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CORBY

CORBY SPIRIT AND WINE LIMITED
2016 ANNUAL REPORT

FINANCIAL HIGHLIGHTS

As at and for the years ended June 30, 2016 and 2015
(in thousands of Canadian dollars, except per share amounts)

2016

2015

RESULTS

Revenue	\$ 140,002	\$ 132,066
Earnings from operations	34,623	27,239
Earnings before income taxes	34,764	27,738
Net earnings	25,435	20,415
Cash flow from operating activities	33,264	27,072

FINANCIAL POSITION

Working capital	\$ 136,647	\$ 145,664
Total assets	228,503	233,712
Shareholders' equity	170,785	188,124

PER COMMON SHARE

Earnings from operations	\$ 1.22	\$ 0.96
Net earnings	0.89	0.72
Dividends declared and paid	1.38	1.37
Shareholders' equity	6.00	6.61

FINANCIAL RATIOS

Working capital	5.1	6.7
Return on average shareholders' equity	14.2	10.2
Pre-tax return on average capital employed	19.5	14.1

REVENUE

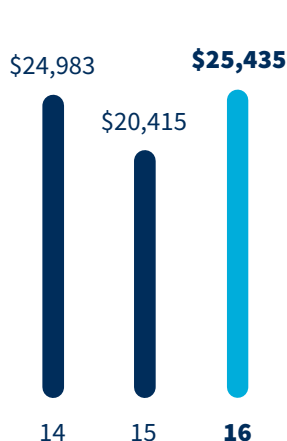
(in thousands of Canadian dollars)



Revenue growth driven primarily by increased commission revenue on sales of Pernod Ricard brands.

NET EARNINGS

(in thousands of Canadian dollars)



Net earnings benefited from the increased commission revenue on sales of Pernod Ricard brands and reduced advertising and promotional investment in the US market.

CASH FLOW FROM OPERATING ACTIVITIES

(in thousands of Canadian dollars)



Operating cash inflows were consistent with the overall increase in net earnings.

DEAR SHAREHOLDERS,

Fiscal 2016 was an interesting year for Corby: overall financial performance was solid, our craft whiskies earned critical acclaim and started to make a meaningful impact on results, and there were many examples of executional excellence across the Company, ranging from product innovations to new partnerships with customers and suppliers.

At the same time, the year presented some challenges. Sales of several Corby-owned brands were lower in the early half of the year, particularly those competing in the economy segments of rum, vodka and Canadian whisky, where segment trends were negative and competitors overspent on promotions and price reductions to fight for market share. In addition, the J.P. Wiser's whisky propositions in the US export market struggled to achieve the necessary retail velocity to maintain distribution within the investment levels that Corby was willing to support. In both cases, course corrections were required and we made them.

I am extremely proud of the way in which our organization met these challenges, coming up with innovative, cost-effective ways to revitalize key brands and support export success. These efforts were already felt in the second half of fiscal 2016 and they have positioned us well for the coming year.

2016 Highlights

Revenue for the year rose 6% over fiscal 2015 and net earnings were up 25%. The primary driver of net earnings growth was the higher commission rate negotiated in August 2015 on sales of Pernod Ricard brands. The change contributed to increased commission revenues of \$5.9 million, or 30%. With the Pernod Ricard brand portfolio more heavily weighted in high-growth spirit and wine categories, we not only earned more on each case sold, we also sold more cases. Shipments of Absolut vodka, Jameson Irish whiskey and Jacob's Creek wines rose by 4%, 19% and 23%, respectively, over the previous year.

It was a fantastic year for our craft whisky portfolio. Lot No. 40 won Best Canadian Rye Whisky at the World Whiskies Awards, Canadian Whisky of the Year at the 2016 Canadian Whisky Awards, and Best Canadian Rye Whisky, Double Gold Medal at the San Francisco World Spirits Competition; and earned a 97 Points rating by *Wine Enthusiast*. Meanwhile, Gooderham & Worts, a newly launched four-grain whisky, took home one of the World Whiskies Awards' biggest honours as the World's Best Canadian Blended Whisky. The accolades helped drive up our craft whisky sales.

Innovation is an important pillar for seizing new profit and growth opportunities. A dedicated research, development and innovation team working at the Hiram Walker & Sons (HWSL) Innovation Centre in Windsor, Ontario, focuses on innovations in the blends, flavours and packaging of Corby-owned brands. In addition to Gooderham & Worts craft whisky, we launched two innovative variants of the J.P. Wiser's family: J.P. Wiser's Double Still Rye, a unique blend of two ryes, and J.P. Wiser's Hopped, which was crowned Best Innovation at the 2015 Canadian Whisky Awards and Best Canadian Flavoured Whisky for 2016 by the World Whiskies Awards. The launch of J.P. Wiser's Last Barrels was a wonderful story of collaboration between Corby teams and the Liquor Control Board of Ontario (LCBO). In addition, McGuinness mixable liqueur innovations such as Simple Syrup, which was among the first of its kind in the market, capitalized on the trend of home bartending.

Refined Export Strategy

Pursuing new growth opportunities outside Canada remains a strategic priority given the relative maturity of the Canadian spirits market. Three years after our re-launch in the US market, we have a deeper understanding of what works best for our business and have adjusted our strategy accordingly, reducing advertising and promotional (A&P) spend on J.P. Wiser's brands and refocusing efforts on our craft whisky portfolio (namely, Lot No. 40 and Pike Creek), which has performed well in the US and distinguished itself around the world.

We now have a dedicated team that works in select US markets to build relationships and promote awareness and trial of the craft brands within the local bartending community. This incubation approach to entering new markets limits upfront investment until a proof of concept is successful. It's a slower process, but we believe that it will set up the business for long-term success. We're employing the same strategy in Australia, where we launched Lot No. 40 and Pike Creek in fiscal 2016, and intend to do the same in France and Germany in fiscal 2017.

Acquiring Tomorrow's Brands

I am delighted that Corby has announced the agreement to acquire the premium spirit brand assets of Domaines Pinnacle, a Québec-based micro-distiller and entrepreneurial Canadian brand developer. Among the brands that will be acquired is Ungava Canadian gin, the number-two-selling deluxe gin in Canada by volume, which has also established a small but growing international business. Ungava gin, with its unique yellow colour, derived from Canadian botanicals gathered in northern Québec, has been receiving strong accolades from the bartending community, both in Canada and abroad.

Several other premium developing brands that complement the existing Corby portfolio will also be acquired, including Chic Choc Spiced rum and Coureur des Bois and Cabot Trail Maple whiskies and liqueurs. We are delighted that Charles Crawford, the entrepreneur behind these brands, will continue to develop the acquired brands for Corby and operate the micro-distillery and subsidiary in Cowansville, Québec, as an additional source of innovation.

Securing Our Future

Two other significant developments aimed at securing our future included extending key production and administrative services agreements with Pernod Ricard for another 10 years, and establishing new partnerships for the production and distribution of Lamb's rum in the UK.

We have historically used a UK-based distributor and bottler for markets outside North America. In an effort to revitalize the brand in the UK, we decided to take a new approach, signing a five-year agreement with Pernod Ricard UK Ltd. to represent Lamb's rum there. Our Pernod Ricard partners will leverage their extensive national distribution network to drive sales. We are also finalizing an agreement with a new manufacturer for production for international markets.

As a member of Spirits Canada, Corby has a voice within the domestic spirits industry to push for reviews of the barriers to growth in the Canadian spirits market. With unprecedented regulatory changes underway, we want to ensure a fair business environment to help us succeed in Canada and pursue growth in export markets.

Continually Improving and Evolving

As a company that is always looking to improve and evolve within our markets, we undertook an exercise this past year to identify who we are as a company and why stakeholders would choose Corby over any other company. Following a series of interviews and workshops, we articulated our core proposition: *creating win-win memorable experiences*. This sums up both how Corby has distinguished itself in the past and what we want to continue doing in the future. Over the coming months and years, we will be working to align everything we do with our purpose, beliefs and core behaviours.

In this annual report, we've included examples of Corby people living out our purpose, by creating memorable experiences with our brands, through our work and in our communities. We've also adopted an online reporting format, which is representative of the shift to digital that has occurred across our company and our industry, and allows us to discuss our year in a more engaging manner. I encourage you to check out our online report at reports.corby.ca.

Heartfelt Thanks

In conclusion, I'd like to thank our Board of Directors for their guidance and support as we seek to drive growth and create value. Thank you as well to our employees for their passion, initiative and energy. Again this year, they went the extra mile to support our business. They also continued to be strong community supporters, enthusiastically pitching in to enhance their neighbourhoods through events like the sixth annual Responsib'All Day. Cheers to an exceptional team!

Sincerely,



R. Patrick O'Driscoll
President & Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

The following Management's Discussion and Analysis ("MD&A") dated September 7, 2016 should be read in conjunction with the audited consolidated financial statements and accompanying notes as at and for the year ended June 30, 2016, prepared in accordance with International Financial Reporting Standards ("IFRS").

This MD&A contains forward-looking statements, including statements concerning possible or assumed future results of operations of Corby Spirit and Wine Limited ("Corby" or the "Company"), including the statements made under the headings "Strategies and Outlook", "Liquidity and Capital Resources", "Recent Accounting Pronouncements" and "Risks and Risk Management". Forward-looking statements typically are preceded by, followed by or include the words "believes", "expects", "anticipates", "estimates", "intends", "plans" or similar expressions. Forward-looking statements are not guarantees of future performance. They involve risks and uncertainties, including, but not limited to: the impact of competition; business interruption; trademark infringement; consumer confidence and spending preferences; regulatory changes; general economic conditions; and the Company's ability to attract and retain qualified employees. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. These factors are not intended to represent a complete list of the factors that could affect the Company and other factors could also affect Corby's results. For more information, please see the "Risks and Risk Management" section of this MD&A.

This document has been reviewed by the Audit Committee of Corby's Board of Directors and contains certain information that is current as of September 7, 2016. Events occurring after that date could render the information contained herein inaccurate or misleading in a material respect. Corby will provide updates to material forward-looking statements, including in subsequent news releases and its interim management's discussion and analyses filed with regulatory authorities as required under applicable law. Additional information regarding Corby, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com.

Unless otherwise indicated, all comparisons of results for the fourth quarter of fiscal 2016 (three months ended June 30, 2016) are against results for the fourth quarter of fiscal 2015 (three months ended June 30, 2015). All dollar amounts are in Canadian dollars unless otherwise stated.

Business Overview

Corby is a leading Canadian marketer of spirits and importer of wines. Corby's national leadership is sustained by a diverse brand portfolio that allows the Company to drive profitable organic growth with strong, consistent cash flows. Corby is a publicly traded company, with its shares listed on the Toronto Stock Exchange under the symbols "CSW.A" (Voting Class A Common Shares) and "CSW.B" (Non-Voting Class B Common Shares). Corby's Voting Class A Common Shares are majority-owned by Hiram Walker & Sons Limited ("HWSL") (a private company) located in Windsor, Ontario. HWSL is a wholly-owned subsidiary of international spirits and wine company Pernod Ricard S.A. ("PR") (a French public limited company), which is headquartered in Paris, France. Therefore, throughout the remainder of this MD&A, Corby refers to HWSL as its parent, and to PR as its ultimate parent. Affiliated companies are those that are also subsidiaries of PR.

The Company derives its revenues from the sale of its owned-brands ("Case Goods"), as well as earning commission income from the representation of selected non-owned brands in Canada ("Commissions"). The Company also supplements these primary sources of revenue with other ancillary activities incidental to its core business, such as logistics fees and from time to time bulk whisky sales to rebalance its maturation inventories. Revenue from Corby's owned-brands predominantly consists of sales made to each of the provincial liquor boards ("LBs") in Canada, and also includes sales to international markets.

Corby's portfolio of owned-brands includes some of the most renowned brands in Canada, including J.P. Wiser's® Canadian whisky, Lamb's® rum, Polar Ice® vodka and McGuinness® liqueurs. Through its affiliation with PR, Corby also represents leading international brands such as Absolut® vodka, Chivas Regal®, The Glenlivet® and Ballantine's® Scotch whiskies, Jameson® Irish whiskey, Beefeater® gin, Malibu® rum, Kahlúa® liqueur, Mumm® champagne, and Jacob's Creek®, George Wyndham®, Stoneleigh®, Campo Viejo®, Graffigna® and Kenwood® wines. In addition to representing PR's brands in Canada, Corby also provides representation for certain selected, unrelated third-party brands ("agency brands") when they fit within the Company's strategic direction and, thus, complement Corby's existing brand portfolio.

PR produces Corby's owned-brands at HWSL's production facility in Windsor, Ontario. Under an administrative services agreement, Corby manages PR's business interests in Canada, including HWSL's production facility. The agreements reflecting these arrangements were scheduled to expire September 29, 2016. On November 11, 2015, the parties entered into new agreements (a distillate supply agreement, a co-pack agreement and an administrative services agreement), each for a 10-year term commencing September 30, 2016, thus extending these arrangements to September 30, 2026.

Corby sources more than 90% of its spirits production requirements from HWSL at its production facility in Windsor, Ontario. The Company's remaining production requirements have been outsourced to various third-party vendors, including a third-party manufacturer in the United Kingdom ("UK"). The UK site blends and bottles Lamb's rum products destined for sale in countries located outside the Americas.

In most provinces, Corby's route to market in Canada entails shipping its products to government-controlled LBs. The LBs then sell directly, or control the sale of, beverage alcohol products to end consumers. The exception to this model is Alberta, where the retail sector is privatized. In this province, Corby ships products to a bonded warehouse that is managed by a government-appointed service provider which is responsible for warehousing and distribution into the retail channel.

Corby's shipment patterns to the LBs will not always exactly match short-term consumer purchase patterns. However, given the importance of monitoring consumer consumption trends over the long term, the Company stays abreast of consumer purchase patterns in Canada through its member affiliation with the Association of Canadian Distillers ("ACD"), which tabulates and disseminates consumer purchase information it receives from the LBs to its industry members. Corby refers to this data throughout this MD&A as "retail sales", which are measured in volume (measured in nine-litre-case equivalents). In the past, the Company was able to also provide retail value information (measured in Canadian dollars). However, retail value information has no longer been provided due to the province of British Columbia changing its value data from retail dollars to wholesale dollars. This change in methodology distorts comparability against prior periods and with other provincial LB customers. It is not known at this time when the Company will be able to re-introduce this retail value level of analysis.

Corby's international business is concentrated in the United States ("US") and UK and the Company has a different route to market for each. For the US market, Corby manufactures the majority of its products in Canada and ships to its US distributor, Pernod Ricard USA, LLC ("PR USA"), an affiliated company. See the "Related Party Transactions" section of this MD&A for additional details. The market in the US operates a three-tier distribution system which often requires a much longer and larger inventory pipeline than in other markets, resulting in a disconnect between quarterly shipment performance, as reported in the financial statements, and the true underlying performance of the brands at retail level during the same quarter.

For the UK market in fiscal 2016, Corby utilized a third-party contract bottler and distribution company for the production and distribution of Lamb's rum. These arrangements were terminated on June 30, 2016. Corby has signed an agreement with a new distributor and is finalizing an agreement with a new manufacturer. More information has been provided in the "Related Party Transactions" section of this MD&A. Distributors sell to various local wholesalers and retailers which in turn sell directly to the consumer.

Corby's operations are subject to seasonal fluctuations: sales are typically strong in the first and second quarters, while third-quarter sales usually decline after the end of the retail holiday season. Fourth-quarter sales typically increase again with the onset of warmer weather as consumers tend to increase their purchasing levels during the summer season.

Strategies and Outlook

Corby's business strategies are designed to maximize sustainable long-term value growth, and thus deliver solid profit while continuing to produce strong and consistent cash flows from operating activities. The Company's portfolio of owned and represented brands provides an excellent platform from which to achieve its current and long-term objectives.

Management believes that having a focused brand prioritization strategy will permit Corby to capture market share in the segments and markets that are expected to deliver the most growth in value over the long term. Therefore, the Company's strategy is to focus its investments on, and leverage the long-term growth potential of, its key brands. As a result, Corby will continue to invest behind its brands to promote its premium offerings where it makes the most sense and drives the most value for shareholders.

Brand prioritization requires an evaluation of each brand's potential to deliver upon this strategy, and facilitates Corby's marketing and sales teams' focus and resource allocation. Over the long term, management believes that effective execution of its strategy will result in value creation for shareholders. Past disposal transactions reflect this strategy by streamlining Corby's portfolio and eliminating brands with below average performance trends, thus focusing resources on key brands.

Pursuing new growth opportunities outside of Canada is also a key strategic priority. Our agreement with PR USA to represent certain of Corby's owned-brands in the US supports our goal of expanding our Canadian whisky business into this market where we believe there is growth potential in both volume and margin.

Of primary importance to the successful implementation of our brand strategies is an effective route-to-market strategy. Corby is committed to investing in its trade marketing expertise and ensuring that its commercial resources are specialized to meet the differing needs of its customers and the selling channels they inhabit. In all areas of the business, management believes setting clear strategies, optimizing organization structure and increasing efficiencies are key to Corby's overall success.

