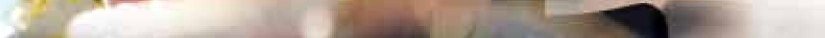
CORBY DISTILLERIES LIMITED | ANNUAL REPORT 2011



CORBY

Affiliated with Pernod Ricard

bringing more to the table

CORBY DISTILLERIES LIMITED
ANNUAL REPORT 2011

FINANCIAL HIGHLIGHTS

(in millions of Canadian dollars)

$27.4
NET EARNINGS

$38.9
EARNINGS BEFORE INCOME TAXES

$158.8
OPERATING REVENUE

Since 2005, Corby has been affiliated with Pernod Ricard S.A. ("Pernod Ricard"), a global powerhouse in the spirits and wine industry. This partnership has enabled Corby to expand our portfolio, strengthen our operations and buying power, and enhance the international experience and industry expertise of the Corby management team.

As at and for the years ended June 30, 2011 and 2010 *(in thousands of Canadian dollars, except per share amounts)*	**2011**	2010
RESULTS		
Operating revenue	**$ 158,790**	$ 162,230
Earnings from operations	**39,997**	43,025
Earnings before income taxes	**38,885**	31,482
Net earnings	**27,423**	20,675
Net earnings excluding loss on sale of disposed brand and impairment charge	**29,156**	30,057
Cash flows from operating activities	**35,206**	28,559
FINANCIAL POSITION		
Working capital	**$ 170,180**	$ 147,998
Total assets	**283,937**	271,241
Shareholders' equity	**252,441**	240,962
PER COMMON SHARE		
Earnings from operations	**$ 1.40**	$ 1.51
Net earnings	**0.96**	0.73
Net earnings excluding loss on sale of disposed brand and impairment charge	**1.02**	1.06
Dividends declared and paid	**0.56**	0.56
Shareholders' equity	**8.87**	8.46
FINANCIAL RATIOS		
Working capital	**9.7**	9.1
Return on average shareholders' equity	**11.1**	8.7
Pre-tax return on average capital employed	**15.5**	12.9

Corby Distilleries Limited ("Corby" or the "Company") is a leading Canadian manufacturer and marketer of spirits and imported wines. Our deep commitment to quality, innovation and service has helped our brands become part of traditions and celebrations across Canada. It has helped our workforce grow and expand to every corner of the country. For more than four decades, this commitment has helped us deliver consistent returns for our investors.

From patios to dining rooms to restaurants, tables across Canada are set with spirits and wines from Corby's premium portfolio. We're proud to bring more to the table.

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Dear shareholders, I am very pleased to share with you Corby's Annual Report for the 2011 fiscal year. In the pages that follow, you will see a company that is changing and evolving. This was an evolutionary year for Corby, a year of doing more and doing it with more focus.

We took an even more strategic approach to the business, invested more in advertising and promotion to support and increase the value of our key brands, delivered more consumer insight and innovation to our customers, and engaged more of our employees. In short, Corby brought more to the table for our many diverse stakeholders.

This was also a year of more ups and downs for the spirits and wine market in Canada. Although there were indicators of economic recovery, Canadian consumer spending remained soft in certain regions and in discretionary categories such as spirits, wine and entertainment. Despite the pressure created by an unpredictable market, we maintained our strategic focus and managed our day-to-day business without being distracted from making critical investments in our priority brands, thus strengthening our commercial approach by geography and channel and reinforcing our innovation capabilities.

This consistent focus on the long term took courage and leadership – characteristics we saw throughout the organization in fiscal year 2011.

Corby's teams came together as never before to support our strategy by managing costs, finding efficiencies and ensuring that every available dollar was invested in brands that will help drive the long-term growth and profitability of our Company. That investment has already begun to pay off with solid market performance by key Corby brands, premium agency brands and our wine business.

Achieving these objectives took a different kind of company. We grew more nimble, flexible and responsive to customer needs over the past year. We worked even more closely with our manufacturing partner, Hiram Walker & Sons Limited, to drive greater efficiencies throughout Corby's supply chain. And we recognized the importance of focusing on our core business. To help achieve that focus, we divested of our Seagram Cooler brand in March 2011. The cooler category is a lower margin, large-scale business that has become increasingly competitive, requiring significant investment. Corby was not able to compete effectively without shifting attention and resources from key brands.

We also continued to leverage the many benefits of our partnership with Pernod Ricard to bring more value to our customers in terms of portfolio, research, innovation and market insights. The customer response was extremely positive, and we were commended with a "Supplier of the Year" award and awards for innovation and supply chain from the LCBO, our single largest customer.

I am extremely proud of the Corby team. I am also proud of our business performance in a difficult economy and that, once again, we created value for our shareholders. Despite volatile global markets, an investment in Corby was a good investment in fiscal year 2011. The guaranteed minimum dividend ensured that our shareholders continued to receive a return on their investment.

As we look beyond 2011, I believe that we have the right portfolio and the right strategy to position Corby for the future. We remain focused on the long-term goals we presented in 2010 – goals that are the foundation for Corby's continued success: 1) strategically prioritizing our portfolio; 2) building our on-premise business; 3) increasing the innovation of priority brands; and 4) optimizing the organization and increasing efficiencies.

Our commitment to consistent, incremental growth and value creation means we have a responsibility to explore new options and market trends where Corby can seize a leadership position. We've demonstrated our ability to innovate and lead with the Wiser's Canadian whisky brand. The success of Jacob's Creek, Stoneleigh and Graffigna wines has helped us build a viable wine platform with the expertise and market insight we need in order to take advantage of the long-term growth potential in wines.

The experience of our Board of Directors continues to be of great benefit to the Corby management team. On behalf of all employees, I thank them for their continued guidance and for helping us to bring more to the table in everything we do.

I look forward to sharing our continued progress with you in the months ahead.

Sincerely,

R. Patrick O'Driscoll
President & Chief Executive Officer

Senior Management Team
From left to right:

Andrew S. Alexander
Vice-President, Sales

James M. Stanski
Vice-President, Production

R. Patrick O'Driscoll
President & Chief Executive Officer

Paul G. Holub
Vice-President, Human Resources

Jeffrey H. Agdern
Vice-President, Marketing

Thierry R. Pourchet
Vice-President & Chief Financial Officer

Marc A. Valencia
General Counsel, Corporate Secretary & Vice-President, Public Affairs

I am the bridge between our sales and marketing teams. I identify opportunities and challenges that are in the marketplace and work with marketing to develop programs and tools to effectively communicate our brands' personalities to consumers.

Marie-France Lavallée
FIELD MARKETING MANAGER, QUÉBEC AND ATLANTIC PROVINCES

Click. Mix. Enjoy.

i-bar is a unique interactive concept that boasts five top-selling premium spirits in one sleek package. Blending technology and cocktail making, consumers can access 35 cocktail recipes, tasting notes and a shopping list calculator.

Business Review

After 152 years as a Canadian leader in the spirits and wine industry, Corby continues to leverage the benefits of our relationship with Pernod Ricard to bring more to the table for everyone: more training, systems and processes for employees; innovation in flavours, packaging and promotions for customers and consumers; and the financial stability and support to maintain a consistent return for our shareholders.

The Strength of Our People

Bringing more to the table requires people with strength, and Corby employees were ready for the job in 2011. In every function and department of the Company, employees were more focused, more engaged and more involved in the business than ever before – thanks to an increased investment in initiatives designed to maximize the employee experience at Corby. This investment includes new human resources programs to support employee engagement and career development. The results are in the numbers.

INVESTING IN EMPLOYEES

Corby's employee turnover rate was less than 9% for fiscal 2011, and 95% of new employees hired were still with the Company after one year.

Today, more than 85% of salaried employees have development plans connected to measurable business results, and during the year, nearly 12% of employees were provided with opportunities to work in new roles to expand their experience and expertise. These initiatives have helped encourage greater collaboration across departments and a better understanding of how all of the functions in the Company work together to produce results.

GROWING BETTER BOSSES

Developing great employees takes strong and committed leadership. To help achieve the Corby objective of "growing better bosses", every new leader who joined the Company in fiscal 2011 completed a leadership or sales leadership training program.

At the executive leadership level, Corby is committed to regular, open and transparent communication with employees. In fiscal 2011, quarterly town hall meetings, an executive blog, intranet content and internal events helped provide better understanding of the Company's business strategy and of how each Corby employee contributes to our corporate goals. Doing more as leaders helps us achieve more through our teams and contributes to a better experience for Corby employees.

TALENT FOR THE LONG TERM

The strength and talent of our people will be a key competitive advantage as Corby looks to capitalize on future growth opportunities. Nearly 85% of eligible Corby employees are also Corby owners through the Company's share purchase plan, an indicator of their deep commitment to operating the business in a way that will drive shareholder value.

Investing in our people goes hand-in-hand with investing in our brands. These are investments that will help us bring more to the table for many years to come.

More to the Table with More Innovation

Selling and marketing spirits and wine has become an increasingly competitive and challenging business over the past several years. In fiscal 2011, the Corby team brought more to our customers with innovative products and eye-catching packaging that helped the Corby portfolio stand out from the crowd. Products were supported by increased advertising and promotion investments and by innovative marketing campaigns that capitalized on the growing popularity of social media. Innovation in products and promotion was topped off with even more value-add for our customers: innovative approaches to market research and consumer insights that have helped reaffirm Corby as not only a supplier, but also a strategic partner.

WISER'S
CANADIAN WHISKY CANADIEN

Corby-owned Wiser's Legacy won accolades at the 2011 World Whiskies Awards, where it was named "Best Canadian Blended Whisky".

PRODUCT AND PACKAGING INNOVATION

Riding the success of Corby-owned product innovations in 2010 – including Wiser's Legacy, which was named "Best Canadian Blended Whisky" at the 2011 World Whiskies Awards – Corby supported product innovation initiatives in fiscal 2011 for some of the most visible brands in our portfolio.

In November 2010, Canada became the first country in the world to launch the latest product extension of the ABSOLUT vodka brand with ABSOLUT ELYX, a handmade, super-premium vodka. ABSOLUT ORIENT APPLE, the first and only red apple and ginger-flavoured vodka in Canada, launched in May 2011.

For the 2010 holiday season, a special edition bottle of Malibu Snowflake – an innovation developed by the Research and Development team at Hiram Walker & Sons Limited ("HWSL") and manufactured at the Corby Montréal plant with flakes of coconut suspended in the liquid – quickly sold out at retail.

While new flavours helped attract new consumers and drove share gains in a highly competitive market, new combinations of old favourites also caught consumer attention in 2010. A unique and innovative new packaging concept, i-bar, launched in Québec and Ontario, combining the latest technology with five leading brands from Corby's portfolio in one eye-catching package. The new packaging provides value-added content featuring a QR code to scan or a website address that will offer consumers 35 different cocktail recipes. It's one of the innovations that Corby uses to offer more to our customers and consumers.

MARKETING INNOVATION

As a means for contributing to our long-term growth potential, Corby made a strategic decision to increase investment in advertising and promotion activities for its key brands during fiscal 2011. The Corby marketing team used that investment to deliver some of the most creative and innovative campaigns in the industry.

Flagship brand Wiser's Canadian whisky continued to evolve with its wildly popular *Welcome to the Wiserhood* campaign, featuring a new TV commercial, new travelling brand ambassadors and a Wiserhood Facebook page that attracted 10,500 new fans in just 12 months.

Polar Ice vodka was repositioned during the year as "Canada's Vodka" through an innovative campaign of billboards and other signage featuring symbolic Canadian images. The brand also benefited from a new nationwide advertising campaign in partnership with Mott's Clamato juice that celebrated Canada's national cocktail, the Caesar.

Lamb's rum received a marketing makeover in 2011 with the launch of *Lamb's Nation*, an extensive retail and point-of-purchase promotional campaign that included targeted tasting events and generous prizes. The recent success of Lamb's Black Sheep spiced rum was supported with an integrated advertising campaign on television, the internet and out-of-home media that encourages consumers to think "like a Black Sheep would".

Fiscal year 2011 saw the launch of ABSOLUT ORIENT APPLE, a limited edition holiday bottle called ABSOLUT GLIMMER, as well as two large-scale national media campaigns. Canada also became the first market in the world to launch ABSOLUT ELYX, a new super-premium vodka.

Operational Excellence

Over the years, Corby's reputation as a manufacturer and marketer of quality premium spirits has depended on the manufacturing excellence and craftsmanship of our brands.

All Corby products are produced in two Canadian facilities: the Corby-owned plant in Montréal, Québec, which specializes in blending our premium Canadian whisky, liqueurs and other small batch spirits; and our manufacturing partner and affiliated company, HWSL in Windsor, Ontario, which is responsible for bottling and blending approximately 80% of all Corby products.

INTERNATIONAL STANDARDS

In 2011, both facilities delivered outstanding operational results and best-in-class performance, which is reflected in their triple ISO certification. Our Montréal facility achieved certifications to the ISO 9001 Quality standard, the ISO 18001 Health and Safety standard, and the ISO 14001 Environmental standard during the fiscal year. Montréal was able to leverage the experience and best practices from HWSL, which has maintained these same certification levels for several years. This year, HWSL also achieved ISO 22000 Food Safety standard certification.

In fiscal 2011, quality performance in both plants consistently surpassed 99% as measured by the Right First Time program, which tracks quality defects in the manufacturing process. These impressive results were achieved despite increased operational complexity created by innovation initiatives, a new business systems platform and changing customer needs.

SERVICE TO CUSTOMERS

Quality production is only the first part of our operations. Getting the products to customers on time and in the quantities they ordered is just as important for our business. In 2011, Montréal and Windsor delivered industry best-in-class service levels with on-time and in-full delivery rates in the 96.0% to 96.5% range.

This year, Corby's operations were recognized by the Liquor Control Board of Ontario ("LCBO"), our single largest customer. In awarding Corby the "Supplier of the Year" award and a "Supply Chain Partnership" award for 2010, the LCBO highlighted our commitment to excellence in forecasting and inventory planning as well as our speed and proactive approach to converting package sizes and configurations as part of an initiative to reduce the weight of cases for the health and safety benefits of LCBO employees.

Matching our operations to commercial needs is just one of the many ways that Corby brings more to the table for our customers.

Nearly

85%

of eligible Corby employees are also Corby owners through the Company's share purchase plan.

We work to ensure our brands are in the right place at the right time, at both retail and on-premise locations.

Samarie Lumsden, SUPPLY CHAIN MANAGER, ONTARIO, AND
Kim Wilke, NEW TO MARKET MANAGER, ONTARIO

I build mutually beneficial partnerships with our customers, collaborating with them to reach our consumers in the most effective ways.

Stéphane Côté
DIRECTOR OF SALES, ONTARIO

More than

96%

of Corby employees completed an engagement survey enabling us to develop comprehensive plans to meet our objective of becoming the *best place to work in Canada*.

Corporate Social Responsibility

Since the opening of Henry Corby's first distillery in Corbyville, Ontario, in 1859, Corby has recognized the importance of supporting the local community. Today, corporate social responsibility ("CSR") initiatives continue to be an important part of our connection to the community. We also recognize the global importance of doing business in a socially responsible manner, for the sake of our planet and future generations.

CSR Strategy

In fiscal 2011, we formalized our commitment to corporate social responsibility by adopting the Pernod Ricard CSR platform. Leveraging the CSR resources, expertise and best practices of our majority shareholder helps us do more for our communities, our people and our environment.

Experience has shown us that doing more is also a business advantage. Wherever appropriate, going beyond basic compliance with laws, regulations and industry practices is the foundation of Corby's CSR commitment. We define CSR as "acknowledging our impact on the environment and society and voluntarily implementing actions to improve" . This includes implementing programs to reduce negative impacts, increase current positive impacts and create new positive impacts. It means doing more of what is right and showing respect for all of our stakeholders: customers, communities, consumers, shareholders and, most importantly, our employees.

Respect for employees is at the centre of our new CSR platform and is the number one priority for all Pernod Ricard-affiliated companies. All of our social responsibility activities will involve employees, recognizing their diverse issues, ideas, cultures and communities.

Corby employees will help us succeed in four other areas of CSR focus: promoting responsible drinking, respecting the environment, sharing our cultures and promoting entrepreneurship.

In 2011, we focused primarily on responsible consumption and environmental stewardship. In the months and years ahead, we are committed to developing programs and initiatives to steadily expand our CSR activities and deliver on all four priorities.

RESPECT FOR EMPLOYEES AND COMMUNITY INVOLVEMENT

Respect for employees starts with understanding their needs, attitudes and opinions.

This year, Corby did more to understand our employees. We took our annual employee survey to the next level by conducting an engagement survey developed and administered by Towers Watson, a global leader in talent management and employee performance.

The response was unprecedented. More than 96% of Corby employees completed the survey, and the new process provided them with more opportunity to share specific comments and ideas. The survey results will provide more insights than ever before, allowing us to benchmark ourselves against Canadian companies and develop comprehensive plans to meet our objective of becoming the best place to work in Canada.

Respecting employees also means we understand what is important to them outside of their jobs. Corby encourages and supports the volunteer work and charitable efforts of our employees in their communities.

Committed to Responsibility

As part of the Company's "Responsib'ALL Day", employees were urged to make a personal commitment to one of the most pressing issues related to responsible consumption – drinking and driving.

Through cash donations, sponsorships and other means of support, Corby employees have helped to raise awareness and funds for worthy organizations and causes in their communities, including the United Way, Habitat for Humanity, the Juvenile Diabetes Research Foundation, the Canadian Cancer Society and the Cystic Fibrosis Foundation.

In fiscal 2011, we continued our major sponsor partnership with George Brown College in Toronto. The college is home to Canada's largest education facility for the hospitality industry, and Corby's support provides classroom product education in the McGuinness Liqueur Mixology laboratory and the Jacob's Creek Sommelier laboratory. These education opportunities help promote Canadian entrepreneurship by encouraging college students to excel in the hospitality industry.

