

Service Plan for Fiscal Years  
2012/13 – 2014/15



**LIQUOR  
DISTRIBUTION  
BRANCH**







## LETTER FROM THE GENERAL MANAGER



February 6, 2012

The Honourable Rich Coleman,  
Minister of Energy and Mines:

On behalf of all of the employees of the BC Liquor Distribution Branch (LDB), I am pleased to present our service plan for fiscal years 2012/13 to 2014/15.

This plan supports our mission to be a customer-focused, profitable retailer and wholesaler of beverage alcohol dedicated to innovation, exemplary service, helpful product knowledge and corporate social responsibility.

Over the three years covered by this plan, the LDB forecasts it will generate \$2.6 billion in net income to government. In addition to our financial performance, the LDB's high-level goals also include workplace quality and employee excellence, customer experience, business effectiveness and corporate social responsibility.

While the weak global economy has had a negative impact on provincial liquor sales over the past two years, recent modest gains show some improvement in consumer confidence. However, during these times of economic uncertainty we will continue to closely monitor our sales and expenses and make adjustments to our budgets as necessary.

We were honoured this year to be recognized by Mediacorp as one of Canada's Top 100 Employers. This is our first time on this esteemed list. With respect to our workforce, we continue to focus on succession management in order to deal with the large number of retirements expected in the next three years.

The LDB places great importance on reducing our environmental footprint. Over the next three years, we will continue to implement energy efficiency initiatives and work towards our goal of reducing plastic shopping bag usage.

The 2012/13 - 2014/15 LDB Service Plan was prepared under my direction in accordance with the *Budget Transparency and Accountability Act* and the BC Reporting Principles. The plan is consistent with government's strategic priorities and fiscal plan. I am accountable for the contents of the plan, including what has been included in the plan and how it has been reported.

All significant assumptions, policy decisions, events and identified risks, as of January 2012 have been considered in preparing the plan. The performance measures presented are consistent with the LDB's mandate and goals, and focus on aspects critical to the organization's performance. The targets in this plan have been determined based on an assessment of the LDB's operating environment, forecast conditions, risk assessment and past performance.

A handwritten signature in black ink, appearing to read "Jay Chambers". The signature is stylized with a large loop at the beginning.

Jay Chambers  
*General Manager*

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### Governance

In British Columbia, the Liquor Distribution Branch (LDB) is one of two branches of government responsible for the beverage alcohol industry. The *Liquor Distribution Act* gives the LDB the sole right to purchase beverage alcohol both within BC and from outside the province, in accordance with the federal *Importation of Intoxicating Liquors Act*.

Reporting to the Minister of Energy and Mines, the LDB:

- handles the importation and distribution of beverage alcohol in BC;
- operates government liquor stores (GLSs) and distribution centres; and
- has a General Manager who is responsible for administering the *Liquor Distribution Act*, which includes the oversight of GLSs, subject to direction from the minister.

The *Liquor Distribution Act* clarifies:

- LDB administration;
- GLS operation; and
- The role and powers of the LDB General Manager.

The LDB follows the Crown Agencies Resource Office guidelines for service plans and annual reports, and is reported out in public accounts in a manner similar to a commercial Crown corporation, on a modified equity basis.

Another branch of the Ministry of Energy and Mines — Liquor Control and Licensing Branch (LCLB) — licenses private liquor stores, restaurants, pubs and manufacturers, and enforces regulations under the *Liquor Control and Licensing Act*.

The LDB and LCLB have a shared responsibility to encourage the responsible consumption of beverage alcohol and work closely together to coordinate policies and programs to this end.

Visit [www.bclldb.com](http://www.bclldb.com) and click on the About Us link for more about the LDB.

#### MEET THE LDB EXECUTIVE MANAGEMENT COMMITTEE

**Jay Chambers**  
*General Manager*

**Roger Bissoondatt**  
*Chief Financial Officer*

**Kelly Wilson**  
*Executive Director,  
Wholesale & Retail Services*

**Michael Procopio**  
*Executive Director,  
Human Resources*

**Don Farley**  
*Executive Director,  
Information Services*

**Gordon Hall**  
*Director, Corporate Policy*

**Donna Morse**  
*Director, Corporate Security*

**Catherine Sloan**  
*Legal Counsel*

## ORGANIZATION OVERVIEW

### Government's Letter of Expectations

A key component of the LDB's governance framework is the Government's Letter of Expectations (GLE). The GLE is an agreement between the Government of British Columbia and the LDB that sets out the roles of each, the corporate mandate, high-level performance expectations and strategic priorities.

