CORBY

CORBY SPIRIT AND WINE LIMITED | 2019 ANNUAL REPORT

STIRRING PASSION

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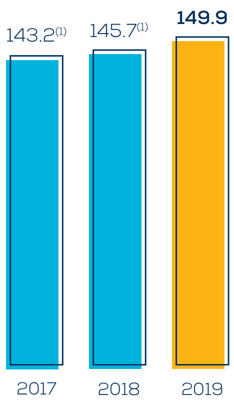
FINANCIAL HIGHLIGHTS

As at and for the years ended June 30, 2019 and 2018 (in thousands of Canadian dollars, except per share amounts)		2019		2018[1]
RESULTS				
Revenue	$	**149,938**	$	145,724
Earnings from operations		**34,208**		34,943
Earnings before income taxes		**35,222**		35,366
Net earnings		**25,694**		25,681
Cash flow from operating activities		**34,000**		31,307
FINANCIAL POSITION				
Working capital	$	**121,875**	$	131,324
Total assets		**218,331**		230,035
Shareholders' equity		**169,097**		184,694
PER COMMON SHARE				
Earnings from operations	$	**1.20**	$	1.23
Net earnings		**0.90**		0.90
Dividends declared and paid		**1.32**		0.87
Shareholders' equity		**5.94**		6.49
FINANCIAL RATIOS				
Working capital		**4.6**		5.0
Return on average shareholders' equity		**14.5**		14.2
Pre-tax return on average capital employed		**19.7**		19.4

REVENUE

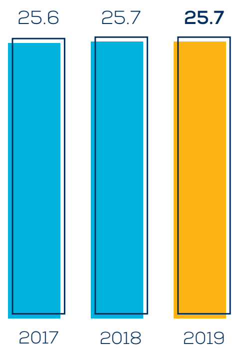
(in millions of Canadian dollars)



Revenue growth was primarily attributable to the performance of Corby's owned-brand domestic performance as well as increased commission income.

NET EARNINGS

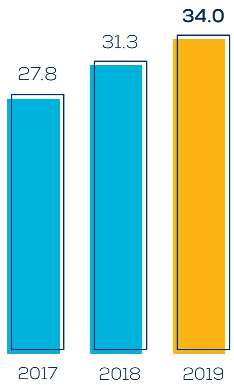
(in millions of Canadian dollars)



Net earnings remained relatively stable, as Corby increased its marketing investment in strategic brand equity building activities to drive long-term sustainable value growth.

CASH FLOW FROM OPERATING ACTIVITIES

(in millions of Canadian dollars)



Strong profit conversion to cash continued. Fluctuations in working capital balances related to the timing of spend helped increase net cash from operating activities.

[1] Comparative figures for 2017 and 2018 have been restated to reflect the company's retrospective application of IFRS 15, "Revenue from Contracts with Customers".

DEAR SHAREHOLDERS,

We've been stirring passion – *for* and *through* our brands – for 160 years. It's how we connect with consumers, and create sustainable value for our company and our world.

Brand building is in Corby's DNA, and our top stories in fiscal 2019 are a testament to our exceptional capabilities. We rejuvenated J.P. Wiser's whisky, our 162-year-old brand, to the extent that it was among Canada's top three value-gaining spirits brands. Our whole organization also rallied around our objectives of taking Ungava gin national and transforming it into a power brand. What's more, we turned around Polar Ice vodka by making bold moves in a difficult category and launched a campaign for Absolut vodka that hit all the right notes for millennials.

I cannot say enough about how our people rose to each challenge and showed their passion, creativity and proficiency in delivering these results. To capture market share and grow in our competitive industry, we need to be strategic about how and where we invest our time and money and we need our employees to be at the top of their game. Without a doubt, they proved their mettle and poured their all into helping us win in fiscal 2019. Corby's portfolio boasted three of the top 10 spirits growth brands in the year.

Bolstered by the momentum of key brands, overall net revenue grew 2.9% compared to the previous year, reaching close to $150 million despite the marked slowdown of the wine market and the continued pressure on the standard or economy brands in our portfolio. Growth from Corby's domestic brands and commission income enabled us to fund strategic marketing investments and led to net earnings that were in line with the prior year at $25.7 million.

Building Tomorrow's Brands

Beyond our top stories, progress made on the Foreign Affair winery, export and technology fronts not only contributed to the year's solid performance, but also set the stage for future growth.

We acquired Foreign Affair winery in fiscal 2018, with a view to capitalizing on Canadians' growing appreciation for higher-quality wines and the opening up of grocery store channels. Having spent the first 12 months integrating the business into our processes, we're starting to deploy a more tailored strategy for extracting profitable growth from this unique business. In fiscal 2019, this included expanding the Foreign Affair wine footprint outside Ontario with distribution gains in the key wine markets of British Columbia, Alberta and Québec.

As we add high-demand, super-premium products like Ungava gin to our portfolio, we want to ensure we're capturing every opportunity, in both domestic and export markets. To do so, we restructured our sales organization and appointed Stéphane Côté, formerly Vice-President, Sales, to the newly created role of Vice-President, New Business Ventures. One of Stéphane's first tasks – securing export agreements for strategic brands – led to new five-year distribution agreements in the US with 375 Park Avenue Spirits for J.P. Wiser's Canadian whisky, and with Hotaling for our Northern Border Collection of Canadian whiskies and Ungava gin. Effective January 1, 2019, we also signed agreements with Pernod Ricard affiliates and third parties to represent Ungava gin in key Western European markets.

From a technology perspective, the launch of a total promotional management tool in March 2019 linked various internal systems together to measure the efficiency of our promotional spend and help us determine which promotions provide the best return on investment. With its advanced science, and as more data is collected, the system will be able to develop, forecast, manage and automate the optimal promotional activities to maximize benefits.

Innovation as Growth Lever

Innovation is a key growth lever in our industry – driving 76% of spirits growth and 100% of wine growth. We must always think about current trends, what we can try and how we can deepen our connection with consumers.

That's why new products such as J.P. Wiser's Old Fashioned Whisky Cocktail and J.P. Wiser's Alumni Whisky Series (a collaboration with the NHL Alumni Association) are so important to us. Both exceeded their year-one projections and will be followed up in fiscal 2020 with J.P. Wiser's Manhattan Whisky Cocktail and another wave of the Alumni Series.

Through our affiliation with Pernod Ricard, we're also able to bring some of its highly acclaimed innovations to the Canadian market. In fiscal 2019, this included Jameson Ginger & Lime ready-to-drink cans, Jacob's Creek Double Barrel Chardonnay, and Martell Blue Swift, a unique spirit made of VSOP cognac that has been matured in French oak casks and finished in Kentucky bourbon casks. We also added on-trend flavour innovations such as Beefeater Pink, a strawberry gin that's based on the classic Beefeater London Dry recipe, and Absolut Grapefruit.

Good Times from a Good Place

Sustainability and Responsibility (S&R) initiatives present additional opportunities to make meaningful, purpose-driven connections with customers, consumers, employees and communities. In 2019, we aligned our S&R activities with Pernod Ricard's international *Good Times from a Good Place* platform, which itself is linked to the United Nations' Sustainable Development Goals, the world's to-do list to end poverty, reduce inequalities and tackle climate change.

Responsib'All Day was a highlight of the year. In eight cities across Canada, our employees spent the day working alongside bartenders to transform 21 bars and restaurants into sustainability pop-up venues where customers could enjoy cocktails made from Corby spirits mixed with ingredients diverted from waste channels and turned into delicious syrups, garnishes and infusions. The initiative was part of a strategic partnership with Trash Tiki, a passionate bartending duo who create cocktails from materials destined for landfill and tour the world to raise awareness about food waste.

Delivering Shareholder Value

Through all of our brand, operational and S&R activities, we aim to deliver consistent value growth and returns for our shareholders. Year after year, the Company has generated strong cash flows, maintained a healthy balance sheet to fund growth, and paid a consistent dividend. In fiscal 2019, we were very pleased to be able to declare a special dividend of 44 cents per share, which resulted in a cash distribution of approximately $12.5 million to shareholders and was sourced from our surplus cash position.

In conclusion, I'd like to thank our Board of Directors for their guidance and support as we seek to drive growth and create value. Thank you as well to our employees – we toast your passion and encourage you to keep living our purpose of *creating win–win memorable experiences* for customers, consumers, shareholders and one another.

Sincerely,

(signed)

Patrick O'Driscoll
President & Chief Executive Officer

Visit our online annual report at reports.corby.ca to learn more about how we are stirring passion.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

The following Management's Discussion and Analysis ("MD&A") dated August 21, 2019 should be read in conjunction with the audited consolidated financial statements and accompanying notes as at and for the year ended June 30, 2019, prepared in accordance with International Financial Reporting Standards ("IFRS"). While the annual financial statements were audited, information for the three months ended June 30, 2019 and 2018 was not audited or reviewed by the Company's external auditors in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of unaudited financial statements by an entity's auditor.

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

This document has been reviewed by the Audit Committee of Corby's Board of Directors and contains certain information that is current as of August 21, 2019. 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 2019 (three months ended June 30, 2019) are against results for the fourth quarter of fiscal 2018 (three months ended June 30, 2018). All dollar amounts are in Canadian dollars unless otherwise stated.

Business Overview

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

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

Corby's portfolio of owned-brands includes some of the most renowned brands in Canada, including J.P. Wiser's® Canadian whisky, Lamb's® rum, Polar Ice® vodka, McGuinness® liqueurs, Ungava® gin, Chic Choc® Spiced rum, and Cabot Trail® maple cream liqueur (in Québec, Coureur des Bois®) (collectively, the "Ungava Spirits Brands") and the Foreign Affair® wine brands (the "Foreign Affair Brands"). 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®, Stoneleigh®, Campo Viejo®, and Kenwood® wines. In addition to representing PR's brands in Canada, Corby also provides representation for certain selected, unrelated third-party brands ("Agency brands") when they fit within the Company's strategic direction and, thus, complement Corby's existing brand portfolio.

PR produces the majority of Corby's owned-brands under a distillate agreement and a co-pack agreement, each expiring September 30, 2026 at HWSL's production facility in Windsor, Ontario. Under an administrative services agreement which also expires September 30, 2026, Corby manages PR's business interests in Canada, including HWSL's production facility.

Corby sources more than 90% of its spirits production requirements from HWSL at its production facility in Windsor, Ontario. Corby's wholly-owned subsidiary Ungava Spirits Co. Ltd. ("Ungava Spirits") produces the Ungava Spirits Brands and operates the Cowansville, Québec, production facility. Corby's wholly-owned subsidiary the Foreign Affair Winery Ltd. produces the Foreign Affair Brands and operates the winery and vineyard, based in Ontario's Niagara region (the "Foreign Affair Winery"). The Company's remaining production requirements have been outsourced to various third-party vendors including a third-party manufacturer in the United Kingdom ("UK"). The UK site blends and bottles Lamb's products destined for sale in countries located outside North America.

In most provinces, Corby's route to market in Canada entails shipping its products to government-controlled LBs. The LBs then sell directly, or control the sale of, beverage alcohol products to end consumers. Exceptions to this model include 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. Other provinces have aspects of both government-controlled and private retailing, including British Columbia, Saskatchewan and Québec.

Corby's shipment patterns to the LBs will not always exactly match short-term consumer purchase patterns. However, given the importance of monitoring consumer consumption trends over the long term, the Company stays abreast of consumer purchase patterns in Canada through its member affiliation with the Association of Canadian Distillers ("ACD"), which tabulates and disseminates consumer purchase information it receives from the LBs to its industry members. Corby refers to this data throughout this MD&A as "retail sales", which are measured in volume (measured in nine-litre case equivalents). Current retail value information as discussed in this MD&A is based on available pricing information as provided by the ACD and the LBs.

In addition to a focus on efforts to open new international markets, Corby's international business is concentrated in the United States ("US") and the UK, and the Company has a different route to market for each. For the US market, Corby manufactures its products in Canada and ships to third-party US distributors. The market in the US operates a three-tier distribution system which often requires a much longer and larger inventory pipeline than in other markets, resulting in a disconnect between quarterly shipment performance, as reported in the financial statements, and the true underlying performance of the brands at the retail level during the same quarter.

For the other international markets, Corby products are distributed by PR affiliates or third parties (more information is provided in the "Related Party Transactions" and "Significant Event" sections of this MD&A).

Corby's operations are subject to seasonal fluctuations: sales are typically strong in the first and second quarters, while third-quarter sales usually decline after the end of the retail holiday season. Fourth-quarter sales typically increase again with the onset of warmer weather as consumers tend to increase their purchasing levels during the summer season. In addition, retail sales comparisons can be affected by timing of key holidays and LB reporting calendars.

Strategies and Outlook

Corby's business strategies are designed to maximize sustainable long-term value growth and deliver enhanced margin quality and profit, while continuing to produce strong and consistent cash flows from operating activities.

Management believes its focused brand prioritization strategy will permit Corby to capture market share in the segments and markets that are expected to deliver the most long-term value growth. Brand prioritization requires consumer insight and a data-driven assessment of each brand's potential. This facilitates resource allocation of Corby's marketing and sales efforts, ensuring optimal value creation through revenue management and investment return maximization.

Therefore, the Company's strategy is to concentrate its endeavours to deliver relevant consumer offerings and invest to leverage the growth potential of its key strategic brands, while continuing to exploit new routes to market and channel opportunities.

Pursuing new growth opportunities outside of Canada is also a key strategic priority. Our goal is to leverage our Canadian whisky and gin expertise and expand our business into markets where we believe there is growth potential in both volume and margin.

Of importance to the implementation of our brand strategies is an effective route to market and an optimized organizational structure. Corby continues to invest in its trade marketing expertise, ensuring that commercial resources are specialized to meet the unique needs of its customers and their selling channels. In all areas of the business, management believes setting clear strategies and increasing efficiencies is key to Corby's overall success and creating value for Corby shareholders.

The Company's portfolio of owned and represented brands provides an excellent platform from which to achieve its objectives. Innovation is also essential to capture incremental growth opportunities. Successful innovation is delivered through a structured evaluation process powered by consumer insight and ongoing research and development. Corby benefits from having access to PR North America's leading-edge production technologies, through HWSL's Windsor, Ontario, facility, where most of its products are manufactured and developed. In addition, acquisitions can provide access to further growth opportunities. Potential acquisitions are assessed against specific criteria including the Company's core competencies, portfolio of brands and strategic priorities.

Finally, Corby is a strong advocate of social responsibility, especially with respect to its sales and promotional activities. Corby promotes responsible consumption of its products in collaboration with local partners.

