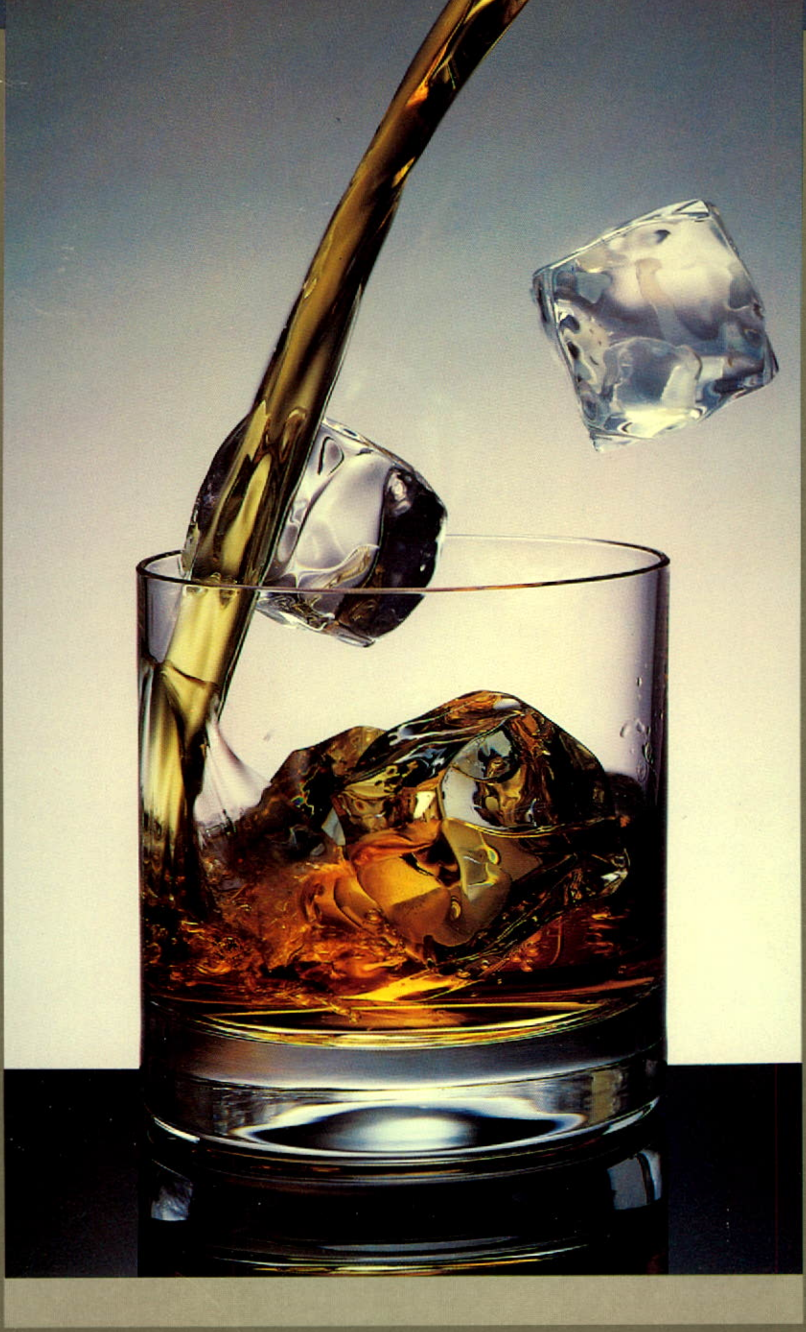
1987 C



ANNUAL REPORT

CORBY

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Corporate Profile

Founded in 1859, Corby Distilleries Limited is a major Canadian distiller with production facilities located in Corbyville, Ontario and in Montreal, Quebec. Through its subsidiaries and divisions, Corby markets a full range of domestically produced distilled spirits and liqueurs as well as imported cognac, scotch, gin, liqueurs and aperitifs and a wide range of quality imported wines. Its principal wholly-owned subsidiaries and divisions are J.P. Wiser Distillery Limited, Robert Macnish & Company Limited, Scotland, Meagher's Distillery Limited and J.M. Douglas International. Corby has a 45 percent interest in the Tia Maria group of companies including Estate Industries Limited, Jamaica.

The voting common shares and non-voting Class "B" shares of the Corporation are traded on Canadian Stock Exchanges under the symbol CDL. Hiram Walker-Gooderham & Worts Limited owns approximately 52 percent of the voting shares.

Financial Highlights

	1987	1986	*Increase (Decrease)* %
For the years ($000)			
Gross operating revenue	**65,649**	63,901	**2.7**
Earnings from operations	**10,290**	8,540	**20.5**
Earnings before extraordinary item	**9,534**	9,708	**(1.8)**
Net earnings for the year	**9,534**	10,179	**(6.3)**
Cash provided from operations	**11,074**	11,650	**(4.9)**
Financial position at year end ($000)			
Working capital	**70,378**	64,945	**8.4**
Total assets	**98,859**	93,965	**5.2**
Shareholders' equity	**88,325**	82,931	**6.5**
Per common share ($)			
Earnings before extraordinary item	**1.38**	1.41	**(2.1)**
Net earnings for the year	**1.38**	1.48	**(6.8)**
Cash provided from operations	**1.61**	1.70	**(5.3)**
Dividend	**0.68**	0.66	**3.0**
Equity at year end	**12.82**	12.06	**6.3**
Market value:			
High	**23.75**	22.50	**5.6**
Low	**16.00**	12.58	**27.2**
at August 31	**18.75**	21.12	**(11.2)**
Financial ratios			
Working capital ratio	**8.4**	7.3	**15.1**
Return on shareholders' equity	**11.1**	12.8	**(13.3)**
Pre-tax return on average capital employed	**17.5**	18.4	**(4.9)**

Directors' Report

During the past year, the Corporation strengthened its standing as the second largest marketer of distilled spirits in Canada and positioned itself for profitable, long term growth.