The GLE also provides direction from Government to the LDB to take specific actions. These specific actions from the 2012/13 GLE and the LDB's response to them are identified in the following table. The complete GLE is available on the LDB's website at [www.bcldb.com/annual-report](http://www.bcldb.com/annual-report).

GOVERNMENT DIRECTION	LDB ALIGNMENT
Meet the LDB 2012/13 – 2013/14 Service Plan budget and performance targets, including net income.	The LDB provides monthly financial updates to Government and notifies Government on changes likely to affect the achievement of the targets.
Comply with the financial policies/guidelines provided by the Government for mark-up, taxation, the extent to which LDB may own capital assets, and LDB contributions to the Government.	The LDB complies with Government's financial policies and guidelines.
Comply with the Government's and the Liquor Control and Licensing Branch's direction to rationalize and improve the regulatory framework for the importation, distribution and retailing of beverage alcohol products in British Columbia.	The LDB complies with Government's and the Liquor Control and Licensing Branch's direction.
Facilitate transition of private liquor stores appointed under the Liquor Distribution Branch to become licensees under the <i>Liquor Control and Licensing Act</i> and regulated by the Liquor Control and Licensing Branch.	The LDB will assist the Liquor Control and Licensing Branch in the transfer of the private liquor store appointments.
Comply with Government's requirements to be carbon neutral under the <i>Greenhouse Gas Reduction Targets Act</i> , including: accurately defining, measuring, reporting on and verifying the greenhouse gas emissions from the LDB's operations; implementing aggressive measures to reduce those emissions and reporting on these reduction measures and reduction plans; and offsetting any remaining emissions through investments in the Pacific Carbon Trust, which will invest in greenhouse gas reduction projects outside of the LDB's scope of operations.	The LDB is accurately measuring and reporting on its greenhouse gas emissions as required by government, and is implementing measures to reduce those emissions. The LDB is offsetting emissions through payments to the Pacific Carbon Trust.
Work with service providers in the LDB's wholesale distribution network to improve on-time delivery and inventory turnover performance metrics.	The LDB will continue to work with its service providers to improve on-time delivery and inventory turnover.

### Business of the Liquor Distribution Branch

The LDB operates a province-wide, retail/wholesale beverage alcohol business, within a mixed public-private model.

As of December 31, 2011, the LDB:

- has a workforce of approximately 3,500 full- and part-time employees;
- operates 197 GLSs throughout the province;
- operates two distribution centres, in Vancouver and Kamloops; and
- has a Head Office facility in Vancouver.

As part of BC's mixed model retail system, the LDB is committed to providing customers with an enhanced shopping environment, increased product selection and a high level of service.

The LDB purchases beverage alcohol from more than 400 suppliers and manufacturers within the province, across the country and around the world. Licensed manufacturers in BC include 242 wineries, 59 breweries, and 17 distilleries.

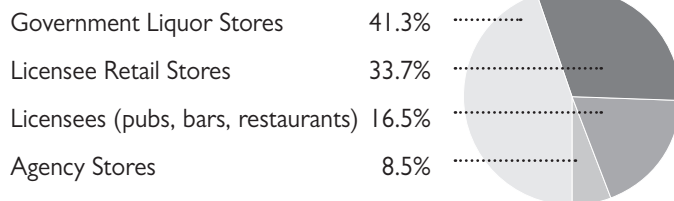
With more than 1,400 beverage alcohol retail outlets operating in BC, consumers have a variety of choices depending on their service needs, including:

- 197 GLSs (government-owned and -operated stores selling beverage alcohol to retail and wholesale customers);
- 672 licensee retail stores (LRSs – private stores licensed to sell all beverage alcohol products);
- 221 rural agency stores (RASs – general merchandise stores in rural communities authorized to sell all beverage alcohol products);
- 256 on-site manufacturer stores (stores at wineries, breweries and distilleries that sell the products that they manufacture);
- 35 off-site manufacturer stores (stores operated by the BC wine industry that sell BC winery products);
- 12 private wine stores; and
- 11 duty-free stores.

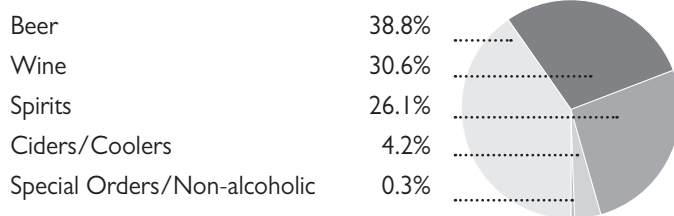
In addition to retail stores, there are approximately 8,000 bars, restaurants and other licensed on-premise establishments.

The wholesale beverage alcohol distribution model in BC includes the two government distribution centres, GLSs and a number of manufacturers and private distributors that are authorized to distribute beverage alcohol as agents of the LDB.

