CORBY

Corby Distilleries Limited

Interim Consolidated Financial Statements

For the Three and Nine Month Periods Ended
March 31, 2009 and 2008

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Affiliated with Pernod Ricard

CORBY DISTILLERIES LIMITED
Interim Management's Discussion and Analysis
March 31, 2009

The following Interim Management's Discussion and Analysis ("MD&A") dated May 13, 2009 should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes as at and for the three and nine month periods ended March 31, 2009 prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

This MD&A contains forward-looking statements, including statements concerning possible or assumed future results of operations of Corby Distilleries Limited ("Corby" or the "Company"). Forward-looking statements typically are preceded by, followed by or include the words "believes", "expects", "anticipates", "estimates", "intends", "plans" or similar expressions. Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions, including, but not limited to: the impact of competition; consumer confidence and spending preferences; regulatory changes; general economic conditions; and the Company's ability to attract and retain qualified employees and, as such, the Company's results could differ materially from those anticipated in these forward-looking statements. Accordingly, readers should not place undue reliance on forward-looking statements.

This document has been reviewed by the Audit Committee of Corby's Board of Directors and contains certain information that is current as of May 13, 2009. 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.

The Company's fiscal year end is June 30th. Unless otherwise indicated, all comparisons of results for the third quarter of fiscal 2009 (three months ended March 31, 2009) are against results for the third quarter of fiscal 2008 (three months ended March 31, 2008). All dollar amounts are in Canadian dollars unless otherwise stated.

Business Overview

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

The Company derives its revenues from the sale of its owned-brands, as well as earning commission income from the representation of selected non-owned brands in the Canadian market place. Revenue from Corby's owned-brands are denoted as "Sales" on the consolidated statement of earnings and while it predominantly consists of sales made to each of the provincial liquor boards in Canada, it also includes sales to international markets. International sales are primarily to the United States and United Kingdom markets and, typically, account for less than 10% of Corby's total operating revenue. Commission income earned from the representation of non-owned brands is denoted as "Commissions" on the consolidated statement of earnings.

Corby's portfolio of owned-brands include some of the most renowned brands in Canada, including Wiser's rye whiskies, Lamb's rum, Polar Ice vodka, McGuinness liqueurs and Seagram Coolers. Through its affiliation with PR, Corby also 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. 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.

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

The Company sources approximately 72% of its spirits production requirements from HWSL's production facility in Windsor, Ontario, with the balance of Corby's spirits production being sourced from the Company's owned-plant in Montreal, Quebec. Essentially all of Corby's cooler production requirements are outsourced to an unrelated third-party located in Dorval, Quebec.

Corby's operations are typically subject to seasonal fluctuations in that the retail holiday season generally results in an increase in consumer purchases over the course of October, November and December. Further, the summer months traditionally result in higher consumer purchases of spirits as compared to the winter and spring months. As a result, the Company's first and second quarter of each fiscal year tend to typically reflect the impact of seasonal fluctuations in that more shipments are typically made during those quarters.

Strategies and Outlook

Corby's business strategies are designed to maximize *value* growth, and thus deliver exceptional 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 to achieve its current and long-term objectives moving forward.

The Company believes that having a focused brand prioritization strategy will permit it to capture value in those segments and markets where consumers continue to demonstrate their willingness to trade up to premium brands. Therefore, the Company's strategy is to focus its investments and leverage the long-term growth potential of its key brands, while emphasizing less on smaller and less profitable brands. As a result, Corby will continue to invest behind its brands to promote its premium offerings where it makes the most sense and drives the most value for shareholders.

Brand prioritization requires an honest evaluation of each brand's potential to deliver upon this strategy. Particular focus has been given to evaluate the strategic importance of the Company's representation of third-party brands, and as a result, Corby has permitted certain of its representation contracts to expire, thus allowing Corby's marketing and sales teams to focus on maximizing value creation within the brand prioritization strategy. The Company believes that effective execution of its strategy will result in value creation for shareholders.

The Company is a strong advocate of social responsibility, especially with respect to its sales and promotional activities. Corby will continue to promote responsible consumption of its products in its activities. The Company stresses its core values throughout its organization, including that of value creation, social responsibility, tradition, substance over style and character above all.

Significant Events

Corby Announces Management Change

Corby's Board of Directors announced on March 26, 2009 that Con Constandis, President and Chief Executive Officer of Corby, will leave the Company, effective July 1, 2009, to assume the role of Chairman and Chief Executive Officer of Pernod Ricard China. On May 7, 2009, Corby announced that Patrick O'Driscoll was appointed as President and Chief Executive Officer of Corby effective July 1, 2009.

Mr. O'Driscoll is a native of the United Kingdom and holds a Bachelor of Science in Environmental Biology from the University of London. He has over 25 years of industry experience in North America, Europe and Asia, both with PR and previously International Distillers & Vintners. Mr. O'Driscoll brings invaluable commercial and marketing experience to Corby, having served in various executive capacities. Prior to joining Corby, he served as Chairman and Chief Executive Officer of Malibu-Kahlúa International, based in New York.

Alberta Gaming and Liquor Commission Announces Significant Increase in Provincial Mark-up Applied to Beverage Alcohol products

On April 7, 2009, the Alberta Gaming and Liquor Commission announced a 30% increase in the provincial mark-up applied to beverage alcohol products. This increase, which became effective on April 8, 2009, has resulted in higher retail prices for the consumer. Since the increased mark-up only recently came into effect, it is not known what the impact will be on consumer demand, and Corby's financial results, in the near and long-term. Management is monitoring the situation closely and will consider any necessary actions to protect the Company's business in this critical market, which represents approximately 18% of Corby's annual operating revenue.

The Government of Ontario Announces its 2009 Budget

On March 26, 2009, the Government of Ontario announced its 2009 budget which among other things, outlined proposed cuts to its corporate income tax rates, and its intention to join a framework agreement for federal collection of a single value-added sales tax.

Specifically, the budget proposes to cut provincial income tax rates on manufacturing and processing businesses by 2%, beginning July 1, 2010. While Corby's current income tax expense will benefit from these reduced rates beginning in fiscal 2010, the Company has not yet recognized the impact of the decreased rates on its future income tax expense as the proposed decreases have yet to be substantively enacted.

Also beginning on July 1, 2010, the Ontario Retail Sales Tax will be converted to a value added tax structure and combined with the federal GST to create a federally administered single sales tax with a rate of 13%, which is the same combined rate currently in effect. However, differences in application will exist as the new single sales tax will generally use the same rules and tax base as the federal GST. The effect of this change on Corby's business is currently being assessed, however, it is not anticipated that it will have a material impact on the Company's financial results.

Corby Obtains Right to Represent Absolut Vodka

On September 26, 2008, Corby entered into an agreement with its ultimate parent company, PR. The agreement provides Corby the exclusive right to represent the Absolut vodka brand in Canada effective October 1, 2008 for the next five years to September 30, 2013. As part of this agreement, Corby also received the exclusive right to represent the Plymouth gin and Level vodka brands. The distribution of Absolut vodka is expected to add approximately $2.5 million annually to Corby's commission income and about $1.2 million annually to net earnings in the first full year.

Corby Signs Agreement to Continue Representation of Stolichnaya Vodka

On March 5, 2009, Corby entered into an agreement with S.P.I. Spirits (Cyprus) Limited to continue representing Stolichnaya ("Stoli") vodka and Moskovskya vodka brands in Canada. Under the terms of the agreement, Corby will continue to represent Stoli and Moskovskya for an additional period of five years.

Current Market Environment

Recent market events and the resultant tightening of credit have reduced available liquidity and overall economic activity. Governments around the world have taken unprecedented actions to limit the impact of these events, but it is still too early to assess the severity and duration of this economic slowdown. Over the past several years, the Company has strengthened its operations and financial position, which should allow it to better face an economic downturn. Of particular consideration are the following factors:

- Corby has no long-term debt and, therefore, no financial or other covenants;
- The Company has significant sources of liquidity via its $58.4 million currently on deposit in a cash management pool with PR’s other Canadian affiliates;
- Corby’s largest customers are government-controlled liquor boards in each province, thus, greatly reducing risk associated with collection of accounts receivable;
- The Company has an exceptionally diverse and strong brand portfolio, which is well positioned to meet consumer tastes across spirit categories at a wide range of price points; and
- Corby is a leader in the Canadian spirits market and has a long history of profitability and uninterrupted dividends.

The spirits business in Canada has historically not been as affected by economic slowdowns like other consumer and manufacturing businesses. However, no business is completely immune to a slowdown in the economy. As a result, Corby closely monitors its exposure to the following potential risks, which could impact future profitability and cash flows, so it can be in a position to proactively respond should any of the following materialize:

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

None of the above items have had a meaningful impact on Corby’s year-to-date financial position or financial results. However, the economic slowdown is a reality both in Canada and globally, and, as such, the Company will continue to monitor the situation closely and take proactive measures, as necessary.

Brand Performance Review

Corby’s portfolio of owned-brands typically accounts for more than 85% of the Company’s total operating revenue. Included in this portfolio are its key brands: Wiser’s Canadian whisky, Lamb’s rum, Polar Ice vodka, Seagram Coolers, and Corby’s mixable liqueur brands. The sales performance of these key brands significantly impacts Corby’s net earnings and, therefore, understanding each key brand is essential to understanding the Company’s overall performance.