PROMOTING RESPONSIBLE CONSUMPTION

As one of Canada's leading spirits and wine companies, we believe that consumers of Corby brands should be made aware of the benefits of drinking responsibly and the risks associated with excess alcohol consumption.

For the past 15 years, Corby has worked with Spirits Canada to support funding for numerous alcohol education initiatives across the country. This year, Corby also partnered directly with The Student Life Education Company and their post-secondary division, BACCHUS Canada, to develop a targeted marketing campaign to remind students of the importance of drinking responsibly. On St. Patrick's Day, a traditional day of celebration in bars and pubs, Corby and BACCHUS sent a message to students on campuses across the country: "Here's to Toasting St. Patrick without Making Yourself Green."

We also take seriously our responsibility for promoting responsible consumption in the marketing and advertising activities we implement in support of our brands. All Corby advertising and promotion includes the message "Please enjoy our products responsibly", and our strict Code for Commercial Communication requires that all marketing and promotion is targeted to consumers over the legal drinking age and adheres to policies governing messaging, imagery and content.

My role is to engage consumers and drive demand for our brands. By developing clear strategies and executing consumer activations, our brands are brought to life and inherit badge value not only for our consumers, but for Corby as well.

Rachel Kubacki
BRAND MANAGER, ONTARIO

In May 2011, every Corby employee was urged to make a personal commitment to one of the most pressing issues related to responsible consumption: putting an end to drinking and driving. As part of the Company's "Responsib'ALL Day" activities to raise employee awareness of Corby's new CSR strategy, employees wrote a personal pledge to help reduce alcohol-related driving accidents by taking responsibility for themselves and educating those around them when alcohol is present. Each pledge triggered a donation made by Pernod Ricard to organizations that work to prevent drinking and driving.

As we look to do even more to support messages of responsible consumption across Canada, all Corby employees involved in the promotion of our products will be certified in the responsible liquor service training program available in each province. The training and certification will help Corby employees understand the importance of bringing education to the table, along with Corby spirits and wines.

RESPECT FOR OUR ENVIRONMENT

Spirits manufacturing depends on the natural resources that surround us in Canada: clean, clear water; fertile farmland to grow grain; and sources of energy to run our facilities. We are committed to conducting Corby's business activities in ways that respect our environment and conserve these important natural resources.

In fiscal 2011, the Corby Montréal plant received its ISO 14001 Environmental standard certification. Montréal joins HWSL, our sister company and manufacturer of more than 80% of Corby's products, in completing the global standard audit and certification that is a critical step in reducing Corby's total carbon footprint.

Our approach to environmental responsibility considers both the direct and indirect impacts of our business activities. Because the vast majority of Corby products are blended and bottled for us by HWSL, we work closely with the Hiram Walker team to identify ways of reducing the environmental impacts of manufacturing. In fiscal 2011, a number of significant improvements were made that helped reduce the facility's carbon footprint. These efforts were rewarded in the form of a "GreenSTAR" award from the local utility provider. To further offset the environmental impact of manufacturing, HWSL arranged for more than 3,500 trees to be planted on the facility's property. The trees will contribute to cleaner air and more sustainable soil in the region.

As our manufacturing partner, HWSL's environmental initiatives contribute to Corby's goal of reducing our own carbon footprint, and we applaud their initiative.

We work to understand customer and consumer needs and to ensure our tactics reflect the market realities in British Columbia and Alberta.

Katie Stewart, PROVINCIAL MANAGER, BRITISH COLUMBIA, AND *Blair MacNeil,* REGIONAL DIRECTOR, OPEN MARKETS, BRITISH COLUMBIA AND ALBERTA

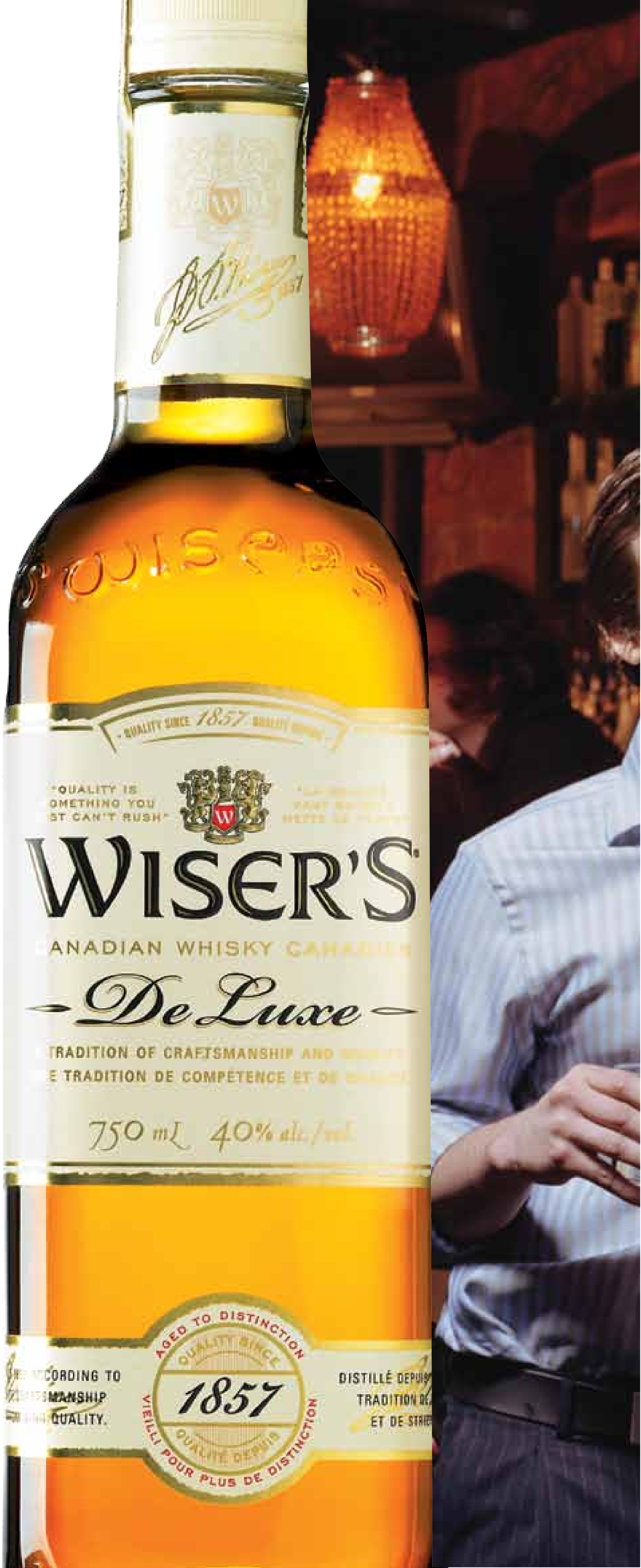
Brown Spirits

The Corby collection of brown spirits includes Canadian, Irish and Scotch whiskies as well as cognac and brandy, making up 32.4% of our spirits and 27.1% of our total portfolio. Led by our flagship brand, Wiser's Canadian whisky, brown spirits continued to gain market share in 2011 with quality, crafted premium products made with the finest ingredients.

More than

10,500

new fans were recruited by the new Wiserhood Facebook page in less than 12 months. Engagement continues to grow daily.



Wiser's Canadian Whisky

CORBY-OWNED

Wiser's Canadian whisky continued to be Canada's best-selling and number one choice for whisky, with retail sales of almost 695,000 cases this fiscal year. The Wiser's portfolio continued to outpace category growth, growing at +0.9%, while the Canadian whisky category declined at -2%. The launch of Wiser's Legacy gave the Wiser's family and the Corby sales force two more success stories in 2011, winning the prestigious award "Best Canadian Blended Whisky" from the international World Whiskies Awards, and receiving a gold medal from the Beverage Testing Institute, demonstrating Wiser's commitment to quality and craftsmanship.

Chivas Regal Scotch Whisky

AGENCY-OWNED

Following a challenging year in fiscal year 2010, Chivas returned to positive growth in many markets in fiscal year 2011. The brand ran two bursts of advertising this year, with TV, print and on-line campaigns taking place in the late fall and spring. In addition, Chivas launched a marketing campaign to target the growing South Asian community in Toronto, with numerous sponsorships and events for South Asian consumers held throughout the year.

Jameson Irish Whiskey

AGENCY-OWNED

Jameson, the number one Irish whiskey in Canada and the world, continued to grow at an outstanding pace of +22% in fiscal year 2011, reaching over 60,000 cases in volume. The brand launched its first-ever TV campaign – *Lost Barrel* – in Québec this year, resulting in particularly strong sales performance in this market. Public relations initiatives, such as a visit to the Jameson Distillery in Dublin by Canadian band Sum 41, also helped to build strong momentum in the lead-up to St. Patrick's Day.

The Glenlivet Scotch Whisky

AGENCY-OWNED

The Glenlivet family continued to grow in fiscal year 2011, with volumes reaching almost 44,000 cases. Highlights of brand initiatives this year include print, on-line and radio media activity in the fall and spring, as well as the continuation of the brand's sponsorship of the men's and women's Canadian Open golf events, which were supported with retail and on-premise programs.

Canadian

Wiser's DeLuxe
Wiser's Small Batch
Wiser's Special Blend
Wiser's *(18)*
Wiser's Legacy
Meaghers 1878
Royal Reserve
McGuinness Silk Tassel
Hiram Walker Special Old
Bonded Stock

Blended Scotch

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

Single Malt

Aberlour
(10, 12, 16, A'bunadh)
The Glenlivet
(12, 15, 16 (Nàdurra), 18, 21, XXV)
Scapa *(16)*
Longmorn *(16)*
Strathisla *(12)*

Irish

Jameson
Jameson Reserves
(12, Gold, 18, Rarest Vintage Reserve)
Redbreast
Midleton Very Rare

Cognac and Brandy

D'Eaubonne
Martell VS
Martell VSOP
Martell XO
Martell Cordon Bleu
Barclays

Chivas "Modern Chivalry" Symposium

In March 2011, Chivas hosted an exclusive Scotch tasting and modern chivalry symposium for media and VIP guests at the Thompson Hotel, Toronto. The objective of the event was to bring to life the brand messages of chivalry and honour in an intimate setting. Our Global Brand Ambassador, Ken Lindsay, hosted, offering guests the unique opportunity to sample the full Chivas range, including Chivas 12, 18 and 25 year old.

The Glenlivet Canadian Open Sponsorship

In July 2010, The Glenlivet was proud to sponsor the men's Canadian Open for the second year in a row. Activation at the event included on-course signage and advertising, hospitality and tickets and sampling at "The Glenlivet Lounge" as well as at private corporate guest suites. In total, approximately 4,000 consumers sampled The Glenlivet over a four-day period.

Launch of First-Ever Jameson TV Campaign in Canada

Jameson's first Canadian commercial, entitled *Lost Barrel*, brings to life the brand attitude through a tale about the legend of John Jameson and the passion he had for his great-tasting whiskey. The $300,000 campaign extended over a nine-week period, focusing solely on the French-speaking Québec market, and was supported with retail activity, on-premise visibility and events for trade and consumers.

22%

Jameson, the number one Irish whiskey in Canada and the world, continued to grow at an outstanding pace of +22% in fiscal year 2011.

White Spirits

Gin, vodka, rum and tequila make up Corby's white spirits collection, a compelling assortment of internationally recognized premium brands with exotic flavours and innovative packaging. White spirits make up 46.0% of our spirits and 38.4% of our total portfolio and include a range of options and price points that appeal to a wide consumer demographic.

More than

321,000

cases of Polar Ice vodka were sold in fiscal 2011, growing ahead of the vodka category.

Polar Ice Vodka

CORBY-OWNED

Polar Ice remained the best-selling Canadian vodka brand and showed significant signs of revitalization in 2011. Sales exceeded 321,000 cases, growing ahead of the vodka category. This past year marked the launch of two major new initiatives for the brand: a national retail and on-premise partnership with Mott's Clamato focusing on Canada's national cocktail, the Caesar; and the launch of the *Canada's Vodka* campaign, which was utilized in a major out-of-home campaign as well as on all new point-of-sale materials.

ABSOLUT Vodka

AGENCY-OWNED

ABSOLUT vodka is Canada's second-largest vodka and the number one premium and imported vodka. In 2011, ABSOLUT grew at a rate of 5% compared to fiscal year 2010, more than doubling the category growth. With fiscal year 2011 sales of almost 500,000 cases, Canada will become only the second country to pass this exclusive threshold early in fiscal year 2012. Strong plans are in place to ensure that 2012 will be full of new product launches, milestones and continued growth leadership within the largest spirits category in Canada.

Lamb's Rum

CORBY-OWNED

Lamb's rum is the number three rum family in Canada, with sales of more than 453,000 cases. This year, Lamb's Palm Breeze rum sales reached approximately 232,000 cases and maintained its market share position as the number two amber rum in Canada. In its largest market, Newfoundland and Labrador, Lamb's Palm Breeze remained the number one spirit with 28% total spirits market share. Lamb's Black Sheep is in its second year of launch and is continuing to experience very strong double-digit growth.

Havana Club Rum

AGENCY-OWNED

Havana Club rum, the authentic premium Cuban rum from Havana, had another impressive year in 2011, reaching the 80,000 case mark. Havana Club Añejo Reserva was the fastest growing member of the family and remains the flagship variant. The brand enjoyed increased exposure during the year with the return of the Toronto Havana Cultura festival and the launch of the first Montréal Havana Cultura festival, as well as numerous on-premise events, bartender training, and strong retail activity.

Vodka

ABSOLUT
ABSOLUT ELYX
ABSOLUT NATURALS
(BERRI AÇAÍ, APEACH, CITRON, MANDRIN, MANGO, ORIENT APPLE, PEARS, PEPPAR, RASPBERRI, RUBY RED, VANILIA, 100)
Polar Ice
Stolichnaya
Stolichnaya flavours
(Razberi, Vanil, Blueberi, Ohranj)
Stolichnaya elit
WYBOROWA
WYBOROWA Exquisite
Moskovskaya
McGuinness Red Tassel
Grand Duke

Rum

Lamb's White
Lamb's Navy
Lamb's Palm Breeze
Lamb's Black Sheep
Havana Club Añejo Blanco
Havana Club Añejo Reserva
Havana Club Dry 7 Year Old
Havana Club Selección de Maestros
Havana Club Maximo

Gin

Beefeater
Beefeater 24
De Kuyper Geneva Gin
Plymouth Gin

Tequila

Olmeca Gold
Olmeca Blanco
Olmeca Extra Aged

ABSOLUT George

The Canadian launch of ABSOLUT GLIMMER was celebrated with an exclusive event for celebrity photographer George Pimentel. The black-tie affair drew more than 300 of Canada's elite.

Canada's Vodka

Polar Ice vodka was repositioned during the year as "Canada's Vodka" through an innovative campaign of billboards and other signage featuring symbolic Canadian images.

Lamb's Nation Celebration at George Street Festival

The "Lamb's Nation" was out in full force at the 27th annual George Street Festival in St. John's, Newfoundland. This event was one of many in 2011, a year that saw an extensive retail and point-of-purchase promotional campaign for the brand.

Almost

500,000

cases of ABSOLUT shipped in 2011 – a 5% increase over previous year.

Liqueurs

Corby is Canada's home to an extensive liqueur collection, including the coconut flavoured Caribbean rum, Malibu. With more than a dozen brands and over 20 flavours – some popular and some completely unique – the liqueur portfolio is a key driver of Corby's strategy to expand our presence and visibility in bars and restaurants.

More than

118,000

cases of Malibu rum were sold in fiscal 2011.

MCGUINNESS

McGuinness Liqueurs

CORBY-OWNED

The McGuinness liqueur family is Canada's best-selling liqueur family, and the distinctive diamond-shaped bottles are a familiar sight in restaurants and bars across the country. In 2011, over 100,000 cases were sold, and its ubiquitous on-premise presence in Canada provides opportunity for other brands in the Corby portfolio to gain access to this important sales channel. The McGuinness family exceeded volume expectations, and 2012 is looking promising given the strategies that have been approved to help revitalize the portfolio.

KAHLÚA

Kahlúa Liqueur

AGENCY-OWNED

In a challenging Canadian liqueurs category, Kahlúa remained the number one coffee liqueur, selling almost 137,000 nine-litre cases in fiscal year 2011 despite a negative growth trend. The brand continued to receive strong support in multiple channels including a new advertising campaign, consumer promotions and brand activation during the key holiday season. Limited edition Kahlúa Peppermint Mocha was launched across Canada for the holidays to great success and will be repeated in fiscal year 2012.

MALIBU

Malibu Rum

AGENCY-OWNED

Malibu rum continued to face pressure during the fiscal year, driven by a challenging commercial environment. To address this, Malibu launched a special winter edition bottle, Malibu Snowflake, for the holiday season. This special edition bottle contained suspended flakes of coconut throughout the liquid. This was a great success, selling all stock for the holiday. The brand was also supported with new Malibu television and on-line advertising to help distinguish Malibu in the competitive rum category. The efforts helped contribute to the sale of over 118,000 cases in fiscal 2011.