#### PERCENTAGE OF GROSS \$ SALES BY SALES CHANNEL 2010/11



#### PERCENTAGE OF GROSS \$ SALES BY PRODUCT CATEGORY 2010/11





## ORGANIZATION OVERVIEW

### Vision, Mission & Values

#### VISION

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That our customers have the opportunity to discover, enjoy and share the evolving world of beverage alcohol.

#### MISSION

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To be a customer-focused, profitable retailer and wholesaler of beverage alcohol dedicated to innovation, exemplary service, helpful product knowledge and corporate responsibility.

#### VALUES

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##### **Exemplary Service**

We take pride in the quality of our work. We strive for excellence in serving customers and coworkers.

##### **Corporate Social Responsibility**

We encourage and support the responsible use of beverage alcohol and minimize the impact of our operations on the environment.

##### **Integrity**

We take responsibility and are fully accountable for our actions, decisions and behaviour. We are open, honest and fair.

##### **Respect**

We treat all individuals with fairness, dignity and respect.

##### **Teamwork**

We support one another to achieve corporate goals.

##### **Innovation**

We encourage our people to find innovative and creative ways to improve our business.

## STRATEGIC ISSUES

### ECONOMY

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Beverage alcohol is a discretionary consumer product and sales are affected by economic conditions. Although the weak global economy has depressed sales over the past two years, there have been modest gains in recent months and we expect this trend to continue. The LDB will closely monitor sales and expenses and make adjustments to forecasts and budgets as necessary.

### CUSTOMER SERVICE

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The improvement of customer service to the LDB's retail and wholesale customers will continue to be a priority. Over the next few years, the LDB will complete a number of store remodels and minor renovations to ensure that the store system meets the modern retail customer's expectations. There will be a continued emphasis on staff training particularly customer service and store management training.

The LDB will continue to improve its main website and mobile website applications to enhance customer's browsing experiences and access to LDB products and services. The LDB will also be encouraging more private liquor stores and licensed establishments to use the LDB's online "Webstore" application to make their purchases.

### HUMAN RESOURCES

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The LDB has a high percentage of long-service employees, many of whom will be eligible for retirement within the next five years. LDB's succession management plan focuses on leadership development of high performing internal candidates and aggressive recruitment of external candidates when necessary. The LDB has been named by Mediacorp as one of Canada's Top 100 Employers for 2012. This is the first time that the LDB has been recognized for this distinction.

### INFORMATION TECHNOLOGY

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The LDB will be focusing on a small number of key information technology initiatives over the next three years. In fiscal 2012/13, planning work will be completed on a liquor forecasting and replenishment system which, when implemented in subsequent years, will improve the management of inventory and reduce the possibility of product stock-outs. Discovery work will also begin in 2012/13 on new retail store cash register software that will improve in-store processes and customer service.

### CORPORATE SOCIAL RESPONSIBILITY

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LDB efforts to minimize access to alcohol by minors will continue through stringent ID checking procedures. In-store LDB promotional materials will continue to encourage customers to consume beverage alcohol products responsibly. In fiscal 2012/13, the LDB will conduct its twelfth "Support Dry Grad" campaign which collects customer donations that help fund local high school alcohol-free graduation celebrations.

The LDB will aggressively pursue new energy efficiency opportunities in 2012/13 and will continue to work on its targets to reduce the number of plastic shopping bags used by customers.

## RISK MANAGEMENT

The LDB Executive Management Committee meets monthly to discuss service plan performance, risks and mitigating strategies.

In view of the uncertainty of the economic climate, the LDB is closely monitoring its financial performance and budgets in order to mitigate financial risks.

The LDB regularly updates its Enterprise Wide Risk Assessment and has a number of projects in progress to mitigate identified business and technology risks. These include the Financial Business Improvement Project, the Payment Card Industry (PCI) compliance program and the conversion to International Financial Reporting Standards.

	<b>RISK FACTORS AND SENSITIVITIES</b>	<b>MITIGATING STRATEGIES</b>
<b>ECONOMY</b>	Beverage alcohol is a discretionary consumer product and sales are negatively affected by poor economic conditions.	> The LDB will carefully monitor its sales and expenses and will make adjustments to its operations and budgets as necessary.
<b>INFORMATION TECHNOLOGY</b>	The upgrading of information systems and business processes are key in the delivery of efficient and effective services to the LDB's customers. The replacement of older, difficult-to-maintain systems with new systems creates challenges in ensuring integration of applications and ensuring accurate information.	> The LDB is replacing older systems on a scheduled basis and is working to improve the overall integration of systems.
<b>RECRUITING AND RETENTION OF EMPLOYEES</b>	The LDB is expecting a large number of long-service employees to retire in the next five years.	> The LDB has a focus on succession planning in order to recruit employees from outside the organization and to support the career development of employees within the organization.