Shipment Volume and Sales Value Performance

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

BRAND PERFORMANCE CHART - INCLUDES BOTH CANADIAN AND INTERNATIONAL SHIPMENTS

	Three Months Ended				*Nine Months Ended*			
Volumes (in 000's of 9L cases)	***Mar. 31, 2009***	*Mar. 31, 2008*	*Shipment % Volume Change*	*Sales % Value Change*	***Mar. 31, 2009***	*Mar. 31, 2008*	*Shipment % Volume Change*	*Sales % Value Change*
Brand								
Wiser's Canadian whisky	**151**	160	(6%)	3%	**577**	574	1%	8%
Lamb's rum	**117**	130	(10%)	(8%)	**488**	486	0%	4%
Polar Ice vodka	**77**	76	1%	10%	**303**	288	5%	16%
Seagram Coolers	**44**	58	(24%)	(24%)	**191**	242	(21%)	(23%)
Mixable liqueurs	**38**	43	(12%)	(10%)	**177**	198	(11%)	(6%)
Total Key Brands	**427**	467	(9%)	(2%)	**1,736**	1,788	(3%)	4%
All other Corby-owned brands	**124**	125	(1%)	6%	**434**	433	0%	6%
Total	**551**	592	(7%)	0%	**2,170**	2,221	(2%)	4%

As previously discussed in the "Strategies and Outlook" section of this MD&A, the Company has implemented a strategy which requires focused investments on key brands and in key markets, with the long-term objective of maximizing value growth. This strategy is designed to leverage the long-term growth potential of Corby's key brands, while emphasizing less on smaller and less profitable brands.

The above chart demonstrates that, overall, Corby's brands have delivered strong value growth in both the Canadian and international markets. This is demonstrated by the fact that sales value grew significantly in excess of shipment volumes on both a quarterly and year-to-date basis. Sales value growth was achieved through higher average selling prices and favourable product mix, as growth in Corby's larger brands (such as Wiser's), outweighed volume declines in brands such as Seagram Coolers (which generally earn lower gross margins).

The decline in Corby's shipment volumes for the quarter ended March 31, 2009 was the result of several factors, some of which include the evening out of shipment patterns from the first half of the fiscal year to more closely reflect year-to-date retail sales volumes, in addition to lower inventory levels for some of the Company's key customers, namely in Ontario and Alberta.

Retail Volume and Retail Value Performance

It is of critical importance to understand the performance of Corby's brands at the retail level in Canada. Analysis of performance at the retail level provides insight with regards to consumers' current purchasing patterns and trends. Retail sales data, as provided by the Association of Canadian Distillers ("ACD"), has been provided in the following chart. It should be noted that the retail sales information depicted does not include international retail sales of Corby owned-brands, as this information is not readily available. International sales typically account for less than 10% of Corby's total annual sales.

The spirits business in Canada has historically not been as affected by economic slowdowns like other consumer and manufacturing businesses. However, no business is completely immune to a slowdown in the economy and while consumer purchases of spirits in Canada have continued to grow, they are doing so at a slower pace than in previous years.

Recent trends also show a shift in consumption patterns as consumers are purchasing fewer products from certain discretionary spirit categories, such as liqueurs, but have continued to purchase spirit staples such as vodka, whisky, and rum. Furthermore, the overall decline in consumer spending has resulted in more at home consumption as consumers are trending away from consumption at licensed establishments, such as bars and restaurants.

RETAIL SALES FOR THE CANADIAN MARKET ONLY[1]

	Three Months Ended				*Nine Months Ended*			
Volumes (in 000's of 9L cases)	***Mar. 31, 2009***	*Mar. 31, 2008*	*% Retail Volume Change*	*% Retail Value Change*	***Mar. 31, 2009***	*Mar. 31, 2008*	*% Retail Volume Change*	*% Retail Value Change*
Brand								
Wiser's Canadian whisky	**143**	144	(1%)	2%	**533**	529	1%	3%
Lamb's rum	**93**	97	(4%)	(3%)	**374**	383	(2%)	(1%)
Polar Ice vodka	**67**	62	8%	11%	**251**	235	7%	8%
Seagram Coolers	**36**	47	(23%)	(23%)	**227**	283	(20%)	(18%)
Mixable liqueurs	**38**	40	(5%)	(4%)	**164**	170	(4%)	(3%)
Total Key Brands	**377**	390	(3%)	1%	**1,549**	1,600	(3%)	1%
All other Corby-owned brands	**120**	125	(4%)	(4%)	**410**	430	(5%)	(3%)
Total	**497**	515	(3%)	0%	**1,959**	2,030	(3%)	0%

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

Corby's own portfolio of brands reflects this shift in consumer consumption pattern, as evidenced by the recent performance of its mixable liqueurs brands, while the Company's vodka and whisky brands continue to deliver strong growth from both a retail volume and retail value perspective. While the rum category is showing growth, the performance of Corby's Lamb's rum brand reflects the impact of increased competition in certain key markets, which is discussed further in the following "Summary of Corby's Key Brands" section of this MD&A.

Summary of Corby's Key Brands

<u>Wiser's Canadian Whisky</u>

Corby's flagship brand and Canada's best selling whisky family, Wiser's Canadian whisky, delivered a solid performance during the nine months ended March 31, 2009, as demonstrated by 1% growth in shipment volumes and an 8% increase in sales value. Sales value growth exceeded shipment volume growth as a result of better product mix, as the more premium Wiser's Deluxe grew at a faster pace than Wiser's Special Blend (the entry level variant), in addition to higher average selling prices across the brand family in both Canada and the US. The higher selling prices were the result of strategic price increases, which were implemented over the past year.

Wiser's continues to lead its competitive segment, with retail volumes in Canada growing by 1% and retail value growing by 3%. In comparison, retail volumes for the Canadian whisky category as a whole declined by 2%, while retail value was flat compared to the prior year. Corby's flagship brand continues to increase its market share in Canada, continuing the trend exhibited over the past several years.

These results reflect an aggressive advertising and promotional platform, combined with continued support from a loyal consumer base. The Company invested in a new media campaign entitled "*Welcome to the Wiserhood*" and also launched a new variant to the Wiser's family, entitled Wiser's Small Batch. While Wiser's Small Batch is still in the early days of the product life cycle, early indicators are very positive.

<u>Lamb's Rum</u>

Lamb's rum, one of the top selling rum families in Canada, saw its shipment volumes for the first nine months of the year remain consistent with the prior year, while experiencing an increase in sales value of 4% when compared with the same period last year.

The brand is currently performing very well in the UK and Newfoundland and Labrador markets, while experiencing competitive challenges in the Ontario and Alberta markets. Corby management has taken action to recover market share, such as launching new environmentally friendly packaging of Lamb's Palm Breeze in key markets and also increasing its level of investment in the brand's critical Newfoundland and Labrador market. Corby recently launched a "Lamb's Spiced" variant in the UK market, as the Company looks to capitalize on the excitement and growing consumer demand in the spiced rum segment. The Company is also launching similar initiatives to help defend the brand's position in the Canadian market.

Polar Ice Vodka

Polar Ice vodka, which is among the top three largest vodka brands in Canada, experienced a 5% increase in shipment volumes and 16% growth from a sales value perspective during the nine months ended March 31, 2009. The volume growth was partially attributable to launching new Polar Ice vodka flavors in both Canada and the United States. Value growth significantly exceeded volume growth, as a result of price increases implemented over the past year coupled with the effect of a stronger US dollar on sales in the US market.

The Polar Ice vodka brand has effectively capitalized on the dynamism of the vodka category in general, which is the largest spirits category in Canada, and has managed to grow into the 3rd largest vodka in the Canadian market. Building upon several years of strong consistent growth, retail volumes of Polar Ice in Canada for the nine months ended March 31, 2009 grew 7%, which exceeds the 4% growth rate experienced by the vodka category as a whole.

Seagram Coolers

With retail volumes declining by 23% for the nine months ending March 31, 2009, Seagram Coolers has clearly had disappointing results this year. This was partially the effect of adverse summer weather in 2008 that was experienced in the brand's key markets, as the entire "Ready to Drink" segment, for which consumer consumption is heavily weighted toward the summer months, experienced negative growth at the retail level. However, the brand also underperformed relative to its segment and key competitors. Management is optimistic about the upcoming summer season as it is launching new innovative products and has obtained an improved base of retail listings in this highly competitive category.

Mixable Liqueurs

Corby's portfolio of mixable liqueur brands consists of McGuinness liqueurs (which is Canada's largest mixable liqueur brand family), Meaghers liqueurs, and De Kuyper liqueurs. The recent performance of Corby's mixable liqueur brands mirrors the challenges experienced by the overall liqueur category in the Canadian market, as consumer purchases of these products have declined by 3% in recent months. The liqueur segment as a whole has been negatively impacted by the decline in consumer spending, particularly as it relates to consumption at licensed establishments, such as bars and restaurants.

Despite the challenges in the market, Corby management is highly focused on maintaining its leadership position in the liqueur category and, as such, the Company is working on several new initiatives to modernize and strengthen these brands' positions in the Canadian market place.