Liqueurs

Malibu Coconut
Malibu Rum Punch
Malibu flavours
(Mango, Passion Fruit, Pineapple, Tropical Banana, Island Melon)
Kahlúa
Kahlúa Especial
Kahlúa Peppermint Mocha
Soho
Carolans Irish Cream
Carolans Light Irish Cream
Sour Puss

Ramazzotti Amaro
Ramazzotti Black Sambuca
Ramazzotti Sambuca
Ricard 45 Pastis
Pernod
Pernod Absinthe
Becherovka
Hiram Walker
(Peach Schnapps, Peppermint Schnapps)
McGuinness
(Amaretto Dell' Amorosa, Anisette, Crème De Cacao White, Crème De Menthe Green, Crème De Menthe White, Melon, Triple Sec)

Meaghers
(Crème de Menthe White, Crème de Menthe Green, Triple Sec)
De Kuyper Peachtree Schnapps
Midori
Phillips Schnapps
Tequila Rose

Ready to Drink

McGuinness Long Island Iced Tea
McGuinness Margarita Mix
McGuinness Black Russian
Kahlúa Mudslide
Kahlúa White Russian

Midori Black-Out Party

Montréal's Diable Vert hosted 550 guests at this event that achieved both trial and brand awareness. With pre-promotion that included glow-in-the-dark tickets, a menu with five different cocktails or shooters, glowing point-of-sale items and body painting, the event was a huge success, reinforcing the versatility of the brand.

Rum in the Sun

The Malibu Rum Punch pouch pack, launched in the spring, is a 1.75-litre pre-mixed cocktail in a portable, environmentally friendly pack. This convenient serving method helped drive sales for key outdoor and summer occasions.

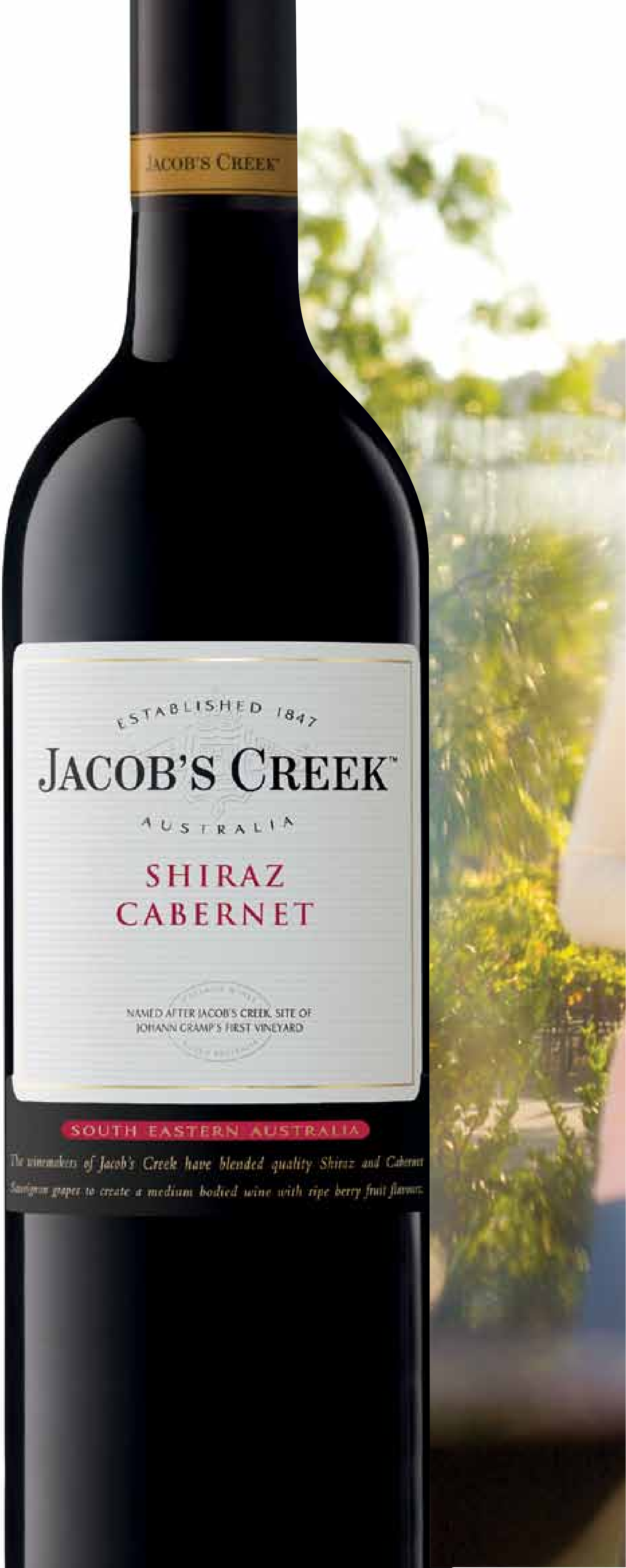
More than

20

flavours of McGuinness liqueurs, with their distinctive diamond-shaped bottles, are a familiar sight in restaurants and bars across the country.

Wines

Corby's collection of imported wines made significant distribution inroads in 2011, with more than 1,315 new retail distribution points secured across the country. With internationally recognized brands from some of the world's top wine regions, Corby's portfolio appeals to every demographic and helps us capture opportunities in this fast-growing category.



282,000

cases of Jacob's Creek were sold in fiscal 2011, outpacing the overall Australian category.

Jacob's Creek Wine

AGENCY-OWNED

Jacob's Creek sold 282,000 cases in fiscal year 2011 and grew +9.5% over the last 12 months, outpacing the overall Australian category and reinforcing the brand's position as the number four Australian wine family in Canada. Jacob's Creek has 6.5% share of the Australian category, a gain of 0.3% over last year. Other key brand highlights include Corby being awarded "Best Gift Item" by the LCBO for the Jacob's Creek four-bottle entertaining pack, and a visit by Bernard Hickin, Chief Winemaker, to the Vancouver Playhouse International Wine Festival, North America's largest and most premium wine show.

Stoneleigh Wine

AGENCY-OWNED

Stoneleigh Wines from Marlborough, New Zealand, continued to perform extremely well this year, surpassing the milestone 50,000-case mark. With sales of almost 53,000 cases and over 25% growth, the brand maintained its position as the third-largest New Zealand wine in Canada. A key success for Stoneleigh this year was the achievement of permanent listing status for the Sauvignon Blanc in Québec, a major market for New Zealand wines. Through an ongoing partnership with Random House of Canada Limited, the "Official Wine of Avid Readers" provides quarterly book recommendations for book clubs via neck tags on bottles sold across the country and via the website www.bookclubs.ca/stoneleigh.

Wyndham Estate Wine

AGENCY-OWNED

Wyndham Estate sold almost 161,000 cases in fiscal year 2011 within the context of an increasingly competitive landscape. Highlights of the last 12 months include the 2008 Bin 555 Shiraz being awarded 91 points by renowned Australian wine critic James Halliday. This accolade is featured on all bottles of Bin 555 and promotes strong visibility on retail shelves. Wyndham Estate Bin 535 Shiraz Malbec was launched in the Western Canadian provinces, and the brand saw continued success with the award-winning George Wyndham Founder's Reserve Shiraz in Ontario LCBO Vintages stores. Wyndham Estate also partnered with the Food Network's *Dinner Party Wars* chef, Corbin Tomaszeski, for a retail contest at The Keg restaurants across Canada in the fall, raising $25,000 for The Keg Spirit Foundation.

Campo Viejo Wine

AGENCY-OWNED

The Campo Viejo family continued to grow in fiscal 2011, with volumes reaching just over 13,000 cases, which is an impressive 21% growth over last year. In Ontario, the brand was supported by an exclusive one-night-only event in Toronto with Chef Carles Abellán of Spain, who created a Spanish-influenced pairing menu for top food and wine media. As part of the 2011 theme region of Spain, Campo Viejo also participated in the Vancouver Playhouse Wine Festival – North America's oldest and largest premium wine show – which helped to build strong visibility in the key market of British Columbia.

Wines

Jacob's Creek
Wyndham Estate
Stoneleigh
Brancott Estate
Campo Viejo
Etchart
Graffigna
Reál Sangria

Champagnes and Sparkling Wines

G.H. Mumm
Perrier-Jouët
Mumm Napa
Café de Paris

Aperitifs

Dubonnet
Lillet

$25,000

raised for The Keg Spirit Foundation through a retail contest at The Keg restaurants that partnered Wyndham Estate with the Food Network's *Dinner Party Wars* chef, Corbin Tomaszeski.

Read for the Cure

As the "official wine of avid readers", our Stoneleigh wine brand from New Zealand helped draw record crowds to three "Read for the Cure" events featuring discussions with favourite authors while helping to raise $100,000 in support of cancer research, including a $6,000 donation from the proceeds of Stoneleigh sales.

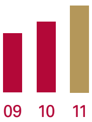
Re-launching Jacob's Creek Reserve Range

Highlights of this campaign include the launch of Jacob's Creek Barossa Riesling in Ontario and a print advertising campaign in British Columbia. The out-of-home *True Character* campaign drove brand awareness during the holiday season, delivering 170 million impressions via billboards within Toronto subway stations and throughout the city, while a holiday promotion at the Société des alcools du Québec resulted in selling close to 20,000 cases of Jacob's Creek Shiraz Cabernet in one day.

MD&A AT-A-GLANCE

$35,206

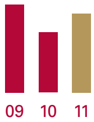
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES
(IN THOUSANDS OF CANADIAN DOLLARS)



The Company consistently delivers strong cash flows from its operating activities. Specifically, Corby's cash flow from operating activities increased by $6.6 million this year versus last, representing a year-over-year increase of over 23%.

$0.96

EARNINGS PER SHARE



The Company's earnings per share in 2011 and 2010 reflect the impact of two events involving the Seagram Coolers brand: the loss on the March 16, 2011 sale of $1.7 million (or $0.06 per share) and the non-cash impairment charge taken against its goodwill and intangibles of $9.4 million (or $0.33 per share). Excluding these two events, in a difficult economic environment, earnings per share decreased 3% in 2011 when compared with 2010.

BRAND SHIPMENT VOLUMES[1]
(9L CASES)

Wiser's Canadian whisky	776,000
Lamb's rum	549,000
Polar Ice vodka	363,000
Mixable liqueurs	207,000
Other non-key brands	511,000
Seagram Coolers (Disposed brand)	107,000

[1] *Includes both Canadian and international shipments.*

The majority of the Company's operating revenue is earned from the sale of Corby's owned-brands in the Canadian market, and to a lesser extent, in international markets. Included in this portfolio are its key brands: Wiser's Canadian whisky, Lamb's rum, Polar Ice vodka, and Corby's mixable liqueur brands. Corby's key brands accounted for 75% of Corby's shipment volumes in 2011.

This MD&A at-a-glance highlights some of the more significant information found in the management's discussion and analysis, which follows on page 21. It is not intended to provide a complete summary of Corby's strategies, business environment or performance.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

The following Management's Discussion and Analysis ("MD&A") dated August 24, 2011, should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended June 30, 2011, prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

This MD&A contains forward-looking statements, including statements concerning possible or assumed future results of operations of Corby Distilleries Limited ("Corby" or the "Company"). 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, uncertainties and assumptions, including, but not limited to: the impact of competition; 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. Additional factors are noted elsewhere in 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 August 24, 2011. 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 2011 (three months ended June 30, 2011) are against results for the fourth quarter of fiscal 2010 (three months ended June 30, 2010). All dollar amounts are in Canadian dollars unless otherwise stated.

Business Overview

Corby is a leading Canadian manufacturer and 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 "CDL.A" (Voting Class A Common Shares) and "CDL.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 as well as earning commission income from the representation of selected non-owned brands in the Canadian marketplace. Revenue from Corby's owned-brands is denoted as "Sales" on the consolidated statements of earnings and while it predominantly consists of sales made to each of the provincial liquor boards in Canada, it also includes sales to international markets. Commission income earned from the representation of non-owned brands is denoted as "Commissions" on the consolidated statements of earnings.

Corby's portfolio of owned-brands includes some of the most renowned brands in Canada, including 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, Wyndham Estate, and Graffigna 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.

The Company sources more than 80% of its spirits production requirements from HWSL at its production facilities in Windsor, Ontario, with the balance of Corby's spirits production being sourced from the Company's owned-plant in Montréal, Québec.

In September 2006, PR and Corby agreed upon terms for the continuation of production of Corby's owned-brands by PR at HWSL's production facility in Windsor, Ontario, for the next 10 years, expiring September 2016. Corby and PR further agreed that Corby will manage PR's business interests in Canada, including HWSL's production facility, during that same 10-year period.

In most provinces, Corby's route to market in Canada entails shipping its products to government-controlled liquor boards ("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 who 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 both in volume (measured in nine-litre-case equivalents) and in retail value (measured in Canadian dollars).

Corby's route to market for its international business primarily entails direct shipment of its products to international distributors, located mainly in the US and UK markets. International sales typically account for less than 10% of Corby's total annual sales. Distributors sell to various local wholesalers and retailers who in turn sell directly to the consumer. Reliable consumer purchase data is not readily available for these international markets and is, therefore, not discussed in this MD&A.

Corby's operations are subject to seasonal fluctuations: sales are typically strong in the first and second quarters due to increased purchases by consumers during the retail holiday season, 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.

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 moving forward.

Management believes that having a focused brand prioritization strategy will permit it 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 resources allocation. Over the long term, management believes that effective execution of its strategy will result in value creation for shareholders.

In addition, management is convinced that innovation is key to seizing new profit and growth opportunities. Successful innovation can be delivered through a structured and efficient process as well as consistent investment on consumer insight and research and development ("R&D"). As far as R&D is concerned, the Company benefits from access to leading-edge practices at PR's North American hub, which is located in Windsor, Ontario.

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. The Company stresses its core values throughout its organization, including those of value creation, social responsibility, tradition, substance over style, and character above all.

Current Market Environment

While there is evidence that a recovery in the Canadian economy is currently underway, not all indicators, including employment rates and consumer confidence, are recovering at the same pace, and it appears that the recovery remains fragile. As well, the Canadian market is strongly influenced by events in the US, which have recently added a significant level of uncertainty. The Canadian dollar, while continuing to be strong, has shown volatility, and employment rates in Canada remain a concern. In addition, consumer confidence (based on the "Consumer Confidence Index", as reported by the Conference Board of Canada) has fallen in recent months.

Furthermore, while a strong Canadian dollar may benefit some parts of the economy, it tends to negatively affect the export-driven manufacturing sector, which is a key pillar of Ontario's economy and one of Corby's largest markets. Given these facts, there remains substantial uncertainty regarding the strength of economic growth in Canada in the months ahead.

The Company has a strong financial position, which has allowed it to better face the economic uncertainty. Of particular consideration are the following factors:

- Corby is a leader in the Canadian spirits market and has a long history of profitability and uninterrupted dividends;
- The Company has an exceptionally diverse and strong brand portfolio, which is well positioned to meet consumer tastes across spirit categories at a wide range of price points;
- Corby's largest customers are government-controlled LBs in each province, which greatly reduces the risk associated with the collection of accounts receivable;
- Corby has no long-term debt and, therefore, no financial or other covenants; and
- The Company has significant sources of liquidity via its $96.6 million currently on deposit in cash management pools with PR's other Canadian affiliates.

Moreover, the spirits business in Canada has, historically, been less affected by economic slowdowns than other consumer and manufacturing businesses. However, no business is completely immune to a slowdown in the economy. As a result, Corby closely monitors its exposure to the following potential risks, which could impact future profitability and cash flows, so it can be in a position to proactively respond should any of the following materialize:

- Long-term decline in the level of spirits consumption by consumers;
- Deterioration of the financial health of key suppliers;
- Impairment of goodwill and intangible assets; and
- Higher pension funding requirements.

Corby's financial results in recent quarters have been unfavourably impacted by a short-term decline in consumer demand, and by an impairment charge recorded during the second quarter ended December 31, 2009, against its goodwill and intangible assets values. The other factors noted in the list above have not had a measurable impact on the Company. Management will continue to closely monitor the ongoing economic environment and take proactive measures, as necessary.

Significant Event

CORBY SELLS SEAGRAM COOLERS EFFECTIVE MARCH 16, 2011

On March 16, 2011, Corby entered into an agreement with Brick Brewing Co. Limited ("Brick") whereby Brick purchased from Corby the Canadian rights to the Seagram Coolers brand for a purchase price of $7.3 million, plus the value of inventory on hand (the "Inventory Value"). The purchase price was satisfied by a $4.9 million cash payment on closing and a secured promissory note issued by Brick in favour of Corby for the remaining balance, which will be paid over the next four years with 5% interest per annum. The Inventory Value of $1.4 million will be paid by Brick to Corby one year after the closing date of the transaction. Payment for the inventory is secured by an insurance policy issued in favour of the Company and payable in the event of a default by or insolvency of Brick, subject to the terms and conditions of the policy. The transaction resulted in a net loss on sale of $1.7 million for the Company.

The Seagram Coolers business in Canada was acquired by Corby on September 29, 2006. The brand had initially been quite successful and achieved the internal goals and objectives management had set for it. However, over the past several years, the brand underperformed relative to its competitive set due to aggressive competition from both category leaders as well as new entrants in adjacent categories. Although the Seagram Coolers brand had recently been the focus of a brand rejuvenation plan, the sale of the brand allows Corby to focus resources on the long-term growth of its core portfolio of premium spirits and wines.

For the year ended June 30, 2010 (the last full year Seagram Coolers was owned by Corby), the brand contributed $0.7 million to net earnings on sales of $5.3 million. For the current fiscal year, up to March 16, 2011, the date of sale, the brand contributed $0.2 million to net earnings on $2.3 million of sales. Throughout this MD&A, when the discussion adds clarity for readers, the impact of Seagram Coolers on current year and prior year results has been considered.

Non-GAAP Financial Measure

Corby defines "Earnings from Operations" as earnings before impairment, interest income, foreign exchange, gains or losses on disposal of assets, and income taxes. This non-GAAP financial measure has been included in this MD&A, as management believes it is useful in measuring the Company's operating performance.

