

**CORBY
ANNUAL
REPORT**

1984



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COVER: Our cover this year features an artist's impression of the beautiful rose garden of Corby Park in Belleville. Originally part of Henry Corby's estate, the park was presented to the city in 1905 by Senator Corby and was transformed into a rose garden by the City of Belleville and Corby Distilleries as a Canadian Centennial Year project.



The painting is the work of well-known artist William Showell. Mr. Showell was born in Gibraltar and emigrated to Canada in 1954. His work is widely sought by private and corporate art collectors in both Canada and the United States.

Founded in 1859, Corby Distilleries Limited is a major Canadian distiller with production facilities located in Corbyville, Ontario and in Montreal. Through its subsidiaries and divisions, Corby markets a full range of domestically produced distilled spirits and liqueurs as well as imported cognac, scotch, liqueur, gin and aperitif and a wide range of quality wines. Its principal wholly-owned subsidiaries and divisions are J.P. Wiser Distillery Limited, Robert Macnish & Co. Ltd., Scotland, Meagher's Distillery Limited, and

J.M. Douglas International. Corby has a 45 percent interest in the Tia Maria companies: Tia Maria Limited, England; Tia Maria S.A., Switzerland; and Estate Industries Limited, Jamaica.

The class A common and 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 class A voting shares.

CORPORATE PROFILE

	<u>1984</u>	<u>1983</u>	<u>% Increase (Decrease)</u>
For the years (\$000)			
Gross operating revenue	60,501	65,207	(7.2)
Earnings from operations	10,372	13,740	(24.5)
Earnings before extraordinary items	9,095	9,498	(4.2)
Working capital provided	8,375	10,223	(18.1)
Financial position at year end (\$000)			
Working capital	47,713	47,385	—
Total assets	83,193	76,031	9.4
Shareholders equity	67,455	64,354	4.8
Per common share (\$)			
Earnings before extraordinary items	4.01	4.20	(4.5)
Net earnings for the year	3.54	4.20	(15.7)
Working capital provided	3.69	4.52	(18.4)
Dividend	1.80	1.80	—
Equity at year end	29.76	28.45	4.6
Market value: High	39.00	37.00	—
Low	32.38	25.00	
at August 31	38.62	33.75	14.4
Financial ratios			
Working capital ratio	4.1	5.3	
Return on shareholders equity	12.2	15.0	
Return on assets	10.1	12.1	

FINANCIAL HIGHLIGHTS

**REPORT
OF THE
DIRECTORS
TO THE
SHAREHOLDERS
OF CORBY
DISTILLERIES
LIMITED:**

Your Board of Directors presents the Corporation's Annual Report for the year ended August 31, 1984. As predicted in last year's report, the decline in the domestic distilled spirits market has continued unabated. The deterioration in sales of domestic distilled spirits which commenced in 1981 is primarily attributable to the introduction of indexation of excise taxes by the Federal Government in April 1981. This automatic annual excise tax increase compounded by the mark-up on the Federal tax by the various Provincial Liquor authorities ensured that the retail price of distilled spirits grew faster than the rate of inflation. Total domestic industry sales of distilled spirits in Canada declined by 7.2 percent in calendar year 1983 and through the first seven months of 1984 sales were down a further 7.6 percent. The domestic industry continues to operate at less than 50 percent of distilling capacity and it is estimated that between six and seven hundred direct jobs were lost in 1984 as compared to 1983. The industry also generates considerable indirect employment in the tourist, agriculture and packaging industries and it is estimated that some 2,600 indirect jobs have been lost since 1982 as a result of the slowdown in distilling and bottling operations across the country.

It is against this background that we report net consolidated earnings reduced to \$8.0 million from \$9.5 million in 1983. Revenues declined to \$60.0 million from \$65.2 million last year. Despite the decline in earnings the Corporation's strong financial position has been maintained. We have no long-term debt, the current ratio of assets to liabilities is 4.1:1 and working capital is \$47.7 million. This year's results include an extraordinary provision of \$1.1 million made in respect of our investment in Melcan Distillers Limited, a partly-owned corporation.

The Corporation has emerged from the 1984 fiscal year, perhaps the most challenging year in its recent history, as a leaner more efficient and more aggressive organization. It was a year of adverse conditions, even more difficult than forecast, but there were solid gains as well.

The Corporation continues to maintain or improve its market share in the important market segments of Canadian whisky, rum and imported gin; its share of the imported wine market has also increased in the past year.

All information contained in the annual report has been approved by the Board of Directors.



*Mr. Roger Lachapelle,
President and Chief Executive Officer.*

While Meagher's market share of the domestic liqueur market dropped 2.5 percent in calendar year 1983 it nevertheless maintains at 36 percent its dominant share of the category.

The Market Environment:

While the Canadian economy experiences moderate growth, Canadian distillers continue to operate in a declining distilled spirits market, due primarily to:

- Continually escalating retail prices of distilled spirits.
- Consumers who, because of changes in lifestyles and higher prices are moving from Canadian distilled spirits to other beverage categories.
- Unemployment, which remains at a high level, and reduced discretionary spending by Canadians.

On September 1, 1984, the Federal excise tax on distilled spirits was increased automatically by 4.9 percent following increases of 13.3 percent and 15.2 percent in 1983 and 1982 respectively. On October 1, 1984, the Federal sales tax on distilled spirits was increased from 12 percent to 13 percent which will further increase the retail price of our products. Federal and Provincial taxes plus the Provincial mark-up now exceed

on average 82 percent of the retail price of distilled spirits. One result of such increases is higher unemployment in our own industry and those of our suppliers.

The spirits industry's main competition, beer and wine, continue to grow at the expense of spirits, due in large measure to the continuing retail price discrepancy resulting from taxation. Taxes on beer and wine are one third those levied on spirits. Through our industry association, we shall continue to make presentations to the various levels of Government to redress the inequities of the current tax structure. We are hopeful that our next presentation to the new Federal Government will be more favourably received.

In our 1983 report, we stated that we would seek out additional profitable growth opportunities. Since then we have:

- Surveyed the U.S. market and are now conducting a major market research study to assess the potential for our brands.
- Studied numerous new product opportunities, pursuant to which several new imported products will be introduced to the market during 1985.
- Increased in April 1984 the Corporation's holdings in Tia Maria to 45 percent, the balance of the shares being held by Hiram Walker-Gooderham & Worts. We are optimistic that Tia Maria liqueur which is sold in all the major world markets will continue to make an increasingly significant contribution to the Corporation's earnings.
- Continued our aggressive cost-control program and realized important savings during the year. Many of these savings and efficiencies are ongoing and will continue to contribute to the Corporation's future success.

In the year ahead our primary concerns will be to seek Corporate expansion where profitable growth potential exists, increase market share of our current portfolio, develop new products and markets and continue our cost-control program.

Board of Directors:

Mr. A.E. Downing who has been associated with the Corporation for over thirty five years and a member of its Board of Directors since 1967 will not stand for re-election to the Board at the next Annual General Meeting of Shareholders. Mr. Downing's contributions to the success of the Corporation are too numerous to list. The high regard in which he is held by the Directors is shared by the employees. The Corporation is indebted to

Mr. Downing for his counsel and guidance over the years.