Non-GAAP Financial Measures

Corby defines "EBITDA" as net earnings before equity earnings, foreign exchange, interest income, gain on disposal of capital assets, income taxes, depreciation, and amortization. This non-GAAP financial measure has been included in this MD&A, as it is a measure which management believes is useful in evaluating and measuring the Company's operating performance. EBITDA is also a common measure used by investors, financial analysts and rating agencies. These groups may use EBITDA and other non-GAAP financial measures to value the Company and assess its performance.

However, EBITDA is not a measure recognized by GAAP and it does not have a standardized meaning prescribed by GAAP. Therefore, EBITDA may not be comparable to similar measures presented by other issuers. Investors are cautioned that EBITDA should not be construed as an alternative to net earnings as determined in accordance with GAAP as an indicator of performance.

A reconciliation of EBITDA to the most directly comparable GAAP measure can be found under "Financial and Operating Results" in this MD&A.

Financial and Operating Results

The following table presents the consolidated financial information for the Company for the three and nine months ended March 31, 2009 and 2008.

(in millions of Canadian dollars, except per share amounts)	*Three Months Ended*				*Nine Months Ended*			
	Mar. 31, 2009	*Mar. 31, 2008*[3]	*$ Change*	*% Change*	***Mar. 31, 2009***	*Mar. 31, 2008*[3]	*$ Change*	*% Change*
Sales	**$ 31.1**	$ 30.5	$ 0.6	2%	**$ 115.7**	$ 111.5	$ 4.2	4%
Commissions[1]	**4.1**	3.8	0.3	8%	**15.7**	15.9	(0.2)	(1%)
Operating revenue[1]	**35.2**	34.3	0.9	3%	**131.4**	127.4	4.0	3%
Cost of sales	**16.4**	15.9	0.5	3%	**59.7**	56.8	2.9	5%
Marketing, sales and administration	**10.0**	8.8	1.2	14%	**33.9**	29.9	4.0	13%
EBITDA	**8.8**	9.6	(0.8)	(8%)	**37.8**	40.7	(2.9)	(7%)
Amortization[2]	**1.6**	1.6	-	-	**4.5**	4.4	0.1	2%
Earnings from operations	**7.2**	8.0	(0.8)	(10%)	**33.3**	36.3	(3.0)	(8%)
Interest income	**0.4**	0.7	(0.3)	(43%)	**1.4**	2.0	(0.6)	(30%)
Foreign exchange gain (loss)	**0.1**	0.2	(0.1)	(50%)	**(0.7)**	(0.2)	(0.5)	250%
Gain on disposal of capital assets	**-**	-	-	-	**0.2**	-	0.2	-
Earnings before income taxes	**7.7**	8.9	(1.2)	(13%)	**34.2**	38.1	(3.9)	(10%)
Income taxes	**2.6**	3.0	(0.4)	(13%)	**11.2**	12.1	(0.9)	(7%)
Net earnings	**$ 5.1**	$ 5.9	$ (0.8)	(14%)	**$ 23.0**	$ 26.0	$ (3.0)	(12%)
Per common share								
- Basic net earnings	**$ 0.18**	$ 0.21	$ (0.03)	(14%)	**$ 0.81**	$ 0.91	$ (0.10)	(11%)
- Diluted net earnings	**$ 0.18**	$ 0.21	$ (0.03)	(14%)	**$ 0.81**	$ 0.91	$ (0.10)	(11%)

[1] *Amounts are presented gross of rep. rights amortization for the quarter and year-to-date of $1.2 and $3.5 (2008 - $1.3 and $3.7).*
[2] *Amounts include both capital assets amortization and representation rights amortization.*
[3] *The comparative figures have been restated for the adoption of CICA HB Section 3031 - Inventories, as required by the CICA.*

Overall Financial Results

Comparing Corby's overall financial results for both the three and nine month periods ended March 31, 2009 with the same periods last year, demonstrates the resilience of Corby's business, even during times of economic decline. After excluding the impact of some non-recurring items in the comparative period (see below for further details), Corby experienced sales growth of 6% for the nine months ended March 31, 2009, which reflects the benefits of a strong and diverse brand portfolio along with a solid business strategy that is focused on delivering value.

However, it should be noted that the comparability of net earnings is being negatively skewed by the inclusion of some non-recurring items in the prior period, in addition to the impact of changes in foreign exchange and interest rates compared to the prior year. The impact of all these items is outlined below.

The results of the comparative period included the following non-recurring items:

- $0.9 million ($0.6 million on an after tax basis) in commission income which represented a one-time lump sum payment received as a settlement in lieu of a contractually required notice period for an Agency brand no longer represented by the Company.
- $1.1 million ($0.5 million after costs and net of tax) in non-recurring sales of bulk whisky to Corby's parent company.
- $0.5 million in reduced income tax expense as a result of changes to long-term federal income tax rates, as enacted by the government during the fall of 2007.

Furthermore, Corby's financial results for the three and nine months ended March 31, 2009 have been negatively impacted by the significant decline in the value of the Canadian dollar relative to the US dollar, in addition to the dramatic fall in market interest rates as governments continue to drop base lending rates in hopes of stimulating consumer spending.

The quantified impacts of these two factors on Corby's financial results are discussed in more detail below:

1. The Canadian dollar depreciated 24% relative to the US dollar this quarter when compared to the same quarter last year, and 15% on a year-to-date comparison basis. As the Company's purchases from US based suppliers exceed its revenue sources to US based customers, a decline in the Canadian dollar versus the US dollar can have a negative impact on the Company's financial results (and vice-versa).

   The initial decline of the Canadian dollar occurred during the Company's peak production period and, thus, had a pronounced impact on Corby's year-to-date results through higher "Cost of sales" and "Foreign exchange loss", which mainly reflects the impact of foreign exchange fluctuations between the date from when transactions are entered into and the date of actual settlement, in addition to the impact of applying current rates to foreign denominated assets and liabilities.

   Changes in foreign exchange rates negatively impacted Corby's net earnings by $0.3 million on an after-tax basis for the three months ended March 31, 2009, and by $1.4 million for the nine months ended March 31, 2009, when compared to the same periods last year.

2. Corby's substantial deposits in cash management pools earn income based upon the market LIBOR interest rate. The average LIBOR rate for the three month period ended March 31, 2009 was 1.21%, as compared to 3.94% for the same quarter last year. The average LIBOR rate for the nine month period just ended was 2.46%, as compared to 4.53% during the same period last year. This decline in market interest rates had the effect of reducing Corby's net earnings $0.3 million for the quarter, and $0.7 million year-to-date, when compared with the same periods last year.

Excluding the impact of all of the above items, net earnings for the nine months ended March 31, 2009 would have increased by 1% when compared with the same period last year.

As mentioned previously, the underlying operating results of the Company were strong, especially in light of the current economic downturn, and year-to-date results (as demonstrated by 6% sales growth, after removing the impacts of non-recurring items in the comparative period) are reflective of a solid performance by Corby's brands. The Company has also managed to maintain, and in some cases, increase the level of advertising and promotional investment behind its key brands.

Operating revenue

Operating revenue increased 3% for both the three and nine months ended March 31, 2009. Operating revenue is the aggregate of sales revenue and commission income. Sales revenue is primarily comprised of revenue earned from the sale of Corby-owned brands, while commission income is earned from the representation of PR brands, and to a lesser extent, Agency brands.

As previously discussed, sales revenue growth on a year-to-date basis was diminished by the aforementioned sale of bulk whisky to Corby's parent company and the lump-sum termination settlement in the prior year. Excluding the effect of these non-recurring transactions, year-to-date sales revenue grew by 6% compared to last year.

Based upon analysis of retail sales data provided by the ACD, Corby's key brands performed well against the competition in many key categories. The increased year-to-date sales were driven by an increase in average selling prices, in addition to growth in contract bottling revenues. The growth in average selling prices was the result of strategic price increases, which were implemented over the past year combined with improved product mix. The price increases were in-line with targeted competitive sets, and reflect the Company's continued focus on value creation through the premiumization of its key brands.

Sales increased 2% on a quarter-over-quarter basis as increases in average selling prices and positive product mix more than offset a decline in volumes, some of which was due to lower sales of the Seagram's Coolers brands (which earn lower gross margins than the large majority of Corby's other brands).

The following table highlights the various components which comprise commission income:

	Three Months Ended				*Nine Months Ended*			
(in millions of Canadian dollars)	***Mar. 31, 2009***	*Mar. 31, 2008*	*$ Change*	*% Change*	***Mar. 31, 2009***	*Mar. 31, 2008*	*$ Change*	*% Change*
Commission from PR brands	**$ 3.2**	$ 2.8	$ 0.4	14%	**$ 12.2**	$ 11.0	$ 1.2	11%
Commission from Agency brands	**0.9**	1.0	(0.1)	(10%)	**3.5**	4.9	(1.4)	(29%)
Commissions - net	**$ 4.1**	$ 3.8	$ 0.3	8%	**$ 15.7**	$ 15.9	$ (0.2)	(1%)

As the above chart demonstrates, Corby's commission from PR brands increased 14% over last quarter, with a year-to-date increase of 11%. This increase is the result of Corby having begun to represent PR's newest brand, Absolut vodka, on October 1, 2008.