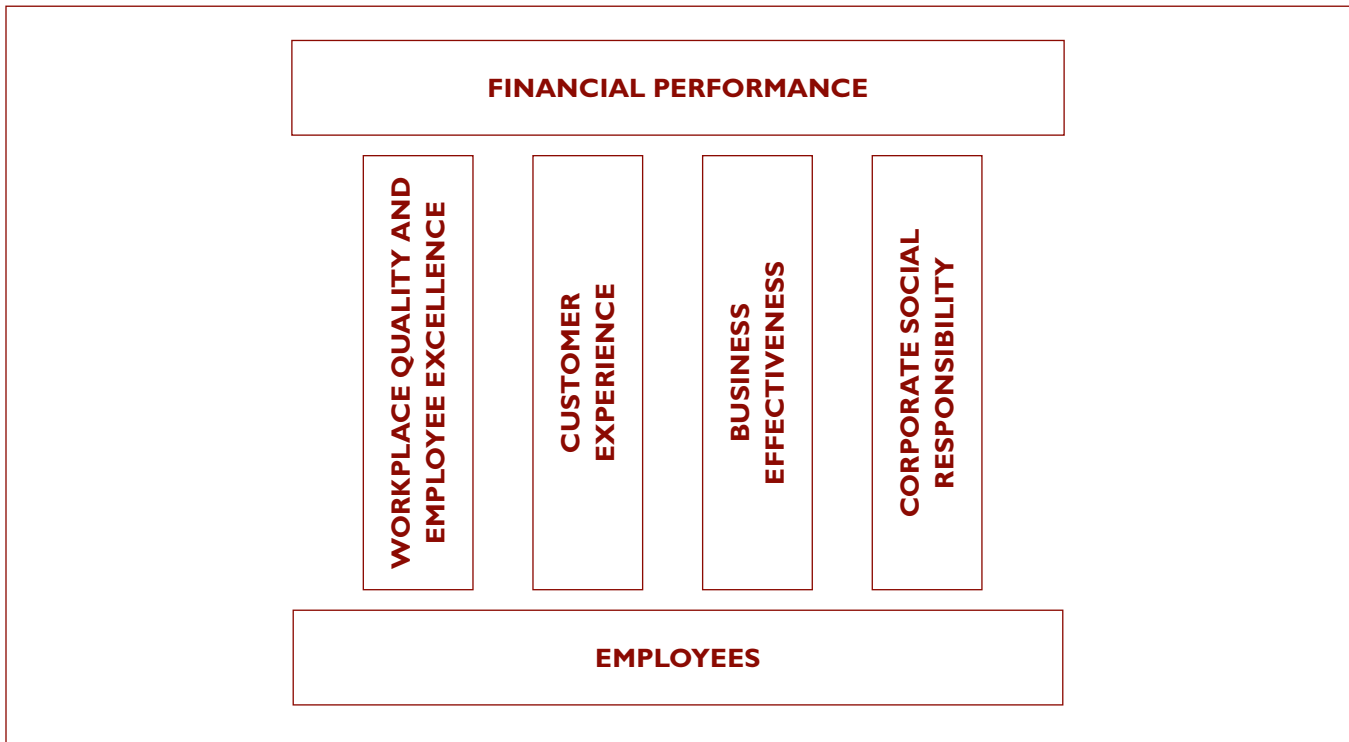
# OBJECTIVES, STRATEGIES & PERFORMANCE MEASURES

# OBJECTIVES, STRATEGIES & PERFORMANCE MEASURES

## The Four Pillars Framework

The LDB organizes its strategic priorities and key objectives around the concept of four pillars. All four pillars support financial performance, and at the foundation are the LDB’s dedicated employees.

### HIGH-LEVEL GOALS



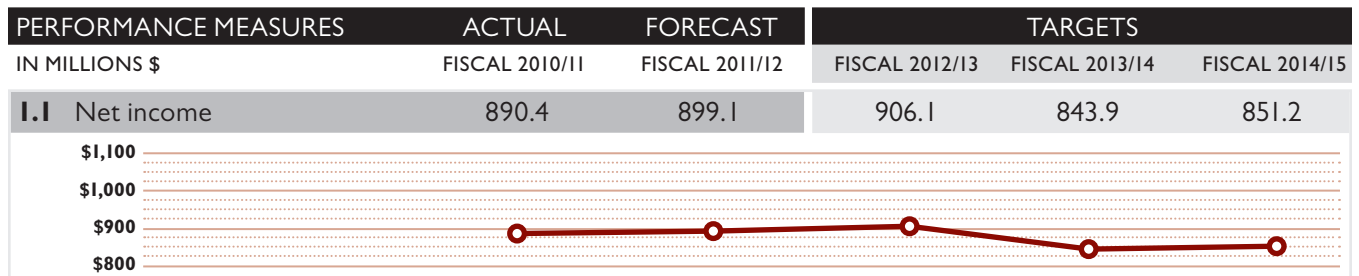


## OBJECTIVES, STRATEGIES & PERFORMANCE MEASURES

### GOAL I FINANCIAL PERFORMANCE

Meet financial objectives approved by government.