Management:

Mr. F.H. Bellstedt will retire on December 31, 1984, from his position as Senior Vice President Operations, after twenty five years service. The Directors and management extend their gratitude to Mr. Bellstedt for his many contributions over the years to the success of the Corporation.

During the year the following senior appointments or transfers were made. Mr. D.C. MacMartin joined the Corporation as Executive Vice President. Mr. MacMartin brings to the position extensive Canadian and International marketing experience; Mr. John Elliott with many years experience in consumer goods marketing joined Corby's as National Marketing Director; Mr. Denny Dunlop was transferred from an associate company to the position of Vice President, Marketing of the Wine Division, J.M. Douglas International. Mr. Paul Niedermayr, Vice President of Corporate Development relocated to our Distillery in Corbyville where he will replace Mr. F.H. Bellstedt.

Mr. Daniel Gruel has joined Meagher's Distillery as Vice President. Mr. Gruel brings to this position extensive worldwide experience in the wine and spirits industry.

This year's annual report focuses on the difficult trading environment within our industry and the steps taken by management to reduce the negative impact thereof on our earnings. We are pleased that under these depressed conditions we have increased our market in some significant market segments.

As for the future, we are confident that our portfolio of strong products and healthy financial position will be important factors contributing to our growth. The key to our success, however, is the dedication and talent of our employees, many of whom are shareholders and take a keen personal interest in the Corporation's results. Their commitment is a source of pride, and we count on their continued support to face the future with assurance.



ROGER LACHAPELLE
President and Chief Executive Officer

CORBY DISTILLERIES LIMITED AND SUBSIDIARIES

THE CORPORATION AND THE INDUSTRY

TOTAL CANADIAN INDUSTRY RETAIL CASE SALES INCLUDING THE CORPORATION'S SHARE
 (All charts relate to calendar year 1983 and do not include Canadian wines*)

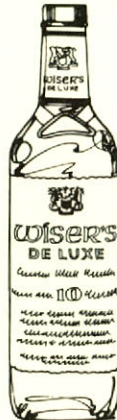
Total Canadian Industry retail case sales* 32,557,000

Key: ■ Total Industry ■ The Corporation

The Corporation's retail case sales
 (Corporation Sales include Burkes & Meaghers) 3,842,000



CANADIAN SPIRITS
 (Excluding Liqueurs)
 Total Canadian Industry: 14,820,000
 Total Corporation: 1,615,000 (10.9%)



IMPORTED WINES:
 Total Canadian Industry: 12,808,000
 Total Corporation: 1,292,000 (10.1%)



IMPORTED LIQUEURS
 Total Canadian Industry: 1,047,000
 Total Corporation: 170,000 (16.2%)



CANADIAN LIQUEURS
 Total Canadian Industry: 856,000
 Total Corporation: 316,000 (36.9%)



IMPORTED SPIRITS
 (Excluding Liqueurs)
 Total Canadian Industry: 3,026,000
 Total Corporation: 449,000 (14.8%)



1983 DISTRIBUTION OF SALES



As illustrated by the accompanying figures and charts, more than 50% of the Corporation's case sales are in Canadian Distilled Spirits and Liqueurs, 16% comes from Imported Distilled Spirits and Liqueurs and more than 33% comes from Imported Wines.



CORBY DISTILLERIES LIMITED AND SUBSIDIARIES

**SIGNIFICANT
MARKET
SEGMENTS**

Imported Liqueurs, Cognacs and Distilled Spirits are of great importance to the Corporation and are treated separately in the marketing reports that follow.

The accompanying charts highlight the three most important areas of the Domestic Distilled Spirit and Liqueur markets to the Corporation.

CANADIAN WHISKY SALES (Calendar Years 1979-1983)

The success of the Corporation's aggressive marketing efforts are clearly reflected in market share gains over the past five calendar years in the important Canadian whisky category which currently accounts for 46.8% of all Domestic Distilled Spirits and Liqueurs.

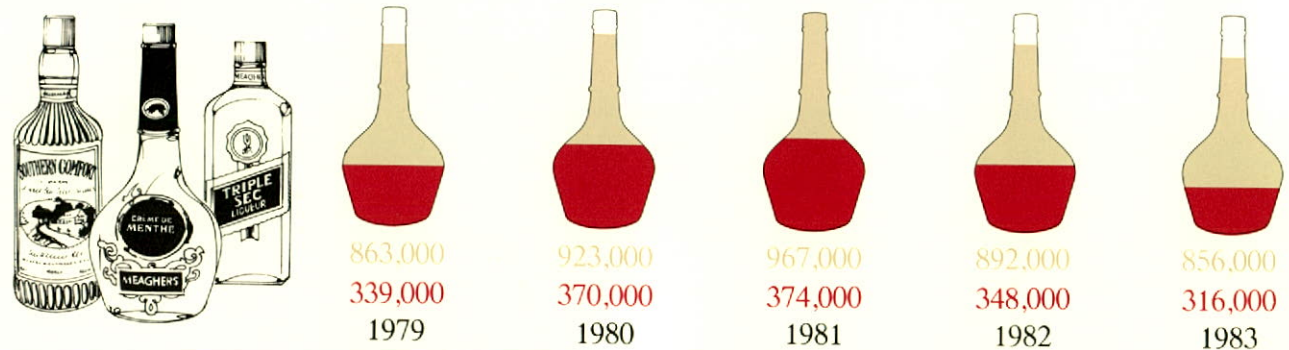
During a time when total Canadian whisky sales declined 14.7%, sales of the Corporation's brands increased 7.7%. In the process the Corporation's market share for Canadian whisky grew 2.9 percentage points to 13.9%.



CANADIAN LIQUEUR SALES (Calendar Years 1979-1983)

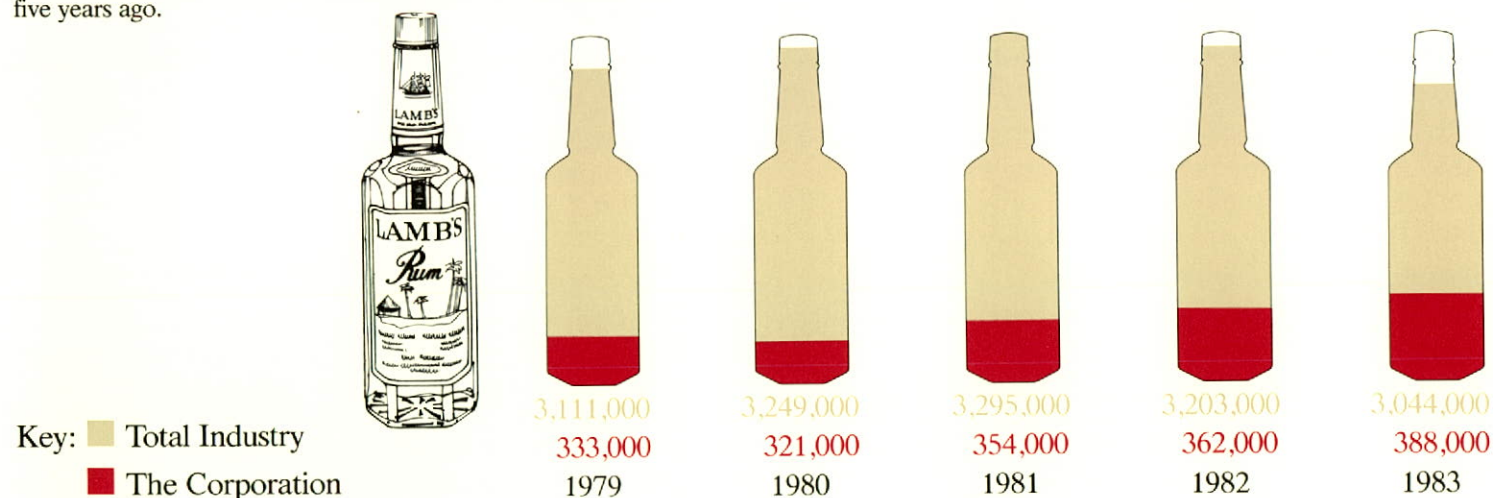
The domestic liqueur market, though relatively small, is very important to the Corporation and every effort is made to maintain its substantial market share. Industry shipments of domestic liqueur

