



NH LIQUOR COMMISSION

Annual Report

Fiscal Year
1998



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Fiscal Year
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STATE OF NEW HAMPSHIRE

Jeanne Shaheen
GOVERNOR

Executive Council

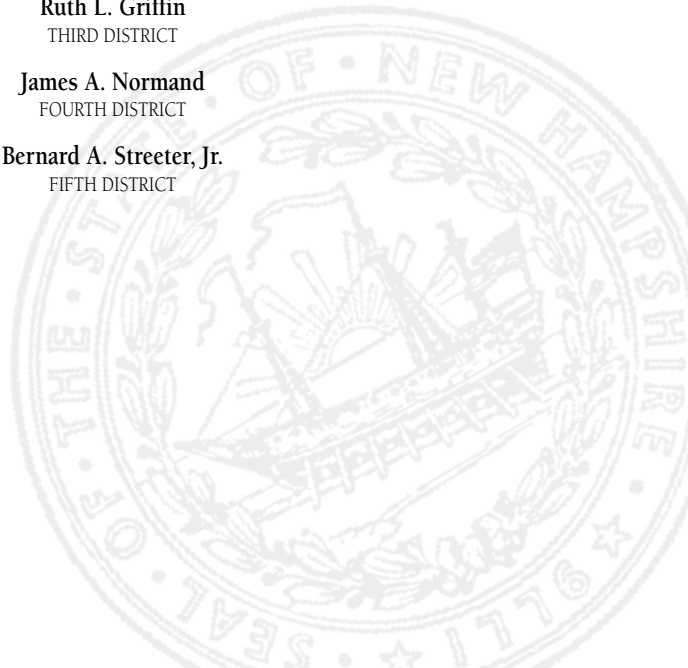
Raymond S. Burton
FIRST DISTRICT

Peter Spaulding
SECOND DISTRICT

Ruth L. Griffin
THIRD DISTRICT

James A. Normand
FOURTH DISTRICT

Bernard A. Streeter, Jr.
FIFTH DISTRICT



From the NH Liquor Commission

November 1998

Her Excellency, Governor Jeanne Shaheen
State of New Hampshire
State House
Concord, New Hampshire

Dear Governor Shaheen:

We are pleased to present to you the fiscal year 1998 annual report of the New Hampshire Liquor Commission. The report reviews the results of operations for the period July 1, 1997 through June 30, 1998, the 64th year of operation of the Commission.

The past fiscal year was one of substantial accomplishment for the Commission, thanks in no small measure to our many dedicated employees throughout the state. Total net sales reached a new record breaking level, totaling \$252 million. Net operating profits also set a new all time high level, amounting to \$57 million.

While overall sales increases are an important measurement, the Commission has continued to emphasize the efficiency of its operation as a means of improving customer service and increasing net margins. Moving forward, the Commission anticipates pressures on sales as the industry further matures and increases competition. In anticipation of changing market conditions, the Commission has developed and is implementing a number of initiatives designed to ensure New Hampshire's premier control state status continues and our mission of excellence extends into all areas of our operation. This report outlines several of these key initiatives and reviews our goals as we prepare for the next millennium.

As always, we welcome your comments, questions, and suggestions; we also extend our thanks for your continued support in our service to the people of New Hampshire.

