is committed to the health, happiness, and full participation of the 2SLGBTQI+ communities, with an innovative model of service, space, and leadership.

SUPPORT THE MODERNIZATION OF THE BEVERAGE ALCOHOL MARKETPLACE

Rebuild and Strengthen Foundations

The LCBO is working to rebuild and strengthen the foundations of our IT infrastructure, systems, processes, and program management to create flexibility and agility to support our business model, increase efficiency, and enable business transformation. This will be centred on several key initiatives.

The first is our Future State Modernization Transformation program- a multi-year, transformative business and technology system upgrade and rebuild, supported by change management, to create agility and value throughout the organization. The LCBO is also working to build, expand and innovate digital capabilities in both internal LCBO processes and operations, and customer-facing, to create a seamless B2B and B2C customer experience through online channels. Finally, the LCBO is working to establish a flexible and efficient supply chain with a clear and optimized last-mile strategy. This will optimize distribution and logistics networks while delivering increased flexibility and scalability.

Operating Efficiency

	FY2024 Actual	FY2024 Plan	FY2023 Actual	Y/Y Change
Inventory Turns	6.6	7.1	6.6	-
Total Expenses as % of Revenue [1]	17.0%	16.9%	16.1%	6.3%

[1] *Total Expenses refer to all selling, general and administrative (SG&A) expenses as per the Statement of Income and Other Comprehensive Income. Revenue is equal to net sales (gross sales less discounts and taxes) plus gift card breakage income.*

As a percentage of revenue, expenses grew by 89 basis points to 17.0 per cent. This result was primarily driven by the mediation of Bill 124 and non-pension employee benefit costs. Please see the MD&A below for further information.

Elevate Wholesale Business

As the market expands and evolves, the LCBO recognizes its critical role as a wholesaler. As part of FSM program mentioned above, enhancement in wholesale ordering and account management systems are underway to optimize the operational processes with B2B customers. A forward-looking focus on creating more value to B2B customers will allow the LCBO to stay agile through the marketplace modernization and be able to meet B2B customers' evolving needs as a trusted wholesale partner. In FY2024, B2B sales reached $1.51 billion.

Reimagine the Customer Experience

The LCBO is committed to delivering a customer-first experience and increasing access, convenience, and choice for Ontarians, all while offering exceptional service and product selection across all channels. This year, the LCBO introduced a more varied and innovative array of seasonal products, including advent calendars, multi-packs, miniature and outsized bottling, bottle sizes, gift packaging, plus a great range of sparkling wines to suit every occasion and budget.

The LCBO also continued to build on the success of the Same-Day Pickup (SDP) service by expanding the program by 145 stores to 531 stores and formed partnerships with popular On-Demand Delivery providers to offer more convenience and choice for customers.

Performance indicators were introduced in FY2021 to track our customer satisfaction scores and overall Brand Health. The LCBO continues to track and monitor these indicators:

	FY2024 Actual	FY2023 Actual	Y/Y Change
Brand Health: Customer Satisfaction	84%	82%	+ 2.1%
Retail NPS	96	94	+2

DELIVER RETURNS TO THE PEOPLE OF ONTARIO

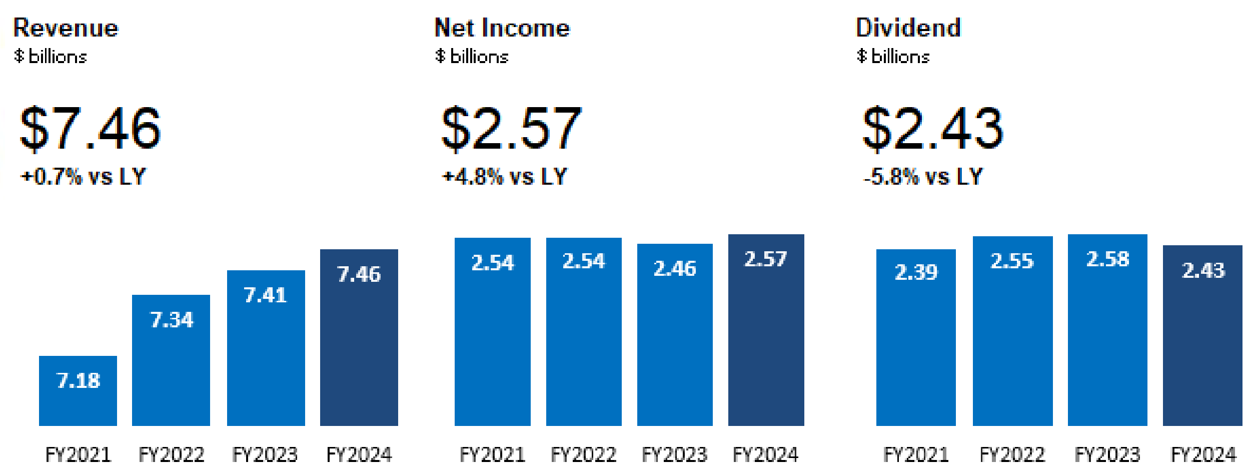
($ billions)	FY2024 Actual	FY2024 Plan	FY2023 Actual	Y/Y Change
Net Sales	$7.46	$7.53	$7.41	-0.7%
Net Income	$2.57	$2.45	$2.46	+$4.8%

FY2024 net sales decreased 0.7 per cent year-over-year. Net income grew by 4.8 per cent to achieve a record $2.57 billion in FY2024, attributed to improved gross margins and expense control in the year. Please see the MD&A below for more details.

MANAGEMENT DISCUSSION AND ANALYSIS OF OPERATIONS

The LCBO is a government business enterprise. In the fiscal year ended March 31, 2024 (hereafter referred to as FY2024) it operated a network of 688 retail stores, an eCommerce platform, and special-order services offering more than 32,000 spirits, wine and beer products to consumers and licensed establishments. The business also serviced 388 LCBO Convenience Outlets (LCOs) and 448 grocery stores across the province of Ontario. The LCBO estimates 1.1 billion litres of beverage alcohol products were sold in Ontario during FY2024, with an estimated value of more than $10.1 billion[2]. The LCBO, including direct delivery to licensees[3], accounted for more than half of the volume sales in the province and nearly 75 per cent of the value sales.

Financial highlights



Operational highlights

- The LCBO added three new stores to its retail network during the year, now totalling 688 locations[4]. Nine stores were either relocated or underwent major renovations in FY2024.
- LCBO continued to build on the success of the Same-Day Pickup (SDP) service by expanding the program by 145 stores to 531 stores and formed partnerships with popular On-Demand Delivery providers to offer more convenience and choice for customers.
- Pricing changes during FY2024 included the annual inflation indexing of minimum retail prices, LCBO in-store and out-of-store beer cost of service charges, and excise rates.

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[2] *Not including illegal alcohol sales, homemade products and sales from brew and wine pubs. Value sales do not include sales tax.*
[3] *Spirits and wines only – sales to licensees directly by distilleries and wineries are made on behalf of the LCBO.*
[4] *Location count includes one depot which also serves licensee customers.*

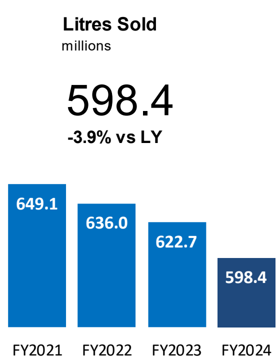
External environment

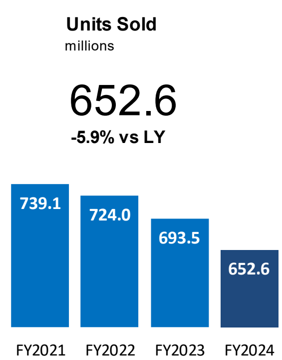
Ontario's economic landscape in FY2024 was characterized by a series of significant shifts. Bank of Canada, in response to persistent inflation, increased the policy interest rate twice, in June and July 2023, by 25 basis points to bring the target rate to 5 per cent.[5] This decision, while necessary to curb inflation, impacted the provincial and national economy, leading to a decrease in GDP per capita and an increase in unemployment.

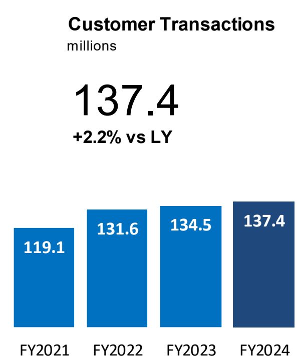
High interest rates affected borrowing costs, investment decisions, and overall business operations. The employment rate in Ontario saw a decline of 140 basis points (March 2024 vs March 2023, 60.7 per cent from 62.1 per cent), a clear indication of the challenging economic conditions. Concurrently, the unemployment rate rose by 140 basis points (March 2024 vs March 2023, 6.7 per cent from 5.3 per cent), further underscoring the economic difficulties faced by the province.[6] These changes reflect the broader economic trends influenced by the Bank of Canada's monetary policy.

The retail sector experienced growth, partially driven by high inflation.[7] However, this growth was outpaced by the rate of population increase, resulting in a decline in retail sales per capita.[8,9] Housing market continued to struggle due to higher borrowing costs, increased mortgage renewal/refinancing risk and an overall lack of affordability.

LCBO managed to overcome these economic challenges while maintaining a focus on the needs of retail and wholesale customers, as well as industry partners. This year's revenue surpassed those of the previous year by $52.9 million; however, revenues did not meet the FY2024 plan - as customers grappled with high interest rates and cost of living pressures. Inflation and pricing changes boosted sales value in FY2024, while volume sales stayed below anticipated levels for most product categories.







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5 *Bank of Canada.*

6 *Statistics Canada. Table 14-10-0287-01 Labour force characteristics, monthly, seasonally adjusted and trend-cycle, last 5 months.*

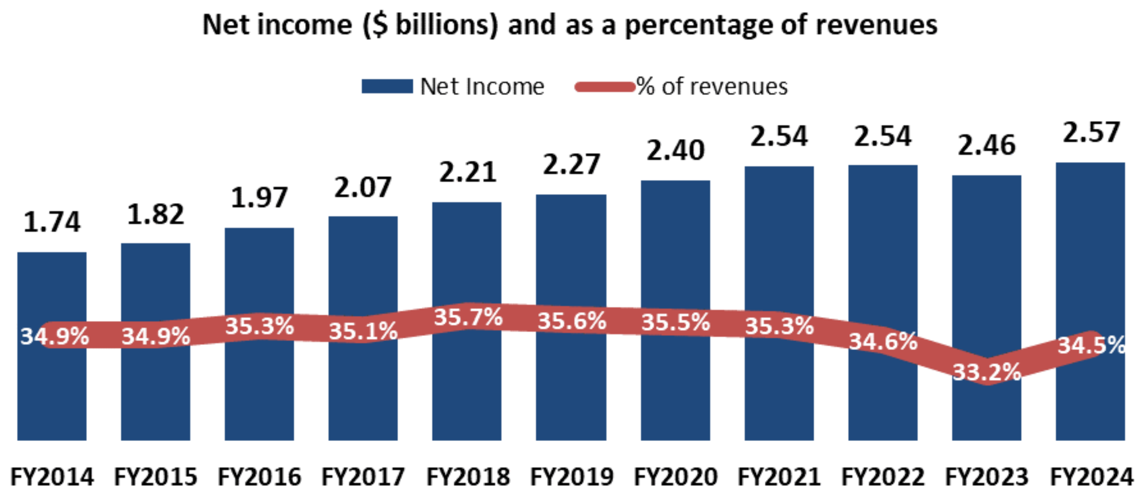
7 *Statistics Canada. Table 20-10-0056-01 Monthly retail trade sales by province and territory (x 1,000).*

8 *Statistics Canada. Table 17-10-0009-01 Population estimates, quarterly.*

9 *McCormack and Wang. 2024. Canada's gross domestic product per capita: Perspectives on the return to trend.*

Net income[10]

After the first-ever decline in net income growth in FY2023, net income grew by 4.8% to achieve a record $2.57 billion in FY2024. This represented 34.5 per cent of revenues, which was 133 basis points higher than the previous year.

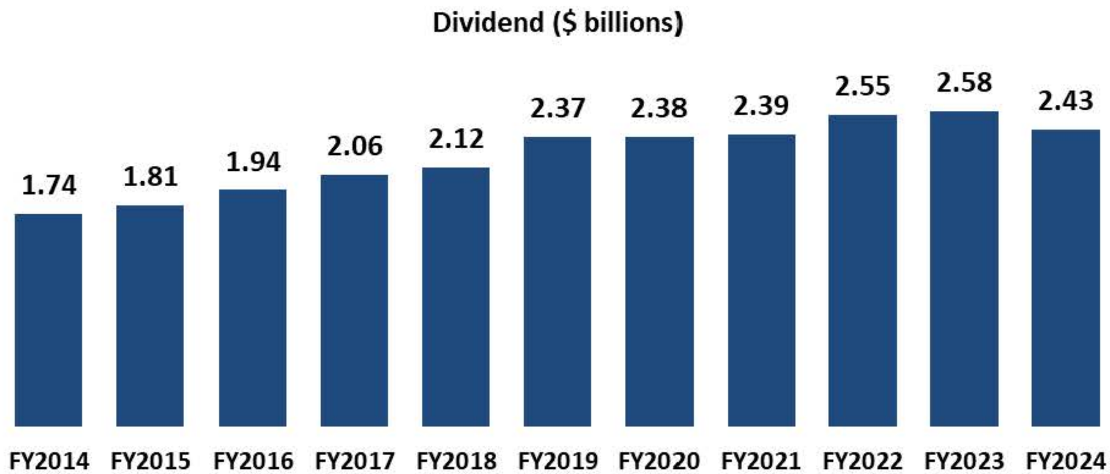


Higher margins were driven by lower freight charges this year compared to FY2023 which was a record high year for freight surcharges due to global supply chain issues. Most product categories experienced higher product margins over the previous year, contributing to higher gross margin. The net income increase of $116.8 million in FY2024 was attributed to improved gross margins. Net income over the last ten years has grown steadily apart from FY2023 that was impacted by higher freight charges.