Significant Event

Corby declared special dividend and amended regular dividend policy

On November 7, 2018, the Corby Board of Directors declared a special dividend of $0.44 per share payable on January 11, 2019 on the Voting Class A Common Shares and Non-voting Class B Common Shares of Corby to shareholders of record as at the close of business on December 14, 2018. The special dividend payment resulted in a cash distribution of approximately $12.5 million to shareholders and was sourced from Corby's surplus cash position.

The Corby Board of Directors also announced an amendment to its dividend policy. Subject to business conditions and opportunities and appropriate adjustment for extraordinary events, regular dividends will be paid quarterly, on the basis of an annual amount equal to the greater of 90% of net earnings per share in the preceding fiscal year ended June 30, and $0.60 per share. Previously, the policy provided for such dividends to be based on an annual amount equal to the greater of 85% of net earnings per share in the preceding fiscal year ended June 30, and $0.60 per share. Under the amended policy, the Corby Board of Directors declared a regular dividend of $0.22 per share payable on December 7, 2018 on the Voting Class A Common Shares and Non-voting Class B Common Shares of Corby to shareholders of record as at the close of business on November 23, 2018.

Three-Year Review of Selected Financial Information

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

(in millions of Canadian dollars, except per share amounts)	**2019**	2018[1]	2017[1]
Revenue	**$ 149.9**	$ 145.7	$ 143.2
Earnings from operations	**34.2**	34.9	35.0
– Earnings from operations per common share	**1.20**	1.23	1.23
Net earnings	**25.7**	25.7	25.6
– Basic earnings per share	**0.90**	0.90	0.90
– Diluted earnings per share	**0.90**	0.90	0.90
Total assets	**218.3**	230.0	227.8
Total liabilities	**49.2**	45.3	50.5
Regular dividends paid per share	**0.88**	0.87	0.82
Special dividends paid per share	**0.44**	–	–

(1) *In preparing its comparative information for fiscal years 2018 and 2017, the Company has adjusted amounts reported previously in the consolidated statement of earnings as a result of the retrospective application of IFRS 15, "Revenue from Contracts with Customers".*

In 2019, revenue increased $4.2 million over 2018, representing an increase of 3%, while net earnings remained consistent with the prior year. This year-over-year improvement in revenue was the result of strong domestic performance of Corby-owned brand J.P. Wiser's Deluxe, commission growth from PR brand performance, increased focus and innovations on premium brands such as the Ungava Spirits Brands and an additional quarter of results from Foreign Affair Brands, partially offset by a small decline in export revenue.

In line with industry practice, the Company sold bulk whisky in 2019, although at lower levels than in previous years, enabling the Company to rebalance its maturation inventories and to align them with long-term strategies and forecasts.

The growth in revenues enabled the Company to reinvest in its brand priorities in line with its long-term strategies, resulting in stable earnings year over year.

Net assets (i.e., total assets less total liabilities) were impacted by payment of the special dividend, as well as an increase in pension liabilities (primarily the result of net actuarial losses and unrealized gains and losses on pension plan assets).

Brand Performance Review

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

Shipment Volume and Shipment Value Performance

The following table summarizes the performance of Corby's owned-brands (i.e., Case Goods) in terms of both shipment volume (as measured by shipments to customers in equivalent nine-litre cases) and shipment value (as measured by the change in net sales revenue). The table includes results for sales in both Canada and international markets. Specifically, J.P. Wiser's, Lamb's, Polar Ice, Lot No. 40, Pike Creek, and the Ungava Spirits Brands are also sold to international markets, particularly in the US and the UK.

BRAND PERFORMANCE CHART – INCLUDES BOTH CANADIAN AND INTERNATIONAL SHIPMENTS

	Three Months Ended				Year Ended			
			Shipment Change				Shipment Change	
(Volumes in 000s of 9L cases)	**June 30, 2019**	June 30, 2018	Volume %	Value %	**June 30, 2019**	June 30, 2018	Volume %	Value %
BRAND								
J.P. Wiser's Canadian whisky	**200**	219	(9%)	1%	**826**	801	3%	9%
Polar Ice vodka	**98**	98	0%	7%	**362**	365	(1%)	(2%)
Lamb's rum	**103**	107	(4%)	(4%)	**394**	419	(6%)	(4%)
Mixable liqueurs	**37**	42	(12%)	(13%)	**152**	161	(5%)	(4%)
Ungava Spirits Brands	**28**	31	(9%)	(8%)	**127**	106	20%	16%
Foreign Affair Brands[1]	**1**	2	(34%)	(4%)	**8**	5	49%	48%
Other Corby-owned brands	**50**	55	(8%)	(12%)	**206**	211	(2%)	(9%)
TOTAL CORBY BRANDS	**517**	554	(7%)	(2%)	**2,075**	2,068	0%	3%

[1] *Comparative information for Foreign Affair Brands includes only nine months of activity, as these brands were not owned by Corby prior to October 2, 2017.*

On a year-over-year comparison basis, Corby's owned-brands grew value ahead of volume as shipment value increased 3% while shipment volumes remained relatively flat. Revenue was driven by value growth through premium innovations and strategic price management as well as the performance of J.P. Wiser's (in both the domestic and export markets), Ungava Spirits Brands and continued integration of Foreign Affair Brands into the domestic market.

Fourth quarter performance experienced declines compared to a strong prior comparable period where timing of LB orders and export shipments drove results. LB orders were more evenly spaced throughout the year. Shipment volumes declined 7% in the fourth quarter, compared to shipment values, which declined 2%.

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

	Three Months Ended				Year Ended			
			Shipment Change				Shipment Change	
(Volumes in 000s of 9L cases)	**June 30, 2019**	June 30, 2018	Volume %	Value %	**June 30, 2019**	June 30, 2018	Volume %	Value %
Domestic	**470**	496	(5%)	(2%)	**1,886**	1,849	2%	4%
International	**47**	58	(20%)	(7%)	**189**	219	(13%)	(3%)
TOTAL CORBY BRANDS	**517**	554	(7%)	(2%)	**2,075**	2,068	0%	3%

Domestic shipment volumes for the fiscal year increased 2% while shipment value grew 4%. Current fiscal year shipments benefited from innovations such as J.P. Wiser's Old Fashioned, the collaboration with the NHL® Alumni Association on the Alumni Whisky Series and Lamb's Sociable. Corby's domestic shipment value benefited from favourable mix effects of the launch of high-marquee innovations such as the Alumni Whisky Series and the Rare Range Series of the Northern Border Collection as well as performance of the more premium Ungava Spirits Brands and Foreign Affair Brands. Fourth quarter domestic shipment volumes declined 5% in volume and 2% in value. Last year's results were impacted by LB order phasing, specifically the Liquor Control Board of Ontario ("LCBO") as inventory levels normalized after a threatened strike in the previous year.

During the year, as part of our international strategy, Corby reorganized a significant portion of its international route to market and this has caused some fluctuations in our shipment patterns. Nevertheless, an improvement in value has been realized through a more direct and optimized route to market. Shipment volumes declined 13% on a year-over-year comparable basis while value decreased 3%. The fourth quarter was similarly impacted.

Retail Sales Performance/Spirit Market Trends

It is of critical importance to understand the performance of Corby's brands at the retail level in Canada. Analysis of performance at the retail level provides insight with regard to consumers' current purchase patterns and trends.

To provide context for the following analysis, the Canadian spirits industry fourth quarter retail sales volume grew 3% while retail sales value improved 5%. Results for the fourth quarter were impacted by the timing of the Easter holiday (Q4 this year compared to Q3 in the previous year) and liquor board reporting periods. Retail sales volume grew 1% for the year ended June 30, 2019 compared to the prior year, while retail sales value grew 3%. Industry trends were led by retail sales volume and value growth in the Irish whiskey, gin and tequila categories.

In the year ended June 30, 2019, the vodka category grew 1% in retail volume and 2% in retail value. Canadian whisky category volumes remained flat but grew 2% in value. The rum category declined 2% in volume and 1% in value. Gin, a growing priority within the Corby portfolio, increased in volume by 8% and in value by 12% through growth of premium and super-premium brands.

Corby's portfolio is heavily weighted in the Canadian whisky, rum and vodka categories; together, they make up over 87% of the Company's total retail volumes.

The following brand discussion provides a more detailed analysis of the performance of each of Corby's key brands relative to its respective industry category. Retail sales volume and value data, as provided by the ACD, is set out in the following table and is discussed throughout this MD&A.

It should be noted that the retail information presented does not include international retail sales of Corby-owned brands and onsite winery sales.

Retail Sales Performance/Summary of Corby's Key Brands

RETAIL SALES FOR THE CANADIAN MARKET ONLY (AS PROVIDED BY THE ACD)[1]

	Three Months Ended				Year Ended			
(Volumes in 000s of 9L cases)	**June 30, 2019**	June 30, 2018	% Retail Volume Growth	% Retail Value Growth	**June 30, 2019**	June 30, 2018	% Retail Volume Growth	% Retail Value Growth
BRAND								
J.P. Wiser's Canadian whisky	**174**	168	3%	6%	**748**	745	0%	3%
Polar Ice vodka	**86**	84	3%	3%	**356**	348	2%	3%
Lamb's rum	**73**	76	(4%)	(5%)	**313**	327	(4%)	(6%)
Mixable liqueurs	**34**	36	(5%)	(3%)	**154**	162	(5%)	(3%)
Ungava Spirits Brands	**22**	20	9%	13%	**110**	91	21%	18%
Foreign Affair Brands	**1**	1	7%	17%	**3**	3	23%	24%
Other Corby-owned brands	**46**	45	1%	2%	**190**	187	2%	2%
TOTAL	**436**	430	1%	3%	**1,874**	1,863	1%	2%

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

J.P. WISER'S CANADIAN WHISKY

J.P. Wiser's Canadian whisky is Corby's flagship brand and one of Canada's best-selling Canadian whiskies. The brand experienced flat retail volumes for the year ended June 30, 2019 while retail value outpaced the category with growth of 3% compared to the same period last year. Retail sales volumes for the Canadian whisky category were flat while retail value for the category improved 2% over the same period.

Value growth was amplified through a series of new J.P. Wiser's products launched in fiscal 2019, which include a range of super-premium, limited edition Canadian whiskies created in partnership with the NHL® Alumni Association, a ready-to-serve J.P. Wiser's Old Fashioned Whisky Cocktail, and a new limited release of J.P. Wiser's 35 Years Old. Within the range, organic growth in both retail volume and value was posted by J.P. Wiser's Deluxe, J.P. Wiser's Apple Whisky, J.P. Wiser's Spiced Vanilla Whisky, and J.P. Wiser's Triple Barrel Rye. Performance of premium variants helped to offset a Wiser's Special Blend volume decline of 5% amidst a strained economy Canadian whisky segment.

Corby has strategically separated the premium variants of J.P. Wiser's from its standard offering of Special Blend. J.P. Wiser's premium range has benefited from revised and enhanced packaging, an award-winning media campaign and premium innovations, enabling it to significantly outperform the Canadian whisky market and delivering volume growth of 4% and value growth of 6%.

The brand is being supported nationally with the award-winning *The Public Toast* campaign in a range of media channels and continues to receive prestigious accolades that speak to the quality of the brand. J.P. Wiser's 35 Years Old was awarded World's Best Canadian Blended Whisky and J.P. Wiser's Vanilla Whisky was awarded World's Best Canadian Flavoured Whisky at the 2019 World Whiskies Awards. Wendel Clark Alumni Whisky Series, J.P. Wiser's 35 Years Old, and J.P. Wiser's Canada Commemorative 2018 were awarded Gold at the 2019 Canadian Whisky Awards. J.P. Wiser's 35 Years Old also won Connoisseur Whisky of the Year after winning the prior year's coveted Canadian Whisky of the Year award.

POLAR ICE VODKA

Polar Ice vodka is among the top-selling vodka brands in Canada. Retail volume grew 2% and value grew 3% in the year ended June 30, 2019 following strategic price repositioning in key regions. The overall vodka category in Canada grew 1% in retail volume and 2% in value on a comparable basis, driven by the premium vodka segment. The standard vodka category, where Polar Ice vodka competes, improved 1% in retail volume and remained flat in value compared to the prior comparable period.

Advertising and promotion investment continued to focus on brand awareness and consumer trial, while range extensions, including Polar Ice Arctic Extreme and Polar Ice Ontario Peach, delivered premiumization.

Polar Ice won Silver at the 2018 International Wine and Spirits Competition, and Polar Ice Arctic Extreme won Double Gold at the 2018 San Francisco World Spirits Competition.

LAMB'S RUM

Lamb's rum, one of the top-selling rum families in Canada, continued to be impacted by ongoing changes in consumer trends for standard rum, particularly in regional strongholds. Retail volumes for the overall rum category declined 2% for the year ended June 30, 2019, while retail values declined 1% compared to the same period last year; however, the economy rum category declined 3% in retail volumes and 2% in value. Lamb's experienced a 4% decline in retail volumes and a 6% decline in retail value.

The Lamb's rum product line is heavily weighted in the dark and white segments, which have faced evolving consumer preferences in recent years and increased competitor pressure in key markets. Our strategy remains to defend regional strongholds with targeted campaigns, focus on the most differentiated variants and launch new flavour variants and format innovations to help recruit new drinkers.

MIXABLE LIQUEURS

Corby's portfolio of mixable liqueur brands consists of McGuinness liqueurs (which is Canada's largest mixable liqueur brand family) and Meaghers liqueurs. Retail volume for Corby's mixable liqueurs portfolio lagged category trends with a decline in retail volume of 5% for the year ended June 30, 2019, and a retail value decline of 3%. The liqueurs category grew 2% in retail value and was flat in retail volume for the year ended June 30, 2019. Category growth was driven by traditional coffee and cream liqueurs.

Our strategy is to expand innovation and focus on strong programming in the retail environment, ensuring that our flavour offering is aligned with consumer trends. McGuinness Ruby Red Grapefruit, a recently launched flavour innovation, as well as an expanded range of flavour offerings in a convenient 375ml format, helps to encourage consumer trial. McGuinness also benefited from co-branded programs activated in retail and on-premise and through social media.

UNGAVA SPIRITS BRANDS

Retail volume and value for the Ungava Spirits Brands increased 21% and 18%, respectively, for the year ended June 30, 2019. The flagship brand, Ungava gin, grew 19% in both retail volume and value, outperforming the Canadian gin category, which grew 8% in retail volume while retail value grew 12%. Ungava gin is the market value leader in the super-premium gin category.

Cabot Trail maple-based liqueurs (in Québec, Coureur des Bois) continued to perform well, benefiting from increased distribution and successful recruitment through retail tastings. Retail volume increased 15% in the current fiscal year while retail value grew 16%.

New-to-world wine innovations were launched in the Québec grocery channel by Ungava Spirits. Distribution in this channel is restricted to wines bottled in Québec, which Corby is now able to access by utilizing the Cowansville production facility. Divine Sunshine, a contemporary blend made with California grapes, and Coureurs des Vignes, a premium French wine brand, are our first entries into this unique channel.