Respectfully submitted,



JOHN W. BYRNE
CHAIRMAN



ANTHONY C. MAIOLA
COMMISSIONER



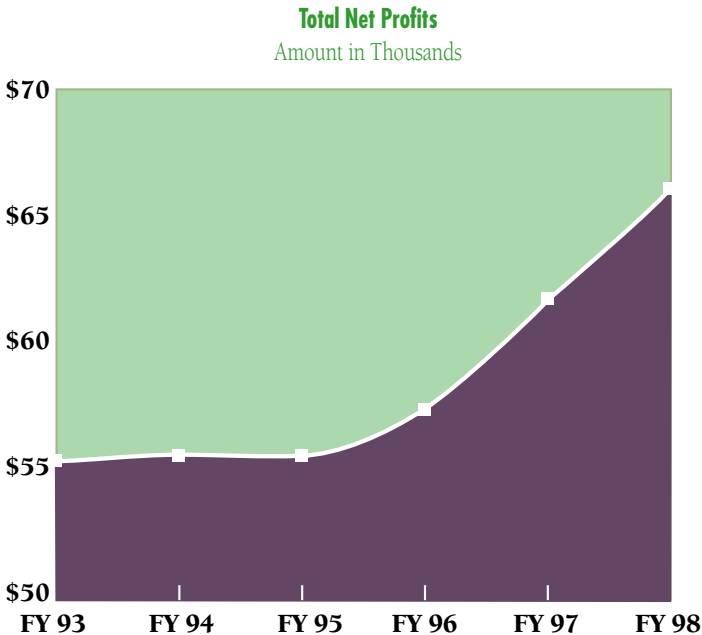
MIRIAM F. LUCE
COMMISSIONER

State of New Hampshire Liquor Commission

Five-Year Comparative Statement of Operations-Liquor*

AMOUNT IN THOUSANDS	FY 98	FY 97	FY 96	FY 95	FY 94
OTHER EXPENSES					
Depreciation	\$815	\$1,049	\$1,038	\$1,080	\$1,054
(Gain)/Loss on F/A	21	6	11	0	7
Total Other Expenses	\$836	\$1,055	\$1,049	\$1,080	\$1,061
Net Profit from Liquor	\$56,160	\$51,821	\$47,433	\$45,604	\$45,795
ENFORCEMENT AND LICENSING					
Rev.—Beer Tax and Permits	\$11,441	\$11,366	\$11,113	\$11,217	\$11,199
Exp.—Enforcement and Licensing	1,207	1,187	1,153	1,130	1,075
Depreciation	0	2	3	9	19
Net Profit from Enforcement	\$10,234	\$10,177	\$9,957	\$10,078	\$10,105
Total Net Profit	\$66,397	\$61,998	\$57,390	\$55,682	\$55,409

* Unaudited



State of New Hampshire Liquor Commission

Five-Year Comparative Statement of Operations-Liquor*

AMOUNT IN THOUSANDS	FY 98	FY 97	FY 96	FY 95	FY 94
SALES					
Sales—Retail	\$181,205	\$173,184	\$162,782	\$153,508	\$156,495
Sales—On-Premise	31,903	29,344	27,113	25,774	24,591
Sales—Off-Premise	42,482	38,562	34,288	31,025	29,030
Total Sales	\$255,590	\$241,090	\$224,183	\$210,307	\$210,116
Less Discounts, CC, Etc.	3,634	3,257	2,818	1,749	1,409
Net Sales	\$251,956	\$237,833	\$221,365	\$208,558	\$208,707
Cost of Goods Sold	180,994	171,358	159,115	148,724	148,929
Gross Profit on Sales	\$70,962	\$66,475	\$62,250	\$59,834	\$59,778
OTHER REVENUE					
Liquor and Wine Licenses	\$2,777	\$2,784	\$2,765	\$2,726	\$2,620
Liquor Rep. Fees	4	4	4	5	5
Sweepstakes Income	420	405	405	339	309
Miscellaneous	1,260	1,371	1,283	1,233	1,319
Total Other Revenue	\$4,461	\$4,564	\$4,457	\$4,303	\$4,253
Total Gross Profit	\$75,423	\$71,039	\$66,707	\$64,137	\$64,031
OPERATING EXPENSES					
Office of Commission	\$455	\$535	\$527	\$518	\$511
Data Processing	689	772	969	946	837
Accounting and Finance	842	941	945	942	730
Merchandising—Administration	322	316	335	351	329
*Human Resources	75				
Purchasing	53	51	51	49	47
Merchandising—Stores	15,239	14,888	14,657	13,977	13,877
Warehouse	721	660	741	670	844
Total Operating Expenses	\$18,427	\$18,163	\$18,225	\$17,453	\$17,175
Net Operating Profit	\$56,996	\$52,876	\$48,482	\$46,684	\$46,856

* Unaudited

From the Governor

An important role of the New Hampshire Liquor Commission is to ensure that alcoholic beverages are purchased only by individuals of legal drinking age, and that they are consumed responsibly and only in moderation. This mission is carried out by the Commission's Bureau of Enforcement. This year the Commission, through its Enforcement Bureau, was also given the legislative mandate to ensure compliance with state laws and regulations governing the sale and distribution of tobacco products.

Although apprehension is an important enforcement tool to ensure compliance with our state laws and regulations, prevention is also central to the Enforcement Bureau's efforts. In addition to outlining the Commission's financial performance, this year's annual report outlines enforcement, education, and prevention programs regarding the lawful use and distribution of alcohol and tobacco products. I encourage you to learn more about these all-important programs.