However, Earnings from Operations is not a measure recognized by GAAP and it does not have a standardized meaning prescribed by GAAP. Therefore, Earnings from Operations may not be comparable to similar measures presented by other issuers. Investors are cautioned that Earnings from Operations should not be construed as an alternative to net earnings, as determined in accordance with GAAP, as an indicator of performance. A reconciliation of Earnings from Operations to net earnings can be found in the "Financial and Operating Results" section of this MD&A.

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 Canadian GAAP.

(in millions of Canadian dollars, except per share amounts)	**2011**	2010	2009
Operating revenue	**$ 158.8**	$ 162.2	$ 169.3
Earnings from operations	**40.0**	43.0	43.4
– Earnings from operations per common share	**1.40**	1.51	1.52
Net earnings	**27.4**	20.7	30.4
– Basic earnings per share	**0.96**	0.73	1.07
– Diluted earnings per share	**0.96**	0.73	1.07
Net earnings excluding unusual items(1)	**29.2**	30.1	30.4
– Basic earnings per share, excluding unusual items(1)	**1.02**	1.06	1.07
– Diluted earnings per share, excluding unusual items(1)	**1.02**	1.06	1.07
Total assets	**283.9**	271.2	270.2
Total liabilities	**31.5**	30.3	33.9
Dividends paid per share	**0.56**	0.56	0.56

(1) *Net earnings have been adjusted for the net after-tax loss on the sale of Seagram Coolers of $1.7 million in 2011 and the net after-tax impairment charge recognized in 2010 of $9.4 million.*

In fiscal 2009, Corby began to experience the impact of a global economic recession, which has held back economic growth in Canada over the three-year period. Difficult conditions continued in 2011, dampening consumer discretionary spending, and ultimately impacting Corby's financial results both in Canada and its international markets. Operating revenue since 2009 has decreased 6% or $10.5 million. Significant impacts to top-line performance can be partially attributed to the decline, and eventual sale, of the Seagram Coolers brand. Revenues for this brand declined $5.5 million from 2009. As well, challenges experienced internationally as the Canadian dollar continued to strengthen relative to the US dollar ("USD") and UK pound sterling ("GBP") have impacted sales in these markets by 27% over the three-year period. These trends have been partially offset by improved product mix and increases in average selling prices.

Excluding the impact of the aforementioned sale of Seagram Coolers and the impairment charge in 2010, net earnings over the past three years have been fairly resilient in light of the difficult economic conditions and related drop in consumer confidence. In 2010, the Company became subject to a higher rate of excise tax on its Canadian whisky brands as a result of legislation passed by the federal government. It is estimated that this change in excise duty rates impacted net earnings by 2.5%; this impact carries through in 2011. It is also important to note that, throughout these economically challenging years, Corby has continued to invest in the long-term success of its brands by increasing its advertising and promotional expenditures in each of the last three years. As well, the Company has continued to strengthen its balance sheet, as net equity increased by $16.1 million since 2009, while dividend levels have been maintained at $0.56 per share, which is consistent with Corby's dividend policy.

Brand Performance Review

Corby's portfolio of owned-brands accounts for more than 80% of the Company's total year-to-date operating revenue. Included in this portfolio are its key brands: 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 SALES VALUE PERFORMANCE

The following chart summarizes the performance of Corby's owned-brands in terms of both shipment volume (as measured by shipments to customers in equivalent nine-litre cases) and shipment value (as measured by the change in sales revenue). The chart includes results for sales in both Canada and international markets. Specifically, the Wiser's, Lamb's and Polar Ice brands are also sold to international markets, particularly in the US and UK. International sales typically account for less than 10% of Corby's total annual sales.

Brand Performance Chart – Includes Both Canadian and International Shipments

	Three Months Ended				Year Ended			
Volumes *(in 000's of 9L cases)*	**June 30, 2011**	June 30, 2010	Shipment % Volume Change	Shipment % Value Change	**June 30, 2011**	June 30, 2010	Shipment % Volume Change	Shipment % Value Change
Brand								
Wiser's Canadian whisky	**204**	208	(2)%	0%	**776**	780	(1)%	1%
Lamb's rum	**114**	138	(17)%	(14)%	**549**	599	(8)%	(6)%
Polar Ice vodka	**95**	100	(5)%	(4)%	**363**	367	(1)%	2%
Mixable liqueurs	**49**	51	(4)%	(3)%	**207**	211	(2)%	(1)%
Total key brands	**462**	497	(7)%	(5)%	**1,895**	1,957	(3)%	(1)%
All other Corby-owned brands excluding Seagram Coolers[1]	**124**	134	(7)%	(7)%	**511**	536	(5)%	(2)%
Total excluding Seagram Coolers	**586**	631	(7)%	(5)%	**2,406**	2,493	(3)%	(1)%
Seagram Coolers[1]	**–**	88	(100)%	(100)%	**107**	237	(55)%	(58)%
Total	**586**	719	(18)%	(11)%	**2,513**	2,730	(8)%	(4)%

[1] *The Seagram Coolers brand was sold March 16, 2011.*

As previously discussed in the "Strategies and Outlook" section of this MD&A, the Company has implemented a brand prioritization strategy that requires focused investments in key brands and in key markets, with the long-term objective of maximizing value growth. This strategy is designed to leverage the long-term growth potential of Corby's key brands. Note that the chart above segregates the Seagram Coolers brand from the other Corby-owned brands, as it was disposed of on March 16, 2011. For further information regarding the sale of this brand, please refer to the "Significant Event" section of this MD&A.

Throughout 2011, the Canadian economy continued to show mixed indicators across the provinces, with unemployment still a concern and hampering consumer demand. In addition to the overall market conditions, competition for market share has seen key competitors become increasingly aggressive, particularly as it relates to pricing strategies and discounting. The overall spirits market in Canada showed a 1% year-over-year growth in retail volume and 2% growth in value with softer-than-expected recoveries in certain markets. Most notably, the spirits market in British Columbia ("BC") struggled, resulting in declines in volume and value of 3% and 2% this year, when compared to last year.

Corby's performance in Canada (excluding Seagram Coolers) reflects the uncertainty in the market. Despite the decrease in shipment volume (a decrease of 3%, excluding Seagram Coolers), Corby's shipment value remained consistent with last year, which is primarily the result of having positive movements in both product and geographical mix, in addition to increases in average selling prices in several Canadian provinces, including key markets such as Ontario.

Partially explaining the difference in performance between Corby products and the Canadian spirits industry is that Corby is heavily weighted in the Canadian whisky and white rum segments, which continue to experience declines in consumer purchases. Throughout Canada, these spirit categories delivered a lacklustre volume performance, decreasing 2% and 4%, respectively, when comparing market volumes year over year. Despite these market conditions, Wiser's continued to outperform its category with a 1% increase in retail volumes and 2% increase in retail value compared to the prior year. Meanwhile, the Lamb's overall brand performance was assisted by the growth of Lamb's spiced variant (named Lamb's Black Sheep), which showed promising results in only its second year since being introduced.

Shipment volumes in the fourth quarter were down considerably when compared with the same quarter last year. The same challenges impacting annual results combined with reduced inventory levels by certain key customers were the primary reasons for this decline. The Company's Lamb's rum brand was especially impacted by adjustments to customers' inventory levels this quarter.

International shipment volume and value decreased 17% and 21%, respectively, when compared with the prior year. Difficult economic conditions in the UK, along with a saturated vodka market in the US, have contributed to the volume decline. Volumes in the UK market were further impacted by an inventory level reduction, planned as part of the Company's decision to relocate its production of Lamb's international products to the UK in early fiscal 2012. Further information regarding this decision has been provided in the "Financial and Operating Results" section of this MD&A. In addition to the aforementioned factors impacting volumes, Corby's international sales have also been unfavourably affected by the strengthening of the Canadian dollar relative to the USD and GBP. Fourth-quarter international sales were impacted by these same factors.

RETAIL VOLUME AND RETAIL VALUE 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 regards to consumers' current purchase patterns and trends. Retail sales data, as provided by the ACD, is set out in the following chart and is discussed throughout this MD&A. It should be noted that the retail sales information presented does not include international retail sales of Corby-owned brands, as this information is not readily available. International sales typically account for less than 10% of Corby's total annual sales.

Retail Sales for the Canadian Market Only [1]

Volumes *(in 000's of 9L cases)*	Three Months Ended				Year Ended			
	June 30, 2011	June 30, 2010	% Retail Volume Change	% Retail Value Change	**June 30, 2011**	June 30, 2010	% Retail Volume Change	% Retail Value Change
Brand								
Wiser's Canadian whisky	**157**	151	4%	3%	**695**	689	1%	2%
Lamb's rum	**102**	108	(5)%	(4)%	**455**	471	(3)%	(2)%
Polar Ice vodka	**74**	70	5%	5%	**321**	308	4%	4%
Mixable liqueurs	**43**	44	(1)%	(3)%	**209**	211	(1)%	0%
Total key brands	**376**	373	1%	1%	**1,680**	1,679	0%	1%
All other Corby-owned brands excluding Seagram Coolers[2]	**114**	120	(5)%	(5)%	**488**	509	(4)%	(3)%
Total excluding Seagram Coolers	**490**	493	0%	(1)%	**2,168**	2,188	(1)%	0%
Seagram Coolers[2]	**–**	66	n/a	n/a	**137**	265	(48)%	(49)%
Total	**490**	559	(12)%	(3)%	**2,305**	2,453	(6)%	(1)%

(1) *Refers to sales at the retail store level in Canada, as provided by the Association of Canadian Distillers.*
(2) *The Seagram Coolers brand was sold March 16, 2011.*

While ongoing uncertainty exists, the Canadian spirits market is showing some modest signs of recovery, as retail volumes increased 1% with retail value gaining 2% on a year-over-year comparison basis. As previously noted, the relative performance of Corby's owned-brands against the Canadian spirits industry as a whole is largely attributable to the fact that Corby's brands are over-weighted in the Canadian whisky and white rum categories, which continue to trend below that of other categories. In addition, Corby's brands are especially well represented in the BC market, which continues to underperform relative to other provincial markets with its total spirit retail volumes decreasing 3% on a year-over-year comparison basis. The Canadian whisky and white rum categories in Canada have retail volumes showing declining trends of 2% and 4%, respectively, compared to 2010. Corby's key brands in these categories (i.e., Wiser's Canadian whisky and Lamb's rum) are outperforming their categories at the retail level on an annual basis; nonetheless, they are impacted by overall consumer trends in Canada.

As a result, management has responded with increased dedication to innovation, utilizing PR's North American research and development team to create Lamb's Black Sheep, a spiced rum variant of Corby's popular Lamb's rum brand family, in an effort to diversify its rum portfolio and tap into a growing spiced rum segment. Furthermore, the Company has significantly increased its investment levels behind key brands and in key markets (especially Western Canada). With increased levels of advertising and promotional support this year, management continues to focus the Company's resources on the long-term growth of its key brands.

SUMMARY OF CORBY'S KEY BRANDS

Wiser's Canadian Whisky

Corby's flagship brand, Wiser's Canadian whisky, experienced retail volume growth of 1%, while the Canadian whisky category as a whole declined by 2% when measured on a year-over-year basis. The brand has continued to gain market share from both a volume and value perspective, at the expense of its direct competitors in Canada. The Company continued to build upon the brand's popular *Welcome to the Wiserhood* television campaign with new television commercials and a social media campaign in addition to its continued involvement with sport sponsorships.

Lamb's Rum
Lamb's rum, one of the top-selling rum families in Canada, saw its retail volumes decrease by 3% this year versus last year, while retail volumes for the rum segment in Canada increased 2%. The growth in the rum segment has been entirely driven by growth in the spiced and dark rum categories, while consumer consumption of white rum has been experiencing declines (4% year over year). As the Lamb's rum family has a significant amount of its volume weighted in white rum, its performance is reflective of the decline in this category.

The Company has responded with the creation of a Lamb's spiced rum variant across Canada (named Lamb's Black Sheep) as Corby looks to capitalize on the growing consumer demand in the spiced rum segment. The product was launched in fiscal 2010, and while it's still in the early stages of its life cycle, initial results and indicators continue to be positive, with strong growth being experienced in key markets. Moreover, the brand's development was supported by a new media campaign in the second and third quarters of fiscal 2011, in an effort to solidify the brand's position in the market and support future long-term growth.

Polar Ice Vodka
Polar Ice vodka, which is among the top three largest vodka brands in Canada, experienced 4% growth in retail volume and value for the year, with volumes outpacing its category in Canada. The vodka category in Canada experienced an increase in retail value of 4%, while retail volumes increased 2% over last year. Polar Ice vodka's performance this year represents a dramatic turnaround from that experienced last year, when retail volumes were trending at -4%. Aggressive investment in key markets supported with an outdoor *Canada's Vodka* media campaign were key reasons that consumers re-engaged with the brand. However, Polar Ice continues to face aggressive competition across most major markets, mainly in the form of price discounting by key competitors and difficult market conditions in BC, where volumes in the vodka category are trending at -3% on a year-over-year comparison basis.

Mixable Liqueurs
Corby's portfolio of mixable liqueur brands consists of McGuinness liqueurs (which is Canada's largest mixable liqueur brand family), Meaghers liqueurs and De Kuyper liqueurs. Retail value for Corby's mixable liqueurs portfolio was flat, with retail volume declining 1% on a year-to-date comparison basis. The Canadian liqueur category, as a whole, was flat in both retail volumes and retail value on a year-over-year comparison basis. This year's performance represents a significant improvement from trends experienced a year ago, when retail volumes in this category were trending at -4%. The liqueur segment is most affected by changes in consumer spending, particularly as it relates to consumption at licensed establishments, such as bars and restaurants.

All Other Corby-Owned Brands
This group includes various Corby brands, such as Royal Reserve and Silk Tassel Canadian whiskies and Red Tassel vodka. The group experienced a decline in retail value and volume on a year-to-date comparative basis of 3% and 4%, respectively. Given the relative weighting of this group of brands to the Canadian whisky category, and their relative weighting to the BC market, these trends are relatively consistent with market results.

Seagram Coolers
As previously noted in the "Significant Event" section of this MD&A, the Company sold the Seagram Coolers brand effective March 16, 2011. From the beginning of the fiscal year to the date of sale, the performance of this brand (retail volumes decreased 32%, retail value decreased 34%) was also adversely impacted by a poorly performing category. However, prior to the sale, the brand had been further impacted by a deliberate reduction made to its base number of products in an effort to focus the brand's core product lines and core markets, as originally contemplated in a comprehensive plan to rejuvenate the brand.

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, 2011 and 2010:

(in millions of Canadian dollars, except per share amounts)	**2011**	2010	$ Change	% Change
Sales	**$ 143.5**	$ 147.0	$ (3.5)	(2)%
Commissions	**15.3**	15.2	0.1	1%
Operating revenue	**158.8**	162.2	(3.4)	(2)%
Cost of sales	**71.3**	73.1	(1.8)	(2)%
Marketing, sales and administration	**45.8**	44.4	1.4	3%
Amortization	**1.7**	1.7	–	0%
Operating costs	**118.8**	119.2	(0.4)	0%
Earnings from operations	**40.0**	43.0	(3.0)	(7)%
Loss on sale of Seagram Coolers	**(2.2)**	–	(2.2)	n/a
Impairment charge	**–**	(11.5)	11.5	n/a
Interest income	**1.3**	0.5	0.8	160%
Foreign exchange loss	**(0.1)**	(0.6)	0.5	(83)%
Gain on disposal of capital assets	**(0.1)**	0.1	(0.2)	(200)%
Other income and expenses	**(1.1)**	(11.5)	10.4	(90)%
Earnings before income taxes	**38.9**	31.5	7.4	23%
Income taxes	**11.5**	10.8	0.7	6%
Net earnings	**$ 27.4**	$ 20.7	$ 6.7	32%
Per common share				
– Basic net earnings	**$ 0.96**	$ 0.73	$ 0.23	32%
– Diluted net earnings	**$ 0.96**	$ 0.73	$ 0.23	32%

OVERALL FINANCIAL RESULTS

Overall financial results have been significantly impacted in 2011 and 2010 by two events involving the Seagram Coolers brand. Financial results for 2011 include a loss recognized on the sale of Seagram Coolers in the amount of $2.2 million (after tax, $1.7 million), while 2010 includes an impairment charge on the brand of $11.5 million (after tax, $9.4 million).

Excluding the impact of the aforementioned events involving Seagram Coolers, Corby's net earnings and earnings per share declined 3% on a year-over-year comparison basis. The earnings decline is due to increased advertising and promotional spending being strategically invested behind the Company's key brands. In addition, favourable movements in product mix, general increases in selling prices, and reductions in the cost of certain production inputs were offset by volume declines in international markets and BC.

The decreased sales in BC have been felt by the spirits industry as a whole, as total spirit retail volumes decreased 3% this year. Lacklustre economic conditions combined with the effect of lapping the 2010 Winter Olympics have been identified as the most likely reasons for the industry-wide spirits decline in this province.

Corby's international business also experienced difficulties as its primary foreign markets (i.e., the US and the UK) continue to recover from the effects of the global recession. More specifically, economic conditions in these countries have not only weakened consumer demand and intensified competition for market share, but have also weakened their respective currencies relative to the Canadian dollar, thus adding further downward pressure on sales.

OPERATING REVENUE

Operating revenue, consisting of sales and commissions, decreased 2% when compared with last year. Sales revenue represents revenue earned from the sale of Corby-owned brands, while commissions are earned from the representation of PR brands in the Canadian market and, to a lesser extent, through the representation of a select number of Agency brands.

Sales revenue declined by $3.5 million, or 2%, when compared with last year. The decrease was primarily volume driven as total shipments were down 8%, which includes the impact of the Seagram Coolers brand being sold on March 16, 2011. (No shipments are included in results after this date.) Prior to being sold, the Seagram Coolers brand saw shipments decline almost 30%, having been significantly impacted by a poor-performing category. In addition, management rationalized the brand's base number of products in an effort to focus the brand's core product lines and core markets.