FOREIGN AFFAIR BRANDS

The Foreign Affair Brands represent Corby's first foray into the VQA Canadian wine category. In addition to the LBs, Foreign Affair Brands are available through several channels, including direct delivery (on-premise and wine club) and the onsite winery visitor centre, where the majority of sales are conducted.

Only retail sales conducted through the LBs are reported by the ACD. LB retail sales volume increased 23% for the year ended June 30, 2019 when compared to the same period last year while retail value grew 24%. The Canadian table wine category was flat to the prior year for both retail volume and value.

The Foreign Affair Brands won top awards, including Silver and Gold medals at the Ontario Wine Awards and the Wine Align National Wine Awards, the Lieutenant Governor's Award of Excellence in Ontario Wines, and Silver at the Decanter International Wine Awards.

OTHER CORBY-OWNED BRANDS

Premium offerings in Canadian whisky such as Lot No. 40, Pike Creek and Gooderham & Worts (collectively known as the Northern Border Collection) grew retail volume 15% and value 13% for the year ended June 30, 2019 and continued to outperform the Canadian whisky category in Canada.

Innovation remains an important pillar for delivering new profit and growth opportunities to both the Corby domestic and export business and highlights the quality of our products. A second Rare Range series was launched in the second quarter (including Lot No. 40 11 Years Old Cask Strength, Pike Creek 21 Years Old European Oak Finish, and Gooderham & Worts Eleven Souls) and has received high praise, winning Gold medals at the 2019 Canadian Whisky Awards.

Lot No. 40, Pike Creek and Gooderham & Worts were all awarded Gold medals at the 2019 Canadian Whisky Awards. Lot No. 40 has consistently won top awards in the most prestigious Canadian and international competitions, including Silver at the 2018 San Francisco World Spirits Competition. In addition, Pike Creek Rum Barrel Finish was awarded Sipping Whisky of the Year. Pike Creek 21 Years Old European Oak Finish won World's Best Corn Whisky at the 2019 World Whiskies Awards while Lot No. 40 11 Years Old Cask Strength won World's Best Canadian Rye Whisky. Gooderham & Worts Little Trinity (17 Years Old) was awarded Best Canadian Blended Limited Release at the World Whiskies Awards for 2018.

Royal Reserve® retail volume grew 1% in the year ended June 30, 2019 while retail value was flat compared to the same period last year. Competitive retail activity and industry-wide softness within the economy segment of Canadian whisky impacted performance.

Financial and Operating Results

The following table presents a summary of certain selected consolidated financial information of the Company for the year ended June 30, 2019 and 2018.

(in millions of Canadian dollars, except per share amounts)	2019	2018[1]	$ Change	% Change
REVENUE	$ **149.9**	$ 145.7	$ 4.2	3%
Cost of sales	**(57.0)**	(54.9)	(2.1)	4%
Marketing, sales and administration	**(58.8)**	(56.6)	(2.2)	4%
Other income	**0.1**	0.7	(0.6)	(86%)
EARNINGS FROM OPERATIONS	**34.2**	34.9	(0.7)	(2%)
Financial income	**1.5**	1.1	0.4	26%
Financial expenses	**(0.5)**	(0.7)	0.2	(37%)
	1.0	0.4	0.6	140%
Earnings before income taxes	**35.2**	35.3	(0.1)	0%
Income taxes	**(9.5)**	(9.6)	0.1	(2%)
NET EARNINGS	$ **25.7**	$ 25.7	$ –	0%
Per common share				
– Basic net earnings	$ **0.90**	$ 0.90	$ –	0%
– Diluted net earnings	$ **0.90**	$ 0.90	$ –	0%

(1) *In preparing its comparative information for fiscal year 2018, the Company has adjusted amounts reported previously in the consolidated statement of earnings as a result of the retrospective application of IFRS 15, "Revenue from Contracts with Customers".*

Overall Financial Results

Net earnings were stable when compared to the same period last year. Strong domestic market performance, increased PR brand commission revenue, and well-controlled overhead expenses funded increased marketing and sales investment behind key priorities and brands, including boosting support behind recently acquired brands, launching new innovations and developing new sales channels.

Revenue

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

(in millions of Canadian dollars)	**June 30, 2019**	June 30, 2018[1]	$ Change	% Change
REVENUE STREAMS				
Case Goods	$ **119.4**	$ 115.9	$ 3.5	3%
Commissions	**26.8**	25.7	1.1	4%
Other services	**3.7**	4.1	(0.4)	(11%)
REVENUE	$ **149.9**	$ 145.7	$ 4.2	3%

(1) *In preparing its comparative information for fiscal year 2018, the Company has adjusted amounts reported previously in the consolidated statement of earnings as a result of the retrospective application of IFRS 15, "Revenue from Contracts with Customers".*

Case Goods revenue increased $3.5 million, or 3%, for the year ended June 30, 2019, when compared to the same period last year. Growth during the year was attributable to strategic price management, premiumization of innovations, strong domestic shipments following prior year LCBO normalization of inventory levels, performance of Ungava Spirits Brands, and the addition of Foreign Affair Brands.

Commissions increased $1.1 million, or 4%, largely attributable to strong PR spirits portfolio performance, which lapped prior year LCBO distortion. The PR brand portfolio benefited from its positioning within premium categories along with PR's investment to build these brands in Canada.

Other services represent ancillary revenue incidental to Corby's core business activities, such as logistical fees and, from time to time, bulk whisky sales. Revenue from other services declined in the year ended June 30, 2019, attributable to decreased bulk whisky sales.

Cost of Sales

Cost of sales was $57.0 million, an increase of $2.1 million, or 4%, year over year. The increase is relatively in line with Case Goods growth and is partially attributable to the addition of the Foreign Affair Brands, higher distribution costs to Western Canada and increased warehousing fees related to recently acquired brands. Combined with tactical price adjustments in regional strongholds and the launch of new lower margin size and innovation formats, overall gross margin on Case Goods was 54%, comparable to the same period last year (note: commissions are not included in this calculation).

Marketing, Sales and Administration

Marketing, sales and administration expenses increased $2.2 million, or 4%, for the year ended June 30, 2019. The incremental increase in marketing and promotional investment was concentrated on Ungava Spirits Brands, Foreign Affair Brands, entry into the Québec grocery wine channel, launch of new innovations and export market support. Overhead expenses were well controlled and decreased as we also lapped prior year acquisition-related professional fees, partially offset by integration of the Foreign Affair Winery.

Net Financial Income

Net financial income comprises interest earned on deposits in cash management pools, offset by interest costs associated with the Company's pension and post-retirement benefit plans. An increase in interest income for the year ended June 30, 2019 is due to increases in market interest rates compared to the same time last year.

Income Taxes

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

	2019	2018
Combined basic federal and provincial tax rates	**26.8%**	26.8%
Other	**0.3%**	0.6%
EFFECTIVE TAX RATE	**27.1%**	27.4%

Liquidity and Capital Resources

Corby's sources of liquidity are its deposits in cash management pools of $61.1 million as at June 30, 2019, and its cash generated from operating activities. Corby's total contractual maturities are represented by its accounts payable and accrued liabilities, which totalled $33 million as at June 30, 2019 and are all due to be paid within one year. The Company does not have any liabilities under short- or long-term debt facilities.

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

Cash Flows

(in millions of Canadian dollars)	**2019**	2018	$ Change
OPERATING ACTIVITIES			
Net earnings, adjusted for non-cash items	**$ 41.1**	$ 40.9	$ 0.2
Net change in non-cash working capital	**0.9**	(1.8)	2.7
Net payments for interest and income taxes	**(8.0)**	(7.8)	(0.2)
	34.0	31.3	2.7
INVESTING ACTIVITIES			
Additions to capital assets	**(5.2)**	(4.9)	(0.3)
Proceeds from disposition of capital assets	**–**	0.5	(0.5)
Business acquisition	**–**	(6.4)	6.4
Deposits in cash management pools	**8.8**	4.3	4.5
	3.6	(6.5)	10.1
FINANCING ACTIVITIES			
Dividends paid	**(37.6)**	(24.8)	(12.8)
	(37.6)	(24.8)	(12.8)
NET CHANGE IN CASH	**$ –**	$ –	$ –

Operating Activities

Net cash generated from operating activities was $34.0 million during the year ended June 30, 2019, reflecting an increase of $2.7 million compared to the same time last year. Prior year cash flows from operating activities were negatively impacted by the timing of advertising and promotional expenses incurred as spend in the prior year was more heavily weighted earlier in the year in preparation for summer promotion.

Investing Activities

Net cash generated from investing activities was $3.6 million for the year ended June 30, 2019, compared to a use of cash of $6.5 million for the prior year. The prior year's use of cash from investing activities was largely driven by Corby's acquisition of the Foreign Affair Brands, which was completed on October 2, 2017.

Cash management pools represent cash on deposit with Citibank NA via Corby's Mirror Netting Service Agreement with PR. Corby has daily access to these funds and earns a market rate of interest from PR on its deposits. Changes in cash management pools reflect amounts either deposited in or withdrawn from these bank accounts and are simply a function of Corby's cash requirements during the period. 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 was $37.6 million for the year ended June 30, 2019. Financing activity reflects dividend payments paid to shareholders including a special dividend of $12.5 million paid January 11, 2019. As well, regular quarterly dividends increased to $0.22 per share starting with the quarterly dividend payment on December 8, 2017.

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

For	Declaration Date	Record Date	Payment Date	$/Share
2019 – Q4	August 21, 2019	September 11, 2019	September 27, 2019	$ 0.22
2019 – Q3	May 8, 2019	May 24, 2019	June 14, 2019	0.22
2019 – Q2	February 13, 2019	February 27, 2019	March 8, 2019	0.22
2019 – special	November 7, 2018	December 14, 2018	January 11, 2019	0.44
2019 – Q1	November 7, 2018	November 23, 2018	December 7, 2018	0.22
2018 – Q4	August 22, 2018	September 12, 2018	September 28, 2018	0.22
2018 – Q3	May 9, 2018	May 25, 2018	June 13, 2018	0.22
2018 – Q2	February 7, 2018	February 23, 2018	March 9, 2018	0.22
2018 – Q1	November 8, 2017	November 24, 2017	December 8, 2017	0.22
2017 – Q4	August 23, 2017	September 15, 2017	September 29, 2017	0.21
2017 – Q3	May 10, 2017	May 26, 2017	June 14, 2017	0.21
2017 – Q2	February 8, 2017	February 24, 2017	March 10, 2017	0.21
2017 – Q1	November 9, 2016	November 25, 2016	December 9, 2017	0.21

Outstanding Share Data

As at August 21, 2019, 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, 2019:

	Payments During 2020	Payments Due in 2021 and 2022	Payments Due in 2023 and 2024	Payments Due after 2024	Obligations with No Fixed Maturity	Total
Operating lease obligations	$ 1.7	$ 2.6	$ 1.5	$ 0.9	$ –	$ 6.7
Employee future benefits	–	–	–	–	13.4	13.4
	$ 1.7	$ 2.6	$ 1.5	$ 0.9	$ 13.4	$ 20.1

Related Party Transactions

Transactions with Parent, Ultimate Parent and Affiliates

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

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

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

On March 21, 2016, the Company entered into an agreement with Pernod Ricard UK Ltd. ("PRUK"), an affiliated company, which provides PRUK the exclusive right to represent Lamb's rum in Great Britain effective July 1, 2016. Previously, Lamb's rum was represented by an unrelated third party in this market. The agreement provides Lamb's with access to PRUK's extensive national distribution network throughout Great Britain. On March 28, 2019, the agreement was amended to include Ungava gin. The agreement is effective for a five-year period ending June 30, 2021.

Deposits in Cash Management Pools

Corby participates in a cash pooling arrangement under a Mirror Netting Service Agreement, together with PR's other Canadian affiliates, the terms of which are administered by Citibank N.A. effective July 17, 2014. The Mirror Netting Service Agreement acts to aggregate each participant's net cash balance for purposes of having a centralized cash management function for all of PR's Canadian affiliates, including Corby. As a result of Corby's participation in this agreement, Corby's credit risk associated with its deposits in cash management pools is contingent upon PR's credit rating. PR's credit rating as at August 21, 2019, as published by Standard & Poor's and Moody's, was BBB and Baa2, respectively. PR compensates Corby for the benefit it receives from having the Company participate in the Mirror Netting Service Agreement by paying interest to Corby based upon the 30-day Canadian Dealer Offered Rate plus 0.40%. Corby accesses these funds on a daily basis and has the contractual right to withdraw these funds or terminate these cash management arrangements upon providing five days' written notice.

Results of Operations – Fourth Quarter of Fiscal 2019

The following table presents a summary of certain selected consolidated financial information for the Company for the three-month periods ended June 30, 2019 and 2018:

	Three Months Ended			
(in millions of Canadian dollars, except per share amounts)	**June 30, 2019**	June 30, 2018[1]	$ Change	% Change
REVENUE	**$ 39.2**	$ 40.2	$ (1.0)	(3%)
Cost of sales	**(14.0)**	(14.6)	0.6	(5%)
Marketing, sales and administration	**(14.8)**	(13.3)	(1.5)	12%
Other income	**0.1**	0.3	(0.2)	(85%)
EARNINGS FROM OPERATIONS	**10.5**	12.6	(2.1)	(17%)
Financial income	**0.3**	0.3	0.0	12%
Financial expenses	**(0.1)**	(0.1)	0.0	(35%)
	0.2	0.2	0.0	85%
Earnings before income taxes	**10.7**	12.8	(2.1)	(16%)
Income taxes	**(2.9)**	(3.5)	0.6	(18%)
NET EARNINGS	**$ 7.8**	$ 9.3	$ (1.5)	(16%)
Per common share				
– Basic net earnings	**$ 0.27**	$ 0.33	$ (0.06)	(18%)
– Diluted net earnings	**$ 0.27**	$ 0.33	$ (0.06)	(18%)

[1] *In preparing its comparative information for fiscal year 2018, the Company has adjusted amounts reported previously in the consolidated statement of earnings as a result of the retrospective application of IFRS 15, "Revenue from Contracts with Customers".*

Revenue

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

	Three Months Ended			
(in millions of Canadian dollars)	**June 30, 2019**	June 30, 2018[1]	$ Change	% Change
REVENUE STREAMS				
Case Goods	**$ 31.2**	$ 31.9	$ (0.7)	(2%)
Commissions	**6.7**	6.8	(0.1)	(2%)
Other services	**1.3**	1.5	(0.2)	(10%)
REVENUE	**$ 39.2**	$ 40.2	$ (1.0)	(3%)

[1] *In preparing its comparative information for fiscal year 2018, the Company has adjusted amounts reported previously in the consolidated statement of earnings as a result of the retrospective application of IFRS 15, "Revenue from Contracts with Customers".*

Total revenue decreased 3% on a quarter-over-quarter comparison basis, or $1.0 million. This is primarily related to the LBs' return to regular order patterns and route-to-market changes in international markets. The impact to Case Goods revenue was mitigated by improved pricing and portfolio mix.