grew steadily through 1981 before they too declined in 1982. Throughout the five year period, the Corporation maintained a market share between 39.3% and 36.9%.



CANADIAN RUM SALES (Calendar Years 1979-1983)

The rum category grew 5.9% in Canada between 1979 and 1981 before the high tax and recession-related decline in 1982 cut that gain by 7.6%. Through Lamb's Rum sales, the Corporation's share of that market is now 12.7% which is 2.0% higher than it was five years ago.



Figures stated in cases of 750 ml. bottles

OUTLOOK:

The year ahead will be challenging. Unemployment will remain high and we anticipate that any price increase at the retail level will be due primarily to tax increases. There will be little if any opportunity to increase prices to offset cost increases.

The Corporation's sales are almost entirely within Canada, the only exception being sales of our Scottish Subsidiary, Robert Macnish & Co. Ltd. We will therefore continue to place emphasis on consolidating the significant market share gains made over the past five years and concentrate on our main market segments where we have demonstrated strength.

Notwithstanding the difficult business environment in which we operate, the beverage alcohol market is large and we see opportunities for expansion. If retail price increases due to tax increases were to moderate, we could anticipate a lessening of the current downward market trends of our domestic industry. We are well placed to take advantage of such developments as we have the financial, management resources and brand portfolio to make further market gains under more favourable conditions.

**CORBY
MARKETING
REPORT**

Corby produces a wide range of Canadian whiskies, gins, rums and vodka marketed under the Corby, Wiser and Lamb's labels. Through J.M. Douglas International, the Corporation also sells a wide range of quality imported wines. Corby has sales offices located across Canada to handle its sales and marketing activities. Corby also markets Grand Macnish Scotch, Tia Maria liqueurs and Courvoisier cognac.

Plant

Since 1859, Corby's Canadian distilling and blending operations producing spirits under the Corby and Wiser's labels have been located in Corbyville, Ontario.

Distilled Spirits and Cognac Division

The quality of Corby's domestic distilled spirits and customer loyalty were important factors leading to some increase in our share of a declining market. For the 12 months to July 1984, retail sales of Corby's domestic distilled spirits declined by 6.4 percent compared with an overall decline of 6.5 percent for the industry. Courvoisier Cognac was the leading brand of Cognac in the Canadian market.

For the 12 months to July 1984, Wiser's DeLuxe Canadian whisky increased its market share from 14.7 percent to 16.3 percent in an otherwise declining market. Overall, the Wiser products group showed a small decline in case sales compared to the previous year while slightly increasing their share of the market.

Royal Reserve Canadian Whisky, a major brand in the Corby family of products, increased its market share by 0.3 percent for the 12 months ending July 1984.

Our Lamb's line of rums outperformed the market, increasing its share by 0.6 percent in the twelve-month period ending in July 1984. This increase was primarily due to the growth of our Lamb's Palm Breeze and Lamb's White Rum which compete in the growing segment of the rum market.

Imported Liqueur Division

Shipments were down in this division in 1984 for the third consecutive year. Sales of Tia Maria, a significant factor in Corby's portfolio of imported brands, have been under pressure from competing brands. Increasing our market share of this important brand is a priority commitment in the sales and marketing plans of the Corporation.

J.M. Douglas International

This division, which was restructured in 1982 to concentrate on the sale of imported wines, increased its total wine sales by 8.5 percent for the calendar year 1983, compared with an overall growth for imported wines of 1.1 percent. J.M. Douglas handles, across Canada, quality imported wines from Europe including such well-known names as St-Raphaël, Antonin Rodet, Charles Heidsieck, Michel Laugel, Villa Banfi, F.W. Langguth Erben and Delaforce.

Sales of French wines increased significantly in 1984, aided by the weakness of the French Franc which resulted in lower prices to consumers.

**MEAGHER'S
MARKETING
REPORT:**

Meagher's is engaged in the production and marketing of its own domestic liqueurs and spirits and in the marketing of imported spirits and wines through its wholly-owned subsidiaries, Gillespies & Company Ltd., the William Mara Company Limited and Les Vins et Spiritueux Durand Limitée.

Plant:

Meagher's has one plant, located in Montreal.

Spirits:

Meagher's sales of domestic spirits were down marginally during the past year, reflecting soft market conditions. The current trend however is more positive. The Company's share of imported spirits is holding, spearheaded by Beefeater, the leading brand of dry Gin sold in Canada, the sales of which are ahead of last year. The current performance of Teachers Scotch, Hennessy Cognac and Tequila Sauza are satisfactory given the current depressed market conditions.

Domestic Liqueurs:

Although still outpaced by the imported segment, primarily due to cream liqueurs, domestic liqueurs are outperforming the overall industry and continue to offer opportunities. With 36 percent of the domestically produced liqueur market, Meaghers remains the leading liqueur producer in Canada. Two important International brands, Campari apéritif and Southern Comfort, are marketed throughout Canada.

With new flavors constantly being developed Meagher's is confident of its ability to remain the market leader in this segment of the industry.

Imported Wines:

Meagher's wine sales continue to grow and have passed the one million case mark. Among the many fine brands represented by Meagher's are such prestigious names as Moët & Chandon, Dubonnet, Bichot, Mommessin, Calvet, Cellier des Dauphins and Willm from France; Ruffino and Folonari from Italy; Deinhard from Germany; Casal Mendes from Portugal and Freixenet from Spain.

The current rate of sales increases and the constant addition of new products to its list of brands augurs well for the future of this significant segment of Meagher's activities.

**TWO
IMPORTANT
PRODUCT
HISTORIES**

Courvoisier—The Cognac of Napoleon

In May of 1984, Courvoisier was the recipient of France's highest award for excellence the "Diplôme du Prestige de la France". This is the first time in the 80 year history of the award that it has been given to a Cognac producer. The diplôme was presented to Courvoisier at a prestigious gathering in the Hotel de Ville in Paris by no less a person than the Mayor of the Capital and former Prime Minister Jacques Chirac. The "Diplôme du Prestige de la France" is awarded to those Companies that display consistently high product standards and that exemplify leadership in industry. The signal honour bestowed in 1984 on the House of Courvoisier is due in large measure to the attitude and uncompromising dedication to quality of the founder of this noble house, Emmanuel Courvoisier and those who to this day follow in this tradition. To quote Mr. Chirac "The legendary quality of Courvoisier Cognac with it's worldwide reputation as 'Le Cognac de Napoleon' justly deserves this honour".