Revenues for the year ended August 31, 1987 increased by 2.7% to $65.6 million and earnings from operations increased by 20.5% to $10.3 million. Net earnings, however, declined to $9.5 million from the previous year's $10.2 million due to non-recurring tax credits, foreign exchange rates, a fall in earnings from foreign subsidiaries and an extraordinary gain of $0.5 million from the sale of a 49% interest in the William Mara Company.

The Market

Although the distilled spirits market continues to decline, there are positive signs that the rate of decline is moderating and that certain segments are achieving growth or stability. Declines of more than 5% a year in the early 1980's have moderated to half that rate in the last two calendar years. Domestic schnapps and coolers have grown dynamically and segments such as vodka, rum and scotch have demonstrated relatively stable sales volumes. Canadian whisky, gin and most imported spirits continue to decline at a higher rate than the total market.

Corporate Performance

Sound management of our brand portfolio began to be rewarded in stabilizing domestic volume and, more importantly, our first year of increased earnings from domestic operations after four years of decline. This was highlighted by the strong performances of our core domestic brands; our market-leading domestic liqueurs increased sales through new schnapps line extensions; our four core whisky brands virtually maintained volume while achieving significant share gains; Lamb's Rum continued to build both sales volume and market share. We also began to invest in building several currently small brands which have the potential to grow into significant franchises in other important spirit segments.

Our major imported spirits – gin, liqueurs and cognac – declined in volume along with their categories, primarily as a result of consumer resistance to higher retail prices generated by a weaker Canadian dollar and price increases from suppliers. However, we maintained support and relative market share of these highly profitable imports and expect their volume to begin to stabilize. We achieved share and volume growth with our smaller imported rum, scotch and tequila brands.

The Corporation's three business unit structure continues to maximize brand building opportunities, while permitting focus and rapid tactical response in a competitive market. During the year, each business unit continued to strengthen its marketing and sales organization with upgraded staffing, further training and a participative planning process.

The Corporation's investment in new product development is beginning to show promise, with staffing and structure in place, the launch of a number of new products in the last year and several identified new product opportunities under development. These programs are expected to meet the Company's objective for incremental volume over the medium to longer term.

A promising initiative was made in export sales with the launch of a mid-priced Wiser's Canadian whisky in Washington State. This new brand was designed for the U.S. market and showed great appeal in consumer testing. With a successful launch in Washington, it will be introduced to several other states in 1988.

Subsequent to the year-end, a major strategic objective was achieved with the signing of an agreement to acquire the shares of McGuinness Distillers Limited. This reflects Corby's commitment to continue growing in the beverage alcohol business, while providing an appropriate response to our under-utilized production capacity. The acquisition will strengthen the Corporation's involvement in growing, strategically important market segments, such as schnapps, coolers and vodka. Overall, it will enhance our market position, sales volume, capacity utilization and earnings.

Overseas Operations

As mentioned, the Corporation's foreign earnings declined in the past year but are expected to recover in the next fiscal year. Tia Maria Limited continues to enjoy a strong and growing worldwide market position and following a one-time charge to earnings resulting from a change in operating procedures which depressed earnings this year, we expect earnings to improve in the future. Robert Macnish & Company Limited experienced a softening of sales and profits in the past year but we expect an improvement in sales in future years as their core brand, Grand Macnish, is relaunched with upgraded packaging in Canada and international markets.

Directors

Mr. Michael C.J. Jackaman, President and Chief Executive Officer of Hiram Walker-Gooderham & Worts Limited, was appointed to Corby's Board of Directors in July 1987. Mr. Jackaman is also Chairman and Chief Executive of Allied Vintners Limited, London, England.

On behalf of the Board of Directors, I extend my sincere appreciation for a job well done to our employees, suppliers, and everyone who has contributed to Corby's success through their hard work and dedication.

Roger Lachapelle

Roger Lachapelle
President & Chief Executive Officer

Directors and Officers

Directors

Norman C. Burrough, C.B.E.
Chairman, James Burrough PLC, Distillers, London, England
Year elected 1982

James P. Ferguson, C.A.
Senior Vice President, Treasurer and Chief Financial Officer, Hiram Walker-Gooderham & Worts Limited, Windsor, Ontario
Year elected 1981

Roger Gaudry, C.C., D. Sc.
Director of various corporations and Scientific Consultant
Year elected 1975

John A. Giffen
Senior Vice President, Canadian Group, Hiram Walker-Gooderham & Worts Limited, Windsor, Ontario, and President, Hiram Walker & Sons Limited, Windsor, Ontario
Year elected 1980

James M. Halley, Q.C.
Partner, Clark, Wilson, Advocates, Vancouver, B.C.
Year elected 1982

H. Clifford Hatch, Jr.
Finance Director, Allied-Lyons PLC, London, England
Year elected 1973

Michael C.J. Jackaman
President & Chief Executive Officer, Hiram Walker-Gooderham & Worts Limited, Windsor, Ontario, and Chairman and Chief Executive, Allied Vintners Limited, London, England
Year elected 1987

Roger Lachapelle
President and Chief Executive Officer of the Corporation
Year elected 1978

Marcel Piché, O.C., Q.C.
Chairman of the Corporation; Partner, Piché, Emery, Advocates, Montréal
Year elected 1957

Peter D. Walsh, Q.C.
Partner, Ogilvy, Renault, Advocates, Montréal
Year elected 1978

Ian Wilson-Smith
Senior Vice President, Hiram Walker-Gooderham & Worts Limited, Windsor, Ontario
Year elected 1984