The majority of the decrease in commission from Agency brands was the result of the Company earning a one-time lump sum of $0.9 million in the comparative period from an Agency brand Corby ceased to represent on June 30, 2006. The lump-sum commission was in lieu of earnings Corby would have otherwise received during the required notice period, as provided for under the relevant representation agreement.

Cost of sales

Cost of sales increased $0.5 million or 3% on a quarter-over-quarter basis, while year-to-date the increase in cost of sales was $2.9 million or 5%. The increase in cost of sales is mainly due to the previously mentioned impact of the significant fluctuations in foreign exchange rates. After excluding the impact of exchange rates, cost of sales would have increased only 2% on a year-to-date basis.

Marketing, sales and administration

Marketing, sales and administration expenses increased 14% to $10.0 million, as compared to $8.8 million during the same quarter last year. Year-to-date analysis shows an increase of 13% or $4.0 million. The increase on both a quarter and year-to-date basis reflects increased advertising and promotional activity being invested behind the Company's key brands, as well as additional costs associated with the recent move of the Company's head office location. In addition, the Company incurred additional administrative expenses in conjunction with its representation of PR's Absolut vodka brand, which Corby began to represent in Canada on October 1, 2008.

Specifically, the year-to-date increase in advertising and promotional spend includes the costs associated with the production of a series of new television commercials for the Wiser's Canadian whisky brand, entitled *"Welcome to the Wiserhood"*, which began airing in October, a new integrated promotion for Lamb's rum targeted for the brand's critical Newfoundland and Labrador market, and spend in support of the launch of new flavours for Polar Ice vodka in both the US and Canada.

Income taxes

Corby's effective rate of income tax, measured on both a quarterly and year-to-date basis, closely approximates the Company's current statutory rate of income tax. However, the effective tax rate in the year-to-date comparative period is somewhat lower than that of the current nine month period ended. The lower than normal rate is the result of the Government of Canada's decision in December 2007 to enact reductions in long-term corporate income tax rates. As a result, Corby recorded a one-time adjustment in the comparative period to revalue its temporary differences to reflect the lower rates of taxation.

Liquidity and Capital Resources

Sources of liquidity

Corby's sources of liquidity come from its cash management pools deposit balance of $58.4 million as at March 31, 2009, along with cash generated by operating activities. The Company does not have any liabilities under short or long-term debt facilities.

Cash flows

	Three Months Ended			*Nine Months Ended*		
(in millions of Canadian dollars)	***Mar. 31, 2009***	*Mar. 31, 2008* [1]	*$ Change*	***Mar. 31, 2009***	*Mar. 31, 2008* [1]	*$ Change*
Operating activities						
Net earnings, adjusted for non-cash items	**$ 6.9**	$ 8.0	$ (1.1)	**$ 28.0**	$ 31.5	$ (3.5)
Net change in non-cash working capital	**(10.0)**	(9.8)	(0.2)	**(13.3)**	(4.6)	(8.7)
	(3.1)	(1.8)	(1.3)	**14.7**	26.9	(12.2)
Investing activities						
Additions to capital assets	**(1.1)**	(0.9)	(0.2)	**(3.5)**	(1.1)	(2.4)
Proceeds from disposition of capital assets	**0.1**	-	0.1	**0.6**	-	0.6
Draws from (deposits in) cash management pools	**8.1**	6.7	1.4	**0.1**	(13.9)	14.0
	7.1	5.8	1.3	**(2.8)**	(15.0)	12.2
Financing activities						
Dividends paid	**(4.0)**	(4.0)	-	**(11.9)**	(11.9)	-
Net change in cash	**$ -**	$ -	$ -	**$ -**	$ -	$ -

[1] *The comparative figures have been restated for the adoption of CICA HB Section 3031 - Inventories, as required by the CICA, as well as for a change in accounting policy related to deposits in cash management pools.*

Operating activities

Cash flows from operating activities for the nine month period ended March 31, 2009 were $14.7 million, representing a decrease of $12.2 million, when compared with the same period last year. The decline in cash from operating activities is comprised of a decrease of $8.7 million on account of changes in non-cash working capital, in addition to a $3.5 million decrease in net earnings, adjusted for non-cash items.

The decrease in net earnings, adjusted for non-cash items, was primarily the result of the comparative period including two non-recurring type transactions (i.e., the sale of bulk whisky to Corby's parent company, plus the one-time lump sum settlement from a formerly represented Agency brand).

The decrease in non-cash working capital balances mainly reflects increased balances of accounts receivable and inventories. The change in accounts receivable is the result of timing of payments from Corby's provincial liquor board customers, in addition to having higher balances in the current year as a result of the Company representing PR's newly acquired brand, Absolut vodka, which Corby began representing on October 1, 2008. The increase in inventories is the result of moving production of Lamb's International from an affiliated company located in the UK, to Corby's owned plant in Montreal, Quebec. In addition, the Company increased its level of investments in maturing whisky so as to ensure sufficient supply continues to be available to support the growth of the Wiser's Canadian whisky brand.

Cash used in operating activities was $3.1 million this quarter, representing an increased use of cash of $1.3 million, when compared to the same quarter last year. Net earnings, adjusted for non-cash items decreased $1.1 million this quarter, while non-cash working capital balances remained consistent quarter over quarter, with only a $0.2 million decrease.

Investing activities

After excluding draws from cash management pools, the Company utilized $1.0 million of cash during the quarter, primarily to acquire capital assets. This is consistent with the comparative quarter where $0.9 million of cash was utilized to acquire assets.

On a year-to-date basis (after excluding cash management pool activity), the Company utilized cash of $2.9 primarily for the acquisition of capital assets. This represents an increase of $1.8 million when compared with the same nine-month period last year. The increased use of cash is primarily due to capital asset additions on account of the Company relocating its head office, and also reflects increased purchases of oak barrels used in the whisky maturation process (which is consistent with the increased inventories of maturing whisky).

Deposits made to cash management pools represent cash on deposit with the Bank of Nova Scotia via Corby's Mirror Netting Services Agreement with PR. Corby has daily access to these funds and earns a market rate of interest from PR on balances contained within. The change in the amount deposited into or withdrawn from the cash management pool is a function of the cash remaining from operations after financing and investing activities. For more information on the cash management pooling arrangement, refer to the "Related Party Transactions" and "Accounting Policy Changes" sections of this MD&A.

Financing activities

Cash used for financing activities was $4.0 million this quarter ($11.9 million on a year-to-date basis) and is consistent with the amounts used during the same periods last year. The payments reflect regular quarterly dividends being paid to shareholders.

Future liquidity

Corby's sources of liquidity are its deposits in cash management pools of $58.4 million as at March 31, 2009, and its cash generated from operating activities. Corby's total contractual maturities are represented by its accounts payable and accrued liabilities balances, which totaled $15.0 million as at March 31, 2009, and are all due to be paid within one year.

The Company also has funding obligations related to its employee future benefit plans, which include defined benefit pension plans. As of the Company's most recently completed year-end date (i.e., June 30, 2008), certain of the Company's defined benefit plans were in a deficit position. Of those plans in a funded deficit position, the unfunded accrued benefit obligation totaled $2.8 million.

In the Company's most recently completed annual MD&A, it identified the area of employee future benefits as a "critical accounting estimate" in that accounting policies related to this area of accounting incorporate a higher degree of judgment and complexity. Specifically, the cost and accrued benefit plan obligations of the Company's defined benefit pension plans and other post-retirement benefit plan are accrued based on actuarial valuations, which are dependent upon assumptions determined by management. These assumptions included the discount rate, the expected long-term rate of return on plan assets, the rate of compensation increases, retirement ages, mortality rates and the expected inflation rate of health care costs. These assumptions are reviewed annually by the Company's management and its actuaries. These assumptions may change in the future and may have a material impact on the accrued benefit obligations of the Company and the cost of these plans, which is reflected in the Company's consolidated statements of earnings. In addition, the actual rate of return on plan assets and changes in interest rates could result in changes in the Company's funding requirements for its defined benefit pension plans.

As a result of the recent turmoil in capital markets, the fair value of plan assets within these pension funds has declined. Somewhat mitigating the impact of this market decline is the fact that the Company monitors its pension plan assets closely and follows strict guidelines to ensure pension fund investment portfolios are diversified in line with industry best practices. Nonetheless, pension fund assets are not immune to market fluctuations and as a result the Company may be required to make additional cash contributions in the future.

Corby's next actuarial valuation is not required to be completed until December 31, 2010 and, therefore, the Company's contribution levels leading up to December 31, 2010 are not expected to change by a material amount. However, in the event that an extended period of depressed capital markets and low interest rates were to continue, the Company could be required 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. It should be noted, however, that current pension regulations permit special funding payments relating to deficiencies to be amortized over a period of five to ten years, further reducing the likelihood of a material funding change to impact Corby in any one particular fiscal year.

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 much-publicized global liquidity crisis has been tumultuous for many companies, particularly for those entities holding short-term investments in asset-backed commercial paper ("ABCP"). Corby does not have direct exposure to this type of liquidity risk, as the Company does not hold any investments in ABCP.

Outstanding Share Data

There have been no changes in Corby's share data since June 30, 2008. As at March 31, 2009, Corby had 24,274,320 Voting Class A common shares and 4,194,536 Non-Voting Class B common shares outstanding. There are no options outstanding.