In addition, management is convinced that innovation is essential to seizing new profit and growth opportunities. Successful innovation can be delivered through a structured and efficient process as well as consistent investment in consumer insight and research and development. Corby benefits from having access to leading-edge practices at PR's North American hub, which is located in Windsor, Ontario, where most of its products are manufactured.

Finally, the Company is a strong advocate of social responsibility, especially with respect to its sales and promotional activities. Corby will continue to promote the responsible consumption of its products in its activities. During the year, Corby continued a successful partnership with the Toronto Transit Commission to provide free transit on New Year's Eve for a three-year period which began in 2013 and was recently extended to 2019. The Company stresses its core values throughout its organization, including those of conviviality, straightforwardness, commitment, integrity and entrepreneurship.

Significant Events

Corby Increases Commission Rate under Pernod Ricard Canadian Representation Agreements

On September 29, 2006, Corby completed a transaction with PR which, amongst other things, provided the Company the exclusive right to represent PR's brands in the Canadian market for 15 years and added the Absolut vodka brand in 2008. Commission revenue earned from the representation of PR's brands in Canada is presented in the consolidated statement of earnings as part of "Revenue". On August 26, 2015, Corby entered into an agreement with PR and certain affiliates amending the September 29, 2006 Canadian representation agreements, whereby Corby will provide more specialized marketing, advertising and promotion services for the brands of PR and its affiliates under the applicable existing agreements in consideration of an increase to the rate of commission payable by such entities.

Corby Extends Production and Administrative Services Agreements with Pernod Ricard

On November 11, 2015, Corby and PR entered into a distillate supply agreement and a co-pack agreement for the continued production and bottling of Corby's owned-brands by Pernod Ricard at the HWSL production facility in Windsor, Ontario, for a 10-year term commencing September 30, 2016. On the same date, Corby and PR entered into an administrative services agreement, under which Corby will continue to manage PR's business interests in Canada, including the HWSL production facility, with a similar term and commencement date.

Corby Declares Special Dividend

On November 11, 2015, the Corby Board of Directors declared a special dividend of \$0.62 per share payable on January 8, 2016 on the Voting Class A Common Shares and Non-Voting Class B Common Shares of Corby to shareholders of record as at the close of business on December 11, 2015. The special dividend payment resulted in a cash distribution of approximately \$17.7 million to shareholders and was sourced from Corby's surplus cash position.

Acquisition of the Spirits Assets of Québec-based Domaines Pinnacle

Corby announced on August 31, 2016 that it had entered into an agreement to acquire the spirits assets of Québec-based Domaines Pinnacle for a purchase price of \$12 million. The purchase price will be funded from Corby's deposits in cash management pools. The transaction includes Domaines Pinnacle's spirits portfolio, including the Ungava® Premium Canadian gin brand, Chic Choc® Spiced rum, a range of maple-based products as well as production assets and related inventory. Subject to the closing of the transaction, the parties intend that the brand portfolio and other assets acquired by Corby will be operated as Ungava Spirits Co. Ltd. ("Ungava Spirits"), a new, wholly-owned subsidiary of the Company incorporated to purchase the Domaines Pinnacle spirits assets, and that Ungava Spirits will continue to operate from the current location in Cowansville. The transaction is expected to close on September 30, 2016.

Three-Year Review of Selected Financial Information

The following table provides a summary of certain selected consolidated financial information for the Company. This information has been prepared in accordance with IFRS.

<i>(in millions of Canadian dollars, except per share amounts)</i>	2016	2015	2014 ⁽¹⁾
Revenue	\$ 140.0	\$ 132.1	\$ 137.3
Earnings from operations	34.6	27.2	33.5
– Earnings from operations per common share	1.22	0.96	1.18
Net earnings	25.4	20.4	25.0
– Basic earnings per share	0.89	0.72	0.88
– Diluted earnings per share	0.89	0.72	0.88
Total assets	228.5	233.7	254.9
Total liabilities	57.7	45.6	45.8
Regular dividends paid per share	0.76	0.75	0.71
Special dividends paid per share	0.62	0.62	–

⁽¹⁾ In preparing its comparative information, the Company has adjusted amounts reported previously in the consolidated balance sheet as a result of the retrospective application of the amendments to IAS 32, "Financial Instruments – Presentation".

As depicted in the above table, revenue and net earnings dipped sharply in 2015, then recovered in 2016. The decrease noted in 2015 was largely attributable to the lapping of the J.P. Wiser's Canadian whisky launch in the US market (launched in 2014). As with any launch this size, the initial inventory pipeline buildup was significant. In addition, 2015 included substantial advertising and promotional investment to further support the brand in the US, thus adding more downward pressure on earnings that year.

Net earnings recovered in 2016, increasing \$5.0 million from 2015. This year-over-year improvement was primarily the result of an increase in commissions due to the negotiated commission rate increase on PR brands, following the amendment of the September 29, 2006 Canadian representation agreements with PR referred to under the "Significant Events" section of this MD&A. In addition, the Company sold bulk whisky as it rebalanced its maturation inventories, which is a normal industry practice as strategy is refined and future forecasts updated.

Net assets (i.e., total assets less total liabilities) had a decreasing trend since 2014. This is primarily the result of Corby returning value to shareholders via a special dividend in each of 2015 and 2016, with a dividend of \$0.62 per share or \$17.7 million being paid each year.

Brand Performance Review

Corby's portfolio of owned-brands accounts for approximately 80% of the Company's total annual revenue. Included in this portfolio are its key brands: J.P. Wiser's Canadian whisky, Lamb's rum, Polar Ice vodka and Corby's mixable liqueur brands. The sales performance of these key brands significantly impacts Corby's net earnings. Therefore, understanding each key brand is essential to understanding the Company's overall performance.

Shipment Volume and Shipment Value Performance

The following table summarizes the performance of Corby's owned-brands (i.e., Case Goods) in terms of both shipment volume (as measured by shipments to customers in nine-litre-case equivalents) and shipment value (as measured by the change in net sales revenue). The table includes results for sales in both Canada and international markets. Specifically, the J.P. Wiser's, Lamb's and Polar Ice brands are also sold to international markets, particularly in the US and UK.

BRAND PERFORMANCE – INCLUDES BOTH CANADIAN AND INTERNATIONAL SHIPMENTS

(Volumes in 000s of 9L cases)	Three Months Ended				Year Ended			
	June 30, 2016	June 30, 2015	Shipment Change		June 30, 2016	June 30, 2015	Shipment Change	
			Volume %	Value %			Volume %	Value %
BRAND								
J.P. Wiser's Canadian whisky	207	194	7%	10%	810	806	0%	2%
Lamb's rum	94	109	(14%)	(13%)	450	503	(10%)	(9%)
Polar Ice vodka	101	97	5%	9%	375	383	(2%)	2%
Mixable liqueurs	42	42	(1%)	(5%)	167	174	(4%)	(5%)
Total key brands	445	442	1%	3%	1,802	1,866	(3%)	(1%)
Other Corby-owned brands	54	48	11%	21%	216	216	0%	5%
TOTAL CORBY BRANDS	498	491	2%	5%	2,018	2,082	(3%)	(1%)

Corby's owned-brands had strong fourth-quarter shipments on account of Corby's Canadian whisky portfolio (i.e., J.P. Wiser's and the craft range included in "other") and a positive contribution from Polar Ice vodka. The performance of these brands more than offset the continued weak trends seen with Lamb's rum. Year-to-date shipment volumes ended down versus last year, while shipment value held relatively even, once again mostly impacted by Lamb's rum and Corby's mixable liqueur brands.

Trends in Canada differ significantly from international markets as highlighted in the following table:

(Volumes in 000s of 9L cases)	Three Months Ended				Year Ended			
	June 30, 2016	June 30, 2015	Shipment Change		June 30, 2016	June 30, 2015	Shipment Change	
			Volume %	Value %			Volume %	Value %
Domestic	451	450	0%	4%	1,819	1,858	(2%)	0%
International	47	41	17%	22%	199	223	(11%)	(5%)
TOTAL CORBY BRANDS	498	491	2%	5%	2,018	2,082	(3%)	(1%)

In the domestic market, a strong fourth-quarter value increase helped offset the difficult holiday period experienced in Q2, leaving Corby even on shipment value when compared to last year (albeit down 2% on shipment volume for the year). The challenges experienced in the holiday period were due to a significant increase of competitive retail activity in the economy segments of rum, vodka and Canadian whisky, which were only partially offset by newly introduced innovation, such as J.P. Wiser's Double Still Rye and Gooderham & Worts Canadian whiskies.

In international markets, lower shipment volumes year over year were largely attributable to Lamb's in the UK where shipment patterns were disrupted during the fourth quarter of 2016 by the announced transition to a new distributor as of July 1, 2016. In the US market, shipments were flat versus the prior year. Results from the launch two years ago of J.P. Wiser's Rye and Spiced Canadian whiskies have not been achieved. The consumer demand that was expected did not materialize and these concepts have struggled against long-established brands in an increasingly price competitive segment. Corby has therefore reprioritized its focus on a smaller number of markets in the US and on the more premium and differentiated craft range (Lot No. 40 and Pike Creek), both of which have achieved a small but growing base of business.

Retail Sales Volume Performance

It is of critical importance to understand the performance of Corby's brands at the retail level in Canada. Analysis of performance at the retail level provides insight with regard to consumers' current purchase patterns and trends. Retail sales volume data, as provided by the ACD, is set out in the following table and is discussed throughout this MD&A. Note that retail sales value information has not been provided, as the province of British Columbia began to provide only wholesale pricing data starting in July 2015, thus significantly impacting any meaningful comparison against prior periods and with other LB customers. It is not known at this time when the Company will be able to re-introduce this retail value level of analysis.

It should be noted that the retail information presented does not include international retail sales of Corby-owned brands. While Corby's focus on the US business is increasing, retail data in the US is prepared using limited sampling techniques, which does not provide meaningful trend analysis on a brand that has not yet reached sufficient scale to make such disclosure meaningful. Corby will provide such data as and when it is considered to offer meaningful analysis of brand performance.

RETAIL SALES FOR THE CANADIAN MARKET ONLY⁽¹⁾

	Three Months Ended			Year Ended		
	June 30, 2016	June 30, 2015	% Retail Volume Growth	June 30, 2016	June 30, 2015	% Retail Volume Growth
<i>(Volumes in 000s of 9L cases)</i>						
BRAND						
J.P. Wiser's Canadian whisky	160	159	1%	722	720	0%
Lamb's rum	82	83	(1%)	364	382	(5%)
Polar Ice vodka	82	80	3%	345	350	(1%)
Mixable liqueurs	35	37	(5%)	163	171	(5%)
Total key brands	359	358	0%	1,594	1,623	(2%)
Other Corby-owned brands	41	42	(1%)	181	184	(2%)
TOTAL	400	400	0%	1,775	1,807	(2%)

⁽¹⁾ Refers to sales at the retail store level in Canada, as provided by the Association of Canadian Distillers.

The Canadian spirits industry's retail volume performance increased 1% for the quarter ended June 30, 2016 and 2% for the full year ended June 30, 2016, when compared with the same periods last year. The full year trend was supported by double-digit retail sales volume growth in the Irish whiskey category and high single-digit sales volume growth in single malt Scotch whisky, bourbon, tequila, and gin categories, categories in which Corby does not have owned-brands.

As illustrated above, the performance of Corby's portfolio of owned-brands trailed behind the spirits industry during the fourth quarter and on a full year comparison basis. The following brand discussion provides a more detailed analysis of the performance of each of Corby's key brands relative to its respective industry category.

Summary of Corby's Key Brands

J.P. WISER'S CANADIAN WHISKY

J.P. Wiser's Canadian whisky, one of the top-selling whisky families in Canada, is Corby's flagship brand. The brand's retail volumes for the fourth quarter were up 1%, while its full year performance was essentially flat when compared with last year.

Year over year, the Canadian whisky category grew 3% in retail volume, supported by successful innovation at premium price points and aggressive competitive retail activity in the economy segment.

Within the J.P. Wiser's range, positive growth posted by J.P. Wiser's Deluxe (retail volume grew 3% year over year) and the flavoured range was undercut by J.P. Wiser's Special Blend (retail volumes declined 3% compared to last year) which was impacted by a significant increase of competitive retail activity in the economy segment of Canadian whisky.

In July 2015, Corby began shipping two innovative new variants of the J.P. Wiser's family across Canada, J.P. Wiser's Hopped and J.P. Wiser's Double Still Rye. In June 2016, Corby also added J.P. Wiser's Last Barrels, a super-premium limited edition. During the first quarter of fiscal 2016, Corby launched new, premium point-of-sale material featuring quality cues and the "J.P. Wiser's, Tastes Like Whisky, Since 1857" campaign. In April 2016, the campaign platform was brought to life with television advertising tied closely to sports broadcasts.

LAMB'S RUM

Lamb's rum, one of the top-selling rum families in Canada, was significantly impacted by consumer trends, particularly in respect of the overall rum and white rum segments. Retail volumes for the overall rum category declined 1% for the quarter and were essentially flat for the year when compared to the same periods last year. White rum retail volumes declined 2% and 3%, respectively, when compared to the same quarter and full year results last year.

Lamb's experienced a decline of 5% in retail volume on a full year-over-year comparison basis. The Lamb's rum product line is heavily weighted in the dark and white segments. It has experienced poor results in the key province of Ontario and faced difficult economic conditions in regional strongholds; our strategy is to defend these regional strongholds and to aggressively promote the entire range. In addition, a package redesign has been implemented and began to appear at retail in March 2016.

POLAR ICE VODKA

Polar Ice vodka is among the top-selling vodka brands in Canada. Retail volume increased 3% for the three months ended June 30, 2016 when compared to the same three-month period last year. For the year ended June 30, 2016, retail volume declined 1% year over year due to increased competitive retail activity through the critical holiday period.

The overall vodka category in Canada grew retail volumes 2% when compared to both the three- and twelve-month periods last year with performance driven by the premium segment of the category.

The focus of advertising and promotion investment was on driving awareness and trial of Polar Ice 90° North via strong off-trade programming (tastings, value-add promotions and loyalty rewards programs). As well, we continued digital media to support the launch of Polar Ice 90° North, driving consumers to online (polarice.ca) and social media channels.

MIXABLE LIQUEURS

Corby's portfolio of mixable liqueur brands consists of McGuinness liqueurs (which is Canada's largest mixable liqueur brand family) and Meaghers liqueurs. Retail volume for Corby's mixable liqueurs portfolio lagged category trends, with retail volume declining 5% for both the quarter and year ended June 30, 2016 on a same period-over-period comparison basis.

Over those same periods, the liqueurs category retail volume in Canada experienced a slight decline during the quarter when compared to the same quarter last year and grew 1% compared to the twelve months ended June 30, 2016. It is being driven by new innovations and cream-based offerings with which McGuinness does not directly compete.

Our current strategy is to expand innovation and focus on strong programming in the retail environment, ensuring that our flavour offering is aligned to consumer trends. Two new flavours were launched during the fourth quarter 2016, McGuinness Simple Syrup and McGuinness Apple Whisky.

OTHER CORBY-OWNED BRANDS

Innovation remains an important pillar for delivering new profit and growth opportunities to the Corby domestic business. Recent premium offerings in Canadian whisky such as Pike Creek, Lot No. 40 and Gooderham & Worts collectively grew retail volume 143% and 103% for the respective fourth quarter and year ended June 30, 2016, outperforming the Canadian whisky category in Canada, which grew 1% and 3%, respectively, over the same periods.

Lot No. 40 was awarded Canadian Whisky of the Year at the sixth annual Canadian Whisky Awards, the second time it has received the honour in the last three years. Lot No. 40 was also named Best Canadian Rye Whisky at the 2016 San Francisco World Spirits Competition.

After disappointing holiday results for Royal Reserve®, retail volume rebounded somewhat to end the year at a 3% decline on a full year-over-year comparison basis. This result is in line with the year-to-date trend for the overall economy segment of Canadian whisky.

Financial and Operating Results

The following table presents a summary of certain selected consolidated financial information of the Company for the years ended June 30, 2016 and 2015.

<i>(in millions of Canadian dollars, except per share amounts)</i>	2016	2015	\$ Change	% Change
REVENUE	\$ 140.0	\$ 132.1	\$ 7.9	6%
Cost of sales	(49.4)	(49.1)	(0.3)	1%
Marketing, sales and administration	(55.6)	(55.9)	0.3	(1%)
Other income	(0.4)	0.1	(0.5)	(500%)
EARNINGS FROM OPERATIONS	34.6	27.2	7.4	27%
Financial income	1.1	1.6	(0.5)	(31%)
Financial expenses	(1.0)	(1.1)	0.1	(9%)
	0.1	0.5	(0.4)	(80%)
Earnings before income taxes	34.7	27.7	7.0	25%
Income taxes	(9.3)	(7.3)	(2.0)	27%
NET EARNINGS	\$ 25.4	\$ 20.4	\$ 5.0	25%
Per common share				
– Basic net earnings	\$ 0.89	\$ 0.72	\$ 0.17	24%
– Diluted net earnings	\$ 0.89	\$ 0.72	\$ 0.17	24%

Overall Financial Results

Net earnings increased \$5.0 million or 25% when compared with last year. The primary driver of growth was a negotiated increase in commission rate on PR brands, following the amendment of the September 29, 2006 Canadian representation agreements with PR referred to under the “Significant Events” section of this MD&A. The impact on net earnings of lower Case Goods shipments is more than offset by lower advertising and promotional investment in the US market. In addition, net earnings also benefited from the sale of bulk whisky as the Company sought to rebalance its maturation inventories.