Commissions, compared to the same period last year, decreased $0.1 million as we experienced industry-wide softness in wine consumption that unfavourably impacted PR and agency wine performance. This was partially offset by strong PR spirit brands performance and strategic price management on represented brands.

Other services represent ancillary revenue incidental to Corby's core business activities, such as logistical fees and, from time to time, bulk whisky sales. The reduced revenue for the quarter was mostly attributable to decreased bulk whisky sales as the Company continued to rebalance its maturation inventories.

Cost of Sales

Cost of goods sold was $14.0 million, representing a $0.6 million, or 5%, decrease this period when compared with the same three-month period last year. Gross margin was 57% for the current year quarter compared to 56% for the same quarter last year, benefiting from changes in product mix and cost savings from production synergies.

Marketing, Sales and Administration

Marketing, sales and administration expenses increased $1.5 million, or 12%, over the same quarter last year. This increase was driven by current year phasing of domestic and international advertising and promotional activities, offset by decreased overhead expenses.

Net Earnings and Earnings per Share

Net earnings for the fourth quarter were $7.8 million, or $0.27 per share, which is a decrease of $1.5 million over the same quarter last year due to the aforementioned reasons.

Selected Quarterly Information

SUMMARY OF QUARTERLY FINANCIAL RESULTS

(in millions of Canadian dollars, except per share amounts)	**Q4 2019**	Q3 2019	Q2 2019	Q1 2019	Q4 2018[1]	Q3 2018[1]	Q2 2018[1]	Q1 2018[1]
Revenue	**$ 39.2**	$ 31.0	$ 41.9	$ 37.9	$ 40.2	$ 29.3	$ 40.6	$ 35.7
Earnings from operations	**10.5**	5.9	9.1	8.7	12.6	6.5	7.9	7.9
Net earnings	**7.8**	4.5	6.9	6.5	9.3	4.8	5.8	5.9
Basic EPS	**0.27**	0.16	0.24	0.23	0.33	0.17	0.20	0.21
Diluted EPS	**0.27**	0.16	0.24	0.23	0.33	0.17	0.20	0.21

(1) *In preparing its comparative information for fiscal year 2018, the Company has adjusted amounts reported previously in the consolidated statement of earnings as a result of the retrospective application of IFRS 15, "Revenue from Contracts with Customers".*

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

Revenues for the second, third and fourth quarters of 2018 include Case Goods sales for the Foreign Affair Brands, which were acquired on October 2, 2017.

Recent Accounting Pronouncements

New Accounting Standards

A number of new standards, amendments to standards and interpretations were effective for Corby on July 1, 2018 and, accordingly, have been applied in preparing the audited consolidated financial statements for the year ended June 30, 2019:

(i) REVENUE

In May 2014, the International Accounting Standards Board ("IASB") issued IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"), which provides a comprehensive framework for the recognition, measurement and disclosure of revenue from contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 and was therefore applied for the first time by the Company for the interim period beginning July 1, 2018.

The Company adopted IFRS 15 using the full retrospective approach with restatement of prior year comparative figures. After completing the analysis of significant customer contracts, the Company determined that the implementation of IFRS 15 did not result in a significant impact to the Company's financial position and performance. The application of IFRS 15 has required that certain advertising and promotional expenditures (previously reported in marketing, sales and administration), when paid directly to customers, be classified as a reduction to revenue.

For the year ended June 30, 2018, the implementation of IFRS 15 resulted in a reduction to revenue from Case Goods sales of $871 with a corresponding reduction to marketing, sales and administration. There was no impact to net earnings, the Company's balance sheet or statement of cash flows.

The Company's accounting policies for revenues have been updated to reflect the more extensive requirements under IFRS 15 and are outlined in Note 4: "Significant Accounting Policies – Revenue Recognition" to the audited consolidated financial statements for the year ended June 30, 2019.

(ii) FINANCIAL INSTRUMENTS

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

This standard is effective for annual periods beginning on or after January 1, 2018 and must be applied retrospectively. For Corby, this standard became effective July 1, 2018 and has been applied retrospectively to all periods presented.

The adoption of IFRS 9 did not have a significant impact on the Company's consolidated financial statements. Financial assets and liabilities have been classified and measured in accordance with IFRS 9. As a result of the application of IFRS 9 and classifications, there has been no change to the carrying value of financial assets and liabilities.

Changes to the classification of Corby's financial assets and liabilities under IFRS 9 are as follows:

Financial Asset/Liability	Category Under IAS 39	Category Under IFRS 9
Deposits in cash management pools	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Loans and receivables	Amortized cost

(iii) FOREIGN CURRENCY TRANSACTIONS AND ADVANCE CONSIDERATION

The IASB issued a new interpretation, IFRIC 22, "Foreign Currency Transactions and Advance Consideration" ("IFRIC 22"). IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. Specifically, IFRIC 22 addresses how an entity recognizes a non-monetary asset or liability arising from a prepayment or receipt before the entity recognizes the related asset, expense or income. The IASB determined that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. The Company adopted IFRIC 22 effective July 1, 2018, with no significant impact on the Company's consolidated financial statements.

(iv) SHARE-BASED PAYMENTS

The IASB issued an amendment to IFRS 2, "Share-based Payment" ("IFRS 2"). This amendment clarifies the accounting for cash-settled share-based payment transactions that include a performance condition. For Corby, this amendment to IFRS 2 became effective July 1, 2018 and did not have a significant impact on the Company's consolidated financial statements.

Recent Accounting Pronouncements Not in Effect

The below standards have been issued but are not yet effective for the financial period ended June 30, 2019 and, accordingly, have not been applied in preparing the audited consolidated financial statements:

(i) LEASES

In January 2016, the IASB issued a new standard, IFRS 16, "Leases" ("IFRS 16"), which will ultimately replace IAS 17, "Leases" ("IAS 17"). IFRS 16 specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The standard is effective for annual periods beginning on or after January 1, 2019 and must be applied retrospectively. For Corby, this standard became effective July 1, 2019.

The guidance permits two methods of adoption: retrospectively to each prior reporting period restated (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (modified retrospective method). The Company will adopt the standard using the modified retrospective method. The Company has elected to set the right-of-use asset equal to the lease liability.

In preparation for adoption of the standard, the Company has completed the review of relevant contracts and has concluded there will be a right-of-use asset and a corresponding lease liability of approximately $5,900 recognized on the Company's statements of financial position upon the adoption of the standard. The Company has elected to not apply the requirements of IFRS 16 to short-term leases and leases for which the underlying asset is of low value. The Company will recognize the lease payments associated with these leases on a straight-line basis, over the lease term.

(ii) UNCERTAINTY OVER INCOME TAX TREATMENTS

In June 2017, the IASB issued a new interpretation, IFRIC 23, "Uncertainty over Income Tax Treatments" ("IFRIC 23"). IFRIC 23 specifies the accounting treatment for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over the tax treatments. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted. For Corby, this standard became effective July 1, 2019. The new interpretation is not expected to have a significant impact on the Company's consolidated financial statements.

(iii) FINANCIAL INSTRUMENTS

The IASB issued amendments to IFRS 9, "Financial Instruments" ("IFRS 9"). The amendments address concerns about how IFRS 9 classified prepayable financial assets and clarify an aspect of accounting for financial liabilities following a modification. The amendments are to be applied retrospectively for fiscal years beginning on or after January 1, 2019. The amendments and additions to IFRS 9 will not have an impact on the Company's audited consolidated financial statements.

(iv) EMPLOYEE BENEFITS

The IASB published amendments to IAS 19, "Employee Benefits" ("IAS 19"). The amendments harmonize accounting practices to provide more relevant information for decision-making. The amendments are to be applied retrospectively to plan amendments, curtailments or settlements occurring on or after January 1, 2019. The amendments and additions to IAS 19 will not have an impact on the Company's consolidated financial statements.

(v) INCOME TAXES

The IASB published amendments to IAS 12, "Income Taxes" ("IAS 12"). The amendments clarify that the income tax consequences of dividends, where transactions or events that generate distributable profits are recognized, apply to all income tax consequences of dividends. The amendments are to be applied retrospectively for fiscal years beginning on or after January 1, 2019. The amendments and additions to IAS 12 will not have an impact on the Company's consolidated financial statements.

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, 2019, and has concluded that such disclosure controls and procedures are effective based upon such evaluation.

Internal Controls over Financial Reporting

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

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

Management, with the participation of the CEO and CFO, has evaluated the effectiveness of the Company's internal controls over financial reporting as at June 30, 2019, and has concluded that internal control over financial reporting is designed and operating effectively to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Management's assessment was based on the framework established in Internal Control – Integrated Framework (2013), published by the Committee of Sponsoring Organizations of the Treadway Commission.

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

Risks and Risk Management

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

Industry and Regulatory

The beverage alcohol industry in Canada is subject to government policy, extensive regulatory requirements and significant rates of taxation at both the federal and provincial levels. As a result, changes in the government policy, regulatory and/or taxation environments within the beverage alcohol industry may affect Corby's business operations, causing changes in market dynamics or changes in consumer consumption patterns. In addition, the Company's provincial LB customers have the ability to mandate changes that can lead to increased costs, as well as other factors that may impact financial results.

Additionally, as the Company becomes more reliant on international product sales in the US, the UK and other countries, exposure to changes in the laws and regulations (including on matters such as regulatory requirements, import duties and taxation) in those countries could also adversely affect the operations, financial performance or reputation of the Company.

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

Consumer Consumption Patterns

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

Distribution/Supply Chain Interruption

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

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

Inherent to producing maturing products, there is a potential for shortages or surpluses in future years if demand and supply are materially different from long-term forecasts. Additionally, the loss through contamination, fire or other natural disaster of the stock of maturing products may result in significant reduction in supply and, as a result, Corby may not be able to meet customer demands. The Company monitors category trends and regularly reviews maturing inventory levels.

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 largely outsources its production, including all of its storage and handling of maturing alcohol, the risk of environmental liabilities is considered minimal. Corby currently has no significant recorded or unrecorded environmental liabilities.

Industry Consolidation

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

Corby's Ability to Properly Complete Acquisitions and Subsequently Integrate Them May Affect Its Results

Corby monitors growth opportunities that may present themselves to the Company, including by way of acquisitions. While we believe that an acquisition may create the opportunity to realize certain benefits, achieving these benefits will depend in part on successfully consolidating functions and integrating operations, procedures and personnel in an efficient manner, as well as our ability to realize any anticipated growth opportunities or cost savings from combining the target's assets and operations with our existing brands and operations. Integration efforts following any acquisition (including the recent acquisitions of the Ungava Spirits Brands and Foreign Affair Winery) may require the dedication of substantial management effort, time and resources, which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. In addition, Corby may be required to assume greater-than-expected liabilities due to liabilities that are undisclosed at the time of completion of an acquisition. A failure to realize, in whole or in part, the anticipated benefits of an acquisition may have a negative impact on the results or financial position of Corby.

Competition

The Canadian and international beverage alcohol industry is extremely competitive. Competitors may take actions to establish and sustain a competitive advantage through advertising and promotion and pricing strategies in an effort to maintain market share, which may negatively affect our sales, revenues and profitability. Corby constantly monitors the market and adjusts its own advertising, promotion and pricing strategies as appropriate.

Competitors may also affect Corby's ability to attract and retain high-quality employees. The Company's long heritage attests to Corby's strong foundation and successful execution of its strategies. Its role as a leading Canadian beverage alcohol company helps facilitate recruitment efforts.

Credit Risk

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

Exposure to Interest Rate Fluctuations

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

Exposure to Commodity Price Fluctuations

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

Foreign Currency Exchange Risk

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

USD EXPOSURE

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

GBP EXPOSURE

The Company's exposure to fluctuations in the value of the GBP relative to the CAD was reduced as both sales and cost of production are denominated in GBP. While Corby's exposure has been minimized, increases in the value of the CAD relative to the GBP will have an unfavourable impact on the Company's earnings.

Third-Party Service Providers

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

Brand Reputation and Trademark Protection

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

Additionally, although the Company registers trademarks, as applicable, it cannot be certain that trademark registrations will be issued with respect to all the Company's applications. Also, while Corby constantly watches for and responds to competitive threats, as necessary, the Company cannot predict challenges to, or prevent a competitor from challenging, the validity of any existing or future trademark issued or licensed to Corby.

Information Technology and Cyber Security

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

Valuation of Goodwill and Intangible Assets

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

The following table summarizes Corby's goodwill and intangible assets and details the amounts associated with each brand (or basket of brands) and market as at June 30, 2019:

		Carrying Values as at June 30, 2019		
Associated Brand	Associated Market	Goodwill	Intangibles	Total
Various PR brands	Canada	$ –	$ 13.0	$ 13.0
Lamb's rum	United Kingdom[1]	1.3	11.8	13.1
Ungava Spirits Brands[2]	Canada	5.1	3.2	8.3
Foreign Affair Brands	Canada	0.4	2.5	2.9
Other domestic brands	Canada	1.9	–	1.9
		$ 8.7	$ 30.5	$ 39.2

(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.*

(2) *The Ungava Spirits Brands include trademarks related to Ungava Premium Canadian gin, Chic Choc Spiced rum and Cabot Trail maple-based liqueurs.*

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 10 of the annual audited consolidated financial statements for the year ended June 30, 2019.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

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

(signed)

Patrick O'Driscoll
President & Chief Executive Officer

(signed)

Edward Mayle
Vice-President & Chief Financial Officer

August 21, 2019

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Corby Spirit and Wine Limited

Opinion

We have audited the consolidated financial statements of Corby Spirit and Wine Limited (the "Company"), which comprise the consolidated balance sheets as at June 30, 2019 and June 30, 2018, and the consolidated statements of earnings, consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flow for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2019 and June 30, 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis;
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Francois Sauvageau.