Dividend

Over the last decade, the LCBO has transferred over $22 billion in dividends to the Ontario government, adding $2.43 billion in FY2024.

[10] *FY2017 net income has been normalized to exclude the gain from the sale of the LCBO head office property. Revenue in FY2018 has been restated to reflect the adoption of IFRS 15, which reduced revenue but not net income. Net Income in FY2019 has been restated to reflect the adoption of IFRS 16.*

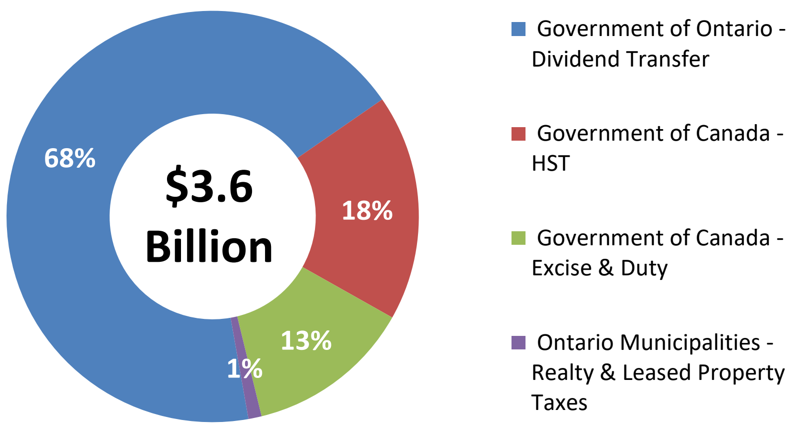


Payments to government

The LCBO paid $3.57 billion to all levels of government in FY2024. The dividend – excluding excise, duty and all sales and municipal taxes, was remitted at the provincial level and accounted for 68 per cent of the total. The Canadian government received $1.10 billion in the form of excise, duty, and sales taxes. Realty and leased property taxes paid to Ontario municipalities by the LCBO totalled $37 million.

($ millions)		FY2024
Total payments	**$**	**3,566**
Government of Ontario - Dividend Transfer		2,430
Government of Canada - HST		635
Government of Canada - Excise & Duty		464
Ontario Municipalities - Realty & Leased Property Taxes		37

LCBO payments to government



Ontario beverage alcohol 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), Winery Retail Stores (WRS), Brewery Retail Stores (BRS), Distillery Retail Stores (DRS), licensed grocers, and authorized duty free operators. In addition, the LCBO has authorized retailers in smaller Ontario communities to act as agents on its behalf and sell beverage alcohol products in conjunction with other goods. These LCBO Convenience Outlets (LCOs, and previously called agency stores) sell spirits, wine and imported beer purchased from the LCBO and domestic beer purchased from TBS (for LCOs in southern Ontario) or other domestic beer suppliers. The LCBO is the exclusive wholesaler to licensed grocers who sell imported and domestic beer, cider, and wine. These are recognized as LCBO sales.

Number of outlets

As of March 31, 2024, there were 3,051 retail outlets selling alcoholic beverages in Ontario.

Number of outlets	FY2024	FY2023	Change
LCBO	688	685	+3
LCBO Convenience Outlets (LCOs)	388	389	-1
Grocer*	448	449	-1
Ontario Winery Retail (WRS)	620	526	+94
The Beer Store (TBS)	419	422	-3
On-site Brewery Retail (BRS)	388	373	+15
On-site Distillery Retail (DRS)	84	75	+9
Land Border Point Duty free	10	10	0
Airport Duty free	6	6	0
Total	**3,051**	**2,935**	**+116**

*Grocer included 69 wine boutiques in FY2023 which are WRS locations situated within a grocery store, also selling beer and cider. These locations are excluded from the WRS count.

Market share[11]

In FY2024, the total spirits market in Ontario, including spirits-based ready-to-drink coolers and seltzers (RTDs), grew by 0.6 per cent to 186.3 million litres, with the LCBO[12] accounting for 99 per cent of the share. RTDs, which comprised of almost 63 per cent of total Ontario spirits volume, accounted for almost all the growth.

Total wine sales in the province, including cider and wine coolers, declined 4.2 per cent in volume to 180.9 million litres during the year. LCBO overall share declined by 160 basis points to 81.5 per cent of total wine volumes, mostly due to softer LCBO home consumer sales. WRS sales were up 4.3 per cent. Overall cider sales fell by 6.5 per cent during the year to 17 million litres.
Beer volume sales (excluding LCBO and TBS reciprocal sales) declined during the year, down 7.1 per cent to 706 million litres. Despite lower demand for beer across all sales channels, LCBO share improved by 120 basis points to 32.5 per cent of total beer volumes. The respective volume shares for TBS and BRS (including direct delivery to licensees) in FY2024, were 60.4 per cent and 7.1 per cent.

[11] *Previous year volume numbers may be restated.*

[12] *LCBO market share numbers include direct delivery to licensees for spirits and wine.*

Revenue[13]

LCBO revenue totalled $7.46 billion in FY2024, a growth of $52.9 million, or 0.7 per cent over the previous year.

LCBO channel sales

The LCBO sells beverage alcohol to its customers through a variety of sales channels. Consumer preferences continued to normalize in FY2024, with strong performances in the licensee and duty free channels and relatively softer demand for sales through TBS and grocers.

Channel ($ millions)	Share	FY2024		vs. FY2023	FY2023	
Home Consumer - Retail	79.5%	$	5,927	0.9%	$	5,874
Licensee	8.3%	$	621	3.8%	$	598
Grocer	5.4%	$	400	-2.4%	$	410
LCBO Convenience Outlets	3.4%	$	253	0.4%	$	252
The Beer Store	2.8%	$	209	-8.7%	$	229
Duty free	0.4%	$	30	15.4%	$	26
Other*	0.2%	$	18	12.5%	$	16
Total	**100%**	**$**	**7,458**	**0.7%**	**$**	**7,405**

*Other includes winery and distillery direct margins, sales to other provinces and gift card breakage income.

Home consumer sales stabilized in FY2024, with sales up a modest 0.9 per cent and share up 17 basis points but still below FY2022 share of 82.4 per cent. Sales to licensed establishments, such as bars, restaurants, and venues, continued to rebound, with sales and share up by 380 and 25 basis points, respectively.

Production shifts of previously imported beer brands to domestic continued to impact TBS sales channel performance. In FY2024, sales to TBS declined by $20.1 million or 8.7 per cent to $209 million.

Duty free sales to operators at airports and land border points continued to rebound in FY2024, improving on last year's performance as channel sales improved by 15.4 per cent or $4.7 million to $30 million. Despite the solid sales growth, the duty free channel continues to be below its pre-pandemic levels.

The grocer channel continued to experience normalizing results from elevated sales performance during the pandemic period. Sales to grocers fell by 2.4 per cent or $10.5 million to $400 million in FY2024, the third sales decline since its peak in FY2021 at $486 million.

[13] *Revenue is equal to net sales (gross sales less discounts and taxes) plus gift card breakage income.*

Sales to LCOs, an extension of the LCBO retail channel through authorized independent local retailers serving smaller Ontario communities, exhibited similar performances to the grocer channel. LCO sales continued to be supported by outlet expansion and, to a lesser degree, shifts due to Covid-19. Sales through the channel were flat, with 0.4 per cent sales growth from FY2023.

LCBO category sales

Spirits[14] remained the largest product category by value with $2.70 billion in sales, with sales growth down 0.1 per cent or $3.1 million in FY2024. Volume sales declined 4.3 per cent or -2.9 million litres, amidst softening economic conditions and moderation in alcohol consumption, while price increases led to an increase in net sales per litre of 4.3 per cent or $1.74. In FY2024, consumer purchases for spirits shifted towards smaller size formats and lower priced products.

Wine and Vintages[15] were also relatively flat to FY2023, with a decline of 0.1 per cent, or $1.4 million to $2.28 billion in sales. Sales were supported this year by two Easters falling into this fiscal calendar and significant price increases resulting in the net sales per litre increasing 6.2 per cent or $1.04. Volume sales fell 5.9 per cent or 7.9 million litres, amidst a soft economy, moderation in alcohol consumption and a continued global decline in wine sales. A shift to lower price points in this category was also witnessed during the year, coming in part from a decline in the Vintages side of the business, with the frontline Vintages category falling 5.3 per cent or $12.2 million year-over-year.

Beer[16] sales of $1.45 billion saw a decline in net sales of 0.5 per cent or $7.3 million in FY2024, which can be all attributed to beer producers shifting to domestic production, resulting in reduced LCBO sales to TBS. These production shifts resulted in a loss of $20.7 million in FY2024. Beer sales to grocers also declined this year by 2.0 per cent or $6.3 million as this channel of the business was negatively impacted by several factors including high food inflation resulting in customers pulling back spending, less active authorizations as not all 450 locations were operating for the full year, and labour action at selected Metro locations during the summer. A shift to larger size formats continued in FY2024.

Ready-to-drink (RTD) or spirits-based coolers have been one of the fastest growing and most popular product categories in recent years. Consumer preferences for these beverages have resulted in a shift away from some of the more established alcoholic drink types through innovation with exciting flavours, low sugar, and low alcohol by volume (ABV) options. In FY2024,

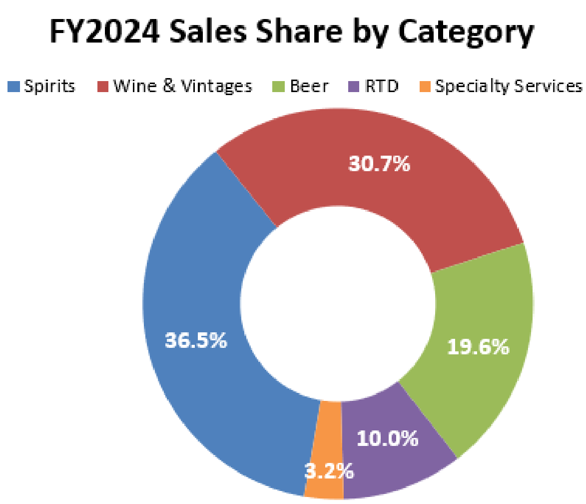
[14] *Excluding Specialty Services and ready-to-drink (RTD) and cooler products.*

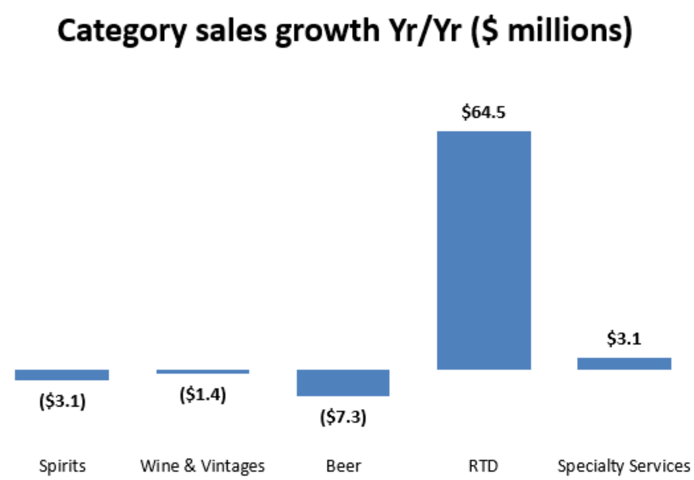
[15] *Excluding Specialty Services and ciders but including coolers.*

[16] *Excluding Specialty Services and including ciders and coolers.*

sales grew 9.5 per cent, or $64.5 million, to $745.1 million. RTD's share increased by 80 basis points to 10.3 per cent of LCBO's merchandising alcoholic sales.

Specialty Services sales increased 1.3 per cent or $3.1 million to $240.1 million. Growth was driven by sales to licensees, up 7.3 per cent or $10.2 million, while sales to home customers and TBS declined. Specialty Services made up 3.2 per cent of total revenue, increasing 10 basis points from the previous year. By product type, wine accounted for more than 70 per cent of Specialty Services sales in FY2024.





Operating results

In FY2024, every $1 in revenues (including Other Income) was broken out in the following manner:

	FY2024
Product cost*	$0.49
Income from operations	$0.34
Selling, general and administrative expenses	$0.17

*Product Cost includes purchase price from supplier plus excise tax and freight.

Margins

LCBO's gross margin totalled $3.8 billion in FY2024, representing an increase of 4.9 per cent compared to FY2023. As a percentage of revenue, gross margin grew by 203 basis points to 51.0 per cent. Despite relatively flat net sales growth in FY2024, normalization of ocean freight costs drove higher margins this year.

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

	FY2024
Spirits	$0.60
Wine & Vintages	$0.53
Beer	$0.39
RTD	$0.46
Specialty Services	$0.38

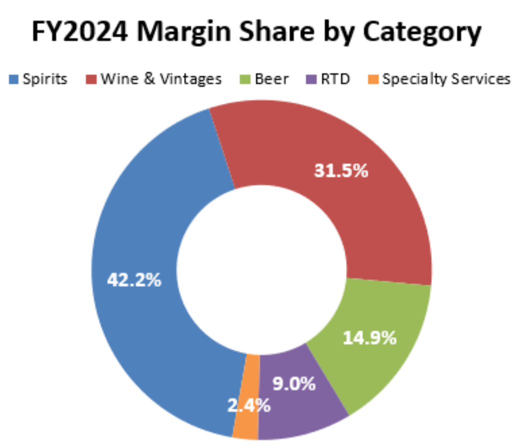
Spirits (excluding RTDs) accounted for 42.3 per cent, or $1.62 billion, of total gross margin in FY2024. Spirits margin rose a modest 1.1 per cent from FY2023, however, share of total margin fell slightly by 54 basis points.