Officers

Marcel Piché, O.C., Q.C.
Chairman of the Board

Roger Lachapelle
President and Chief Executive Officer

Donald C. MacMartin
Executive Vice President

Claude David, C.A.
Vice President, Finance

Ronald M. French
Vice President, Exports

James L. Keon
Vice President, Sales

Jacques B. Langevin
Vice President, Corporate Relations

Daniel P. O'Brien
Vice President, Marketing Development

Robert W. Whitehead
Vice President, Operations

Fred Abrams
Treasurer and Controller

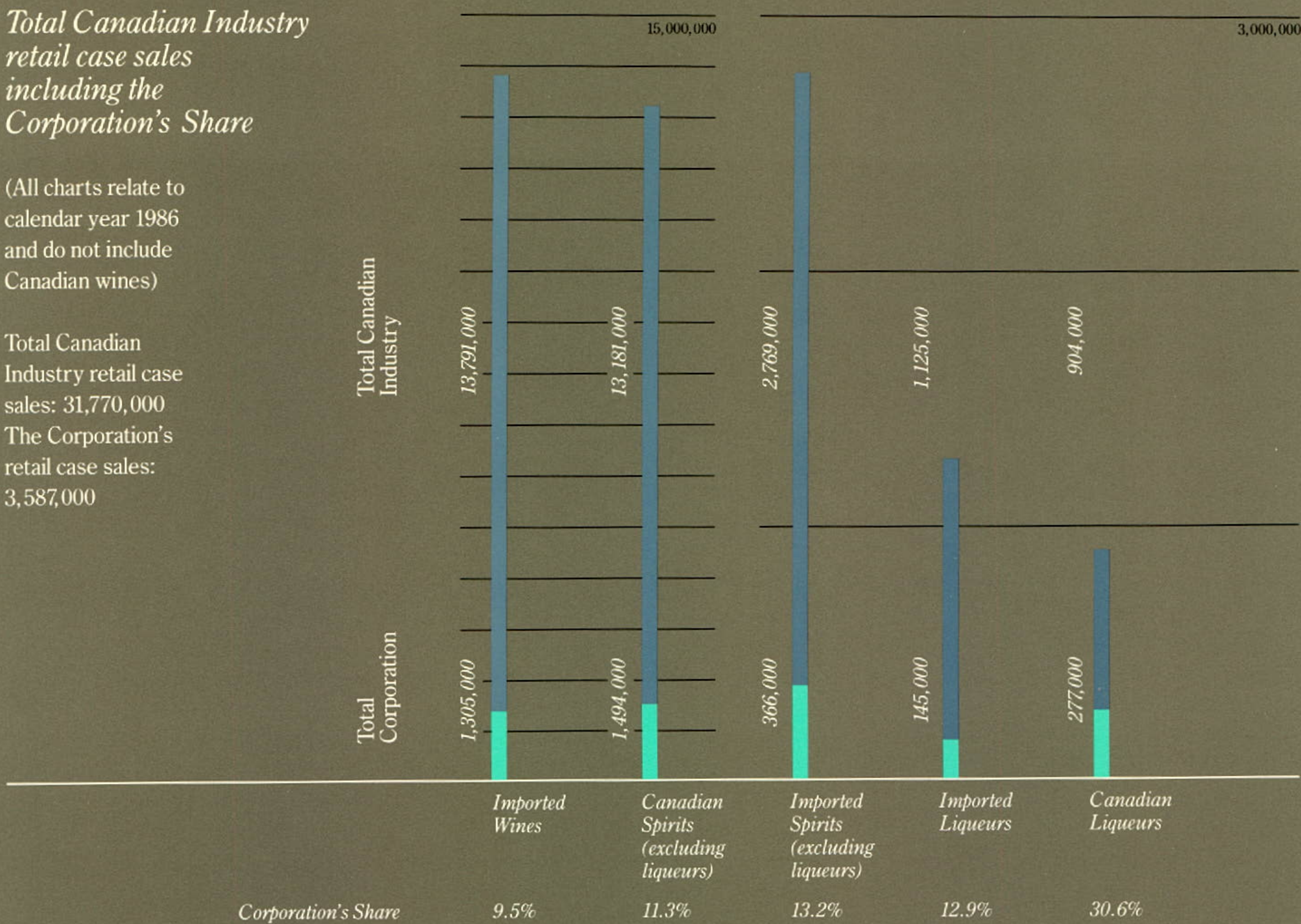
Transfer Agents & Registrars:
National Trust Company
Auditors:
Coopers & Lybrand
Bankers:
The Royal Bank of Canada
Solicitors:
Ogilvy, Renault
Annual Meeting of Shareholders
January 14, 1988

