MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

The following Management's Discussion and Analysis ("MD&A") dated August 22, 2018 should be read in conjunction with the audited consolidated financial statements and accompanying notes as at and for the year ended June 30, 2018, prepared in accordance with International Financial Reporting Standards ("IFRS"). While the annual financial statements were audited, information for the three months ended June 30, 2018 and 2017 were 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 22, 2018. 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 2018 (three months ended June 30, 2018) are against results for the fourth quarter of fiscal 2017 (three months ended June 30, 2017). 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 and McGuinness® liqueurs. Through its affiliation with PR, Corby also represents leading international brands such as Absolut® vodka, Chivas Regal®, The Glenlivet® and Ballantine's® Scotch whiskies, Jameson® Irish whiskey, Beefeater® gin, Malibu® rum, Kahlúa® liqueur, Mumm® champagne, and Jacob's Creek®,

Wyndham Estate®, Stoneleigh®, Campo Viejo®, Graffigna® and Kenwood® wines. In addition to representing PR's brands in Canada, Corby also provides representation for certain selected, unrelated third-party brands ("agency brands") when they fit within the Company's strategic direction and, thus, complement Corby's existing brand portfolio. On September 30, 2016, Corby acquired certain brands, including Ungava® gin, Chic Choc® Spiced rum, Cabot Trail® maple cream liqueur (Coureur des Bois® in Québec), and a range of maple-based products (collectively, the "Ungava Spirits Brands"). On October 2, 2017, Corby acquired the Foreign Affair® wine brands, including Temptress, Enchanted, Amarosé and The Conspiracy brands (collectively, the "Foreign Affair Brands").

PR produces the majority of Corby's owned-brands at HWSL's production facility in Windsor, Ontario. Under an administrative services agreement, Corby manages PR's business interests in Canada, including HWSL's production facility. On November 11, 2015, the parties entered into new agreements (a distillate supply agreement, a co-pack agreement and an administrative services agreement), each for a 10-year term commencing September 30, 2016, thus replacing the agreements that expired September 20, 2016 and extending these arrangements to September 30, 2026.

Corby sources more than 90% of its spirits production requirements from HWSL at its production facility in Windsor, Ontario. Corby's wholly-owned subsidiary, Ungava Spirits Co. Ltd. ("Ungava Spirits"), produces the Ungava Spirits Brands and operates the Cowansville, Québec, production facility acquired on September 30, 2016. The Foreign Affair Winery Ltd. produces the Foreign Affair Brands and operates the winery and vineyard, based in Ontario's Niagara region, acquired on October 2, 2017. 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 the majority of its products in Canada and ships to its US distributor, Pernod Ricard USA, LLC ("PR USA"), an affiliated company (see the "Related Party Transactions" section of this MD&A for additional details). The agreement that appointed PR USA expired June 30, 2018, and Corby has since signed agreements with new third-party distribution companies (see the "Significant Events" section of this MD&A for additional details). The market in the US operates a three-tier distribution system which often requires a much longer and larger inventory pipeline than in other markets, resulting in a disconnect between quarterly shipment performance, as reported in the financial statements, and the true underlying performance of the brands at retail level during the same quarter.

For the UK market, Corby entered into a distribution agreement with a related party for the distribution of Lamb's rum (more information is provided in the "Related Party Transactions" section of this MD&A) and a new co-packing agreement for the production of the brand was entered into with Angus Dundee Distillers PLC, a third-party manufacturer, each of which is effective as of July 1, 2016.

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 thus deliver solid profit while continuing to produce strong and consistent cash flows from operating activities. The Company's portfolio of owned and represented brands provides an excellent platform from which to achieve its current and long-term objectives.

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

Brand prioritization requires an evaluation of each brand's potential to deliver upon this strategy and facilitates Corby's marketing and sales teams' focus and resource allocation. Over the long term, management believes that effective execution of this strategy will result in value creation for Corby shareholders.

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

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

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

Finally, the Company is a strong advocate of social responsibility, especially with respect to its sales and promotional activities. Corby will continue to promote the responsible consumption of its products in its activities. As an example, Corby has an agreement in place to continue its successful partnership with the Toronto Transit Commission to provide free transit on New Year's Eve until 2019.

Significant Events

Acquisition of the Shares, Winery and Assets of the Foreign Affair Winery

On October 2, 2017, Corby 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 ("Foreign Affair"), a Niagara, Ontario-based wine producer, for a purchase price of $6.4 million. The purchase price was funded from the Company's deposits in cash management pools. The transaction resulted in Corby's ownership, through a wholly-owned subsidiary, of the Foreign Affair Brands (Foreign Affair's portfolio of premium award-winning Ontario red, white and rosé wines, including Temptress, Enchanted, Amarosé and The Conspiracy brands), as well as related production assets and inventory.

Since the completion of the transaction on October 2, 2017, the acquired Foreign Affair Brands have contributed $1.0 million to revenues and are net earnings accretive. More information regarding the transaction has been provided in Note 6 of the consolidated financial statements for the year ended June 30, 2018.

New US Distribution Agreements

Corby entered into an agreement providing 375 Park Avenue Spirits (a dba of Luctor International, LLC ("375 Park Avenue Spirits")) the exclusive right to represent J.P. Wiser's Canadian whisky and Lamb's rum in the US effective as of July 1, 2018 for a five-year period to June 30, 2023, subject to extension as provided for under the agreement.

In addition, Corby entered into an agreement providing Hotaling & Co. ("Hotaling") the exclusive right to represent Corby's Northern Border Collection of Canadian whiskies (the "Northern Border Collection"), consisting of Lot No. 40®, Pike Creek®, Gooderham & Worts® and Ungava gin in the US effective as of July 1, 2018 for a five-year period to June 30, 2023.

Finally, effective July 1, 2018, Polar Ice vodka will be imported under an agreement with MHW, Ltd. ("MHW"). This agreement is for a term of one year, subject to extension as provided for under the agreement.

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)	**2018**	2017	2016
Revenue	**$ 146.6**	$ 143.9	$ 140.0
Earnings from operations	**34.9**	35.0	34.6
– Earnings from operations per common share	**1.23**	1.23	1.22
Net earnings	**25.7**	25.6	25.4
– Basic earnings per share	**0.90**	0.90	0.89
– Diluted earnings per share	**0.90**	0.90	0.89
Total assets	**230.0**	227.8	228.5
Total liabilities	**45.3**	50.5	57.7
Regular dividends paid per share	**0.87**	0.82	0.76
Special dividends paid per share	**–**	–	0.62

In 2018, revenue increased $2.7 million over 2017, while net earnings remained consistent with the prior year. This year-over-year improvement in revenues was the result of the newly acquired Foreign Affair Winery, an additional quarter of results from the Ungava Spirits Brands and export markets performance. Since the completion of the transaction on October 2, 2017, Foreign Affair has contributed $1.0 million to revenues.

The Company sold bulk whisky in 2018, as it has in previous years, although the 2018 bulk sales were lower. (The Company sells bulk whisky when needed to rebalance its maturation inventories and to align them with long-term strategies and forecasts. This is a normal practice throughout the industry.) The growth in revenues did not fully translate into net earnings as we invested behind our recently acquired brands and incurred one-off acquisition costs.