Revenue

The following table highlights the key components of the Company's revenue streams:

<i>(in millions of Canadian dollars)</i>	2016	2015	\$ Change	% Change
REVENUE STREAMS				
Case Goods	\$ 111.1	\$ 111.8	\$ (0.7)	(1%)
Commissions	23.0	16.4	6.6	40%
Other services	5.9	3.9	2.0	51%
REVENUE	\$ 140.0	\$ 132.1	\$ 7.9	6%

The decline in Case Goods revenue reflected a difficult holiday period in both the Canadian and US markets. In Canada, in particular, a significant increase of competitive retail activity in the economy segments of rum and Canadian whisky was only partially offset by newly introduced innovation, such as J.P. Wiser's Double Still Rye and Gooderham & Worts Canadian whiskies.

The substantial increase in commissions was driven by the aforementioned commission rate increase negotiated on PR brands supplemented by strong shipments for the brands in the PR portfolio, reflecting its position within the higher-growth spirit and wine categories.

Other services represent ancillary revenue incidental to Corby's core business activities, such as logistical fees and bulk whisky sales. This year, the increase in the other services category was attributable to bulk whisky sales as the Company rebalanced its maturation inventories.

Cost of Sales

Cost of sales was \$49.4 million for the year ended June 30, 2016, an increase of \$0.3 million when compared with last year, albeit on 3% lower shipment volumes. While overall gross margin on Case Goods remained a creditable 58% year

on year, the results reflect an amount paid to a former third-party distributor and bottler of Lamb's rum in the UK as part of the planned transition and termination which became effective July 1, 2016.

Marketing, Sales and Administration

Marketing, sales and administration expenses decreased \$0.3 million or 1% when compared with last year. The change year over year is due to a significant decrease in marketing expenses, which was mostly offset by employee-related costs and activities. In addition, the decreased marketing activity reflects lower investment in the US as Corby transitioned its strategy of concentrating investment on a smaller number of US markets.

Other Income and Expenses

Other income and expenses include such items as realized foreign exchange gains and losses, and gains on sale of property and equipment. The \$0.5 million change year over year is primarily related to foreign currency fluctuations.

Net Financial Income

Net financial income is comprised of interest earned on deposits in cash management pools, offset by interest costs associated with the Company's pension and post-retirement benefit plans. The decrease is due to lower deposits in cash management pools and decreased market interest rates.

Income Taxes

A reconciliation of the effective tax rate to the statutory rates for each period is presented below:

	2016	2015
Combined basic federal and provincial tax rates	26.8%	26.6%
Other	0.0%	(0.1%)
EFFECTIVE TAX RATE	26.8%	26.5%

Liquidity and Capital Resources

Corby's sources of liquidity are its deposits in cash management pools of \$85.0 million as at June 30, 2016 and its cash generated from operating activities. Corby's total contractual maturities are represented by its accounts payable and accrued liabilities, which totalled \$30.7 million as at June 30, 2016, and are all due to be paid within one year. The Company does not have any liabilities under short- or long-term debt facilities.

The Company believes that its deposits in cash management pools, combined with its historically strong operational cash flows, provide for sufficient liquidity to fund its operations, investing activities and commitments for the foreseeable future. The Company's cash flows from operations are subject to fluctuation due to commodity, foreign exchange and interest rate risks. Please refer to the "Risks and Risk Management" section of this MD&A for further information.

CASH FLOWS

<i>(in millions of Canadian dollars)</i>	2016	2015	\$ Change
OPERATING ACTIVITIES			
Net earnings, adjusted for non-cash items	\$ 41.2	\$ 33.7	\$ 7.5
Net change in non-cash working capital	(3.7)	(0.4)	(3.3)
Net payments for interest and income taxes	(4.2)	(6.2)	2.0
	33.3	27.1	6.2
INVESTING ACTIVITIES			
Additions to capital assets	(3.1)	(2.8)	(0.3)
Proceeds from disposition of capital assets	–	0.2	(0.2)
Withdrawals from cash management pools	9.1	13.9	(4.8)
	6.0	11.3	(5.3)
FINANCING ACTIVITIES			
Proceeds from note receivable	–	0.6	(0.6)
Dividends paid	(39.3)	(39.0)	(0.3)
	(39.3)	(38.4)	(0.9)
NET CHANGE IN CASH	\$ –	\$ –	\$ –

Operating Activities

Net cash from operating activities increased \$6.2 million this year versus last. This is reflective of the increase in net earnings and lower tax payments being partially offset by an increase in inventory levels.

Investing Activities

Net cash generated from investing activities was \$6 million for the year ended June 30, 2016, representing a decrease of \$5.3 million when compared to last year.

The Company's additions to capital assets were more than offset by its withdrawals from cash management pools. Cash management pools represent cash on deposit with Citibank N.A. via Corby's Mirror Netting Service Agreement with PR. Corby has daily access to these funds and earns a market rate of interest from PR on its deposits. Changes in cash management pools reflect amounts either deposited in or withdrawn from these bank accounts and are simply a function of Corby's cash requirements during the period being reported. For more information related to these deposits, please refer to the "Related Party Transactions" section of this MD&A.

Financing Activities

Cash used for financing activities this year was purely for paying dividends to shareholders. Dividends this year included a special dividend of \$17.7 million, in addition to the regular dividends paid quarterly. The special dividend payment is consistent with the prior year.

The following table summarizes dividends paid and payable by the Company over the last two fiscal years:

For	Declaration Date	Record Date	Payment Date	\$/Share
2016 – Q4	August 24, 2016	September 15, 2016	September 30, 2016	\$ 0.19
2016 – Q3	May 4, 2016	May 27, 2016	June 15, 2016	0.19
2016 – Q2	February 3, 2016	February 26, 2016	March 11, 2016	0.19
2016 – special	November 11, 2015 (special dividend)	December 11, 2015	January 8, 2016	0.62
2016 – Q1	November 11, 2015	November 27, 2015	December 11, 2015	0.19
2015 – Q4	August 26, 2015	September 16, 2015	September 30, 2015	0.19
2015 – Q3	May 6, 2015	May 29, 2015	June 12, 2015	0.19
2015 – Q2	February 4, 2015	February 27, 2015	March 13, 2015	0.19
2015 – special	November 5, 2014 (special dividend)	December 12, 2014	January 9, 2015	0.62
2015 – Q1	November 5, 2014	November 28, 2014	December 14, 2014	0.19
2014 – Q4	August 27, 2014	September 15, 2014	September 30, 2014	0.18

Outstanding Share Data

As at August 24, 2016, Corby had 24,274,320 Voting Class A Common Shares and 4,194,536 Non-Voting Class B Common Shares outstanding. The Company does not have a stock option plan, and therefore, there are no options outstanding.

Contractual Obligations

The following table presents a summary of the maturity periods of the Company's contractual obligations as at June 30, 2016:

	Payments during 2017	Payments Due in 2018 and 2019	Payments Due in 2020 and 2021	Payments Due after 2021	Obligations with No Fixed Maturity	Total
Operating lease obligations	\$ 1.6	\$ 2.3	\$ 1.4	\$ 2.8	\$ –	\$ 8.1
Employee future benefits	–	–	–	–	24.6	24.6
	\$ 1.6	\$ 2.3	\$ 1.4	\$ 2.8	\$ 24.6	\$ 32.7

Related Party Transactions

Transactions with Parent, Ultimate Parent and Affiliates

Corby engages in a significant number of transactions with its parent company, its ultimate parent and various affiliates. Specifically, Corby renders services to its parent company, its ultimate parent and affiliates for the marketing and sale of beverage alcohol products in Canada. Furthermore, Corby outsources the large majority of its distilling, maturing, storing, blending, bottling and related production activities to its parent company. A significant portion of Corby's bookkeeping, recordkeeping services, data processing and other administrative services are also outsourced to its parent company. Transactions with the parent company, ultimate parent and affiliates are subject to Corby's related party transaction policy, which requires such transactions to undergo an extensive review and receive approval from an Independent Committee of the Board of Directors.

The companies operate under the terms of agreements that became effective on September 29, 2006 (the "2006 Agreements"). These agreements provide the Company with the exclusive right to represent PR's brands in the Canadian market for 15 years, as well as providing for the continuing production of certain Corby brands by PR at its production facility in Windsor, Ontario, for 10 years. Corby also manages PR's business interests in Canada, including the Windsor production facility. Certain officers of Corby have been appointed as directors and officers of PR's Canadian entities, as approved by Corby's Board of Directors. On August 26, 2015, Corby entered into an agreement with PR and certain affiliates amending the September 29, 2006 Canadian representation agreements, pursuant to which Corby will provide more specialized marketing, advertising and promotion services for the PR and affiliate brands under the applicable representation agreements, in consideration of an increase to the rate of commission payable to Corby by such entities. On November 11, 2015, Corby and PR entered into agreements for the continued production and bottling of Corby's owned-brands by Pernod Ricard at the HWSL production facility in Windsor, Ontario, for a 10-year term commencing September 30, 2016. On the same date, Corby and PR also entered into an administrative services agreement, under which Corby will continue to manage PR's business interests in Canada, including the HWSL production facility, with a similar term and commencement date.

In addition to the 2006 Agreements, Corby signed an agreement on September 26, 2008 with its ultimate parent to be the exclusive Canadian representative for the Absolut vodka and Plymouth gin brands, for a five-year term which expired October 1, 2013 and was extended as noted below. These brands were acquired by PR subsequent to the original representation rights agreement dated September 29, 2006. Corby also agreed to continue with the mirror netting arrangement with PR and its affiliates, under which Corby's excess cash will continue to be deposited to cash management pools. The mirror netting arrangement with PR and its affiliates is further described below. On November 9, 2011, Corby entered into an agreement with a PR affiliate for a new term for Corby's exclusive right to represent Absolut vodka in Canada, from September 30, 2013 to September 29, 2021, which is consistent with the term of Corby's Canadian representation of the other PR brands in Corby's portfolio. On September 30, 2013, Corby paid the present value of \$10 million, or \$10.3 million, for the additional eight years of the new term pursuant to an agreement entered into between Corby and The Absolut Company Aktiebolag, an affiliate of PR and owner of the Absolut brand, to satisfy the parties' obligations under the 2011 agreement. Since the agreement is a related party transaction, the agreement was approved by the Independent Committee of the Corby Board of Directors, in accordance with Corby's related party transaction policy, following an extensive review and with external financial and legal advice.

On July 1, 2012, the Company entered into a five-year agreement with PR USA, an affiliated company, which provides PR USA the exclusive right to represent J.P. Wiser's Canadian whisky and Polar Ice vodka in the US. The agreement provides these key brands with access to PR USA's extensive national distribution network throughout the US and complements PR USA's premium brand portfolio. The agreement is effective for a five-year period ending June 30, 2017. The agreement with PR USA is a related party transaction between Corby and PR USA; as such, the agreement was approved by the Independent Committee of the Board of Directors of Corby following an extensive review, in accordance with Corby's related party transaction policy.

On March 21, 2016, the Company entered into an agreement with Pernod Ricard UK Ltd. ("PRUK"), an affiliated company, which provides PRUK the exclusive right to represent Lamb's rum in Great Britain effective July 1, 2016. Previously, Lamb's rum was represented by an unrelated third party in this market. The agreement provides Lamb's with access to PRUK's extensive national distribution network throughout Great Britain. The agreement is effective for a five-year period ending June 30, 2021. Since the agreement with PRUK is a related party transaction between Corby and PRUK, the agreement was approved by the Independent Committee of the Board of Directors of Corby following a thorough review, in accordance with Corby's related party transaction policy.

Deposits in Cash Management Pools

Corby participates in a cash pooling arrangement under a Mirror Netting Service Agreement, together with PR's other Canadian affiliates, the terms of which are administered by Citibank N.A. effective July 17, 2014. The Mirror Netting Service Agreement acts to aggregate each participant's net cash balance for purposes of having a centralized cash management function for all of PR's Canadian affiliates, including Corby. As a result of Corby's participation in this agreement, Corby's credit risk associated with its deposits in cash management pools is contingent upon PR's credit rating. PR's credit rating as at September 7, 2016, as published by Standard & Poor's and Moody's, was BBB- and Baa2, respectively. PR compensates Corby for the benefit it receives from having the Company participate in the Mirror Netting Service Agreement by paying interest to Corby based upon the 30-day Canadian Dealer Offered Rate ("CDOR") plus 0.40%. Corby accesses these funds on a daily basis and has the contractual right to withdraw these funds or terminate these cash management arrangements upon providing five days' written notice.

Results of Operations – Fourth Quarter of Fiscal 2016

The following table presents a summary of certain selected consolidated financial information for the Company for the three-month periods ended June 30, 2016 and 2015:

(in millions of Canadian dollars, except per share amounts)	Three Months Ended			
	June 30, 2016	June 30, 2015	\$ Change	% Change
REVENUE	\$ 37.2	\$ 32.5	\$ 4.7	15%
Cost of sales	(12.3)	(11.7)	(0.6)	5%
Marketing, sales and administration	(12.0)	(11.0)	(1.0)	9%
Other income (expense)	(0.1)	0.0	(0.1)	(437%)
EARNINGS FROM OPERATIONS	12.8	9.8	3.0	31%
Financial income	0.2	0.3	(0.1)	(20%)
Financial expenses	(0.2)	(0.3)	0.0	(10%)
	0.0	0.0	(0.0)	(80%)
Earnings before income taxes	12.8	9.8	3.0	31%
Income taxes	(3.5)	(2.5)	(1.0)	37%
NET EARNINGS	\$ 9.3	\$ 7.3	\$ 2.0	27%
Per common share				
– Basic net earnings	\$ 0.33	\$ 0.26	\$ 0.07	27%
– Diluted net earnings	\$ 0.33	\$ 0.26	\$ 0.07	27%

Revenue

The following table highlights the various components of the Company's revenue streams for the quarter:

(in millions of Canadian dollars)	Three Months Ended			
	June 30, 2016	June 30, 2015	\$ Change	% Change
REVENUE STREAMS				
Case Goods	\$ 28.6	\$ 27.3	\$ 1.3	5%
Commissions	5.9	4.3	1.6	38%
Other services	2.7	0.9	1.8	196%
REVENUE	\$ 37.2	\$ 32.5	\$ 4.7	15%

Revenue increased \$4.7 million this quarter when compared with the same quarter last year with all three revenue streams contributing to the strong performance. Case Goods revenue increased \$1.3 million quarter over quarter and was primarily the result of general price increases combined with modest volume increases in both Canada and international markets. Commissions increased primarily on account of the aforementioned commission rate increase on the PR brand portfolio which came into effect July 1, 2015. Other services reflect bulk whisky sales made to third-party customers as the Company rebalanced its maturation inventories.

Cost of Sales

Cost of goods sold was \$12.3 million, representing a \$0.6 million or 5% increase this period when compared with the same three-month period last year. Gross margin was 61% for the current year quarter compared to 59% for the same quarter last year (note: commissions are not included in this calculation).

Marketing, Sales and Administration

Marketing, sales and administration expenses increased \$1.0 million or 9% over the same quarter last year. The increase is the combination of increased investment in brand marketing activities and higher employee-related expenses and activities. More specifically, the Company launched its new J.P. Wiser's television campaign in Canada while reducing spend in the US market as we concentrate our investment in a smaller number of markets where the portfolio has performed well and the greatest opportunities exist.

Net Earnings and Earnings per Share

Net earnings for the fourth quarter were \$9.3 million, or \$0.33 per share, which is an increase of \$2.0 million over the same quarter last year. As discussed previously, higher commissions from PR brands, general price increases in Canada for Case Goods, and bulk whisky sales drove the improved performance.

Selected Quarterly Information

SUMMARY OF QUARTERLY FINANCIAL RESULTS

(in millions of Canadian dollars, except per share amounts)	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Revenue	\$ 37.2	\$ 28.0	\$ 38.3	\$ 36.4	\$ 32.5	\$ 26.8	\$ 38.0	\$ 34.8
Earnings from operations	12.8	5.0	8.2	8.6	9.8	3.1	7.7	6.6
Net earnings	9.3	3.7	6.1	6.3	7.3	2.4	5.8	4.9
Basic EPS	0.33	0.13	0.22	0.22	0.26	0.08	0.20	0.17
Diluted EPS	0.33	0.13	0.22	0.22	0.26	0.08	0.20	0.17

The table above demonstrates the seasonality of Corby's business, as sales are typically strong in the first and second quarters, while third-quarter sales (January, February and March) usually decline after the end of the retail holiday season. Fourth-quarter sales typically increase again with the onset of warmer weather, as consumers tend to increase their purchasing levels during the summer season.

In addition to the seasonality effect, net earnings have increased each quarter in 2016 versus the same quarter in 2015. This is primarily attributable to an increase in commissions due to the negotiated commission rate increase on PR brands, following the amendment of the September 29, 2006 Canadian representation agreements with PR referred to under "Significant Events".