My thanks to the Commission, and the entire staff for their continued dedication and commitment to the people of New Hampshire and their service to our many customers from all around the world.



Jeanne Shaheen

GOVERNOR JEANNE SHAHEEN



Chairman's Message

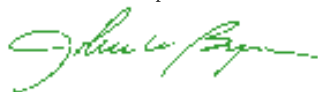
Fiscal year 1998 was another record year for the Commission. Total sales increased \$14 million, amounting to \$254 million, with total net profit for the year at \$66 million. Profits increased this year to a new record of 22.3% of sales, up from last year's already strong level of 21.8%. Initiatives to increase the efficiency of our operations continued as we held the line on expenses, effectively level with the previous fiscal year levels.

Although New Hampshire has long been known for its value in offering a wide variety of premium and value brand spirits, wine sales continue to increase at a remarkable rate. Wine sales for the year increased \$11.9 million, totaling \$107,046,207, and up 12.6% from the previous fiscal year. This year's annual report outlines in greater detail the Commission's nationally recognized wine education and marketing efforts.

The Commission also takes quite seriously its responsibility to enforce New Hampshire laws and regulations relative to the lawful sale and consumption of alcoholic beverages. In this report you will learn more about our Bureau of Enforcement education and prevention efforts, as well as our new oversight and enforcement role in the Youth Access to Tobacco law.

Throughout the state, from the warehouse to the retail sales floor and everywhere in between, the New Hampshire Liquor Commission continues to build on programs designed to enhance customer service and offer real value to our customers who come from near and far. None of the achievements chronicled in this report would be possible without the support, dedication and hard work of the employees of the New Hampshire Liquor Commission. My fellow Commissioners join me in extending our thanks for a job very well done.

Our thanks is also extended to the Governor and Executive Council, members of the General Court and our fellow state employees in numerous state agencies who support the Commission's mission. We look back on the previous year with enormous pride and look forward to the coming year with confidence and optimism for continued success.



John W. Byrne



State of New Hampshire Liquor Commission

Statement of Financial Position June 30, 1998*

	June 30, 1998	June 30, 1997	Increase/ (Decrease)	% Incr/ (Dcr)
Assets				
CURRENT ASSETS				
Cash and Cash Equivalents	\$1,124,761	\$1,425,570	(300,809)	(.22)
Accounts Receivable	2,942,717	2,497,222	445,495	.18
Liquor Inventory	20,183,905	16,650,531	3,533,374	.22
Total Current Assets	\$24,251,383	\$20,573,323	3,678,060	.18
PROPERTY, PLANT & EQUIPMENT				
Land & Land Improvements	\$2,679,379	\$2,653,929	25,450	.01
Buildings and Leasehold Improvements	14,240,452	13,882,273	358,179	.08
Vehicles, Equipment and Furniture	7,567,827	8,194,508	(626,681)	(.08)
Total Property, Plant and Equipment	\$24,487,658	\$24,730,710	(243,052)	.01
Less Allowance for Depreciation and Amortization	12,012,572	12,324,375	(311,803)	(.03)
Net Property, Plant and Equipment	12,475,085	12,406,335	(68,750)	.01
Total Assets	\$36,726,468	\$32,979,658	3,746,810	.12
Liabilities & Funded Equity				
Accounts Payable	\$18,281,770	\$15,319,855	2,961,915	.20
Deferred Income	1,677,515	1,636,773	40,742	.03
Net Investment in Current Assets	4,292,098	3,616,695	675,403	.19
Total Current Liabilities	\$24,251,383	\$20,573,323	3,678,060	.18
Net Investment in Fixed Assets	12,475,085	12,406,335	68,750	.01
Total Liabilities & Funded Equity	\$36,726,468	\$32,979,658	3,746,810	.12