Net assets (i.e., total assets less total liabilities) were impacted by pension liabilities and deferred tax liabilities, with the decrease in pension liabilities primarily the result of net actuarial gains 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, 2018**	June 30, 2017	Volume %	Value %	**June 30, 2018**	June 30, 2017	Volume %	Value %
BRAND								
J.P. Wiser's Canadian whisky	**219**	222	(1%)	1%	**801**	815	(2%)	(1%)
Lamb's rum	**107**	109	(2%)	(2%)	**419**	447	(6%)	(5%)
Polar Ice vodka	**98**	98	0%	(3%)	**365**	372	(2%)	(4%)
Mixable liqueurs	**42**	42	0%	1%	**161**	164	(2%)	0%
Ungava Spirits Brands[1]	**31**	20	50%	18%	**106**	67	58%	43%
Foreign Affair Brands[2]	**2**	–	N/A	N/A	**5**	–	N/A	N/A
Other Corby-owned brands	**55**	53	3%	5%	**211**	209	1%	5%
TOTAL CORBY BRANDS	**554**	544	2%	2%	**2,068**	2,074	0%	2%

[1] *Comparative information for Ungava Spirits Brands includes nine months of activity, as these brands were not owned by Corby prior to September 30, 2016.*
[2] *Comparative information has not been provided for Foreign Affair Brands, as these brands were not owned by Corby prior to October 2, 2017.*

Corby's owned-brands experienced strong fourth-quarter shipments, largely due to the performance of Ungava Spirits Brands and export sales. Shipment volumes for the year were negatively impacted by the Liquor Control Board of Ontario ("LCBO") inventory normalization. On a year-over-year comparison basis, shipment volumes were relatively flat, while shipment value increased 2%. The revenue increase was driven primarily by the positive contribution of the Ungava Spirits Brands, as well as gains in international markets.

Trends in Canada differ significantly 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, 2018**	June 30, 2017	Volume %	Value %	**June 30, 2018**	June 30, 2017	Volume %	Value %
Domestic	**496**	493	0%	0%	**1,849**	1,877	(1%)	0%
International	**58**	51	14%	64%	**219**	197	11%	36%
TOTAL CORBY BRANDS	**554**	544	2%	2%	**2,068**	2,074	0%	2%

Fourth-quarter domestic shipment volumes and value were flat compared to the same time last year, while on a year-to-date basis, value remained even when compared to the same period last year (despite a 1% decrease in shipment volumes). Results for the current fiscal year have been impacted as the LCBO normalized higher inventory levels built in the previous fiscal year in anticipation of threatened strike action. Domestic shipment volumes of J.P. Wiser's Deluxe were primarily impacted. In addition, economy variants remain challenged in regional strongholds by changing consumer trends and declining economic conditions. These factors were partially mitigated by the solid performance of our more premium offerings, including Ungava Spirits Brands, other variants of the J.P. Wiser's family and the Northern Border Collection. Corby's domestic shipment value benefited from favourable mix effects of the premium Ungava Spirits Brands and launch of higher-marquee innovations, as well as strategic and tactical price increases in key regions.

In international markets, shipment volumes year over year were higher on a comparative basis due to organic growth in the US, and entry into new international markets. Value grew significantly over volume due to the addition of the more premium Ungava Spirits Brands to the portfolio and the launch of higher-marquee variants. Growth in the US market is a result of reprioritized focus on a smaller number of markets and on the more premium and differentiated craft range (Lot No. 40 and Pike Creek).

Retail Sales Volume Performance

It is of critical importance to understand the performance of Corby's brands at the retail level in Canada. Analysis of performance at the retail level provides insight with regard to consumers' current purchase patterns and trends. Retail sales volume 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 FOR THE CANADIAN MARKET ONLY (AS PROVIDED BY THE ACD)[1]

	Three Months Ended				Year Ended			
(Volumes in 000s of 9L cases)	**June 30, 2018**	June 30, 2017	% Retail Volume Growth	% Retail Value Growth	**June 30, 2018**	June 30, 2017	% Retail Volume Growth	% Retail Value Growth
BRAND								
J.P. Wiser's Canadian whisky	**168**	164	2%	4%	**745**	734	1%	3%
Lamb's rum	**76**	81	(7%)	(6%)	**327**	350	(6%)	(5%)
Polar Ice vodka	**84**	83	2%	0%	**348**	350	0%	1%
Mixable liqueurs	**36**	34	5%	6%	**162**	161	0%	2%
Ungava Spirits Brands	**20**	15	40%	31%	**91**	67	35%	32%
Foreign Affair Brands	**1**	1	(22%)	(25%)	**3**	3	1%	(2%)
Other Corby-owned brands	**45**	44	3%	3%	**187**	191	(2%)	0%
TOTAL	**430**	422	2%	3%	**1,863**	1,856	0%	2%

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

The Canadian spirits industry posted retail sales volume growth of 4% for the quarter ended June 30, 2018 and 2% growth for the full year ended June 30, 2018. Industry trends were led by strong retail sales volume growth in the Irish whiskey, cognac, tequila, bourbon and single malt Scotch categories, in which Corby does not have owned-brands. Trends for the quarter were heavily impacted by LB reporting periods and the timing of the Easter holiday, which fell in Q4 last year.

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. On an annual basis, the vodka category grew volume by 3%, while the gin category volume increased by 10%. Volume for the Canadian whisky category, however, was essentially flat in the same year-over-year comparable period, while the rum category declined 1%.

Despite the industry performance of the categories in which the Company is most heavily weighted, Corby's brand portfolio remained stable for the year with retail value growing 2%, ahead of retail volume, which was essentially flat. J.P. Wiser's retail volume increased 1%, outperforming the industry in the key Canadian whisky category. The Ungava Spirits Brands experienced outstanding retail sales volume growth of 35%, fuelled by organic growth and entry into the Québec grocery wine channel.

The following brand discussion provides a more detailed analysis of the performance of each of Corby's key brands relative to its respective industry category.

Summary of Corby's Key Brands

J.P. WISER'S CANADIAN WHISKY

J.P. Wiser's Canadian whisky, one of Canada's best-selling Canadian whiskies, is Corby's flagship brand. The brand's retail volumes for the year-over-year comparative period grew 1%, with retail value growing 3%. The Canadian whisky category continues to be soft as volumes remain flat, and retail value for the category grew a modest 1% in the comparative period.

In fiscal 2018, Corby introduced a number of J.P. Wiser's innovations, including J.P. Wiser's Seasoned Oak, J.P. Wiser's Canada 2018, J.P. Wiser's 15 Years Old and a limited release of J.P. Wiser's 35 Years Old. These super-premium offerings, along with innovations launched in fiscal 2017, communicate to our consumers J.P. Wiser's unique heritage and superior quality credentials. Through the *Hold It High* communication platform, we celebrate the care and pride of work our people have in creating our whisky, and we proudly share our story in the newly opened J.P. Wiser's Brand Experience Centre (located in Windsor, Ontario).

Within the range, organic growth was posted by Wiser's Special Blend, J.P. Wiser's Apple Whisky and J.P. Wiser's Triple Barrel Rye. J.P. Wiser's Deluxe, flat to the prior year, is experiencing industry-wide softness in Western Canada. New packaging on J.P. Wiser's Deluxe launched in the first quarter communicates better-quality credentials and improved on-shelf standout. The new bolder, premium packaging has since been applied across the range.

J.P. Wiser's variants continue to receive prestigious accolades. J.P. Wiser's 35 Years Old was recently awarded Whisky of the Year at the 2018 Canadian Whisky Awards. J.P. Wiser's Dissertation was awarded Best Canadian Blended Whisky, J.P. Wiser's Toffee Whisky was awarded Best Canadian Flavoured Whisky at the World Whiskies Awards for 2018 and J.P. Wiser's 18 Years Old and J.P. Wiser's Triple Barrel Rye won Gold and Silver, respectively, at the 2018 San Francisco World Spirits Competition.

LAMB'S RUM

Lamb's rum, one of the top-selling rum families in Canada, has been impacted considerably by ongoing changes in consumer trends for standard rum, as well as difficult economic conditions in regional strongholds. Retail volumes for the overall rum category declined 1% for the year while retail values remained flat when compared to the same period last year. The economy rum category declined 3% in retail volumes and 2% in retail value on a year-over-year comparable basis.

Lamb's experienced a 6% decline in retail volumes and a 5% decline in retail value when compared to the same period last year. The Lamb's rum product line is heavily weighted in the dark and white segments, categories which have faced evolving consumer preferences in recent years, as well as increased competitor pressure in key markets. Our strategy remains to defend its regional strongholds with targeted campaigns (including the "Hometown Heroes" campaign), to focus on the most differentiated variants and to launch new flavour variants such as Lamb's Spiced Cherry rum and Lamb's Pineapple rum.