This award was earned as a result of many years of dedication on the part of Emmanuel Courvoisier. Originally from the Jura region in the east of France, he established himself in Paris at the beginning of the nineteenth century as a wine and spirit merchant. In this capacity he was supplier to the

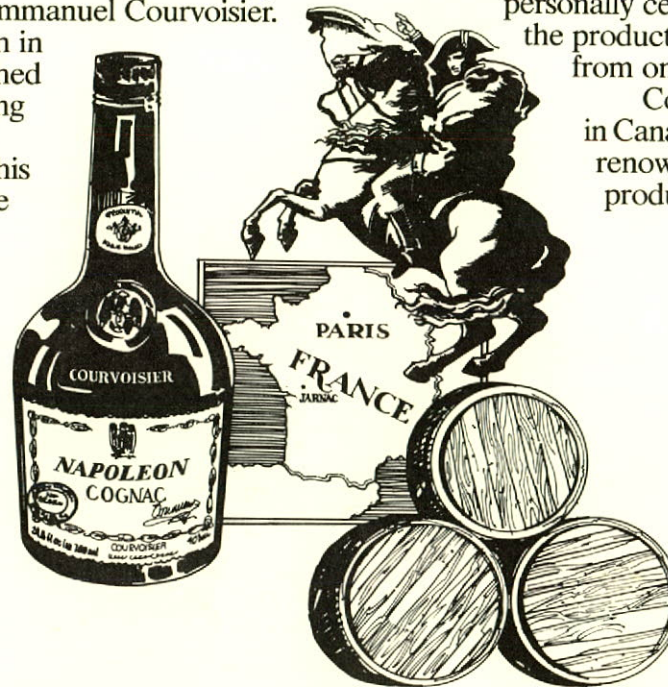
Emperor Napoleon I. In fact Napoleon I visited his warehouses on February 10th, 1811. After the death of Emmanuel Courvoisier, his business enterprises were perpetuated by his son Félix Joseph Courvoisier. It was at this point that Félix recognized the growing popularity of his fine Cognac and founded a cognac business in Jarnac in 1835.

Félix Courvoisier was renowned for his public endeavours. In the riots that occurred in and around Paris in 1848, Félix played an important role in restoring social order. For this, he received the title of Chevalier of the Legion of Honour.

In 1851, Félix expanded his Cognac enterprise in Jarnac and the quality of his Cognac was such that in 1869 Courvoisier was named "Purveyor by special appointment to the court of Napoleon III" which gave birth to the appellation "The Cognac of Napoleon". It is no accident that Félix chose Jarnac as the site to produce his Cognac because he knew that the finest and noblest Cognacs come from this area of the Charente.

He insisted that each bottle would bear his signature personally certifying thereby the uniqueness of the product and the fact that it had been created from only the best cognacs of the region.

Corby is indeed honoured to represent in Canada the prestigious House of Courvoisier, renowned throughout the world as the producer of "Le Cognac de Napoleon".



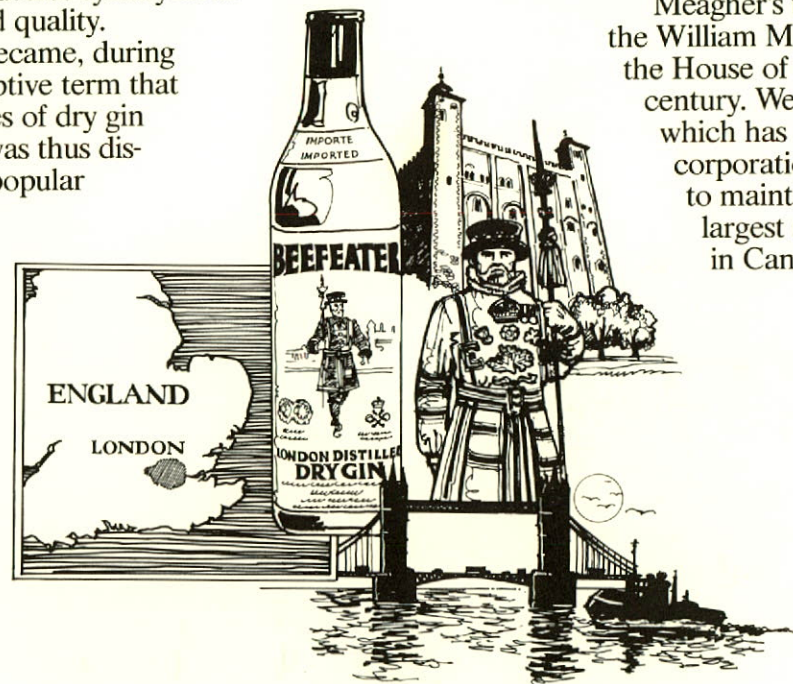
Beefeater—The World Standard for Dry Gin.

The House of Burrough distillers of Beefeater Gin was founded in London in the early part of the 19th Century by Devon-born James Burrough upon his return from North America. Six years before, he had left his native West Country where he had trained to be a pharmaceutical chemist and sailed for the United States and Canada. After gaining experience there as a chemist he returned to England and opened a distillery for gin and liqueurs.

During the 19th Century, the distillation of spirits was closely involved with the compounding of liqueurs and cordials consumed as much for medicinal reasons as for pleasure. Although medicine was not as advanced as it is today, doctors certainly knew how to make their patients comfortable.

James Burrough was a perfectionist; he set himself the task of distilling the ultimate gin. In due course he succeeded and achieved his goal. He chose the name Beefeater for his masterpiece as he wanted a name not only symbolic of London but also synonymous with tradition, prestige and quality.

London Dry Gin became, during the 19th Century, a descriptive term that embraced the various types of dry gin distilled in the capital. It was thus distinguished from the then popular Dutch gins, which were to lose favour to this new London Dry Gin.



Following the death of the founder, the family partnership was formed into a limited Company. Today James Burrough P.L.C. is still a family controlled Company. The current Chairman, Mr. Norman Burrough is a direct descendent of James, thus maintaining an unbroken tradition. Mr. Burrough is also a member of Corby's Board of Directors.

So successful was Beefeater Gin that the Company soon outgrew the original distillery in Chelsea; a new location was chosen in Lambeth. One of the reasons for choosing the area was the presence of a pure spring nearby as the Directors were anxious to ensure that only pure London water was used for the distilling process. By this foresightedness they helped maintain the subtle flavour and quality of Beefeater gin over the years.

The sales of Beefeater gin to North America expanded rapidly until the Second World War when trade was brought to a standstill. Immediately after the war a massive export drive was undertaken by James Burrough Limited. The results were remarkable and by 1963 the Company was the largest exporter of gin from the U.K.

Meagher's through Gillespies and Co. and the William Mara Company, has represented the House of Burrough for almost half a century. We are proud of this association which has been of great benefit to both corporations. Today Beefeater continues to maintain its preeminence as the largest selling brand of all dry gins in Canada.

**FINANCIAL
REVIEW**

Sales & Commissions:

Gross operating revenue decreased 7.2% to \$60.5 million versus \$65.2 million in 1983.