The Corporation and the Industry

Total Canadian Industry retail case sales including the Corporation's Share

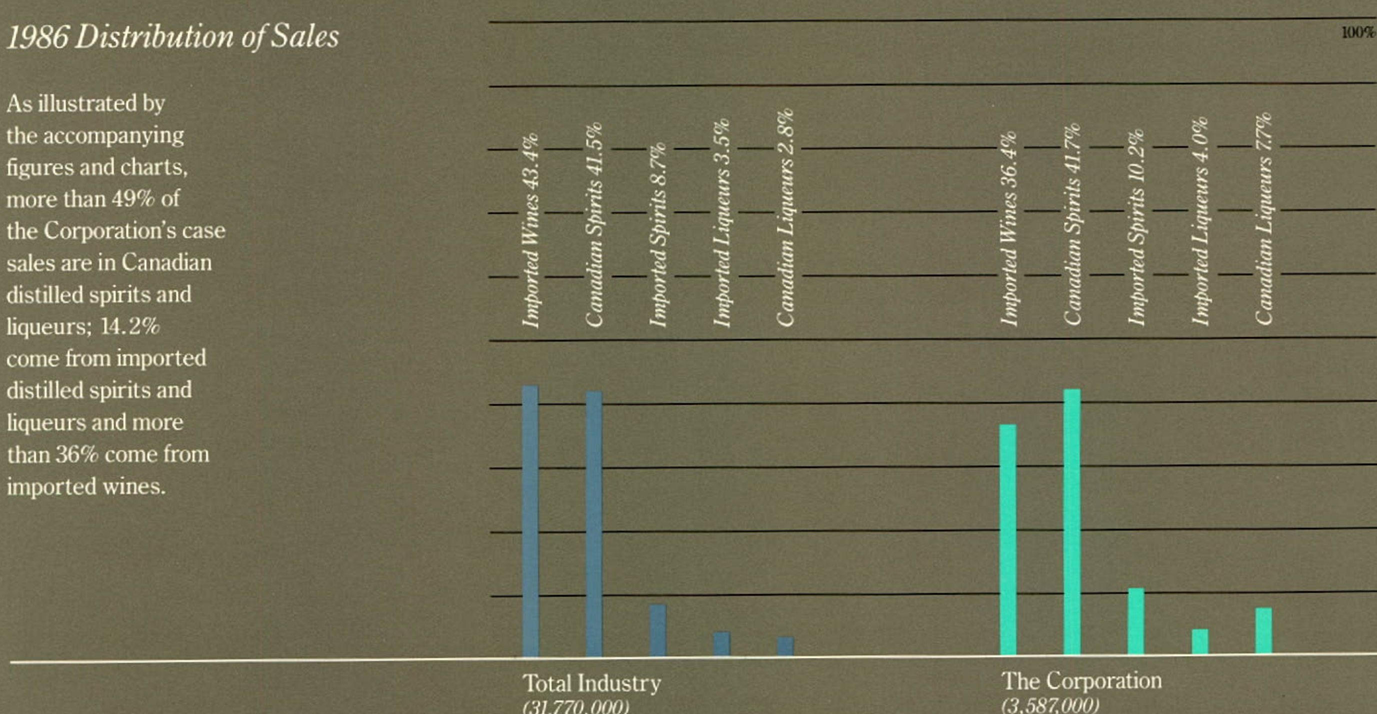
(All charts relate to calendar year 1986 and do not include Canadian wines)

Total Canadian Industry retail case sales: 31,770,000
The Corporation's retail case sales: 3,587,000



1986 Distribution of Sales

As illustrated by the accompanying figures and charts, more than 49% of the Corporation's case sales are in Canadian distilled spirits and liqueurs; 14.2% come from imported distilled spirits and liqueurs and more than 36% come from imported wines.



Financial Review

Results of Operations

Gross operating revenue increased from $63.9 million in 1986 to $65.6 million in 1987.

A net growth in sales revenue of 4.0% was achieved through increased sales of new products and higher domestic selling prices, and both helped offset volume declines of traditional spirits.

The decrease in commission revenue of $0.5 million is attributed mainly to lower sales volumes of imported products in 1987.

Shipments of domestic products decreased by 2.2% while the case volume of imported wines and spirits declined by 11%. Import volumes were impacted by lower demand levels for established spirits, along with the impact of foreign exchange at the retail level.

Corby's margin contribution level increased by 2.3% as compared to the decrease of 2.4% experienced last year. After a number of years of either minimal price adjustments or competitive pricing adjustments, the Corporation was able to increase prices to Liquor Boards. Additionally, margins were improved through the sales mix of our liqueur and spirits lines.

As a result of the foregoing, and because of the change in accounting for pension costs and obligations (described in note 9 to the Financial Statements section), consolidated earnings from operations rose from $8.5 million in 1986 to $10.3 million this year.

Net Income

Consolidated earnings before extraordinary item amounted to $9.5 million or $1.38 per share in 1987 as compared to $9.7 million or $1.41 per share in 1986. The sale of a 49% interest in William Mara Company Limited added an extraordinary gain of $0.07 per share to bring earnings per share to $1.48 and net earnings to $10.2 million in 1986.

Earnings from Canadian sources of $5.8 million in 1987 compare to $5.2 million in 1986. While the Corporation showed a marked improvement in operating earnings this year, last year's favourable foreign exchange and tax credit investment gains were not repeated.

Foreign earnings are down considerably from last year's level. Corby's share of Tia Maria net earnings reflects the impact of a one-time charge for the transition from bulk to case sales in the Australian, New Zealand and Far Eastern markets; a change in operations which will improve future profitability in these markets. Our Scottish subsidiary, Robert Macnish & Company Limited, contributed lower net earnings than the previous year because of lower sales volumes and investment income, along with higher selling expenses.

The Corporation's effective income tax rate increased from 33.4% to 36.4%. The major causes are the elimination of the 3.0% inventory allowance, and the lower proportion of equity in net earnings of partly-owned corporations.

Financial Position

The Corporation's liquidity stood at $24.2 million at the end of the current year, representing an increase of $6.0 million over last year's reporting position.

Cash provided from operations of $11.1 million in 1987 compares with $11.7 million in 1986. Dividends of $4.7 million were paid during the year, representing an annual rate of $0.68 per share. Approximately $1.0 million was invested in fixed assets in 1987.

Working capital increased to $70.4 million at the end of the current year from $64.9 million at the previous year's end. An increase of $1.1 million in inventories is partially offset by lower accounts receivable. Timing differences in collections from Liquor Boards and overseas principals inflated receivable balances last year. Net tax and other liabilities have increased by $0.7 million. The resulting working capital decrease, net of cash, is approximately $0.6 million.

Shareholders' Equity

Shareholders' equity has grown to $12.82 per share in 1987 from $12.06 at the end of the previous year. Return on equity is 11.1% in 1987 versus 12.8% in 1986, and return on average capital employed is 17.5% compared to 18.4% in 1986.