Wine and Vintages share of total LCBO gross margin in FY2024 was 31.5 per cent, 29 basis points higher than the previous year. The category recorded a margin improvement of 3.4 per cent during the year to $1.21 billion.

Beer (including ciders) gross margin was up slightly during the year, increasing by 0.1 per cent to $568.5 million. Its share of total margin was 14.8 per cent, a drop of 34 basis points from FY2023.

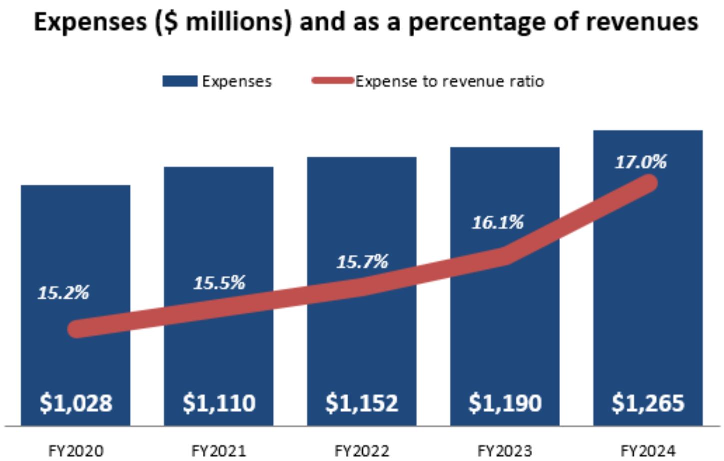
RTD gross margin, increased 10.3 per cent from FY2023 to $345.7 million, adding 63 basis points to its 9 per cent share of total margin.

Specialty Services contributed $90.1 million to gross margin, an increase of 0.1 per cent from the previous year. The category share remained unchanged at 2.4 per cent of the total gross margin.



Selling, general and administrative expenses[17]

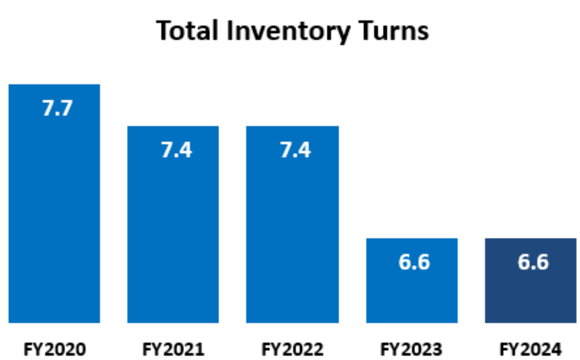
LCBO total expenses increased by $75.1 million, or 6.3 per cent, in FY2024 compared to the previous year. As a percentage of revenue, expenses grew by 89 basis points to 17.0 per cent. This result was primarily driven by mediation of Bill 124 and non-pension employee benefit costs.



Inventory

Inventory management is one of the most important aspects of LCBO's operations, requiring constant planning and monitoring. A key performance metric identified to ensure continuous improvement is inventory turns. Global conditions continued to stabilize since the pandemic and as a result container shipping rates have dropped significantly since early 2022 due to weaker demand for goods.

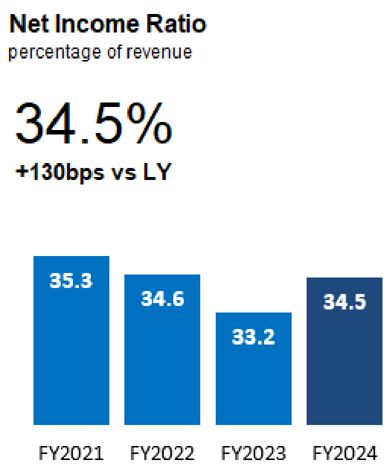
Total inventory turns in FY2024 continued to be below the average 10-year turn prior to FY2023 of 7.6 and remained unchanged from the last year's result, at 6.6 for FY2024. By category, turns improved for wines, beer, cider, and ready-to-drinks but offset by lower turns for spirits and Vintages products.

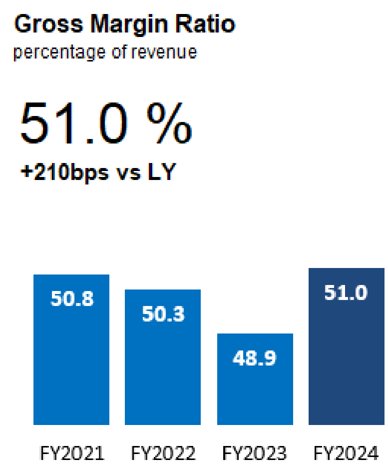


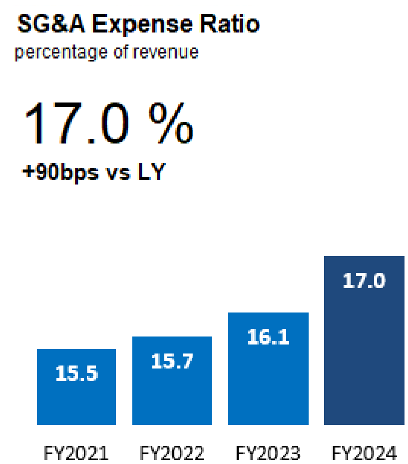
[17] *In this section, total expenses refer to all selling, general and administrative (SG&A) expenses as per the Statement of Income and Other Comprehensive Income.*

Key performance indicators

Financial ratios







In FY2024, net income was 34.5 per cent of revenue, 130 basis points higher than last year's ratio. Gross margin ratio climbed by 210 basis points to 51 per cent, while selling, general and administrative expenses as a percentage of revenue rose 90 basis points to 17 per cent.

Productivity ratios

To help monitor expenses and identify areas of focus, the LCBO compares its productivity ratios to previous years to measure improvement.

Retail productivity

	FY2020	FY2021	FY2022	FY2023	FY2024
Retail sales per transaction	$ 35.99	$ 49.48	$ 45.42	$ 43.38	$ 42.97
Unit sales per hour paid	45.5	44.5	44.2	42.6	40.9
Salaries & Benefits as a percentage of retail sales	6.9%	6.8%	6.9%	7.0%	7.0%
Total retail expenses as a percentage of retail sales	9.0%	8.9%	8.9%	9.2%	9.3%

As consumer preferences continue to adjust post-Covid-19, this has impacted retail productivity ratios and has resulted in establishing new trends. In FY2024, retail sales were slightly lower than expected, impacting both retail sales per transaction and unit sales per hour paid ratios. Both ratios have declined steadily since FY2021 as consumer preferences continue to normalize.

Distribution productivity

	FY2020	FY2021	FY2022	FY2023	FY2024
LCBO Warehouse cases throughput per hour paid	37.7	37.0	37.4	37.5	36.5
Warehouse salaries & benefits per case throughput*	$ 1.05	$ 1.10	$1.29	$1.30	$1.32
Warehouse cost per case throughput*	$ 1.26	$ 1.33	$1.65	$1.63	$1.67

*Includes both LCBO & Trillium warehouses for FY2022 and onwards.

Distribution productivity ratios were mostly impacted by lower sales volumes, mediation of Bill 124, and the addition of the third-party warehouse in FY2021. Performance continues to be impacted by the alcohol moderation trend as consumers continue to focus on healthier lifestyle choices and opting to reduce their alcohol consumption. Overall sales volumes have declined for three consecutive years, with the largest decline in FY2024, down 3.9 per cent.

Capital expenditures

Capital expenditures (capex) totalled $60.8 million in FY2024, with Store Development and Real Estate (SD&RE) accounting for most of the investment. Of the $43.8 million SD&RE spent, $41.3 million was allocated to LCBO retail network expansion and improvement and $2.5M for projects related to the warehouses and depots for repairs and improvements. Information Technology projects accounted for the second-largest portion of capex, totalling $11.9 million in FY2024, followed by Supply Chain and Wholesale with $5.0 million. Warehouse Tunnel Beam replacements, yard paving and sprinkler upgrades were among the major projects in these areas. Other organizational spend during the year included technical and infrastructural initiatives such as wireless, control and network upgrades to LCBO systems, and purchases of security equipment and machinery.

Capex ($ millions)	FY2024	FY2023
Store Development and Real Estate	$ 43.8	$ 54.8
Information Technology	$ 11.9	$ 13.1
Supply Chain and Wholesale	$ 5.0	$ 4.4
Other	$ 0.1	$ 1.1
Total Capital Expenditures	**$ 60.8**	**$ 73.4**

Enterprise risk management

The LCBO has an established Enterprise Risk Management (ERM) program that aligns with Ontario Public Sector requirements and internationally recognized ERM Standards. Having a consistent approach to identify and assess risks on an ongoing basis allows the LCBO to address the impact both internal and external factors may have on overall organizational performance and business objectives. The LCBO continues to enhance and embed risk management practices across all organizational processes. Risk mitigations are monitored on an ongoing basis and management takes additional actions for the management of risks where needed.

A risk management oversight committee, made up of senior leadership, reviews risks quarterly, and the LCBO Board of Directors reviews risk information bi-annually. Risks are assessed on three dimensions: likelihood, impact, and the speed with which the risk would impact the organization when realized. The LCBO uses a 5-point scale for all three metrics.

Certain risks discussed in the section titled *External environment*, include continued economic uncertainty, declining consumer sentiment, inflation and high interest rates are external challenges and not within the LCBO's control. However, the impact of these risks, as well as new emerging risks, are regularly assessed with steps taken to manage the impact on the LCBO.

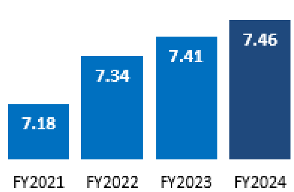
The LCBO's exposure to risks is monitored quarterly by the risk oversight committee to ensure that appropriate mitigations are in place. The three most significant risks and actions taken to mitigate them are discussed below.

- **Government Policy and Legislative Change.** The Ontario Government has announced the modernization of the alcohol beverage marketplace including the expansion of private retailing of beverage alcohol. The LCBO continues to work closely with government counterparts and relevant stakeholders to ensure alignment on legislative changes. The LCBO continues to put into place the system, people and process changes required to support the new private retailing sector of the marketplace.
- **Labour Relations.** The LCBO's Collective Bargaining Agreement with the Ontario Public Sector Employee Union (OPSEU) expired March 31, 2024. The LCBO is committed to achieving a negotiated collective agreement that is fair to its employees, while ensuring the LCBO can continue to operate efficiently and effectively. The current economic and political climate has heightened this risk for this year. The LCBO has contingency plans in place for potential strike action.
- **Cyber Disruption**: As the global cyber threat landscape continues to evolve and accelerate with rapid technology driven change, the LCBO remains on alert and proactive in investing in its defensive capabilities. In addition to targeted mitigations and increased detection monitoring, response plans and breach protocols are continually upgraded to ensure the LCBO can maintain a strong security posture and remain resilient.

Financial and operational highlights at a glance

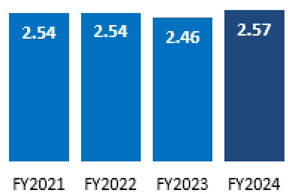
Revenue
$ billions

$7.46
+0.7% vs LY



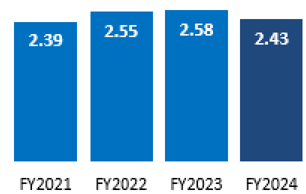
Net Income
$ billions

$2.57
+4.8% vs LY



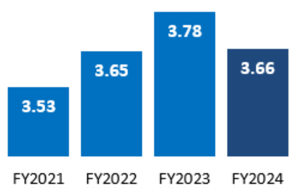
Dividend
$ billions

$2.43
-5.8% vs LY



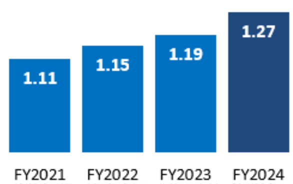
Cost of Sales
$ billions

$3.66
-3.3% vs LY



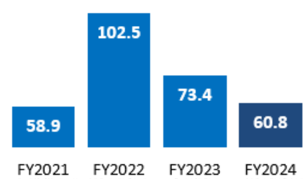
Expenses
$ billions

$1.27
+6.3% vs LY



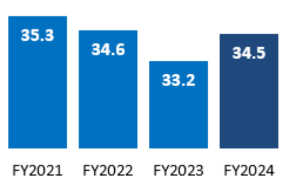
CapEx
$ millions

$60.8
-17.2% vs LY



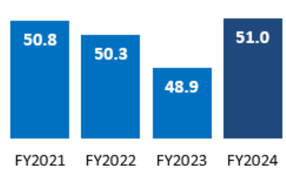
Net Income Ratio
percentage of revenue

34.5%
+133bps vs LY



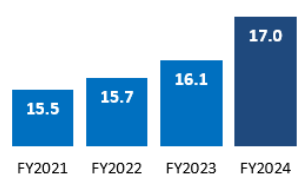
Gross Margin Ratio
percentage of revenue

51.0 %
+203bps vs LY



SG&A Expense Ratio
percentage of revenue

17.0 %
+89bps vs LY



RESPONSIBILITY FOR FINANCIAL REPORTING

The preparation, presentation and integrity of the financial statements are the responsibility of management. This responsibility includes the selection and consistent application of appropriate accounting principles and methods in addition to making the estimates, judgements, and assumptions necessary to prepare the financial statements in accordance with International Financial Reporting Standards. The accompanying financial statements of the Liquor Control Board of Ontario have been prepared in accordance with International Financial Reporting Standards and include amounts that are based on management's best estimates and judgment.