Excluding the aforementioned impacts of the Seagram Coolers brand, the Company's sales were consistent with that of the prior year in spite of shipment volumes declining 3% on a year-over-year comparison basis. Shipment volumes were mainly impacted by Corby's performance in international markets (primarily the US and UK), while domestic volumes were mostly impacted by difficult market conditions existing in BC. More than offsetting the impact of reduced volumes were growth in the Company's contract bottling business and the favourable effects of increases in average selling prices combined with positive changes in product and geographical mix.

Shipment volume decreases experienced in the US market were primarily the result of the Company's Polar Ice vodka brand facing increased competition in what is considered to be a saturated vodka market. Shipments of the Company's Lamb's rum brand in the UK reduced sharply this year versus last; however, the decline was primarily due to an inventory level reduction, planned as part of the Company's decision to relocate its production of Lamb's international products to the UK in early fiscal 2012. The decision to relocate Lamb's international production from Canada to the UK has many advantages: specifically, it reduces costs, improves hedging of exposure to foreign currency fluctuations and provides the Company's distributor (and now also the contract bottler) with more incentive to promote and grow the brand over the long term in markets outside North America. In addition to the aforementioned volume impacts, Corby's international sales were also unfavourably impacted by the strengthening of the Canadian dollar relative to the USD and GBP.

Domestically, the province of BC struggled, as the entire spirits industry declined more than 3% in that province, while Canada as a whole experienced 1% growth in retail volumes. Corby's products are especially well represented in BC, and therefore the decline had a significant impact on the Company's total volume performance year over year. Also impacting Corby's domestic shipments this year was the overall consumer trend away from the Canadian whisky and white rum categories. More specifically, retail purchase information shows volumes in these categories were down 2% and 4%, respectively. Corby has a significant amount of its total volumes weighted in these categories.

The following table highlights the primary components that comprise commissions, and shows a relatively consistent performance year over year:

(in millions of Canadian dollars)	**2011**	2010	$ Change	% Change
Commission from PR brands	**$ 16.7**	$ 16.4	$ 0.3	2%
Commission from Agency brands	**3.1**	3.4	(0.3)	(9)%
Amortization of representation rights	**(4.5)**	(4.6)	0.1	(2)%
Commissions	**$ 15.3**	$ 15.2	$ 0.1	1%

COST OF SALES

Cost of sales was $71.3 million, representing a decrease of 2% since last year. This change is commensurate with the change in sales on a year-over-year basis. Gross margin was 50.3% this year, consistent with 2010. Offsetting the impact of lower production volumes was the effect of having an improved product mix (lower sales in the US and of Seagram Coolers, which both have lower gross margins than the domestic spirits business has) along with increased average selling prices in certain Canadian provinces. Negatively impacting margins were the increased costs associated with promotional activity at the retail level, some of which are classified net of sales. This was partially offset by favourable price movements on certain of the Company's production inputs, some of which are procured from US-based suppliers.

MARKETING, SALES AND ADMINISTRATION

Marketing, sales and administration expenses were $45.8 million, as compared to $44.4 million during the prior year, reflecting a 3% increase. This increase relates to sales and administrative cost increases, specifically increased headcount-related costs and costs related to the Company's employee future benefit plans, which were unfavourably impacted by market-driven changes in discount rates used to value the Company's accrued benefit obligations. Discount rates are directly impacted by changes in the long-term yields earned on high-quality bonds in Canada.

OTHER INCOME AND EXPENSES

Other income and expenses were primarily impacted by two events related to the Seagram Coolers brand, occurring both this year and last. More specifically, current-year results include the impact of the Company's decision to sell the Seagram Coolers brand, while results in the prior year included an impairment charge against this brand's associated assets. For further information regarding the sale of the Seagram Coolers brand, please refer to the "Significant Event" section of this MD&A.

INCOME TAXES

Income tax expense is consistent with statutory tax rates for the year. The prior year was significantly impacted by changes to substantively enacted tax rates in Ontario and an impairment charge taken against the Seagram Coolers brand, as denoted in the chart below.

	2011	2010
Combined basic Federal and Provincial tax rates	**29%**	31%
Impact of impairment charge	**0%**	5%
Impact of substantively enacted rate decreases in Ontario	**0%**	(2)%
	29%	34%

Liquidity and Capital Resources

Corby's sources of liquidity are its deposits in cash management pools of $96.6 million as at June 30, 2011, and its cash generated from operating activities. Corby's total contractual maturities are represented by its accounts payable and accrued liabilities and income and other taxes payable balances, which totalled $19.6 million as at June 30, 2011, and are all due to be paid within one year.

The Company also has funding obligations related to its employee future benefit plans, which include defined benefit pension plans. As at June 30, 2011, certain of the Company's defined benefit pension plans were in a deficit position. Of those plans in a funded deficit position, the unfunded accrued benefit obligation totalled $5.5 million.

The Company has identified the area of employee future benefits as a critical accounting estimate in that accounting policies related to this area include various assumptions that incorporate a high degree of judgment and complexity. These assumptions may change in the future and may have a material impact on the accrued benefit obligations of the Company and the cost of these plans, which is reflected in the Company's consolidated statements of earnings. In addition, the actual rate of return on plan assets and changes in interest rates could result in changes in the Company's funding requirements for its defined benefit pension plans.

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. Nonetheless, pension fund assets are not immune to market fluctuations and, as a result, the Company may be required to make additional cash contributions in the future. For more information regarding Corby's employee future benefit plans, please refer to Note 8 to the consolidated financial statements.

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

(in millions of Canadian dollars)	**2011**	2010	Change
Operating activities			
Net earnings, adjusted for non-cash items	**$ 35.6**	$ 36.5	$ (0.9)
Net change in non-cash working capital	**(0.4)**	(7.9)	7.5
	35.2	28.6	6.6
Investing activities			
Additions to capital assets	**(2.3)**	(2.4)	0.1
Proceeds from disposition of capital assets	**0.1**	–	0.1
Proceeds from sale of Seagram Coolers	**4.9**	–	4.9
Proceeds on account of PR brand disposals	**–**	1.7	(1.7)
Deposits in cash management pools	**(22.0)**	(12.0)	(10.0)
	(19.3)	(12.7)	(6.6)
Financing activities			
Dividends paid	**(15.9)**	(15.9)	–
Net change in cash	**$ –**	$ –	$ –

OPERATING ACTIVITIES

Cash flows from operating activities were $35.2 million this year, representing an increase of $6.6 million when compared with last year. Net earnings, adjusted for non-cash items, decreased $0.9 million this year versus last, which is primarily attributable to having reduced shipment volumes. The year-over-year change in non-cash working capital generated $7.5 million in operating cash, which is primarily due to the Company having made investments in its maturing inventories and accounts payable balances (related to advertising and promotional activity) in the prior year. In addition, the Company increased its investment in accounts receivable this year, largely due to the terms of its sale of the Seagram Coolers brand, as it was agreed to defer collection of the inventory value transferred for one year. (Further information regarding the sale of the Seagram Coolers brand is provided in the "Significant Event" section of this MD&A.)

INVESTING ACTIVITIES

Corby used $19.3 million of its cash for investing activities, an increase of $6.6 million over the prior year. This was primarily due to the Company having deposited a net $10.0 million more in cash management pools this year versus last. The increase in deposits is directly attributable to the increased cash flow provided by operating activities and cash proceeds of $4.9 million received on the sale of Seagram Coolers. Cash used to acquire capital assets was consistent with that of the prior year. In 2010, cash flows from investing activities also included early termination fees from PR, due to their decision to dispose of certain brands covered by the long-term representation rights agreement signed in 2006.

Deposits made to cash management pools represent cash on deposit with The Bank of Nova Scotia 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 balances contained within. 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 reflects regular dividends being paid to shareholders and totalled $15.9 million, or $0.56 per share, which is equal to the amount of dividends paid last year. The amount of dividends paid is in accordance with the Company's stated dividend policy. For further information regarding the Company's dividend policy, please refer to Note 20 to the consolidated financial statements.

Outstanding Share Data

As at August 24, 2011, 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, 2011:

	Payments During 2012	Payments Due in 2013 and 2014	Payments Due in 2015 and 2016	Payments Due After 2016	Obligations With No Fixed Maturity	Total
Operating lease obligations	$ 1.6	$ 2.5	$ 1.6	$ 1.5	$ –	$ 7.2
Employee future benefits	–	–	–	–	15.4	15.4
	$ 1.6	$ 2.5	$ 1.6	$ 1.5	$ 15.4	$ 22.6

Operating lease obligations represent future minimum payments under long-term operating leases for premises and office equipment as at June 30, 2011. Employee future benefits represent the Company's unfunded pension and other post-retirement benefit plan obligations as at June 30, 2011. For further information regarding Corby's employee future benefit plans, please refer to Note 8 to the consolidated financial statements.

Related Party Transactions

TRANSACTIONS IN THE NORMAL COURSE OF OPERATIONS

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 sub-contracts 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 is also outsourced to its parent company.

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 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.

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 expiring October 1, 2013. These brands were acquired by PR subsequent to the original representation rights agreement dated September 29, 2006.

All of the above-noted transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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 The Bank of Nova Scotia. 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 August 24, 2011, as published by Standard & Poor's and Moody's, was BB+ and Ba1, 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 LIBOR rate 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.

OTHER CONTRACTUAL OBLIGATIONS

As part of the agreement with PR signed on September 26, 2008, Corby agreed to parameters governing certain of its obligations and continuing business practices. Specifically, Corby agreed that it would continue to participate in the existing cash pooling arrangement (i.e., the Mirror Netting Service Agreement) for a three-year period ending October 1, 2011. Corby further agreed that, barring any unanticipated developments, until October 1, 2011, regular dividends will be paid quarterly, on the basis of an annual amount equal to the greater of 50% of net earnings per share in the preceding fiscal year ended June 30 and $0.56 per share. In addition, it was agreed that Corby would not declare any special dividends, repurchase shares or make acquisitions or capital investments outside the normal course of business until October 1, 2011, without PR's prior approval.

Results of Operations – Fourth Quarter of Fiscal 2011

The following table presents a summary of certain selected consolidated financial information for the Company for the three-month periods ended June 30, 2011 and 2010:

	Three Months Ended			
(in millions of Canadian dollars, except per share amounts)	**June 30, 2011**	June 30, 2010	$ Change	% Change
Sales	**$ 36.1**	$ 38.2	$ (2.1)	(5)%
Commissions	**3.8**	3.8	–	0%
Operating revenue	**39.9**	42.0	(2.1)	(5)%
Cost of sales	**17.9**	19.3	(1.4)	(7)%
Marketing, sales and administration	**12.5**	12.9	(0.4)	(3)%
Amortization	**0.4**	0.4	–	0%
Operating costs	**30.8**	32.6	(1.8)	(6)%
Earnings from operations	**9.1**	9.4	(0.3)	(3)%
Interest income	**0.4**	0.2	0.2	100%
Foreign exchange gain (loss)	**(0.2)**	0.3	(0.5)	(167)%
Other income and expenses	**0.2**	0.5	(0.3)	(60)%
Earnings before income taxes	**9.3**	9.9	(0.6)	(6)%
Income taxes	**2.7**	3.3	(0.6)	(18)%
Net earnings	**$ 6.6**	$ 6.6	$ –	0%
Per common share				
– Basic net earnings	**$ 0.23**	$ 0.23	$ –	0%
– Diluted net earnings	**$ 0.23**	$ 0.23	$ –	0%

OPERATING REVENUE

Operating revenue, consisting of sales and commissions, was $39.9 million for the quarter, compared to $42.0 million for the same quarter last year, representing a decrease of $2.1 million, or 5%. As previously noted in the "Significant Event" section of this MD&A, the Seagram Coolers brand was sold prior to the start of the fourth quarter, and therefore, current period results do not include sales of this brand, while the comparative period includes $2.3 million in Seagram Coolers revenue. Excluding the impact of Seagram Coolers, operating revenue increased $0.2 million this quarter when compared with the same quarter last year.

After adjusting for the aforementioned impact of Seagram Coolers, fourth-quarter sales increased slightly; however, shipment volumes this quarter versus the same period last year decreased 7%. The declines in shipment volumes were primarily the result of inventory level reductions being made by key customers, which especially impacted the Lamb's rum brand. In addition, difficult market conditions continued to exist in international markets and BC. Offsetting the reduction in volumes was a significant increase in sales from the Company's contract bottling operation, reflecting both growth in activity and the impact of production phasing this year versus last. The Company also benefited from favourable changes in product mix and from the impact of having increased average selling prices.

The following table highlights the various components that comprise commissions, and shows a consistent performance this quarter when compared with the same quarter last year:

	Three Months Ended			
(in millions of Canadian dollars)	**June 30, 2011**	June 30, 2010	$ Change	% Change
Commission from PR brands	**$ 4.2**	$ 4.2	$ –	0%
Commission from Agency brands	**0.7**	0.7	–	0%
Amortization of representation rights	**(1.1)**	(1.1)	–	0%
Commissions	**$ 3.8**	$ 3.8	$ –	0%

COST OF SALES

Cost of sales decreased $1.4 million this period when compared to the same period last year. The decrease is relatively consistent with the decrease in sales over that same period. Gross margin was 50.3% this quarter and is consistent with the margin experienced on a year-to-date basis; however, it had improved slightly compared to the same period last year. The slight improvement was the result of increased average selling prices in Ontario and BC and an improved product mix (due to the disposal of Seagram Coolers, a low-margin brand) and favourable pricing on certain production inputs.

NET EARNINGS AND EARNINGS PER SHARE

Net earnings for the fourth quarter were $6.6 million, or $0.23 per share, which was identical to that of the same quarter last year. The aforementioned impacts to sales and cost of sales were offset by having reduced administrative related costs, and from having a lower statutory rate of income tax this quarter when compared with the same period last year.

Selected Quarterly Information

SUMMARY OF QUARTERLY FINANCIAL RESULTS

(in millions of Canadian dollars, except per share amounts)	**Q4 2011**	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010
Operating revenue, net	**$ 39.9**	$ 32.2	$ 45.2	$ 41.5	$ 42.0	$ 32.2	$ 46.9	$ 41.1
Earnings from operations	**9.1**	5.6	12.9	12.5	9.4	6.8	14.7	12.2
Net earnings, excluding unusual items[(1)]	**6.6**	4.4	9.2	9.0	6.6	4.5	10.5	8.4
Net earnings	**6.6**	2.7	9.2	9.0	6.6	4.5	1.1	8.4
Basic EPS	**0.23**	0.09	0.32	0.32	0.23	0.16	0.04	0.30
Diluted EPS	**0.23**	0.09	0.32	0.32	0.23	0.16	0.04	0.30

(1) *Net earnings have been adjusted for the net after-tax loss on the sale of Seagram Coolers of $1.7 million in 2011 and the net after-tax impairment charge recognized in 2010 of $9.4 million.*

The above chart 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 consumption levels during the summer season.

Also highlighted in the chart is the effect of the sale of the Seagram Coolers brand (sold in Q3 2011) and an impairment charge that was taken in the second quarter of 2010. Specifically, the Company's net earnings were impacted by a loss on the sale of the Seagram Coolers brand in the amount of $1.7 million in the third quarter of 2011. Further information regarding the sale is located in the "Significant Event" section of this MD&A. The aforementioned impairment charge had the effect of reducing net earnings by $9.4 million in the second quarter of 2010. For further information related to the impairment charge, please refer to Note 17 to the consolidated financial statements.

In addition to the aforementioned impacts that Seagram Coolers had on net earnings, operating revenue was also unfavourably affected, as Q4 2011 does not include any sales related to this brand due to the timing of the sale. Therefore, a comparison of Q4 2011 with that of Q4 2010 should take into account the fact that Q4 2010's operating revenue includes $2.3 million of sales related to the Seagram Coolers brand.

Critical Accounting Estimates

The Company's consolidated financial statements are prepared in accordance with Canadian GAAP, which require management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and related disclosures as at the date of the consolidated financial statements. The Company bases its estimates, judgments and assumptions on historical experience, current trends and other factors that management believes to be important at the time the consolidated financial statements are prepared. The Company reviews its accounting policies and how they are applied on a regular basis. While the Company believes that the historical experience, current trends and other factors considered support the preparation of its consolidated financial statements in accordance with Canadian GAAP, actual results could differ from its estimates and such differences could be material.

The Company's significant accounting policies are discussed in Note 1 to the consolidated financial statements. The following accounting policies incorporate a higher degree of judgment and/or complexity and, accordingly, are considered to be critical accounting policies.

GOODWILL AND INDEFINITE-LIVED INTANGIBLE ASSETS

The Company records as goodwill the excess amount of the purchase price of an acquired business over the fair value of the underlying net assets, including intangible assets, at the date of acquisition. Indefinite-lived intangible assets represent the value of trademarks and licences acquired. Goodwill and indefinite-lived intangible assets account for a significant amount of the Company's total assets. These balances are evaluated annually for impairment. The process of evaluating these items for impairment involves 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 uncertain competitive, market and general economic conditions, or as a result of changes in the business strategies and outlook of the Company.

An impairment loss would be recognized to the extent that the carrying value of the goodwill or trademarks and licences exceeds the implied fair value. Any impairment would result in a reduction in the carrying value of these items on the consolidated balance sheets of the Company and the recognition of a non-cash impairment charge in net earnings. Based on analysis performed, the Company has not identified any impairment.