In the fourth quarter, Lamb's Sociable Pineapple and Soda, a new ready-to-drink rum cooler in a can, was launched in Newfoundland. Also in Newfoundland, we celebrated local stories by running a highly successful Local Hero Competition that invited people to nominate and vote for individuals who had given back to their communities.

POLAR ICE VODKA

Polar Ice vodka is among the top-selling vodka brands in Canada. Retail volume remained relatively flat for the year ended June 30, 2018. Increased competitor pricing pressure and promotional activity, as well as LB category management in Québec, continue to impact the standard vodka category. Alberta performance has reversed in recent months, showing growth despite a slow recovery of the overall spirits industry following economic challenges in the province.

The overall vodka category in Canada grew 3% in retail volume and value on a year-over-year comparable basis. The premium vodka segment continues to drive the vodka category's positive performance. The standard vodka category grew 2% in both retail volume and retail value for the year ended June 30, 2018.

The focus of advertising and promotion investment continues to be on driving overall brand awareness and consumer trial, especially behind the more premium Polar Ice 90 Degrees North, renamed Polar Ice Arctic Extreme, as well as limited edition flavours such as Polar Ice Peach (made from fresh Ontario peaches), which recently launched in Ontario.

Polar Ice won Gold at the 2017 Global Vodka Masters Competition and Polar Ice Arctic Extreme won Double Gold at the 2018 San Francisco World Spirits Competition.

MIXABLE LIQUEURS

Corby's portfolio of mixable liqueur brands consists of McGuinness liqueurs (which is Canada's largest mixable liqueur brand family) and Meaghers liqueurs. Retail volume for Corby's mixable liqueurs portfolio lagged category trends with retail volume remaining flat for the year ended June 30, 2018, while retail value grew 2% for the same comparable period.

The liqueurs category grew 3% in retail volume and 5% in retail value for the year ended June 30, 2018. Category growth was led by new innovations, particularly in cream-based offerings with which McGuinness does not compete directly.

Our current strategy is to expand innovation and focus on strong programming in the retail environment, ensuring that our flavour offering is aligned with consumer trends. Recent innovation includes McGuinness Butterscotch and McGuinness Ruby Red Grapefruit as well as the launch of an expanded range of flavour offerings in a convenient 375ml format 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 35% and 32%, respectively, for the year ended June 30, 2018. The flagship brand, Ungava gin, grew 32% and 31%, respectively, in the year-over-year comparable period, outperforming the Canadian gin category, which grew 10% in retail volume while retail value grew 14%. Ungava gin continues to be the market leader in the Super Premium gin category while continuing to expand its global footprint.

Cabot Trail maple-based liqueurs (in Québec, Coureur des Bois) continued to perform strongly, benefiting from increased distribution and successful recruitment from retail tastings. Retail volume increased 39% in the year ended June 30, 2018 while retail value grew 41%.

In the fourth quarter, Divine Sunshine, a contemporary rosé blend made with California grapes, and Coureurs des Vignes, a premium French wine brand, both new-to-world wine innovations, were launched in the Québec grocery channel. Distribution in this channel is restricted to wines bottled in Québec, which Corby is now able to access by utilizing the acquired Cowansville production facility.

FOREIGN AFFAIR BRANDS

The Foreign Affair Brands (which Corby acquired on October 2, 2017) represent Corby's first foray into the VQA Canadian wine category. In addition to the LB, 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 LB are reported by the ACD, which increased 1% for the year ended June 30, 2018 when compared to the same period last year while retail value decreased 2%. The Canadian table wine category retail volumes remained flat for the year ended June 30, 2018 while retail value increased 3%.

OTHER CORBY-OWNED BRANDS

Premium offerings in Canadian whisky such as Pike Creek, Lot No. 40 and Gooderham & Worts (collectively known as the Northern Border Collection) grew retail volume 37% for the year ended June 30, 2018, outperforming the Canadian whisky category in Canada, which was flat in the year-over-year comparable period. Innovation remains an important pillar for delivering new profit and growth opportunities to the Corby domestic business. The Rare Range series (featuring Pike Creek 21 Years Old, Lot No. 40 12 Years Old Cask Strength and Gooderham & Worts Little Trinity 17 Years Old) launched this fiscal year has received wide acclaim, winning various medals at the Canadian Whisky Awards 2018.

In addition, Lot No. 40 and Gooderham & Worts were both awarded Canadian Connoisseur Whisky of the Year at the seventh annual Canadian Whisky Awards for 2017. 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. Gooderham & Worts was also awarded World's Best Canadian Blended at the World Whiskies Awards for 2017. 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 declined 3% for the year ended June 30, 2018 when compared to the same period last year due to slow recovery of spirits consumption in Alberta, a significant increase in competitive retail activity in the economy segment of Canadian whisky and industry-wide softness in the Canadian whisky category.

Financial and Operating Results

The following table presents a summary of certain selected consolidated financial information of the Company for the years ended June 30, 2018 and 2017.

(in millions of Canadian dollars, except per share amounts)	**2018**	2017	$ Change	% Change
REVENUE	**$ 146.6**	$ 143.9	$ 2.7	2%
Cost of sales	**(54.9)**	(51.9)	(3.0)	6%
Marketing, sales and administration	**(57.5)**	(57.0)	(0.5)	1%
Other income	**0.7**	–	0.7	–
EARNINGS FROM OPERATIONS	**34.9**	35.0	(0.1)	0%
Financial income	**1.1**	0.9	0.2	22%
Financial expenses	**(0.7)**	(1.0)	0.3	(30%)
	0.4	(0.1)	0.5	500%
Earnings before income taxes	**35.3**	34.9	0.4	1%
Income taxes	**(9.6)**	(9.3)	(0.3)	3%
NET EARNINGS	**$ 25.7**	$ 25.6	$ 0.1	0%
Per common share				
– Basic net earnings	**$ 0.90**	$ 0.90	$ –	0%
– Diluted net earnings	**$ 0.90**	$ 0.90	$ –	0%

Overall Financial Results

Net earnings remained relatively stable when compared to the same period last year. Results were driven by robust export market performance, increased commissions from PR brands, and sales of decommissioned barrels, offset by investment behind recently acquired brands, and one-off acquisition costs related to Foreign Affair. Domestic Case Goods performance was largely impacted by LCBO ordering patterns in advance of threatened strike action in the previous fiscal year.

Revenue

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

(in millions of Canadian dollars)	**2018**	2017	$ Change	% Change
REVENUE STREAMS				
Case Goods	**$ 116.8**	$ 114.8	$ 2.0	2%
Commissions	**25.7**	24.9	0.8	3%
Other services	**4.1**	4.2	(0.1)	(2%)
REVENUE	**$ 146.6**	$ 143.9	$ 2.7	2%

Case Goods revenue increased $2.0 million, or 2%, for the year ended June 30, 2018 when compared to the same period last year. Growth is attributable to the performance of the Ungava Spirits Brands, the addition of the Foreign Affair Brands (which were acquired on October 2, 2017), strategic and tactical price initiatives and favourable international market mix, which have helped offset domestic Case Goods performance.

Commissions increased $0.8 million, or 3%, attributable to strong PR wines portfolio performance, which helped to offset the effects of the fiscal 2017 LCBO strike contingency spirits inventory build. The PR brand portfolio continues to benefit from its positioning within the 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 slightly, attributable to lower bulk whisky sales as the Company continued to rebalance its maturation inventory.

Cost of Sales

Cost of sales was $54.9 million, an increase of $3 million, or 6%, for the year ended June 30, 2018 when compared to the same period last year. Overall gross margin on Case Goods was 55%, compared to 56% in the same period last year, and was impacted by costs associated with the J.P. Wiser's packaging redesign, increased input costs of the premium Ungava Spirits Brands and tactical price adjustments in regional strongholds. In addition, last year's comparative numbers benefited from a one-off accrual reversal.

Marketing, Sales and Administration

Marketing, sales and administration expenses increased $0.5 million, or 1%, when compared to last year. This was driven by promotional investment behind the Northern Border Collection and promotional efforts related to the Ungava Spirits Brands and the Foreign Affair Brands, and entry into the Québec grocery wine channel. Overheads also increased year over year as we integrated the structures that support Ungava Spirits Brands and Foreign Affair Brands, and incurred one-time professional fees associated with the acquisition of the Foreign Affair Brands.