During the current reporting year, employee stock options were exercised for the purchase of 15,350 shares.

Acquisition

On October 19, 1987, the Corporation announced that it had entered into an agreement with Heublein Inc. for the acquisition of the shares of McGuinness Distillers Limited for approximately $45 million.

The impending transaction is subject to regulatory approvals and, when finalized, will be financed through available cash resources and borrowing.

Consolidated Financial Statements

For the Year Ended
August 31, 1987

Management's Responsibility for Financial Statements

The accompanying consolidated financial statements of the Corporation were prepared by management in conformity with accounting principles generally accepted in Canada applied on a consistent basis. The significant accounting policies, which management believes are appropriate for the Corporation, are described in the accompanying "Summary of Significant Accounting Policies". The financial information contained elsewhere in this Annual Report is consistent with that in the financial statements.

Management is responsible for the integrity and objectivity of the information contained in the financial statements including that which is based on estimates and judgements when transactions affecting the current accounting period are dependent upon future events. Management has established systems of internal control which are designed to provide reasonable assurance that assets are safeguarded from loss 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 has constituted an Audit Committee whose composition consists of directors who are not members of management. The Committee meets periodically with management, the internal auditors and the external auditors to receive reports on internal accounting controls and audit results and to review accounting principles and practices. The Committee also reviews the financial statements and the external auditors' report prior to submission to the Board of Directors for approval.

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

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Corby Distilleries Limited as at August 31, 1987 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at August 31, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, except for the change in the method of accounting for pension costs and obligations set out in note 9, on a basis consistent with that of the preceding year.

Coopers & Lybrand

Chartered Accountants
Montreal, Canada
September 25, 1987
October 19, 1987, with respect to note 10.

Consolidated Statement of Earnings

For the Year Ended August 31, 1987 (expressed in thousands)	1987	1986
Operating Revenue		
Sales	$ 59,033	$ 56,784
Commissions	6,616	7,117
Gross Operating Revenue	65,649	63,901
Operating Costs		
Cost of sales	29,085	29,284
Sales and administration	25,233	24,990
Depreciation and amortization	1,041	1,087
Total Operating Costs	55,359	55,361
Earnings From Operations	10,290	8,540
Equity in net earnings of partly-owned corporations	2,680	3,077
Investment and other income	2,156	2,464
Gain on tax credits	—	691
Earnings Before Undernoted Items	15,126	14,772
Income taxes (note 2)	5,508	4,932
Minority interest	84	132
Earnings Before Extraordinary Item	9,534	9,708
Extraordinary item (note 8)	—	471
Net Earnings for the Year	$ 9,534	$ 10,179
Earnings per Share: (note 4)		
Before Extraordinary Item	$ 1.38	$ 1.41
Net Earnings for the Year	$ 1.38	$ 1.48

Consolidated Statement of Retained Earnings

For the Year Ended August 31, 1987 (expressed in thousands)	1987	1986
Balance – Beginning of Year	$ 78,915	$ 73,262
Net earnings for the year	9,534	10,179
	88,449	83,441
Dividends	4,684	4,526
Balance – End of Year	$ 83,765	$ 78,915

Consolidated Balance Sheet

As at August 31, 1987 (expressed in thousands)	1987	1986
Current Assets		
Cash	$ 3,677	$ 811
Short-term investments – at cost	20,545	17,427
Accounts receivable	13,794	14,641
Income taxes recoverable	—	1,510
Inventories	41,646	40,555
Prepaid expenses	242	312
	79,904	75,256
Current Liabilities		
Accounts payable and accrued liabilities	6,369	7,897
Income and other taxes	3,157	2,414
	9,526	10,311
Working Capital	70,378	64,945
Long-Term Investments	7,746	8,553
Fixed Assets (note 3)	6,198	6,154
Deferred Pension Costs (note 9)	1,135	—
Goodwill and Trademarks	3,876	4,002
Funds Invested	$ 89,333	$ 83,654
Financed by:		
Deferred Income Taxes	$ 789	$ 588
Minority Interest	219	135
Shareholders' Equity		
Capital stock (note 4)	5,320	5,197
Retained earnings	83,765	78,915
Cumulative translation adjustments (note 5)	(760)	(1,181)
	88,325	82,931
Capital Employed	$ 89,333	$ 83,654

Signed on Behalf of the Board

Marcel Riché
Director

Roger Lachapelle
Director

Consolidated Statement of Changes in Financial Position

For the Year Ended August 31, 1987 (expressed in thousands)	1987	1986
Cash Provided from (used for)		
Operations		
Earnings before extraordinary item	$ 9,534	$ 9,708
Depreciation	915	962
Amortization of goodwill	126	125
Deferred income taxes	201	(165)
Minority interest	84	132
Dividends received in excess of equity earnings	798	1,246
Deferred pension costs (note 9)	(1,135)	—
Working capital change net of cash	551	(358)
Cash Provided from Operations	11,074	11,650
Dividends	(4,684)	(4,526)
Investments		
Additions to fixed assets	(959)	(855)
Change in cumulative translation adjustments	430	791
Sale of minority interest in a subsidiary company	—	820
	(529)	756
Financing		
Proceeds on issuance of capital stock	123	325
Increase in Cash	5,984	8,205
Cash – Beginning of Year	18,238	10,033
Cash – End of Year	$ 24,222	$ 18,238
Cash is Represented by:		
Cash	$ 3,677	$ 811
Short-term investments – at cost	20,545	17,427
	$ 24,222	$ 18,238

Notes to Consolidated Financial Statements

For the Year Ended August 31, 1987

1. Summary of significant accounting policies

The Corporation's accounting policies conform with accounting principles generally accepted in Canada and are summarized below:

Consolidation policy

The consolidated financial statements include the accounts of all subsidiaries, 50% of the assets, liabilities, income and expenses of a joint venture and the Corporation's equity in corporations over which it exercises significant influence.