Recent Accounting Pronouncements

A number of new standards, amendments to standards and interpretations have been issued but are not yet effective for the financial year ending June 30, 2016, and accordingly, have not been applied in preparing these consolidated financial statements:

(i) REVENUE

In May 2014, the International Accounting Standards Board ("IASB") released IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"), which supersedes IAS 11, "Construction Contracts", IAS 18, "Revenues", IFRIC 13, "Customer Loyalty Programmes", IFRIC 15, "Agreement for the Construction of Real Estate", IFRIC 18, "Transfers of Assets from Customers" and SIC 31, "Revenue – Barter Transactions Involving Advertising Services". The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. IFRS 15 will be effective for Corby's fiscal year beginning on July 1, 2018, with earlier application permitted. The Company is currently assessing the impact of the adoption of this standard on its financial statements and disclosures.

(ii) FINANCIAL INSTRUMENTS

The IASB has issued a new standard, IFRS 9, "Financial Instruments" ("IFRS 9"), which will ultimately replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). The replacement of IAS 39 is a multi-phase project with the objective of improving and simplifying the reporting for financial instruments and the issuance of IFRS 9 is part of the first phase of this project. IFRS 9 uses a single approach to determine whether a financial asset or liability is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. For financial assets, the approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. IFRS 9 requires a single impairment method to be used, replacing multiple impairment methods in IAS 39. For financial liabilities measured at fair value, fair value changes due to changes in an entity's credit risk are presented in other comprehensive income. This standard is effective for annual periods beginning on or after January 1, 2018 and must be applied retrospectively. For Corby, this standard will become effective July 1, 2018. The Company is currently assessing the impact of the new standard on its financial statements and disclosures.

(iii) DISCLOSURE INITIATIVE

In December 2014, the IASB issued Disclosure Initiative Amendments to IAS 1 as part of the IASB's Disclosure Initiative. These amendments encourage entities to apply professional judgment regarding disclosure and presentation in their financial statements. These amendments are effective for annual periods beginning on or after January 1, 2016. Earlier application is permitted. For Corby, these amendments became effective July 1, 2016. The application of these amendments will not have a significant impact on the Company.

Disclosure Controls and Procedures

The Company maintains a system of disclosure controls and procedures that has been designed to provide reasonable assurance that information required to be disclosed by the Company in its public filings is recorded, processed, summarized and reported within required time periods and includes controls and procedures designed to ensure that all relevant information is accumulated and communicated to senior management, including the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), to allow timely decisions regarding required disclosure.

Management, with the participation of the CEO and CFO, has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in National Instrument 52-109) as at June 30, 2016, and has concluded that such disclosure controls and procedures are effective based upon such evaluation.

Internal Controls over Financial Reporting

The Company maintains a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the Company is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.

In addition, the CEO and CFO have designed, or caused to be designed under their supervision, internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be designed effectively can provide only reasonable assurance with respect to financial reporting and financial statement preparation.

Management, with the participation of the CEO and CFO, has evaluated the effectiveness of the Company's internal controls over financial reporting as at June 30, 2016, and has concluded that internal control over financial reporting is designed and operating effectively to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Management's assessment was based on the framework established in *Internal Control – Integrated Framework* (2013), published by the Committee of Sponsoring Organizations of the Treadway Commission.

There were no changes in internal control over financial reporting during the Company's most recent interim period that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Risks and Risk Management

The Company is exposed to a number of risks in the normal course of its business that have the potential to affect its operating and financial performance.

Industry and Regulatory

The beverage alcohol industry in Canada is subject to government policy, extensive regulatory requirements and significant rates of taxation at both the federal and provincial levels. As a result, changes in the government policy, regulatory and/or taxation environments within the beverage alcohol industry may affect Corby's business operations, causing changes in market dynamics or changes in consumer consumption patterns. In addition, the Company's provincial LB customers have the ability to mandate changes that can lead to increased costs, as well as other factors that may impact financial results. As the Company becomes more reliant on international product sales in the US, UK and other countries, exposure to changes in the laws and regulations in those countries could also adversely affect the operations, financial performance or reputation of the Company.

The Company continuously monitors the potential risk associated with any proposed changes to its government policy, regulatory and taxation environments and, as an industry leader, actively participates in trade association discussions relating to new developments.

Consumer Consumption Patterns

Beverage alcohol companies are susceptible to risks relating to changes in consumer consumption patterns. Consumer consumption patterns are affected by many external influences, not the least of which are economic outlook and overall consumer confidence in the stability of the economy as a whole. Corby offers a diverse portfolio of products across all major spirits categories and at various price points. Corby continues to identify and offer new innovations in order to address consumer desires.

Distribution/Supply Chain Interruption

The Company is susceptible to risks relating to distributor and supply chain interruptions. Distribution in Canada is largely accomplished through the government-owned provincial LBs and, therefore, an interruption (e.g., a labour strike) for any length of time may have a significant impact on the Company's ability to sell its products in a particular province and/or market. International sales are subject to the variations in distribution systems within each country where the products are sold.

Supply chain interruptions, including a manufacturing or inventory disruption, could impact product quality and availability. The Company adheres to a comprehensive suite of quality programs and proactively manages production and supply chains to mitigate any potential risk to consumer safety or to Corby's reputation and profitability.

Inherent to producing mature products there is a potential for shortages or surpluses in future years if demand and supply are materially different from long-term forecasts.

Environmental Compliance

Environmental liabilities may potentially arise when companies are in the business of manufacturing products and, thus, required to handle potentially hazardous materials. As Corby outsources its production, including all of its storage and handling of maturing alcohol, the risk of environmental liabilities is considered minimal. Corby currently has no significant recorded or unrecorded environmental liabilities.

Industry Consolidation

In recent years, the global beverage alcohol industry has continued to experience consolidation. Industry consolidation can have varying degrees of impact and, in some cases, may even create exceptional opportunities. Either way, management believes that the Company is well positioned to deal with this or other changes to the competitive landscape in Canada and other markets in which it carries on business.

Competition

The Canadian and international beverage alcohol industry is extremely competitive. Competitors may take actions to establish and sustain a competitive advantage through advertising and promotion and pricing strategies in an effort to maintain market share. Corby constantly monitors the market and adjusts its own strategies as appropriate. Competitors may also affect Corby's ability to attract and retain high-quality employees. The Company's long heritage attests to Corby's strong foundation and successful execution of its strategies. Its role as a leading Canadian beverage alcohol company helps facilitate recruitment efforts.

Credit Risk

Credit risk arises from deposits in cash management pools held with PR via Corby's participation in the Mirror Netting Service Agreement (as previously described in the "Related Party Transactions" section of this MD&A), as well as credit exposure to customers, including outstanding accounts receivable. The maximum exposure to credit risk is equal to the carrying value of the Company's financial assets. The objective of managing counter-party credit risk is to prevent losses in financial assets. The Company assesses the credit quality of its counter-parties, taking into account their financial position, past experience and other factors. As the large majority of Corby's accounts receivable balances are collectible from government-controlled LBs, management believes the Company's credit risk relating to accounts receivable is at an acceptably low level.

Exposure to Interest Rate Fluctuations

The Company does not have any short- or long-term debt facilities. Interest rate risk exists, as Corby earns market rates of interest on its deposits in cash management pools. An active risk management program does not exist, as management believes that changes in interest rates would not have a material impact on Corby's financial position over the long term.

Exposure to Commodity Price Fluctuations

Commodity risk exists, as the manufacture of Corby's products requires the procurement of several known commodities, such as grains, sugar and natural gas. The Company strives to partially mitigate this risk through the use of longer-term procurement contracts where possible. In addition, subject to competitive conditions, the Company may pass on commodity price changes to consumers through pricing over the long term.

Foreign Currency Exchange Risk

The Company has exposure to foreign currency risk, as it conducts business in multiple foreign currencies; however, its exposure is primarily limited to the US dollar ("USD") and UK pound sterling ("GBP"). Corby does not utilize derivative instruments to manage this risk. Subject to competitive conditions, changes in foreign currency rates may be passed on to consumers through pricing over the long term.

USD EXPOSURE

The Company's demand for USD has traditionally outpaced its supply, due to USD sourcing of production inputs and advertising and promotion expenses exceeding that of the Company's USD sales. Therefore, decreases in the value of the Canadian dollar ("CAD") relative to the USD will have an unfavourable impact on the Company's earnings.

GBP EXPOSURE

The Company's supply of GBP outpaces demand, as Corby's sales into the UK market are denominated in GBP, while only certain production inputs are denominated in GBP. Therefore, increases in the value of the CAD relative to the GBP will have an unfavourable impact on the Company's earnings.

Third-Party Service Providers

HWSL, which Corby manages on behalf of PR, provides more than 90% of the Company's production requirements, among other services including administration and information technology. However, the Company is reliant upon certain third-party service providers in respect of certain of its operations. It is possible that negative events affecting these third-party service providers could, in turn, negatively impact the Company. While the Company has no direct control over how such third parties are managed, it has entered into contractual arrangements to formalize these relationships. In order to minimize operating risks, the Company actively monitors and manages its relationships with its third-party service providers.

Brand Reputation and Trademark Protection

The Company promotes nationally branded, non-proprietary products as well as proprietary products. Damage to the reputation of any of these brands, or to the reputation of any supplier or manufacturer of these brands, could negatively impact consumer opinion of the Company or the related products, which could have an adverse impact on the financial performance of the Company. The Company strives to mitigate such risks by selecting only those products from suppliers that strategically complement Corby's existing brand portfolio and by actively monitoring brand advertising and promotion activities. The Company registers trademarks, as applicable, while constantly watching for and responding to competitive threats, as necessary.

Information Technology

The Company uses technology supplied by third parties, both related and non-related, to support operations and it invests in information technology to improve route-to-market, reporting, analysis and marketing initiatives. Issues with availability, reliability and security of systems and technology could adversely impact the Company's ability to compete, resulting in corruption or loss of data, regulatory-related issues, litigation or brand reputation damage. With the fast-paced changing nature of the technology environment including digital marketing, the Company works with its third parties to maintain policies, processes and procedures to help secure and protect these information systems as well as consumer, corporate and employee data.

Valuation of Goodwill and Intangible Assets

Goodwill and intangible assets account for a significant amount of the Company's total assets. Goodwill and intangible assets are subject to impairment tests that involve the determination of fair value. Inherent in such fair value determinations are certain judgments and estimates including, but not limited to, projected future sales, earnings and capital investment; discount rates; and terminal growth rates. These judgments and estimates may change in the future due to an uncertain competitive market and general economic conditions, or as the Company makes changes in its business strategies. Given the current state of the economy, certain of the aforementioned factors affecting the determination of fair value may be impacted and, as a result, the Company's financial results may be adversely affected.

The following table summarizes Corby's goodwill and intangible assets and details the amounts associated with each brand (or basket of brands) and market:

Associated Brand	Associated Market	Carrying Values as at June 30, 2016		
		Goodwill	Intangibles	Total
Various PR brands	Canada	\$ –	\$ 30.6	\$ 30.6
Lamb's rum	United Kingdom ⁽¹⁾	1.4	11.8	13.2
Corby domestic brands	Canada	1.9	–	1.9
		\$ 3.3	\$ 42.4	\$ 45.7

⁽¹⁾ The international business for Lamb's rum is primarily focused in the UK; however, the trademarks and licences purchased relate to all international markets outside of Canada, as Corby previously owned the Canadian rights.

Economic factors (such as consumer consumption patterns) specific to these brands and markets are primary drivers of the risk associated with their respective goodwill and intangible assets valuations.

Employee Future Benefits

The Company has certain obligations under its registered and non-registered defined benefit pension plans and other post-retirement benefit plan. There is no assurance that the Company's benefit plans will be able to earn the assumed rate of return. New regulations and market-driven changes may result in changes in the discount rates and other variables, which would result in the Company being required to make contributions in the future that differ significantly from estimates. An extended period of depressed capital markets and low interest rates could require the Company to make contributions to these plans in excess of those currently contemplated, which, in turn, could have an adverse impact on the financial performance of the Company. Somewhat mitigating the impact of a potential market decline is the fact that the Company monitors its pension plan assets closely and follows strict guidelines to ensure that pension fund investment portfolios are diversified in line with industry best practices. For further details related to Corby's defined benefit pension plans, please refer to Note 15 of the consolidated financial statements for the year ended June 30, 2016.

MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Corby Spirit and Wine Limited (the “Company”) were prepared by management in accordance with International Financial Reporting Standards. The significant accounting policies, which management believes are appropriate for the Company, are described in the accompanying notes to the consolidated financial statements. The financial information contained elsewhere in this annual report is consistent with that in the consolidated financial statements.

Management is responsible for the integrity and objectivity of the information contained in the consolidated financial statements and Management’s Discussion and Analysis, including that which is based on estimates and judgments when transactions affecting the current accounting period are dependent upon future events. Management has established systems of internal control that are designed to provide reasonable assurance that assets are safeguarded from losses or unauthorized use, and to produce reliable accounting records for the preparation of financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board of Directors has constituted an Audit Committee that consists of directors who are not members of management. The Audit Committee meets quarterly with management and the internal and independent auditors, and separately with the internal and independent auditors, to review reports on internal accounting controls and audit results and to review accounting principles and practices. The Audit Committee also reviews the consolidated financial statements and the independent auditor’s report thereon to the shareholders prior to submission to the Board of Directors for approval.

Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards and applicable laws and maintains proper standards of conduct for its activities.



R. Patrick O’Driscoll
President & Chief Executive Officer



Antonio Sánchez
Vice-President & Chief Financial Officer

September 7, 2016

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Corby Spirit and Wine Limited

We have audited the accompanying consolidated financial statements of Corby Spirit and Wine Limited, which comprise the consolidated balance sheets as at June 30, 2016 and June 30, 2015, and the consolidated statements of earnings, consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flow for the years ended June 30, 2016 and June 30, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Corby Spirit and Wine Limited as at June 30, 2016 and June 30, 2015, and its financial performance and its cash flows for the years ended June 30, 2016 and June 30, 2015 in accordance with International Financial Reporting Standards.

The logo for Deloitte LLP, featuring the word "Deloitte" in a stylized script font followed by "LLP" in a bold, sans-serif font.

Deloitte LLP

Chartered Professional Accountants

Licensed Public Accountants

September 7, 2016

Toronto, Ontario, Canada

CONSOLIDATED BALANCE SHEETS

As at June 30, 2016 and 2015

(in thousands of Canadian dollars)

	Notes	June 30, 2016	June 30, 2015
ASSETS			
Deposits in cash management pools		\$ 85,031	\$ 94,100
Accounts receivable	7	30,045	24,763
Income taxes recoverable		–	1,257
Inventories	8	54,173	50,858
Prepaid expenses		476	226
TOTAL CURRENT ASSETS		169,725	171,204
Deferred income taxes	9	2,099	1,165
Property and equipment	10	11,003	9,784
Goodwill	11	3,278	3,278
Intangible assets	12	42,398	48,281
TOTAL ASSETS		\$ 228,503	\$ 233,712
LIABILITIES			
Accounts payable and accrued liabilities	14	\$ 30,719	\$ 25,540
Income and other taxes payable		2,359	–
TOTAL CURRENT LIABILITIES		33,078	25,540
Provision for employee benefits	15	24,640	20,048
TOTAL LIABILITIES		57,718	45,588
SHAREHOLDERS' EQUITY			
Share capital	16	14,304	14,304
Accumulated other comprehensive loss	17	(10,220)	(6,733)
Retained earnings		166,701	180,553
TOTAL SHAREHOLDERS' EQUITY		170,785	188,124
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 228,503	\$ 233,712

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board of Directors



George F. McCarthy
Director



Robert L. Llewellyn
Director

CONSOLIDATED STATEMENTS OF EARNINGS

<i>For the years ended June 30, 2016 and 2015</i> <i>(in thousands of Canadian dollars, except per share amounts)</i>			June 30, 2016	June 30, 2015
	Notes			
REVENUE	18	\$ 140,002	\$	132,066
Cost of sales		(49,344)		(49,037)
Marketing, sales and administration		(55,635)		(55,865)
Other (expense) income	19	(400)		75
EARNINGS FROM OPERATIONS		34,623		27,239
Financial income	20	1,102		1,606
Financial expenses	20	(961)		(1,107)
		141		499
EARNINGS BEFORE INCOME TAXES		34,764		27,738
Current income taxes	9	(8,983)		(6,952)
Deferred income taxes	9	(346)		(371)
Income taxes		(9,329)		(7,323)
NET EARNINGS		\$ 25,435	\$	20,415
Basic earnings per share		\$ 0.89	\$	0.72
Diluted earnings per share		\$ 0.89	\$	0.72
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING				
Basic	21	28,468,856		28,468,856
Diluted	21	28,468,856		28,468,856

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended June 30, 2016 and 2015
(in thousands of Canadian dollars)

	June 30, 2016	June 30, 2015
NET EARNINGS	\$ 25,435	\$ 20,415
OTHER COMPREHENSIVE INCOME		
Amounts that will not be subsequently reclassified to earnings:		
Net actuarial losses	(4,767)	(3,308)
Income taxes	1,280	878
	(3,487)	(2,430)
TOTAL COMPREHENSIVE INCOME	\$ 21,948	\$ 17,985