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

The Board of Directors, through the Audit Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Audit Committee, composed of three Members who are not employees/officers of the LCBO, generally meets periodically with management, the internal auditors and the Office of the Auditor General of Ontario to satisfy itself that each group has properly discharged its respective responsibility. Also, the Office of the Auditor General of Ontario meets with the Audit Committee without management present.

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

On behalf of management:

George Soleas
President & Chief Executive Officer

Becky Hong
Chief Financial Officer

June 27, 2024

Office of the Auditor General of Ontario
Bureau de la vérificatrice générale de l'Ontario

INDEPENDENT AUDITOR'S REPORT

To the Liquor Control Board of Ontario

Opinion

I have audited the financial statements of the Liquor Control Board of Ontario (the LCBO), which comprise the statement of financial position as at March 31, 2024, and the statements of income and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the LCBO as at March 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the LCBO in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs, 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.

In preparing the financial statements, management is responsible for assessing the LCBO's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the LCBO either intends to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the LCBO's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 LCBO's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the LCBO's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the LCBO to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Toronto, Ontario
June 27, 2024

Shelley Spence, CPA, CA, LPA
Auditor General

FINANCIAL STATEMENTS AND NOTES

For the Year Ended March 31, 2024

LIQUOR CONTROL BOARD OF ONTARIO
Statement of Financial Position

(thousands of Canadian dollars)

	Note	March 31 2024	March 31 2023
ASSETS			
Current Assets			
Cash and cash equivalents	5	632,986	364,523
Trade and other receivables	6, 24	103,802	86,900
Inventories	7	617,950	640,526
Prepaid expenses	8	41,041	29,761
Total Current Assets		1,395,779	1,121,710
Right-of-use assets	11	645,038	662,948
Property, plant and equipment and intangible assets	9	422,957	430,360
Total Assets		**2,463,774**	**2,215,018**
LIABILITIES & EQUITY			
Current Liabilities			
Trade and other payables	10, 12	953,826	832,158
Provisions	4(v)	3,436	2,925
Current portion of non-pension employee benefits	13	15,006	13,800
Current portion of lease liabilities	11	100,628	97,809
Current portion of borrowings	14	16,351	16,089
Total Current Liabilities		1,089,247	962,781
Non-pension employee benefits	13	125,325	105,649
Lease liabilities	11	663,032	681,943
Borrowings	14	8,183	24,149
Total Liabilities		**1,885,787**	**1,774,522**
Equity			
Retained earnings		588,956	444,906
Accumulated other comprehensive loss	13	(10,969)	(4,410)
Total Equity		577,987	440,496
Total Liabilities and Equity		**2,463,774**	**2,215,018**

See accompanying notes to the financial statements.

Approved By:

Chair, Board of Directors

Board Member, Chair, Audit Committee

LIQUOR CONTROL BOARD OF ONTARIO
Statement of Income and Other Comprehensive Income

(thousands of Canadian dollars)

For the year ended	Note	March 31 2024	March 31 2023
Revenue	18	7,458,051	7,405,158
Cost of sales	7	(3,657,970)	(3,781,983)
Gross margin		3,800,081	3,623,175
Other income	19	40,665	42,006
Selling, general and administrative expenses	20	(1,265,324)	(1,190,264)
Income from operations		2,575,422	2,474,917
Finance income	22	32,506	14,952
Finance costs	11, 13, 14, 22	(33,878)	(32,612)
Net income		**2,574,050**	**2,457,257**
Other comprehensive loss			
Items that will not be reclassified to profit or loss:			
Actuarial loss on non-pension employee benefits	13	(6,559)	(3,007)
Total other comprehensive loss		(6,559)	(3,007)
Total comprehensive income		**2,567,491**	**2,454,250**

See accompanying notes to the financial statements.

LIQUOR CONTROL BOARD OF ONTARIO
Statement of Changes in Equity

(thousands of Canadian dollars)

	Note	Retained Earnings	Accumulated other comprehensive loss	Total Equity
Balance at April 1, 2023		444,906	(4,410)	440,496
Net income		2,574,050	-	2,574,050
Other comprehensive loss	13	-	(6,559)	(6,559)
Dividend paid to province	23	(2,430,000)	-	(2,430,000)
Balance at March 31, 2024		588,956	(10,969)	577,987
Balance at April 1, 2022		567,649	(1,403)	566,246
Net income		2,457,257	-	2,457,257
Other comprehensive loss	13	-	(3,007)	(3,007)
Dividend paid to province	23	(2,580,000)	-	(2,580,000)
Balance at March 31, 2023		444,906	(4,410)	440,496

LIQUOR CONTROL BOARD OF ONTARIO
Statement of Cash Flows

(thousands of Canadian dollars)

For the year ended	**March 31 2024**	**March 31 2023**
Operating activities:		
Net income	2,574,050	2,457,257
Depreciation, amortization and impairment	67,249	72,464
Depreciation – right-of-use assets	98,425	95,078
Gain on sale and disposal of property, plant and equipment and intangible assets	(610)	(243)
Interest expense on borrowings	921	1,403
Interest paid on borrowings	(1,165)	(770)
Interest expense on lease liabilities	27,089	26,768
Interest paid on lease liabilities	(24,701)	(24,357)
Non-pension employee benefit expenses	29,158	16,198
Non-pension employee benefit payments	(14,835)	(15,071)
	181,531	171,470
Change in non-cash balances related to operations:		
Trade and other receivables	(16,902)	281
Inventories	22,576	15,780
Prepaid expenses	(11,280)	(4,917)
Trade and other payables	121,668	(77,223)
Provisions	511	879
	116,573	(65,200)
Net cash provided by operating activities	2,872,154	2,563,527
Investing activities:		
Purchase of property, plant and equipment and intangible assets	(60,765)	(73,440)
Proceeds from sale of property, plant and equipment and intangible assets	1,530	338
Net cash used in investing activities	(59,235)	(73,102)
Financing activities:		
Dividend paid to the Province of Ontario	(2,430,000)	(2,580,000)
Principal portion of lease payments	(98,996)	(99,225)
Lease Incentives received	-	1,429
Principal portion of borrowings repayment	(15,460)	(7,543)
Net cash used in financing activities	(2,544,456)	(2,685,339)
Increase/(decrease) in cash	268,463	(194,914)
Cash and cash equivalents, beginning of year	364,523	559,437
Cash and cash equivalents, end of year	632,986	364,523

1. General information and statement of compliance

1.1 General information

The Liquor Control Board of Ontario ("LCBO") is a corporation without share capital continued under the *Liquor Control Board of Ontario Act, 2019, S.O. 2019, c. 15, Sched. 21.* LCBO is a government enterprise responsible for regulating the production, importation, distribution, and sale of alcoholic beverages in the Province of Ontario ("Province").

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

LCBO's head office is located at 100 Queens Quay East, Toronto, ON, M5E 0C7.

1.2 Statement of compliance

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

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

The audited financial statements were approved by the Board of Directors and authorized for issue on June 27, 2024.

2. Adoption of new and amended standards and interpretations

2.1 Accounting standards and amendments adopted in the current year

The IASB has issued the following relevant standards and amendments that have been applied in preparing LCBO's March 31, 2024 financial statements as their effective dates fall in the current financial reporting period.

Disclosure of Accounting Policies – Amendment to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 *Presentation of Financial Statements* require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to *IFRS Practice Statement 2* provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendments are effective for annual periods beginning on or after January 1, 2023. LCBO has assessed the amendments and determined there is no impact to current disclosures on material accounting policy information.

2.1 Accounting standards and amendments adopted in the current year (continued)

Disclosure of Accounting Policies – Amendment to IAS 8

The amendment to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* clarified the definition of accounting estimates and how to distinguish a change in accounting policy, which must be applied retrospectively, from change in accounting estimate, which are accounted for prospectively.

The amendments are to be applied prospectively for annual periods beginning on or after January 1, 2023. The amendments did not have an impact to LCBO.

2.2 Accounting standards and amendments not yet effective

Classification of Liabilities (Current vs Non-current) – Amendments to IAS 1

The amendments to IAS 1 *Presentation of Financial Statements* clarified that the requirement to classify liability as current when they do not have an unconditional right to defer settlement of liability for at least twelve months have been eliminated. Under the amendments, the classification of liabilities as either current or non-current would depend on the substantive rights that exist at the end of the reporting period. The amendments could affect the classification of liabilities, particularly for entities that have liabilities that can be converted into equity.

The amendments are to be applied retrospectively in accordance with the requirements in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* for annual periods beginning on or after January 1, 2024. The amendments are not expected to have an impact to LCBO.

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)

The amendments to IFRS 16 *Leases* clarified subsequent measurement requirements for sale and leaseback transactions for sellers-lessees.

The amendments are to be applied retrospectively in accordance with the requirements in IFRS 16 *Leases* for annual periods beginning on or after January 1, 2024. The amendments are not expected to have an impact to LCBO.

2.2 Accounting standards and amendments not yet effective (continued)

Non-current Liabilities with Covenants (Amendments to IAS 1)

The amendments to IAS 1 *Presentation of Financial Statements* modified the 2020 amendments to IAS 1 to further clarify the classification, presentation, and disclosure requirements in the standard for non-current liabilities with covenants.

The amendments are to be applied retrospectively in accordance with the requirements in IAS 1 *Presentation of Financial Statements* for annual periods beginning on or after January 1, 2024. The amendments are not expected to have an impact to LCBO.

Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

The amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures* added disclosure requirements that allows users to assess how supplier finance arrangements affect an entity's liabilities, cash flows, and exposure to liquidity risk.

The IASB has provided transitional relief by not requiring disclosures on comparative information in the first year of adoption and not requiring disclosure of specified opening balances. The amendments are effective for annual reporting periods beginning on or after January 1, 2024. The amendments are not expected to have an impact to LCBO.

Lack of Exchangeability – Amendments to IAS 21

The amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates* require entities to apply a consistent approach in assessing whether a currency can be exchanged into another currency, and in determining the exchange rate to use and the disclosures to provide when it cannot.

The entity cannot restate comparative information in accordance with the requirements in IAS 21 *The Effects of Changes in Foreign Exchange Rates* for annual periods beginning on or after January 1, 2025. The amendments are not expected to have an impact to LCBO.

3. Material Accounting Policies

The material accounting policies used in the preparation of these financial statements are set out below.

3.1 Cash and cash equivalents

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

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

3.2 Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost less the lifetime expected credit loss (ECL). LCBO applies the simplified approach, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

The lifetime expected credit loss is estimated using a provision matrix based on LCBO's historical credit loss experience for different customer segments. The historical losses are adjusted as appropriate to reflect current conditions and estimates of future economic conditions. The loss is recognized as selling, general and administrative expenses in the Statement of income and other comprehensive income. The resulting disclosures are presented in Note 6.

3.3 Inventories

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

The cost of inventories comprises all cost of purchase net of vendor allowances and includes other direct costs, such as transportation and direct warehouse handling costs that are incurred to bring inventories to their present location and condition. Storage costs, indirect administrative overhead and certain selling costs related to inventories are expensed in the period that these costs are incurred. Inventories are written down to net realizable value when the cost of inventories is not estimated to be recoverable. The resulting disclosures are presented in Note 7.

3.4 Property, plant and equipment

Major capital expenditures with a useful life beyond the current year are measured at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition, construction or development of the asset and incurred to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

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

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

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

Property, plant and equipment under construction and not available for use, are carried at cost, less any recognized impairment loss. Such assets are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

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

3.5 Intangible assets

i. **Acquired intangible assets**

Acquired intangible assets, such as software, are measured initially at cost and are amortized on a straight-line basis over their estimated useful lives. The estimated useful lives and depreciation method are reviewed at the end of each reporting period.

The estimated useful lives for intangible assets are as follows:

Computer software	4 years

The resulting disclosures are presented in Note 9.

ii. **Internally generated intangible assets – research and development costs**

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

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

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

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

3.6 Impairment of assets

LCBO reviews the carrying amounts of its right-of-use assets, property, plant and equipment and intangible assets to determine whether there is any indication of an impairment loss. An indication exists when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable

3.6 Impairment of assets (continued)

amount is the higher of the asset's fair value less cost of disposal and value in use. Where the asset does not generate cash flows that are independent from other assets, LCBO estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. For right-of-use assets, property, plant and equipment and intangible assets, the CGU is deemed to be each retail store. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a subsequent increase in the recoverable amount. In this event, the carrying amount of the asset or CGU is increased to its revised recoverable amount. The recoverable amount is limited to the original carrying amount less depreciation or amortization, as if no impairment had been recognized for the asset or CGU for prior periods. Any impairment charge or reversal is recognized in the Statement of income and other comprehensive income in the year in which it occurs. The resulting disclosures are presented in Notes 9, 11 and 20.

3.7 Trade and other payables

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

3.8 Provisions

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

3.9 Borrowings

Borrowings are financial liabilities initially measured at fair value less transaction costs and subsequently remeasured at amortized cost using the effective interest method. The effective interest method is used to recognize interest expense and the difference between the proceeds less transaction cost if any and the redemption amount in the Statement of income and other comprehensive income. Transaction costs of a borrowing are the fees paid on the establishment of the borrowing to the extent that some or all of the facility will be drawn down.