Foreign currency translation

The Corporation's foreign operations and long-term investments in foreign corporations are of a self-sustaining nature. Assets and liabilities of foreign operations are translated at the exchange rates in effect at the balance sheet date and revenues and expenses are translated at weighted average exchange rates for the year. Gains or losses on translation are shown as a separate component in Shareholders' Equity.

The monetary assets and liabilities of the Corporation which are denominated in foreign currencies are translated at the year-end exchange rates. Revenues and expenses are translated at weighted average exchange rates. All exchange gains or losses are recognized currently in earnings.

Inventories

Inventories are stated at average cost which does not exceed net realizable value. They include barrelled whiskies which will remain in storage over a period of years but which are classified as current assets in accordance with the general practice of the distilling industry.

Long-term investments

Long-term investments are accounted for using the equity method.

Fixed assets

Land, buildings and machinery and equipment are carried at cost less accumulated depreciation. Generally depreciation is provided for on the diminishing balance method at annual rates of 5% for buildings and 20% for machinery and equipment.

Goodwill and trademarks

Goodwill, principally the excess of cost over amounts assigned to net assets of corporations acquired, is amortized on a straight-line basis over forty years.

Trademarks are carried at a nominal value of $1.

Income taxes

Income taxes are recorded on the tax allocation basis. Deferred income taxes result from differences between capital cost allowance and pension costs claimed for income tax purposes and amounts recorded for accounting purposes.

2. Income taxes

	1987	1986
	(in thousands)	
Current	**$ 5,307**	$ 5,097
Deferred	**201**	(165)
	$ 5,508	$ 4,932

The effective tax rates of 36.4% in 1987 and 33.4% in 1986 differ from the basic Federal and Provincial tax rates due to the following:

	1987	1986
Combined basic Federal and Provincial tax rates	**49.3 %**	50.1 %
Equity in net earnings of partly-owned corporations	**(8.7)%**	(10.7)%
Inventory allowance	**–**	(1.7)%
Manufacturing and processing profit deduction	**(2.6)%**	(2.0)%
Other	**(1.6)%**	(2.3)%
Total	**36.4 %**	33.4 %

3. Fixed assets

	1987			1986
	Cost	Accumulated depreciation *(in thousands)*	Net	Net
Land	**$ 329**	**–**	**$ 329**	$ 329
Buildings	**7,486**	**$ 4,135**	**3,351**	3,012
Machinery and equipment	**14,221**	**11,703**	**2,518**	2,813
	$ 22,036	**$ 15,838**	**$ 6,198**	$ 6,154

4. Capital stock

	1987	1986
	Number of shares	
Authorized		
Voting – no par value	**Unlimited**	Unlimited
Non-voting, Class "B" – no par value	**Unlimited**	Unlimited
Issued and fully paid		
Voting	**6,035,780**	6,020,430
Non-voting, Class "B"	**855,936**	855,936
	6,891,716	6,876,366
Stated capital	**$ 5,320,465**	$ 5,197,167

On January 15, 1986, the outstanding voting shares and non-voting Class "B" shares were split on a three-for-one basis. All comparative figures, including earnings per share figures, have been restated to reflect this stock split.

During the year employee stock options were exercised for the purchase of 15,350 shares for an aggregate cash consideration of $123,298. The Corporation has reserved 195,100 voting shares (1986 – 210,450 voting shares) for the employee stock option plan.

At August 31, 1987, options to purchase 137,400 shares had been granted and were outstanding as follows:

Date Granted	Expiry Date	Price	No. of Shares
September 22, 1982	September 22, 1992	$ 7.83	48,700
October 26, 1983	October 26, 1993	$ 10.54	2,700
March 28, 1984	March 28, 1994	$ 10.20	1,500
October 24, 1984	October 24, 1994	$ 9.23	6,000
December 17, 1984	December 17, 1994	$ 9.15	2,250
June 26, 1985	June 26, 1995	$ 10.65	30,750
June 25, 1986	June 25, 1996	$ 21.00	28,500
April 15, 1987	April 15, 1997	$ 21.50	13,000
June 10, 1987	June 10, 1997	$ 22.00	4,000
			137,400

The issue of all the reserved shares under this plan would not have a material diluting effect on the Corporation's earnings per share.

5. Cumulative translation adjustments

Cumulative translation adjustments represent deferred foreign exchange gains and (losses) on the translation of the accounts of foreign corporations. These valuation adjustments are recognized in earnings only when there is a reduction in the Corporation's investment in the respective foreign corporations.

	1987	1986
	(in thousands)	
Balance – Beginning of Year	**$(1,181)**	$(2,232)
Translation adjustments for the year		
Working capital	**430**	791
Long-term investments	**(9)**	260
Balance – End of Year	**$ (760)**	$(1,181)

6. Supplementary information

Related party transactions

Hiram Walker-Gooderham & Worts Limited, an indirect 51 percent owned subsidiary of Allied-Lyons PLC, owns approximately 52 percent of the issued voting shares of the Corporation.

Information relative to transactions and balances with affiliated corporations includes the following:

Balances with affiliated corporations	1987	1986
	(in thousands)	
Amounts due from affiliated corporations included in accounts receivable	**$ 835**	$ 654
Amounts due to affiliated corporations included in accounts payable and accrued liabilities	**$ 695**	$ 1,950

Transactions with affiliated corporations	1987	1986
	(in thousands)	
Sales	**$ 5,092**	$ 5,022
Commission income	**$ 1,873**	$ 1,316
Investment and other income	**$ 1,127**	$ 618
Purchases	**$ 8,545**	$ 7,764
Royalties and administration expenses	**$ 791**	$ 669

Segmented information

Substantially all of the Corporation's operations are in the manufacture of spirits and distribution of spirits, imported wines and liqueurs.