(signed)

Chartered Professional Accountants
Licensed Public Accountants
August 21, 2019
Toronto, Ontario, Canada

CONSOLIDATED BALANCE SHEETS

As at June 30, 2019 and 2018 *(in thousands of Canadian dollars)*	Notes	**June 30, 2019**	June 30, 2018
ASSETS			
Deposits in cash management pools		**$ 61,136**	$ 69,955
Accounts receivable	8	**32,260**	33,469
Inventories	9	**61,912**	59,789
Prepaid expenses		**554**	593
TOTAL CURRENT ASSETS		**155,862**	163,806
Other assets	10	**1,498**	1,830
Property, plant and equipment	11	**21,683**	19,331
Goodwill	12	**8,757**	8,757
Intangible assets	13	**30,531**	36,311
TOTAL ASSETS		**$ 218,331**	$ 230,035
LIABILITIES			
Accounts payable and accrued liabilities	15	**$ 32,998**	$ 31,242
Income and other taxes payable		**989**	1,240
TOTAL CURRENT LIABILITIES		**33,987**	32,482
Provision for employee benefits	10	**13,427**	9,991
Deferred income taxes	16	**1,820**	2,868
TOTAL LIABILITIES		**49,234**	45,341
SHAREHOLDERS' EQUITY			
Share capital	17	**14,304**	14,304
Accumulated other comprehensive (loss) income	18	**(3,226)**	486
Retained earnings		**158,019**	169,904
TOTAL SHAREHOLDERS' EQUITY		**169,097**	184,694
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 218,331**	$ 230,035

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

Approved by the Board of Directors

(signed)

George F. McCarthy
Director

(signed)

Robert L. Llewellyn
Director

CONSOLIDATED STATEMENTS OF EARNINGS

For the years ended June 30, 2019 and 2018 *(in thousands of Canadian dollars, except per share amounts)*	Notes		**June 30, 2019**		June 30, 2018[1]
REVENUE	19	**$**	**149,938**	$	145,724
Cost of sales			**(57,028)**		(54,855)
Marketing, sales and administration			**(58,798)**		(56,631)
Other income	20		**96**		705
EARNINGS FROM OPERATIONS			**34,208**		34,943
Financial income	21		**1,492**		1,187
Financial expenses	21		**(478)**		(764)
			1,014		423
EARNINGS BEFORE INCOME TAXES			**35,222**		35,366
Current income taxes	16		**(9,215)**		(9,263)
Deferred income taxes	16		**(313)**		(422)
Income taxes			**(9,528)**		(9,685)
NET EARNINGS		**$**	**25,694**	$	25,681
Basic earnings per share	22	**$**	**0.90**	$	0.90
Diluted earnings per share	22	**$**	**0.90**	$	0.90
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING					
Basic			**28,468,856**		28,468,856
Diluted			**28,468,856**		28,468,856

[1] *In preparing its comparative information, the Company has adjusted amounts reported previously in the consolidated statement of earnings as a result of the retrospective application of IFRS 15, "Revenue from Contracts with Customers". Refer to Note 3 for details regarding adjusted amounts.*

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended June 30, 2019 and 2018 *(in thousands of Canadian dollars)*	Notes		**June 30, 2019**		June 30, 2018
NET EARNINGS		**$**	**25,694**	$	25,681
OTHER COMPREHENSIVE INCOME					
Amounts that will not be subsequently reclassified to earnings:					
Net actuarial (losses) gains	10		**(5,073)**		8,883
Income taxes	16		**1,361**		(2,380)
			(3,712)		6,503
TOTAL COMPREHENSIVE INCOME		**$**	**21,982**	$	32,184

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended June 30, 2019 and 2018 *(in thousands of Canadian dollars)*		Share Capital		Accumulated Other Comprehensive (Loss) Income		Retained Earnings		Total
Balance as at June 30, 2018	$	14,304	$	486	$	169,904	$	184,694
Total comprehensive income		–		(3,712)		25,694		21,982
Dividends		–		–		(37,579)		(37,579)
BALANCE AS AT JUNE 30, 2019	**$**	**14,304**	**$**	**(3,226)**	**$**	**158,019**	**$**	**169,097**
Balance as at June 30, 2017	$	14,304	$	(6,017)	$	168,991	$	177,278
Total comprehensive income		–		6,503		25,681		32,184
Dividends		–		–		(24,768)		(24,768)
BALANCE AS AT JUNE 30, 2018	$	14,304	$	486	$	169,904	$	184,694

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

CONSOLIDATED STATEMENTS OF CASH FLOW

For the years ended June 30, 2019 and 2018 *(in thousands of Canadian dollars)*	Notes		**June 30, 2019**		June 30, 2018
OPERATING ACTIVITIES					
Net earnings		**$**	**25,694**	$	25,681
Adjustments for:					
Amortization and depreciation	23		**8,668**		8,214
Net financial income	21		**(1,014)**		(423)
Gain on disposal of property and equipment			**–**		(324)
Income tax expense			**9,528**		9,685
Provision for employee benefits			**(1,783)**		(1,969)
			41,093		40,864
Net change in non-cash working capital balances	25		**881**		(1,809)
Interest received			**1,492**		1,187
Income taxes paid			**(9,466)**		(8,935)
NET CASH FROM OPERATING ACTIVITIES			**34,000**		31,307
INVESTING ACTIVITIES					
Additions to property and equipment	11		**(5,254)**		(4,958)
Proceeds from disposition of property and equipment			**14**		518
Business acquisition	6		**–**		(6,397)
Deposits in cash management pools			**8,819**		4,298
NET CASH FROM (USED IN) INVESTING ACTIVITIES			**3,579**		(6,539)
FINANCING ACTIVITY					
Dividends paid			**(37,579)**		(24,768)
NET CASH USED IN FINANCING ACTIVITY			**(37,579)**		(24,768)
NET INCREASE IN CASH			**–**		–
Cash, beginning of year			**–**		–
CASH, END OF YEAR		**$**	**–**	$	–

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended June 30, 2019 and 2018
(in thousands of Canadian dollars, except per share amounts)

1. General Information

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

Corby is controlled by Hiram Walker & Sons Limited ("HWSL"), which is a wholly-owned subsidiary of Pernod Ricard, S.A. ("PR"), a French public limited company that controls 51.6% of the outstanding Voting Class A Common Shares of Corby as at June 30, 2019.

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

2. Basis of Preparation

Statement of Compliance

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

These consolidated financial statements were approved by the Company's Board of Directors on August 21, 2019.

Functional and Presentation Currency

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

Foreign Currency Translation

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

Basis of Measurement

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

Use of Estimates and Judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make certain judgments, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period.

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

Estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Estimates are made on the assumption that the Company will continue as a going concern and are based on information available at the time of preparation. Estimates may be revised where the circumstance on which they were based change or where new information becomes available. Future outcomes can differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

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

(i) IMPAIRMENT

The Company uses judgment in determining the grouping of assets to identify its Cash-Generating Units ("CGUs") for purposes of testing for impairment of goodwill, intangible assets, and property, plant and equipment. A CGU is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes.

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

The Company uses estimates to determine a CGU's or group of CGUs' recoverable amount based on the higher of fair value less costs to sell and value in use ("VIU"), which involves estimating future cash flows before taxes. The process of determining the recoverable amount requires the Company to make estimates and assumptions of a long-term nature regarding discount rates, projected revenues, royalty rates and margins, as applicable, derived from past experience, actual operating results and budgets. These estimates and assumptions may change in the future due to uncertain competitive and economic market conditions or changes in business strategies.

(ii) PURCHASE PRICE ALLOCATION

The purchase price related to a business combination is allocated to the underlying acquired assets and liabilities based on their estimated fair values at the time of acquisition. The determination of fair value requires the Company to make assumptions, estimates and judgments regarding future events. The allocation process is inherently subjective and impacts the amounts assigned to individually identifiable assets and liabilities. As a result, the purchase price allocation impacts the Company's reported assets and liabilities and future net earnings due to the impact on future depreciation and amortization expense and impairment tests. In addition, due to the timing and complexities related to business combinations, adjustments to provisional amounts recorded are expected subsequent to the reporting period until the allocation is finalized.

(iii) INCOME AND OTHER TAXES

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

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

(iv) POST-EMPLOYMENT BENEFITS

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

(v) FAIR VALUE OF GRAPES AT POINT OF HARVEST

Where possible, the fair value of grapes at the point of harvest is determined by reference to local market prices for grapes of a similar quality and varietal. For grapes for which local market prices are not readily available, the average price of similar grapes is used.

(vi) OTHER

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

3. Adoption of New and Revised Standards and Interpretations

Recent Accounting Pronouncements

A number of new standards, amendments to standards and interpretations were effective for Corby on July 1, 2018 and, accordingly, have been applied in preparing these consolidated financial statements:

(i) REVENUE

In May 2014, the International Accounting Standards Board ("IASB") issued IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"), which provides a comprehensive framework for the recognition, measurement and disclosure of revenue from contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 and was therefore applied for the first time by the Company for the interim period beginning July 1, 2018.

The Company adopted IFRS 15 using the full retrospective approach with restatement of prior year comparative figures. After completing the analysis of significant customer contracts, the Company determined that the implementation of IFRS 15 did not result in a significant impact to the Company's financial position and performance. The application of IFRS 15 has required that certain advertising and promotional expenditures (previously reported in marketing, sales and administration), when paid directly to customers, be classified as a reduction to revenue.

For the year ended June 30, 2018, the implementation of IFRS 15 resulted in a reduction to revenue from Case Goods sales of $871 with a corresponding reduction to marketing, sales and administration. There was no impact to net earnings, the Company's balance sheet or statement of cash flows.

The Company's accounting policies for revenues have been updated to reflect the more extensive requirements under IFRS 15 and are outlined in Note 4: "Significant Accounting Policies – Revenue Recognition".

(ii) FINANCIAL INSTRUMENTS

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

This standard is effective for annual periods beginning on or after January 1, 2018 and must be applied retrospectively. For Corby, this standard became effective July 1, 2018 and has been applied retrospectively to all periods presented.

The adoption of IFRS 9 did not have a significant impact on the Company's consolidated financial statements. Financial assets and liabilities have been classified and measured in accordance with IFRS 9. As a result of the application of IFRS 9 and classifications, there has been no change to the carrying value of financial assets and liabilities.

Changes to the classification of Corby's financial assets and liabilities under IFRS 9 are as follows:

Financial Asset/Liability	Category Under IAS 39	Category Under IFRS 9
Deposits in cash management pools	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Loans and receivables	Amortized cost

(iii) FOREIGN CURRENCY TRANSACTIONS AND ADVANCE CONSIDERATION

The IASB issued a new interpretation, IFRIC 22, "Foreign Currency Transactions and Advance Consideration" ("IFRIC 22"). IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. Specifically, IFRIC 22 addresses how an entity recognizes a non-monetary asset or liability arising from a prepayment or receipt before the entity recognizes the related asset, expense or income. The IASB determined that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. The Company adopted IFRIC 22 effective July 1, 2018, with no significant impact on the Company's consolidated financial statements.

(iv) SHARE-BASED PAYMENTS
The IASB issued an amendment to IFRS 2, "Share-based Payment" ("IFRS 2"). This amendment clarifies the accounting for cash-settled share-based payment transactions that include a performance condition. For Corby, this amendment to IFRS 2 became effective July 1, 2018, and did not have a significant impact on the Company's consolidated financial statements.

Recent Accounting Pronouncements Not in Effect

The below standards have been issued but are not yet effective for the financial period ended June 30, 2019 and, accordingly, have not been applied in preparing these consolidated financial statements:

(v) LEASES
In January 2016, the IASB issued a new standard, IFRS 16, "Leases" ("IFRS 16"), which will ultimately replace IAS 17, "Leases" ("IAS 17"). IFRS 16 specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The standard is effective for annual periods beginning on or after January 1, 2019 and must be applied retrospectively. For Corby, this standard became effective July 1, 2019.

The guidance permits two methods of adoption: retrospectively to each prior reporting period restated (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (modified retrospective method). The Company will adopt the standard using the modified retrospective method. The Company has elected to set the right-of-use asset equal to the lease liability.

In preparation for adoption of the standard, the Company has completed the review of relevant contracts and has concluded there will be a right-of-use asset and a corresponding lease liability of approximately $5,900, recognized on the Company's statements of financial position upon the adoption of the standard. The Company has elected to not apply the requirements of IFRS 16 to short-term leases and leases for which the underlying asset is of low value. The Company will recognize the lease payments associated with these leases on a straight-line basis, over the lease term.

(vi) UNCERTAINTY OVER INCOME TAX TREATMENTS
In June 2017, the IASB issued a new interpretation, IFRIC 23, "Uncertainty over Income Tax Treatments" ("IFRIC 23"). IFRIC 23 specifies the accounting treatment for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over the tax treatments. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted. For Corby, this standard became effective July 1, 2019. The new interpretation is not expected to have a significant impact on the Company's consolidated financial statements.

(vii) FINANCIAL INSTRUMENTS
The IASB issued amendments to IFRS 9, "Financial Instruments" ("IFRS 9"). The amendments address concerns about how IFRS 9 classified prepayable financial assets and clarify an aspect of accounting for financial liabilities following a modification. The amendments are to be applied retrospectively for fiscal years beginning on or after January 1, 2019. The amendments and additions to IFRS 9 will not have an impact on the Company's consolidated financial statements.

(viii) EMPLOYEE BENEFITS
The IASB published amendments to IAS 19, "Employee Benefits" ("IAS 19"). The amendments harmonize accounting practices to provide more relevant information for decision-making. The amendments are to be applied retrospectively to plan amendments, curtailments or settlements occurring on or after January 1, 2019. The amendments and additions to IAS 19 will not have an impact on the Company's consolidated financial statements.

(ix) INCOME TAXES
The IASB published amendments to IAS 12, "Income Taxes" ("IAS 12"). The amendments clarify that the income tax consequences of dividends, where transactions or events that generate distributable profits are recognized, apply to all income tax consequences of dividends. The amendments are to be applied retrospectively for fiscal years beginning on or after January 1, 2019. The amendments and additions to IAS 12 will not have an impact on the Company's consolidated financial statements.

4. Significant Accounting Policies

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

Basis of Consolidation

The consolidated financial statements include the accounts of Corby Spirit and Wine Limited and its subsidiaries, collectively referred to as "Corby" or the "Company".

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

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

Deposits in Cash Management Pools

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

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

Inventories

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

Grapes produced from vineyards controlled by the Company that are part of inventory are measured at their fair value less costs to sell at the point of harvest.

Inventory of wine that is produced by the Company is valued at the lower of cost and net realizable value, with cost being determined on an average cost basis. Inventory of bulk wine and grapes is included in work-in-progress inventory in Note 9.

Property, Plant and Equipment

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

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

The ranges of depreciable lives for the major categories of property, plant and equipment are as follows:

Buildings	25 years
Leasehold improvements	5 to 10 years
Machinery and equipment	3 to 12 years
Casks	12 years
Vines	30 years
Other capital assets	3 to 20 years

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

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

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

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

Leases

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

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

Business Combinations

The Company applies the acquisition method in accounting for business combinations. The cost of an acquisition is the aggregate of the consideration transferred, measured at the acquisition date fair value. Acquisition-related costs are expensed as incurred.

