

OPERATIONAL HIGHLIGHTS

Sales increased \$17.1 million for the six-month period over the same period last year. This increase resulted from a 2.1% volume increase for spirits, a 7.6% volume increase for wine, supplier price increases and a continued consumer shift to premium products. Beer volumes which declined slightly due to weather conditions in the first quarter, recovered during good weather in July 2007. Net profit increased by \$5.6 million or 5.1%. The MLCC recognized a \$1 million reduction of the liability for future retirement allowances based on an actuarial report.

The MLCC continued to support the communities in which it operates with wine tasting events in Gimli in support of the Gimli Rotary Club and the Westshore Foundation; in The Pas in support of The Pas Health Complex Foundation; and Roblin in support of the Life & Art Centre. The Flatlander's Beer Festival raised over \$36,000 for the Manitoba Moose Yearling Foundation. The MLCC also sponsored larger events such as the Winnipeg Folk Festival, the Winnipeg Fringe Festival and the Dauphin Country Fest.

A new store opened in Lac du Bonnet in September, with a grand opening event planned for October. Construction of a 43,000 square foot expansion to our Distribution Center is slightly behind schedule due to the unavailability of some trades. The MLCC has entered into lease agreements for two new Liquor Marts on Henderson Highway and north Main Street. Both stores are expected to open in the next quarter.

The MLCC received acknowledgement of efforts to deliver excellence in customer service with a Consumer's Choice Award and a feature in the Connoisseur supplement to the Winnipeg Free Press. For the second year in a row, the MLCC was selected by MacLeans magazine as a Top 100 Employer in Canada and a Top 15 Employer in Manitoba. As part of the application process the MLCC conducted an employee engagement survey with results exceeding the Canadian average in all but one category. An employee Intranet was launched to improve communication with employees.

Retail and Inspection staff continue to work towards the implementation of the results from a job hazard analyses. The MLCC also began initiatives to create awareness of new whistleblower legislation.



Don Lussier
President & Chief Executive Officer

BALANCE SHEET (\$000's) UNAUDITED

	September 30 2007	March 31 2007
ASSETS		
<u>Current</u>		
Cash	9,169	7,143
Accounts receivable	23,275	19,722
Inventory	35,763	26,953
Prepaid expenses and supplies	729	999
Total current assets	<u>68,936</u>	<u>54,817</u>
Property and equipment	18,124	14,643
Long-term loan receivable - Province of Manitoba	<u>45,271</u>	<u>45,271</u>
	132,331	114,731
LIABILITIES		
<u>Current</u>		
Accounts payable - trade and other	43,884	32,900
Goods and Services Tax payable	2,628	2,179
MB Retail Sales Tax payable	1,393	1,304
Net profit payable to the Province of Manitoba	30,844	24,644
Environmental Protection Tax payable	148	133
Deferred licence fees	140	352
Total current liabilities	<u>79,037</u>	<u>61,512</u>
Provision for employee pension benefits	49,851	48,844
Provision for retirement allowances	<u>3,443</u>	<u>4,375</u>
	132,331	114,371

See accompanying notes
to the financial statements

STATEMENT OF INCOME (\$000's) UNAUDITED

	Three Months Ended September 30		Six Months Ended September 30	
	2007	2006	2007	2006
Sales (see Schedule of Sales, Cost of Sales and Gross Profit)	147,162	138,314	288,580	271,454
Cost of sales (see Schedule of Sales, Cost of Sales and Gross Profit)	<u>75,236</u>	<u>70,450</u>	<u>147,922</u>	<u>138,602</u>
Gross profit	71,926	67,864	140,658	132,852
Other income	<u>963</u>	<u>767</u>	<u>2,908</u>	<u>2,669</u>
General and administrative expenses	72,889	68,631	143,556	135,521
Depreciation	14,045	12,677	27,298	24,884
	<u>632</u>	<u>584</u>	<u>1,224</u>	<u>1,145</u>
Net profit paid or payable to the Province of Manitoba	58,212	55,370	115,044	109,492

See accompanying notes to the financial statements

Notes to Financial Statements

1. These financial statements should be read in conjunction with the MLCC's 2007 Annual Report.
2. These interim financial statements have been prepared following the same accounting policies that are disclosed in the MLCC's Annual Report.