STRATEGY: Grow sales and effectively manage operating expenses



#### PERFORMANCE MEASURE DESCRIPTION

**I.1 Net income** – Net income is the contribution made to the provincial government by the LDB from the total sales of beverage alcohol in the province and is audited by the BC Auditor General. LDB net income is an important source of funding for the provincial government.

#### SIGNIFICANT CHANGES FROM THE SERVICE PLAN FOR FISCAL YEARS 2011/12 – 2013/14

For fiscal 2010/11, net income was prepared based on current Canadian Generally Accepted Accounting Principles (GAAP). Net income targets for fiscal years 2011/12 to 2014/15 were prepared based on current International Financial Reporting Standards (IFRS).

## OBJECTIVES, STRATEGIES & PERFORMANCE MEASURES

### GOAL 2 WORKPLACE QUALITY AND EMPLOYEE EXCELLENCE

Create a work environment that encourages greater employee engagement.

- STRATEGIES:**
1. Enhance staff skills and engagement through management development, employee training and increased communication
  2. Implement succession management plans for the organization
  3. Provide a safe, healthy and harassment-free workplace

PERFORMANCE MEASURES	ACTUAL	FORECAST	TARGETS		
	FISCAL 2010/11	FISCAL 2011/12	FISCAL 2012/13	FISCAL 2013/14	FISCAL 2014/15
<b>2.1</b> Employee engagement	69	69	N/A	70	N/A

#### PERFORMANCE MEASURE DESCRIPTION

**2.1 Employee engagement** – Employee engagement is a measure of employees' level of commitment to, and satisfaction with, their job and the organization. The LDB's employee engagement score is based on an annual Workplace Environment Survey (WES) conducted for the LDB by BC Stats. The WES asks a number of questions about the work environment and the results are summarized into a single engagement score. The LDB believes that its target WES score of 70, on balance, reflects a healthy work environment.

#### SIGNIFICANT CHANGES FROM THE SERVICE PLAN FOR FISCAL YEARS 2011/12 – 2013/14

Beginning in 2012, the Work Environment Survey (WES) will be administered every two years, instead of yearly. The next full-scale WES will take place in 2013.

## OBJECTIVES, STRATEGIES & PERFORMANCE MEASURES

### GOAL 3 CUSTOMER EXPERIENCE

Maintain a high level of wholesale and retail customer satisfaction.

- STRATEGIES:
1. Continuously refresh the store network
  2. Continuously provide enhanced customer services

PERFORMANCE MEASURES	ACTUAL		TARGETS		
	FISCAL 2010/11	FISCAL 2011/12	FISCAL 2012/13	FISCAL 2013/14	FISCAL 2014/15
<b>3.1</b> Retail customer satisfaction	98%	N/A	90%	N/A	90%
<b>3.2</b> Wholesale customer satisfaction	82%	N/A	90%	N/A	90%

#### PERFORMANCE MEASURE DESCRIPTION

**3.1 Retail customer satisfaction** – The retail customer satisfaction rating is determined through a survey of a sample of BC Liquor Store retail customers conducted by a professional survey company. This survey is conducted once every two years so that customers have an adequate amount of time to experience LDB service initiatives which often take more than one year to fully implement. A survey was conducted in 2010/11 and the next survey will be conducted in 2012/13. Due to the importance of customer service to the LDB’s success, a high target of 90 per cent has been set.

**3.2 Wholesale customer satisfaction** – The wholesale customer satisfaction rating is determined through a survey of a sample of wholesale customers (bars, restaurants and private retailers) conducted by a professional survey company. This survey is conducted once every two years so that customers have an adequate amount of time to experience LDB service initiatives which often take more than one year to fully implement. A survey was conducted in 2010/11 and the next survey will be conducted in 2012/13. Due to the importance of customer service to the LDB’s success, a high target of 90 per cent has been set.

## OBJECTIVES, STRATEGIES & PERFORMANCE MEASURES

### GOAL 4 BUSINESS EFFECTIVENESS

Maintain operating efficiencies in a climate of constant change.