* Unaudited

State of New Hampshire Liquor Commission

Comparative Income Statement-Liquor*

FISCAL YEARS ENDED
6/30/96 AND
6/30/97

	July 01, 1997 through June 30, 1998	July 01, 1996 through June 30, 1997	% FY 98	% FY 97	Increase/ (Decrease)	% Incr/ (Dcr)
OPERATING EXPENSES						
Commissioner's Office	\$455,302	\$534,961	0.18	0.22	(79,659)	(14.89)
Data Processing	688,794	772,392	0.27	0.32	(83,598)	(10.82)
Accounting and Finance	841,592	940,547	0.33	0.40	(98,955)	(10.52)
Merchandising—Admin.	321,543	316,183	0.13	0.13	5,360	1.7
Purchasing	52,536	51,418	0.02	0.02	1,118	2.17
Human Resources	75,214	0	0.03	—	75,214	100.0
Merchandising—Stores	15,269,699	14,887,834	6.06	6.26	381,865	2.56
Warehouse	720,932	660,073	0.29	0.28	60,859	9.22
Depreciation Expenses -						
• Office of Commissioners	54,382	35,194	0.02	0.01	19,188	54.52
• Data Processing	141,701	216,066	0.06	0.09	(74,365)	(34.42)
• Accounting and Finance	14,681	11,122	0.01	0.00	3,559	32.0
• Merchandising	809	1,262	0.00	0.00	(453)	(35.9)
• Stores	524,164	726,376	0.21	0.31	(202,212)	(27.84)
• Warehouse	78,658	58,891	0.03	0.02	19,767	33.57
Total Expenses	\$19,240,007	\$19,212,319	7.64	8.08	27,688	.14
Net Profit -						
• Liquor Operations	56,183,152	51,826,339	22.30	21.79	4,356,813	8.41
• Licensing & Enforcement	10,234,790	10,176,720	4.06	4.28	58,070	.57
Loss on Disposal of F/A	(20,847)	(5,566)	0.00	0.00	15,281	.00
Total Net Profit	\$66,397,095	\$61,997,493	26.35	26.07	4,399,602	7.10

* Unaudited

NOTE:

Beginning Inventory	16,650,531	16,214,394			436,137	2.69
Inventory Change	3,533,374	436,137			3,097,237	710.15
Ending Inventory	20,183,905	16,650,531			3,533,374	21.22%

The Big News is Wine.

Over the past several years, domestic sales of distilled spirits have experienced modest growth. In contrast, growth in wine sales continue at a record pace. Nationally, wine is a \$16.1 billion industry, up over \$5 billion in just five years. Many factors can be attributed to this growth, including a more health conscious consumer—aided by studies suggesting the potential benefits of moderate wine consumption. Other factors include: a strong economy, higher wine prices caused by short harvests in 1995 and 1996, and an explosion of new American wineries. In California alone, there are over 700 wineries, producing 90% of the wine in the U.S.

In New Hampshire, wine sales are even outperforming the national average. Last year, wine sales jumped \$12 million, from \$95 to \$107 million, and now make up over 40% of the Liquor Commission's total sales. Since 1995, wine sales have increased over \$34 million or 48%.

Recognizing this national wine trend, the New Hampshire Liquor Commission has implemented numerous programs to further educate and market wine to consumers. Their efforts have had a direct impact on our record-breaking sales, with our wine marketing and education programs receiving national recognition.

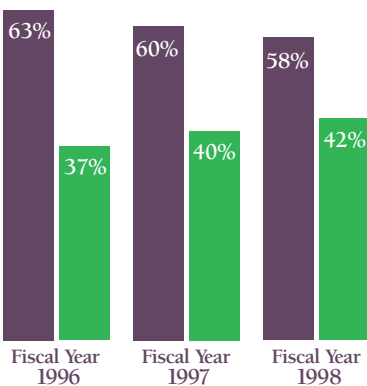
Fiscal Year 1998 Facts

64th year of operation

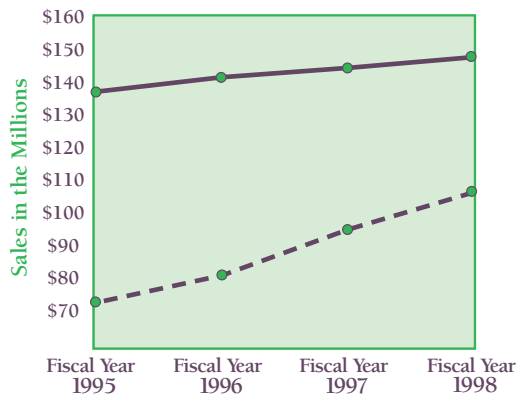
Accumulated gross sales for 64 years = \$5.19 billion

Accumulated operating profit for 64 years = \$1.12 billion

Wine vs. Spirits Sales Comparison



■ Spirits Sales
■ Wine Sales



— Spirits Sales
- - Wine Sales

Wine Marketing & Education Programs

The Commission's wine education and marketing programs are designed to both, meet a growing consumer interest in wine, and to increase sales, by developing a more sophisticated and knowledgeable wine consumer.