As has been stated by the directors in their report to the shareholders, the drop in the domestic distilled spirits market has continued unabated throughout the fiscal year ended August 31, 1984. As a consequence and despite our success in retaining or improving our market share in domestic products, our shipments of these products to Liquor Boards decreased by 14.1% to 1,832,000 cases from 2,133,000 cases last year.

A portion of this decline is explained by advanced shipments in August 1983, but the bulk of the decline results from the generally depressed condition of the domestic spirits industry.

On the other hand shipments to Liquor Boards of our imported products—primarily wines—were excellent and increased 28.2% to 2,283,000 cases from 1,781,000 cases last year and our commission revenue resulting from sales of these products was \$6.0 million, up from \$5.0 million last year.

Net Earnings:

Consolidated net earnings before an extraordinary item in 1984 were \$9.1 million or \$4.01 per share. Net earnings reported in 1983 were \$9.5 million or \$4.20 per share. An extraordinary provision of \$1.1 million or \$0.47 per share was also made in respect of our investment in a partly-owned corporation.

After this extraordinary item, our earnings for 1984 were \$8.0 million or \$3.54 per share compared to \$9.5 million or \$4.20 per share last year.

Earnings from domestic operations were \$2.5 million less than last year before tax, but this was partially offset by lower interest cost, the purchase of Scientific Research Tax Credits and a lower effective income tax rate. Consequently our domestic earnings after tax were \$6.0 million compared to \$7.0 million last year. Our share of earnings from foreign investments was \$3.1 million, up from \$2.5 million in 1983.

The actions initiated two years ago to maintain earnings from domestic sources continued during fiscal year 1983/84 and included reductions in staff. We are maintaining tight guidelines in salary cost increases and productivity studies are well advanced in our distilling operations at Corbyville which we believe will result in further cost declines.

Tia Maria Investment:

During the second half of the fiscal year just ended we increased our ownership of Tia Maria and its related company to 45%, the remaining 55% being now owned by Hiram Walker-Gooderham & Worts Limited. We are confident that these new arrangements will provide improved earnings from our investment in Tia Maria in the future.

Shareholders' Equity:

Shareholders' equity as at August 31, 1984 was \$29.76 a share compared to \$28.45 a share at the same time last year. Net income was 12.2% of average shareholders' equity compared to 15.0% in 1983.

There were 2,270,622 common shares outstanding at year end, 1,985,310 of which were voting "A" stock. As at August 1983 there were 1,976,960 voting "A" shares outstanding. The total number of shareholders as at August 31, 1984 was 3004 compared to 3285 in 1983.

Working Capital:

Working Capital at year end totalled \$47.7 million compared to \$47.4 million a year ago. Inventories, which are the significant component, increased slightly during the year to \$41.3 million from \$40.2 million.

The level of short-term borrowings increased during the year from \$1.1 million to \$8.7 million. This was the result of acquiring an increased interest in Tia Maria and the purchase of Scientific Research Tax Credits in the second half of the fiscal year and consequently the ratio of current assets to current liabilities has decreased to 4.1 compared to 5.3 a year ago.

Long-Term Debt:

The Corporation is free from any long-term debt.

Dividends:

During the last year the dividend rate was \$1.80 per share. The chart adjacent to the Ten Year Review shows that the dividend payout rate in the last ten years has varied from 23% to 48% of net earnings, with the average being 38%.

The earnings retained are used to maintain the Corporation's operations and to support future business growth.

Share Price and Trading Volumes:

Volumes and prices at which Corby's stock has traded since 1979 are shown below:

		Trading Volume	Avg. Price Per Share
Fiscal year 1983/84	A	290,196	\$35.69
	B	28,137	\$34.14
		<u>318,333</u>	
Fiscal year 1982/83	A	234,557	\$33.17
	B	64,343	\$32.05
		<u>298,900</u>	
Fiscal year 1981/82	A	98,343	\$23.98
	B	26,685	\$22.87
		<u>125,028</u>	
Fiscal year 1980/81	A	146,464	\$26.60
	B	29,043	\$25.69
		<u>175,507</u>	
Fiscal year 1979/80	A	227,098	\$19.35
	B	49,875	\$17.82
		<u>276,973</u>	
*Fiscal year 1978/79	A	83,576	\$13.48
	B	13,946	\$12.73
		<u>97,522</u>	

*Volumes and prices have been adjusted to reflect the impact of a two for one split in shares which occurred in 1980.

The dividend rate per common share increased to \$1.80 in 1982 from \$1.40 in 1981.

**AUDITORS'
REPORT
TO THE
SHAREHOLDERS**

We have examined the consolidated balance sheet of Corby Distilleries Limited as at August 31, 1984 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, 1984 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 on a basis consistent with that of the preceding year.



CHARTERED ACCOUNTANTS
Montreal, Canada
September 27, 1984

**CONSOLIDATED
STATEMENT OF
RETAINED
EARNINGS**

FOR THE YEAR ENDED AUGUST 31, 1984 (expressed in thousands)

	<u>1984</u>	<u>1983</u>
BALANCE— BEGINNING OF YEAR	\$62,890	\$57,464
Net earnings for the year	8,022	9,498
Dividends	70,912	66,962
	4,082	4,072
BALANCE— END OF YEAR	<u>\$66,830</u>	<u>\$62,890</u>

FOR THE YEAR ENDED AUGUST 31, 1984 (expressed in thousands)

*CONSOLIDATED
STATEMENT
OF
EARNINGS*

	<u>1984</u>	<u>1983</u>
OPERATING REVENUE		
Sales	\$54,520	\$60,188
Commissions	5,981	5,019
GROSS OPERATING REVENUE	60,501	65,207
OPERATING COSTS		
Cost of sales	26,512	28,568
Selling and administrative	22,530	21,936
Depreciation and amortization	1,087	963
TOTAL OPERATING COSTS	50,129	51,467
EARNINGS FROM OPERATIONS	10,372	13,740
Share of net earnings of partly-owned corporations	2,247	1,614
Investment and other income	202	444
Interest income (expense)	285	(191)
Premium on Scientific Research Tax Credit	1,050	—
EARNINGS BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	14,156	15,607
INCOME TAXES (note 2)		
Current	5,231	6,106
Deferred	(170)	3
	5,061	6,109
EARNINGS BEFORE EXTRAORDINARY ITEM	9,095	9,498
EXTRAORDINARY ITEM— Provision in respect of investment in a partly-owned corporation	(1,073)	—
NET EARNINGS FOR THE YEAR	\$ 8,022	\$ 9,498
EARNINGS PER SHARE:		
BEFORE EXTRAORDINARY ITEM	\$4.01	\$4.20
NET EARNINGS FOR THE YEAR	\$3.54	\$4.20

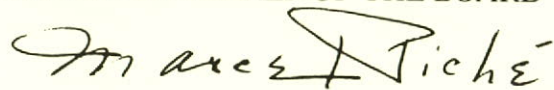
CORBY DISTILLERIES LIMITED AND SUBSIDIARIES

**CONSOLIDATED
BALANCE
SHEET**

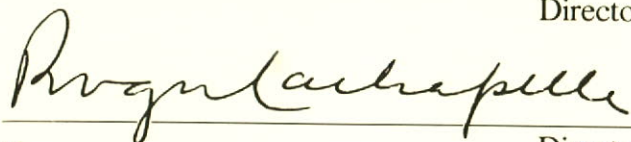
AS AT AUGUST 31, 1984 (expressed in thousands)