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. A slight increase in interest income for the year ended June 30, 2018 is due to increases in the Canadian Dealer Offered Rate ("CDOR") throughout the fiscal year.

Income Taxes

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

	2018	2017
Combined basic federal and provincial tax rates	**26.8%**	26.8%
Other	**0.6%**	(0.1%)
EFFECTIVE TAX RATE	**27.4%**	26.7%

Liquidity and Capital Resources

Corby's sources of liquidity are its deposits in cash management pools of $70 million as at June 30, 2018, and its cash generated from operating activities. Corby's total contractual maturities are represented by its accounts payable and accrued liabilities, which totalled $31.2 million as at June 30, 2018 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)	**2018**	2017	$ Change
OPERATING ACTIVITIES			
Net earnings, adjusted for non-cash items	**$ 40.9**	$ 41.4	$ (0.5)
Net change in non-cash working capital	**(1.8)**	(4.1)	2.3
Net payments for interest and income taxes	**(7.8)**	(9.5)	1.7
	31.3	27.8	3.5
INVESTING ACTIVITIES			
Additions to capital assets	**(4.9)**	(3.5)	(1.4)
Proceeds from disposition of capital assets	**0.5**	0.1	0.4
Business acquisition	**(6.4)**	(11.9)	5.5
Deposits in cash management pools	**4.3**	10.8	(6.5)
	(6.5)	(4.5)	(2.0)
FINANCING ACTIVITIES			
Dividends paid	**(24.8)**	(23.3)	(1.5)
	(24.8)	(23.3)	(1.5)
NET CHANGE IN CASH	**$ –**	$ –	$ –

Operating Activities

Net cash from operating activities was $31.3 million during the year ended June 30, 2018, compared to $27.8 million last year, representing an increase of $3.5 million. Cash flows from operating activities were impacted by the timing of collections from customers and payments to vendors, as well as a decrease in income taxes paid compared to the prior year.

Investing Activities

Net cash used in investing activities was $6.5 million for the year ended June 30, 2018, compared to $4.5 million in the prior year.

The Company's completion of the acquisition of the Foreign Affair Brands and additions to capital assets were funded by withdrawals from cash management pools. In the prior year, the Company completed the acquisition of Ungava Spirits Brands. Investing activities also include additions to capital assets in both the current and prior year periods.

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 $24.8 million for the year ended June 30, 2018, compared to $23.3 million last year, and represents payment of the Company's regular dividend to shareholders. Regular quarterly dividends increased to $0.22 per share in the current fiscal year, compared to $0.21 per share last year.

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

For	Declaration Date	Record Date	Payment Date	$/Share
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
2016 – Q4	August 24, 2016	September 15, 2016	September 30, 2016	0.19
2016 – Q3	May 4, 2016	May 27, 2016	June 15, 2016	0.19
2016 – Q2	February 3, 2016	February 26, 2016	March 11, 2016	0.19

Outstanding Share Data

As at August 22, 2018, 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, 2018:

	Payments During 2019	Payments Due in 2020 and 2021	Payments Due in 2022 and 2023	Payments Due after 2023	Obligations with No Fixed Maturity	Total
Operating lease obligations	$ 1.5	$ 2.5	$ 1.7	$ 1.5	$ –	$ 7.2
Employee future benefits	–	–	–	–	10.0	10.0
	$ 1.5	$ 2.5	$ 1.7	$ 1.5	$ 10.0	$ 17.2

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 will continue to be deposited to cash management pools. The mirror netting arrangement with PR and its affiliates is further described below. On November 9, 2011, Corby entered into an agreement with a PR affiliate for a new term for Corby's exclusive right to represent Absolut vodka in Canada from September 30, 2013 to September 29, 2021, which is consistent with the term of Corby's Canadian representation of the other PR brands in Corby's portfolio (the "2011 Agreement"). On September 30, 2013, Corby paid the present value of $10 million, or $10.3 million, for the additional eight years of the new term pursuant to an agreement entered into between Corby and The Absolut Company Aktiebolag, an affiliate of PR and owner of the Absolut brand, to satisfy the parties' obligations under the 2011 Agreement. Since the 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 July 1, 2012, the Company entered into a five-year agreement with PR USA, an affiliated company, which provided PR USA the exclusive right to represent J.P. Wiser's Canadian whisky and Polar Ice vodka in the US (the "US Representation Agreement"). The term of this agreement ended June 30, 2017 and on March 29, 2017, the Company entered into an amending agreement with PR USA to extend the term of the US Representation Agreement to June 30, 2018, which expired. New distribution agreements with third-party distributors 375 Park Avenue Spirits, Hotaling and MHW were entered into effective July 1, 2018 (as discussed under the "Significant Events" section of this MD&A).

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

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 22, 2018, as published by Standard & Poor's and Moody's, was BBB and Baa2, respectively. PR compensates Corby for the benefit it receives from having the Company participate in the Mirror Netting Service Agreement by paying interest to Corby based upon the 30-day Canadian Dealer Offered Rate ("CDOR") plus 0.40%. Corby accesses these funds on a daily basis and has the contractual right to withdraw these funds or terminate these cash management arrangements upon providing five days' written notice.

Results of Operations – Fourth Quarter of Fiscal 2018

The following table presents a summary of certain selected consolidated financial information for the Company for the three-month periods ended June 30, 2018 and 2017:

		Three Months Ended						
(in millions of Canadian dollars, except per share amounts)		**June 30, 2018**		June 30, 2017		$ Change	% Change
REVENUE	**$**	**40.4**	$	40.2	$	0.2	1%
Cost of sales		**(14.6)**		(13.8)		(0.8)	6%
Marketing, sales and administration		**(13.5)**		(14.6)		1.1	(8%)
Other income		**0.3**		–		0.3	–
EARNINGS FROM OPERATIONS		**12.6**		11.8		0.8	7%
Financial income		**0.3**		0.2		0.1	50%
Financial expenses		**(0.1)**		(0.3)		0.2	(67%)
		0.2		(0.1)		0.3	300%
Earnings before income taxes		**12.8**		11.7		1.1	9%
Income taxes		**(3.5)**		(3.0)		(0.5)	17%
NET EARNINGS	**$**	**9.3**	$	8.7	$	0.6	7%
Per common share							
– Basic net earnings	**$**	**0.33**	$	0.30	$	0.03	10%
– Diluted net earnings	**$**	**0.33**	$	0.30	$	0.03	10%

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, 2018**		June 30, 2017		$ Change	% Change
REVENUE STREAMS							
Case Goods	**$**	**32.1**	$	31.7	$	0.4	1%
Commissions		**6.8**		6.6		0.2	3%
Other services		**1.5**		2.0		(0.5)	(24%)
REVENUE	**$**	**40.4**	$	40.2	$	0.2	1%

Total revenue increased 1% on a quarter-over-quarter comparison basis, or $0.2 million, despite lapping prior year LCBO purchases in anticipation of a threatened strike. Case Goods revenue benefited from improved pricing, portfolio mix and robust performance in export markets. Commissions, compared to the same period last year, were up $0.2 million due to increased volumes and general price increases from 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 the modification to the logistical activities Corby performs and decreased bulk whisky sales, as the Company continued to rebalance its maturation inventories.

Cost of Sales

Cost of goods sold was $14.6 million, representing a $0.8 million, or 6%, increase this period when compared with the same three-month period last year. Gross margin was 56% for the current year quarter compared to 59% for the same quarter last year, impacted by changes in product mix as impacted by prior year's LCBO contingency inventory build, tactical price adjustments in regional strongholds, and higher input costs of the Ungava Spirits Brands.

Marketing, Sales and Administration

Marketing, sales and administration expenses decreased $1.1 million, or 8%, compared to the same quarter last year. This decrease was driven by current year phasing of domestic and international advertising and promotional activities. In addition, the same quarter last year included incremental domestic advertising and promotional investment behind J.P. Wiser's Canadian whisky in support of a packaging upgrade and new advertising creative development.