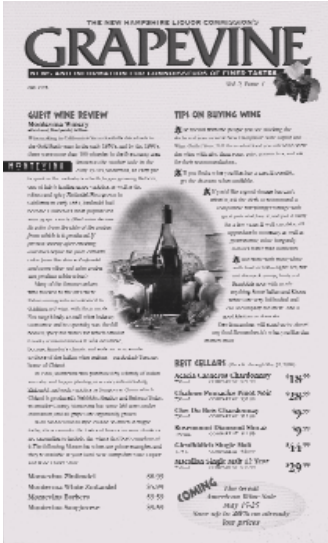
At the center of our efforts is the Wine & Food program, which among other things, educates consumers about the distinctiveness of various wine varieties and how to select and pair fine wines with food. As part of the program, the Commission publishes special wine brochures and newsletters. Each free publication is packed with information, reviews, and tips about wine and wine enjoyment, like the difference between a Bordeaux and a Merlot, or how to store and serve wine correctly.

The Commission also sponsors wine tastings. Hosted in cooperation with non-profit groups from across the state, wine tastings offer an enjoyable way for consumers to learn about and experience wines from all over the world, from a fine Italian Dolcetto, to a German Kabinett, to a California Cabernet.

The free Grapevine newsletter educates consumers about wine and wine enjoyment.

As a result of our Wine & Food program, and a more sophisticated consumer palate, consumer purchasing patterns are changing. To satisfy consumer demand, today, finer, more sophisticated wines are being stocked and sold throughout our retail network.

The Commission also recently enacted a landmark direct shipment law, allowing consumers to have shipped to them, from a licensee outside the state, rare and often hard to find wines. This law will not only enable consumers to get the wines they want, but as specified levels of direct shipments are met, those particular wines will then be made available to the Commission for stocking in our stores. Today, the Commission stocks over 1,500 individual varieties of wine.



State of New Hampshire Liquor Commission

Comparative Income Statement-Liquor*

FISCAL YEARS ENDED 6/30/97 AND 6/30/98	July 01, 1997 through June 30, 1998	July 01, 1996 through June 30, 1997	% FY 98	% FY 97	Increase/ (Decrease)	% Incr/ (Dcr)
REVENUE						
Sales—Retail	\$181,204,527	\$173,184,357	71.92	72.82	8,020,170	4.63
Sales—On-Premise	31,903,317	29,343,568	12.66	12.34	2,559,749	8.72
Sales—Off-Premise	42,482,496	38,561,929	16.86	16.21	3,920,567	10.17
Discount	(2,083,483)	(1,841,851)	(0.83)	(0.77)	(241,632)	13.12
Total Sales	\$253,506,857	\$239,248,003	100.62	100.60	14,258,854	5.96
Less Credit Card Fees, Cash Over/Short, Etc.	(1,550,805)	(1,415,418)	(0.62)	(0.60)	135,387	9.57
Net Sales	\$251,956,052	\$237,832,585	100.0	100.00	14,123,467	5.94
COST OF SALES						
Inventory Change	(\$3,533,374)	(\$436,137)	(1.40)	(0.18)	(3,097,237)	710.15
Purchases Net	183,303,278	170,705,982	72.75	71.78	12,597,296	7.38
Buy-In Storage & Handling	265,592	213,480	0.11	0.09	52,112	24.41
Freight to Stores	958,109	874,242	0.38	0.37	83,867	9.59
Total Cost of Sales	\$180,993,605	\$171,357,567	71.84	72.05	9,636,038	5.62
Gross Profit from Sales	\$70,962,447	\$66,475,018	28.16	27.95	4,487,429	6.75
OTHER REVENUE						
Liquor Rep. Fees	\$3,549	\$4,303	0.00	0.00	(754)	(17.52)
Licenses—Liquor	2,776,541	2,782,882	1.10	1.17	(6,341)	(.23)
Licenses—Wine	24	706	0.00	0.00	(682)	(96.60)
Brand Registration Fees	100,665	90,535	0.04	0.04	10,130	11.19
Check & Administrative Fines	117,562	108,262	0.05	0.05	9,300	5.15
Warehouse Bailment Income	951,006	1,105,647	0.38	0.46	(154,641)	(13.99)
Wine Tax	3,527	624	0.00	0.00	2,903	465.22
Sweepstakes Income	420,244	404,745	0.17	0.17	15,499	3.83
Inventory Information	4,134	380	0.00	0.00	3,754	987.89
Processing/Investigation Fees	50,700	54,825	0.02	0.02	(4,125)	(7.52)
Miscellaneous	32,760	10,731	0.01	0.00	22,029	205.28
Total Other Revenue	\$4,460,712	\$4,563,640	1.77	1.92	(102,928)	(2.26)
Total Gross Profit	\$75,423,159	\$71,038,658	29.94	29.87	4,384,501	6.17