Goodwill represents the excess of the consideration transferred over the fair value of identifiable assets acquired and liabilities assumed in business combinations, all measured at fair value.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (not greater than one year from acquisition date) to reflect new information about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that time.

Goodwill

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

Goodwill is measured at cost less any accumulated impairment losses.

Intangible Assets

Intangible assets include the following:

(i) LONG-TERM REPRESENTATION RIGHTS

Long-term representation rights 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 term of their respective agreements. Representation rights are scheduled to expire on September 30, 2021. Amortization is recognized as a reduction to commission revenue earned from the representation of PR brands.

(ii) TRADEMARKS AND LICENCES

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

(iii) NON-REFUNDABLE UPFRONT FEES

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

Impairment

(i) FINANCIAL ASSETS

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

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

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

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

All impairment losses are recognized in net earnings.

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

(ii) NON-FINANCIAL ASSETS

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

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

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

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

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

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

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

Provisions

Provisions are recognized when there is a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and that the obligation can be measured reliably. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risk specific to the liability. Provisions are reviewed on a regular basis and adjusted to reflect management's best current estimates. Due to the judgmental nature of these items, future settlements may differ from amounts recognized. Provisions notably include: provisions for employee benefits (Note 10) and provisions for uncertain tax positions (Note 16).

Employee Benefits

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

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

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

Defined benefit costs are categorized as follows:

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

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

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

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

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

Income Taxes

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

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

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

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

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

Revenue Recognition

The Company derives its revenue from Case Goods sales, commissions and other services. The Company recognizes revenue when control of the goods or services sold has been transferred to the customer. Revenue is measured at the amount of consideration to which the Company expects to be entitled after deducting trade discounts, volume rebates, sales-related taxes and duties, and costs of services directly provided by customers.

(i) CASE GOODS SALES

Corby's Case Goods are primarily sold to provincial liquor boards and international customers. Transfer of control over Case Goods is achieved when products are shipped from the Company's various distribution sites and accepted by the customer. For sales to consumers through the Company's winery retail store, the transfer of control is deemed to occur when the product is purchased by the consumer.

Case Goods sales are recorded net of trade discounts, volume rebates, sales-related taxes and duties, and costs of services provided directly by customers which include: distribution, listing costs for new products, promotional activities at point of sale, and other advertising and promotional services.

(ii) COMMISSIONS

When the Company acts in the capacity of an agent rather than as the principal in a transaction, revenue is recognized in the amount of the commission to which the Company is contractually entitled in exchange for representation services performed. Commissions are reported net of amortization of long-term representation rights. The long-term representation rights represent the cost of the Company's exclusive right to represent PR's brands in Canada and are amortized on a straight-line basis over the term of their respective agreements.

(iii) OTHER SERVICES

Other services include revenue from ancillary activities, including logistics fees and bulk whisky sales. Logistics fees are recognized as services are rendered. Bulk whisky sales are recognized when control of the goods has been transferred to the customer.

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, and are settled in cash. The related compensation expense is recognized over the three-year vesting period. Accrued RSUs are valued at the closing market price of the Company's Voting Class A Common Shares at each balance sheet date.

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

Earnings per Common Share

The Company presents basic and diluted earnings per share ("EPS") amounts for its common shares. Basic EPS is calculated by dividing the net earnings attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted EPS is calculated by adjusting the net income attributable to shareholders and the weighted average number of shares outstanding for the effect of potentially dilutive shares. There are no potentially dilutive shares as at June 30, 2019.

Classification of Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments. Financial instruments are classified into one of the following categories: fair value through profit or loss, fair value through other comprehensive income, or amortized cost. 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	Amortized cost	Amortized cost
Accounts receivable	Amortized cost	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost

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

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

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

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

Segmented Reporting

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

5. Financial Instruments

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

Financial Risk Management Objectives and Policies

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

CREDIT RISK

Credit risk arises from cash held with PR via Corby's participation in the Mirror Netting Service Agreement (further described in Note 27), as well as credit exposure to customers, including outstanding accounts receivable. The maximum exposure to credit risk is equal to the carrying value of the financial assets.

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

Management believes that the Company's credit risk relating to accounts receivable is at an acceptably low level. Over 85% of Corby's trade receivable balances are collectible from government-controlled liquor boards. The remaining trade receivable balances relate to agency sales and sales generated from export sales. Receivables that are neither past due nor impaired are considered credit of high quality.

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

LIQUIDITY RISK

Corby's sources of liquidity are its deposits in cash management pools of $61,136 and its cash generated by operating activities. Corby's total contractual maturities are represented by its accounts payable and accrued liabilities balances, which totalled $32,998 as at June 30, 2019, and are all due to be paid within one year. The Company believes that its deposits in cash management pools, combined with its historically strong and consistent operational cash flows, are more than sufficient to fund its operations, investing activities and commitments for the foreseeable future.

INTEREST RATE RISK

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

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

FOREIGN CURRENCY RISK

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

USD EXPOSURE

The Company's demand for USD has traditionally outpaced its supply, due to USD sourcing of production inputs 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 having only certain production inputs denominated in GBP. Therefore, increases in the value of the CAD relative to the GBP will have an unfavourable impact on the Company's earnings.

COMMODITY RISK

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

Fair Value of Financial Instruments

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

The fair value hierarchy has the following levels:

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

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

The Company has no financial instruments carried at fair value on its balance sheet. For financial assets and liabilities that are valued at other than fair value on its balance sheets (i.e., deposits in cash management pools, accounts receivable, accounts payable and accrued liabilities), fair value approximates their carrying value at each balance sheet date due to their short-term maturities. Fair value is determined using Level 2 inputs. Level 3 inputs are used to determine the fair value of pension plan assets contained within the infrastructure and real estate funds.

6. Business Acquisition

In the prior fiscal year, on October 2, 2017, the Company acquired all of the shares of Vinnova Corporation and substantially all of the assets of the Crispino Estate Vineyard partnership, which together operated as the Foreign Affair Winery, a Niagara, Ontario-based wine producer, for a purchase price of $6,397. The transaction, through a wholly-owned subsidiary, included Foreign Affair's portfolio of wines as well as related production assets and inventory. The acquisition was accounted for using the acquisition method. The purchase price was funded from the Company's deposits in cash management pools.

The total purchase consideration of $6,397 was allocated to the net tangible assets acquired based on their fair value of $3,543, identifiable intangible assets (trademarks) of $2,500 and $354 to goodwill. The fair values of the identifiable intangible assets related to trademarks were based on the relief from royalty method, using Level 3 inputs within the fair value hierarchy, which included forecasted future cash flows, long-term revenue growth rates, royalty rates and discount rates.

On the acquisition date, details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill were as follows:

PURCHASE CONSIDERATION TRANSFERRED	$	6,397
IDENTIFIABLE NET ASSETS ACQUIRED		
Trade receivables		210
Inventory		1,425
Prepaid expenses		37
Property, plant and equipment		2,146
Trademarks		2,500
Trade payables		(275)
	$	6,043
EXCESS INITIALLY ALLOCATED TO GOODWILL	**$**	**354**

Goodwill arising from this transaction is not expected to be deductible for tax purposes.

7. Capital Management

The Company's objectives when managing capital are:

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

Management includes the following items in its definition of capital:

		June 30, 2019		June 30, 2018
Share capital	**$**	**14,304**	$	14,304
Accumulated other comprehensive (loss) income		**(3,226)**		486
Retained earnings		**158,019**		169,904
NET CAPITAL UNDER MANAGEMENT	**$**	**169,097**	$	184,694

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 90% of net earnings per share in the preceding fiscal year ended June 30, and $0.60 per share.

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

8. Accounts Receivable

		June 30, 2019		June 30, 2018
Trade receivables	$	**18,386**	$	19,523
Due from related parties		**10,993**		12,137
Other		**2,908**		1,829
		32,287		33,489
Allowance for uncollectible amounts		**(27)**		(20)
	$	**32,260**	$	33,469

9. Inventories

		June 30, 2019		June 30, 2018
Raw materials	$	**3,223**	$	3,424
Work-in-progress		**49,180**		46,875
Finished goods		**9,509**		9,490
	$	**61,912**	$	59,789

The cost of inventory recognized as an expense and included in cost of goods sold during the year ended June 30, 2019 was $49,514 (2018 – $48,439). During the year, there were write-downs of $313 (2018 – $263) on inventory as a result of net realizable value being lower than cost. No inventory write-downs recognized in previous years were reversed. Inventory write-downs are included in cost of goods sold.

10. Provision for Employee Benefits

The Company provides pension benefits to its employees through a defined contribution pension plan and defined benefit pension plans. Employees hired after July 1, 2010 are no longer offered enrolment into the Company's defined benefit pension plans. Instead, the Company provides these employees a defined contribution pension plan. To become eligible to join the defined contribution pension plan, most employees must first accrue one year of service. For the year ended June 30, 2019, the Company recognized contributions of $406 as expense (2018 – $379) with respect to the defined contribution pension plan.

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

The registered pension plans are registered under the *Pension Benefits Act (Ontario)* (the "Act") with regulatory oversight by the Financial Services Commission of Ontario. The latest valuations completed for these plans are dated December 31, 2016 for the executive plan and December 31, 2017 for the salaried plan. The next required valuations must be completed with an effective date no later than December 31, 2019 and December 31, 2020, respectively. The Act requires funding valuations for the registered pension plans to be performed at least once every three years and plan deficits must be funded over a period of up to five years. The registered pension plans are funded through a combination of employee and employer contributions.

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

The post-retirement benefit plan is unfunded.

As at June 30, 2019, the average duration of the defined benefit obligation for the registered and non-registered pension plans and the post-retirement benefit plan is 14.2 years (2018 – 14.1 years).

Company contributions to the registered and non-registered pension plans are expected to be $2,428 for the fiscal year ended June 30, 2020.

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

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

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

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

The significant actuarial assumptions are as follows:

			2019			2018
	Registered Pension Plans	**Non-Registered Pension Plans**	**Other Benefit Plan**	Registered Pension Plans	Non-Registered Pension Plans	Other Benefit Plan
ACCRUED BENEFIT OBLIGATION, END OF YEAR						
Discount rate	**3.1%**	**3.1%**	**3.1%**	3.6%	3.6%	3.6%
Compensation increase	**3.0%**	**3.0%**	**N/A**	3.0%	3.0%	N/A
Inflation	**2.0%**	**2.0%**	**2.0%**	2.0%	2.0%	2.0%
BENEFIT EXPENSE, FOR THE YEAR						
Discount rate	**3.6%**	**3.6%**	**3.6%**	3.4%	3.4%	3.4%
Compensation increase	**3.0%**	**3.0%**	**N/A**	3.0%	3.0%	N/A
Inflation	**2.0%**	**2.0%**	**2.0%**	2.0%	2.0%	2.0%

The discount rate has been set based on current market rates at the end of the Company's financial year, assuming a rate of return comparable to high-quality fixed income securities of equivalent currency and term that approximate the terms of the pension plan liabilities. A 50 basis point ("bp") increase in the assumed discount rate would decrease the amount of the Company's provision for pensions and pension expense in respect of its registered and non-registered defined benefit plans by $4,530 and $158, respectively. Conversely, a 50bp decrease in the assumed discount rate would increase the amount of the Company's provision for pensions and pension expense in respect of its registered and non-registered defined benefit plans by $4,922 and $182, respectively. The method used to determine the impact of the discount rate changes is consistent with the method used in prior years and the method used to determine the amounts recognized in the financial statements.

The medical cost trend rate used was 5.4% for 2019 (2018 – 5.5%), with 4.5% being the ultimate trend rate for 2026 and years thereafter. The dental cost trend rate used was 4.5% for 2019 (2018 – 4.5%). Assumed health care cost trend rates have a significant effect on the amounts reported for the other benefit plan. A 1% increase in the assumed medical cost trend rate would increase the amount of the Company's provision for pensions and pension expense by $1,310 and $86, respectively. Conversely, a 1% decrease in the medical cost trend rate would decrease the amount of the Company's provision for pensions and pension expense by $1,030 and $65, respectively. The method used to determine the impact of medical cost rate changes is consistent with the method used in prior years and the method used to determine the amounts recognized in the financial statements.

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

	June 30, 2019	June 30, 2018
Present value of defined benefit obligation of unfunded plans	**$ (9,902)**	$ (9,169)
Present value of defined benefit obligation of partially funded plans	**(11,481)**	(10,644)
Present value of defined benefit obligation of fully funded plans	**(46,211)**	(44,251)
Total present value of defined benefit obligation	**(67,594)**	(64,064)
Fair value of plan assets	**55,665**	55,903
NET DEFINED BENEFIT LIABILITY	**$ (11,929)**	$ (8,161)

Information about the Company's pension and other benefit plans for the year ended June 30, 2019 is as follows:

	Registered Pension Plans	Non-Registered Pension Plans	Other Benefit Plan	Total (2019)
FAIR VALUE OF PLAN ASSETS				
Fair value of plan assets, beginning of year	**$ 43,706**	**$ 12,197**	**$ –**	**$ 55,903**
Interest income	**1,543**	**465**	**–**	**2,008**
Actuarial losses	**(191)**	**(1,298)**	**–**	**(1,489)**
Company contributions	**688**	**1,939**	**–**	**2,627**
Plan participants' contributions	**130**	**–**	**–**	**130**
Benefits paid	**(2,770)**	**(500)**	**–**	**(3,270)**
Administrative costs	**(179)**	**(65)**	**–**	**(244)**
FAIR VALUE OF PLAN ASSETS, END OF YEAR	**$ 42,927**	**$ 12,738**	**$ –**	**$ 55,665**
PRESENT VALUE OF DEFINED BENEFIT OBLIGATION				
Defined benefit obligation, beginning of year	**$ 44,251**	**$ 10,644**	**$ 9,169**	**$ 64,064**
Current service cost	**913**	**247**	**167**	**1,327**
Interest cost	**1,548**	**373**	**321**	**2,242**
Plan participants' contributions	**130**	**–**	**–**	**130**
Actuarial (gains) losses:				
Experience (gains) losses	**(1,305)**	**7**	**(80)**	**(1,378)**
Losses due to financial assumption changes	**3,444**	**766**	**752**	**4,962**
Benefits paid	**(2,770)**	**(556)**	**(427)**	**(3,753)**
PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION, END OF YEAR	**$ 46,211**	**$ 11,481**	**$ 9,902**	**$ 67,594**
NET DEFINED BENEFIT LIABILITY (ASSET)	**$ 3,284**	**$ (1,257)**	**$ 9,902**	**$ 11,929**

The defined benefit liability (asset) is recorded in the consolidated balance sheet as follows:

Other assets	$ –	$ 1,498	$ –	$ 1,498
Pension obligation	$ (3,284)	$ (241)	$ (9,902)	$ (13,427)

The actual return on plan assets for the financial year ended June 30, 2019 was $519, which was composed of interest income and actuarial gains and losses included in the reconciliation of the fair value of plan assets above.