	<u>1984</u>	<u>1983</u>
CURRENT ASSETS		
Short-term investments— at cost	\$ 961	\$ —
Advance to affiliated corporation (note 6)	3,321	2,232
Accounts receivable	13,467	15,712
Income taxes recoverable	3,686	—
Inventories	41,285	40,179
Prepaid expenses	353	391
	63,073	58,514
CURRENT LIABILITIES		
Short-term bank borrowings	8,678	1,055
Accounts payable and accrued liabilities	5,374	5,565
Income and other taxes	1,308	4,509
	15,360	11,129
WORKING CAPITAL	47,713	47,385
INVESTMENTS IN PARTLY-OWNED CORPORATIONS	9,518	6,814
FIXED ASSETS (note 3)	5,993	5,955
GOODWILL AND TRADEMARKS	4,609	4,748
FUNDS INVESTED	\$67,833	\$64,902
FINANCED BY:		
DEFERRED INCOME TAXES	\$ 378	\$ 548
SHAREHOLDERS' EQUITY		
Capital stock (note 4)	4,675	4,479
Retained earnings	66,830	62,890
Cumulative translation adjustments (note 5)	(4,050)	(3,015)
SHAREHOLDERS' EQUITY	67,455	64,354
CAPITAL EMPLOYED	\$67,833	\$64,902

SIGNED ON BEHALF OF THE BOARD



Director



Director

FOR THE YEAR ENDED AUGUST 31, 1984 (expressed in thousands)

	<u>1984</u>	<u>1983</u>
WORKING CAPITAL PROVIDED		
Funds from operations—		
Earnings before extraordinary item	\$ 9,095	\$ 9,498
Depreciation	948	826
Amortization of goodwill	139	137
Deferred taxes	(170)	3
Equity earnings in excess of dividends received	(1,637)	(241)
TOTAL WORKING CAPITAL PROVIDED FROM OPERATIONS	8,375	10,223
Proceeds on issuance of capital stock (note 4)	196	—
	8,571	10,223
WORKING CAPITAL APPLIED		
Additions to fixed assets	986	642
Dividends	4,082	4,072
Increase in investments in partly-owned corporations	2,513	—
Deferred foreign exchange translation adjustments—		
Opening balance	—	976
Arising during the year	662	1,245
	8,243	6,935
INCREASE IN WORKING CAPITAL	\$ 328	\$ 3,288
CHANGES IN COMPONENTS OF WORKING CAPITAL		
Advance to affiliated corporation	\$ 1,089	(\$ 900)
Accounts Receivable	(2,245)	3,657
Inventories	1,106	(5,778)
Prepaid expenses	(38)	(348)
Accounts payable & accrued liabilities	191	(519)
Income and other taxes	6,887	1,852
INCREASE (DECREASE) IN NON-CASH WORKING CAPITAL	6,990	(2,036)
Short-term investments increase (decrease)	961	(1,097)
Short-term bank borrowings (increase) decrease	(7,623)	6,421
INCREASE IN WORKING CAPITAL	\$ 328	\$ 3,288

*CONSOLIDATED
STATEMENT
OF
CHANGES
IN
FINANCIAL
POSITION*

**NOTES TO
CONSOLIDATED
FINANCIAL
STATEMENTS**

FOR THE YEAR ENDED AUGUST 31, 1984

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Consolidation policy

The consolidated financial statements include the accounts of all wholly-owned subsidiaries, 50% of the assets, liabilities, income and expenses of a joint venture and the Corporation's equity in partly-owned corporations.

Foreign currency translation

The Corporation's foreign operation and investment in foreign partly-owned 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 shareholder's equity.

The monetary assets and liabilities of the Corporation that 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 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.

Investments in partly-owned corporations

Investments in partly-owned corporations are accounted for using the equity method. The cost of these investments is \$5,935,000 (1983—\$3,422,000).

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.

Pension plans

The Corporation has trustee pension plans. Based on most recent reports by independent actuaries, the pension plans were fully funded.

Income taxes

Income taxes are recorded on a tax allocation basis. Deferred income taxes result primarily from the difference between capital cost allowance claimed for income tax purposes and depreciation recorded for accounting purposes.

2. INCOME TAXES

Income tax expense was \$5,061,000 in 1984 and \$6,109,000 in 1983, representing effective tax rates of 35.8% and 39.1% respectively. These rates differ from the basic federal and provincial tax rates due to the following:

	1984	1983
Combined basic federal and provincial tax rates	49.0%	49.0%
Share of net earnings of partly owned corporations	(7.8)%	(5.1)%
Inventory allowance	(4.1)%	(4.1)%
Manufacturing and processing profit deduction	(2.5)%	(2.9)%
Other	1.2%	2.2%
Total	35.8%	39.1%

3. FIXED ASSETS

	1984		1983	
	Cost	Accumulated depreciation (in thousands)	Net	Net
Land	\$ 329	—	\$ 329	\$ 329
Buildings	6,728	3,632	3,096	3,033
Machinery and equipment	12,058	9,490	2,568	2,593
	\$19,115	\$13,122	\$5,993	\$5,955

4. CAPITAL STOCK

	1984	1983
	Number of shares	
Authorized		
Voting—no par value	Unlimited	Unlimited
Non-voting, Class "B"—no par value	Unlimited	Unlimited
Issued and fully paid—		
Voting	1,985,310	1,976,960
Non-voting, Class "B"	285,312	285,312
	2,270,622	2,262,272
Stated value of issued and fully paid shares	\$4,675,167	\$4,478,942

During the year employee stock options were exercised for the purchase of 8,350 shares for an aggregate cash consideration of \$196,225. The Corporation has reserved 91,650 voting shares (1983—100,000 voting shares) for the employee stock option plan.

At August 31, 1984, options to purchase 68,150 shares had been granted and were outstanding as follows:

Date Granted	Expiry Date	Price	No. of Shares
September 22, 1982	September 22, 1992	\$23.50	66,150
October 26, 1983	October 26, 1993	\$30.60	1,500
March 28, 1984	March 28, 1994	\$31.61	500
			<u>68,150</u>

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 valuation adjustments 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.

	1984	1983
	(in thousands)	
Balance— Beginning of year	\$ (3,015)	\$ (976)
Translation adjustments for the year		
Working capital	(662)	(1,245)
Investments in partly-owned corporations	(373)	(794)
Balance— End of year	<u>\$ (4,050)</u>	<u>\$ (3,015)</u>

6. SUPPLEMENTARY INFORMATION

Related party transactions

Hiram Walker-Gooderham & Worts Limited owns approximately 52% of the issued voting shares of the Corporation.