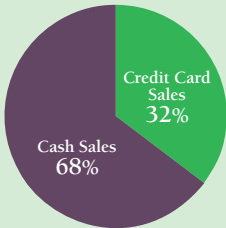
* Unaudited

Fiscal Year 1998 Facts

Gross liquor sales =
\$253.5 million

Net profit from
liquor operations =
\$56.2 million

Store with highest
sales =
\$14.3 million
(Hampton-North)



FY 1998 Cash vs.
Credit Card Sales

Credit card sale =
\$82,384,268
Cash =
\$171,122,589

Personnel Data

CURRENT NUMBER OF EMPLOYEES	06/30/98	06/30/97
Unclassified	3	3
Classified	311	301
Temporary *	450	445
Total	764	723

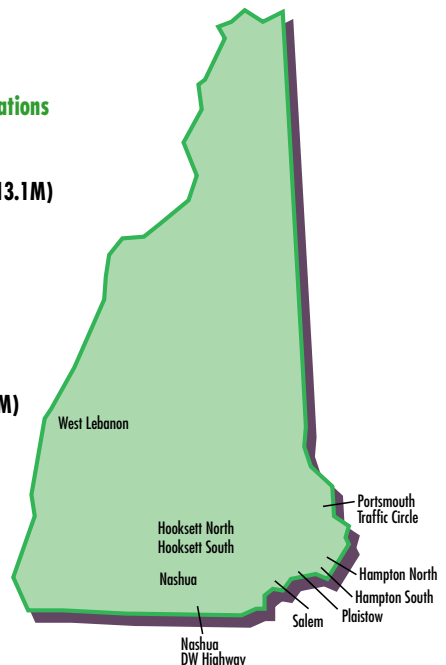
*Permanent employees are those occupying positions permanently established by the legislature, whereas temporary employees are those whose service is authorized for a limited or intermittent period.

Physical Plant and Property Appraisal

	06/30/98	06/30/97
Land and Land Improvements	\$2,679,379	\$2,653,929
Buildings and Improvements	14,240,452	13,882,273
Equipment	7,567,827	8,194,508
Total	\$24,487,658	\$24,730,711
Less: Allowance for Depreciation and Amortization	(12,012,572)	(12,324,375)
Net Fixed Assets	\$12,475,086	\$12,406,336

NHSLC Top 10 Retail Store Locations

1. Hampton - North (\$14.3M)
2. Portsmouth Traffic Circle (\$13.1M)
3. Hampton - South (\$12.2M)
4. Salem (\$10.8M)
5. Nashua (\$9.5M)
6. Hooksett North (\$8.9M)
7. Nashua DW Highway (\$8.9M)
8. West Lebanon (\$8.0M)
9. Hooksett-South (\$7.1M)
10. Plaistow (\$4.5M)



Serving the Hospitality Industry

In addition to serving consumers at the retail level, the Liquor Commission is also wholesale supplier to the state's booming hospitality industry. New Hampshire tourism and hospitality are a \$2.6 billion business, with over 24 million people visiting the state from around the world each year. More effectively serving our state's hospitality industry is a priority of the Commission.

Along with coordinating and streamlining the wholesale buying process, the Commission also works to stock and supply a wide variety of fine and rare wines and premium spirits to ensure our state's restaurants, hotels, and other hospitality establishments remain competitive. As consumer demand and sophistication toward wine and spirits continue to grow, tourists and business visitors want to enjoy these products when they visit New Hampshire.

In support of this industry and to better serve all our consumers, the Commission has developed new programs to help educate and market wines to this audience.



Wine & Dine is one such program. A monthly television segment, Wine & Dine showcases New Hampshire restaurants with fine wine lists and culinary talents, some of which have even received national distinction for their

extensive wine selections and wine cellars. Wine & Dine promotes New Hampshire's hospitality industry, while continuing to educate consumers about wine and food.