Information about the Company's pension and other benefit plans for the year ended June 30, 2018 is as follows:

	2018			
	Registered Pension Plans	Non-Registered Pension Plans	Other Benefit Plan	Total
FAIR VALUE OF PLAN ASSETS				
Fair value of plan assets, beginning of year	$ 39,444	$ 10,158	$ –	$ 49,602
Interest income	1,355	351	–	1,706
Actuarial gains	3,801	1,126	–	4,927
Company contributions	1,740	1,113	–	2,853
Plan participants' contributions	133	–	–	133
Benefits paid	(2,592)	(501)	–	(3,093)
Administrative costs	(175)	(50)	–	(225)
FAIR VALUE OF PLAN ASSETS, END OF YEAR	$ 43,706	$ $12,197	$ –	$ 55,903
PRESENT VALUE OF DEFINED BENEFIT OBLIGATION				
Defined benefit obligation, beginning of year	$ 45,955	$ 10,840	$ 11,056	$ 67,851
Current service cost	917	248	255	1,420
Interest cost	1,520	359	366	2,245
Plan participants' contributions	133	–	–	133
Actuarial (gains) losses:				
Experience (gains) losses	(391)	15	(624)	(1,000)
Gains due to financial assumption changes	(1,291)	(275)	(1,528)	(3,094)
Losses due to demographic assumption changes	–	–	138	138
Benefits paid	(2,592)	(543)	(494)	(3,629)
PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATIONS, END OF YEAR	$ 44,251	$ 10,644	$ 9,169	$ 64,064
NET DEFINED BENEFIT (ASSET) LIABILITY	$ 545	$ (1,553)	$ 9,169	$ 8,161

The defined benefit (asset) liability is recorded in the consolidated balance sheet as follows:

Other assets	$ –	$ 1,830	$ –	$ 1,830
Pension obligation	$ (545)	$ (277)	$ (9,169)	$ (9,991)

The actual return on plan assets for the financial year ended June 30, 2018 was $6,633, which was composed of interest income and actuarial gains and losses included in the reconciliation of the fair value of plan assets above.

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

	2019	2018
Current service costs	**$ 1,327**	$ 1,420
Net interest and administration costs	**478**	764
Net expense recognized in net earnings	**1,805**	2,184
Net actuarial losses (gains) recognized in other comprehensive income	**5,073**	(8,883)
TOTAL NET LOSS (INCOME) RECOGNIZED IN TOTAL COMPREHENSIVE INCOME	**$ 6,878**	$ (6,699)

The assets of the registered pension plans consist of cash, contributions receivable and investments held in the Hiram Walker & Corby Canadian Pooled Fund Trust. As at June 30, 2019, the fair value of the Trust's assets totalled $356,605, of which the Company's registered pension plans hold approximately 12% of the total Trust assets.

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

	June 30, 2019	June 30, 2018
Cash and Canadian equities – Level 1	$ 11,209	$ 9,884
Bond funds – Level 2	13,331	12,432
Foreign equities and foreign equity funds – Level 2	9,055	12,526
Infrastructure and real estate funds – Level 3	9,332	8,864
	$ 42,927	$ 43,706

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

	June 30, 2019	June 30, 2018
Canadian equity pooled funds	$ 3,333	$ 4,498
Foreign equity pooled funds	3,953	2,644
Refundable tax on account with Canada Revenue Agency	5,452	5,055
	$ 12,738	$ 12,197

The fair values of the investments held by the non-registered plan as at June 30, 2019 are categorized as Level 2 in the fair value hierarchy.

The fair value of the refundable tax held on account with Canada Revenue Agency is determined by estimating the future benefit payments, which will deplete the refundable tax account over the remaining life of the plan, and applying a discount rate based on long-term Government of Canada bond yields.

11. Property, Plant and Equipment

	June 30, 2018	Acquisition	Additions	Depreciation	Disposals	June 30, 2019
Land	$ 1,367	$ –	$ –	$ –	$ –	$ 1,367
Vines	700	–	99	–	–	799
Building	1,819	–	47	–	–	1,866
Leasehold improvements	1,312	–	22	–	–	1,334
Machinery and equipment	10,064	–	1,738	–	–	11,802
Casks	14,017	–	2,445	–	(14)	16,448
Other	4,013	–	903	–	–	4,916
Gross value	33,292	–	5,254	–	(14)	38,532
Vines	(17)	–	–	(42)	–	(59)
Building	(130)	–	–	(74)	–	(204)
Leasehold improvements	(978)	–	–	(79)	–	(1,057)
Machinery and equipment	(5,147)	–	–	(975)	–	(6,122)
Casks	(6,016)	–	–	(1,126)	–	(7,142)
Other	(1,673)	–	–	(592)	–	(2,265)
Accumulated depreciation	(13,961)	–	–	(2,888)	–	(16,849)
PROPERTY, PLANT AND EQUIPMENT	$ 19,331	$ –	$ 5,254	$ (2,888)	$ (14)	$ 21,683

	June 30, 2017	Acquisition (Note 6)	Additions	Depreciation	Disposals	June 30, 2018
Land	$ 27	$ 1,340	$ –	$ –	$ –	$ 1,367
Vines	–	700	–	–	–	700
Building	1,800	–	19	–	–	1,819
Leasehold improvements	1,222	8	82	–	–	1,312
Machinery and equipment	8,277	98	1,701	–	(12)	10,064
Casks	12,013	–	2,267	–	(263)	14,017
Other	3,124	–	889	–	–	4,013
Gross value	26,463	2,146	4,958	–	(275)	33,292
Vines	–	–	–	(17)	–	(17)
Building	(58)	–	–	(72)	–	(130)
Leasehold improvements	(874)	–	–	(104)	–	(978)
Machinery and equipment	(4,423)	–	–	(727)	3	(5,147)
Casks	(5,103)	–	–	(985)	72	(6,016)
Other	(1,228)	–	–	(445)	–	(1,673)
Accumulated depreciation	(11,686)	–	–	(2,350)	75	(13,961)
PROPERTY, PLANT AND EQUIPMENT	$ 14,777	$ 2,146	$ 4,958	$ (2,350)	$ (200)	$ 19,331

12. Goodwill

Changes in the carrying amount of goodwill are as follows:

	June 30, 2019	June 30, 2018
Balance, beginning of year	**$ 8,757**	$ 8,403
Acquisitions during the year (Note 6)	**–**	354
BALANCE, END OF YEAR	**$ 8,757**	$ 8,757

There has been no impairment recognized with respect to goodwill during 2019 (2018 – $nil).

13. Intangible Assets

						2019
		Movements in the Year				
	Opening Book Value	**Additions**	**Amortization**	**Impairments**	**Disposals**	**Ending Book Value**
Long-term representation rights	**$ 18,850**	**$ –**	**$ (5,780)**	**$ –**	**$ –**	**$ 13,070**
Trademarks and licences	**17,461**	**–**	**–**	**–**	**–**	**17,461**
	$ 36,311	**$ –**	**$ (5,780)**	**$ –**	**$ –**	**$ 30,531**

						2018
		Movements in the Year				
	Opening Book Value	Additions	Amortization	Impairments	Disposals	Ending Book Value
Long-term representation rights	$ 24,632	$ –	$ (5,782)	$ –	$ –	$ 18,850
Trademarks and licences	14,961	2,500	–	–	–	17,461
Non-refundable upfront fees	82	–	(82)	–	–	–
	$ 39,675	$ 2,500	$ (5,864)	$ –	$ –	$ 36,311

14. Impairment

The Company tests goodwill and indefinite-lived intangibles (trademarks and licences) for impairment on an annual basis. The carrying value of goodwill and indefinite-lived intangibles at June 30, 2019, along with the data and assumptions applied to the CGUs of the Case Goods segment are as follows:

	Carrying Value of Goodwill	Carrying Value of Trademarks and Licences	Discount Rate	Terminal Growth Rate
Case Goods segment	$ 8,757	$ 17,461	8.1% to 12.4%	1.5% to 2.0%

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

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

During the financial year ended June 30, 2019, the Company performed impairment testing on goodwill and indefinite-lived intangible assets in accordance with its accounting policy and identified no impairment.

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

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

15. Accounts Payable and Accrued Liabilities

	June 30, 2019	June 30, 2018
Trade payables and accruals	**$ 23,199**	$ 23,706
Due to related parties	**7,214**	6,071
Other	**2,585**	1,465
	$ 32,998	$ 31,242

16. Income Taxes

	2019	2018
CURRENT INCOME TAX EXPENSE		
Current period	**$ 9,110**	$ 9,103
Adjustments with respect to prior period tax estimates	**105**	160
	$ 9,215	$ 9,263
DEFERRED INCOME TAX EXPENSE		
Origination and reversal of temporary differences	**$ 465**	$ 516
Adjustments with respect to prior period tax estimates	**(152)**	(94)
	$ 313	$ 422
TOTAL INCOME TAX EXPENSE	**$ 9,528**	$ 9,685

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

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

		2019		2018
Net earnings for the financial year	**$ 25,694**		$ 25,681	
Total income tax expense	**9,528**		9,685	
Earnings before income tax expense	**$ 35,222**		$ 35,366	
Income tax using the combined federal and provincial statutory tax rates	**$ 9,454**	**26.8%**	$ 9,475	26.8%
Non-deductible expenses	**147**	**0.4%**	118	0.3%
Adjustments with respect to prior period tax estimates	**(47)**	**(0.1%)**	92	0.3%
Other	**(26)**	**0.0%**	–	0.0%
EFFECTIVE INCOME TAX RATE	**$ 9,528**	**27.1%**	$ 9,685	27.4%

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

		Recognized in				
	June 30, 2018	**Earnings**	**OCI**	**Equity**	**Acquisitions**	**June 30, 2019**
Provision for pensions	**$ 2,293**	**$ (409)**	**$ 1,361**	**$ –**	**$ –**	**$ 3,245**
Property, plant and equipment	**(2,736)**	**(135)**	**–**	**–**	**–**	**(2,871)**
Losses	**–**	**243**	**–**	**–**	**–**	**243**
Intangibles	**(2,854)**	**43**	**–**	**–**	**–**	**(2,811)**
Other	**429**	**(55)**	**–**	**–**	**–**	**374**
	$ (2,868)	**$ (313)**	**$ 1,361**	**$ –**	**$ –**	**$ (1,820)**

		Recognized in				
	June 30, 2017	Earnings	OCI	Equity	Acquisitions	June 30, 2018
Provision for pensions	$ 5,189	$ (516)	$ (2,380)	$ –	$ –	$ 2,293
Property, plant and equipment	(2,360)	(376)	–	–	–	(2,736)
Inventory	(91)	91	–	–	–	–
Intangibles	(3,073)	219	–	–	–	(2,854)
Other	269	160	–	–	–	429
	$ (66)	$ (422)	$ (2,380)	$ –	$ –	$ (2,868)

Income taxes payable includes a provision for uncertain tax risks in the amount of $636 at June 30, 2019 ($636 – June 30, 2018).

Deferred tax assets include the expected benefit of operating losses from certain wholly-owned subsidiaries and are expected to be utilized against future taxable income.

17. Share Capital

	June 30, 2019	June 30, 2018
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

18. Accumulated Other Comprehensive Loss (Income)

		June 30, 2019		June 30, 2018
Actuarial losses (gains) on pension obligations	**$**	**4,459**	$	(614)
Less: Income taxes		**(1,233)**		128
ACCUMULATED OTHER COMPREHENSIVE LOSS (INCOME)	**$**	**3,226**	$	(486)

19. Revenue

The Company's revenue consists of the following streams:

		2019		2018[1]
Case Goods sales	**$**	**119,407**	$	115,863
Commissions (net of amortization)		**26,852**		25,747
Other services		**3,679**		4,114
	$	**149,938**	$	145,724

[1] *In preparing its comparative information, the Company has adjusted amounts reported previously in the consolidated statement of earnings as a result of the retrospective application of IFRS 15, "Revenue from Contracts with Customers". Refer to Note 3 for details regarding adjusted amounts.*

Commissions for the year are shown net of amortization of long-term representation rights and non-refundable upfront fees of $5,780 (2018 – $5,864). Other services include revenues incidental to the manufacture of case goods, such as logistics fees and miscellaneous bulk spirit sales.

20. Other Income

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

		2019		2018
Foreign exchange (loss) gain	**$**	**(32)**	$	128
Gain on disposal of property and equipment		**–**		324
Other		**128**		253
	$	**96**	$	705

21. Net Financial Income and Expense

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

		2019		2018
Interest income	**$**	**1,492**	$	1,187
Net financial impact of pensions		**(478)**		(764)
	$	**1,014**	$	423

22. Earnings per Share

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

		2019		2018
Numerator:				
Net earnings	**$**	**25,694**	$	25,681
Denominator:				
Weighted average shares outstanding		**28,468,856**		28,468,856

23. Expenses by Nature

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

	2019	2018
Depreciation of property and equipment	$ **2,888**	$ 2,350
Amortization of intangible assets	**5,780**	5,864
Salary and payroll costs	**25,703**	26,257
Expenses related to pensions and benefits	**1,327**	1,420
	$ **35,698**	$ 35,891

24. Restricted Share Units Plan

	2019		2018	
	Restricted Share Units	**Weighted Average Grant Date Fair Value**	Restricted Share Units	Weighted Average Grant Date Fair Value
Non-vested, beginning of year	**66,814**	$ **20.83**	55,357	$ 20.62
Granted	**15,738**	**20.16**	14,541	21.59
Reinvested dividend-equivalent units	**4,513**	**19.30**	3,099	20.87
Performance adjustments	**2,029**	**23.58**	5,346	22.44
Vested	**(28,958)**	**20.16**	(11,529)	21.55
NON-VESTED, END OF YEAR	**60,136**	$ **20.95**	66,814	$ 20.83

Compensation expense related to this plan for the year ended June 30, 2019 was $376 (2018 – $498).

25. Net Change in Non-Cash Working Capital Balances

	2019	2018
Accounts receivable	$ **1,209**	$ 1,568
Inventories	**(2,123)**	(3,005)
Prepaid expenses	**39**	(29)
Accounts payable and accrued liabilities	**1,756**	(343)
	$ **881**	$ (1,809)

26. Dividends

On August 21, 2019, subsequent to the year ended June 30, 2019, the Board of Directors declared its regular quarterly dividend of $0.22 per common share, to be paid on September 27, 2019 to shareholders of record as at the close of business on September 11, 2019. This dividend is in accordance with the Company's dividend policy.