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended June 30, 2016 and 2015
(in thousands of Canadian dollars)

	Share Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total
Balance as at June 30, 2015	\$ 14,304	\$ (6,733)	\$ 180,553	\$ 188,124
Total comprehensive income	–	(3,487)	25,435	21,948
Dividends	–	–	(39,287)	(39,287)
BALANCE AS AT JUNE 30, 2016	\$ 14,304	\$ (10,220)	\$ 166,701	\$ 170,785
Balance as at June 30, 2014	\$ 14,304	\$ (4,303)	\$ 199,140	\$ 209,141
Total comprehensive income	–	(2,430)	20,415	17,985
Dividends	–	–	(39,002)	(39,002)
BALANCE AS AT JUNE 30, 2015	\$ 14,304	\$ (6,733)	\$ 180,553	\$ 188,124

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOW

For the years ended June 30, 2016 and 2015
(in thousands of Canadian dollars)

	Notes	June 30, 2016	June 30, 2015
OPERATING ACTIVITIES			
Net earnings		\$ 25,435	\$ 20,415
Adjustments for:			
Amortization and depreciation	22	7,611	7,445
Net financial income	20	(141)	(499)
Loss (gain) on disposal of property and equipment		99	(116)
Income tax expense	9	9,329	7,323
Provision for employee benefits		(1,136)	(858)
		41,197	33,710
Net change in non-cash working capital balances	24	(3,668)	(381)
Interest received		1,102	1,606
Income taxes paid		(5,367)	(7,863)
NET CASH FROM OPERATING ACTIVITIES		33,264	27,072
INVESTING ACTIVITIES			
Additions to property and equipment	10	(3,074)	(2,799)
Proceeds from disposition of property and equipment		28	200
Deposits in cash management pools		9,069	13,929
NET CASH FROM INVESTING ACTIVITIES		6,023	11,330
FINANCING ACTIVITY			
Proceeds from note receivable		-	600
Dividends paid		(39,287)	(39,002)
NET CASH USED IN FINANCING ACTIVITY		(39,287)	(38,402)
NET INCREASE IN CASH		-	-
Cash, beginning of year		-	-
CASH, END OF YEAR		\$ -	\$ -

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended June 30, 2016 and 2015

(in thousands of Canadian dollars, except per share amounts)

1. General Information

Corby Spirit and Wine Limited (“Corby” or the “Company”) is a leading Canadian marketer of spirits and importer of wines. The Company derives its revenues from the sale of its owned-brands in Canada and other international markets, as well as earning commissions from the representation of selected non-owned brands in the Canadian marketplace. Revenues predominantly consist of sales made to each of the provincial liquor boards in Canada. The Company also supplements these primary sources of revenue with other ancillary activities incidental to its core business, such as logistics fees.

Corby is controlled by Hiram Walker & Sons Limited (“HWSL”), which is a wholly-owned subsidiary of Pernod Ricard S.A. (“PR”), a French public limited company that controls 51.6% of the outstanding Voting Class A Common Shares of Corby as at June 30, 2016.

Corby is a public company incorporated and domiciled in Canada, whose shares are traded on the Toronto Stock Exchange. The Company’s registered address is 225 King Street West, Suite 1100, Toronto, ON M5V 3M2.

Effective November 7, 2013, Corby changed its name and began operating as Corby Spirit and Wine Limited. Prior to this date, Corby operated as Corby Distilleries Limited. Reflecting the change, Corby began trading on the TSX under the symbols CSW.A and CSW.B.

2. Basis of Preparation

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and using the accounting policies described herein.

These consolidated financial statements were approved by the Company’s Board of Directors on September 7, 2016.

Functional and Presentation Currency

The Company’s consolidated financial statements are presented in Canadian dollars, which is the Company’s functional and presentation currency.

Foreign Currency Translation

Transactions denominated in foreign currencies are translated into the functional currency using the exchange rate prevailing at the transaction date. Non-monetary assets and liabilities denominated in foreign currencies are recognized at the historical exchange rate prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the balance sheet date. Foreign currency differences related to operating activities are recognized in earnings from operations for the period; foreign currency differences related to financing activities are recognized within net financial income.

Basis of Measurement

These consolidated financial statements are prepared in accordance with the historical cost model, except for certain categories of assets and liabilities which are measured in accordance with other methods provided for by IFRS as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Use of Estimates and Judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make certain judgments, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. These estimates are made on the assumption the Company will continue as a going concern and are based on information available at the time of preparation. Estimates may be revised where the circumstances on which they were based change or where new information becomes available. Future outcomes can differ from these estimates.

Judgment is commonly used in determining whether a balance or transaction should be recognized in the consolidated financial statements and estimates and assumptions are more commonly used in determining the measurement of recognized transactions and balances. However, judgment and estimates are often interrelated.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical judgments and estimates used in applying accounting policies have the most significant effect on the following:

(i) IMPAIRMENT

The Company uses judgment in determining the grouping of assets to identify its Cash-Generating Units (“CGUs”) for purposes of testing for impairment of goodwill, intangible assets and property and equipment.

Intangible assets and property and equipment are subject to impairment tests whenever there is an indication that the value of the asset has been impaired and at least once a year for non-current assets with indefinite useful lives (goodwill and trademarks and licences). Judgment has been used in determining whether there has been an indication of impairment.

The Company uses estimates to determine a CGU’s or group of CGUs’ recoverable amount based on value in use (“VIU”), which involves estimating future cash flows before taxes.

(ii) INCOME AND OTHER TAXES

In calculating current and deferred income and other taxes, the Company uses judgment when interpreting the tax rules in jurisdictions where the Company operates. The Company also uses judgment in classifying transactions and assessing probable outcomes of claimed deductions, which considers expectations of future operating results, the timing and reversal of temporary differences, and possible audits of income tax and other tax filings by tax authorities.

Deferred income tax assets require management judgment in order to determine the amounts to be recognized. This includes assessing the timing of the reversal of temporary differences to which deferred income tax rates are applied.

(iii) POST-EMPLOYMENT BENEFITS

The accounting for the Company’s post-employment benefit plan requires the use of estimates and assumptions. The accrued benefit liability is calculated using actuarially determined data and the Company’s best estimates of future salary escalations, retirement ages of employees, employee turnover, mortality rates, market discount rates, and expected health and dental care costs.

(iv) OTHER

Other estimates include determining the useful lives of property and equipment and intangible assets for the purpose of depreciation and amortization, as well as measuring items such as allowances for uncollectible accounts receivable and inventory obsolescence, and certain fair value measures including those related to the valuation of share-based payments and financial instruments.

3. Adoption of New and Revised Standards and Interpretations

Recent Accounting Pronouncements

A number of new standards, amendments to standards and interpretations have been issued but are not yet effective for the financial year ending June 30, 2016, and accordingly, have not been applied in preparing these consolidated financial statements:

(i) REVENUE

In May 2014, the International Accounting Standards Board (“IASB”) released IFRS 15, “Revenue from Contracts with Customers” (“IFRS 15”), which supersedes IAS 11, “Construction Contracts”, IAS 18, “Revenues”, IFRIC 13, “Customer Loyalty Programmes”, IFRIC 15, “Agreement for the Construction of Real Estate”, IFRIC 18, “Transfers of Assets from Customers” and SIC 31, “Revenue – Barter Transactions Involving Advertising Services”. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. IFRS 15 will be effective for Corby’s fiscal year beginning on July 1, 2018, with earlier application permitted. The Company is currently assessing the impact of the adoption of this standard on its financial statements and disclosures.

(ii) FINANCIAL INSTRUMENTS

The IASB has issued a new standard, IFRS 9, “Financial Instruments” (“IFRS 9”), which will ultimately replace IAS 39, “Financial Instruments: Recognition and Measurement” (“IAS 39”). The replacement of IAS 39 is a multi-phase project with the objective of improving and simplifying the reporting for financial instruments and the issuance of IFRS 9 is part of the first phase of this project. IFRS 9 uses a single approach to determine whether a financial asset or liability is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. For financial assets, the approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. IFRS 9 requires a single impairment method to be used, replacing multiple impairment methods in IAS 39. For financial liabilities measured at fair value, fair value changes due to changes in an entity’s credit risk are presented in other comprehensive income.

This standard is effective for annual periods beginning on or after January 1, 2018 and must be applied retrospectively. For Corby, this standard will become effective July 1, 2018. The Company is currently assessing the impact of the new standard on its financial statements and disclosures.

(iii) DISCLOSURE INITIATIVE

In December 2014, the IASB issued Disclosure Initiative Amendments to IAS 1 as part of the IASB’s Disclosure Initiative. These amendments encourage entities to apply professional judgment regarding disclosure and presentation in their financial statements. These amendments are effective for annual periods beginning on or after January 1, 2016. Earlier application is permitted. For Corby, these amendments became effective July 1, 2016. The application of these amendments will not have a significant impact on the Company.

4. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements.

Basis of Consolidation

Subsidiaries are entities controlled by the Company. Control exists where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the Company’s consolidated financial statement from the date that the control commences until the date that control ceases.

Intra-company balances and transactions and any unrealized income and expenses arising from intra-company transactions are eliminated in preparing the consolidated financial statements.

Deposits in Cash Management Pools

Corby participates in a cash pooling arrangement under a Mirror Netting Service Agreement together with PR’s other Canadian affiliates, the terms of which are administered by Citibank N.A. The Mirror Netting Service Agreement acts to aggregate each participant’s net cash balance for the purposes of having a centralized cash management function for all of PR’s Canadian affiliates, including Corby.

Corby accesses these funds on a daily basis and has the contractual right to withdraw these funds or terminate these cash management arrangements upon providing five days’ written notice.

Inventories

Inventories are measured at the lower of cost (acquisition cost and cost of production, including indirect production overheads) and net realizable value. Net realizable value is the selling price less the estimated cost of completion and sale of the inventories. Most inventories are valued using the average cost method. The cost of long-cycle inventories is calculated using a single method which includes distilling and ageing maturing costs but excludes finance costs. These inventories are classified in current assets, although a substantial part remains in inventory for more than one year before being sold in order to undergo the ageing maturing process used for certain spirits.

Property and Equipment

Property and equipment are recognized at acquisition cost and broken down by component. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets. Useful life and depreciation methods are reviewed at each reporting date. Items of property and equipment are written down when impaired.

The range of depreciable lives for the major categories of property and equipment are as follows:

Leasehold improvements	5 to 10 years
Machinery and equipment	3 to 12 years
Casks	12 years
Other capital assets	3 to 20 years

Depreciation of property and equipment is recognized within earnings from operations. The Company commences recognition of depreciation in earnings when the item of property and equipment is ready for its intended use.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized net, within earnings from operations.

Fully depreciated items of property and equipment that are still in use continue to be recognized in the cost and accumulated depreciation.

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of repairs and maintenance of property and equipment are recognized in earnings from operations as incurred.

Leases

The Company leases certain premises and equipment. Terms vary in length and typically permit renewal for additional periods. These leases are classified as operating leases under which minimum rent, including scheduled escalations, is expensed on a straight-line basis over the term of the lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The Company currently has no finance leases.

Goodwill

Goodwill arising in a business combination is recognized as an asset at the date that control is acquired. For acquisitions on or after July 1, 2010, goodwill is measured as the excess of the sum of the fair value of the consideration transferred over the fair value of the identifiable assets acquired less the fair value of the liabilities assumed. Goodwill is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

As part of its transition to IFRS, the Company elected to apply IFRS 3, "Business Combinations" ("IFRS 3"), only to those business combinations that occurred on or after July 1, 2010. In respect of acquisitions prior to July 1, 2010, goodwill represents the amount recognized under previous Canadian GAAP.

Goodwill is measured at cost less any accumulated impairment losses.

Intangible Assets

Intangible assets include the following:

(i) LONG-TERM REPRESENTATION RIGHTS

Long-term representation rights are the cost of the Company's exclusive right to represent PR's brands in Canada. These representation rights are carried at cost, less accumulated amortization. Amortization is provided for on a straight-line basis over the term of their respective agreements. Representation rights are scheduled to expire on September 30, 2021. Amortization is recognized as a reduction to commission revenue earned from the representation of PR brands.

(ii) TRADEMARKS AND LICENCES

Trademarks and licences represent the value of trademarks and licences of businesses acquired and are measured at cost on initial recognition. These intangible assets are deemed to have an indefinite life and are, therefore, not amortized. Trademarks and licences are tested for impairment on an annual basis or more frequently if events or changes in circumstances indicate that the assets might be impaired.

(iii) NON-REFUNDABLE UPFRONT FEES

Non-refundable upfront fees are carried at cost, less accumulated amortization. Amortization is provided for on a straight-line basis over the term of the associated agreement and recognized within revenue.

Impairment

(i) FINANCIAL ASSETS

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have occurred that have had a negative effect on the estimated future cash flows of that asset.

Objective evidence that a financial asset is impaired includes, but is not limited to, default or delinquency by a debtor, restructuring of an amount due to the Company on terms the Company would not consider otherwise, indicators the debtor will enter bankruptcy, or adverse changes in the status of the debtor's economic conditions.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in net earnings.

An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in earnings.

(ii) NON-FINANCIAL ASSETS

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indications exist, the asset's recoverable amount is estimated.

Intangible assets and property and equipment are subject to impairment tests whenever there is an indication that the value of the asset has been impaired and at least once a year for non-current assets with indefinite useful lives (goodwill and trademarks and licences).

Assets subject to impairment tests are included in Cash-Generating Units ("CGUs"), corresponding to linked groups of assets, which generate identifiable cash flows. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. When the recoverable amount of a CGU is less than its carrying amount, an impairment loss is recognized within earnings from operations. The recoverable amount of the CGU is the higher of its fair value less costs to sell and its value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. Projected cash flows are discounted to present based on annual budgets and multi-year strategies, extrapolated into subsequent years based on the medium- and long-term trends for each market and brand. The calculation includes a terminal value derived by capitalizing the cash flows generated in the last forecasted year. Assumptions applied to sales and advertising spending are determined by management based on previous results and long-term development trends in the markets concerned. The present values of discounted cash flows are sensitive to these assumptions as well as to consumer trends and economic factors.

Fair value is based either on the sale price, net of selling costs, obtained under normal market conditions or earnings multiples observed in recent transactions concerning similar assets.

Impairment losses are recognized in the statement of earnings. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. With respect to other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indicators that the impairment loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of the assets does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

Provisions

Provisions are recognized when there is a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and that obligation can be measured reliably. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risk specific to the liability. Provisions are reviewed on a regular basis and adjusted to reflect management's best current estimates. Due to the judgmental nature of these items, future settlements may differ from amounts recognized. Provisions notably include: provisions for employee benefits (Note 15) and provisions for uncertain tax positions (Note 9).

Employee Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. The Company recognizes a liability and an expense for short-term benefits such as bonuses if the Company has a present legal obligation or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be reasonably estimated.

The Company maintains registered defined benefit pension plans under which benefits are available to certain employee groups. The Company makes supplementary retirement benefits available to certain employees under a non-registered defined benefit pension plan. The Company also provides a defined contribution plan.

(i) DEFINED BENEFIT PLANS

For defined benefit plans, the cost of providing benefits is determined using the projected unit credit method. The measurement is made at each balance sheet date and the personnel data concerning employees is revised at least every three years. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Defined benefit costs are categorized as follows:

- Service costs (including current service costs, past service costs and gains and losses on curtailments and settlements)
- Net interest expense or income
- Remeasurement

Service costs are presented in marketing, sales and administration in the consolidated statement of earnings. Curtailment gains and losses are accounted for as past service costs. Net interest cost is included in net financial income and expenses.

The provision for employee benefits recognized in the balance sheet represents the actual deficit or surplus in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

(ii) DEFINED CONTRIBUTION PLANS

Contributions are recognized as expenses when the employees have rendered services. As the Company is not committed beyond the amount of such contributions, no provision is recognized in respect of defined contribution plans.

(iii) TERMINATION BENEFITS

A liability for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

Income Taxes

Income tax expense comprises current and deferred income tax. Income tax expense is recognized in net earnings except to the extent that it relates to items recognized either in other comprehensive income or directly in equity, in which case it is recognized in other comprehensive income or in equity, respectively.

Current income tax expense comprises the tax payable on the taxable income for the current financial year using tax rates enacted or substantively enacted at the reporting date, and any adjustment to income taxes payable in respect of previous years.

Deferred tax is recognized on temporary differences between the tax and book value of assets and liabilities in the consolidated balance sheet and is measured using the balance sheet approach. Deferred tax is measured at the tax rates that are expected to apply to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset the recognized amounts and the Company intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable earnings will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that all or part of the related tax benefit will be realized.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Revenue Recognition

Revenue comprises Case Goods sales, commissions and revenues from ancillary activities and is measured at the fair value of the consideration received or to be received, after deducting trade discounts, volume rebates and sales-related taxes and duties. Sales are recognized when the significant risks and rewards of ownership have been transferred, generally at the date of transfer of ownership title.

(i) COSTS OF SERVICES RENDERED IN CONNECTION WITH SALES

In accordance with IAS 18, "Revenue" ("IAS 18"), certain costs of services rendered in connection with sales, such as advertising programs in conjunction with distributors, listing costs for new products, and promotional activities at point of sale, are deducted directly from sales if there is no separately identifiable service whose fair value can be reliably measured.