Net Earnings and Earnings per Share

Net earnings for the fourth quarter were $9.3 million, or $0.33 per share, which is an increase of $0.6 million over the same quarter last year. As previously discussed, this increase was delivered through stronger Case Goods performance and higher commissions from PR brands, helped by phasing of promotional investments.

Selected Quarterly Information

SUMMARY OF QUARTERLY FINANCIAL RESULTS

(in millions of Canadian dollars, except per share amounts)	**Q4 2018**	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Revenue	**$ 40.4**	$ 29.5	$ 40.7	$ 36.0	$ 40.2	$ 28.8	$ 40.3	$ 34.6
Earnings from operations	**12.6**	6.5	7.9	7.9	11.7	4.6	9.8	8.8
Net earnings	**9.3**	4.8	5.8	5.8	8.7	3.3	7.2	6.4
Basic EPS	**0.33**	0.17	0.20	0.21	0.30	0.12	0.25	0.23
Diluted EPS	**0.33**	0.17	0.20	0.21	0.30	0.12	0.25	0.23

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.

The Ungava Spirits Brands were acquired on September 30, 2016 and are reflected in results beginning with the second quarter of 2017. In fiscal 2018, the Ungava Spirits Brands have contributed $8.9 million to revenues.

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 and since the completion of the acquisition have contributed $1.0 million to revenues and is net earnings accretive.

Recent Accounting Pronouncements

A number of new standards, amendments to standards and interpretations have been issued but are not yet effective for the financial year ended June 30, 2018 and, accordingly, have not been applied in preparing Corby's consolidated financial statements:

(i) REVENUE

In May 2014, the International Accounting Standards Board ("IASB") released IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"), which supersedes IAS 11, "Construction Contracts", IAS 18, "Revenue", IFRIC 13, "Customer Loyalty Programmes", IFRIC 15, "Agreement for the Construction of Real Estate", IFRIC 18, "Transfers of Assets from Customers" and SIC-31, "Revenue – Barter Transactions Involving Advertising Services". The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

The Company will adopt IFRS 15 for the fiscal period beginning July 1, 2018 and expects to do so on a modified retrospective basis without the restatement of prior period results. IFRS 15 is not expected to materially impact the timing or the amounts recognized within the Company's consolidated operating results due to the nature of the contracts it has in place. The Company continues to assess the disclosure requirements of IFRS 15 on its consolidated financial statements.

(ii) FINANCIAL INSTRUMENTS

The IASB has issued a new standard, IFRS 9, "Financial Instruments" ("IFRS 9"), which will ultimately replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). The replacement of IAS 39 is a multi-phase project with the objective of improving and simplifying the reporting for financial instruments, and the issuance of IFRS 9 is part of the first phase of this project. IFRS 9 uses a single approach to determine whether a financial asset or liability is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. For financial assets, the approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the

contractual cash flow characteristics of the financial assets. IFRS 9 requires a single impairment method to be used, replacing multiple impairment methods in IAS 39. For financial liabilities measured at fair value, fair value changes due to changes in an entity's credit risk are presented in other comprehensive income.

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

(iii) 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 will become effective July 1, 2019. The Company is currently assessing the impact of the new standard on its financial statements and disclosures.

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, 2018, 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.

Acquisition of Foreign Affair Brands

In accordance with the provisions of National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*, the Company has limited the design of its disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures of Foreign Affair Winery Limited ("Foreign Affair Winery"). Corby acquired the Foreign Affair Brands on October 2, 2017, and the brand portfolio and other assets acquired are currently operated by Corby's wholly-owned subsidiary, Foreign Affair Winery.

Further details related to the acquisition of the Foreign Affair Brands are disclosed under "Significant Events – Acquisition of the Shares, Winery and Assets of the Foreign Affair Winery" in this MD&A and in Note 6 to the Company's audited consolidated financial statements for the year ended June 30, 2018.

Since the completion of the acquisition of Foreign Affair Brands on October 2, 2017, the acquired brands and assets have contributed $1.0 million to revenues and is net earnings accretive. The purchase price has been allocated as described in Note 6 to the audited consolidated financial statements for the year ended June 30, 2018.

The scope limitation discussed under this section is primarily based on the time required to assess Foreign Affair Winery's disclosure controls and procedures and internal controls over financial reporting in a manner that is consistent with the Company's other operations. Subsequent to the acquisition on October 2, 2017, the Company began and is now well underway on the integration of Foreign Affair Winery into our systems and control structures. The assessment of the design effectiveness of disclosure controls and procedures and internal controls over financial reporting is on track for completion by the first quarter of 2019 and the assessment of operating effectiveness thereafter.

Except for the preceding changes, 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 proposed 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 Corby, 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 counter-party credit risk is to prevent losses in financial assets. The Company assesses the credit quality of its counter-parties, taking into account their financial position, past experience and other factors. As the large majority of Corby's accounts receivable balances are collectible from government-controlled LBs, management believes the Company's credit risk relating to accounts receivable is at an acceptably low level.

Exposure to Interest Rate Fluctuations

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

Exposure to Commodity Price Fluctuations

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

Foreign Currency Exchange Risk

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

USD EXPOSURE

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

GBP EXPOSURE

The Company's 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 of 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. Given the current state of the economy, certain of the aforementioned factors affecting the determination of fair value may be impacted and, as a result, the Company's financial results may be adversely affected.

The following table summarizes Corby's goodwill and intangible assets and details the amounts associated with each brand (or basket of brands) and market as at June 30, 2018:

		Carrying Values as at June 30, 2018		
Associated Brand	Associated Market	Goodwill	Intangibles	Total
Various PR brands	Canada	$ –	$ 18.8	$ 18.8
Lamb's rum	United Kingdom[1]	1.4	11.8	13.2
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
		$ 8.8	$ 36.3	$ 45.1

[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 audited consolidated financial statements for the year ended June 30, 2018.

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)

Antonio Sánchez
Vice-President & Chief Financial Officer

August 22, 2018

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Corby Spirit and Wine Limited

We have audited the accompanying consolidated financial statements of Corby Spirit and Wine Limited, which comprise the consolidated balance sheets as at June 30, 2018 and June 30, 2017, and the consolidated statements of earnings, consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flow for the years ended June 30, 2018 and June 30, 2017, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Corby Spirit and Wine Limited as at June 30, 2018 and June 30, 2017, and its financial performance and its cash flows for the years ended June 30, 2018 and June 30, 2017 in accordance with International Financial Reporting Standards.

(signed)
Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
August 22, 2018
Toronto, Ontario, Canada

CONSOLIDATED BALANCE SHEETS

As at June 30, 2018 and 2017 *(in thousands of Canadian dollars)*	Notes	**June 30, 2018**	June 30, 2017
ASSETS			
Deposits in cash management pools		**$ 69,955**	$ 74,253
Accounts receivable	8	**33,469**	34,828
Inventories	9	**59,789**	55,359
Prepaid expenses		**593**	527
TOTAL CURRENT ASSETS		**163,806**	164,967
Other assets	10	**1,830**	–
Property, plant and equipment	11	**19,331**	14,777
Goodwill	12	**8,757**	8,403
Intangible assets	13	**36,311**	39,675
TOTAL ASSETS		**$ 230,035**	$ 227,822
LIABILITIES			
Accounts payable and accrued liabilities	15	**$ 31,242**	$ 31,317
Income and other taxes payable		**1,240**	912
TOTAL CURRENT LIABILITIES		**32,482**	32,229
Provision for employee benefits	10	**9,991**	18,249
Deferred income taxes	16	**2,868**	66
TOTAL LIABILITIES		**45,341**	50,544
SHAREHOLDERS' EQUITY			
Share capital	17	**14,304**	14,304
Accumulated other comprehensive income (loss)	18	**486**	(6,017)
Retained earnings		**169,904**	168,991
TOTAL SHAREHOLDERS' EQUITY		**184,694**	177,278
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 230,035**	$ 227,822

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

Approved by the Board of Directors

(signed) (signed)