EMPLOYEE FUTURE BENEFITS

The cost and accrued benefit plan obligations of the Company's defined benefit pension plans and its other post-retirement benefit plan are accrued based on actuarial valuations that are dependent upon assumptions determined by management. These assumptions include the discount rate, the expected long-term rate of return on plan assets, the rate of compensation increases, retirement ages, mortality rates and the expected inflation rate of health care costs. These assumptions are reviewed annually by the Company's management and its actuary. These assumptions may change in the future and may have a material impact on the accrued benefit obligations of the Company and the cost of these plans, which is reflected in the Company's consolidated statement of earnings. In addition, the actual rate of return on plan assets and changes in interest rates could result in changes in the Company's funding requirements for its defined benefit pension plans. See Note 8 to the consolidated financial statements for detailed information regarding the major assumptions utilized.

INCOME AND OTHER TAXES

The Company accounts for income taxes using the liability method of accounting. Under the liability method, future income tax assets and liabilities are determined based on differences between the carrying amounts of balance sheet items and their corresponding tax values. The determination of the income tax provision requires management to interpret regulatory requirements and to make certain judgments. While income, capital and commodity tax filings are subject to audits and reassessments, management believes that adequate provisions have been made for all income and other tax obligations. However, changes in the interpretations or judgments may result in an increase or decrease in the Company's income, capital or commodity tax provisions in the future. The amount of any such increase or decrease cannot be reasonably estimated.

Future Accounting Standards

INTERNATIONAL FINANCIAL REPORTING STANDARDS

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that Canadian GAAP for publicly accountable enterprises will be replaced by International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011. Accordingly, the conversion from Canadian GAAP to IFRS will be applicable to the Company's reporting for the first quarter of fiscal 2012, for which current and comparative information will be prepared under IFRS. IFRS uses a conceptual framework similar to Canadian GAAP; however, there are significant differences in regards to recognition, measurement and disclosures.

In response, the Company immediately created a transition plan, which established a timeline for the execution and completion of the conversion project and has been used to help guide Corby toward its reporting deadlines. In addition, the Company also engaged an external advisor, established a working team and held multiple IFRS training sessions tailored specifically to Corby for finance employees, members of management and the Audit Committee.

The IFRS team has now completed its work on identifying and quantifying all differences impacting the Company's opening equity upon conversion to IFRS. The team has also completed its assessment of balance sheet presentation changes and obtained a detailed understanding of the additional note disclosure to be provided in the first-quarter report for fiscal 2012. The remaining work relates primarily to that of compiling and formatting the financial statements and note disclosures in a manner appropriate for public release.

The Company's current policy assessments and choices and an explanation of the financial impacts (and, where applicable, balance sheet presentation changes) are provided below. The Company's review was based on IFRS as they currently exist. The Company is monitoring changes to IFRS as they develop. Certain standards have exposure drafts issued; however, as at the date of this MD&A, there are no IFRS exposure drafts that are expected to create a change during the Company's transition to IFRS.

Certain major accounting policy decisions were approved by senior management and reviewed by the Audit Committee. The following table highlights the differences that management considers the most relevant, but it should not be viewed as an all-encompassing listing at this time. The financial and presentation impacts, as provided below, are considered preliminary and should not be regarded as a complete description of the changes that will result from the transition to IFRS. Readers are cautioned that the determinations and financial impacts are based on preliminary IFRS 1 elections and exemptions and IFRS policy choices, and may be subject to change.

Standard	Description of changes	Findings and expected financial impact
First-Time Adoption of IFRS (IFRS 1)	This standard sets out the protocol for converting a set of financial statements from another basis of preparation (e.g., Canadian GAAP) to IFRS. IFRS 1 generally requires that a first-time adopter apply IFRS accounting principles retrospectively to all periods presented in its first IFRS financial statements. IFRS 1 also provides certain mandatory and optional exemptions to the full retrospective application.	The following lists the key mandatory and optional exemptions selected by Corby and describes the anticipated impact on our financial statements: *Assets and Liabilities of Subsidiaries* • As Corby's ultimate parent company currently reports in accordance with IFRS, the Company is provided the option of using the carrying amount of assets and liabilities that would be included in the parent company's consolidated financial statements if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent company acquired its interest in Corby. • Choosing this option simplifies Corby's conversion process and reduces the need for Corby to maintain two parallel sets of records in addition to providing other benefits. Therefore, Corby has decided to choose this option under IFRS 1. This decision impacts the optional exemptions for business combinations, employee benefits and capital assets. The individual accounting policy impacts are further described below. *Business Combinations (IFRS 3)* • It should be noted that certain of Corby's business combinations are outside of the option discussed above, which allows the Company to adopt the parent company's measurement basis, as certain business combinations are subject to adjustment by the parent company for consolidation procedures and for the effects of the business combination in which the parent company acquired Corby. Therefore, the IFRS 1 optional elections related to business combinations are applicable to Corby. • Under this exemption, the Company may elect not to apply IFRS 3 retrospectively to past business combinations. • The Company intends to use this exemption and apply IFRS 3 prospectively from the date of the opening IFRS balance sheet, July 1, 2010. Therefore, based on selection of this option, there is no impact to Corby's accounting for past business combinations and the related assets and liabilities acquired under those transactions upon conversion to IFRS.

Standard	Description of changes	Findings and expected financial impact
Employee Benefits (IAS 19)	IFRS requires that the past service cost element of defined benefit plans be expensed on an accelerated basis, with vested past service costs expensed immediately. Under Canadian GAAP, past service costs are generally amortized on a straight-line basis over the average remaining service period of active employees expected under the plan. IAS 19 also requires an entity to make an accounting policy choice regarding the treatment of actuarial gains and losses subsequent to the transition date. IAS 19 does allow the use of the "corridor" approach, which is consistent with Canadian GAAP.	Corby has elected to adopt the measurement basis of its ultimate parent company, which is an option available under IFRS 1, as discussed above. Under IFRS, Corby will continue to utilize the "corridor" approach currently followed under Canadian GAAP, which is consistent with its parent company's policies under IAS 19. • Differences between Canadian GAAP and the measurement basis of its ultimate parent company have resulted over time and are due to differences of timing of recognition of various items between the standards, including the timing of recognition of actuarial gains and losses, transitional provisions and other items. As at Corby's opening balance sheet date, conversion to IFRS will result in a decrease in the accrued benefit asset of $12.3 million, an increase in accrued benefit liability of $7.4 million, and a decrease in equity of $19.7 million. Subsequent to transition, it is anticipated that pension cost will be lower given the reduced amount of unrecognized net actuarial losses, which is a direct result of Corby adopting its ultimate parent company's measurement basis, as permitted under IFRS 1.

Standard	Description of changes	Findings and expected financial impact
Impairment of Assets (IAS 36)	IFRS requires a one-step impairment test for identifying and measuring impairment: comparing an asset's carrying value to the higher of its value in use and fair value less cost to sell. Under Canadian GAAP, impairment is based on discounted cash flows only if an asset's undiscounted cash flows are below its carrying value. In addition, IFRS requires the reversal of previously recognized impairment losses when a change in circumstances indicates that the impairment has been reduced, other than for goodwill, while Canadian GAAP does not allow a reversal under any circumstances.	• The Company has tested its assets using IFRS-compliant methodologies and has concluded that its assets are not impaired at July 1, 2010, the date of transition to IFRS. The Company has also examined impairment indicators throughout 2011 under IFRS and has found no indications of impairment. • Subsequent to transition, the one-step impairment test under IFRS may result in more frequent write-downs of assets, and reversals of previous write-downs may be required in future periods.

Standard	Description of changes	Findings and expected financial impact
Capital Assets (IAS 16)	The four specific differences between Canadian GAAP and IFRS that apply to Corby are as follows: • *Component Accounting* IFRS requires that each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. • *Measurement After Recognition* IFRS provides a choice between a cost model and a revaluation model. The revaluation model does not exist under Canadian GAAP. • *Recognition* IFRS contains more detail than Canadian GAAP for an item of property, plant and equipment that is recognized as an asset and how its cost is determined. • *Depreciation* Under IFRS, a change from one method of depreciation to another is treated as a change in estimate. Depending on the facts and circumstances, this might include some situations in which, under Canadian GAAP, the change would be viewed as a change in accounting policy and applied retrospectively.	Corby has elected to adopt the measurement basis of its ultimate parent company, which as described above, is an option available under IFRS 1. • Corby has determined that adoption of this IFRS will not have a significant impact on the Company's financial statements. • The measurement basis of the parent company is substantially the same as previously recorded by Corby under Canadian GAAP. • The assessment has found that Corby's accounting policies under Canadian GAAP are consistent with IFRS with respect to the componentization and amortization of capital assets. • The Company has opted to use the cost model to measure its assets subsequent to transition, which is consistent with current practice under Canadian GAAP. • The Company has concluded that there will be no substantial impact on the opening balance sheet, nor is it expected that amortization expense will differ substantially subsequent to the transition date. • It should be noted that more extensive disclosure is required under IFRS in the notes to the consolidated financial statements in this area.

Standard	Description of changes	Findings and expected financial impact
Income Taxes (IAS 12)	The differences that exist between IFRS and Canadian GAAP for Corby relate primarily to changes as a result of adopting IFRS accounting policies in areas where such changes impact the timing and amount of temporary basis differences between accounting and taxation.	The opening balance sheet will be impacted, as future income tax assets and liabilities will be re-measured upon completion of the IFRS opening balance sheet. Due to current known differences, there will be a decrease in current deferred tax assets of \$0.1 million, a decrease in long-term deferred tax liabilities of \$5.1 million, and an increase in equity of \$5.0 million. • Impact to equity as a result of changes to future tax balances relates to adoption of IAS 19. • Subsequent to transition, the impact of adopting IAS 12 will depend on the net amount of all differences in accounting policies. • Under IFRS, deferred tax assets and deferred tax liabilities are classified as long term, whereas under Canadian GAAP deferred tax assets and deferred tax liabilities are classified as current or long term based upon the nature of the underlying assets and liabilities to which they relate.

Standard	Description of changes	Findings and expected financial impact
Financial Statement Presentation and Disclosure		The Company has identified a number of balance sheet presentation changes that will have no significant retained earnings impact, as further discussed in the individual sections above (when applicable). IFRS transition guidelines require the presentation of comparative information in compliance with IFRS for the year ending June 30, 2010, at each reporting period. In addition, increased note disclosure will be required in most areas, when compared with Canadian GAAP. The Company does not foresee any significant issues in compiling the additional note disclosure information.

Overall, the transition plan remains on track and the Company believes it is well positioned to transition to IFRS in accordance with the timelines mandated by the AcSB. The work completed to date confirms that there will be a minimal impact on the Company's business activities, IT systems, disclosure controls and procedures, and internal controls over financial reporting. However, these conclusions may change as Corby continues to progress through its transition plan and considers any new IFRS developments leading up to the release of the Company's first set of audited financial statements under IFRS, dated June 30, 2012.

The Company will continue to execute the transition in accordance with its plan, and it will also continue to monitor standards development as issued by the International Accounting Standards Board and the AcSB, as well as regulatory developments as issued by the Canadian Securities Administrators, which may affect the timing, nature or disclosure of its adoption of IFRS.

IMPACT OF CONVERSION

The following table is a summary of the above-noted expected impacts to the Company's opening IFRS retained earnings as at July 1, 2010, based on preliminary IFRS 1 elections and exemptions and IFRS policy choices:

(in millions of Canadian dollars – unaudited)

Retained earnings at July 1, 2010, as reported under Canadian GAAP	$	226.7
Quantified effect of known IFRS conversion adjustments		
IFRS 1 – Employee benefits – adoption of parent company values		(14.7)
Retained earnings at July 1, 2010, under IFRS	$	212.0

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, 2011, 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 Canadian GAAP. 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, 2011, 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 Canadian GAAP. Management's assessment was based on the framework established in *Internal Control – Integrated Framework*, 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.

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 is the current economic outlook and overall consumer confidence in the stability of the economy as a whole. The overall decline in consumer spending has resulted in more at-home consumption, as consumers are trending away from consumption at licensed establishments, such as bars and restaurants. As a result, the industry is experiencing declines in product categories (such as liqueurs) that tend to have a higher consumption rate at these establishments. Corby offers a diverse portfolio of products across all major spirits categories and at various price points, which complements consumer desires and offers exciting innovation.

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.

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 Corby's reputation and profitability.

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 the majority of its production, including all of its storage and handling of maturing alcohol, the risk of environmental liabilities has been reduced to an acceptably low level. In addition, Corby's owned-production facility follows strict industry guidelines for the proper use and/or disposal of hazardous materials to further reduce environmental risks. Corby currently has no significant recorded or unrecorded environmental liabilities.

INDUSTRY CONSOLIDATION

In recent years, the global beverage alcohol industry has experienced a significant amount of 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.

COMPETITION

The Canadian beverage alcohol industry is extremely competitive. Competitors may take actions to establish and sustain a competitive advantage. They 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. Being a leading Canadian beverage alcohol company helps facilitate recruitment efforts. Corby appreciates and invests in its employees to partner with them in achieving corporate objectives and creating value.

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 and note 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 collectable from government-controlled LBs, management believes the Company's credit risk relating to accounts receivable is at an acceptably low level. The Company's note receivable is secured, as further described in Note 3 to the consolidated financial statements.

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 and also has a note receivable that earns a fixed rate of interest. 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 USD and 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 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 it has only an insignificant amount of GBP purchases. 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

The Company is reliant upon 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.

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

		Carrying Values as at June 30, 2011		
Associated Brand	Associated Market	Goodwill	Intangibles	Total
Various PR brands	Canada	$ –	$ 46.5	$ 46.5
Lamb's rum	International[1]	1.4	11.8	13.2
Corby domestic brands	Canada	4.5	–	4.5
		$ 5.9	$ 58.3	$ 64.2

[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.*

Therefore, 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 8 to the consolidated financial statements for the year ended June 30, 2011.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Corby Distilleries Limited (the "Company") were prepared by management in conformity with accounting principles generally accepted in Canada. 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 fulfils 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

Thierry R. Pourchet
Vice-President & Chief Financial Officer

August 24, 2011

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Corby Distilleries Limited

We have audited the accompanying consolidated financial statements of Corby Distilleries Limited, which comprise the consolidated balance sheets as at June 30, 2011 and June 30, 2010, and the consolidated statements of earnings, shareholders' equity, comprehensive income, and cash flows for the years then ended, 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 Canadian generally accepted accounting principles, 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 Distilleries Limited as at June 30, 2011 and June 30, 2010 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
August 24, 2011
Windsor, Ontario, Canada

CONSOLIDATED BALANCE SHEETS

As at June 30, 2011 and 2010 *(in thousands of Canadian dollars)*	**2011**	2010
ASSETS		
Current		
Deposits in cash management pools	**$ 96,636**	$ 74,685
Accounts receivable (Notes 4 and 16)	**31,005**	28,340
Note receivable (Note 3)	**600**	–
Income and other taxes recoverable	**–**	1,070
Inventories (Note 5)	**59,654**	60,502
Prepaid expenses	**1,731**	1,551
Future income taxes (Note 6)	**161**	135
	189,787	166,283
Note receivable (Note 3)	**1,800**	–
Capital assets (Note 7)	**15,646**	15,238
Employee future benefits (Note 8)	**12,516**	12,292
Goodwill (Note 9)	**5,886**	6,857
Intangible assets (Note 10)	**58,302**	70,571
	$ 283,937	$ 271,241
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 16)	**$ 19,492**	$ 18,285
Income and other taxes payable	**115**	–
	19,607	18,285
Employee future benefits (Note 8)	**7,421**	6,748
Future income taxes (Note 6)	**4,468**	5,246
	31,496	30,279
SHAREHOLDERS' EQUITY		
Share capital (Note 11)	**14,304**	14,304
Retained earnings	**238,137**	226,658
	252,441	240,962
	$ 283,937	$ 271,241

See accompanying notes to consolidated financial statements

Approved by the Board of Directors

George F. McCarthy
Director

Robert L. Llewellyn
Director

CONSOLIDATED STATEMENTS OF EARNINGS

For the years ended June 30, 2011 and 2010

(in thousands of Canadian dollars, except per share amounts)	**2011**	2010
OPERATING REVENUE		
Sales	**$ 143,544**	$ 147,046
Commissions (Note 12)	**15,246**	15,184
	158,790	162,230
OPERATING COSTS		
Cost of sales	**71,336**	73,061
Marketing, sales and administration	**45,764**	44,440
Amortization	**1,693**	1,704
	118,793	119,205
EARNINGS FROM OPERATIONS	**39,997**	43,025
OTHER INCOME AND EXPENSES		
Loss on sale of Seagram Coolers (Note 3)	**(2,233)**	–
Impairment charge (Note 17)	**–**	(11,510)
Interest income	**1,288**	537
Foreign exchange loss	**(115)**	(573)
(Loss) gain on disposal of capital assets	**(52)**	3
	(1,112)	(11,543)
EARNINGS BEFORE INCOME TAXES	**38,885**	31,482
INCOME TAXES (Note 6)		
Current	**12,266**	12,750
Future	**(804)**	(1,943)
	11,462	10,807
NET EARNINGS	**$ 27,423**	$ 20,675
BASIC EARNINGS PER SHARE (Note 14)	**$ 0.96**	$ 0.73
DILUTED EARNINGS PER SHARE (Note 14)	**$ 0.96**	$ 0.73
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING		
Basic	**28,468,856**	28,468,856
Diluted	**28,468,856**	28,468,856

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended June 30, 2011 and 2010 *(in thousands of Canadian dollars)*	**2011**	2010
NET EARNINGS	**$ 27,423**	$ 20,675
OTHER COMPREHENSIVE INCOME	**–**	–
COMPREHENSIVE INCOME	**$ 27,423**	$ 20,675

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

For the years ended June 30, 2011 and 2010 *(in thousands of Canadian dollars)*	**2011**	2010
SHARE CAPITAL		
Balance, beginning of year	**$ 14,304**	$ 14,304
Transactions, net	**–**	–
Balance, end of year	**$ 14,304**	$ 14,304
RETAINED EARNINGS		
Retained earnings, beginning of year	**$ 226,658**	$ 221,927
Net earnings	**27,423**	20,675
Dividends	**(15,944)**	(15,944)
Balance, end of year	**$ 238,137**	$ 226,658
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Balance, beginning of year	**$ –**	$ –
Other comprehensive income for the year	**–**	–
Balance, end of year	**$ –**	$ –

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOW

For the years ended June 30, 2011 and 2010 *(in thousands of Canadian dollars)*	2011	2010
OPERATING ACTIVITIES		
Net earnings	**$ 27,423**	$ 20,675
Items not affecting cash		
Amortization	**6,224**	6,312
Loss on sale of Seagram Coolers (Note 3)	**2,233**	–
Impairment charge (Note 17)	**–**	11,510
Loss (gain) on disposal of capital assets	**52**	(3)
Future income taxes	**(804)**	(1,943)
Employee future benefits	**449**	(85)
	35,577	36,466
Net change in non-cash working capital balances (Note 15)	**(371)**	(7,907)
Cash flows provided by operating activities	**35,206**	28,559
INVESTING ACTIVITIES		
Additions to capital assets	**(2,288)**	(2,389)
Proceeds from disposal of capital assets	**77**	3
Proceeds from sale of Seagram Coolers (Note 3)	**4,900**	–
Proceeds on account of PR brand disposals (Note 10)	**–**	1,730
Deposits in cash management pools	**(21,951)**	(11,959)
Cash flows used in investing activities	**(19,262)**	(12,615)
FINANCING ACTIVITY		
Dividends paid	**(15,944)**	(15,944)
Cash flows used in financing activity	**(15,944)**	(15,944)
NET CHANGE IN CASH	**–**	–
CASH, BEGINNING OF YEAR	**–**	–
CASH, END OF YEAR	**$ –**	$ –
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest received	**$ 1,288**	$ 537
Income taxes paid	**$ 11,536**	$ 11,864

See accompanying notes to consolidated financial statements

For the years ended June 30, 2011 and 2010
(in thousands of Canadian dollars, except per share amounts)

1. Significant Accounting Policies

DESCRIPTION OF BUSINESS

Corby Distilleries Limited ("Corby" or the "Company") is a leading Canadian manufacturer and 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.