(ii) COMMISSIONS

When the Company acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognized is the net amount of commissions earned by the Company. Commissions are reported net of amortization of long-term representation rights and non-refundable upfront fees. The long-term representation rights are the Company's exclusive right to represent PR's brands in Canada and are being amortized on a straight-line basis over the term of their respective agreements.

(iii) INTEREST

Interest income is recognized on an accrual basis using the effective interest method. Interest income is primarily earned on deposits in cash management pools.

Stock-Based Compensation Plans

The Company utilizes a Restricted Share Units Plan as its long-term incentive plan. Through this plan, restricted share units ("RSUs") will be granted to certain officers and employees at a grant price equal to the market closing price of the Company's Voting Class A Common Shares on the last day prior to grant. RSUs vest at the end of a three-year term, subject to the achievement of pre-determined corporate performance targets. The related compensation expense is recognized over this period. Accrued RSUs are valued at the closing market price of the Company's Voting Class A Common Shares at each balance sheet date.

Unvested RSUs will attract dividend-equivalent units whenever dividends are paid on the Voting Class A Common Shares of the Company and will be immediately reinvested into additional RSUs, which will vest and become payable at the end of the three-year vesting period, subject to the same performance conditions as the original RSU award. On the date of vesting, the holder will be entitled to the cash value of the number of RSUs granted, plus any RSUs received from reinvested dividend-equivalents, at the market closing price of the Company's Voting Class A Common Shares as at the vesting date. RSUs do not entitle participants to acquire any rights or entitlements as a shareholder of the Company.

Earnings per Common Share

The Company presents basic and diluted earnings per share ("EPS") amounts for its common shares. Basic EPS is calculated by dividing the net earnings attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted EPS is calculated by adjusting the net income attributable to shareholders and the weighted average number of shares outstanding for the effect of potentially dilutive shares. There are no potentially dilutive shares as at June 30, 2016.

Classification of Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments. Financial instruments are classified into one of the following categories: fair value through profit or loss, held-to-maturity investments, loans and receivables, available-for-sale financial assets, or other financial liabilities. The classification determines the accounting treatment of the instrument. The classification is determined by the Company when the financial instrument is initially recorded, based on the underlying purpose of the instrument.

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

Financial Asset/Liability	Category	Measurement
Deposits in cash management pools	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Loans and receivables	Amortized cost

Financial instruments measured at amortized cost are initially recognized at fair value plus any directly attributable transaction costs and then, subsequently, at amortized cost using the effective interest method, less any impairment losses, with gains and losses recognized in earnings in the period in which the gain or loss occurs.

All financial assets are recognized and derecognized on the trade date. A financial asset is derecognized when the contractual rights to the cash flows from the asset expire or when the Company transfers the financial asset to another party without retaining control or substantially all the risks and rewards of ownership of the asset. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

A financial liability is derecognized when its contractual obligations are discharged, are cancelled or expire.

Transaction costs are added to the initial fair value of financial assets and liabilities when those financial assets and liabilities are not measured at fair value subsequent to initial measurement. Transaction costs are amortized to net earnings, in finance expense, using the effective interest method.

Segmented Reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other operations. Segment operating results are reviewed regularly by the Company's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

5. Financial Instruments

Corby's financial instruments consist of its deposits in cash management pools, accounts receivable and accounts payable and accrued liabilities balances.

Financial Risk Management Objectives and Policies

In the normal course of business, the Company is exposed to financial risks that have the potential to negatively impact its financial performance. The Company does not use derivative financial instruments to manage these risks, as management believes that the risks arising from the Company's financial instruments are already at an acceptably low level. These risks are discussed in more detail below.

CREDIT RISK

Credit risk arises from cash held with PR via Corby's participation in the Mirror Netting Service Agreement (further described in Note 26), as well as credit exposure to customers, including outstanding accounts receivable. The maximum exposure to credit risk is equal to the carrying value of the financial assets.

The objective of managing counter-party credit risk is to prevent losses in financial assets. The Company assesses the credit quality of its counter-parties, taking into account their financial position, past experience and other factors.

Management believes that the Company's credit risk relating to accounts receivable is at an acceptably low level. Over 85% of Corby's trade receivable balances are collectible from government-controlled liquor boards. The remaining trade receivable balances relate to agency sales and sales generated from export sales. Receivables that are neither past due nor impaired are considered credit of high quality. At June 30, 2016, no trade receivable balances were considered impaired.

With respect to Corby's deposits in PR's cash management pools, the Company monitors PR's credit rating in the normal course of business and has the right to terminate its participation in the Mirror Netting Service Agreement at any time, subject to five days' written notice.

LIQUIDITY RISK

Corby's sources of liquidity are its deposits in cash management pools of \$85,031 and its cash generated by operating activities. Corby's total contractual maturities are represented by its accounts payable and accrued liabilities balances which totalled \$30,719 as at June 30, 2016, and are all due to be paid within one year. The Company believes that its deposits in cash management pools, combined with its historically strong and consistent operational cash flows, are more than sufficient to fund its operations, investing activities and commitments for the foreseeable future.

INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not have any short- or long-term debt facilities. Interest rate risk exists as Corby earns market rates of interest on its deposits in cash management pools.

An active risk management program does not exist, as management believes that changes in interest rates would not have a material impact on Corby's financial position over the long term.

FOREIGN CURRENCY RISK

The Company has exposure to foreign currency risk as it conducts business in multiple foreign currencies; however, its exposure is primarily limited to the US dollar ("USD") and UK pound sterling ("GBP"). Corby does not utilize derivative instruments to manage this risk. Subject to competitive conditions, changes in foreign currency rates may be passed on to consumers through pricing over the long term.

USD EXPOSURE

The Company's demand for USD has traditionally outpaced its supply, due to USD sourcing of production inputs and advertising and promotion expenses exceeding that of the Company's USD sales. Therefore, decreases in the value of the Canadian dollar ("CAD") relative to the USD will have an unfavourable impact on the Company's earnings.

GBP EXPOSURE

The Company's supply of GBP outpaces demand, as Corby's sales into the UK market are denominated in GBP, while only certain production inputs are denominated in GBP. Therefore, increases in the value of the CAD relative to the GBP will have an unfavourable impact on the Company's earnings.

COMMODITY RISK

Commodity risk exists, as the manufacture of Corby's products requires the procurement of several known commodities such as grains, sugar and natural gas. The Company strives to partially mitigate this risk through the use of longer-term procurement contracts where possible. In addition, subject to competitive conditions, the Company may pass on commodity price changes to consumers via pricing.

Fair Value of Financial Instruments

The Company uses a fair value hierarchy in order to classify the fair value measurements and disclosures related to the Company's financial assets and financial liabilities.

The fair value hierarchy has the following levels:

- Level 1 – Quoted market prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3 – Unobservable inputs such as inputs for the asset or liability that are not based on observable market data.

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The Company has no financial instruments carried at fair value on its balance sheet. For financial assets and liabilities that are valued at other than fair value on its balance sheets (i.e., deposits in cash management pools, accounts receivable, accounts payable and accrued liabilities), fair value approximates their carrying value at each balance sheet date due to their short-term maturities. Fair value is determined using Level 2 inputs.

6. Capital Management

The Company's objectives when managing capital are:

- To ensure sufficient capital exists to allow management the flexibility to execute its strategic plans; and
- To ensure shareholders receive a reasonable return on their investment in the form of quarterly dividends.

Management includes the following items in its definition of capital:

	June 30, 2016	June 30, 2015
Share capital	\$ 14,304	\$ 14,304
Accumulated other comprehensive loss	(10,220)	(6,733)
Retained earnings	166,701	180,553
NET CAPITAL UNDER MANAGEMENT	\$ 170,785	\$ 188,124

The Company is not subject to any externally imposed capital requirements.

The Company's dividend policy stipulates that, barring any unanticipated developments, regular dividends will be paid quarterly, on the basis of an annual amount equal to the greater of 85% of net earnings per share in the preceding fiscal year ended June 30 and \$0.60 per share.

The Company is meeting all of its objectives and stated policies with respect to its management of capital.

7. Accounts Receivable

	June 30, 2016	June 30, 2015
Trade receivables	\$ 15,342	\$ 14,600
Due from related parties	13,055	8,721
Other	1,838	1,641
	30,235	24,962
Allowance for uncollectible amounts	(190)	(199)
	\$ 30,045	\$ 24,763

8. Inventories

	June 30, 2016	June 30, 2015
Raw materials	\$ 2,088	\$ 2,113
Work-in-progress	44,005	42,426
Finished goods	8,080	6,319
	\$ 54,173	\$ 50,858

The cost of inventory recognized as an expense and included in cost of goods sold during the year ended June 30, 2016 was \$39,605 (2015 – \$39,510). During the year, there were write-downs of \$178 (2015 – \$112) on inventory as a result of net realizable value being lower than cost. No inventory write-downs recognized in previous years were reversed. Inventory write-downs are included in cost of goods sold.

9. Income Taxes

	2016	2015
CURRENT INCOME TAX EXPENSE		
Current period	\$ 8,970	\$ 7,176
Adjustments with respect to prior period tax estimates	13	(224)
	\$ 8,983	\$ 6,952
DEFERRED INCOME TAX EXPENSE		
Origination and reversal of temporary differences	\$ 475	\$ 278
Change in tax rate	(1)	(6)
Adjustments with respect to prior period tax estimates	(128)	99
	\$ 346	\$ 371
TOTAL INCOME TAX EXPENSE	\$ 9,329	\$ 7,323

There are no capital loss carry-forwards available for tax purposes.

The Company's effective tax rates comprise the following items:

	2016	2015
Net earnings for the financial year	\$ 25,435	\$ 20,415
Total income tax expense	9,329	7,323
Earnings before income tax expense	\$ 34,764	\$ 27,738
Income tax using the combined federal and provincial statutory tax rates	\$ 9,320	26.8%
Non-deductible expenses	125	0.4%
Adjustments with respect to prior period tax estimates	(115)	(0.3%)
Other	(1)	(0.0%)
EFFECTIVE INCOME TAX RATE	\$ 9,329	26.8%

Deferred tax assets (liabilities) are broken down by nature as follows:

	June 30, 2015	Recognized in			June 30, 2016
		Earnings	OCI	Equity	
Provision for pensions	\$ 5,525	\$ (75)	\$ 1,280	\$ -	\$ 6,730
Property, plant and equipment	(1,676)	(375)	-	-	(2,051)
Inventory	(273)	91	-	-	(182)
Intangibles	(2,642)	-	-	-	(2,642)
Other	231	13	-	-	244
	\$ 1,165	\$ (346)	\$ 1,280	\$ -	\$ 2,099

	June 30, 2014	Recognized in			June 30, 2015
		Earnings	OCI	Equity	
Provision for pensions	\$ 4,553	\$ 94	\$ 878	\$ -	\$ 5,525
Property, plant and equipment	(1,396)	(280)	-	-	(1,676)
Inventory	(361)	88	-	-	(273)
Intangibles	(2,618)	(24)	-	-	(2,642)
Other	480	(249)	-	-	231
	\$ 658	\$ (371)	\$ 878	\$ -	\$ 1,165

Income tax recoverable includes a provision for uncertain tax risks in the amount of \$786 at June 30, 2016 and 2015.

10. Property and Equipment

	June 30, 2015	Additions	Depreciation	Disposals	June 30, 2016
Leasehold improvements	\$ 1,002	\$ –	\$ –	\$ –	\$ 1,002
Machinery and equipment	6,323	838	–	(366)	6,795
Casks	9,068	1,605	–	(24)	10,649
Other	1,531	631	–	–	2,162
Gross value	17,924	3,074	–	(390)	20,607
Leasehold improvements	(646)	–	(114)	–	(760)
Machinery and equipment	(3,488)	–	(523)	260	(3,751)
Casks	(3,525)	–	(765)	3	(4,286)
Other	(481)	–	(326)	–	(807)
Accumulated depreciation	(8,140)	–	(1,728)	264	(9,604)
PROPERTY, PLANT AND EQUIPMENT	\$ 9,784	\$ 3,074	\$ (1,728)	\$ (127)	\$ 11,003

	June 30, 2014	Additions	Depreciation	Disposals	June 30, 2015
Leasehold improvements	\$ 1,002	\$ –	\$ –	\$ –	\$ 1,002
Machinery and equipment	5,872	466	–	(15)	6,323
Casks	7,455	1,744	–	(131)	9,068
Other	942	589	–	–	1,531
Gross value	15,271	2,799	–	(146)	17,924
Leasehold improvements	(532)	–	(114)	–	(646)
Machinery and equipment	(2,889)	–	(611)	12	(3,488)
Casks	(2,921)	–	(654)	50	(3,525)
Other	(297)	–	(184)	–	(481)
Accumulated depreciation	(6,639)	–	(1,563)	62	(8,140)
PROPERTY, PLANT AND EQUIPMENT	\$ 8,632	\$ 2,799	\$ (1,563)	\$ (84)	\$ 9,784

11. Goodwill

Changes in the carrying amount of goodwill are as follows:

	June 30, 2016	June 30, 2015
Balance, beginning of year	\$ 3,278	\$ 3,278
Changes in goodwill	–	–
BALANCE, END OF YEAR	\$ 3,278	\$ 3,278

There have been no impairment losses recognized with respect to goodwill during 2016 (2015 – \$nil).

12. Intangible Assets

							2016
	Opening Book Value	Movements in the Year				Ending Book Value	
		Additions	Amortization	Impairments	Disposals		
Long-term representation rights	\$ 36,192	\$ –	\$ (5,780)	\$ –	\$ –	\$ 30,412	
Trademarks and licences	11,801	–	–	–	–	11,801	
Non-refundable upfront fees	288	–	(103)	–	–	185	
	\$ 48,281	\$ –	\$ (5,883)	\$ –	\$ –	\$ 42,398	

							2015
	Opening Book Value	Movements in the Year				Ending Book Value	
		Additions	Amortization	Impairments	Disposals		
Long-term representation rights	\$ 41,972	\$ –	\$ (5,780)	\$ –	\$ –	\$ 36,192	
Trademarks and licences	11,801	–	–	–	–	11,801	
Non-refundable upfront fees	390	–	(102)	–	–	288	
	\$ 54,163	\$ –	\$ (5,882)	\$ –	\$ –	\$ 48,281	

13. Impairment

The Company tests goodwill and indefinite-lived intangibles (trademarks and licences) for impairment on an annual basis. The carrying values of goodwill and indefinite-lived intangibles at June 30, 2016, along with the data and assumptions applied to the Cash-Generating Units (“CGUs”) of the Case Goods segment, are as follows:

	Carrying Value of Goodwill	Carrying Value of Trademarks and Licences	Discount Rate	Terminal Growth Rate
Case Goods segment	\$ 3,278	\$ 11,801	8.9% to 9.6%	1.2% to 2.5%

The Company’s Commissions segment has no goodwill or indefinite-lived intangibles.

For purposes of impairment testing, goodwill and intangibles with an indefinite life (trademarks and licences) were allocated to the group of CGUs that represent the lowest level within the group at which the goodwill is monitored for internal management purposes.

During the financial year ended June 30, 2016, the Company performed impairment testing on goodwill and indefinite-lived intangible assets in accordance with its accounting policy and identified no impairment.

The discount rate used for these calculations is a pre-tax rate which corresponds to the weighted average cost of capital. Different discount rates were used to allow for risks specific to certain markets or geographical areas in calculating cash flows. Assumptions made in terms of future changes in sales and of terminal values are reasonable and in accordance with market data available for each of the CGUs. Additional impairment tests are applied where events or specific circumstances suggest that a potential impairment exists.

A 50 basis points (“bp”) increase in the discount rates would result in no impairment to goodwill or the indefinite-lived intangibles. A 50 bp decrease in the terminal growth rate would result in no impairment to goodwill or indefinite-lived intangibles.

14. Accounts Payable and Accrued Liabilities

	June 30, 2016	June 30, 2015
Trade payables and accruals	\$ 22,570	\$ 17,950
Due to related parties	6,657	6,386
Other	1,492	1,204
	\$ 30,719	\$ 25,540

15. Provision for Employee Benefits

The Company provides pension benefits to its employees through a defined contribution pension plan and defined benefit pension plans. Employees hired after July 1, 2010 are no longer offered enrolment into the Company's defined benefit pension plans. Instead, the Company provides these employees a defined contribution pension plan. To become eligible to join the defined contribution pension plan, most employees must first accrue one year of service. For the year ended June 30, 2016, the Company recognized contributions of \$323 as expense (2015 – \$305) with respect to the defined contribution pension plan.

The Company has two defined benefit pension plans for executives and salaried employees (the "registered pension plans"), two supplementary executive retirement plans for retired and current senior executives of the Company (the "non-registered pension plans"), and a post-retirement benefit plan ("other benefit plan") covering retiree life insurance, health care and dental care. Benefits under these plans are based on years of service and compensation levels.

The registered pension plans are registered under the *Pension Benefits Act (Ontario)* (the "Act") with regulatory oversight by the Financial Services Commission of Ontario. The latest valuations completed for these plans are dated December 31, 2013. The next required valuations must be completed with an effective date no later than December 31, 2016. The Act requires funding valuations for the registered pension plans to be performed at least once every three years and plan deficits must be funded over a period of up to five years. The registered pension plans are funded through a combination of employee and employer contributions.