George F. McCarthy
Director

Robert L. Llewellyn
Director

CONSOLIDATED STATEMENTS OF EARNINGS

For the years ended June 30, 2018 and 2017 *(in thousands of Canadian dollars, except per share amounts)*	Notes		**June 30, 2018**		June 30, 2017
REVENUE	19	**$**	**146,595**	$	143,869
Cost of sales			**(54,855)**		(51,899)
Marketing, sales and administration			**(57,502)**		(56,877)
Other income (expenses)	20		**705**		(36)
EARNINGS FROM OPERATIONS			**34,943**		35,057
Financial income	21		**1,187**		937
Financial expenses	21		**(764)**		(1,039)
			423		(102)
EARNINGS BEFORE INCOME TAXES			**35,366**		34,955
Current income taxes	16		**(9,263)**		(8,915)
Deferred income taxes	16		**(422)**		(406)
Income taxes			**(9,685)**		(9,321)
NET EARNINGS		**$**	**25,681**	$	25,634
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

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended June 30, 2018 and 2017 *(in thousands of Canadian dollars)*	Notes		**June 30, 2018**		June 30, 2017
NET EARNINGS		**$**	**25,681**	$	25,634
OTHER COMPREHENSIVE INCOME					
Amounts that will not be subsequently reclassified to earnings:					
Net actuarial gains	10		**8,883**		5,752
Income taxes	16		**(2,380)**		(1,549)
			6,503		4,203
TOTAL COMPREHENSIVE INCOME		**$**	**32,184**	$	29,837

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, 2018 and 2017 *(in thousands of Canadian dollars)*		Share Capital		Accumulated Other Comprehensive Income		Retained Earnings		Total
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**
Balance as at June 30, 2016	$	14,304	$	(10,220)	$	166,701	$	170,785
Total comprehensive income		–		4,203		25,634		29,837
Dividends		–		–		(23,344)		(23,344)
BALANCE AS AT JUNE 30, 2017	$	14,304	$	(6,017)	$	168,991	$	177,278

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

CONSOLIDATED STATEMENTS OF CASH FLOW

For the years ended June 30, 2018 and 2017 *(in thousands of Canadian dollars)*	Notes		**June 30, 2018**		June 30, 2017
OPERATING ACTIVITIES					
Net earnings		**$**	**25,681**	$	25,634
Adjustments for:					
Amortization and depreciation	23		**8,214**		8,039
Net financial (income) expense	21		**(423)**		102
Gain on disposal of property and equipment			**(324)**		(33)
Income tax expense			**9,685**		9,321
Provision for employee benefits			**(1,969)**		(1,676)
			40,864		41,387
Net change in non-cash working capital balances	25		**(1,809)**		(4,127)
Interest received			**1,187**		936
Income taxes paid			**(8,935)**		(10,362)
NET CASH FROM OPERATING ACTIVITIES			**31,307**		27,834
INVESTING ACTIVITIES					
Additions to property and equipment	11		**(4,958)**		(3,477)
Proceeds from disposition of property and equipment			**518**		136
Business acquisition	6		**(6,397)**		(11,927)
Deposits in cash management pools			**4,298**		10,778
NET CASH USED IN INVESTING ACTIVITIES			**(6,539)**		(4,490)
FINANCING ACTIVITY					
Dividends paid			**(24,768)**		(23,344)
NET CASH USED IN FINANCING ACTIVITY			**(24,768)**		(23,344)
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, 2018 and 2017
(in thousands of Canadian dollars, except per share amounts)

1. General Information

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

Corby is controlled by Hiram Walker & Sons Limited ("HWSL"), which is a wholly-owned subsidiary of Pernod Ricard, S.A. ("PR"), a French public limited company that controls 51.6% of the outstanding Voting Class A Common Shares of Corby as at June 30, 2018.

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 22, 2018.

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 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 have been issued but are not yet effective for the financial year ended June 30, 2018, and accordingly, have not been applied in preparing these consolidated financial statements:

(i) REVENUE

In May 2014, the International Accounting Standards Board ("IASB") released IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"), which supersedes IAS 11, "Construction Contracts", IAS 18, "Revenue", IFRIC 13, "Customer Loyalty Programmes", IFRIC 15, "Agreement for the Construction of Real Estate", IFRIC 18, "Transfers of Assets from Customers" and SIC-31, "Revenue – Barter Transactions Involving Advertising Services". The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

The Company will adopt IFRS 15 for the fiscal period beginning July 1, 2018 and expects to do so on a modified retrospective basis without the restatement of prior period results. IFRS 15 is not expected to materially impact the timing or the amounts recognized within the Company's consolidated operating results due to the nature of the contracts it has in place. The Company continues to assess the disclosure requirements of IFRS 15 on its consolidated financial statements.

(ii) FINANCIAL INSTRUMENTS

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

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

(iii) 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 will become effective July 1, 2019. The Company is currently assessing the impact of the new standard on its financial statements and disclosures.

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

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

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

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

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

Provisions

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

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

(i) COSTS OF SERVICES RENDERED IN CONNECTION WITH SALES

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

(ii) COMMISSIONS

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

(iii) INTEREST

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

Stock-Based Compensation Plans

The Company utilizes a Restricted Share Units Plan as its long-term incentive plan. Through this plan, restricted share units (“RSUs”) will be granted to certain officers and employees at a grant price equal to the market closing price of the Company’s Voting Class A Common Shares on the last day prior to grant. RSUs vest at the end of a three-year term, subject to the achievement of pre-determined corporate performance targets, 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, 2018.

Classification of Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments. Financial instruments are classified into one of the following categories: fair value through profit or loss, held-to-maturity investments, loans and receivables, available-for-sale financial assets, or other financial liabilities.

The classification determines the accounting treatment of the instrument. The classification is determined by the Company when the financial instrument is initially recorded, based on the underlying purpose of the instrument.

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

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

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

All financial assets are recognized and derecognized on the trade date. A financial asset is derecognized when the contractual rights to the cash flows from the asset 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 $69,955 and its cash generated by operating activities. Corby's total contractual maturities are represented by its accounts payable and accrued liabilities balances,

which totalled $31,242 as at June 30, 2018, 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

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, includes Foreign Affair's portfolio of wines as well as related production assets and inventory. The acquisition was accounted for using the acquisition method.

Acquisition costs of $372 arose as a result of the transaction. These costs have been recognized as part of marketing, sales and administration expenses in the consolidated statement of earnings. The purchase price was funded from the Company's deposits in cash management pools. Since the transaction date, the acquired brands and assets have contributed $1,045 to revenues with $49 to net earnings. The proforma results, which would represent the results for the acquired brands and assets had the purchase transaction occurred at the beginning of the fiscal year, have not been presented as they are not materially different from the actuals presented. Revenues are included in Case Goods sales in Note 19.

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.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are 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, 2018		June 30, 2017
Share capital	**$**	**14,304**	$	14,304
Accumulated other comprehensive income (loss)		**486**		(6,017)
Retained earnings		**169,904**		168,991
NET CAPITAL UNDER MANAGEMENT	**$**	**184,694**	$	177,278

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

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

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

8. Accounts Receivable

	June 30, 2018	June 30, 2017
Trade receivables	$ 19,523	$ 17,246
Due from related parties	12,137	15,619
Other	1,829	2,153
	33,489	35,018
Allowance for uncollectible amounts	(20)	(190)
	$ 33,469	$ 34,828

9. Inventories

	June 30, 2018	June 30, 2017
Raw materials	$ 3,424	$ 3,137
Work-in-progress	46,875	44,487
Finished goods	9,490	7,735
	$ 59,789	$ 55,359

The cost of inventory recognized as an expense and included in cost of goods sold during the year ended June 30, 2018 was $48,439 (2017 – $42,585). During the year, there were write-downs of $263 (2017 – $199) 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, 2018, the Company recognized contributions of $379 as expense (2017 – $360) 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. The next required valuations must be completed with an effective date no later than December 31, 2019. 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, 2018, the average duration of the defined benefit obligation for the registered and non-registered pension plans and the post-retirement benefit plan is 14.1 years.