Geographic segments		1987	
		(in thousands)	
	Canada	Europe	Total
Gross revenue	$ 60,408	$ 5,241	$ 65,649
Earnings before extraordinary item (including equity in net earnings of partly-owned corporations)	$ 5,844	$ 3,690	$ 9,534
Assets	$ 89,353	$ 9,506	$ 98,859

		1986	
	Canada	Europe	Total
		(in thousands)	
Gross revenue	$ 58,262	$ 5,639	$ 63,901
Earnings before extraordinary item (including equity in net earnings of partly-owned corporations)	$ 5,171	$ 4,537	$ 9,708
Assets	$ 82,148	$ 11,817	$ 93,965

7. Investment in joint venture

The consolidated financial statements include 50 percent of the assets, liabilities, operating revenue and expenses of a joint venture as follows:

	1987	1986
	(in thousands)	
Current assets	**$ 4,553**	$ 3,962
Other assets	**1,377**	933
	$ 5,930	$ 4,895
Current liabilities	**$ 924**	$ 854
Operating revenue	**$ 10,571**	$ 8,673
Expenses	**$ 7,622**	$ 6,640

8. Sale of minority interest in a subsidiary

In 1986 the Corporation sold a minority interest of its holdings in a subsidiary company for a consideration of $960,000. The transaction resulted in a net gain of $471,000.

9. Change in accounting policy

Pension costs

During the year, the Corporation adopted the recommendation of the Canadian Institute of Chartered Accountants on accounting for pension costs and obligations.

Included in pension costs are the cost of pension benefits related to the current year's service and the amortization of the difference between the pension fund assets and actuarial present value of accrued pension benefits for service rendered to date.

The funded status of the Corporation's plans, based on actuarial reports as at December 31, 1986 updated to give effect to events during fiscal 1987, is as follows:

Pension fund assets	$ 31,477,000
Actuarial present value of accrued pension benefits for service rendered to date	21,603,000
Plan assets in excess of accrued pension benefit obligations	$ 9,874,000

The total of the pension credit and funding in 1987 has been reflected on the balance sheet as Deferred Pension Costs amounting to $1,135,000.

The effect on net earnings for the year of introducing the recommendation is an increase of $590,000 or $0.08 per share.

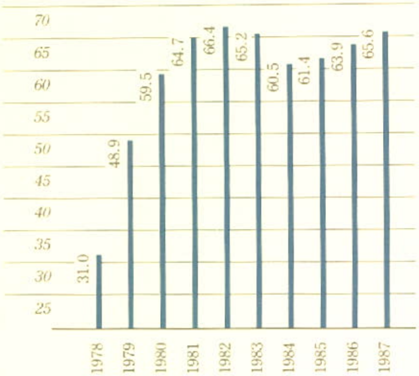
10. Subsequent event

On October 19, 1987 the Corporation entered into an agreement with Heublein Inc. for the acquisition of the shares of McGuinness Distillers Limited for approximately $45 million.

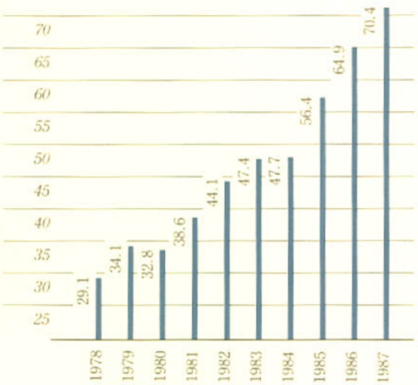
The transaction is subject to review under the Competition Act and by Investment Canada. It is to be financed by using funds on hand and through borrowing.

Ten Year Review

Gross Operating Revenue ($ MM)

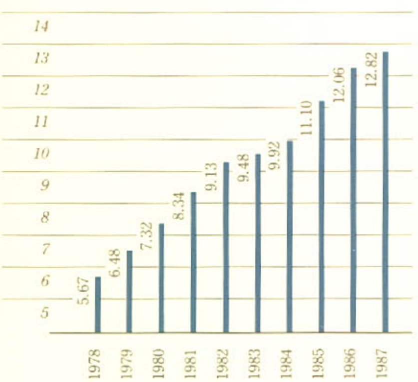


Working Capital ($ MM)



Net Earnings and Dividends per Share ($)

Equity Value per Share ($)



Compound Growth Rate 5 Year %	10 Year %		**Results for the Year** *(in millions of dollars)*
(0.5)	8.0	1	Sales
2.6	11.6	2	Commissions
(0.2)	8.3	3	Gross operating revenue
(8.1)	7.1	4	Earnings from operations
22.0	9.4	5	Equity in net earnings of partly-owned corporations
44.0	21.5	6	Investment and other income (expense)
(1.4)	8.6	7	Earnings before undernoted items
(4.4)	8.6	8	Income taxes
—	—	9	Minority interest
0.4	8.5	10	Net earnings before extraordinary item
—	—	11	Extraordinary item
0.4	8.5	12	Net earnings for the year
49.2	28.3	13	Cash provided from operations
2.1	12.8	14	Additions to fixed assets
2.1	9.6	15	Depreciation
			Year End Position *(in millions of dollars)*
9.8	9.9	16	Working capital
4.6	6.5	17	Fixed assets at cost
4.0	8.9	18	Total assets
—	—	19	Long-term debt
7.4	10.3	20	Shareholders' equity
			Statistics per Common Share *(in dollars)*
0.1	8.7	21	Net earnings
48.9	27.6	22	Cash provided from operations
3.2	10.5	23	Dividends paid
			Market value of voting shares (adjusted for 3 for 1 split-1986)
18.9	21.4	24	High:
18.0	18.9	25	Low:
16.7	19.0	26	Close at August 31
7.0	9.9	27	Shareholders' equity
			Other Statistics
		28	Working capital ratio
		29	Earnings from operations as a % of gross revenue
		30	Net earnings as a % of average shareholders' equity
		31	No. of shareholders
		32	No. of shares o/s ('000s)
		33	Average no. of employees