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

	1984	1983
	(in thousands)	
Balances with affiliated corporations		
Advance on demand to affiliated corporation bearing interest at 11.5%	\$3,321	\$2,232
Amounts due from affiliated corporations included in accounts receivable	\$ 37	—
Amounts due to affiliated corporations included in accounts payable and accrued liabilities	\$1,715	\$ 1,976
Transactions with affiliated corporations	1984	1983
	(in thousands)	
Sales	\$4,029	\$3,733
Commissions income	\$1,228	\$1,384
Investment and other income	\$ 202	\$ 238
Purchases	\$8,499	\$6,503
Royalties and administration expenses	\$ 865	\$1,306

Segmented information

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

Geographic segments	1984 (in thousands)			
	Canada	United Kingdom	Other	Total
Gross revenue	\$55,994	\$ 4,507	—	\$60,501
Earnings before extra-ordinary item (including share of net earnings of partly-owned corporations)	\$ 5,994	\$ 2,468	\$ 633	\$ 9,095
Assets	\$73,583	\$ 9,610	—	\$83,193
	1983 (in thousands)			
	Canada	United Kingdom	Other	Total
Gross revenue	\$59,701	\$ 5,506	—	\$65,207
Earnings before extra-ordinary item (including share of net earnings of partly-owned corporations)	\$ 6,953	\$ 2,358	\$ 187	\$ 9,498
Assets	\$65,921	\$10,110	—	\$76,031

7. INVESTMENT IN JOINT VENTURE

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

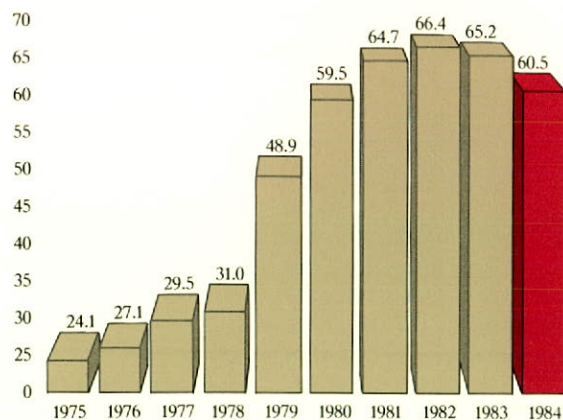
	1984	1983
	(in thousands)	
Current assets	\$3,241	\$ 3,861
Other assets	1,052	985
	<u>\$4,293</u>	<u>\$ 4,846</u>
Current liabilities	\$ 609	\$ 824
Operating revenue	\$8,173	\$ 9,613
Expenses	\$6,174	\$ 6,807

8. COMPARATIVE FIGURES

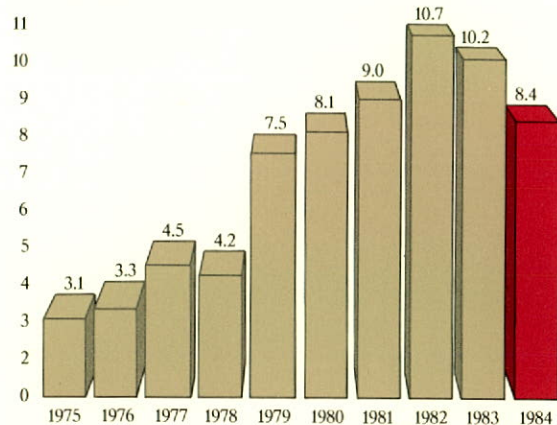
Certain of the 1983 figures have been reclassified to conform to the 1984 financial statement presentation.

**TEN YEAR
REVIEW**

**GROSS
OPERATING REVENUE (\$ MM)**



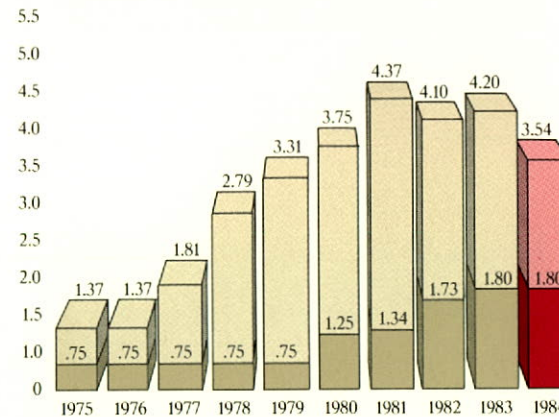
**WORKING CAPITAL
GENERATED
FROM OPERATIONS (\$ MM)**



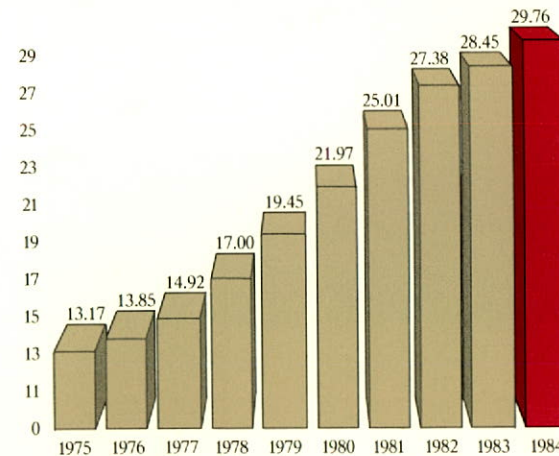
Compound Growth Rate		RESULTS FOR THE YEAR (In millions of Dollars)	
5 Year %	10 Year %		
4.5	9.7	1	Sales
3.3	18.5	2	Commissions
4.3	10.3	3	Gross Operating Revenue
7.0	10.0	4	Earnings from Operations
(12.1)	13.9	5	Share of Net Earnings of partly-owned Corporations
16.7	10.0	6	Other Income
2.6	10.6	7	Less Interest (Expense)
6.6	10.8	8	Earnings before tax & non-recurring items
12.7	9.8	9	Income Taxes
3.9	11.4	10	Net Earnings before non-recurring items
—	—	11	Non-recurring items
1.3	9.9	12	Net Earnings for the Year
2.3	11.2	13	Working Capital Generated from Operations
—	—	14	Other Sources of Working Capital
—	—	15	Additions to Fixed Assets
—	—	16	Depreciation
YEAR END POSITION			
6.9	8.0	17	Working Capital
1.4	6.5	18	Fixed Assets at Cost
3.2	8.8	19	Total Assets
—	—	20	Long-Term debt
8.9	9.2	21	Shareholder's Equity
STATISTICS PER COMMON SHARE (In Dollars)			
1.4	10.0	22	Net Earnings
1.4	11.0	23	Working Capital Generated from operations
19.1	9.1	24	Dividends Paid
Market Value of voting shares (adjusted for 2 for 1 split-1980)			
—	—	25	High
—	—	26	Low
21.6	16.5	27	Close at August 31
8.9	9.0	28	Shareholder's Equity
OTHER STATISTICS			
29 Working Capital ratio			
30 Earnings from operations as a % of Gross Revenue			
31 Net Earnings as a % of Avg. Shareholder's Equity			
32 No. of shareholders Yr. End			
33 No. of Shares o/s ('000s)			
34 Average No. of employees			