Related Party Transactions

HWSL, an indirectly wholly-owned subsidiary of PR, owns in excess of 50% of the issued and outstanding voting Class A common shares of Corby and is thereby considered to be the Company's parent. PR is considered to be Corby's ultimate parent and affiliated companies are those that are also subsidiaries of PR.

Corby engages in a significant number of transactions with its parent company, its ultimate parent and various affiliates. Specifically, Corby renders services to its parent company, its ultimate parent, and affiliates for the marketing and sale of beverage alcohol products in Canada. Furthermore, Corby sub-contracts the large majority of its distilling, maturing, storing, blending, bottling and related production activities to its parent company. A significant portion of Corby's bookkeeping, record keeping services, data processing and other administrative services are also outsourced to its parent company.

The companies operate under the terms of agreements which became effective on September 29, 2006 (excluding the agreement signed on September 26, 2008, which is described separately below). These agreements provide the Company with the exclusive right to represent PR's brands in the Canadian market for 15 years, as well as providing for the continuing production of certain Corby brands by PR at its production facility in Windsor, Ontario for 10 years. Corby also manages PR's business interests in Canada, including the Windsor production facility. Certain officers of Corby have been appointed as directors and officers of PR's Canadian entities, as approved by Corby's Board of Directors. All of these transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. In addition to the aforementioned related party transactions, the Company also participated in the following activities with related parties:

Absolut Vodka Representation Agreement

On September 26, 2008, Corby entered into an agreement with its ultimate parent company, PR. The agreement provides Corby the exclusive right to represent the Absolut vodka brand in Canada effective October 1, 2008 for the next five years to September 30, 2013. As part of this agreement, Corby also received the exclusive right to represent the Plymouth gin and Level vodka brands. The distribution of Absolut vodka is expected to add approximately $2.5 million annually to Corby's commission income and about $1.2 million annually to net earnings in the first full year. Corby has also agreed to continue to participate in the existing cash management pooling arrangement (the Mirror Netting Service Agreement) with PR's wholly-owned Canadian subsidiaries for the next three years to October 1, 2011, unless earlier terminated by Corby. Further, during the next three years to October 1, 2011, Corby will not declare any special dividends, repurchase shares or make acquisitions or capital investments outside the normal course of business without PR's prior approval. Corby also agreed that, barring any unanticipated developments, regular dividends will be paid quarterly, on the basis of an annual amount equal to the greater of 50% of net earnings per share in the preceding fiscal year ended June 30, and $0.56 per share.

Deposits in Cash Management Pools

As previously discussed, Corby participates in a cash management pooling arrangement under a Mirror Netting Service Agreement ("Mirror Agreement") together with PR's other Canadian affiliates, the terms of which are administered by the Bank of Nova Scotia. The Mirror 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 determinant upon PR's credit rating. PR's credit rating as at September 26, 2008, as published by Standard & Poor's and Moody's, was BB+ and Ba1, respectively. PR compensates Corby for the benefit it receives from having the Company participate in the Mirror Agreement, by paying interest to Corby based upon the 30 day LIBOR rate plus 0.40%. Corby has the right to terminate its participation in the Mirror Agreement at any time, subject to five days written notice.

Sales and Purchases of Bulk Whisky

During the nine month period ended March 31, 2008, Corby sold three year old bulk whisky to HWSL at market prices. There were no such sales made during the three month period ended March 31, 2008, nor were there any such sales made during the current fiscal period ended March 31, 2009.

Furthermore, during the three and nine month periods ended March 31, 2008, Corby purchased three year old bulk whisky from HWSL, also at market prices. There were no such purchases made during the current fiscal period ended March 31, 2009.

All sales and purchases of bulk whisky between Corby and HWSL were at market prices, which was $2.70 per original litre of alcohol ("OLA"). The quantities of OLA and the related exchange amount for each type of transaction are listed in the following chart:

	Three Months Ended March 31,				Nine Months Ended March 31,			
(in 000's of original litres of	Quantities		Exchange Amount		Quantities		Exchange Amount	
alcohol and Canadian dollars)	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
Sales	**-**	-	**$ -**	$ -	**-**	0.4	**$ -**	$ 1.1
Purchases	**-**	0.5	**$ -**	$ 1.4	**-**	0.5	**$ -**	$ 1.4

Accounting Policy Changes – Implemented in Fiscal 2009

Deposits in cash management pools

Corby reviewed its presentation of cash flow and its cash and cash equivalent balances on its balance sheet. As a result of this review, Corby determined that it would change its accounting policy defining cash and cash equivalents and correspondingly reclassify its balance sheet and cash flow presentation. The new policy classifies cash associated with the Mirror Agreement, which was previously included in cash and cash equivalents, as "Deposits in cash management pools" and reflects cash flows arising from deposits in, and withdrawals from, such cash pools as cash flows from investing activities. Although none of the agreements or conditions governing these deposits has changed since the inception of the cash management arrangements, Corby decided to change its presentation of such deposits to show them as a separate investment and not as a component of cash and cash equivalents. Corby continues to have the contractual right to withdraw these funds or terminate these cash management arrangements upon providing five days written notice, and Corby continues to access funds deposited in these accounts on a daily basis.

This change in accounting policy had no impact on Corby's consolidated statement of earnings or earnings per share figures. For more information regarding the Mirror Agreement, please refer to the "Related Party Transactions" section of this MD&A.

Inventories

Effective July 1, 2008 (the first day of the Company's 2009 fiscal year), the Company implemented, on a retrospective basis with restatement, the new Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3031 "Inventories", which is effective for interim and annual financial statements for fiscal years beginning on or after January 1, 2008.

The new standard provides the Canadian equivalent to International Financial Reporting Standard IAS 2 "Inventories". Section 3031 prescribes measurement of inventories at the lower of cost and net realizable value. It provides guidance on the determination of cost, including allocation of overheads and other costs to inventories, prohibits the use of the last-in, first-out (LIFO) method, and requires the reversal of previous write-downs when there is a subsequent increase in the value of inventories. It also requires greater disclosure regarding inventories and cost of sales.

The Company's new policy to correspond with the new standard is as follows:

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.

As a result of the retrospective implementation of this new standard, the cumulative impact on previously reported balances on the following dates is as follows:

Increase (decrease) *(stated in millions of Canadian dollars, except per share amounts)*	Year Ended June 30, 2008	Three Months Ended March 31, 2008	Nine Months Ended March 31, 2008
Retained earnings, opening	$ 2.4	$ 2.4	$ 2.4
Retained earnings, ending	2.5	2.5	2.5
Inventories	3.6	3.5	3.5
Future income tax liability	1.0	1.0	1.0
Cost of sales	1.5	0.3	1.1
Marketing, sales and administration	(1.7)	(0.4)	(1.3)
Future income tax expense	0.1	0.0	0.0
Net earnings	0.2	0.1	0.1
Earnings per share:			
- Basic	0.01	-	-
- Diluted	0.01	-	-

Financial Instruments

Effective July 1, 2008, the Company implemented the new CICA Handbook Section 3862 "Financial Instruments – Disclosures" and CICA Handbook Section 3863 "Financial Instruments – Presentation", which is effective for fiscal years beginning on or after October 1, 2007. These standards replace the existing CICA Handbook Section 3861 "Financial Instruments – Disclosure and Presentation". These new standards are harmonized with International Financial Reporting Standards ("IFRS").

CICA Handbook Section 3862 requires increased disclosures regarding the risks associated with financial instruments and how these risks are managed. Section 3863 carries forward the presentation standards for financial instruments and non-financial derivatives and provides additional guidance for the classification of financial instruments, from the perspective of the issuer, between liabilities and equity. The adoption of these new standards does not require any changes to the Company's accounting, however, does require additional note disclosure.

Capital Disclosures

Effective July 1, 2008, the Company implemented the new CICA Handbook Section 1535 "Capital Disclosures", which is effective for fiscal years beginning on or after October 1, 2007. The new standard requires entities to disclose information about their objectives, policies and processes for managing capital, as well as their compliance with any externally imposed capital requirements. The adoption of this standard does not require any changes to the Company's accounting, however, does require additional note disclosure.

Future Accounting Standards

International Financial Reporting Standards

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

As a result, Corby has developed a plan to convert its consolidated financial statements to IFRS. The Company has also established a project team that is led by finance management, and will include representatives from various areas of the organization as necessary to plan for and achieve a smooth transition to IFRS. Regular progress reporting to the Audit Committee of the Board of Directors on the status of the IFRS implementation project has been instituted.

A detailed analysis of the differences between IFRS and Corby's accounting policies as well as an assessment of the impact of various alternatives are in progress. Changes in accounting policies are likely and may materially impact the Company's consolidated financial statements.

Goodwill and Intangible Assets

In February 2008, the Accounting Standards Board issued a new accounting standard, Section 3064 "Goodwill and Intangible Assets", to replace current Section 3062 "Goodwill and Other Intangible Assets". The new standard prescribes new methods for recognizing, measuring, presenting and disclosing goodwill and intangible assets. As this new standard is effective for fiscal years beginning on or after October 1, 2008, Corby will implement it in the first quarter of fiscal 2010. The Company is currently assessing the impact of this new standard on its consolidated financial statements.