Company contributions to the registered and non-registered pension plans are expected to be $3,629 for the fiscal year ended June 30, 2019.

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:

			2018			2017
	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	**3.6%**	**3.6%**	**3.6%**	3.4%	3.4%	3.4%
Compensation increase	**3.0%**	**3.0%**	**N/A**	3.0–3.5%	3.5%	N/A
Inflation	**2.0%**	**2.0%**	**2.0%**	2.0%	2.0%	2.0%
BENEFIT EXPENSE, FOR THE YEAR						
Discount rate	**3.4%**	**3.4%**	**3.4%**	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 $4,312 and $155, 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 $4,685 and $178, respectively. The method used to determine the impact of the discount rate changes is consistent with the method used to determine the amounts recognized in the financial statements.

The medical cost trend rate used was 5.5% for 2018 (2017 – 5.8%), with 4.5% being the ultimate trend rate for 2026 and years thereafter. The dental cost trend rate used was 4.5% for 2018 (2017 – 5.0%). 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 $1,070 and $129, 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 $852 and $97, respectively. The method used to determine the impact of compensation rate changes is consistent with the method used to determine the amounts recognized in the financial statements.

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

	June 30, 2018	June 30, 2017
Present value of defined benefit obligation of unfunded plans	$ (9,169)	$ (11,056)
Present value of defined benefit obligation of partially funded plans	(10,644)	(10,840)
Present value of defined benefit obligation of fully funded plans	(44,251)	(45,955)
Total present value of defined benefit obligation	(64,064)	(67,851)
Fair value of plan assets	55,903	49,602
NET DEFINED BENEFIT LIABILITY	$ (8,161)	$ (18,249)

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 OBLIGATION, END OF YEAR	$ 44,251	$ 10,644	$ 9,169	$ 64,064
NET DEFINED BENEFIT (ASSET) LIABILITY	$ 545	$ (1,553)	$ 9,169	$ 8,161
PENSION OBLIGATION	$ (545)	$ (277)	$ (9,169)	$ (9,991)
OTHER ASSETS	$ –	$ 1,830	$ –	$ 1,830

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.

Information about the Company's pension and other benefit plans for the year ended June 30, 2017 is as follows:

	Registered Pension Plans	Non-Registered Pension Plans	Other Benefit Plan	Total
				2017
FAIR VALUE OF PLAN ASSETS				
Fair value of plan assets, beginning of year	$ 36,291	$ 9,552	$ –	$ 45,843
Interest income	1,214	322	–	1,536
Actuarial gains	2,670	519	–	3,189
Company contributions	2,294	303	–	2,597
Plan participants' contributions	151	–	–	151
Benefits paid	(2,976)	(498)	–	(3,474)
Administrative costs	(200)	(40)	–	(240)
FAIR VALUE OF PLAN ASSETS, END OF YEAR	$ 39,444	$ 10,158	$ –	$ 49,602
PRESENT VALUE OF DEFINED BENEFIT OBLIGATION				
Defined benefit obligation, beginning of year	$ 48,733	$ 10,682	$ 11,068	$ 70,483
Current service cost	1,044	208	246	1,498
Interest cost	1,614	354	366	2,334
Plan participants' contributions	151	–	–	151
Actuarial (gains) losses:				
Experience (gains) losses	(1,860)	255	(92)	(1,697)
Losses due to financial assumption changes	64	78	–	142
Gains due to demographic assumption changes	(815)	(193)	–	(1,008)
Benefits paid	(2,976)	(544)	(532)	(4,052)
PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION, END OF YEAR	$ 45,955	$ 10,840	$ 11,056	$ 67,851
NET DEFINED BENEFIT LIABILITY	$ 6,511	$ 682	$ 11,056	$ 18,249
PENSION OBLIGATION	$ (6,511)	$ (682)	$ (11,056)	$ (18,249)
OTHER ASSETS	$ –	$ –	$ –	$ –

The actual return on plan assets for the financial year ended June 30, 2017 was $4,725, 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:

	2018	2017
NET DEFINED BENEFIT PENSION (INCOME) EXPENSE RECOGNIZED IN TOTAL COMPREHENSIVE INCOME		
Current service costs	**$ 1,420**	$ 1,498
Interest costs	**764**	1,038
Net expense recognized in net earnings	**2,184**	2,536
Net actuarial gains recognized in other comprehensive income	**(8,883)**	(5,752)
TOTAL NET INCOME RECOGNIZED IN TOTAL COMPREHENSIVE INCOME	**$ (6,699)**	$ (3,216)

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, 2018, the fair value of the Trust's assets totalled $364,624, 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, 2018		June 30, 2017
FAIR VALUE OF PLAN ASSETS OF THE REGISTERED PENSION PLANS				
Cash and Canadian equities – Level 1	**$**	**9,884**	$	8,205
Bond funds – Level 2		**12,432**		12,367
Foreign equities and foreign equity funds – Level 2		**12,526**		10,707
Infrastructure and real estate funds – Level 3		**8,864**		8,165
	$	**43,706**	$	39,444

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, 2018		June 30, 2017
FAIR VALUE OF PLAN ASSETS OF NON-REGISTERED PENSION PLANS				
Canadian equity pooled funds	**$**	**4,498**	$	2,049
Foreign equity pooled funds		**2,644**		3,223
Refundable tax on account with Canada Revenue Agency		**5,055**		4,886
	$	**12,197**	$	10,158

The fair values of the investments held by the non-registered plan as at June 30, 2018 are categorized as Level 2 in the fair value hierarchy.

11. Property, Plant and Equipment

		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**

	June 30, 2016	Acquisition	Additions	Depreciation	Disposals	June 30, 2017
Land	$ –	$ 27	$ –	$ –	$ –	$ 27
Building	–	1,800	–	–	–	1,800
Leasehold improvements	1,002	–	220	–	–	1,222
Machinery and equipment	6,794	730	753	–	–	8,277
Casks	10,649	–	1,542	–	(178)	12,013
Other	2,162	–	962	–	–	3,124
Gross value	20,607	2,557	3,477	–	(178)	26,463
Building	–	–	–	(58)	–	(58)
Leasehold improvements	(760)	–	–	(114)	–	(874)
Machinery and equipment	(3,751)	–	–	(672)	–	(4,423)
Casks	(4,286)	–	–	(891)	74	(5,103)
Other	(807)	–	–	(421)	–	(1,228)
Accumulated depreciation	(9,604)	–	–	(2,156)	74	(11,686)
PROPERTY, PLANT AND EQUIPMENT	$ 11,003	$ 2,557	$ 3,477	$ (2,156)	$ (104)	$ 14,777

12. Goodwill

Changes in the carrying amount of goodwill are as follows:

	June 30, 2018	June 30, 2017
Balance, beginning of year	**$ 8,403**	$ 3,278
Acquisitions during the year (Note 6)	**354**	5,125
BALANCE, END OF YEAR	**$ 8,757**	$ 8,403

There have been no impairment losses recognized with respect to goodwill during 2018 (2017 – $nil).