- STRATEGIES:
1. Maximize the potential efficiencies available through improved distribution operations.
  2. Increase the use of current and cost effective technology

PERFORMANCE MEASURES	ACTUAL	FORECAST	TARGETS		
	FISCAL 2010/11	FISCAL 2011/12	FISCAL 2012/13	FISCAL 2013/14	FISCAL 2014/15
<b>4.1</b> BC Liquor Store sales per square foot	\$1,259	\$1,261	\$1,286	\$1,278	\$1,303
<b>4.2</b> Distribution Centre labour cost per case shipped	\$1.74	\$1.74	\$1.74	\$1.74	\$1.74
<b>4.3</b> Distribution Centre line fill rate	93%	93%	93%	93%	93%

#### PERFORMANCE MEASURE DESCRIPTION

**4.1 BC Liquor Stores sales per square foot** – This measure is based on the annual dollar sales of the store system divided by total store system square footage and is an indicator of how well the LDB converts its store floor space into sales. Wholesale Customer Centre sales are excluded. The targets reflect the LDB's efforts to increase the productive use of its store space.

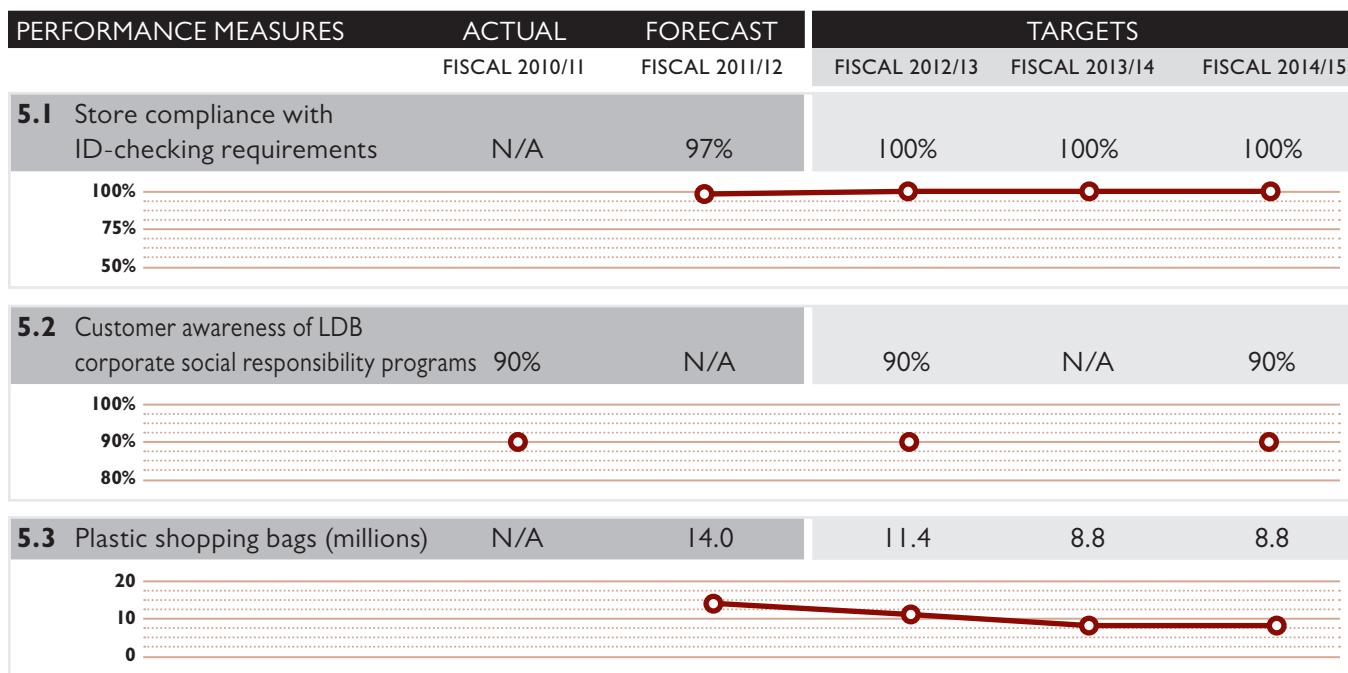
**4.2 Distribution Centre labour cost per case shipped** – This productivity measure is calculated by dividing total Distribution Centre labour expenses by total case shipments. The targets reflect the LDB's efforts to maintain productivity by keeping the labour cost per case constant.

**4.3 Distribution Centre line fill rate** – This is a measure of the completeness of orders filled by LDB Distribution Centres and is calculated by dividing the number of ordered items that are filled completely by the total number of items ordered. The calculation excludes products that are not stocked by LDB Distribution Centres. The LDB believes that the target of 93 per cent is the appropriate balance between the effective management of inventory and the minimization of product stock-outs.

