

OPERATIONAL HIGHLIGHTS

Sales increased by \$14.2 million or 4.3% for this six-month period over the same period for F11. Sales volumes increased for all categories and the average price paid per litre increased for all categories except coolers/ciders. The return on MLCC pension assets was significantly lower than expected, resulting in a loss of \$2.4 million. Net profit decreased by \$1.4 million or 1.2%.

MLCC President & CEO Ken Hildahl passed away suddenly and unexpectedly on August 26. Roman Zubach, Chief Operating Officer was appointed Acting President & CEO by the Board of Commissioners.

The MLCC continued to develop regulation and policy changes related to the New Hospitality Strategy announced in Q1. A new Hospitality Strategy web site was launched as a public resource for all changes under the strategy. Initiatives that came into effect on July 1:

- standardized Sunday night hours to 2 a.m. for cabarets and beverage rooms and 2:30 a.m. for beer vendors;
- expansion of optional service hours for socials, charity functions and weddings to 2 a.m.;
- introduction of fines, among the toughest in Canada, for disorderly conduct;
- greater licensee responsibility for disorder outside of their premises and property; and
- inspectors and police given the authority to immediately close a licensed premise for up to 12 hours when there is imminent risk to the public.

The renovation of the Tuxedo Liquor Mart was substantially completed. Construction of the Liquor Mart Express store at the Airport is expected to be completed in November. The landlord has commenced construction at the Grant Park Shopping Centre. Construction of the Grant Park Liquor Mart store will begin in Q4. Preparation of the site for the new Stonewall Liquor Mart is ongoing by the landlord. Interior construction is expected to be complete in early F13. A new lease was signed to expand the South Glen Liquor Mart. Construction will occur in Q4. Construction of additional Head Office space at 1146 Waverly is underway and expected to be completed in Q3.

The MLCC's Community Support program included sponsorship of the Winnipeg Folk Festival, the Winnipeg Fringe Festival, Dauphin Countryfest and Folklorama. Liquor Marts were also the presenting sponsor of the Flatlanders' Beer Festival held September 8 & 9 in support of the Moose Yearling Foundation.

The MLCC continued to promote its Be With Child-Without Alcohol program through bus-board and print advertising during the quarter. Responsible consumption and safe ride home alternatives continued to be promoted during the Winnipeg Blue Bomber pre-game radio shows on 1290 AM. Safe ride home messaging is under development for the MTS Centre as part of the MLCC's sponsorship of the Winnipeg Jets.

The roll-out of portable defibrillators and training of MLCC staff is now complete.



Roman Zubach
Acting President & CEO

BALANCE SHEET (\$000's) UNAUDITED

	September 30 2011	March 31 2011
ASSETS		
<u>Current</u>		
Cash and cash equivalents	6,111	8,399
Accounts receivable	23,969	20,308
Inventory	43,439	38,311
Prepaid expenses	1,320	1,328
Total current assets	74,839	68,346
Property and equipment, net	28,286	28,839
Intangibles, net	6,734	6,359
	109,859	103,544
LIABILITIES		
<u>Current</u>		
Accounts payable - trade and other	46,674	40,141
Goods and Services Tax payable	910	708
Manitoba Retail Sales Tax payable	1,791	1,522
Net profit payable to the Province of Manitoba	46,040	51,553
Environmental Protection Tax payable	165	140
Deferred licence fees	0	342
Total current liabilities	95,580	94,406
Provision for employee pension benefits	10,671	5,527
Provision for retirement allowances	3,608	3,611
	109,859	103,544