27. Related Party Transactions

Transactions with Parent, Ultimate Parent and Affiliates

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

The companies operate under the terms of agreements that became effective on September 29, 2006. These agreements provide the Company with the exclusive right to represent PR's brands in the Canadian market for 15 years, as well as providing for the continuing production 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 North American entities, as approved by Corby's Board of Directors. In 2015, the production and administrative agreements were each renewed for a further 10-year term, commencing October 2016.

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

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

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

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

		2019		2018
SALES TO RELATED PARTIES				
Commissions – parent, ultimate parent and affiliated companies	**$**	**30,726**	$	29,672
Products for resale at an export level – affiliated companies		**4,483**		8,175
	$	**35,209**	$	37,847
COST OF GOODS SOLD, PURCHASED FROM RELATED PARTIES				
Distilling, blending and production services – parent	**$**	**22,179**	$	22,559
ADMINISTRATIVE SERVICES PURCHASED FROM RELATED PARTIES				
Marketing, sales and administration services – parent	**$**	**2,092**	$	2,105
Marketing, sales and administration services – affiliate		**–**		582

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

During the year ended June 30, 2019, Corby sold casks to its parent company for net proceeds of $14 (2018 – $584).

During the year ended June 30, 2019, Corby entered into a transaction with its parent whereby Corby exchanged certain vintages and varieties of bulk whisky inventory with a fair value of $645 for differing vintages and varieties of bulk whisky with an equivalent fair value in an effort to balance each company's future inventory requirements. The exchange was not a culmination of the earnings process and as such did not impact Corby's net earnings or its financial position.

Deposits in Cash Management Pools

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

As a result of Corby's participation in this agreement, Corby's credit risk associated with its deposits in cash management pools is contingent upon PR's credit rating. PR's credit rating as at August 21, 2019, as published by Standard & Poor's and Moody's, was BBB and Baa2, respectively. PR compensates Corby for the benefit it receives from having the Company participate in the Mirror Netting Service Agreement by paying interest to Corby based upon the 30-day CDOR rate plus 0.40%. During the year ended June 30, 2019, Corby earned interest income of $1,627 from PR (2018 – $1,252). Corby has the right to terminate its participation in the Mirror Netting Service Agreement at any time, subject to five days' written notice.

Key Management Personnel

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

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

Key management personnel compensation comprises:

		2019		2018
Wages, salaries and short-term employee benefits	$	**3,437**	$	3,632
Other long-term benefits		**690**		696
Share-based payment transactions		**450**		191
	$	**4,577**	$	4,519

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

28. Segment Information

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

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" in Note 19 of the consolidated financial statements. Therefore, a table detailing operational results by segment has not been provided as no additional meaningful information would result.

Geographic information regarding the Company is as follows:

2019		Canada		United States of America		United Kingdom		Rest of World		Total
Revenue	$	**138,848**	$	**6,149**	$	**3,334**	$	**1,607**	$	**149,938**
Capital assets and goodwill		**28,890**		**–**		**1,550**		**–**		**30,440**

2018[1]		Canada		United States of America		United Kingdom		Rest of World		Total
Revenue	$	134,187	$	4,315	$	3,904	$	3,318	$	145,724
Capital assets and goodwill		26,513		–		1,575		–		28,088

(1) *In preparing its comparative information, the Company has adjusted amounts reported previously in the consolidated statement of earnings as a result of the retrospective application of IFRS 15, "Revenue from Contracts with Customers". Refer to Note 3 for details regarding adjusted amounts.*

In 2019, revenue to three major customers accounted for 31%, 16% and 13%, respectively (2018 – 34%, 15% and 13%). These major customers are located in Canada and revenues are derived from the Case Goods segment.

29. Commitments

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

2020	$	1,678
2021		1,425
2022		1,184
2023		810
2024		644
Thereafter		930
	$	6,671

Total lease payments recognized as an expense during the year total $1,993 (2018 – $1,983). The Company has commitments of $620 (2018 – $1,023) as at June 30, 2019 for the acquisition of capital assets.

TEN-YEAR REVIEW

	Year Ended June 30									
									IFRS	Canadian GAAP
(in millions of Canadian dollars, except per share amounts)	**2019**	2018[(1)]	2017	2016	2015	2014	2013[(2)]	2012	2011[(3)]	2010[(4)]
Revenue	**$ 149.9**	$ 145.7	$ 143.9	$ 140.0	$ 132.1	$ 137.3	$ 132.7	$ 146.7	$ 159.6	$ 162.2
Earnings from operations	**34.2**	34.9	35.0	34.6	27.2	33.5	37.0	58.9	40.5	43.0
Net earnings excluding after-tax restructuring costs, impairment charges, and gain/loss on disposed brands	**25.7**	25.7	25.6	25.4	20.4	25.0	27.0	28.4	30.6	30.1
Net earnings	**25.7**	25.7	25.6	25.4	20.4	25.0	27.0	46.0	28.9	20.7
Cash provided from operations	**34.0**	31.3	27.8	33.3	27.1	31.4	32.8	46.3	35.4	28.6
Working capital	**$ 121.9**	$ 131.3	$ 132.7	$ 136.6	$ 145.7	$ 158.9	$ 158.8	$ 161.6	$ 170.0	$ 148.0
Total assets[(5)]	**218.3**	230.0	227.8	228.5	233.7	254.9	247.8	253.4	271.5	271.2
Long-term debt	**–**	–	–	–	–	–	–	–	–	–
Shareholders' equity	**169.1**	184.7	177.3	170.8	188.1	209.1	201.3	215.8	239.2	241.0
Per common share:										
Earnings from operations	**$ 1.20**	$ 1.23	$ 1.23	$ 1.22	$ 0.96	$ 1.18	$ 1.30	$ 2.07	$ 1.42	$ 1.51
Net earnings excluding after-tax restructuring costs, impairment charges, and gain/loss on disposed brands	**0.90**	0.90	0.90	0.89	0.72	0.88	0.95	1.00	1.07	1.06
Net earnings	**0.90**	0.90	0.90	0.89	0.72	0.88	0.95	1.62	1.01	0.73
Cash provided from operations	**1.19**	1.10	0.98	1.17	0.95	1.10	1.15	1.63	1.24	1.00
Shareholders' equity	**5.94**	6.49	6.23	6.00	6.61	7.35	7.07	7.58	8.40	8.46
Special dividend paid	**0.44**	–	–	0.62	0.62	–	0.54	1.85	–	–
Dividends paid	**0.88**	0.87	0.82	0.76	0.75	0.71	0.66	0.59	0.56	0.56
Market value per voting common share										
High	**$ 21.10**	$ 23.24	$ 24.59	$ 21.49	$ 24.69	$ 22.21	$ 21.25	$ 18.44	$ 18.50	$ 16.11
Low	**17.25**	19.01	19.84	17.50	19.50	19.07	16.25	14.90	15.00	14.55
Close at end of year	**18.15**	20.68	21.21	20.30	21.33	21.24	19.81	16.65	16.20	15.75
Working capital ratio	**4.6**	5.0	5.1	5.1	6.7	6.7	7.3	7.2	9.7	9.1
Pre-tax return on average capital employed (%)	**19.7**	19.4	20.2	19.5	14.1	16.7	18.0	26.4	16.8	12.9
Return on average shareholders' equity (%)	**14.5**	14.2	14.7	14.2	10.2	12.0	13.0	20.2	12.1	8.7
Number of shareholders	**461**	472	482	497	508	532	551	557	555	575
Number of shares outstanding (000s)	**28,469**	28,469	28,469	28,469	28,469	28,469	28,469	28,469	28,469	28,469

(1) *Results adjusted for retrospective application of IFRS 15, "Revenue from Contracts with Customers".*
(2) *Results adjusted for retrospective application of amendments to IAS 19, "Employee Benefits".*
(3) *2011 figures have been restated for IFRS.*
(4) *Results reported under the previous Canadian GAAP.*
(5) *2013 and 2014 total assets adjusted for retrospective application of amendments to IAS 32, "Financial Instruments – Presentation".*

BOARD OF DIRECTORS

GEORGE F. McCARTHY
Chair, Board of Directors

CLAUDE BOULAY
Member, Board of Directors

PAUL C. DUFFY
Member, Board of Directors

ROBERT L. LLEWELLYN
Chair, Audit Committee
Chair, Independent Committee

DONALD V. LUSSIER
Chair, Management Resources Committee

EDWARD MAYLE
Vice-President & Chief Financial Officer

PATRICIA L. NIELSEN
Chair, Corporate Governance & Nominating Committee

PATRICK O'DRISCOLL
President & Chief Executive Officer
Chair, Retirement Committee

KATE THOMPSON
Member, Board of Directors

MANAGEMENT TEAM

PATRICK O'DRISCOLL
President & Chief Executive Officer

STÉPHANE CÔTÉ[1]
Vice-President, New Business Ventures

MELISSA HANESWORTH
Vice-President, Production

ANGEL LI
Vice-President, Human Resources

ANNE MARTIN
Vice-President, Marketing

EDWARD MAYLE
Vice-President & Chief Financial Officer

MARK THORNE[2]
Vice-President, Sales

MARC A. VALENCIA
General Counsel, Corporate Secretary & Vice-President, Public Affairs

(1) *Effective July 1, 2019.*
(2) *Effective August 1, 2019.*

GENERAL CORPORATE INFORMATION

EXECUTIVE OFFICE

225 King Street West, Suite 1100
Toronto, ON M5V 3M2
(416) 479-2400

SALES OFFICES

225 King Street West, Suite 1100
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84 Chain Lake Drive, Suite 405
Halifax, NS B3S 1A2
(902) 445-0705

4858 Levy Street
Montréal, QC H4R 2P1
(514) 856-4320

2816 – 11th Street NE
Westview Building, Suite 200
Calgary, AB T2E 7S7
(403) 463-3687

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

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

DISTILLERIES

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

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

WINERY

The Foreign Affair Winery Limited
4890 Victoria Avenue North
Vineland Station, ON L0R 2E0
(905) 562-9898

INTERNATIONAL INQUIRIES

Corby exports its products to numerous international markets. Should you have inquiries about our brands in the US, please contact our Toronto sales office.

For inquiries about our brands in the UK, please contact:

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

AUDITORS

Deloitte LLP
www.deloitte.ca

REGISTRAR & TRANSFER AGENT

Computershare Investor Services Inc.
www.investorcentre.com

ELECTRONIC DELIVERY OF SHAREHOLDER DOCUMENTS

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

SHARES

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

INVESTOR RELATIONS INQUIRIES

Email:
investors.corby@pernod-ricard.com
www.corby.ca

ANNUAL MEETING

November 6, 2019
at 11:00 a.m. (Toronto time)
at McCarthy Tétrault LLP
66 Wellington Street West
Suite 5300, Toronto, ON

NOTES

BRAND PORTFOLIO

BROWN SPIRITS

Canadian

J.P. Wiser's *(Apple, Old Fashioned, Deluxe, Manhattan, Triple Barrel, 15 Years Old, 18 Years Old, Canada 2018, Seasoned Oak, 35 Years Old)*
Alumni Whisky Series by J.P. Wiser's
Lot No. 40 *(11 Years Old Cask Strength)*
Pike Creek *(21 Years Old European Oak Casks)*
Gooderham & Worts *(Eleven Souls)*
Royal Reserve
Special Blend by Wiser's
Hiram Walker Special Old
Cabot Trail *(in Québec, Coureur des Bois)*
Canadian Shield

Blended Scotch

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

Single Malt

Ballantine's Glenburgie *(15)*
Aberlour *(12, 16, 18, A'bunadh)*
The Glenlivet *(Founder's Reserve, Captain's Reserve, 12, 15, 18, 21, XXV, Nàdurra First Fill, Nàdurra Oloroso, Nàdurra Peated, Code, Single Cask Editions)*
Longmorn *(16, 23, Distiller's Choice)*
Scapa *(Glansa, Skiren)*

Irish

Jameson *(Original, Caskmates Stout, Caskmates IPA, Black Barrel, Crested, 18 Years Old)*
Powers *(Gold Label, Signature)*
Redbreast *(12, 12 Cask Strength, Lustau, 15, 21)*
Midleton *(Barry Crockett, Very Rare)*
Green Spot
Yellow Spot
Red Spot

Cognac and Brandy

Martell *(VS, VSOP, XO, Blue Swift, Cordon Bleu)*
Barclays
Maciera

WHITE SPIRITS

Vodka

Absolut *(Absolut Drop of Love Limited Edition, Absolut Silver Sequin Limited Edition, Absolut Blue Sequin Limited Edition (Ontario only))*
Polar Ice *(Arctic Extreme)*
Quartz

Rum

Lamb's *(Classic, Navy, Palm Breeze, Sociable Pineapple & Soda, Sociable Green Apple & Soda, Spiced, Pineapple, Green Apple)*
Havana Club *(3 Years Old, Añejo Reserva, 7 Years Old)*
Chic Choc Spiced

Gin

Beefeater *(London Dry, 24, Pink)*
Malfy
Monkey 47
Plymouth
Ungava

Tequila

Olmeca *(Altos Plata, Altos Reposado, Blanco, Gold)*
Del Maguey Mezcal

LIQUEURS

McGuinness *(Amaretto Dell'Amorosa, Peach Schnapps, Peppermint Schnapps, Blue Curacao, Crème de Banane, Crème de Cacao White, Orange & Brandy, Cherry Brandy, Crème de Menthe Green, Crème de Menthe White, Apricot Brandy, Cherry Whisky, Melon, Triple Sec, Apple Whisky, Simple Syrup, Butterscotch, McGuinness Ruby Red Grapefruit)*
Meaghers *(Crème de Menthe White, Crème de Menthe Green, Apricot Brandy, Crème de Cacao White, Crème de Cacao Brown, Cherry Brandy, TripleSec)*
Kahlúa *(Original, Peppermint Mocha (holiday flavour), Salted Caramel (Limited Edition))*
Malibu *(Coconut, Mango, Lime (Limited Edition for summer))*
Ramazzotti *(Amaro, Black Sambuca, Sambuca)*
Ricard Pastis
Pernod
Pernod Absinthe
SOHO
Cabot Trail Maple Cream *(in Québec, Coureur des Bois Maple Cream)*

Ready to Drink

Jameson Ginger and Lime
Kahlúa *(Mudslide, Espresso Martini)*
Lamb's Sociable

WINES

Foreign Affair *(including The Conspiracy, Conspiracy Bianco, Amarosé, Temptress)*
Jacob's Creek
George Wyndham
Stoneleigh
Brancott Estate
Campo Viejo
Kenwood
The Wine Group *(including Benziger, Cupcake, Big House, Stave & Steel, Ava Grace, Love Noir)*

Champagne and Sparkling Wine

G.H. Mumm
Perrier-Jouët
Mumm Napa

Aperitif

Dubonnet
Lillet

Please enjoy our products responsibly.

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CORBY

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