1984	1983	1982	1981	1980	1979 Base Yr. (5)	1978	1977	1976	1975	1974 Base Yr. (10)
54.5	60.2	60.6	58.4	53.8	43.8	28.6	27.3	25.4	22.6	21.5
6.0	5.0	5.8	6.3	5.7	5.1	2.4	2.2	1.7	1.5	1.1
60.5	65.2	66.4	64.7	59.5	48.9	31.0	29.5	27.1	24.1	22.6
10.4	13.7	15.7	11.7	9.7	7.4	5.3	5.2	5.1	4.8	4.0
2.2	1.6	1.0	2.5	3.7	4.2	3.1	1.1	.3	.4	.6
1.3	.5	.3	.1	.6	.6	.4	.6	.5	.6	.5
13.9	15.8	17.0	14.3	14.0	12.2	8.8	6.9	5.9	5.8	5.1
.3	(.2)	(.8)	(1.2)	(2.2)	(1.9)	(.3)	(.3)	(.5)	(.5)	—
14.2	15.6	16.2	13.1	11.8	10.3	8.5	6.6	5.4	5.3	5.1
5.1	6.1	6.9	5.0	3.3	2.8	2.2	2.4	2.3	2.2	2.0
9.1	9.5	9.3	8.1	8.5	7.5	6.3	4.2	3.1	3.1	3.1
(1.1)	—	—	1.8	—	—	—	—	—	—	—
8.0	9.5	9.3	9.9	8.5	7.5	6.3	4.2	3.1	3.1	3.1
8.4	10.2	10.7	9.0	8.1	7.5	4.2	4.5	3.3	3.1	2.9
—	—	—	6.7	—	—	—	—	—	—	—
1.0	.6	.9	1.0	1.5	1.0	.5	.3	.5	.9	.4
.9	.8	.9	1.0	1.0	.9	.4	.4	.4	.4	.4
47.7	47.4	44.1	38.6	32.8	34.1	29.1	27.3	24.5	23.1	22.2
19.1	18.2	17.6	16.8	19.1	17.8	12.1	11.7	11.5	11.1	10.2
83.2	76.0	81.4	71.0	76.5	71.0	48.5	42.3	39.6	40.4	35.9
—	—	—	—	5.4	10.5	—	—	—	—	—
67.5	64.4	61.9	56.6	49.7	44.0	37.8	33.2	30.8	29.3	27.9
3.54	4.20	4.10	4.37	3.75	3.31	2.79	1.81	1.37	1.37	1.37
3.69	4.52	4.72	3.98	3.60	3.45	1.90	2.04	1.47	1.39	1.30
1.80	1.80	1.73	1.34	1.25	.75	.75	.75	.75	.75	.75
39.00	37.00	30.00	31.00	20.25	15.00	13.50	10.25	9.25	9.13	11.13
32.38	25.00	21.00	20.50	13.63	12.13	9.75	8.50	7.44	7.13	8.31
38.62	33.75	26.00	26.00	19.88	14.50	13.25	9.88	9.12	8.25	8.38
29.76	28.45	27.38	25.01	21.97	19.45	17.00	14.92	13.85	13.17	12.54
4.1	5.3	3.3	3.8	2.7	3.4	4.0	4.3	3.8	3.1	3.8
17.1	21.1	23.6	18.1	16.3	15.1	17.1	17.6	18.8	19.9	17.7
12.2	15.0	15.7	15.2	18.1	18.3	17.7	13.1	10.3	10.8	11.4
3004	3285	3528	3575	3584	3656	3898	4074	4243	4441	4450
2271	2262	2262	2262	2262	2262	2224	2224	2224	2224	2224
437	442	494	460	549	521	389	387	362	373	391

NET EARNINGS AND DIVIDENDS PER SHARE (\$)



EQUITY VALUE PER SHARE (\$)



**CORPORATE
DIRECTORS**

	PRINCIPAL OCCUPATION	YEAR FIRST BECAME A DIRECTOR
FRIEDRICH H. BELLSTEDT	Senior Vice President, Operations Division	1981
NORMAN C. BURROUGH	Chairman, James Burrough P.L.C., Distillers, London, England.	1982
A.E. DOWNING	Chairman, President & Chief Executive Officer, Hiram Walker Resources Ltd., holding company, Toronto; Director, Hiram Walker-Gooderham & Worts Limited, holding company, Walkerville, Ontario.	1967
JAMES P. FERGUSON, C.A.	Vice President and Treasurer, Hiram Walker- Gooderham & Worts Limited, holding company, Walkerville, Ontario.	1981
ROGER GAUDRY, C.C., D.Sc.	Former Rector of the University of Montreal.	1975
JOHN A. GIFFEN	Vice President, Hiram Walker-Gooderham & Worts Limited, holding company, Walkerville, Ontario.	1980
JAMES M. HALLEY	Partner, Clark, Wilson, Advocates, Vancouver, B.C.	1982
H. CLIFFORD HATCH, JR.	Executive Vice President & Director, Hiram Walker Resources Ltd., holding company, Toronto; President & Chief Executive Officer, Hiram Walker-Gooderham & Worts Limited, holding company, Walkerville, Ontario; formerly President & Chief Executive Officer of the Corporation.	1973
ROGER LACHAPELLE	President and Chief Executive Officer of the Corporation.	1978
MARCEL PICHÉ, O.C., Q.C.	Chairman of the Corporation; Partner, Blain, Piché, Emery & Associates, Advocates, Montreal.	1957
PETER D. WALSH, Q.C.	Partner, Ogilvy, Renault, Advocates, Montreal.	1978

*LIST OF
OFFICERS*

MARCEL PICHÉ, O.C., Q.C.
Chairman of the Board

ROGER LACHAPELLE
President & Chief Executive Officer

FRIEDRICH H. BELLSTEDT
Senior Vice President, Operations Division

EAMON P. DILLON
Vice President, Finance & Treasurer

RONALD M. FRENCH
Vice President, Exports

DONALD C. MacMARTIN
Executive Vice President

DOUGLAS S. McLEAN
Vice President, Technical Services

PAUL NIEDERMAYR
Vice President, Corporate Development

DANIEL P. O'BRIEN
Vice President, Marketing Development

LILIANE MONIER
Secretary

Transfer Agents & Registrars:
National Trust Company

Auditors:
Coopers & Lybrand

Bankers:
The Royal Bank of Canada

Solicitors:
Ogilvy, Renault

Annual Meeting of Shareholders
December 17, 1984

**CORBY
AND
MEAGHER'S
REGIONAL
AND
DISTRICT
SALES
OFFICES**

Corby Distilleries Limited

Montreal:

752 Chemin du Golf
Nuns' Island
Montreal, Que. H3E 1A8
Tel.: (514) 769-4573

Toronto:

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

London:

1020 Hargrieve Road
London, Ont. N6E 1P5
Tel.: (519) 681-1613

Ottawa:

880 Wellington Street
Ottawa, Ont. K1R 6K7
Tel.: (613) 236-9163

Calgary:

1032-17th Ave S. W.
Calgary, Alberta T2T 0A9
Tel.: (403) 244-3565

Vancouver:

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

Meagher's Distillery Limited

Montreal:

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

Toronto:

234 Eglinton Ave. E.
Suite 802
Toronto, Ont. M4P 1K5
Tel.: (416) 486-0644

Vancouver:

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

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

NOTE:

We have included a Christmas gift catalogue which lists a wide range of our fine wines, spirits and liqueurs and offers many original Holiday Season gift ideas.

If you utilize wines and spirits for social occasions we encourage you to support your Corporation's products.

As a service, we provide assistance and advice on planning and staging of social events. If you require such assistance you are invited to telephone the Corby or Meagher office in your area (see listings on page 24).

N.B. The availability of Corby and Meagher brands varies from province to province.

CORBY