The Company is under no obligation to make any funding in respect to the benefits accruing under the non-registered pension plans. However, the Company has adopted a funding policy to make periodic contributions to the non-registered pension plans to provide security for the benefits accrued by the members. Such funding policy may be reviewed and amended at any time by the Company.

The post-retirement benefit plan is unfunded.

As at June 30, 2016, the average duration of the defined benefit obligation for the registered and non-registered pension plans and the post-retirement benefit plan is 13.7 years.

Company contributions to the registered and non-registered pension plans are expected to be \$1,628 for the fiscal year ended June 30, 2017.

The Company maintains a Canadian Pension Committee, which provides oversight of the Company's pension benefit policies, investment policies and plan administration. The Company uses the service of third parties to provide investment management services such as managing the pension plan assets in accordance with the established investment policies.

The Company is subject to certain risks as a result of the existence of its registered and non-registered pension plans and its post-retirement benefit plan. These risks include actuarial risks such as investment risk, interest rate risk as this impacts the discount rate, longevity risk and compensation risk.

The present value of the defined benefit obligation is calculated using a discount rate. If the return on plan assets is below this rate, a plan's surplus is reduced or a plan deficit occurs. The Company mitigates this investment risk by establishing an investment policy to be followed by the registered pension plans' investment managers and providing oversight to the Canadian Pension Committee. The Company's investment policy requires the registered pension plans' assets be invested in a diversified portfolio that does not concentrate investment in any one security or bond.

An increase in interest rates will increase the discount rate, which will subsequently decrease the present value of the defined benefit obligation. An increase in longevity and compensation will increase the present value of the defined benefit obligation. Longevity risk is impacted by mortality assumptions, which are based on the 2014 Private/Public Sector Canadian Pensioners Mortality tables as prepared by the Canadian Institute of Actuaries.

The significant actuarial assumptions are as follows:

	2016			2015		
	Registered Pension Plans	Non-Registered Pension Plans	Other Benefit Plan	Registered Pension Plans	Non-Registered Pension Plans	Other Benefit Plan
ACCRUED BENEFIT OBLIGATION, END OF YEAR						
Discount rate	3.4%	3.4%	3.4%	3.9%	3.9%	3.9%
Compensation increase	3.0–3.5%	3.5%	N/A	3.0–3.5%	3.5%	N/A
Inflation	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
BENEFIT EXPENSE, FOR THE YEAR						
Discount rate	3.9%	3.9%	3.9%	4.4%	4.4%	4.4%
Compensation increase	3.0–3.5%	3.5%	N/A	3.0–3.5%	3.5%	N/A
Inflation	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

The discount rate has been set based on current market rates at the end of the Company's financial year, assuming a rate of return comparable to high-quality fixed income securities of equivalent currency and term that approximate the terms of the pension plan liabilities. A 50 basis points ("bp") increase in the assumed discount rate would decrease the amount of the Company's provision for pensions and pension expense in respect of its registered and non-registered defined benefit plans by \$4,726 and \$187, respectively. Conversely, a 50 bp decrease in the assumed discount rate would increase the amount of the Company's provision for pensions and pension expense in respect of its registered and non-registered defined benefit plans by \$5,168 and \$219, respectively. The method used to determine the impact of the discount rate changes is consistent with the method used to determine the amounts recognized in the financial statements.

The medical cost trend rate used was 5.8% for 2016 (2015 – 5.9%), with 4.7% being the ultimate trend rate for 2026 and years thereafter. The dental cost trend rate used was 5.0% for 2016 (2015 – 5.0%). Assumed health care cost trend rates have a significant effect on the amounts reported for the other benefit plans. A 1% increase in the assumed medical cost trend rate would increase the amount of the Company's provision for pensions and pension expense by \$1,379 and \$107, respectively. Conversely, a 1% decrease in the medical cost trend rate would decrease the amount of the Company's provision for pensions and pension expense by \$1,110 and \$82, respectively. The method used to determine the impact of compensation rate changes is consistent with the method used to determine the amounts recognized in the financial statements.

A summary of the Company's defined benefit obligation and plan assets is as follows:

	June 30, 2016	June 30, 2015
Present value of defined benefit obligation of unfunded plans	\$ (11,068)	\$ (10,438)
Present value of defined benefit obligation of partially funded plans	(10,682)	(10,019)
Present value of defined benefit obligation of fully funded plans	(48,733)	(45,650)
Total present value of defined benefit obligation	(70,483)	(66,107)
Fair value of plan assets	45,843	46,059
NET DEFINED BENEFIT LIABILITY	\$ (24,640)	\$ (20,048)

Information about the Company's pension and other benefit plans for the year ended June 30, 2016 is as follows:

	2016			
	Registered Pension Plans	Non-Registered Pension Plans	Other Benefit Plan	Total
FAIR VALUE OF PLAN ASSETS				
Fair value of plan assets, beginning of year	\$ 36,268	\$ 9,791	\$ -	\$ 46,059
Interest income	1,381	373	-	1,754
Actuarial losses	(226)	(384)	-	(610)
Company contributions	1,550	303	-	1,853
Plan participants' contributions	170	-	-	170
Benefits paid	(2,562)	(491)	-	(3,053)
Membership transfers	(90)	-	-	(90)
Administrative costs	(200)	(40)	-	(240)
FAIR VALUE OF PLAN ASSETS, END OF YEAR	\$ 36,291	\$ 9,552	\$ -	\$ 45,843
PRESENT VALUE OF DEFINED BENEFIT OBLIGATION				
Defined benefit obligation, beginning of year	\$ 45,650	\$ 10,019	\$ 10,438	\$ 66,107
Current service cost	898	184	210	1,292
Interest cost	1,709	376	390	2,475
Plan participants' contributions	170	-	-	170
Actuarial (gains) losses:				
Experience (gains) and losses	8	16	(83)	(59)
Losses due to financial assumption changes	2,949	624	643	4,216
Losses due to demographic assumption changes	-	-	-	-
Membership transfers	(90)	-	-	(90)
Benefits paid	(2,561)	(537)	(530)	(3,628)
PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION, END OF YEAR	\$ 48,733	\$ 10,682	\$ 11,068	\$ 70,483
NET DEFINED BENEFIT LIABILITY	\$ 12,442	\$ 1,130	\$ 11,068	\$ 24,640

The actual return on plan assets for the financial year ended June 30, 2016 was \$1,144, which comprised interest income and actuarial gains and losses included in the reconciliation of the fair value of plan assets above.

Information about the Company's pension and other benefit plans for the year ended June 30, 2015 is as follows:

	2015			
	Registered Pension Plans	Non-Registered Pension Plans	Other Benefit Plan	Total
FAIR VALUE OF PLAN ASSETS				
Fair value of plan assets, beginning of year	\$ 36,550	\$ 11,953	\$ –	\$ 48,503
Interest income	1,586	259	–	1,845
Actuarial gains	1,534	62	–	1,596
Company contributions	1,271	306	–	1,577
Plan participants' contributions	181	–	–	181
Benefits paid	(4,654)	(2,749)	–	(7,403)
Administrative costs	(200)	(40)	–	(240)
FAIR VALUE OF PLAN ASSETS, END OF YEAR	\$ 36,268	\$ 9,791	\$ –	\$ 46,059
PRESENT VALUE OF DEFINED BENEFIT OBLIGATION				
Defined benefit obligation, beginning of year	\$ 44,138	\$ 10,699	\$ 10,157	\$ 64,994
Current service cost	697	330	173	1,200
Interest cost	1,884	412	416	2,712
Past service cost	–	–	–	–
Plan participants' contributions	181	–	–	181
Actuarial (gains) losses:				
Experience (gains) and losses	(1)	637	(708)	(72)
Gains due to financial assumption changes	3,405	686	697	4,788
Losses due to demographic assumption changes	–	–	188	188
Benefits paid	(4,654)	(2,745)	(485)	(7,884)
PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION, END OF YEAR	\$ 45,650	\$ 10,019	\$ 10,438	\$ 66,107
NET DEFINED BENEFIT LIABILITY	\$ 9,382	\$ 228	\$ 10,438	\$ 20,048

The actual return on plan assets for the financial year ended June 30, 2015 was \$3,441 which comprised interest income and actuarial gains and losses included in the reconciliation of the fair value of plan assets above.

Amounts recognized in comprehensive income in respect to the defined benefit plans are as follows:

	2016	2015
NET DEFINED BENEFIT PENSION EXPENSE RECOGNIZED IN TOTAL COMPREHENSIVE INCOME		
Current service costs	\$ 1,292	\$ 1,200
Interest costs	961	1,107
Net expense recognized in net earnings	2,253	2,307
Net actuarial losses recognized in other comprehensive income	4,767	3,308
TOTAL NET EXPENSE RECOGNIZED IN TOTAL COMPREHENSIVE INCOME	\$ 7,020	\$ 5,615

The assets of the registered pension plans consist of cash, contributions receivable and investments held in the Hiram Walker & Corby Canadian Pooled Fund Trust. As at June 30, 2016, the fair value of the Trust's assets totalled \$320,491. The Company's registered pension plans comprise approximately 11% of the total Trust assets.

The fair values of assets held on behalf of the Company's registered pension plans are categorized in the fair value hierarchy as at June 30 as follows:

	June 30, 2016	June 30, 2015
Cash and Canadian equities – Level 1	\$ 8,184	\$ 7,922
Bond funds – Level 2	12,329	12,747
Foreign equities and foreign equity funds – Level 2	9,105	10,021
Infrastructure and real estate funds – Level 3	6,673	5,578
	\$ 36,291	\$ 36,268

The assets of the non-registered pension plan consist of cash, investments and refundable taxes on account with Canada Revenue Agency. The investments held by the non-registered pension plan are invested in a limited number of pooled funds. The assets, based on market values at June 30, are as follows:

	June 30, 2016	June 30, 2015
Canadian equity pooled funds	\$ 1,957	\$ 1,617
Foreign equity pooled funds	3,035	2,863
Refundable tax on account with Canada Revenue Agency	4,560	5,311
	\$ 9,552	\$ 9,791

The fair values of the investments held by the non-registered plan as at June 30, 2016 are categorized as Level 2 in the fair value hierarchy.

16. Share Capital

	June 30, 2016	June 30, 2015
NUMBER OF SHARES AUTHORIZED		
Voting Class A Common Shares – no par value	Unlimited	Unlimited
Non-Voting Class B Common Shares – no par value	Unlimited	Unlimited
NUMBER OF SHARES ISSUED AND FULLY PAID		
Voting Class A Common Shares	24,274,320	24,274,320
Non-Voting Class B Common Shares	4,194,536	4,194,536
	28,468,856	28,468,856
Stated value	\$ 14,304	\$ 14,304

17. Accumulated Other Comprehensive Loss

	June 30, 2016	June 30, 2015
Actuarial losses on pension obligations	\$ 14,021	\$ 9,254
Less: Income taxes	(3,801)	(2,521)
ACCUMULATED OTHER COMPREHENSIVE LOSS	\$ 10,220	\$ 6,733

18. Revenue

The Company's revenue consists of the following streams:

	2016	2015
Case Goods sales	\$ 111,104	\$ 111,733
Commissions (net of amortization)	23,030	16,442
Other services	5,868	3,891
	\$ 140,002	\$ 132,066

Commissions for the year are shown net of amortization of long-term representation rights and non-refundable upfront fees of \$5,882 (2015 – \$5,882). Other services include revenues incidental to the manufacture of Case Goods, such as logistics fees and miscellaneous bulk spirit sales.

19. Other (Expense) Income

The Company's other (expense) income consists of the following amounts:

	2016	2015
Foreign exchange loss	\$ (301)	\$ (91)
(Loss) gain on disposal of property and equipment	(99)	116
Other	–	50
	\$ (400)	\$ 75

20. Net Financial Income and Expense

The Company's financial income (expense) consists of the following amounts:

	2016	2015
Interest income	\$ 1,102	\$ 1,606
Net financial impact of pensions	(961)	(1,107)
	\$ 141	\$ 499

21. Earnings per Share

The following table sets forth the numerator and denominator utilized in the computation of basic and diluted earnings per share:

	2016	2015
Numerator:		
Net earnings	\$ 25,435	\$ 20,415
Denominator:		
Weighted average shares outstanding	28,468,856	28,468,856

22. Expenses by Nature

Earnings from operations include depreciation and amortization, as well as personnel expenses, as follows:

	2016	2015
Depreciation of property and equipment	\$ 1,728	\$ 1,563
Amortization of intangible assets	5,883	5,882
Salary and payroll costs	22,518	22,546
Expenses related to pensions and benefits	1,292	1,200
	\$ 31,421	\$ 31,191

23. Restricted Share Units Plan

	2016		2015	
	Restricted Share Units	Weighted Average Grant Date Fair Value	Restricted Share Units	Weighted Average Grant Date Fair Value
Non-vested, beginning of year	62,154	\$ 19.49	73,780	\$ 17.58
Granted	21,359	18.96	16,008	20.78
Reinvested dividend-equivalent units	2,775	18.54	3,633	22.58
Performance adjustments	(19,025)	20.84	–	N/A
Vested	(25,148)	17.47	(31,267)	15.98
NON-VESTED, END OF YEAR	42,115	\$ 19.75	62,154	\$ 19.49

Compensation expense related to this plan for the year ended June 30, 2016 was \$40 (2015 – \$450).

24. Net Change in Non-Cash Working Capital Balances

	2016	2015
Accounts receivable	\$ (5,282)	\$ 55
Inventories	(3,315)	1,703
Prepaid expenses	(250)	30
Accounts payable and accrued liabilities	5,179	(2,169)
	\$ (3,668)	\$ (381)

25. Dividends

On August 24, 2016, subsequent to the year ended June 30, 2016, the Board of Directors declared its regular quarterly dividend of \$0.19 per common share, to be paid on September 30, 2016, to shareholders of record as at the close of business on September 15, 2016. This dividend is in accordance with the Company's dividend policy.

26. Related Party Transactions

Transactions with Parent, Ultimate Parent and Affiliates

The majority of Corby's issued and outstanding Voting Class A shares are owned by HWSL. HWSL is a wholly-owned subsidiary of PR. Therefore, HWSL is Corby's parent and PR is Corby's ultimate parent. Affiliated companies are subsidiaries which are controlled by Corby's parent and/or ultimate parent.

The companies operate under the terms of agreements that became effective on September 29, 2006. These agreements provide the Company with the exclusive right to represent PR's brands in the Canadian market for 15 years, as well as providing for the continuing production and bottling of certain Corby brands by PR at its production facility in Windsor, Ontario, for 10 years. Corby also manages PR's business interests in Canada, including the Windsor production facility. Certain officers of Corby have been appointed as directors and officers of PR's Canadian entities, as approved by Corby's Board of Directors. Recently, the production and administrative agreements were each renewed for a further 10-year term, commencing October 2016.

In addition to the aforementioned agreements, Corby signed an agreement on September 26, 2008 with its ultimate parent to be the exclusive Canadian representative for the Absolut vodka and Plymouth gin brands, for a five-year term which expired October 1, 2013 and was extended as noted below. These brands were acquired by PR subsequent to the original representation rights agreement dated September 29, 2006.

On November 9, 2011, Corby entered into an agreement with a PR affiliate for a new term for Corby's exclusive right to represent Absolut vodka in Canada from September 30, 2013 to September 29, 2021, which is consistent with the term of Corby's Canadian representation of the other PR brands in Corby's portfolio. On September 30, 2013, Corby paid the present value of \$10 million, or \$10.3 million, for the additional eight years of the new term pursuant to an agreement entered into between Corby and The Absolut Company Aktiebolag, an affiliate of PR and owner of the Absolut brand, to satisfy the parties' obligations under the 2011 agreement.

Effective as of July 1, 2012, the Company entered into a five-year agreement with Pernod Ricard USA, LLC ("PR USA"), an affiliated company, which provides PR USA the exclusive rights to represent J.P. Wiser's Canadian whisky and Polar Ice vodka in the US. Previously, J.P. Wiser's Canadian whisky and Polar Ice vodka were represented by an unrelated third party in this market. The agreement is effective for a five-year period ending June 30, 2017.

On March 21, 2016, the Company entered into an agreement with Pernod Ricard UK Ltd. ("PRUK"), an affiliated company, which provides PRUK the exclusive rights to represent Lamb's rum in Great Britain effective July 1, 2016. Previously, Lamb's rum was represented by an unrelated third party in this market. The agreement is effective for a five-year period ending June 30, 2021.

Transactions between Corby and its parent, ultimate parent and affiliates during the period are as follows:

	2016	2015
SALES TO RELATED PARTIES		
Commissions – parent, ultimate parent and affiliated companies	\$ 26,614	\$ 19,602
Products for resale at an export level – affiliated companies	6,061	6,126
	\$ 32,675	\$ 25,728
COST OF GOODS SOLD, PURCHASED FROM RELATED PARTIES		
Distilling, blending and production services – parent	\$ 22,853	\$ 20,351
ADMINISTRATIVE SERVICES PURCHASED FROM RELATED PARTIES		
Marketing, sales and administration services – parent	\$ 2,500	\$ 2,500
Marketing, sales and administration services – affiliate	4,708	7,724

Balances outstanding with related parties are due within 60 days, are to be settled in cash and are unsecured.