Did you know?

New Hampshire State Liquor and Wine Outlet Stores stock over half a million bottles of wine. If you lay all of them end to end they would reach nearly 90 times the height of Mount Washington.

Did you know?

Wine is produced in New Hampshire, and in all but 6 states.

Merchandising

Key in today's retail environment is catching the eye of the consumer while they are in the store. So, as we continue to expand our in-store merchandising and promotions, we've developed numerous initiatives to better satisfy customers and communicate our impressive product variety and value.

As part of our in-store wine and spirit sales efforts, we offer a number of different case and category sales throughout the year. One program is designed to highlight special product prices, as well as new wines and vineyard promotions. These sales help stimulate greater consumer interest in wine and volume purchasing. Two of our specialty sales include a California wine sale and a French and Italian wine sale. These sales not only helped contribute to our 14% growth in in-store wine sales, but provided customers

with an opportunity to explore the difference between wines from a variety of regions.

Apart from merchandising, the Commission also aims to help consumers by providing a well-educated staff. Through our wine training programs and tastings, employees learn more about wine, and how to convey their knowledge to customers from around the

world, whether it's offering a suggestion on the best wine to serve with seafood, or answering questions of the most discriminating customers.



Some of our merchandising materials used to promote special category sales throughout the year.

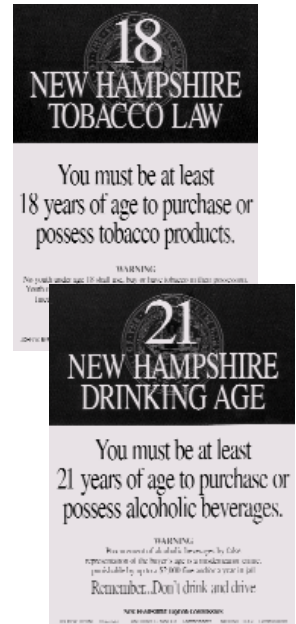


A New Role in Enforcement

This past year brought new challenges to the Commission's Bureau of Enforcement. In addition to controlling the responsible use and sale of alcoholic beverages within New Hampshire, the Bureau is now given primary oversight and enforcement responsibility for the new Youth Access to Tobacco law. The new law requires Enforcement to oversee and enforce all criminal and administrative provisions of this important new law. Thus far the Bureau has summoned 300 individuals under the age of 18 for unlawful possession of tobacco products and adjudicated 19 cases where licensees sold tobacco products to juveniles.

The Bureau also supported a number of new legislative initiatives during the past year, designed to support the Commission's public safety mission. Among the new laws is an increase in the minimum fines for people under age 21 found guilty of unlawful possession of alcohol. RSA 179:10 increases the minimum fine from \$50 to \$250 on a first offense and from \$250 to \$500 on a second offense. As of January 1, 1999, the Bureau will be armed with a tough new law making it a felony for a business or person to manufacture false governmental identification. The new law will hopefully curb the production of false identification and reduce the number of illegal ID's in the hands of persons under 21.

The cornerstone of the Bureau's mission remains licensee training and education. The Bureau's training program offers two educational programs. On-premise licensees attend the 6 hour TEAM (Total Education in Alcohol Management) program where they learn about New Hampshire law, false identification, alcohol pharmacology, and server intervention techniques. Off-premise licensees are offered the GETS (Grocer Education Training Seminar) program where they also learn about New Hampshire law and false identification. The GETS program was modified in January to include information regarding the sale of tobacco products by retailers. Both programs have been in existence since 1985 and are offered to the public free of charge. Questions about any aspect of the Bureau's operation may be directed to Chief Aidan J. Moore at 1-888-8OVER21.



Oversight of the new Youth Access to Tobacco law is now part of the Bureau of Enforcement's responsibilities.



About Our Front Cover

Winter in Portsmouth

Photographed by Frank Clarkson

STATE LIQUOR & WINE OUTLET STORES NH LIQUOR COMMISSION



John W. Byrne
CHAIRMAN



Anthony C. Maiola
COMMISSIONER



Miriam F. Luce
COMMISSIONER

New Hampshire Liquor Commission

PO Box 503

Storrs Street

Concord, NH 03302-0503

800-345-6452 (*Store hours and product information*)

800-543-4664 (*Sales information*)

Visit our web site at www.state.nh.us/liquor



**STATE LIQUOR & WINE OUTLET STORES
NH LIQUOR COMMISSION**