Selected Quarterly Information

Summary of Quarterly Financial Results[1]

(in millions of Canadian dollars, except per share amounts)	**Q3 2009**	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007
Operating revenue - net	**$ 34.0**	$ 47.8	$ 46.1	$ 39.6	$ 33.0	$ 48.8	$ 41.9	$ 40.1
EBITDA	**8.8**	13.4	15.7	10.0	9.7	15.9	15.2	10.0
Net earnings	**5.1**	8.1	9.8	5.9	6.0	10.7	9.3	5.5
EBITDA per share	**0.31**	0.47	0.55	0.35	0.34	0.56	0.53	0.35
Basic EPS	**0.18**	0.28	0.35	0.21	0.21	0.37	0.33	0.20
Diluted EPS	**0.18**	0.28	0.35	0.21	0.21	0.37	0.33	0.20

[1] 2008 quarterly results have been restated for adoption of CICA HB 3031 - Inventories, as required by the CICA. 2007 results have not been restated as the information required to calculate the restatement on a quarterly basis is not readily available.

Internal Controls Over Financial Reporting

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, its compliance with Canadian GAAP and the preparation of financial statements for external purposes. 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.

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 control over financial reporting.

Risks & 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, including changes in market dynamics or changes in consumer consumption patterns.

A specific example of such a situation is the previously mentioned increase in provincial mark-up applied to beverage alcohol products sold in Alberta, as announced by the Alberta Gaming and Liquor Commission. Please see the "Significant Events" section of this MD&A for further details.

In addition to the Alberta mark-up increase, certain Canadian whiskies will be subject to an increased rate of excise duty effective July 1, 2009. This increase is the result of legislation passed by the federal government on May 2, 2006, which served to increase the rate of excise duty on spirits by 5.7%. It is estimated that the application of these higher excise duty rates will reduce Corby's annual sales by $1.3 million, and translate to a reduction of net earnings of $0.9 million. It is not anticipated that these higher excise rates can be passed on to consumers through higher prices in the near term.

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

Consumer Consumption Patterns

Beverage alcohol companies are susceptible to risks relating to changes in consumer consumption patterns. Consumer consumption patterns are affected by many external influences, not the least of which is the current economic outlook and overall consumer confidence in the stability of the economy as a whole. The overall decline in consumer spending has resulted in more at home consumption, as consumers are trending away from consumption at licensed establishments, such as bars and restaurants. As a result, the industry is experiencing declines in product categories which tend to have a higher consumption rate at these establishments, such as liqueurs. Corby offers a diverse portfolio of products across all major spirit categories and various price points, which complements consumer desires and offers exciting innovation.

Supply Chain Interruption

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

Environmental Compliance

Environmental liabilities may potentially arise when companies are in the business of manufacturing products, and thus are required to handle potentially hazardous materials. As Corby outsources the majority of its production, including all of its storage and handling of maturing alcohol, the risk of environmental liabilities has been reduced to an acceptably low level. In addition, Corby's owned-production facility follows strict industry guidelines for proper use and or disposal of hazardous materials to further reduce environmental risks. Corby currently has no significant recorded or unrecorded environmental liabilities.

Industry Consolidation

In recent years, the global beverage alcohol industry has experienced a significant amount of consolidation. Industry consolidation can have varying degrees of impact, and in some cases may even create exceptional opportunities. Either way, management believes that the Company is well positioned to deal with this or other changes to the competitive landscape in Canada.

Competition

The Canadian beverage alcohol industry is also extremely competitive. Competitors may take actions to establish and sustain competitive advantage. They may also affect Corby's ability to attract and retain high quality employees. The Company's long heritage attests to Corby's strong foundation and successful execution of its strategies. Being a leading Canadian beverage alcohol company helps facilitate recruitment efforts. Corby appreciates and invests in its employees to partner with them in achieving corporate objectives and creating value.

Credit Risk

Credit risk arises from deposits in cash management pools held with PR via Corby's participation in the Mirror 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 collectable from government controlled liquor boards, 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 to Corby's earnings over the long-term.

Exposure to Commodity Price Fluctuations

Commodity risk exists as the manufacturer 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 over the long-term.

Foreign Currency Exchange Risk

Foreign currency risk exists as the Company sources a proportion of its production requirements in foreign currencies, specifically the United States dollar. Partially mitigating this risk is the fact that the Company also sells certain of its goods in the same foreign currencies. As purchases from US based suppliers exceed revenues from US based customers, a decline in the Canadian dollar versus the US dollar can have a negative impact on the Company's financial results. In addition, and subject to competitive conditions, changes in foreign currency rates may be passed on to consumers through pricing over the long-term.

Third Party Service Providers

The Company is reliant upon third party service providers in respect of certain of its operations. It is possible that negative events affecting these third-party service providers could, in turn, negatively impact the Company. While the Company has no direct influence 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 relationship with its third-party service providers.

Brand Reputations

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.

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

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

		Net Book Value as at March 31, 2009		
Associated Brand	Associated Market	Goodwill	Intangibles	Total
Various PR brands	Canada	$ -	$ 58,540	$ 58,540
Seagram Coolers	Canada	3,970	16,250	20,220
Lamb's rum	United Kingdom	1,410	11,800	13,210
Meaghers and De Kuyper liqueurs	Canada	4,476	-	4,476
		$ 9,856	$ 86,590	$ 96,446

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 asset 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. For further discussion of the potential liquidity risk associated with Corby's defined benefit pension plans, refer to the "Liquidity" section of this MD&A.

CORBY DISTILLERIES LIMITED
INTERIM CONSOLIDATED BALANCE SHEETS

(Unaudited)
(in thousands of Canadian dollars)

		March 31, 2009		March 31, 2008		June 30, 2008
				(Restated - Note 2)		(Restated - Note 2)
ASSETS						
Current						
Deposits in cash management pools (Note 2)	**$**	**58,427**	$	60,848	$	58,553
Accounts receivable		**25,600**		22,430		21,873
Inventories		**55,971**		48,784		50,876
Prepaid expenses		**695**		884		1,936
Future income taxes		**464**		399		164
		141,157		133,345		133,402
Capital assets		**14,053**		9,994		12,010
Employee future benefits		**9,494**		6,637		8,135
Goodwill		**9,856**		9,856		9,856
Intangible assets		**86,590**		91,321		90,103
	$	**261,150**	$	251,153	$	253,506
LIABILITIES						
Current						
Accounts payable and accrued liabilities	**$**	**14,981**	$	17,472	$	19,248
Income and other taxes payable		**256**		3,090		1,016
		15,237		20,562		20,264
Employee future benefits		**5,931**		4,790		5,023
Future income taxes		**7,133**		5,967		6,425
		28,301		31,319		31,712
SHAREHOLDERS' EQUITY						
Share capital		**14,304**		14,304		14,304
Retained earnings		**218,545**		205,530		207,490
		232,849		219,834		221,794
	$	**261,150**	$	251,153	$	253,506

See accompanying notes to interim consolidated financial statements

CORBY DISTILLERIES LIMITED
INTERIM CONSOLIDATED STATEMENTS OF EARNINGS

(Unaudited)
(in thousands of Canadian dollars, except per share amounts)

	For the Three Months Ended		For the Nine Months Ended	
	March 31, 2009	March 31, 2008	**March 31, 2009**	March 31, 2008
		(Restated - Note 2)		(Restated - Note 2)
OPERATING REVENUE				
Sales	**$ 31,078**	$ 30,506	**$ 115,705**	$ 111,518
Commissions (Note 4)	**2,914**	2,508	**12,140**	12,202
	33,992	33,014	**127,845**	123,720
OPERATING COSTS				
Cost of sales	**16,377**	15,882	**59,655**	56,750
Marketing, sales and administration	**10,011**	8,776	**33,881**	29,926
Amortization	**383**	259	**1,042**	779
	26,771	24,917	**94,578**	87,455
EARNINGS FROM OPERATIONS	**7,221**	8,097	**33,267**	36,265
OTHER INCOME AND EXPENSES				
Interest income	**363**	699	**1,445**	1,964
Foreign exchange gain (loss)	**113**	165	**(671)**	(173)
Gain (loss) on disposal of capital assets	**(12)**	-	**183**	-
	464	864	**957**	1,791
EARNINGS BEFORE INCOME TAXES	**7,685**	8,961	**34,224**	38,056
INCOME TAXES				
Current	**2,370**	2,850	**10,803**	12,591
Future	**179**	138	**408**	(445)
	2,549	2,988	**11,211**	12,146
NET EARNINGS	**$ 5,136**	$ 5,973	**$ 23,013**	$ 25,910
BASIC EARNINGS PER SHARE	**$ 0.18**	$ 0.21	**$ 0.81**	$ 0.91
DILUTED EARNINGS PER SHARE	**$ 0.18**	$ 0.21	**$ 0.81**	$ 0.91
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING				
Basic	**28,468,856**	28,468,856	**28,468,856**	28,468,856
Diluted	**28,468,856**	28,468,856	**28,468,856**	28,468,856

See accompanying notes to interim consolidated financial statements

CORBY DISTILLERIES LIMITED
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)
(in thousands of Canadian dollars)