1987	1986	1985	1984	1983	1982 *Base Yr. (5)*	1981	1980	1979	1978	1977 *Base Yr. (10)*
59.0	56.8	54.4	54.5	60.2	60.6	58.4	53.8	43.8	28.6	27.3
6.6	7.1	7.0	6.0	5.0	5.8	6.3	5.7	5.1	2.4	2.2
65.6	63.9	61.4	60.5	65.2	66.4	64.7	59.5	48.9	31.0	29.5
10.3	8.5	10.0	10.4	13.7	15.7	11.7	9.7	7.4	5.3	5.2
2.7	3.1	3.7	2.2	1.6	1.0	2.5	3.7	4.2	3.1	1.1
2.1	3.2	1.4	1.6	0.3	(0.5)	(1.1)	(1.6)	(1.3)	0.1	0.3
15.1	14.8	15.1	14.2	15.6	16.2	13.1	11.8	10.3	8.5	6.6
5.5	5.0	4.6	5.1	6.1	6.9	5.0	3.3	2.8	2.2	2.4
0.1	0.1	—	—	—	—	—	—	—	—	—
9.5	9.7	10.5	9.1	9.5	9.3	8.1	8.5	7.5	6.3	4.2
—	0.5	—	(1.1)	—	—	1.8	—	—	—	—
9.5	10.2	10.5	8.0	9.5	9.3	9.9	8.5	7.5	6.3	4.2
11.1	11.7	21.0	1.4	12.2	1.5	10.3	5.8	(2.1)	(1.3)	(1.1)
1.0	0.9	1.2	1.0	0.6	0.9	1.0	1.5	1.0	0.5	0.3
1.0	1.0	1.0	0.9	0.8	0.9	1.0	1.0	0.9	0.4	0.4
70.4	64.9	56.4	47.7	47.4	44.1	38.6	32.8	34.1	29.1	27.3
22.0	21.1	20.3	19.1	18.2	17.6	16.8	19.1	17.8	12.1	11.7
98.9	94.0	84.8	83.2	76.0	81.4	71.0	76.5	71.0	48.5	42.3
—	—	—	—	—	—	—	5.4	10.5	—	—
88.3	82.9	75.9	67.5	64.4	61.9	56.6	49.7	44.0	37.8	33.2
1.38	1.48	1.54	1.18	1.40	1.37	1.46	1.25	1.10	0.93	0.60
1.61	1.70	3.07	0.20	1.81	0.22	1.51	0.86	(0.30)	(0.20)	(0.17)
0.68	0.66	0.60	0.60	0.60	0.58	0.45	0.42	0.25	0.25	0.25
23.75	22.50	13.00	13.00	12.33	10.00	10.33	6.75	5.00	4.50	3.42
16.00	12.58	9.33	10.79	8.33	7.00	6.83	4.54	4.04	3.25	2.83
18.75	21.12	12.92	12.87	11.25	8.67	8.67	6.63	4.83	4.42	3.29
12.82	12.06	11.10	9.92	9.48	9.13	8.34	7.32	6.48	5.67	4.97
8.4	7.3	7.1	4.1	5.3	3.3	3.8	2.7	3.4	4.0	4.3
15.7	13.4	16.3	17.1	21.1	23.6	18.1	16.3	15.1	17.1	17.6
11.1	12.8	14.7	12.2	15.0	15.7	15.2	18.1	18.3	17.7	13.1
2,552	2,751	2,805	3,004	3,285	3,528	3,575	3,584	3,656	3,898	4,074
6,892	6,876	6,837	6,813	6,786	6,786	6,786	6,786	6,786	6,672	6,672
404	395	402	437	442	494	460	549	521	389	387

Corporate Structure & Offices

Corby Distilleries Limited		
Tia Maria Limited 45%	Meagher's Distillery Limited 100%	Robert Macnish and Company Limited 100%
	William Mara Company Limited 51%	

Corby Distilleries Limited

Executive Office
1201 Sherbrooke Street West
Montreal, Quebec
H3A 1J1
Tel.: (514) 288-4181

Head Office
P.O. Box 10
Corbyville, Ontario
K0K 1V0
Tel.: (613) 962-4536

Sales Offices
1 Place du Commerce
Suite 160
Nuns' Island
Montreal, Quebec
H3E 1A4
Tel.: (514) 769-4573

2131 McCowan Road
Agincourt, Ontario
M1S 3Y6
Tel.: (416) 299-8940

1687 West Broadway
Suite 99
Vancouver, B.C.
V6J 1X2
Tel.: (604) 736-8061

Scottish Subsidiary
Robert Macnish & Company Limited
2 Glasgow Road
Dumbarton, Scotland
G82 1EE

Meagher's Distillery Limited

18 Fundy, Mart "F"
Place Bonaventure
Montreal, Quebec
H5A 1E1
Tel.: (514) 878-4514

950 Chemin des Moulins
Montreal, Quebec
H3C 3W5
Tel.: (514) 878-4611

Suite 105
1285 West Pender Street
Vancouver, B.C.
V6E 4B1
Tel.: (604) 688-4329

William Mara Company Limited

4950 Yonge Street
Suite 610
North York, Ontario
M2N 6K1
Tel.: (416) 225-6272

Graphic Design: Nolin Larosée et Associés inc., Montreal

CORBY

Ce rapport peut être obtenu
en français de :
Les Distilleries Corby Limitée
1201, rue Sherbrooke Ouest
Montréal H3A 1J1

PRINTED IN CANADA