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

	Three Months Ended September 30					Six Months Ended September 30				
	Spirits	Wine	Coolers/ Ciders	Beer	Total	Spirits	Wine	Coolers/ Ciders	Beer	Total
SALES										
Stores	32,427	18,656	4,175	10,983	66,241	64,489	37,248	7,536	21,008	130,281
Liquor vendors	9,037	2,470	1,299	1,805	14,611	17,428	4,685	2,536	3,458	28,107
Licensees	4,835	1,228	578	56,440	63,081	9,768	2,510	1,175	110,026	123,479
Specialty wine stores	<u>34</u>	<u>3,179</u>	<u>16</u>	<u>-</u>	<u>3,229</u>	<u>49</u>	<u>6,631</u>	<u>33</u>	<u>-</u>	<u>6,713</u>
To September 30, 2007	46,333	25,533	6,068	69,228	147,162	91,734	51,074	11,280	134,492	288,580
To September 30, 2006	<u>43,740</u>	<u>22,576</u>	<u>5,663</u>	<u>66,335</u>	<u>138,314</u>	<u>86,154</u>	<u>45,074</u>	<u>10,845</u>	<u>129,381</u>	<u>271,454</u>
COST OF SALES										
To September 30, 2007	18,250	11,696	2,847	42,443	75,236	36,159	23,564	5,287	82,912	147,922
To September 30, 2006	<u>17,073</u>	<u>10,130</u>	<u>2,636</u>	<u>40,611</u>	<u>70,450</u>	<u>33,735</u>	<u>20,503</u>	<u>5,062</u>	<u>79,302</u>	<u>138,602</u>
GROSS PROFIT										
To September 30, 2007	28,083	13,837	3,221	26,785	71,926	55,575	27,510	5,993	51,580	140,658
To September 30, 2006	<u>26,667</u>	<u>12,446</u>	<u>3,027</u>	<u>25,724</u>	<u>67,864</u>	<u>52,419</u>	<u>24,571</u>	<u>5,783</u>	<u>50,079</u>	<u>132,852</u>



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

	Three Months Ended September 30		Six Months Ended September 30	
	2007	2006	2007	2006
OPERATING ACTIVITIES				
Cash receipts				
Sales - spirits, wine, coolers/ciders, beer	150,280	141,935	285,408	269,558
Annual and supplementary licence fees and other	378	531	2,184	1,867
Goods and Services Tax	8,918	8,372	17,546	17,828
Manitoba Retail Sales Tax	4,630	4,232	9,101	8,391
Manitoba Waste Reduction and Prevention Levy	135	129	262	254
Environmental Protection Tax	516	494	1,015	978
	<u>164,857</u>	<u>155,693</u>	<u>315,516</u>	<u>298,876</u>
Cash disbursements				
Purchases - merchandise, federal duty, excise and sales taxes, etc.	79,920	76,234	144,842	139,058
General and administrative expenses	12,985	11,945	27,986	25,132
Goods and Services Tax	9,394	7,507	17,097	16,470
Manitoba Retail Sales Tax	4,947	4,415	9,012	8,209
Manitoba Waste Reduction and Prevention Levy	148	140	258	249
Environmental Protection Tax	555	522	1,000	956
	<u>107,949</u>	<u>100,763</u>	<u>200,195</u>	<u>190,074</u>
Net cash available from operating activities	<u>56,908</u>	<u>54,930</u>	<u>115,321</u>	<u>108,802</u>
INVESTING ACTIVITIES				
Acquisition of property and equipment	<u>(3,438)</u>	<u>(658)</u>	<u>(4,451)</u>	<u>(894)</u>
Net cash available for transfer	<u>53,470</u>	<u>54,272</u>	<u>110,870</u>	<u>107,908</u>
TRANSFERS TO PROVINCE OF MANITOBA				
Current year's net profit	56,300	54,500	84,200	84,200
Prior year's net profit	0	0	24,644	22,438
	<u>56,300</u>	<u>54,500</u>	<u>108,844</u>	<u>106,638</u>
Excess (deficiency) of cash receipts over disbursements and transfers	(2,830)	(228)	2,026	1,270
Cash and cash equivalents, beginning of period	<u>11,999</u>	<u>8,675</u>	<u>7,143</u>	<u>7,177</u>
Cash and cash equivalents, end of period	<u>9,169</u>	<u>8,447</u>	<u>9,169</u>	<u>8,447</u>
<i>See accompanying notes to the financial statements</i>				



**Manitoba Liquor
Control Commission**

QUARTERLY FINANCIAL REPORT

**For the six months ended
September 30, 2007**