	For the Three Months Ended		*For the Nine Months Ended*	
	March 31, 2009	March 31, 2008 (Restated - Note 2)	**March 31, 2009**	March 31, 2008 (Restated - Note 2)
NET EARNINGS	**$ 5,136**	$ 5,973	**$ 23,013**	$ 25,910
OTHER COMPREHENSIVE INCOME	**-**	-	**-**	-
COMPREHENSIVE INCOME	**$ 5,136**	$ 5,973	**$ 23,013**	$ 25,910

See accompanying notes to interim consolidated financial statements

CORBY DISTILLERIES LIMITED
INTERIM CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Unaudited)
(in thousands of Canadian dollars)

	For the Nine Months Ended	
	March 31, 2009	March 31, 2008 (Restated - Note 2)
SHARE CAPITAL		
Balance, beginning of period	**$ 14,304**	$ 14,304
Transactions, net	**-**	-
Balance, end of period	**$ 14,304**	$ 14,304
RETAINED EARNINGS		
Balance, beginning of period as previously reported	**$ 204,961**	$ 189,215
Impact of adoption of new accounting standard (Note 2)	**2,529**	2,363
Retained earnings, beginning of period as restated	**$ 207,490**	$ 191,578
Net earnings	**23,013**	25,910
Dividends	**(11,958)**	(11,958)
Balance, end of period	**$ 218,545**	$ 205,530
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Balance, beginning of period	**$ -**	$ -
Other comprehensive income for the period	**-**	-
Balance, end of period	**$ -**	$ -

See accompanying notes to interim consolidated financial statements

CORBY DISTILLERIES LIMITED
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW

(Unaudited)
(in thousands of Canadian dollars)

	For the Three Months Ended		For the Nine Months Ended	
	March 31, 2009	March 31, 2008 (Restated - Note 2)	**March 31, 2009**	March 31, 2008 (Restated - Note 2)
OPERATING ACTIVITIES				
Net earnings	**$ 5,136**	$ 5,973	**$ 23,013**	$ 25,910
Items not affecting cash				
Amortization	**1,554**	1,595	**4,555**	4,448
Foreign exchange	**(113)**	(165)	**671**	173
Loss (gain) on disposal of capital assets	**12**	-	**(183)**	-
Future income taxes	**179**	138	**408**	(445)
Employee future benefits	**121**	464	**(451)**	1,386
	6,889	8,005	**28,013**	31,472
Net change in non-cash working capital balances	**(9,985)**	(9,812)	**(13,279)**	(4,551)
Cash flows (used in) provided by operating activities	**(3,096)**	(1,807)	**14,734**	26,921
INVESTING ACTIVITIES				
Additions to capital assets	**(1,087)**	(870)	**(3,471)**	(1,104)
Proceeds from disposition of capital assets	**48**	-	**569**	-
Draws from (deposits in) cash management pools	**8,121**	6,663	**126**	(13,859)
Cash flows provided by (used in) investing activities	**7,082**	5,793	**(2,776)**	(14,963)
FINANCING ACTIVITY				
Dividends paid	**(3,986)**	(3,986)	**(11,958)**	(11,958)
Cash flows used in financing activity	**(3,986)**	(3,986)	**(11,958)**	(11,958)
NET CHANGE IN CASH	**-**	-	**-**	-
CASH, BEGINNING OF PERIOD	**-**	-	**-**	-
CASH, END OF PERIOD	**$ -**	$ -	**$ -**	$ -
SUPPLEMENTAL CASH FLOW INFORMATION				
Interest received	**$ 367**	$ 699	**$ 1,445**	$ 1,964
Income taxes paid	**$ 2,531**	$ 3,684	**$ 11,603**	$ 12,040

See accompanying notes to interim consolidated financial statements

FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2009 AND MARCH 31, 2008
(in thousands of Canadian dollars, except per share amounts)

1. BASIS OF PRESENTATION

These unaudited interim consolidated financial statements (the "financial statements") have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP") and include the accounts of Corby Distilleries Limited and its subsidiaries ("Corby" or the "Company"). These financial statements do not include all disclosures required by Canadian GAAP for annual financial statements and therefore should be read in conjunction with the most recently prepared annual financial statements for the year ended June 30, 2008.

The interim financial statements should not be taken as indicative of the performance to be expected for the full year due to the seasonal nature of the spirits business. Corby's operations are typically subject to seasonal fluctuations in that the retail holiday season generally results in an increase in consumer purchases over the course of October, November and December. Further, the summer months traditionally result in higher consumer purchases of spirits as compared to the winter and spring months. As a result, the Company's first and second quarter of each fiscal year tend to reflect the impact of seasonal fluctuations in that more shipments are typically made during those quarters.

2. CHANGE IN ACCOUNTING POLICIES

These financial statements follow the same accounting policies and methods of their application as the most recent annual financial statements for the year ended June 30, 2008, except as noted below.

Deposits in Cash Management Pools

Corby reviewed its presentation of cash flow and its cash and cash equivalent balances on its balance sheet. As a result of this review, Corby determined that it would change its accounting policy defining cash and cash equivalents and correspondingly reclassify its balance sheet and cash flow presentation. The new policy classifies cash associated with the Mirror Netting Service Agreement (referred to in Note 6), which was previously included in cash and cash equivalents, as "Deposits in cash management pools" and reflects cash flows arising from deposits in and withdrawals from such cash pools as cash flows from investing activities. Although none of the agreements or conditions governing these deposits has changed since the inception of the cash management arrangements, Corby has decided to change its presentation of such deposits to show them as a separate investment and not as a component of cash and cash equivalents. Corby continues to have the contractual right to withdraw these funds or terminate these cash management arrangements upon providing five days written notice, and Corby continues to access funds deposited in these accounts on a daily basis.

For more information regarding the Mirror Netting Service Agreement, please refer to Note 6 which further describes Corby's related party transactions.

2. CHANGE IN ACCOUNTING POLICIES (continued)

The fiscal 2009 and 2008 interim consolidated balance sheets have been reclassified to conform to this presentation. A summary of the effects of the reclassification and change in accounting policy is as follows:

	June 30, 2008			March 31, 2008		
Increase (decrease)	As Previously Reported	Change in Accounting Policy	As Currently Reported	As Previously Reported	Change in Accounting Policy	As Currently Reported
Interim Consolidated Balance Sheets						
Cash and cash equivalents	$ 58,553	$ (58,553)	$ -	$ 60,848	$ (60,848)	$ -
Deposits in cash management pools	-	58,553	58,553	-	60,848	60,848
Interim Consolidated Statements of Cash Flow						
Operating Activities						
Net earnings, adjusted for items not affecting cash	$ 38,378	$ -	$ 38,378	$ 31,331	$ 141	$ 31,472
Net change in non-cash working capital	(7,209)	(121)	(7,330)	(4,266)	(285)	(4,551)
Cash flows from operating activities	31,169	(121)	31,048	27,065	(144)	26,921
Investing Activities						
Deposits in cash management pools	-	(11,564)	(11,564)	-	(13,859)	(13,859)
Cash flows used in investing activities	(3,540)	(15,104)	(15,104)	(1,104)	(14,963)	(14,963)
Effect of exchange rate changes on cash	(121)	121	-	(144)	144	-
Net change in cash and cash equivalents	11,564	(11,564)	-	13,859	(13,859)	-
Cash and cash equivalents, beginning of year	46,989	(46,989)	-	46,989	(46,989)	-
Cash and cash equivalents, end of year	$ 58,553	$ (58,553)	$ -	$ 60,848	$ (60,848)	$ -

Inventories

Effective July 1, 2008 (the first day of the Company's 2009 fiscal year), the Company implemented, on a retrospective basis with restatement, the new Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3031 "Inventories", which is effective for interim and annual financial statements for fiscal years beginning on or after January 1, 2008.

The new standard provides the Canadian equivalent to International Financial Reporting Standard IAS 2 "Inventories". Section 3031 prescribes measurement of inventories at the lower of cost and net realizable value. It provides guidance on the determination of cost, including allocation of overheads and other costs to inventories, prohibits the use of the last-in, first-out (LIFO) method, and requires the reversal of previous write-downs when there is a subsequent increase in the value of inventories. It also requires greater disclosure regarding inventories and cost of sales.

The Company's new policy to correspond with the new standard is as follows:

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.

2. CHANGE IN ACCOUNTING POLICIES (continued)

As a result of the retrospective implementation of this new standard, the cumulative impact on previously reported balances on the following dates is as follows:

Increase (decrease)	Year Ended June 30, 2008	Three Months Ended March 31, 2008	Nine Months Ended March 31, 2008
Retained earnings, opening	$ 2,363	$ 2,398	$ 2,363
Retained earnings, ending	2,529	2,462	2,462
Inventories	3,574	3,480	3,480
Future income tax liability	1,045	1,018	1,018
Cost of sales	1,464	309	1,141
Marketing, sales and administration	(1,699)	(400)	(1,282)
Future income tax expense	69	27	42
Net earnings	166	64	99
Earnings per share:			
- Basic	0.01	-	-
- Diluted	0.01	-	-

The cost of inventory recognized as an expense and included in cost of goods sold during the three and nine month periods ended March 31, 2009 was $11,863 and $46,852, respectively (2008 - $13,053 and $47,477, respectively). During the period, there were no significant write-downs of inventory as a result of net realizable value being lower than cost and no inventory write-downs recognized in previous years were reversed.