**GOAL 5** CORPORATE SOCIAL RESPONSIBILITY

Encourage the responsible use of beverage alcohol and minimize the impact of operations on the environment.

- STRATEGIES:**
1. Prevent sales to minors or intoxicated persons in BC Liquor Stores through staff education and enforcement of ID-checking requirements
  2. Promote awareness of responsible use by continuing co-operative programs with suppliers and other stakeholders
  3. Reduce the impact of operations on the environment



PERFORMANCE MEASURE DESCRIPTION

**5.1 Store compliance with ID-checking requirement** – The legal age to purchase liquor in British Columbia is 19. In fiscal 2011/12 the Liquor Control and Licensing Branch (LCLB) implemented an ID-checking program for government and private liquor stores that uses underage agents to test compliance. The LDB uses LCLB’s compliance statistics for this measure. The target of 100 per cent reflects the importance to the LDB of preventing sales to minors.

**5.2 Customer awareness of LDB corporate social responsibility programs** – The LDB places posters and other promotional materials in its stores that encourage the responsible use of beverage alcohol. The themes, such as the prevention of drinking and driving or underage drinking, change every month. The LDB measures customer recall of these promotional materials through the same customer survey the LDB uses to rate its customer service performance (see performance measure 3.1). This survey is conducted every two years. The target of 90 per cent was set to ensure that the LDB strives to develop impactful and relevant messaging that catches the attention of customers.

**5.3 Plastic shopping bag reduction** –The LDB has a program to reduce the number of plastic shopping bags that are issued to customers. This program encourages customers to use re-usable bags or to take their purchases without a bag. The targets reflect the LDB’s ongoing efforts to change customer behaviour.



## OBJECTIVES, STRATEGIES & PERFORMANCE MEASURES

### Performance Management Systems

The following information summarizes the source and accuracy of the data used for the service plan performance measures.

#### SALES DATA (PERFORMANCE MEASURES 1.1 AND 4.1)

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Sales data for government liquor stores (GLSs) is collected from computerized point-of-sale cash register systems and stored in head office databases. Sales made directly to customers by agents on behalf of the Liquor Distribution Branch (LDB) are transmitted to the LDB and stored in databases. LDB financial statements are audited by the Office of the Auditor General annually.

#### EXPENSE DATA: (PERFORMANCE MEASURES 1.1 AND 4.2)

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LDB expense data is captured, stored and reported by the LDB's financial system. The LDB's financial statements are audited by the Office of the Auditor General.

#### EMPLOYEE AND CUSTOMER SURVEYS (PERFORMANCE MEASURES 2.1, 3.1, 3.2, 5.2)

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BC Stats conducts the employee engagement survey for the LDB. The LDB contracts with professional survey companies to conduct the retail and wholesale customer service surveys.

#### DISTRIBUTION DATA (PERFORMANCE MEASURES 4.2, 4.3)

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Orders and shipments processed the by LDB distribution centers are captured and stored by computer applications designed for this purpose.

#### ID-CHECKING (PERFORMANCE MEASURE 5.1)

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LCLB administers an ID compliance checking program and provides the results of LDB store compliance to the LDB.

#### PLASTIC SHOPPING BAG REDUCTION (PERFORMANCE MEASURE 5.3)

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Plastic shopping bag usage by the LDB is determined from purchasing records.

# OBJECTIVES, STRATEGIES & PERFORMANCE MEASURES

## Benchmarking

In 2011, the LDB benchmarked itself against a number of other organizations including: four provincial liquor boards; three non-Canadian government liquor authorities; two private distribution organizations and two private retailers. A total of 15 different measures were compared and results from the four that are most relevant to the LDB are shown below.

There are important differences in the operations and mandate of the LDB compared to most of these organizations and this affects their comparability. The LDB’s relative performance to these organizations is shown below. Certain performance measures were only relevant to a selection of the organizations.

Performance Measures	Ranking		Number of Comparable Entities
	WORST ←	→ BEST	
Operating Costs as a Percentage of Total Sales	<b>LDB</b>		10
Net Income as a Percentage of Total Sales	<b>LDB</b>		10
GLS Sales per GLS FTE	<b>LDB</b>		6
Distribution Centre cost per case		<b>LDB</b>	5

### Operating Costs as a Percentage of Total Sales

This measure indicates the overall operational efficiency of an organization and represents the per cent of each sales dollar that is used for operating costs.

### Net Income as a Percentage of Total Sales

This is a measure of the overall health and profitability of an organization, and represents the per cent of each sales dollar that is generated for government in the case of public liquor authorities such as the LDB, or to shareholders in the case of private companies.