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 owned 51.6% of the outstanding Voting Class A Common Shares of Corby as at June 30, 2011.

BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of Corby and its subsidiaries. All intercompany balances and transactions are eliminated on consolidation.

USE OF ESTIMATES

The preparation of the consolidated financial statements in conformity with Canadian generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting year.

Estimates are used when accounting for items such as allowance for uncollectable accounts receivable, inventory obsolescence, allocating the fair value between goodwill and intangible assets, amortization, employee future benefits, income taxes, accruals and contingencies, and testing goodwill, intangible assets and long-lived assets for impairment. Changes in those estimates could materially affect the consolidated financial statements.

REVENUE RECOGNITION

Sales and commissions are recognized when the price is fixed or determinable, collectability is reasonably assured, and title for goods passes to the customer. Sales are presented net of customer and consumer discounts and taxes. The large majority of the Company's sales are to government-controlled liquor boards. As a result, collection of accounts receivable is reasonably assured.

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 The Bank of Nova Scotia. 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. For additional information on these balances, see Note 16, "Related Party Transactions".

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 that 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 maturing process used for certain spirits.

CAPITAL ASSETS

Buildings, machinery and equipment, casks, and other capital assets are recorded at cost, net of accumulated amortization. Amortization is recorded on a straight-line basis over the estimated useful lives of the assets as indicated below:

Buildings	40 to 50 years
Machinery and equipment	3 to 12 years
Casks	12 years
Other capital assets	3 to 20 years

EMPLOYEE FUTURE BENEFITS

The Company accrues its obligations under employee future benefit plans and their related costs, net of plan assets, and recognizes the cost of retirement benefits and certain post-employment benefits over the periods in which employees render services to the Company in return for the benefits. Other post-employment benefits are recognized when the event that obligates the Company occurs.

The Company has the following policies:

- Contributions to defined contribution plans are recognized in operating results in the year to which they relate.
- The cost of defined benefit pension and other retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs.
- For the purpose of calculating the expected return on plan assets, those assets are valued at fair values.
- Past service costs from plan amendments and the transitional asset are amortized on a straight-line basis over the average remaining service life of active members expected to receive benefits under the plan.
- Net actuarial gains or losses are amortized based on the corridor method. Under the "corridor" method, cumulative gains and losses in excess of 10% of the greater of the accrued benefit obligation and the market value of plan assets are amortized over the average remaining service period of active members expected to receive benefits under the plan.
- The measurement date of the plans' assets and obligations is June 30, 2011.

LONG-LIVED ASSETS

The Company's long-lived assets consist of its capital assets and its finite-lived intangible assets relating to Corby's long-term representation rights. Long-lived assets are tested for impairment when events or changes in circumstances indicate that their carrying value exceeds the sum of the undiscounted cash flows expected from their use and eventual disposal. If estimated future undiscounted cash flows are not sufficient to recover the carrying value of the assets, an impairment charge is recorded for the amount by which the long-lived assets' carrying value exceeds fair value. Fair value is determined using appraisals, management estimates or discounted cash flows calculations.

GOODWILL

Goodwill represents the excess amount of the purchase price of an acquired business over the fair value of the underlying net assets, including intangible assets, at the date of acquisition. Goodwill is deemed to have an indefinite life and is, therefore, not amortized. Goodwill is tested for impairment on an annual basis or more frequently if events or changes in circumstances indicate that the asset might be impaired. In the event of impairment, the excess of the carrying amount over the fair value of these assets would be charged to earnings.

INTANGIBLE ASSETS

Intangible assets consist of long-term representation rights and trademarks and licences. Long-term representation rights represent 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 15-year term of the agreement, which began on October 1, 2006, and is scheduled to expire on September 30, 2021.

Trademarks and licences represent the value of trademarks and licences of businesses acquired. 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. In the event of impairment, the excess of the carrying amount over the fair value of these assets would be charged to earnings.

INCOME TAXES

Income taxes are accounted for using the asset and liability method. Under this method, future income tax assets and liabilities are recognized for temporary differences between financial statement carrying amounts of assets and liabilities and their respective income tax bases. A future income tax asset or liability is estimated for each temporary difference using substantively enacted income tax rates and laws expected to be in effect when the asset is realized or the liability is settled. A valuation allowance is established, if necessary, to reduce any future income tax asset to an amount that is more likely than not to be realized.

FOREIGN CURRENCY TRANSLATION

Monetary assets and liabilities of the Company are translated at exchange rates in effect on the balance sheet dates. Revenues and expenses are translated at rates of exchange prevailing on the transaction dates. All exchange gains or losses are included in earnings.

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.

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. RSUs do not entitle participants to acquire any rights or entitlements as a shareholder of the Company.

CLASSIFICATION OF FINANCIAL INSTRUMENTS

Financial instruments are classified into one of the following five categories: held for trading, 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	Held for trading	Fair value
Accounts receivable and note receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

Financial instruments measured at amortized cost are initially recognized at fair value and then, subsequently, at amortized cost, with gains and losses recognized in earnings in the period in which the gain or loss occurs. Changes in fair value of financial instruments classified as held for trading are recorded in net earnings in the period of change.

2. *Future Accounting Standards*

INTERNATIONAL FINANCIAL REPORTING STANDARDS

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that Canadian GAAP for publicly accountable enterprises will be replaced by International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011. IFRS uses a conceptual framework similar to Canadian GAAP; however, there are significant differences in regards to recognition, measurement and disclosures. Accordingly, the conversion from Canadian GAAP to IFRS will be applicable to the Company's reporting for the first quarter of fiscal 2012, for which current and comparative information will be prepared under IFRS.

The transition to IFRS will impact accounting, financial reporting, internal control over financial reporting, disclosure controls and procedures, taxes, and information systems and processes. The Company has established a transition plan to ensure the timely conversion to IFRS.

3. Loss on Sale of Seagram Coolers

On March 16, 2011, the Company entered into an agreement with Brick Brewing Co. Limited ("Brick"), pursuant to which Brick purchased from Corby the Canadian rights to the Seagram Coolers brand, for a purchase price of $7,300.

The loss on sale of Seagram Coolers was calculated as follows:

Proceeds on sale of Seagram Coolers	$	7,300
Book value of assets sold		9,061
Transaction costs		472
Loss on sale before income taxes		(2,233)
Income tax effect		500
Net loss on sale of Seagram Coolers	$	(1,733)

The purchase price was satisfied by a $4,900 cash payment on closing and a secured promissory note issued by Brick in favour of Corby for the remaining balance of $2,400, which will be paid over the next four years in equal annual installments of $600, with 5% interest per annum.

In addition, the Company has also transferred its remaining Seagram Coolers inventory to Brick upon closing of the transaction. The book value of inventory transferred was $1,356. Brick will reimburse Corby for the inventory value one year after the closing date. Corby has recorded the $1,356 receivable from Brick as accounts receivable on its balance sheet as at June 30, 2011. Payment for the inventory is secured by an insurance policy issued in favour of Corby and payable in the event of a default by or insolvency of Brick, subject to the terms and conditions of the policy.

4. Receivables

		2011		2010
Trade receivables	**$**	**29,614**	$	28,340
Other receivables		**1,391**		–
	$	**31,005**	$	28,340

Other receivables include amounts owing from Brick for the sale of Seagram Coolers inventory transferred as part of the sale of the Seagram Coolers brand and interest accrued on the secured promissory note receivable from Brick. Please see Note 3 for further information regarding repayment terms and security.

5. Inventories

		2011		2010
Raw materials	**$**	**5,429**	$	6,390
Work-in-progress		**45,079**		43,990
Finished goods		**9,146**		10,122
	$	**59,654**	$	60,502

The cost of inventory recognized as an expense and included in cost of goods sold during the year ended June 30, 2011, was $60,010 (2010 – $59,810). During the year, there were no significant write-downs of inventory as a result of net realizable value being lower than cost, and no inventory write-downs recognized in previous years were reversed.

6. Income Taxes

The tax effects of temporary differences and loss carry-forwards that give rise to significant portions of the future income tax assets and future income tax liabilities are presented below:

	2011	2010
Future income tax assets		
Current		
Bad debt and inventory reserves	**$ 41**	$ 106
Restricted stock unit reserve	**120**	29
	$ 161	$ 135
Future income tax liabilities		
Long term		
Employee future benefits	**$ 1,062**	$ 1,160
Capital assets	**2,051**	1,772
Inventories	**605**	696
Intangible assets and goodwill	**750**	1,618
	$ 4,468	$ 5,246

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

The Company's effective tax rates are composed of the following items:

	2011	2010
Combined basic Federal and Provincial tax rates	**29%**	31%
Impact of impairment charge	**0%**	5%
Impact of substantively enacted rate decreases in Ontario	**0%**	(2)%
	29%	34%

7. Capital Assets

			2011			2010
	Cost	**Accumulated Amortization**	**Net Book Value**	Cost	Accumulated Amortization	Net Book Value
Land	**$ 638**	**$ –**	**$ 638**	$ 638	$ –	$ 638
Buildings	**8,125**	**5,106**	**3,019**	7,931	4,864	3,067
Machinery and equipment	**14,399**	**7,048**	**7,351**	13,954	6,765	7,189
Casks	**6,121**	**1,752**	**4,369**	5,387	1,331	4,056
Other	**452**	**183**	**269**	538	250	288
	$ 29,735	**$ 14,089**	**$ 15,646**	$ 28,448	$ 13,210	$ 15,238

8. Employee Future Benefits

The Company has two defined benefit pension plans for executives and salaried employees, two supplementary executive retirement plans for retired and current senior executives of the Company, and a post-retirement 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 latest valuations completed for these plans are dated December 31, 2010. The next required valuations must be completed with an effective date no later than December 31, 2013.

Beginning July 1, 2010, employees hired on or after this date will no longer be offered enrolment into the Company's defined benefit pension plans. Instead, the Company will now provide these employees a defined contribution pension plan. To become eligible, most employees must first accrue one year of service before joining the new plan. As at June 30, 2011, there were no active participants enrolled in this new defined contribution plan.

Details of the Company's defined benefit pension and other post-retirement benefit plans are as follows:

	2011		2010	
	Pension Plans	**Other Benefit Plans**	Pension Plans	Other Benefit Plans
Fair value of plan assets				
Fair value of plan assets, beginning of year	**$ 41,605**	**$ –**	$ 39,188	$ –
Actual return on plan assets	**5,524**	**–**	2,561	–
Employer contributions	**2,973**	**691**	2,727	672
Employee contributions	**221**	**–**	208	–
Benefits paid	**(3,915)**	**(691)**	(3,079)	(672)
Fair value of plan assets, end of year	**$ 46,408**	**$ –**	$ 41,605	$ –
Accrued benefit obligation				
Benefit obligation, beginning of year	**$ 47,707**	**$ 13,848**	$ 37,787	$ 11,487
Service cost	**1,474**	**361**	885	336
Interest cost	**2,408**	**626**	2,581	763
Employee contributions	**221**	**–**	208	–
Actuarial loss	**1,950**	**323**	9,325	2,749
Extraordinary item	**–**	**(661)**	–	–
Past service costs	**–**	**(1,836)**	–	(815)
Benefits paid	**(3,915)**	**(691)**	(3,079)	(672)
Accrued benefit obligation, end of year	**$ 49,845**	**$ 11,970**	$ 47,707	$ 13,848
Funded status				
Funded status: plan deficit	**$ (3,437)**	**$ (11,970)**	$ (6,102)	$ (13,848)
Unamortized net transition asset (obligation)	**(1,470)**	**487**	(1,802)	2,512
Unamortized past service costs	**617**	**–**	697	–
Unamortized net actuarial loss	**16,806**	**4,062**	19,499	4,588
Accrued benefit asset (liability)	**$ 12,516**	**$ (7,421)**	$ 12,292	$ (6,748)

All defined benefit pension plans, other than one of the supplementary executive retirement plans, are in a funded deficit position. The aggregate fair value of plan assets and accrued benefit obligation for these deficit position plans as at June 30, 2011, are $36,534 and $42,129, respectively (2010 – $32,756 and $40,673).

Significant actuarial assumptions adopted are as follows:

	2011		2010	
	Pension Plans	**Other Benefit Plans**	Pension Plans	Other Benefit Plans
Accrued benefit obligation, end of year				
Discount rate	**4.90%**	**4.90%**	5.25%	5.25%
Compensation increase	**3.50%**	**n/a**	3.50%	n/a
Benefit expense, for the year				
Discount rate	**5.25%**	**5.25%**	7.10%	7.10%
Expected long-term return on assets	**6.50%**	**n/a**	6.25%	n/a
Compensation increase	**3.50%**	**n/a**	3.50%	n/a

The medical cost trend rate used was 9.0% for 2011 (2010 – 10%), with 5.0% being the ultimate trend rate for 2015 and years thereafter. The dental cost trend rate used was 5.0% for 2011 (2010 – 5.0%).

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects in 2011:

	Increase	Decrease
Service and interest cost	$ 164	$ (128)
Accrued benefit obligation	1,524	(1,245)

Components of the Company's defined benefit pension and other post-retirement benefit plans expenses are as follows:

	2011		2010	
	Pension Plans	**Other Benefit Plans**	Pension Plans	Other Benefit Plans
Service cost (including provision for plan expenses)	**$ 1,474**	**$ 361**	$ 885	$ 336
Interest cost	**2,408**	**626**	2,581	763
Actual return on plan assets	**(5,524)**	**–**	(2,561)	–
Actuarial loss	**1,950**	**323**	9,325	2,749
Plan amendments	**–**	**(1,836)**	–	(815)
Costs (recoveries) arising in the period	**308**	**(526)**	10,230	3,033
Differences between:				
Actual and expected return on plan assets	**3,489**	**–**	665	–
Actuarial gain or loss recognized for the year and actuarial gain or loss on accrued benefit obligation	**(796)**	**(135)**	(8,825)	(2,706)
Amortization of plan amendments and actual plan amendments	**80**	**1,836**	80	815
Amortization of transitional (asset) obligation	**(333)**	**188**	(333)	356
Net expense	**$ 2,748**	**$ 1,363**	$ 1,817	$ 1,498

Plan assets by category are as follows:

	2011	2010
Equity	**52.0%**	50.0%
Fixed income	**37.0%**	38.0%
Refundable taxes at Canada Revenue Agency/other	**11.0%**	12.0%
	100.0%	100.0%

9. Goodwill

Changes in the carrying amount of goodwill are as follows:

	2011	2010
Balance, beginning of year	**$ 6,857**	$ 9,856
Decreases in goodwill	**(971)**	(2,999)
Balance, end of year	**$ 5,886**	$ 6,857

The decrease in goodwill recognized in 2011 was the result of the Company's decision to sell Seagram Coolers (Note 3) and in 2010 reflects an impairment charge also associated with Seagram Coolers (Note 17).

10. Intangible Assets

2011

		Movements in the Year			
	Opening Book Value	**Amortization**	**Impairments**	**Disposals**	**Ending Book Value**
Long-term representation rights	**$ 51,032**	**$ (4,531)**	**$ –**	**$ –**	**$ 46,501**
Trademarks and licences	**19,539**	**–**	**–**	**(7,738)**	**11,801**
	$ 70,571	**$ (4,531)**	**$ –**	**$ (7,738)**	**$ 58,302**

2010

		Movements in the Year			
	Opening Book Value	Amortization	Impairments	Disposals	Ending Book Value
Long-term representation rights	$ 57,370	$ (4,608)	$ –	$ (1,730)	$ 51,032
Trademarks and licences	28,050	–	(8,511)	–	19,539
	$ 85,420	$ (4,608)	$ (8,511)	$ (1,730)	$ 70,571

Disposals in 2011 reflect the Company's decision to sell the trademark and licences associated with the Seagram Coolers brand (Note 3).