3.9 Borrowings (continued)

Borrowings are removed from the Statement of financial position when the obligation specified in the contract is discharged, expired or cancelled. The resulting disclosures are presented in Note 14.

3.10 Borrowing costs

Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalized during the period required to complete and prepare the asset for its intended use or sale by management. Qualifying assets are assets that necessarily take a substantial period to get ready for their intended use or sale. Other borrowing costs are expensed in the period in which they are incurred. The resulting disclosures are presented in Note 14.

3.11 Financial instruments

Financial assets and financial liabilities are recognized when LCBO becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Their measurement in subsequent periods and the recognition of changes in fair value depend on the category in which they are classified. The classification is dependent on LCBO's business model for managing the financial assets and the contractual terms of the cash flows.

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

Financial Asset / Financial Liability	Measurement category
Cash and cash equivalents	Amortized cost
Trade and other receivables	Amortized cost
Trade and other payables	Amortized cost
Borrowings	Amortized cost
Derivatives and foreign exchange spot contracts	Fair value through profit or loss ("FVTPL")

i. **Amortized cost**

This measurement category applies to financial instruments in which assets are held for collection of contractual cash flows in which the cash flows represent solely payments of principal and interest. The effective interest rate method is used to recognize in finance income, finance cost and interest accrued from these financial assets and liabilities respectively. Cash and cash equivalents, trade receivables, trade payables, and borrowings are measured at amortized cost.

3.11 Financial instruments (continued)

ii. **Fair value through other comprehensive income**

This measurement category applies to financial instruments in which assets are held for collection of contractual cash flows and for selling the financial assets. LCBO does not hold any financial assets under this measurement category.

iii. **Fair value through profit or loss**

Financial instruments that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. Financial instruments classified as fair value through profit or loss are measured at fair value with changes in fair value recorded in profit or loss and presented net with other gains/(losses) in the period in which they arise.

Derivative financial instruments are classified as FVTPL. Derivatives are initially recognized at fair value on the date a contract is entered into and are subsequently re-measured at fair value, with changes recognized in profit and loss. The resulting disclosures are presented in Note 16.

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: inputs other than the Level 1 quoted prices that are observable for the asset or liability either directly (i.e. prices) or indirectly (i.e. derived from prices); and
Level 3: inputs for the asset or liability that are not based on observable market inputs (unobservable inputs).

3.12 Revenue recognition

Revenue from sale of goods is measured at the fair value of consideration received or receivable for the sale of goods in the ordinary course of LCBO's activities less any applicable taxes, actual and expected returns, discounts, rebates and container deposits. Revenue is recognized when the control of the goods has been transferred to the customer. For goods delivered to customers, revenue is recognized at the time the customer receives the product. Other items in revenue include:

i. **Aeroplan®**

The Aeroplan® program is split into two distinct components:

(1) Base – LCBO pays Aeroplan Inc. a fee for each base Aeroplan point issued to customers. LCBO acts as an agent for Aeroplan Inc. in this arrangement, therefore

3.12 Revenue recognition (continued)

the associated costs of the base points are accounted for as a reduction to revenue in the Statement of income and other comprehensive income.

(2) Bonus – LCBO charges vendors a fee whose products are participating in the bonus Aeroplan® program. LCBO also pays Aeroplan Inc. a fee for each bonus Aeroplan point issued to customers. The associated income net of costs of the bonus program is accounted for as a reduction to cost of sales in the Statement of income and other comprehensive income.

ii. **Direct Delivery**

The LCBO has established programs whereby Ontario wineries and small Ontario distillers may obtain approval to deliver products directly to licensees on behalf of the LCBO. The LCBO recognizes revenue from the direct delivery programs as the agent in the transaction, with cost of goods sold netted against gross revenues.

iii. **Gift Card breakage income**

LCBO recognizes a contract liability upon the sale of gift cards. LCBO expects to be entitled to a breakage amount in the contract liability as not all customers redeem the full amount of gift cards. Therefore, the LCBO recognizes the breakage amount as revenue in proportion to the pattern of gift card redemption. LCBO estimates the breakage rate based on historical redemption data. The resulting disclosures are presented in Note 12.

3.13 Other income

i. **Services rendered**

Income from services rendered is recognized when the services are provided, and the income can be measured reliably. Such services consist of border point levies and sale of data to trade partners.

ii. **Ontario Deposit Return Program ("ODRP") container deposit breakage income**

In 2006, the Province entered into an agreement with Brewers Retail Inc. (BRI), operating as The Beer Store (TBS) for management of a province-wide container deposit return program ("the program") on wine, liquor and non-common beer containers sold through LCBO, Winery, on-site Microbrewery and Distillery Retail Stores. BRI was appointed the exclusive service provider for a period of five years effective 2007. In 2015, the Province extended the contract with BRI for ODRP as part of the Master Framework Agreement, and the ODRP Agreement ends on September 30, 2025.

Under the program, LCBO collects a deposit of 10 or 20 cents on wine, liquor and most beer containers and recognizes a refund liability upon the receipt of container deposits.

3.13 Other income (continued)

LCBO reimburses Brewers Retail Inc. for deposits paid to customers who return containers to locations it operates, plus a service fee. The service fees paid to Brewers Retail Inc. are included in selling, general and administrative expenses as part of environmental initiatives expenses. The net amounts are included in trade and other payables in the Statement of financial position.

LCBO expects to be entitled to a breakage amount in the refund liability as not all customers return the container for their deposit. LCBO estimates its ODRP container redemption rate based on historical redemption data and determines the breakage rate. The breakage income is recognized based on redemption patterns and is included in other income.

iii. **Domestic airline revenue**

LCBO has a process to facilitate the sale of alcohol from Ontario suppliers to airlines, who in turn sell the alcohol on their flights. LCBO charges airlines a mark-up on products removed from the Customs Bonded Warehouse/Excise Warehouse for in-flight sales on flights departing from Ontario with a Canadian destination. The resulting disclosures are presented in Note 19.

3.14 Vendor allowances

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

3.15 Employee benefits

i. **Short-term employee benefits**

Short-term employee benefit obligations are expensed as the related service is provided. LCBO recognizes a liability and an expense for short-term benefits such as performance pay, unused vacation entitlements and other employee benefits if LCBO has a present legal or constructive obligation to pay this amount as a result of past

3.15 Employee benefits (continued)

service provided by the employee and the obligation can be estimated reasonably. The resulting disclosures are presented in Notes 13 and 21.

ii. **Pension benefit costs**

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

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

iii. **Non-pension employee benefits**

Employee benefits other than those provided by the Province include accrued contractual severance payments ("CSP"), executive compensation time banking ("ECTB"), unfunded workers compensation obligation ("WCB") and benefits extended to employees on long-term income protection ("LTIP"). These plans provide benefits to employees when they are no longer providing active service. Other non-pension employee benefit obligations of the LCBO include accumulating non-vesting sick leave ("NVSL") and service awards. LCBO accrues these employee benefits over the periods in which the employees earn the benefits or upon absence. The cost of other post-retirement, non-pension employee benefits is paid by the Province and is not included in the Statement of income and other comprehensive income.

The liability of the CSP, ECTB, LTIP, NVSL and service awards was actuarially determined by using the Projected Unit Credit Method and management's best estimate. The WCB liability was actuarially determined by calculating the present value of the projected future payments. The annual benefit cost is the sum of the service cost and one year's interest cost plus remeasurements of the defined benefit obligation. LCBO recognizes all actuarial gains and losses due to remeasurements of the net defined benefit liability arising from the CSP and ECTB benefits immediately in other comprehensive income, and reports them in accumulated other comprehensive income in the Statement of financial position, as these benefits are accrued over an employee's years of service.

3.15 Employee benefits (continued)

Any actuarial gains and losses due to remeasurements of the net defined benefit liability arising from the LTIP, WCB, NVSL and service awards benefits are recognized in the Statement of income and other comprehensive income in the period in which they arise, as these benefits are defined as Other Long-Term Employee Benefits which do not have remeasurements that can be recognized in Other comprehensive income. The resulting disclosures are presented in Note 13.

3.16 Finance income

Finance income is comprised of interest income on funds invested. Interest income is recognized as it is earned in the Statement of income and other comprehensive income, using the effective interest method. The resulting disclosures are presented in Note 22.

3.17 Finance costs

Finance costs consist of interest expense on the non-pension employee benefits obligation, interest expense on the loan and financing charges on lease liabilities. The resulting disclosures are presented in Notes 11, 13, 14 and 22.

3.18 Leasing

LCBO assesses whether a contract is or contains a lease, at the inception of the contract. LCBO recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. For these leases, the LCBO recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the LCBO’s incremental borrowing rate, unless the implicit interest rate in the lease can be readily determined.
Lease payments are comprised of fixed payments including in-substance fixed payments, less any lease incentives receivable. The period over which the lease payments are discounted is the reasonably certain lease term, which may include lease renewal options. The lease liability is presented as a separate line in the Statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

3.18 Leasing (continued)

The LCBO remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate, in which case the lease liability is remeasured by discounting the revised lease payments using the same discount rate used in initially setting up the liability (unless the change in lease payments are due to a change in a floating interest rate, in which case a revised discount rate is used); and
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets are comprised of the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date, less any lease incentives received. They are subsequently measured at cost less accumulated depreciation and impairment losses, if any. The right-of-use assets are depreciated over the shorter period of the lease term and useful life of the underlying asset.

Variable rent payments that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occur and are included in selling, general and administrative expenses in the Statement of income and comprehensive income.

For non-property leases, LCBO has elected not to separate non-lease components, and to instead account for any leases and associated non-lease components as a single arrangement. In addition, LCBO applies the portfolio approach to account for certain equipment leases with nearly identical contractual terms. The resulting disclosures are presented in Note 11.

3.19 Foreign currencies

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

4. Use of estimates and judgements

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

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

i. **Non-pension employee benefits**

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

The discount rates applied by LCBO in the valuation of non-pension employee benefits are based on the interest rates of high-quality corporate bonds that are denominated in the Canadian dollars in which the benefits will be paid. Other key assumptions for employee benefit obligations are based in part on current market conditions. Additional disclosures are presented in Note 13.

ii. **Impairment of assets**

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

Right-of-use assets, property, plant and equipment and intangible assets are subject to impairment and impairment reversal reviews based on whether current circumstances suggest that their recoverable amount may be less than their carrying value, or has

4. Use of estimates and judgements (continued)

subsequently increased. Recoverable amounts for CGUs are based on a calculation of expected future cash flows using suitable discount rates and includes management assumptions and estimates of future performance. Additional disclosures are presented in Notes 9 and 11.

iii. **Inventories**

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

iv. **Leases**

LCBO leases a significant number of retail store locations and also enters into leases for non-retail locations as part of its operations (collectively “property” leases), along with non-property leases. As a practical expedient, the LCBO elected, by class of non-property lease, not to separate the non-lease and lease components, and instead account for them together as a single lease component. The LCBO also applies the portfolio approach to account for certain equipment lease contracts with similar characteristics and nearly identical contractual terms. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods covered by termination options) are only included in the lease term if management determines the lease to be reasonably certain to be extended (or terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of LCBO.

Judgement is also required in determining the appropriate discount rates used for measurement of lease liabilities. Generally, the interest rate implicit in LCBO’s leases are not readily determinable. As such, LCBO estimates an incremental borrowing rate at the lease commencement date based on Ontario bond rates, adjusted for financing spreads, risk premiums and fees.

v. **Provisions**

Provisions have been made for sales returns, store closing costs and other contingent liabilities. These provisions are estimates and the actual costs and timing of future cash flows are dependent on future events. Any difference between expectations and the

(thousands of Canadian dollars)

4. Use of estimates and judgements (continued)

actual future liability will be accounted for in the period when such determination is made, and the difference is recognized in the Statement of income and other comprehensive income at that time. Provisions for the year ended March 31, 2024 were $3.4 million (2023 – $2.9 million).

vi. **ODRP container deposit breakage income**

LCBO has determined that not all deposits paid by customers for the ODRP containers will be redeemed. Estimates have been made for the breakage rate on ODRP containers based on historical redemption data. The estimated ODRP container deposit breakage is included in other income on the Statement of income and comprehensive income in the period when the likelihood of redemption is considered to be remote. Additional disclosures are presented in Note 19.

vii. **Gift Card breakage income**

LCBO has determined that not all gift cards purchased will be redeemed in full by customers. Estimates have been made for the breakage rate on gift cards based on past history and industry trends. Additional disclosures are presented in Note 12.

5. Cash and Cash Equivalents

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

	March 31 2024	**March 31 2023**
Cash on hand and in transit	286,269	255,301
Short term investments	346,717	109,222
	632,986	364,523

6. Trade and Other Receivables

	March 31 2024	**March 31 2023**
Trade and other receivables	109,236	91,567
Loss allowance	(5,434)	(4,667)
	103,802	86,900

(thousands of Canadian dollars)

6. Trade and Other Receivables (continued)

Trade and other receivables arise primarily from sales billed to independent businesses, agents, and other debtors.

LCBO's trade and other receivables do not contain significant financing components due to their short-term nature and as a result are recognized at transaction price. The receivables are held within a business model to collect all the contractual cash flows and therefore measured subsequently at amortized cost. The carrying amount of trade and other receivables is reduced through the use of a loss allowance for expected credit losses.

The relevant disclosures on LCBO's impairment policies and the calculation of the loss allowances are provided in Note 16.