During the year ended June 30, 2016, Corby sold casks to its parent company for net proceeds of \$27 (2015 – \$171).

Deposits in Cash Management Pools

Corby participates in a cash pooling arrangement under the Mirror Netting Service Agreement together with PR's other Canadian affiliates, the terms of which are administered by Citibank N.A. The Mirror Netting Service Agreement acts to aggregate each participant's net cash balance for the purposes of having a centralized cash management function for all of PR's Canadian affiliates, including Corby.

As a result of Corby's participation in this agreement, Corby's credit risk associated with its deposits in cash management pools is contingent upon PR's credit rating. PR's credit rating as at September 7, 2016, as published by Standard & Poor's and Moody's, was BBB- and Baa2, respectively. PR compensates Corby for the benefit it receives from having the Company participate in the Mirror Netting Service Agreement by paying interest to Corby based upon the 30-day CDOR rate plus 0.40%. During the year ended June 30, 2016, Corby earned interest income of \$1,127 from PR (2015 – \$1,610). Corby has the right to terminate its participation in the Mirror Netting Service Agreement at any time, subject to five days' written notice.

Key Management Personnel

Key management personnel are those individuals having authority and responsibility for planning, directing and controlling the activities of the Company, including members of the Company's Board of Directors. The Company considers key management to be the members of the Board of Directors and the senior management team (which includes the CEO, CFO, and Vice-Presidents).

Certain key management personnel also participate in the Company's RSU plan.

Key management personnel compensation comprises:

	2015	2014
Wages, salaries and short-term employee benefits	\$ 4,075	\$ 3,482
Other long-term benefits	702	632
Share-based payment transactions	398	191
	\$ 5,175	\$ 4,305

Certain members of the Board and key management personnel are provided benefits and/or salary and wages through the parent company or the ultimate parent company in addition to the amounts reported above.

27. Segment Information

Corby has two reportable segments: Case Goods and Commissions. Corby's Case Goods segment derives its revenue from the production and distribution of its owned beverage alcohol brands. Corby's portfolio of owned-brands includes some of the most renowned and respected brands in Canada, such as J.P. Wiser's Canadian whisky, Lamb's rum, Polar Ice vodka and McGuinness liqueurs.

Corby's Commissions segment earns commission income from the representation of non-owned beverage alcohol brands in Canada. Corby represents leading international brands such as Absolut vodka, Chivas Regal, The Glenlivet and Ballantine's scotches, Jameson Irish whiskey, Beefeater gin, Malibu rum, Kahlúa liqueur, Mumm champagne, and Jacob's Creek and George Wyndham wines.

The Commissions segment's financial results are fully reported as "Commissions" in Note 18 of the consolidated financial statements. Therefore, a table detailing operational results by segment has not been provided as no additional meaningful information would result.

Geographic information regarding the Company is as follows:

	2016				
	Canada	United States of America	United Kingdom	Rest of World	Total
Revenue	\$ 128,251	\$ 6,861	\$ 3,567	\$ 1,323	\$ 140,002
Capital assets and goodwill	12,577	–	1,704	–	14,281

	2015				
	Canada	United States of America	United Kingdom	Rest of World	Total
Revenue	\$ 121,511	\$ 5,297	\$ 4,349	\$ 909	\$ 132,066
Capital assets and goodwill	11,652	–	1,410	–	13,062

In 2016, revenue to three major customers accounted for 39%, 17% and 14%, respectively (2015 – 35%, 17% and 14%). These major customers are located in Canada and revenues are derived from the Case Goods segment.

28. Commitments

Future minimum payments under operating leases for premises and equipment for the next five years and thereafter are as follows:

2017	\$	1,593
2018		1,226
2019		1,044
2020		872
2021		547
Thereafter		2,791
	\$	8,073

Total lease payments recognized as an expense during the year totalled \$2,147 (2015 – \$2,079). The Company has commitments of \$268 (2015 – \$381) as at June 30, 2016 for the acquisition of capital assets.

29. Subsequent Event

Subsequent to the year ended June 30, 2016, the Company announced on August 31, 2016 that it entered into an agreement to acquire the spirits assets of Québec-based Domaines Pinnacle for a purchase price of \$12 million. The purchase price will be funded from the Company's deposits in cash management pools. The transaction includes Domaines Pinnacle's spirits portfolio, including the renowned Ungava® Premium Canadian gin brand, Chic Choc® Spiced rum, a range of maple-based products as well as production assets and related inventory. Subject to the closing of the transaction, the brand portfolio and other assets will be operated as Ungava Spirits Co. Ltd., a new, wholly-owned subsidiary of Corby. The transaction is expected to close on September 30, 2016.

TEN-YEAR REVIEW

(in millions of Canadian dollars, except per share amounts)	Year Ended June 30									
	IFRS					Canadian GAAP				
	2016	2015	2014	2013 ⁽¹⁾	2012	2011 ⁽²⁾	2010 ⁽³⁾	2009 ⁽³⁾	2008 ⁽³⁾	2007 ⁽³⁾
Revenue	\$ 140.0	\$ 132.1	\$ 137.3	\$ 132.7	\$ 146.7	\$ 159.6	\$ 162.2	\$ 169.3	\$ 163.3	\$ 153.6
Earnings from operations	34.6	27.2	33.5	37.0	58.9	40.5	43.0	43.4	44.6	39.2
Net earnings excluding after-tax restructuring costs, impairment charges, and gain/loss on disposed brands	25.4	20.4	25.0	27.0	28.4	30.6	30.1	30.4	31.9	100.4
Net earnings	25.4	20.4	25.0	27.0	46.0	28.9	20.7	30.4	31.9	100.4
Cash provided from operations	33.3	27.1	31.4	32.8	46.3	35.4	28.6	23.9	31.0	33.4
Working capital	\$ 136.6	\$ 145.7	\$ 158.9	\$ 158.8	\$ 161.6	\$ 170.0	\$ 148.0	\$ 128.5	\$ 113.1	\$ 91.2
Total assets ⁽⁴⁾	228.5	233.7	254.9	247.8	253.4	271.5	271.2	270.2	253.5	238.0
Long-term debt	–	–	–	–	–	–	–	–	–	–
Shareholders' equity	170.8	188.1	209.1	201.3	215.8	239.2	241.0	236.2	221.8	203.5
Per common share:										
Earnings from operations	\$ 1.22	\$ 0.96	\$ 1.18	\$ 1.30	\$ 2.07	\$ 1.42	\$ 1.51	\$ 1.52	\$ 1.57	\$ 1.38
Net earnings excluding after-tax restructuring costs, impairment charges, and gain/loss on disposed brands	0.89	0.72	0.88	0.95	1.00	1.07	1.06	1.07	1.12	3.53
Net earnings	0.89	0.72	0.88	0.95	1.62	1.01	0.73	1.07	1.12	3.53
Cash provided from operations	1.17	0.95	1.10	1.15	1.63	1.24	1.00	0.84	1.09	1.18
Shareholders' equity	6.00	6.61	7.35	7.07	7.58	8.40	8.46	8.30	7.79	7.15
Special dividend paid	0.62	0.62	–	0.54	1.85	–	–	–	–	1.50
Dividends paid	0.76	0.75	0.71	0.66	0.59	0.56	0.56	0.56	0.56	0.56
Market value per voting common share										
High	\$ 21.49	\$ 24.69	\$ 22.21	\$ 21.25	\$ 18.44	\$ 18.50	\$ 16.11	\$ 20.60	\$ 27.00	\$ 28.40
Low	17.50	19.50	19.07	16.25	14.90	15.00	14.55	13.16	16.10	22.00
Close at end of year	20.30	21.33	21.24	19.81	16.65	16.20	15.75	15.65	17.80	24.50
Working capital ratio	5.1	6.7	6.7	7.3	7.2	9.7	9.1	7.3	6.6	4.6
Pre-tax return on average capital employed (%)	19.5	14.1	16.7	18.0	26.4	16.8	12.9	18.9	21.4	63.1
Return on average shareholders' equity (%)	14.2	10.2	12.0	13.0	20.2	12.1	8.7	13.3	15.0	55.0
Number of shareholders	497	508	532	551	557	555	575	593	616	630
Number of shares outstanding (000s)	28,469	28,469	28,469	28,469	28,469	28,469	28,469	28,469	28,469	28,469

⁽¹⁾ Results adjusted for retrospective application of amendments to IAS 19, "Employee Benefits".

⁽²⁾ 2011 figures have been restated for IFRS.

⁽³⁾ Results reported under the previous Canadian GAAP.

⁽⁴⁾ 2013 and 2014 total assets adjusted for retrospective application of amendments to IAS 32, "Financial Instruments – Presentation".

BOARD OF DIRECTORS

GEORGE F. MCCARTHY

Chair, Board of Directors

CLAUDE BOULAY

Member, Board of Directors

PAUL C. DUFFY⁽¹⁾

Member, Board of Directors

ROBERT L. LLEWELLYN

Chair, Audit Committee

Chair, Independent Committee

DONALD V. LUSSIER

Chair, Management Resources
Committee

PATRICIA L. NIELSEN

Chair, Corporate Governance
& Nominating Committee

R. PATRICK O'DRISCOLL

President & Chief Executive Officer

THIERRY R. POURCHET

Member, Board of Directors

ANTONIO SÁNCHEZ VILLARREAL

Vice-President & Chief Financial
Officer

⁽¹⁾ Effective July 1, 2016, Philippe Dréano retired from his position as a director of Corby and Paul C. Duffy was appointed as his successor, acting as one of Pernod Ricard's nominees.

MANAGEMENT TEAM

R. PATRICK O'DRISCOLL

President & Chief Executive Officer

STÉPHANE CÔTÉ

Vice-President, Sales

PAUL G. HOLUB

Vice-President, Human Resources

MAXIME KOUCHNIR

Vice-President, Marketing

ANTONIO SÁNCHEZ VILLARREAL

Vice-President & Chief Financial
Officer

JIM STANSKI

Vice-President, Production

MARC A. VALENCIA

General Counsel, Corporate Secretary
& Vice-President, Public Affairs

GENERAL CORPORATE INFORMATION

EXECUTIVE OFFICE

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(416) 479-2400

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(514) 856-4320

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Westview Building, Suite 200
Calgary, AB T2E 7S7
(403) 463-3687

395 Park Street, Unit 14
Regina, SK S4N 5B2
(306) 201-9746

13353 Commerce Parkway
Unit 2168
Richmond, BC V6V 3A1
(778) 296-4500

DISTILLERY

Hiram Walker & Sons Limited
2072 Riverside Drive East
Windsor, ON N8Y 4S5
(519) 254-5171

Ungava Spirits Co. Ltd.
Les Spiritueux Ungava Cie Ltée
291, rue Miner
Cowansville, QC J2K 3Y6
(450) 263-5835

INTERNATIONAL INQUIRIES

Corby exports its products to numerous international markets. Should you have inquiries about our brands in the following markets, please contact our distributor partners, as follows:

In the US:

Pernod Ricard USA, LLC
100 Manhattanville Road
Purchase, New York 10577
(914) 848-4800
www.pernod-ricard-usa.com

In the UK, Europe, Asia and Africa:

Pernod Ricard UK, Ltd.
Building 12, Chiswick Park
566 Chiswick High Road
London W4 5AN
+44 (0)20 8538 4484
www.pernod-ricard-uk.com

AUDITORS

Deloitte LLP
www.deloitte.ca

REGISTRAR & TRANSFER AGENT

Computershare Investor Services Inc.
www.investorcentre.com

ELECTRONIC DELIVERY OF SHAREHOLDER DOCUMENTS

If you would like to receive your shareholder and financial documents electronically, please enrol in Computershare's electronic delivery program at www.investorcentre.com.

SHARES

Corby's Voting Class A Common Shares and Non-Voting Class B Common Shares are traded on the Toronto Stock Exchange under the symbols CSW.A and CSW.B, respectively.

INVESTOR RELATIONS INQUIRIES

E-mail:
investors.corby@pernod-ricard.com
www.corby.ca

ANNUAL MEETING

November 9, 2016
at 11:00 a.m. (Toronto time)
at McCarthy Tétrault LLP
66 Wellington Street West
Suite 5300, Toronto, ON

BRAND PORTFOLIO

BROWN SPIRITS

Canadian

J.P. Wiser's Deluxe
J.P. Wiser's Double Still Rye
J.P. Wiser's Hopped
J.P. Wiser's Red Letter
J.P. Wiser's Rye
(*Export only – US*)
J.P. Wiser's Spiced Vanilla
J.P. Wiser's Spiced Torched
Toffee (*Limited Edition*)
J.P. Wiser's Triple Barrel
(*Export only – Australia*)
J.P. Wiser's Last Barrels
J.P. Wiser's Legacy
J.P. Wiser's 18 Years Old
Wiser's Small Batch
Wiser's Special Blend
Lot No. 40
Pike Creek
Gooderham & Worts
Royal Reserve
Hiram Walker Special Old
Cabot Trail Maple
Coureur des Bois Maple
Canadian Shield

Blended Scotch

Ballantine's (*Finest, 12, 17, 21, 30*)
Chivas Regal (*12, 18, 25*)
Royal Salute (*21*)
Barrelhound

Single Malt

Aberlour (*10, 12, 16, 18, A'bunadh*)
The Glenlivet (*Founder's Reserve, 12, 15, 18, 21, XXV, Nádurra First Fill, Nádurra Oloroso*)
Longmorn (*16, 23*)
Longmorn Distiller's Choice
Strathisla (*12*)
Scapa Glansa
Scapa Skiren

Irish

Jameson
Jameson Black Barrel
Jameson Caskmates
Jameson Crested
Jameson Whiskey Makers
Series (*The Cooper's Croze, The Blender's Dog, The Distiller's Safe*)
Powers Gold Label
Powers Signature
Redbreast (*12, 12 Cask Strength, 15, 21*)

Midleton Barry Crockett
Midleton Dair Ghaelach
Midleton Very Rare
Green Spot
Green Spot Leoville Barton
Yellow Spot 12

Cognac and Brandy

Martell VS
Martell VSOP
Martell XO
Martell Cordon Bleu
Barclays
Maciera

WHITE SPIRITS

Vodka

Absolut
Absolut Mix
Absolut Elyx
Absolut Elektrik Limited
Edition
Absolut Flavours (*Apeach, Berri Açaí, Cherrys, Citron, Gräpe, Mandrin, Mango, Raspberri, Vanilia*)
Polar Ice
Polar Ice 90 Degrees North

Rum

Lamb's Classic
Lamb's Navy
Lamb's Palm Breeze
Lamb's Spiced
Havana Club 3 Year Old
Havana Club 7 Year Old
Havana Club Añejo Reserva
Havana Club Blanco
Chic Choc Spiced

Gin

Beefeater
Beefeater 24
Plymouth
Ungava

Tequila

Olmea Altos Plata
Olmea Altos Reposado
Olmea Blanco
Olmea Extra Aged
Olmea Gold
Avion Anejo
Avion Reposado
Avion Silver

LIQUEURS

McGuinness (*Amaretto Dell'Amorosa, Peach Schnapps, Peppermint Schnapps, Blue Curacao, Crème de Banane, Crème de Cacao White, Crème de Cacao Brown, Orange & Brandy, Cherry Brandy, Crème de Menthe Green, Crème de Menthe White, Apricot Brandy, Cherry Whisky, Melon, Triple Sec, Apple Whisky, Simple Syrup*)
Meaghers (*Crème de Menthe White, Crème de Menthe Green, Apricot Brandy, Crème de Cacao White, Crème de Cacao Brown, Cherry Brandy, Triple Sec*)
Kahlúa
Kahlúa Chili Chocolate (*holiday flavour*)
Kahlúa Peppermint Mocha (*holiday flavour*)
Kahlúa Pumpkin Spice (*fall flavour*)
Malibu Coconut
Malibu Flavours (*Mango, Tropical Banana*)
Ramazzotti Amaro
Ramazzotti Black Sambuca
Ramazzotti Sambuca
Ricard Pastis
Pernod
Pernod Absinthe
SOHO
Becherovka
Criollo (*Chocolate Sea Salted Caramel, Bourbon Dark Chocolate*)
Cabot Trail Maple Cream
Coureur des Bois Maple Cream

Ready to Drink

Kahlúa Mudslide
Kahlúa White Russian

WINES

Jacob's Creek
George Wyndham
Stoneleigh
Brancott Estate
Buried Hope
Campo Viejo
Deadbolt
Etchart
Graffigna
Kenwood
Reál Sangria
Cupcake
Big House
Concannon
Franzia
Mogen David
Chloe
Gray Fox
Benziger

Champagne and Sparkling Wine

G.H. Mumm
Perrier-Jouët
Mumm Napa

Aperitif

Dubonnet
Lillet

Please enjoy our products responsibly.



**CREATING WIN-WIN
MEMORABLE EXPERIENCES**

**THROUGH EMPATHY,
CREATIVITY, COLLABORATION
AND A BOLDNESS
TO DISRUPT**

IN SPIRIT AND WINE
CORBY

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