### GLS Sales per GLS FTE

This is a measure of productivity of government liquor store employees. FTE stands for “Full Time Equivalent” and is equal to one person-year of employment.

### Distribution Centre Cost per Case

This measures how cost effective distribution centres are on a volume basis.

## FINANCIAL OUTLOOK

### Summary Outlook

In millions \$	<b>ACTUAL</b>	<b>FORECAST</b>	<b>TARGETS</b>		
	Fiscal 2010/11	Fiscal 2011/12	Fiscal 2012/13	Fiscal 2013/14	Fiscal 2014/15
Total Sales	2,820.5	2,878.4	2,911.5	2,875.2	2,916.2
Commissions & Discounts	201.5	184.2	184.8	182.5	185.1
Cost of Sales	1,458.4	1,507.4	1,528.1	1,551.5	1,576.1
Operating Expenses - Employment	159.8	160.8	164.5	164.5	164.5
Operating Expenses - Rent	35.9	37.1	37.8	38.5	39.3
Operating Expenses - Administration	85.8	97.1	97.4	101.8	107.5
Other Income	11.3	7.3	7.2	7.5	7.5
Net Income	890.4	899.1	906.1	843.9	851.2
Capital	18.5	24.7	26.7	27.9	35.6
Debt	0.4	0.2	0.1	0	0
Retained Earnings	0	0	0	0	0

#### KEY FORECAST ASSUMPTIONS

Forecast assumptions, based on market trends by product categories and the elimination of the HST, include a sales increase of 1.2 per cent in fiscal 2012-13, a sales decrease of 1.2 per cent in fiscal 2013/14 and a sales increase of 1.4 per cent in 2014/15. The sales decrease in fiscal 2013/14 is based on the assumption that the HST will be replaced by PST and GST beginning April 2013 and that the LDB will reduce its product mark-up rates at that time to the same rates in effect prior to HST implementation.

Capital requirements reflect expenditures for updating and improving stores, technology-related projects and ongoing equipment replacements.

For fiscal 2010/11, net income was prepared based on current Canadian Generally Accepted Accounting Principles (GAAP). Net income targets for fiscal years 2011/12 to 2014/15 were prepared based on current International Financial Reporting Standards (IFRS).

## FINANCIAL OUTLOOK

### Segmented Outlook

The LDB has two types of operations based on customer type – retail and wholesale. Retail operations includes sales from BC Liquor Stores (GLS) to retail customers. Wholesale operations include sales from the LDB's Wholesale Customer Centre, GLSs, and from authorized BC manufacturers and private distributors. The LDB uses an Activity-Based Costing Analysis to allocate expenses between the two operations and this analysis is updated annually. The segmented information provided below allocates the Summary Financial Outlook from the previous page into the retail and wholesale operations.

<b>WHOLESALE OUTLOOK</b>	<b>ACTUAL</b>	<b>FORECAST</b>	<b>TARGETS</b>		
			Fiscal 2012/13	Fiscal 2013/14	Fiscal 2014/15
In millions \$	Fiscal 2010/11	Fiscal 2011/12	Fiscal 2012/13	Fiscal 2013/14	Fiscal 2014/15
Total Sales	1,656.0	1,697.4	1,716.9	1,695.5	1,719.7
Commissions & Discounts	201.5	184.2	184.8	182.5	185.1
Cost of Sales	899.3	939.6	953.9	984.4	1,001.0
Operating Expenses	83.7	93.8	95.3	96.9	99.0
Other Income	5.6	3.6	3.6	3.7	3.7
Net Income	477.1	483.4	486.5	435.4	438.3

<b>RETAIL OUTLOOK</b>	<b>ACTUAL</b>	<b>FORECAST</b>	<b>TARGETS</b>		
			Fiscal 2012/13	Fiscal 2013/14	Fiscal 2014/15
In millions \$	Fiscal 2010/11	Fiscal 2011/12	Fiscal 2012/13	Fiscal 2013/14	Fiscal 2014/15
Total Sales	1,164.5	1,181.0	1,194.6	1,179.7	1,196.5
Cost of Sales	559.1	567.8	574.2	567.1	575.1
Operating Expenses	197.8	201.2	204.4	207.9	212.3
Other Income	5.7	3.7	3.6	3.8	3.8
Net Income	413.3	415.7	419.6	408.5	412.9

## CONTACT INFORMATION

For more information about the Liquor Distribution Branch, please contact the LDB Communications Department:

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The British Columbia Liquor Distribution Branch Service Plan for Fiscal Years 2012/13 – 2014/15 is available online at [www.bcldb.com/service-plan](http://www.bcldb.com/service-plan).