7. Inventories

Inventories sold during the year ended March 31, 2024 were $3,658 million (2023 – $3,782 million) and are included in cost of sales. There were no significant write-downs or reversal of previous write-downs to net realizable value during the year ended March 31, 2024 and 2023.

8. Prepaid Expenses

Prepaid expenses consist of product purchases for Vintage Futures that have been paid but not yet received, prepaid IT service and maintenance contracts and other miscellaneous pre-payments.

9. Property, Plant & Equipment and Intangible Assets

Net book value of property, plant & equipment and intangible assets	March 31 2024	March 31 2023
Land	9,754	9,756
Buildings	108,465	108,700
Machinery and equipment	51,544	50,454
Leasehold improvements	213,772	219,132
Computer equipment	16,010	14,462
Computer software	11,415	13,467
Software/Construction in progress	11,997	14,389
	422,957	430,360

(thousands of Canadian dollars)

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

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

Property, plant & equipment and intangible assets continuity for the year ended March 31, 2024

	Land	Buildings	Machinery and equipment	Leasehold improvements	Computer equipment	Computer software	Software/ Construction in progress	Total
Cost								
Balance at April 1, 2023	9,756	397,489	176,214	665,203	79,027	92,375	14,389	1,434,453
Net Additions/Transfers	-	10,341	10,430	29,207	8,403	4,776	(2,392)	60,765
(Impairment)/Reversal	-	-	-	-	-	-	-	-
Disposals/Retirements	(2)	(673)	(4,797)	(546)	(11,117)	-	-	(17,135)
Balance at March 31, 2024	9,754	407,157	181,847	693,864	76,313	97,151	11,997	1,478,083
Accumulated depreciation								
Balance at April 1, 2023	-	288,789	125,760	446,071	64,565	78,908	-	1,004,093
Depreciation for the year	-	10,303	9,250	34,553	6,310	6,828	-	67,244
Impairment/(Reversal)	-	-	-	-	5	-	-	5
Disposals/Retirements	-	(400)	(4,707)	(532)	(10,577)	-	-	(16,216)
Balance at March 31, 2024	-	298,692	130,303	480,092	60,303	85,736	-	1,055,126
Net book value at March 31, 2024	9,754	108,465	51,544	213,772	16,010	11,415	11,997	422,957

Property, plant & equipment and intangible assets continuity for the year ended March 31, 2023

	Land	Buildings	Machinery and equipment	Leasehold improvements	Computer equipment	Computer software	Software/ Construction in progress	Total
Cost								
Balance at April 1, 2022	9,756	377,275	170,685	635,405	72,958	85,437	13,917	1,365,433
Net Additions/Transfers	-	20,707	8,061	30,805	6,449	6,946	472	73,440
(Impairment)/Reversal	-	-	-	-	(2)	-	-	(2)
Disposals/Retirements	-	(493)	(2,532)	(1,007)	(378)	(8)	-	(4,418)
Balance at March 31, 2023	9,756	397,489	176,214	665,203	79,027	92,375	14,389	1,434,453
Accumulated depreciation								
Balance at April 1, 2022	-	278,369	119,641	415,760	58,317	63,867	-	935,954
Depreciation for the year	-	10,086	9,254	31,452	6,623	15,049	-	72,464
Impairment/(Reversal)	-	-	-	-	(2)	-	-	(2)
Disposals/Retirements	-	(362)	(2,439)	(1,141)	(373)	(8)	-	(4,323)
Transfers	-	696	(696)	-	-	-	-	-
Balance at March 31, 2023	-	288,789	125,760	446,071	64,565	78,908	-	1,004,093
Net book value at March 31, 2023	9,756	108,700	50,454	219,132	14,462	13,467	14,389	430,360

(thousands of Canadian dollars)

10. Trade and Other Payables

	March 31 2024	March 31 2023
Trade payables	548,540	469,891
Accruals and other payables	382,818	340,519
Employee benefit accrual	22,468	21,748
	953,826	832,158

Trade payables consist of amounts outstanding for purchases of alcohol products, freight, and federal taxes. Accruals and other payables include amounts relating to harmonized sales tax, unredeemed gift cards, ODRP container deposits collected and other miscellaneous accruals and purchases. The employee benefits accrual includes annual vacation entitlements and performance bonus payments expected to be paid in the following year. Due to their short-term nature, LCBO considers trade and other payable to be the same as their fair value.

11. Leases

a. Right-of-use assets

Right-of-use assets continuity for the year ended March 31, 2024

	Property[1]	Non-property[2]	Total
Cost			
Balance at April 1, 2023[3]	1,743,395	22,012	1,765,407
Additions/Modifications	80,675	(160)	80,515
Disposals	(1,918)	-	(1,918)
Balance at March 31, 2024	1,822,152	21,852	1,844,004
Accumulated depreciation			
Balance at April 1, 2023[3]	1,093,813	8,646	1,102,459
Depreciation for the year	93,481	4,944	98,425
Disposals	(1,918)	-	(1,918)
Balance at March 31, 2024	1,185,376	13,590	1,198,966
Net book value at March 31, 2024	636,776	8,262	645,038

[1] Property leases consist of retail stores and a warehouse facility from a third party.

[2] Non-property leases consist of leased machinery, IT, printers and other equipment assets.

[3] Prior year figures were restated to remove expired leases from cost and accumulated depreciation.

(thousands of Canadian dollars)

11. Leases (continued)

Right-of-use assets continuity for the year ended March 31, 2023

	Property[1,3]	Non-property[2]	Total
Cost			
Balance at April 1, 2022	1,694,495	17,355	1,711,850
Additions	74,940	4,657	79,597
Disposals	(26,040)	-	(26,040)
Balance at March 31, 2023	1,743,395	22,012	1,765,407
Accumulated depreciation			
Balance at April 1, 2022	1,028,828	4,593	1,033,421
Depreciation for the year	91,025	4,053	95,078
Disposals	(26,040)	-	(26,040)
Balance at March 31, 2023	1,093,813	8,646	1,102,459
Net book value at March 31, 2023	649,582	13,366	662,948

[1] Property leases consist of retail stores and a warehouse facility from a third party.
[2] Non-property leases consist of leased machinery, IT, printers and other equipment assets.
[3] Prior year figures were restated to remove expired leases from cost and accumulated depreciation.

b. Amount recognized in Statement of income and other comprehensive income

	March 31 2024	March 31 2023
Depreciation – right-of-use assets	98,425	95,078
Interest expense on lease liabilities	27,089	26,768
Rent expense relating to short-term leases	1,145	1,425
Variable lease expenses not included in the measurement of lease liabilities	55,394	54,803

(thousands of Canadian dollars)

11. Leases (continued)

c. Lease liabilities

Maturity analysis – undiscounted cash flow		
Less than one year	126,052	123,103
One to five years	435,703	435,322
More than five years	344,387	382,905
	906,142	941,330
Lease liabilities included in the statement of financial position		
Current	100,628	97,809
Non-current	663,032	681,943
	763,660	779,752

12. Gift Cards

For the year ended	March 31 2024	March 31 2023
Unredeemed gift cards	69,061	67,679

Revenue generated from gift cards is recognized when gift cards are redeemed. For the fiscal year ended March 31, 2024, a total of $116.4 million (2023 – $118.6 million) gift cards were redeemed and recognized in revenue. Breakage income recognized in revenue for the year ended March 31, 2024 was $2.4 million (2023 – $2.4 million).

13. Employee Benefits

a. Pension plan

For the year ended March 31, 2024 the expense was $43.0 million (2023 – $40.4 million) and is included in selling, general and administrative expenses in the Statement of income and other comprehensive income.

b. Non-pension employee benefits

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

(thousands of Canadian dollars)

13. Employee Benefits (continued)

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

As of March 31, 2024, the weighted average duration of the plans obligations are 7.5 years (2023 – 7.2 years).

i. Statement of financial position

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

	March 31 2024	March 31 2023
Current	15,006	13,800
Non-current	125,325	105,649
Total non-pension employee benefit obligation	140,331	119,449

The current portion represents LCBO's estimated contribution to non-pension employee benefits for fiscal 2025.

ii. Statement of income and other comprehensive income

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

	March 31 2024	March 31 2023
Current service cost	14,595	12,985
Past service cost	6,951	-
Actuarial losses/(gains) on non-vesting benefits	1,744	(1,228)
Total costs included in expenses	23,290	11,757
Interest costs	5,868	4,441
Total costs included in finance costs	5,868	4,441
Total non-pension employee benefit expenses	29,158	16,198

(thousands of Canadian dollars)

13. Employee Benefits (continued)

iii. Accumulated other comprehensive income

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

	March 31 2024	March 31 2023
Opening cumulative actuarial losses recognized	(4,410)	(1,403)
Net actuarial losses recognized	(6,559)	(3,007)
Closing cumulative actuarial losses recognized	(10,969)	(4,410)

iv. Movement in the obligation

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

	March 31 2024	March 31 2023
Opening benefit obligation	119,449	115,315
Current service cost	14,595	12,985
Past service cost	6,951	-
Interest on obligation	5,868	4,441
Actuarial losses/(gains) from changes in demographic assumptions	1,575	(513)
Actuarial losses/(gains) from changes in financial assumptions	8,228	(5,557)
Actuarial (gains)/losses from other	(1,500)	7,849
Benefits paid	(14,835)	(15,071)
Closing benefit obligation	140,331	119,449

(thousands of Canadian dollars)

13. Employee Benefits (continued)

v. Significant assumptions

Significant assumptions used for the year ended March 31, 2024:

	WCB	LTIP	NVSL	ECTB	CSP	Service Awards
Discount Rate						
Expense	4.80%	4.80%	4.80%	4.80%	4.80%	4.80%
Disclosure	4.80%	4.80%	4.80%	4.80%	4.80%	4.80%
Salary rate increase						
• Bargaining Unit	n/a	n/a	3.500% plus OPT Promotional Scale in FY24, decreasing to 2.750% plus OPT Promotional Scale in FY25+	n/a	3.500% plus OPT Promotional Scale in FY24, decreasing to 2.750% plus OPT Promotional Scale in FY25+	2.0% per annum
• Management and Executive	n/a	n/a	3.500% + 2% merit in FY24, decreasing to 2.750% + 2% merit in FY25+	3.500% + 2% merit in FY24, decreasing to 2.750% + 2% merit in FY25+	3.500% + 2% merit in FY24, decreasing to 2.750% + 2% merit in FY25+	2.0% per annum
• Disabled employees	4.4% per annum in 2024 and 2.0% per annum thereafter	2.0% per annum	Same as above	Same as above	Same as above	2.0% per annum
Health care cost increases						
• Health & Vision	6.2% per annum in 2024 reducing to 4.0% per annum in and after 2041	6.2% per annum in 2024 reducing to 4.0% per annum in and after 2041	n/a	n/a	n/a	n/a
• Dental	n/a	4.0% per annum	n/a	n/a	n/a	n/a

(thousands of Canadian dollars)

13. Employee Benefits (continued)

v. Significant assumptions (continued)

Significant assumptions used for the year ended March 31, 2023:

	WCB	LTIP	NVSL	ECTB	CSP	Service Awards
Discount Rate						
Expense	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%
Disclosure	4.80%	4.80%	4.80%	4.80%	4.80%	4.80%
Salary rate increase						
• Bargaining Unit	n/a	n/a	1.000% plus OPT Promotional Scale in FY23, increasing to 2.000% plus OPT Promotional Scale in FY25	n/a	1.000% plus OPT Promotional Scale in FY23, increasing to 2.000% plus OPT Promotional Scale in FY25	2.0% per annum
• Management and Executive	n/a	n/a	1.000% + 2% merit in FY23, increasing to 2.000% + 2% merit in FY25	1.000% + 2% merit in FY23, increasing to 2.000% + 2% merit in FY25	1.000% + 2% merit in FY23, increasing to 2.000% + 2% merit in FY25	2.0% per annum
• Disabled employees	6.5% per annum in 2023 and 2.0% per annum thereafter	1.4% per annum until 2025, then 2.0% per annum	Same as above	Same as above	Same as above	2.0% per annum
Health care cost increases						
• Health & Vision	6.0% per annum for 2022-2024, 5.0% per annum for 2025, 2026 and 4.0% per annum thereafter	6.4% per annum in 2023 reducing to 4.0% per annum in and after 2041	n/a	n/a	n/a	n/a
• Dental	n/a	4.0% per annum	n/a	n/a	n/a	n/a

(thousands of Canadian dollars)

13. Employee Benefits (continued)

vi. Sensitivity analysis

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

	Impact on total non-pension employee benefit obligation	
Assumption	**0.5% increase in assumption**	**0.5% decrease in assumption**
Discount Rate	(4,582)	4,901
Health Care Trend Rate	906	(888)
Salary Scale	3,340	(3,161)
Benefit Indexation	1,389	(1,296)

Excluding the assumption that is being tested, the sensitivity analysis was conducted using the same membership data, assumptions, and methods used to determine the fiscal 2024 year-end disclosures. For the sensitivity analysis on the defined benefit obligation, each main assumption was increased and decreased by 0.5% from the assumption used to determine the sensitivity impact on the March 31, 2024 defined benefit obligation.

14. Borrowings

On September 28, 2020, LCBO entered into a loan agreement with the Ontario Financing Authority (“OFA”) and the Ministry of Finance, consisting of two facilities, for the purpose of financing the capital expenditure related to the relocation of the head office to the new location.

Facility one is non-revolving comprised of aggregate advances up to a maximum principal amount of $51.2 million. The interest rate for each advance is based on market terms determined on advance date as the province of Ontario’s cost of funds, plus 53.2 basis points. The facility one principal amount, plus interest accrued, is to be repaid using the advance from facility two.