See accompanying note

SCHEDULE OF SALES, COST OF SALES AND GROSS PROFIT (\$000's) UNAUDITED

	Three Months Ended September 30, 2011					Six Months Ended September 30, 2011				
	Spirits	Wine	Coolers/ Ciders	Beer	Total	Spirits	Wine	Coolers/ Ciders	Beer	Total
SALES										
Stores	37,859	23,409	5,686	15,093	82,047	75,619	47,857	9,841	28,877	162,194
Liquor vendors	9,295	2,731	1,515	2,554	16,095	18,025	5,182	2,640	4,709	30,556
Licensees	4,843	1,161	558	67,212	73,774	9,836	2,489	1,070	129,518	142,913
Specialty wine stores	6	3,276	17	-	3,299	6	7,115	45	-	7,166
Total Sales for F12	52,003	30,577	7,776	84,859	175,215	103,486	62,643	13,596	163,104	342,829
Total Sales for F11	50,936	29,649	6,774	78,723	166,082	100,830	59,346	12,793	155,630	328,599
COST OF SALES										
Total cost of sales for F12	20,534	14,229	3,583	50,517	88,863	41,013	29,432	6,248	97,654	174,347
Total cost of sales for F11	20,059	13,676	3,113	46,735	83,583	39,929	27,569	5,849	93,132	166,479
GROSS PROFIT										
Gross profit for F12	31,469	16,348	4,193	34,342	86,352	62,473	33,211	7,348	65,450	168,482
Gross profit for F11	30,877	15,973	3,661	31,988	82,499	60,901	31,777	6,944	62,498	162,120

STATEMENT OF INCOME (\$000's) UNAUDITED

	Three Months Ended September 30		Six Months Ended September 30	
	2011	2010	2011	2010
Sales (schedule)	175,215	166,082	342,829	328,599
Cost of sales (schedule)	88,863	83,583	174,347	166,479
Gross profit (schedule)	86,352	82,499	168,482	162,120
Other income	(2,934)	831	(1,106)	2,889
General and administrative expenses	83,418	83,330	167,376	165,009
Depreciation	17,893	14,990	35,650	31,946
	1,003	963	1,986	1,905
Net profit paid or payable to the Province of Manitoba	64,522	67,377	129,740	131,158
See note				

Note

Effective April 1, 2011, these financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. All comparative numbers have been restated on a retrospective basis.



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STATEMENT OF CASH FLOWS (\$000's) UNAUDITED

	Three Months Ended September 30		Six Months Ended September 30	
	2011	2010	2011	2010
OPERATING ACTIVITIES				
Cash receipts:				
Sales - spirits, wine, coolers/ciders, beer	180,267	172,232	339,572	327,130
Annual and permit fees	476	881	2,195	2,308
Goods and Services Tax	8,891	8,431	17,418	16,708
Manitoba Retail Sales Tax	5,752	5,448	11,382	10,794
Environmental Protection Tax	563	539	1,104	1,063
	<u>195,949</u>	<u>187,531</u>	<u>371,671</u>	<u>358,003</u>
Cash disbursements:				
Purchases - merchandise, federal duty, excise and other costs	94,182	87,789	173,918	162,121
General and administrative expenses	17,615	15,435	33,569	33,794
Goods and Services Tax	9,084	8,868	17,216	16,660
Manitoba Retail Sales Tax	6,054	5,745	11,113	10,633
Manitoba Waste Reduction and Prevention Levy	0	0	0	34
Environmental Protection Tax	598	574	1,078	1,047
	<u>127,533</u>	<u>118,411</u>	<u>236,894</u>	<u>224,289</u>
Net cash available from operating activities	<u>68,416</u>	<u>69,120</u>	<u>134,777</u>	<u>133,714</u>
INVESTING ACTIVITIES				
Acquisition of property and equipment	(1,819)	(1,273)	(1,812)	(1,317)
Net cash available for transfer	<u>66,597</u>	<u>67,847</u>	<u>132,965</u>	<u>132,397</u>
TRANSFERS TO PROVINCE OF MANITOBA				
Current year's net profit	69,500	68,600	83,700	84,300
Prior year's net profit	0	0	51,553	47,777
	<u>69,500</u>	<u>68,600</u>	<u>135,253</u>	<u>132,077</u>
Net increase (decrease) in cash and cash equivalents during the year	(2,903)	(753)	(2,288)	320
Cash and cash equivalents, beginning of period	9,014	10,263	8,399	9,190
Cash and cash equivalents, end of period	<u>6,111</u>	<u>9,510</u>	<u>6,111</u>	<u>9,510</u>

See accompanying note

Manitoba Liquor
Control Commission

QUARTERLY FINANCIAL REPORT

For the six months ended
September 30, 2011