Financial Instruments

Effective July 1, 2008, the Company implemented the new CICA Handbook Section 3862 “Financial Instruments – Disclosures” and CICA Handbook Section 3863 “Financial Instruments – Presentation”, which is effective for fiscal years beginning on or after October 1, 2007. These standards replace the existing CICA Handbook Section 3861 “Financial Instruments – Disclosure and Presentation”. These new standards are harmonized with International Financial Reporting Standards (“IFRS”).

CICA Handbook Section 3862 requires increased disclosures regarding the risks associated with financial instruments and how these risks are managed. Section 3863 carries forward the presentation standards for financial instruments and non-financial derivatives and provides additional guidance for the classification of financial instruments, from the perspective of the issuer, between liabilities and equity. The adoption of these new standards does not require any changes to the Company’s accounting, however does require additional note disclosure, which is included in note 7.

Capital Disclosures

Effective July 1, 2008, the Company implemented the new CICA Handbook Section 1535 “Capital Disclosures”, which is effective for fiscal years beginning on or after October 1, 2007. The new standard requires entities to disclose information about their objectives, policies and processes for managing capital, as well as their compliance with any externally imposed capital requirements. The adoption of this standard does not require any changes to the Company’s accounting, however does require additional note disclosure, which is included in note 8.

3. FUTURE ACCOUNTING STANDARDS

Goodwill and Intangible Assets

In February 2008, the Accounting Standards Board issued a new accounting standard, Section 3064 "Goodwill and Intangible Assets", to replace current Section 3062 "Goodwill and Other Intangible Assets". The new standard prescribes new methods for recognizing, measuring, presenting and disclosing goodwill and intangible assets. As this new standard is effective for fiscal years beginning on or after October 1, 2008, Corby will implement it in the first quarter of fiscal 2010. The Company is currently assessing the impact of this new standard on its consolidated financial statements.

International Financial Reporting Standards

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

As a result, Corby has developed a plan to convert its consolidated financial statements to IFRS. The Company has also established a project team that is led by finance management, and will include representatives from various areas of the organization as necessary to plan for and achieve a smooth transition to IFRS. Regular progress reporting to the Audit Committee of the Board of Directors on the status of the IFRS implementation project has been instituted.

A detailed analysis of the differences between IFRS and Corby's accounting policies as well as an assessment of the impact of various alternatives are in progress. Changes in accounting policies are likely and may materially impact the Company's consolidated financial statements.

4. COMMISSIONS

Commissions for the three and nine month periods ended March 31, 2009 are reported net of long-term representation rights amortization in the amount of $1,171 and $3,513, respectively (2008 - $1,336 and $3,669, respectively).

5. EMPLOYEE FUTURE BENEFITS

The Company has recorded a charge to earnings in the three and nine month periods ended March 31, 2009 of $842 and $2,525, respectively (2008 - $884 and $2,652, respectively) to reflect the expense associated with its employee future benefit plans. Actual cash payments for the three and nine month periods ended March 31, 2009 totaled $557 and $2,494, respectively (2008 - $411 and $1,213, respectively).

6. RELATED PARTY TRANSACTIONS

Corby's voting shares are majority owned by Hiram Walker & Sons Limited ("HWSL") located in Windsor, Ontario. HWSL is a wholly owned subsidiary of the international wine and spirits company, Pernod Ricard, S.A. ("PR"). Therefore, Corby refers to HWSL as its parent company and PR as its ultimate parent.

6. RELATED PARTY TRANSACTIONS (continued)

Sales and Purchases of Bulk Whisky

During the nine month period ended March 31, 2008, Corby sold three year old bulk whisky to HWSL at market prices. There were no such sales made during the three month period ended March 31, 2008, nor were there any such sales made during the current fiscal period ended March 31, 2009.

Furthermore, during the three and nine month periods ended March 31, 2008, Corby purchased three year old bulk whisky from HWSL, also at market prices. There were no such purchases made during the current fiscal period ended March 31, 2009.

All sales and purchases of bulk whisky between Corby and HWSL were at market prices, which was $2.70 per original litre of alcohol ("OLA"). The quantities of OLA and the related exchange amount for each type of transaction are listed in the following chart:

	Three Months Ended March 31,				Nine Months Ended March 31,			
(in 000's of original litres of	Quantities		Exchange Amount		Quantities		Exchange Amount	
alcohol and Canadian dollars)	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
Sales	**-**	-	**$ -**	$ -	**-**	407	**$ -**	$ 1,100
Purchases	**-**	506	**$ -**	$ 1,365	**-**	506	**$ -**	$ 1,365

Absolut Vodka Representation Agreement

On September 26, 2008, Corby entered into an agreement with its ultimate parent company, PR. The agreement provides Corby the exclusive right to represent the Absolut vodka brand in Canada effective October 1, 2008 for the next five years to September 30, 2013. As part of this agreement, Corby also received the exclusive right to represent the Plymouth gin and Level vodka brands. The distribution of Absolut vodka is expected to add approximately $2.5 million annually to Corby's commission income and about $1.2 million annually to net earnings in the first full year. Corby has also agreed to continue to participate in the existing cash pooling arrangement (the Mirror Netting Service Agreement) with PR's wholly-owned Canadian subsidiaries for the next three years to October 1, 2011, unless earlier terminated by Corby. Further, during the next three years to October 1, 2011, Corby will not declare any special dividends, repurchase shares or make acquisitions or capital investments outside the normal course of business without PR's prior approval.

Deposits in Cash Management Pools

As previously discussed, Corby participates in a cash pooling arrangement under a Mirror Netting Service Agreement ("Mirror Agreement") together with PR's other Canadian affiliates, the terms of which are administered by the Bank of Nova Scotia. The Mirror 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 determinant upon PR's credit rating. PR's credit rating as at September 26, 2008, as published by Standard & Poor's and Moody's, was BB+ and Ba1, respectively. PR compensates Corby for the benefit it receives from having the Company participate in the Mirror Agreement, by paying interest to Corby based upon the 30 day LIBOR rate plus 0.40%. Corby has the right to terminate its participation in the Mirror Agreement at any time, subject to five days written notice.

7. FINANCIAL INSTRUMENTS

Corby's financial instruments consist of its deposits in cash management pools, accounts receivable and accounts payable balances. Corby does not utilize derivative financial instruments, as management believes the risks arising from the Company's financial instruments to be at an already acceptably low level. Under Canadian GAAP, financial instruments are classified into one of the following five categories: held-for-trading, held to maturity investments, loans and receivables, available for sale financial assets and other financial liabilities. The carrying values of the Company's financial instruments are classified into the following categories:

Asset or Liability and Classification		March 31, 2009		March 31, 2008		June 30, 2008
Deposits in cash management pools - classified as held-for-trading	$	58,427	$	60,848	$	58,553
Accounts receivable - classified as loans and receivables		25,600		22,430		21,873
Accounts payable - classified as other financial liabilities		14,981		17,472		19,248

Credit Risk

Credit risk arises from cash held with PR via Corby's participation in the Mirror Agreement (further described in Note 6), 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. As the large majority of Corby's accounts receivable balances are collectable from government controlled liquor boards, management believes the Company's credit risk relating to accounts receivable is at an acceptably low level.

Liquidity risk

Corby's sources of liquidity are its deposits in cash management pools of $58,427 and its cash generated by operating activities. Corby's total contractual maturities are represented by its accounts payable and accrued liabilities balances which totaled $14,981 as at March 31, 2009 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.

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

Interest rate risk

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 significant impact to Corby's earnings.

Foreign currency risk

Foreign currency risk exists as the Company sources a relatively small proportion of its production requirements in foreign currencies, specifically the United States dollar and UK pound sterling. Partially mitigating this risk is the fact that the Company also sells certain of its goods in the same foreign currencies. In addition, and subject to competitive conditions, changes in foreign currency rates may be passed on to consumers through pricing.

7. FINANCIAL INSTRUMENTS (continued)

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.

8. 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:

		March 31, 2009		March 31, 2008		June 30, 2008
Share capital	$	14,304	$	14,304	$	14,304
Retained earnings		218,545		205,530		207,490
Net capital under management	$	232,849	$	219,834	$	221,794

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

The Company's dividend policy, which was updated September 26, 2008, stipulates that barring any unanticipated developments, regular dividends will be paid quarterly, on the basis of an annual amount equal to the greater of 50% of net earnings per share in the preceding fiscal year ended June 30, and $0.56 per share. In addition, Corby has agreed with PR to certain restrictions, one of which precludes the Company from declaring any special dividends until after October 1, 2011. These restrictions are further described in note 6. The Company's dividend policy prior to September 26, 2008 was to pay quarterly dividends on the basis of an annual amount of $0.56 per share.

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

9. 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 include some of the most renowned and respected brands in Canada, including Wiser's rye whiskies, Lamb's rum, Polar Ice vodka, McGuinness liqueurs and Seagram Coolers. 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, Kahlua liqueur, Mumm champagne, and Jacob's Creek and Wyndham Estate wines.

9. SEGMENT INFORMATION (continued)

The Commissions segment has no assets or liabilities. Its financial results are fully reported as “commissions” on the interim consolidated statement of earnings and there are no intersegment revenues. Therefore, a chart detailing operational results by segment has not been provided as no additional meaningful information would result.

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FOR MORE INFORMATION

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Affiliated with Pernod Ricard