During fiscal 2022, LCBO drew $42.4 million on facility one, bringing the total loan balance to $47.1 million inclusive of interest as at March 31, 2022. Aggregate loan amount plus interest accrued was consolidated to a new loan “facility two” on April 5, 2022 with revised loan terms. Facility two is a non-revolving three-year term loan and bears interest at 3.257 per cent per annum, compounded semi-annually, and is repayable in equal semi-annual payments of $8.3 million commencing on October 5, 2022. The loan is unsecured and is due April 7, 2025.

(thousands of Canadian dollars)

14. Borrowings (continued)

On December 17, 2021, the new head office location was deemed fit for occupancy upon substantial completion. Included in borrowings are capitalized borrowing costs related to the construction of the new head office.

The table represents the changes to LCBO's borrowings:

	March 31 2024	**March 31 2023**
Opening Balance	40,238	47,148
Interest expensed	921	1,403
Repayment	(16,625)	(8,313)
Closing Balance	24,534	40,238
Current	16,351	16,089
Non-current	8,183	24,149
	24,534	40,238

The fair value of borrowings at March 31, 2024 approximates their carrying amount.

15. Contingent Liabilities

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

16. Financial Risk Management

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

a. Credit Risk

Credit risk is the risk of financial loss due to a financial counterparty or another third party failing to meet its financial or contractual obligations to the LCBO. It arises from cash and cash equivalents, derivative financial instruments, and outstanding trade and other receivables. The carrying amount of these financial assets represents the maximum credit exposure.

i. Risk management

Cash and cash equivalents and derivative financial instruments arising from forward contracts are placed only with approved counterparties. For banks and financial institutions, only independently rated parties that meet the minimum credit rating of A1 or equivalent are accepted. The credit ratings are regularly monitored. In the event of a downgrade in credit rating of a counterparty, no further agreements are entered until the credit ratings meet or exceed LCBO's rating requirement.

At March 31, 2024, all foreign forward contracts and cash and cash equivalents were held with regulated Canadian financial institutions that met minimum credit rating requirements.

16. Financial Risk Management (continued)

The nature of LCBO's business mitigates against credit risk exposure from retail sales due to settlement in cash and credit cards. Trade and other receivables arise primarily from sales invoiced to independent businesses, agents, and other debtors. As at March 31, 2024, approximately 22% (2023 – 24%) of LCBO's receivable is due from one customer whose account is in good standing. Apart from this, LCBO does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. LCBO does not consider its exposure to credit risk associated with trade and other receivables to be material.

ii. Impairment of financial assets

Financial assets subsequently measured at amortized cost are subject to the expected credit loss model. LCBO has two classes of financial asset subject to the expected credit loss model:

Cash and cash equivalents

There were no impairment losses recognized for March 31, 2024 related to cash and cash equivalents. Refer to Note 5 for a breakdown of cash and cash equivalents.

Trade and other receivables

LCBO's ECL model loss rates are based off credit risk exposure by type of counterparty, namely wholesale customers and others. The loss rates are a function of sales payment collection over a period and the corresponding loss experience within the period. The loss rates are adjusted to reflect current and forward-looking information on factors that impact the credit risk of customers. The impact of macro-economic factors on LCBO loss rates is negligible.

16. Financial Risk Management (continued)

b. Liquidity Risk

Liquidity risk is the risk that LCBO may not have cash readily available to satisfy financial liabilities as they fall due. LCBO seeks to limit its liquidity risk by actively monitoring and managing its available cash reserves to ensure that it has sufficient access to liquidity at all times to meet financial obligations when due as well as those relating to unforeseen events. LCBO monitors the level of expected cash inflows on trade and other receivables together with outflows on trade and other payables. Treasury prepares a cash flow forecast with a time horizon of thirteen fiscal periods aligned with the LCBO financial reporting calendar. It is mandatory the cash flow forecast demonstrates having access to the board approved maximum level of liquidity. Cash that is surplus to working capital requirements is invested in low risk, fixed income instruments such as federal/provincial treasury bills and bankers' acceptances or term deposits with approved counterparties, choosing maturities which are aligned with expected cash needs with contractual maturities not greater than a year. It may also be held in bank accounts to manage counterparty limit exposure.

Given LCBO historically generates positive cash flows, the exposure to liquidity risk is not considered to be material.

c. Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market price. Market risk typically comprises of four main types of risk: foreign exchange risk, interest rate risk, equity risk and commodity risk. Currently, LCBO is exposed only to foreign exchange risk and interest rate risk.

i. Foreign Exchange Risk

LCBO is exposed to foreign exchange risk with respect to inventory purchases denominated in currencies other than the Canadian dollar. To mitigate the impact of fluctuating foreign exchange rates on the cost of these purchases, LCBO has an established non-speculative risk management program that governs the committed and reasonably anticipated foreign currency exposures in significant currencies that must be economically hedged through permitted hedging instruments. For the year ended March 31, 2024, LCBO hedged its exposure in identified significant currencies (USD and EUR) through the purchase of foreign exchange forward contracts.

16. Financial Risk Management (continued)

LCBO uses foreign exchange forward contracts to manage foreign exchange risk on the purchase of inventory in a currency other than the Canadian dollar. LCBO has elected not to use hedge accounting on these derivative financial instruments. The forward contracts are classified as FVTPL and the fair value is estimated by using the difference between the contractual forward price and the forward price at reporting date.

LCBO purchases foreign exchange spot contracts for unhedged foreign currency transactions. The foreign exchange spot contracts are designated as FVTPL and the fair value is estimated by using the difference between the contractual rate and the closing rate at reporting date.

As at March 31, 2024, LCBO had 45 foreign exchange forward contracts (2023 – 59) and 5 spot contracts (2023 – 3) with fair value totalling 0.1 million loss (2023 – $0.2 million gain) classified as a level 2 fair value based on observable market data.

In LCBO's assessment, the impact of fluctuations of foreign exchange rates would not have a significant impact on net income as the majority of inventory purchases are in Canadian currency.

ii. Interest Rate Risk

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

(thousands of Canadian dollars)

17. Capital Management

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

LCBO is required to finance certain capital expenditures with borrowings obtained from the OFA. The approval of the Minister of Finance is required for LCBO to borrow funds for major capital expenditures.

LCBO's objectives in managing its capital are first to safeguard its ability to continue as a going concern by preserving capital and maintaining sufficient liquidity to meet future financial commitments and second to maximize the earnings of such capital. By achieving these objectives, LCBO is able to fund its future growth and provide continuous dividends to the Province.

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

18. Revenue

LCBO generates revenue from the sale of beverage alcohol to its customers. Virtually all revenue is from the sale of goods. In the table below, revenue is disaggregated by the major customer channels.

	March 31 2024	March 31 2023
Home Consumers – Retail	5,927,344	5,874,311
Licensees	620,939	598,277
Grocers	399,611	410,116
LCBO Convenience Outlets	252,837	252,008
The Beer Store	208,681	228,740
Duty Free	30,498	25,846
Direct Wineries and Distilleries and Other	18,141	15,860
	7,458,051	7,405,158

For direct wineries and distilleries, cost of goods sold is netted against gross revenues.

(thousands of Canadian dollars)

19. Other Income

The components of other income include the following:

	March 31 2024	March 31 2023
ODRP container deposit breakage income	14,916	13,901
Border point levies and fees	4,473	4,291
Domestic airline revenue	1,946	1,805
Other	19,330	22,009
	40,665	42,006

20. Selling, General and Administrative Expenses by Nature

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

	March 31 2024	March 31[1] 2023
Employee costs (Note 21)	705,840	624,043
Depreciation – right-of-use assets	98,425	95,078
Occupancy costs	95,998	94,832
Depreciation, amortization and impairment	67,250	72,464
Debit/credit charges	62,773	59,635
Maintenance & service contracts	61,373	57,116
Environmental initiatives	55,928	56,039
Professional services	17,171	18,692
Telecom	12,862	10,579
Marketing	6,637	6,873
Other	81,067	94,913
	1,265,324	1,190,264

[1]Certain March 31, 2023 figures have been reclassified to align with current year's presentation.

(thousands of Canadian dollars)

21. Employee Costs

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

	March 31 2024	March 31 2023
Salaries & wages	563,380	508,624
Short-term employee benefits	142,460	115,419
	705,840	624,043

22. Finance Income and Finance Costs

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

	March 31 2024	March 31 2023
Finance income		
Interest and investment income	32,506	14,952
Total finance income	32,506	14,952
Finance costs		
Interest on non-pension employee benefits	5,868	4,441
Interest expense on borrowings	921	1,403
Interest expense on lease liabilities	27,089	26,768
Total finance costs	33,878	32,612

23. Related Parties

Related parties of the LCBO include the Province of Ontario, Ontario Financing Authority, Stewardship Ontario, Ontario Infrastructure and Lands Corporation ("OILC") and key management personnel.

Province of Ontario
For the year ended March 31, 2024, LCBO transferred a total dividend of $2.43 billion (2023 – $2.58 billion) to the Province. LCBO also provides an annual contribution to the Province for the defined benefit plan which is discussed in Notes 3 and 13.

Ontario Financing Authority
OFA is an agency of the province of Ontario that manages the province's debt and borrowing program. In addition, the agency also provides financial and centralized cash management services for the government; assist crown agencies to borrow and invest money. Refer to Note 14 for disclosure of borrowings from the Ontario Financing Authority.

(thousands of Canadian dollars)

23. Related Parties (continued)

Stewardship Ontario

LCBO is responsible under the *Waste Diversion Act*, 2002 to pay municipalities through Stewardship Ontario, an industry funded waste diversion organization for costs associated with container waste and non-container waste recycled through municipal Blue Box systems. For the year ended March 31, 2024, LCBO contributed $2.0 million (2023 – $2.0 million) and these expenditures are included in selling, general and administrative expenses in the Statement of income and other comprehensive income.

Ontario Infrastructure and Lands Corporation

LCBO entered into a lease agreement with OILC to lease a facility as an interim data centre. The lease is for a five-year term. As at March 31, 2024, the outstanding lease liability is $0.6 million (2023 – $1.2 million). These expenditures are included in selling, general and administrative expenses in the Statement of income and other comprehensive income.

Key Management Personnel

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

LCBO key management personnel compensation, including directors' fees comprise of:

	March 31 2024	**March 31 2023**
Salaries and short-term employee benefits	6,003	5,602
Post-employment benefits	574	507
Other long-term benefits	183	151
Termination benefits	4	11
	6,764	6,271

24. The Beer Store (TBS) common product deposit return program

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

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

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

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

When LCBO sells TBS common products to customers including imported beer to TBS, the container deposit is collected as part of the sale proceeds. TBS common product program deposits paid and collected are offset and included in trade and other receivables in the Statement of financial position. For the year ended March 31, 2024, $2.7 million (2023 – $2.8 million) is included in trade and other receivables related to the TBS common product deposits.

25. Other Matters

Bill 124

In 2019, the Ontario legislature passed Bill 124 also called the Protecting a Sustainable Public Sector for Future Generations Act, 2019. The Act was created to implement moderation measures in respect of compensation in Ontario’s public sector. In late 2022, Bill 124 was struck down after a challenge was brought before the courts by a coalition of unions, including OPSEU/SEFPO. In March 2024, LCBO and OPSEU have received an arbitration award that resolved all outstanding matters related to the Bill 124 moderation period. The award included retroactive salary adjustments of 6.5%. The estimated retroactive adjustment is included in Employees costs within Selling, general and administrative expenses.

25. Other Matters (continued)

Collective Bargaining Agreement

LCBO is currently collective bargaining with OPSEU to renew the collective agreement that expired March 31, 2024, which covers approximately 10,000 LCBO employees. In late May 2024, OPSEU requested conciliation assistance from the Ministry of Labour and a conciliation officer was appointed to assist LCBO and OPSEU in the negotiations. On June 13, OPSEU requested a No Board Report from the Ministry of Labour and the report was issued June 18, 2024. The report commences a 17-day period that puts the union in a legal strike position on July 5, 2024 or any time after. Negotiations are currently ongoing between LCBO and OPSEU.

26. Subsequent Events

Marketplace Modernization

On May 24, 2024, the Province announced details on its plans to expand the beverage alcohol marketplace. The phased expansion and rollout will begin no earlier than August 1, 2024, where existing grocery stores that are currently licensed to sell beer, cider or wine will also be able to sell ready-to-drink beverages and large-pack sizes of beer. Eligible convenience stores will be able to enter the marketplace no earlier than September 5, 2024 and the remaining grocery stores no earlier than October 31, 2024. All participating grocery and convenience stores will be able to sell eligible beer, cider, wine, and ready-to-drink products. Spirits and Vintages will continue to be sold exclusively through the LCBO network and LCBO Convenience Outlets.

The Alcohol and Gaming Commission of Ontario (AGCO) is responsible for regulating alcohol sale and service in Ontario, including licensing eligible grocery stores and convenience stores. LCBO will be the exclusive wholesaler for all beverage alcohol products sold to licensed grocery and convenience stores.

To serve new grocery and convenience stores and prepare for increased demand, LCBO needed to scale its distribution network. As a result, LCBO expanded its partnership with a warehousing services provider to support LCBO's wholesale role for new private retailers. The amended service contract provides a lease for a term of 7 years at a minimum rent commitment of approximately $61.0 million over the lease term. The lease has not yet commenced and is therefore excluded from the measurement of lease liabilities in Note 11.