13. Intangible Assets

						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**

						2017
		Movements in the Year				
	Opening Book Value	Additions	Amortization	Impairments	Disposals	Ending Book Value
Long-term representation rights	$ 30,412	$ –	$ (5,780)	$ –	$ –	$ 24,632
Trademarks and licences	11,801	3,160	–	–	–	14,961
Non-refundable upfront fees	185	–	(103)	–	–	82
	$ 42,398	$ 3,160	$ (5,883)	$ –	$ –	$ 39,675

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, 2018, along with the data and assumptions applied to the Cash-Generating Units ("CGUs") of the Case Goods segment are as follows:

	Carrying Value of Goodwill	Carrying Value of Trademarks and Licences	Discount Rate	Terminal Growth Rate
Case Goods segment	$ 8,757	$ 17,461	6.3% to 9.0%	1.6% to 2.2%

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, 2018, 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, 2018	June 30, 2017
Trade payables and accruals	**$ 23,706**	$ 22,937
Due to related parties	**6,071**	6,747
Other	**1,465**	1,633
	$ 31,242	$ 31,317

16. Income Taxes

	2018	2017
CURRENT INCOME TAX EXPENSE		
Current period	**$ 9,103**	$ 9,196
Change in provisions for uncertain tax positions	**–**	(150)
Adjustments with respect to prior period tax estimates	**160**	(131)
	$ 9,263	$ 8,915
DEFERRED INCOME TAX EXPENSE		
Origination and reversal of temporary differences	**$ 516**	$ 282
Adjustments with respect to prior period tax estimates	**(94)**	124
	$ 422	$ 406
TOTAL INCOME TAX EXPENSE	**$ 9,685**	$ 9,321

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

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

		2018			2017
Net earnings for the financial year	**$**	**25,681**		$ 25,634	
Total income tax expense		**9,685**		9,321	
Earnings before income tax expense	**$**	**35,366**		$ 34,955	
Income tax using the combined federal and provincial statutory tax rates	**$**	**9,475**	**26.8%**	$ 9,358	26.8%
Non-deductible expenses		**118**	**0.3%**	121	0.3%
Adjustments with respect to prior period tax estimates		**92**	**0.3%**	(8)	0.0%
Other		**–**	**0.0%**	(150)	(0.4%)
EFFECTIVE INCOME TAX RATE	**$**	**9,685**	**27.4%**	$ 9,321	26.7%

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

		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)**

		Recognized in				
	June 30, 2016	Earnings	OCI	Equity	Acquisitions	June 30, 2017
Provision for pensions	$ 6,730	$ 8	$ (1,549)	$ –	$ –	$ 5,189
Property, plant and equipment	(2,051)	(309)	–	–	–	(2,360)
Inventory	(182)	91	–	–	–	(91)
Intangibles	(2,642)	(221)	–	–	(210)	(3,073)
Other	244	25	–	–	–	269
	$ 2,099	$ (406)	$ (1,549)	$ –	$ (210)	$ (66)

Income taxes payable includes a provision for uncertain tax risks in the amount of $636 at June 30, 2018 ($636 – June 30, 2017).

17. Share Capital

	June 30, 2018	June 30, 2017
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 (Income) Loss

	June 30, 2018	June 30, 2017
Actuarial (gains) losses on pension obligations	**$ (614)**	$ 8,269
Less: Income taxes	**128**	(2,252)
ACCUMULATED OTHER COMPREHENSIVE (INCOME) LOSS	**$ (486)**	$ 6,017

19. Revenue

The Company's revenue consists of the following streams:

	2018	2017
Case Goods sales	**$ 116,734**	$ 114,784
Commissions (net of amortization)	**25,747**	24,908
Other services	**4,114**	4,177
	$ 146,595	$ 143,869

Commissions for the year are shown net of amortization of long-term representation rights and non-refundable upfront fees of $5,864 (2017 – $5,883). Other services include revenues incidental to the manufacture of case goods, such as logistics fees and miscellaneous bulk spirit sales.

20. Other Income (Expenses)

The Company's other income (expenses) consist of the following amounts:

	2018	2017
Foreign exchange gain (loss)	**$ 128**	$ (68)
Gain on disposal of property and equipment	**324**	32
Other	**253**	–
	$ 705	$ (36)

21. Net Financial Income and Expense

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

	2018	2017
Interest income	**$ 1,187**	$ 937
Net financial impact of pensions	**(764)**	(1,039)
	$ 423	$ (102)

22. Earnings per Share

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

	2018	2017
Numerator:		
Net earnings	**$ 25,681**	$ 25,634
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:

	2018	2017
Depreciation of property and equipment	$ **2,350**	$ 2,156
Amortization of intangible assets	**5,864**	5,883
Salary and payroll costs	**26,257**	25,380
Expenses related to pensions and benefits	**1,420**	1,498
	$ **35,891**	$ 34,917

24. Restricted Share Units Plan

	2018		2017	
	Restricted Share Units	**Weighted Average Grant Date Fair Value**	Restricted Share Units	Weighted Average Grant Date Fair Value
Non-vested, beginning of year	**55,357**	$ **20.62**	42,115	$ 19.75
Granted	**14,541**	**21.59**	18,790	22.69
Reinvested dividend-equivalent units	**3,099**	**20.87**	2,102	22.15
Performance adjustments	**5,346**	**22.44**	1,238	22.74
Vested	**(11,529)**	**21.55**	(8,888)	21.55
NON-VESTED, END OF YEAR	**66,814**	$ **20.83**	55,357	$ 20.62

Compensation expense related to this plan for the year ended June 30, 2018 was $498 (2017 – $424).

25. Net Change in Non-Cash Working Capital Balances

	2018	2017
Accounts receivable	$ **1,568**	$ (4,403)
Inventories	**(3,005)**	82
Prepaid expenses	**(29)**	(27)
Accounts payable and accrued liabilities	**(343)**	221
	$ **(1,809)**	$ (4,127)

26. Dividends

On August 22, 2018, subsequent to the year ended June 30, 2018, the Board of Directors declared its regular quarterly dividend of $0.22 per common share, to be paid on September 28, 2018, to shareholders of record as at the close of business on September 12, 2018. 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 July 1, 2012, the Company entered into a five-year agreement with PR USA, an affiliated company, which provides PR USA the exclusive right to represent J.P. Wiser's Canadian whisky and Polar Ice vodka in the US (the "US Representation Agreement"). The US Representation Agreement provides these key brands with access to PR USA's extensive national distribution network throughout the US and complements PR USA's premium brand portfolio. This agreement ended June 30, 2017. On March 29, 2017, the Company entered into an amending agreement with PR USA to extend the term of the US Representation Agreement to June 30, 2018 (the "Amending Agreement"). The US Representation Agreement and the Amending Agreement with PR USA are related party transactions between Corby and PR USA; as such, the agreements were approved by the Independent Committee of the Board of Directors of Corby following review, in accordance with Corby's related party transaction policy.

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

		2018		2017
SALES TO RELATED PARTIES				
Commissions – parent, ultimate parent and affiliated companies	**$**	**29,672**	$	28,953
Products for resale at an export level – affiliated companies		**8,175**		6,279
	$	**37,847**	$	35,232
COST OF GOODS SOLD, PURCHASED FROM RELATED PARTIES				
Distilling, blending and production services – parent	**$**	**22,559**	$	20,766
ADMINISTRATIVE SERVICES PURCHASED FROM RELATED PARTIES				
Marketing, sales and administration services – parent	**$**	**2,105**	$	2,612
Marketing, sales and administration services – affiliate		**582**		1,207

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, 2018, Corby sold casks to its parent company for net proceeds of $584 (2017 – $136).

During the year ended June 30, 2018, Corby entered into a transaction with its parent whereby Corby exchanged certain vintages and varieties of bulk whisky inventory with a fair value of $508 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 22, 2018, 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, 2018, Corby earned interest income of $1,252 from PR (2017 – $980). 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:

	2018	2017
Wages, salaries and short-term employee benefits	**$ 3,632**	$ 4,140
Other long-term benefits	**696**	715
Share-based payment transactions	**191**	387
	$ 4,519	$ 5,242

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:

					2018
	Canada	**United States of America**	**United Kingdom**	**Rest of World**	**Total**
Revenue	**$ 135,058**	**$ 4,315**	**$ 3,904**	**$ 3,318**	**$ 146,595**
Capital assets and goodwill	**26,513**	**–**	**1,575**	**–**	**28,088**

					2017
	Canada	United States of America	United Kingdom	Rest of World	Total
Revenue	$ 134,135	$ 4,191	$ 3,101	$ 2,442	$ 143,869
Capital assets and goodwill	21,580	–	1,600	–	23,180

In 2018, revenue to three major customers accounted for 34%, 15% and 13%, respectively (2017 – 44%, 17% and 14%). 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:

2019	$	1,464
2020		1,406
2021		1,106
2022		1,009
2023		705
Thereafter		1,550
	$	7,240

Total lease payments recognized as an expense during the year total $1,983 (2017 – $1,980). The Company has commitments of $1,023 (2017 – $455) as at June 30, 2018 for the acquisition of capital assets.