The 2010 carrying amount of trademarks and licences was impacted by an impairment charge related to Seagram Coolers (Note 17). The 2010 carrying amount of long-term representation rights was reduced as a result of PR's decision to sell certain of its international brands covered under Corby's long-term representation agreement. Specifically, PR sold the Wild Turkey bourbon, Tia Maria coffee liqueur and Lemon Hart rum brands, and thus early terminated Corby's representation of these brands. The amount of the disposal reflects the cash compensation PR paid to Corby, as calculated in accordance with a prescribed formula contained in the representation agreement.

11. Share Capital

	2011	2010
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

12. Commissions

Commissions are reported net of long-term representation rights amortization in the amount of $4,531 (2010 – $4,608). Long-term representation rights represent the cost of the Company's exclusive right to represent PR's brands in Canada. These rights are being amortized on a straight-line basis over the 15-year term of the agreement that began on October 1, 2006, and is scheduled to expire on September 30, 2021.

13. Restricted Share Units Plan

	2011 Restricted Share Units	2011 Weighted Average Grant Date Fair Value	2010 Restricted Share Units	2010 Weighted Average Grant Date Fair Value
Non-vested, beginning of year	**57,414**	**$ 21.73**	69,740	$ 22.42
Granted	**24,474**	**15.10**	–	–
Reinvested dividend equivalent units	**2,044**	**16.07**	2,044	15.37
Vested	**(30,164)**	**24.09**	(14,370)	24.18
Non-vested, end of year	**53,768**	**$ 17.17**	57,414	$ 21.73

Compensation expense related to this plan for the year ended June 30, 2011, was $292 (2010 – $329).

14. Earnings Per Share

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

	2011	2010
Numerator:		
Net earnings	**$ 27,423**	$ 20,675
Denominator:		
Weighted average shares outstanding	**28,468,856**	28,468,856

15. Changes in Non-Cash Working Capital

	2011	2010
Accounts receivable	**$ (2,665)**	$ 300
Inventories	**554**	(6,515)
Prepaid expenses	**(180)**	31
Income tax and other taxes recoverable/payable	**1,185**	408
Accounts payable and accrued liabilities	**735**	(2,131)
	$ (371)	$ (7,907)

16. Related Party Transactions

DEPOSITS IN CASH MANAGEMENT POOLS

Corby participates in a cash management pooling arrangement under the Mirror Netting Service Agreement together with PR's other Canadian affiliates, the terms of which are administered by The Bank of Nova Scotia. 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 August 24, 2011, as published by Standard & Poor's and Moody's, was BB+ and Ba1, 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 LIBOR rate plus 0.40%. Corby earned interest income of $1,250 from PR during the year ended June 30, 2011 (2010 – $529). Corby has the right to terminate its participation in the Mirror Netting Service Agreement at any time, subject to five days' written notice.

ABSOLUT VODKA REPRESENTATION AGREEMENT

On September 26, 2008, Corby entered into an agreement with its ultimate parent company, PR. The agreement provides Corby with the exclusive right to represent the ABSOLUT vodka brand in Canada effective October 1, 2008, for five years to September 30, 2013. As part of this agreement, Corby also received the exclusive right to represent the Plymouth gin and Level vodka brands. Corby also agreed to continue to participate in the cash management pooling arrangement (the Mirror Netting Service Agreement) with PR's wholly-owned Canadian subsidiaries until October 1, 2011, unless earlier terminated by Corby. Further, until October 1, 2011, Corby agreed that it will not declare any special dividends, repurchase shares or make acquisitions or capital investments outside the normal course of business without PR's prior approval.

RELATED PARTY TRANSACTIONS IN THE NORMAL COURSE OF OPERATIONS

HWSL, a wholly-owned subsidiary of PR, owns in excess of 50% of the issued and outstanding Voting Class A Common Shares of Corby and, therefore, for the purposes of the chart below, HWSL is considered to be the Company's parent. PR is considered to be Corby's ultimate parent, and affiliated companies are also subsidiaries of PR.

Transactions and balances with parent and affiliated companies include the following:

	Nature of Transaction	Nature of Relationship	Financial Statement Classification	**2011**	2010
I	The Company renders blending and bottling services	Parent company	Sales, accounts receivable	**$ 227**	$ 331
II	The Company sells certain of its products for resale at an export level	Affiliated companies	Sales, accounts receivable	**$ 393**	$ 372
III	The Company renders services, as the sole and exclusive representative, for purposes of marketing and sales of beverage alcohol products in Canada	Parent company, ultimate parent company and affiliated companies	Commissions, accounts receivable	**$ 16,650**	$ 16,428
IV	The Company sub-contracts the large majority of its distilling, blending, bottling, storing and production activities	Parent company	Cost of sales, inventories and accounts payable	**$ 20,371**	$ 23,328
V	The Company sub-contracts a significant portion of its bookkeeping, recordkeeping services, certain administrative services, related data processing and maintenance of data processing activities	Parent company	Marketing, sales and administration	**$ 2,118**	$ 2,299
VI	The Company purchases a portion of its inventory used in production activities	Parent company	Cost of sales, inventories and accounts payable	**$ 1,807**	$ 3,071

These transactions, which are settled the following month, are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Transactions III, IV, and V above are covered under the terms of agreements with related parties. These agreements include a non-competition clause wherein the Company cedes its right to sell beverage alcohol in bulk to third parties in favour of its parent company.

Amounts included in accounts receivable and accounts payable and accrued liabilities with respect to Corby's affiliates, parent company and ultimate parent company are as follows:

	2011	2010
Accounts receivable – related parties	**$ 8,216**	$ 6,196
Accounts payable – related parties	**(6,117)**	(5,730)
Net amount receivable from related parties	**$ 2,099**	$ 466

17. Impairment Charge

The fiscal year ending June 30, 2010, includes a non-cash impairment charge against the Company's goodwill and intangible assets related to its Seagram Coolers brand, as outlined in the following chart:

	2010
Intangible assets	$ 8,511
Goodwill	2,999
Impairment charged against goodwill and intangible assets	11,510
Income tax effect	(2,128)
Net earnings impact of impairment charge	$ 9,382

18. 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 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 Wyndham Estate wines.

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

Geographic information regarding the Company is as follows:

2011	**Canada**	**United States of America**	**United Kingdom**	**Rest of World**	**Total**
Operating revenue	**$148,773**	**$ 5,862**	**$ 3,712**	**$ 443**	**$158,790**
Capital assets and goodwill	**20,122**	**–**	**1,410**	**–**	**21,532**

2010	Canada	United States of America	United Kingdom	Rest of World	Total
Operating revenue	$151,522	$ 5,060	$ 4,441	$ 1,207	$162,230
Capital assets and goodwill	20,685	–	1,410	–	22,095

In 2011, operating revenue to three major customers accounted for 29%, 15% and 14%, respectively (2010 – 28%, 16% and 13%).

19. Financial Instruments

Corby's financial instruments consist of its deposits in cash management pools, accounts and note receivable and accounts payable and accrued liabilities balances. Corby does not use derivative financial instruments.

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 16), as well as credit exposure to customers, including outstanding accounts and note 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.

As the large majority of Corby's accounts receivable balances are collectable from government-controlled liquor boards, management believes that the Company's credit risk relating to accounts receivable is at an acceptably low level. 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. The note receivable is secured, as described in Note 3.

Liquidity Risk
Corby's sources of liquidity are its deposits in cash management pools of $96,636 and its cash generated by operating activities. Corby's total contractual maturities are represented by its accounts payable and accrued liabilities balances, which totalled $19,492 as at June 30, 2011, 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, is more than sufficient to fund its operations, investing activities and commitments for the foreseeable future.

Corby does not have any investments in asset-backed commercial paper ("ABCP") and, therefore, has no exposure to this type of liquidity risk.

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 and also has a note receivable earning a fixed rate of interest.

As the note receivable earns interest at a fixed rate, there is no cash flow exposure associated with this instrument. However, the fair value of the note receivable will fluctuate with changes in market interest rates. 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 exceeding 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 it has only an insignificant amount of GBP purchases. 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 disclosures related to the Company's financial assets and financial liabilities recognized in the balance sheets at fair value.

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.

Corby only has one financial instrument that it records at fair value in its balance sheets – "deposits in cash management pools". Based on the hierarchy just described, this financial asset is categorized as Level 1. For Corby's financial assets and liabilities that are valued at other than fair value on its balance sheets (i.e., accounts receivable, accounts payable and accrued liabilities), fair value approximates their carrying value at June 30, 2011 and 2010, due to their short-term maturities.

The carrying value of the note receivable approximates fair value. Fair value is determined using the present value of future cash flows, based on the estimated market rates for instruments with similar terms and conditions.

20. *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:

	2011	2010
Share capital	**$ 14,304**	$ 14,304
Retained earnings	**238,137**	226,658
Net capital under management	**$ 252,441**	$ 240,962

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 50% of net earnings per share in the preceding fiscal year ended June 30 and $0.56 per share. In addition, Corby has agreed with PR on certain restrictions, one of which precludes the Company from declaring any special dividends until after October 1, 2011. These restrictions are further described in Note 16.

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

21. Commitments

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

2012	$	1,592
2013		1,318
2014		1,175
2015		887
2016		713
Thereafter		1,476
	$	7,161

22. Guarantees

The Company may enter into agreements that may contain features that meet the definition of a guarantee. A guarantee is defined to be a contract (including an indemnity) that contingently requires the Company to make payments to the guaranteed party in certain situations.

In the ordinary course of business, the Company provides indemnification commitments to counter-parties in transactions such as leasing and service arrangements. These indemnification agreements require the Company to compensate the counter-parties for certain amounts and costs incurred as a result of litigation claims. The terms of the indemnification agreements will vary based on the contract and do not provide any limit on the maximum potential liability.

23. Contingencies

The Company is contingently liable with respect to pending litigation and claims arising in the normal course of business. Although the ultimate outcome of these matters is not presently determinable, at this point in time, management believes that the resolution of all such pending matters will not have a material adverse effect on the Company's financial position or results of operations.

TEN-YEAR REVIEW

	Year Ended June 30						Year Ended August 31			
	2011	2010	2009	2008	2007	2006[1]	2005	2004	2003	2002
Results *(in millions of dollars)*										
Operating revenue	**$158.8**	$162.2	$169.3	$163.3	$153.6	$110.8	$129.4	$118.7	$108.9	$101.8
Earnings from operations	**40.0**	43.0	43.4	44.6	39.2	28.5	40.0	36.9	35.5	30.7
Net earnings excluding after-tax restructuring costs, impairment charges and loss on disposed brand	**29.2**	30.1	30.4	31.9	100.4	29.2	39.9	32.5	29.8	25.1
Net earnings	**27.4**	20.7	30.4	31.9	100.4	28.0	39.9	32.5	28.4	25.1
Cash provided from operations	**35.2**	28.6	23.9	31.0	33.4	21.5	28.4	36.2	39.0	23.2
Year-end position *(in millions of dollars)*										
Working capital	**170.2**	148.0	128.5	113.1	91.2	144.0	103.2	84.2	68.1	60.7
Total assets	**283.9**	271.2	270.2	253.5	238.0	180.3	313.2	295.3	277.0	261.9
Long-term debt	**–**	–	–	–	–	–	–	–	–	8.0
Shareholders' equity	**252.4**	241.0	236.2	221.8	203.5	158.3	142.7	119.9	99.8	86.5
Per common share *(in dollars)*[2]										
Earnings from operations	**1.40**	1.51	1.52	1.57	1.38	1.00	1.41	1.30	1.25	1.09
Net earnings excluding after-tax restructuring costs, impairment charges and loss on disposed brand	**1.02**	1.06	1.07	1.12	3.53	1.03	1.41	1.15	1.05	0.89
Net earnings	**0.96**	0.73	1.07	1.12	3.53	0.99	1.41	1.15	1.01	0.89
Cash provided from operations	**1.24**	1.00	0.84	1.09	1.18	0.76	1.00	1.28	1.38	0.83
Shareholders' equity	**8.87**	8.46	8.30	7.79	7.15	5.57	5.03	4.23	3.53	3.06
Special dividend paid	**–**	–	–	–	1.50	–	–	–	–	–
Dividends paid	**0.56**	0.56	0.56	0.56	0.56	0.41	0.55	0.50	0.50	0.50
Market value per voting common share *(in dollars)*										
High	**18.50**	16.11	20.60	27.00	28.40	28.00	20.46	17.50	16.13	17.50
Low	**15.00**	14.55	13.16	16.10	22.00	17.75	15.81	14.44	12.73	14.00
Close at end of year	**16.20**	15.75	15.65	17.80	24.50	22.90	18.13	16.50	14.69	15.04
Other statistics										
Working capital ratio	**9.7**	9.1	7.3	6.6	4.6	9.1	1.6	5.6	4.5	6.8
Pre-tax return on average capital employed	**15.5**	12.9	18.9	21.4	63.1	40.7	38.8	38.6	37.9	34.8
Return on average shareholders' equity	**11.1**	8.7	13.3	15.0	55.0	31.0	30.2	29.5	30.5	31.5
Number of registered shareholders	**555**	575	593	616	630	666	684	716	762	785
Number of shares outstanding (000's)	**28,469**	28,469	28,469	28,469	28,469	28,451	28,414	28,332	28,324	28,268

(1) *Reflects a ten-month period ended as the Company changed its fiscal year end from August 31 to June 30, effective as of June 30, 2006.*
(2) *References to per share figures have been restated to reflect the impact of the March 15, 2006 stock split.*

DIRECTORS AND OFFICERS

BOARD OF DIRECTORS

George F. McCarthy
Director & Chairman of the Board, Corby

Claude Boulay
Director, Corby

Philippe A. Dréano
Chairman & Chief Executive Officer, Pernod Ricard Americas

Robert L. Llewellyn
Director, Corby

Donald V. Lussier
Director, Corby

Patricia L. Nielsen
President & Chief Executive Officer, Canadian Automobile Association, Niagara

R. Patrick O'Driscoll
President & Chief Executive Officer, Corby

Thierry R. Pourchet
Vice-President & Chief Financial Officer, Corby

Frédéric A. Villain
Vice-President, Chief Financial Officer, Pernod Ricard Americas

OFFICERS

George F. McCarthy
Chairman of the Board

Jeffrey H. Agdern
Vice-President, Marketing

Andrew S. Alexander
Vice-President, Sales

Paul G. Holub
Vice-President, Human Resources

R. Patrick O'Driscoll
President & Chief Executive Officer

Thierry R. Pourchet
Vice-President & Chief Financial Officer

James M. Stanski
Vice-President, Production

Marc A. Valencia
General Counsel, Corporate Secretary & Vice-President, Public Affairs

Board of Directors, from left to right:

Thierry R. Pourchet, Robert L. Llewellyn, Patricia L. Nielsen, Donald V. Lussier, George F. McCarthy, Frédéric A. Villain, Philippe A. Dréano, R. Patrick O'Driscoll, Claude Boulay

GENERAL CORPORATE INFORMATION

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(416) 479-2400

SALES OFFICES

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84 Chain Lake Drive, Suite 405
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(902) 445-0705

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Montréal, QC H3C 3W5
(514) 871-9090

10455 – 172 Street NW
Edmonton, AB T5S 1K9
(780) 442-9000

2825 Saskatchewan Drive
Unit 202
Regina, SK S4T 1H3
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13353 Commerce Parkway
Unit 2168
Richmond, BC V6V 3A1
(778) 296-4500

DISTILLERIES

Les Distilleries Corby Limitée
950, chemin des Moulins
Montréal, QC H3C 3W5
(514) 878-4611

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

INTERNATIONAL ENQUIRIES

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

In the US:
McCormick Distilling Co., Inc.
Weston, MO 64098
1-800-470-2313
www.mccormickdistilling.com

In the UK, Europe, Asia and Africa:
Halewood International Ltd.
Wilson Road
Huyton Business Park
Liverpool, England L36 6AD
0151-480-8800
www.halewood-int.com

AUDITORS

Deloitte & Touche LLP
www.deloitte.ca

REGISTRAR & TRANSFER AGENT

Computershare Investor Services Inc.
www.computershare.com

ELECTRONIC DELIVERY OF SHAREHOLDER DOCUMENTS

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

SHARES

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

INVESTOR RELATIONS ENQUIRIES

E-mail: investors@corby.ca
www.corby.ca

ANNUAL MEETING

On Wednesday, November 9, 2011, at 11:00 a.m. (Toronto time), at the TIFF Bell Lightbox, Reitman Square, 350 King Street West, Toronto, Ontario, in Cinema 4.

Core Values

Conviviality
We take time to celebrate success and we combine functional excellence and cross-functional teamwork to produce exceptional ideas and results.

Straightforwardness
We speak openly and directly, with care and compassion, respecting each other's viewpoints to resolve issues.

Commitment: Hard Work Over Shortcuts
We know what is expected of us and we are unrelenting and uncompromising in delivering these accountabilities in the face of resistance or setback.

Integrity: Substance Over Style
We say what we mean, we do what we say and we represent each other with honour.

Entrepreneurship
Our decentralized structure empowers us to take initiative and satisfy customers, improve efficiency, address problems and find new opportunities.

Concept and Design: **THE WORKS DESIGN COMMUNICATIONS** www.worksdesign.com

CORBY

Affiliated with Pernod Ricard