Financial Overview

Key operational indicators

	FY2024	FY2023	FY2022	FY2021	FY2020
LCBO stores	688	685	680	677	669
Full-time equivalent employees	7,980	7,986	7,988	7,974	7,461
Product listings	32,867	34,768	34,551	28,924	31,585

Financial indicators *($ thousands)*

	FY2024	FY2023	FY2022	FY2021	FY2020
Revenues	7,458,051	7,405,158	7,340,628	7,182,507	6,765,851
Growth over previous year	0.7%	0.9%	2.2%	6.2%	5.9%
Expenses	1,265,324	1,190,264	1,152,477	1,109,852	1,028,097
As a percentage of total revenues	17.0%	16.1%	15.7%	15.5%	15.2%
Net income	2,574,050	2,457,257	2,543,284	2,538,395	2,401,600
As a percentage of total revenues	34.5%	33.2%	34.6%	35.3%	35.5%

** In this table, revenues, expenses and net income are as per the Statement of Income and Other Comprehensive Income.*

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Revenue payments *($ thousands)*

Treasurer of Ontario	FY2024	FY2023	FY2022	FY2021	FY2020
Remitted by the Liquor Control Board:					
on account of profits	2,430,000	2,580,000	2,550,000	2,390,000	2,375,000
Remitted by the Alcohol and Gaming Commission:					
on account of licence fees and permits	14,435	13,708	7,677	6,547	14,760
Remitted by the Ministry of Finance:					
Beer, wine and spirits tax[1]	599,000	600,000	624,000	624,000	582,000
Total	**3,043,435**	**3,193,708**	**3,181,677**	**3,020,547**	**2,971,760**

Receiver General for Canada	FY2024	FY2023	FY2022	FY2021	FY2020
Remitted by the Liquor Control Board:					
Excise taxes and customs duties	464,470	474,255	468,863	471,421	443,565
Goods and Services Tax (GST) / Harmonized Sales Tax (HST)	635,144	629,217	620,059	612,692	581,964
Remitted by others:					
Excise taxes, GST/HST and other duties/taxes[2]	550,925	544,693	505,341	509,720	511,971
GST/HST remitted on sales through LCOs	36,525	36,411	37,636	42,425	21,264
Total	**1,687,064**	**1,684,576**	**1,631,899**	**1,636,258**	**1,558,764**

Ontario Municipalities	FY2024	FY2023	FY2022	FY2021	FY2020
Remitted by the Liquor Control Board:					
Realty taxes[3]	36,613	36,385	37,327	35,602	34,651
Total revenue payments	**4,767,112**	**4,914,669**	**4,850,903**	**4,692,407**	**4,565,175**

[1] The beer, wine and spirits tax figure of $599 million is an interim number for FY2024. The FY2023 number has been restated to actual as per Ontario's April 2024 Budget.

[2] Figures reflect estimates for The Beer Store, Winery Retail Stores (home consumer retail sales only) and On-site Brewery stores.

[3] Includes property taxes on leased properties.

Share of Ontario beverage alcohol market by volume sold

	FY2024	FY2023	FY2022	FY2021	FY2020
LCBO	39.1%	38.9%	39.1%	36.0%	39.4%
Grocer/LCBO Convenience Outlets	11.9%	12.1%	12.7%	13.7%	9.1%
The Beer Store	40.9%	41.3%	41.7%	41.2%	43.9%
Brewery/Distillery/Winery Retail Stores	8.0%	7.7%	6.5%	9.1%	7.6%

Note: LCBO excludes sales to The Beer Store. The Beer Store excludes sales to the LCBO.
Brewery/Distillery/Winery Retail Stores include licensee and duty free direct sales.

Volume sales *(thousands of litres)*

LCBO sales	FY2024	Growth	FY2023	FY2022	FY2021	FY2020
Domestic Spirits	31,976	-2.7%	32,877	32,765	31,442	30,838
Imported Spirits	34,080	-5.3%	36,002	35,856	40,148	37,696
Total Spirits	**66,056**	**-4.1%**	**68,879**	**68,621**	**71,590**	**68,534**
Domestic Wine	51,231	-4.0%	53,351	58,358	61,596	53,670
Imported Wine	96,041	-7.1%	103,357	107,155	110,664	115,614
Total Wine	**147,272**	**-6.0%**	**156,708**	**165,513**	**172,260**	**169,284**
Domestic Beer	186,036	-0.5%	186,891	191,464	187,869	173,536
Imported Beer	79,080	-15.3%	93,409	93,747	117,180	147,791
Total Beer	**265,116**	**-5.4%**	**280,300**	**285,211**	**305,049**	**321,327**
Domestic Coolers	98,029	0.3%	97,726	98,508	84,386	54,455
Imported Coolers	21,906	14.9%	19,061	18,102	15,852	12,599
Total Coolers	**119,935**	**2.7%**	**116,787**	**116,610**	**100,238**	**67,054**
Total Domestic	**367,272**	**-1.0%**	**370,845**	**381,095**	**365,293**	**312,499**
Total Imported	**231,107**	**-8.2%**	**251,829**	**254,860**	**283,844**	**313,700**
Total LCBO	**598,379**	**-3.9%**	**622,674**	**635,955**	**649,137**	**626,199**

Other sales	FY2024	Growth	FY2023	FY2022	FY2021	FY2020
Ontario winery stores	24,051	-8.3%	26,217	29,189	34,203	28,058
The Beer Store & Ontario brewery stores	503,848	-3.6%	522,701	515,048	530,019	549,821
Ontario distillery stores	661	-9.0%	726	733	679	253

Note: The FY2024 sales figures for Ontario winery stores, The Beer Store (TBS), brewery and distillery on-site stores are unaudited and may not accurately reflect total sales due to various wineries, breweries and distilleries not reporting by the time of publication, while previous years' numbers may be restated. Direct Delivery litre sales to licensees and to duty free from Ontario winery and distillery stores are excluded from those entities since they are made on behalf of the LCBO, and also excluded from LCBO sales, as per IFRS 15. LCBO beer sales figures include LCBO sales to TBS (36.8 million litres in FY2024). TBS sales exclude sales to LCBO (150.2 million litres in FY2024) and sales on behalf of LCBO to northern LCBO Convenience Outlets (6 million litres in FY2024). For the LCBO, prior year figures are restated annually to reflect changes in product hierarchy.

Value sales *($ thousands)*

LCBO sales	FY2024	Growth	FY2023	FY2022	FY2021	FY2020
Domestic Spirits	1,137,617	0.6%	1,130,668	1,114,985	1,054,190	1,011,892
Imported Spirits	1,607,444	-0.2%	1,610,235	1,568,739	1,541,376	1,385,122
Total Spirits	**2,745,061**	**0.2%**	**2,740,903**	**2,683,724**	**2,595,566**	**2,397,014**
Domestic Wine	588,613	0.1%	588,217	615,330	650,434	590,445
Imported Wine	1,950,515	-0.2%	1,953,742	1,977,330	1,930,872	1,894,279
Total Wine	**2,539,128**	**-0.1%**	**2,541,959**	**2,592,660**	**2,581,306**	**2,484,724**
Domestic Beer	947,434	3.2%	918,472	922,338	880,195	797,668
Imported Beer	453,749	-7.4%	490,090	459,443	570,670	717,567
Total Beer	**1,401,183**	**-0.5%**	**1,408,562**	**1,381,781**	**1,450,865**	**1,515,235**
Domestic Coolers	600,261	6.0%	566,416	551,133	467,200	299,988
Imported Coolers	162,409	23.4%	131,628	112,713	90,334	73,453
Total Coolers	**762,670**	**9.3%**	**698,044**	**663,846**	**557,534**	**373,441**
Total Domestic	**3,273,925**	**2.2%**	**3,203,773**	**3,203,786**	**3,052,019**	**2,699,993**
Total Imported	**4,174,117**	**-0.3%**	**4,185,695**	**4,118,225**	**4,133,252**	**4,070,421**
Non-Liquor and Other	**7,633**	**-42.5%**	**13,270**	**16,285**	**(4,996)**	**(6,923)**
Total LCBO	**7,455,675**	**0.7%**	**7,402,738**	**7,338,296**	**7,180,275**	**6,763,491**

Other sales	FY2024	Growth	FY2023	FY2022	FY2021	FY2020
Ontario winery stores	346,557	**-3.3%**	358,324	380,533	421,057	364,202
The Beer Store & Ontario brewery stores	2,204,438	**-9.1%**	2,426,144	2,266,158	2,266,391	2,403,977
Ontario distillery stores	20,156	**-3.0%**	20,770	19,761	20,700	11,284

Note: Total LCBO excludes gift card breakage income. The FY2024 sales figures for Ontario winery stores, The Beer Store (TBS), brewery and distillery on-site stores are unaudited and may not accurately reflect total sales due to various wineries, breweries and distilleries not reporting by the time of publication, while previous years' numbers may be restated. Direct Delivery net sales to licensees and to duty free from Ontario winery and distillery stores are excluded from those entities since they are made on behalf of the LCBO, and only the margin portion of the net sales are included in LCBO sales, as per IFRS 15. LCBO beer sales figures include LCBO sales to TBS ($208.7 million in FY2024). TBS sales exclude sales to LCBO ($451.7 million in FY2024) and sales on behalf of LCBO to northern LCBO Convenience Outlets ($15.9 million in FY2024). For the LCBO, prior year figures are restated annually to reflect changes in product hierarchy.

Product listings

	FY2024	FY2023	FY2022	FY2021	FY2020
Domestic					
Spirits	**836**	836	768	678	646
Wine	**879**	860	884	752	631
Beer	**1,426**	1,502	1,472	1,449	1,301
Imported					
Spirits	**1,252**	1,280	1,096	1,122	1,032
Wine	**1,283**	1,308	1,301	1,080	1,082
Beer	**287**	342	332	314	380
Total regular listings	**5,963**	**6,128**	**5,853**	**5,395**	**5,072**
VINTAGES wines and spirits	5,111	6,197	5,918	4,955	5,661
Duty-free listings	160	181	216	183	220
Consignment warehouse and private ordering	21,633	22,262	22,564	18,391	20,632
Total product listings	**32,867**	**34,768**	**34,551**	**28,924**	**31,585**

Note: Product listing figures for consignment and private ordering are estimated based on invoices produced by Specialty Services and do not include products delisted during the fiscal year. Grocer/Convenience store product listings are included in total product listings.

LCBO sales by country of origin

In FY2024, excluding sales through Specialty Services, the LCBO sold products from 79 different countries.

Spirits

Country		Net Sales ($)	Litres
Canada	$	1,761,074,924	136,012,944
Ontario	$	1,079,359,153	104,383,842
United States	$	407,970,300	21,539,280
United Kingdom	$	366,617,595	6,552,763
Mexico	$	242,920,876	4,150,481
France	$	198,361,966	4,742,077
Ireland	$	143,207,118	3,616,293
Sweden	$	78,903,921	2,185,973
Italy	$	67,410,901	1,715,686
Latvia	$	32,809,945	900,503
Germany	$	24,596,978	781,002
Total	**$**	**3,504,101,087**	**187,316,332**

Wine

Country		Net Sales ($)	Litres
CANADA	$	577,493,695	53,005,844
ONTARIO	$	579,300,319	50,745,864
UNITED STATES	$	468,248,915	21,742,338
ITALY	$	422,383,019	23,713,425
FRANCE	$	259,192,246	9,158,439
AUSTRALIA	$	153,612,217	9,576,541
NEW ZEALAND	$	100,156,739	4,576,802
CHILE	$	97,868,325	7,699,759
SPAIN	$	81,583,019	4,930,977
ARGENTINA	$	51,323,852	3,072,872
PORTUGAL	$	50,371,563	3,477,498
Total	**$**	**2,355,268,005**	**140,132,825**

Beer

Country		Net Sales ($)	Litres
CANADA	$	914,944,201	185,857,117
ONTARIO	$	719,599,474	144,858,326
NETHERLANDS	$	161,091,198	29,288,730
GERMANY	$	47,953,968	10,962,691
UNITED KINGDOM	$	43,861,802	8,042,951
POLAND	$	24,538,172	5,806,318
MEXICO	$	24,174,835	3,858,022
ITALY	$	21,054,461	3,531,431
DENMARK	$	20,969,082	4,481,479
UNITED STATES	$	16,840,432	3,636,657
FRANCE	$	14,596,526	2,508,892
Total	**$**	**1,339,203,624**	**253,983,526**

Local Products – produced in Ontario

Sales exclude Specialty Services

Volume sales *(thousands of litres)*

LCBO sales	FY2024	FY2023	Growth
Small Distillers	**527**	**609**	**-13.6%**
VQA Wines	8,549	9,438	-9.4%
Non-VQA Wines	32,321	32,711	-1.2%
Total Wines	**40,870**	**42,149**	**-3.0%**
Craft Beer	**22,103**	**23,897**	**-7.5%**
Craft Cider	2,763	2,709	2.0%
Non-Craft Cider	6,711	7,532	-10.9%
Total Cider	**9,474**	**10,241**	**-7.5%**

Value sales *($ thousands)*

LCBO sales	FY2024	FY2023	Growth
Small Distillers	**21,655**	**25,205**	**-14.1%**
VQA Wines	158,390	168,658	-6.1%
Non-VQA Wines	349,664	338,658	3.2%
Total Wines	**508,054**	**507,316**	**0.1%**
Craft Beer	**146,245**	**153,368**	**-4.6%**
Craft Cider	18,237	17,620	3.5%
Non-Craft Cider	41,868	45,819	-8.6%
Total Cider	**60,105**	**63,439**	**-5.3%**

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CREDITS

The LCBO wishes to thank the members of the Audit Committee of the Board of Directors for their assistance in preparing this document. The report is available at www.lcbo.com under About LCBO.

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