Corby Distilleries Limited

Interim Consolidated Financial Statements

For the Three Month Period Ended
September 30, 2008 and 2007

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Affiliated with Pernod Ricard

CORBY DISTILLERIES LIMITED
Interim Management's Discussion and Analysis
September 30, 2008

The following Interim Management's Discussion and Analysis ("MD&A") dated November 12, 2008 should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes as at and for the three month period ended September 30, 2008 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 November 12, 2008. 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 first quarter of fiscal 2009 (three months ended September 30, 2008) are against results for the first quarter of fiscal 2008 (three months ended September 30, 2007). 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.

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. 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 and Seagram Coolers. Through its affiliation with international wine and spirits company Pernod Ricard, S.A. ("PR"), Corby also represents leading international brands such as 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. Corby has also just completed an agreement with PR providing the Company with the exclusive right to represent PR's recently acquired brand Absolut vodka in the Canadian market for the next five years, beginning on October 1, 2008. 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.

Corby's voting shares are majority-owned by Hiram Walker & Sons Limited ("HWSL") located in Windsor, Ontario. HWSL is a wholly-owned subsidiary of PR. Therefore, in this MD&A, Corby refers to HWSL as its parent, PR as its ultimate parent and subsidiaries of PR as its affiliates.

The Company sources approximately 72% of its spirits production requirements from HWSL at its production facilities in Windsor, Ontario, while another 24% of Corby's spirits production is sourced from the Company's owned-plant in Montreal, Quebec. The remaining 4% is sourced through an affiliated company located in Scotland which manufactures Lamb's rum for the international market ("Lamb's International"). However, plans are underway to move all production requirements for Lamb's International to Corby'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.

Brand Performance Review

Corby’s portfolio of owned-brands typically accounts for more than 90% 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 understand the Company’s overall performance. The following chart summarizes the performance of Corby’s key brands in terms of both volume (as measured by shipments to customers in equivalent nine litre cases) and value (as measured by the change in sales revenue) during the current quarter ended September 30, 2008 versus the prior quarter ended September 30, 2007. 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. However, international sales typically account for less than 10% of Corby’s total sales.

BRAND PERFORMANCE CHART

	Volumes (in 000's of 9L cases)			
	Three Months Ended		*% Volume*	*% Value*
	Sept. 30, 2008	*Sept. 30, 2007*	*Growth*	*Growth*
Brand				
Wiser's Canadian whisky	**206**	185	11%	19%
Lamb's rum	**177**	153	16%	20%
Polar Ice vodka	**110**	95	16%	25%
Seagram Coolers	**99**	131	(24%)	(27%)
Mixable liqueurs	**63**	61	3%	8%
Total Key Brands	**655**	625	5%	13%
All other Corby-owned brands	**157**	156	1%	9%
Total	**812**	781	4%	12%

As previously discussed in the “Strategies and Outlook” section of this MD&A, the Company has implemented a premiumization 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 experienced an excellent first quarter in terms of both volume and value growth. The Company’s key brands drove the majority of the growth, as they combined for 5% volume growth and 13% value growth. Value growth exceeded volume growth primarily due to higher average selling prices, in addition to improved product mix. The following details provide more insight into the performance of each of Corby’s key brands.

Wiser’s Canadian Whisky

Corby’s flagship brand, Wiser’s Canadian whisky, delivered an excellent performance in the first quarter as demonstrated by 11% volume growth and 19% value growth. The growth in volumes was mainly driven by sales in the Canadian market as consumer purchases increased by 3%, as indicated by data provided by the Association of Canadian Distillers (“ACD”). In addition, the brand experienced increased shipments in September as the Company’s customers began to order for the upcoming holiday season.

Value growth exceeded volume growth, as a result of higher average selling prices across the family in both Canada and the US, in addition to better product mix, as the more premium Wiser’s Deluxe grew at a faster pace than Wiser’s Special Blend (the entry level variant). The higher selling prices were the result of strategic price increases, which were taken over the past year. These price increases were in-line with targeted competitive sets and demonstrate the Company’s focus on value creation through the premiumization of its key brands.

These outstanding results are also reflective of an aggressive advertising and promotional platform, combined with continued support from a loyal consumer base. The aforementioned 3% increase in consumer purchases of Wiser's Canadian whisky during the quarter ended September 30, 2008 once again outperformed the segment and further solidified the brand's leading position in the Canadian market.

Lamb's Rum

Lamb's rum, one of the top selling rum families in Canada, experienced volume growth of 16%, and value growth of 20% during the quarter ended September 30, 2008. The Canadian market was the main driver of the growth as international sales, predominately in the UK, were consistent quarter over quarter.

While a portion of the volume growth was driven by a shift in ordering patterns by one of the Company's key customers, the brand experienced a solid quarter in other respects due to several initiatives which took place in the first quarter. Corby successfully launched new environmentally friendly packaging of Lamb's Palm Breeze in key Canadian markets and also increased its level of investment in the brand's critical Newfoundland market through a new promotional campaign.

Polar Ice Vodka

Polar Ice vodka, which is among the top three largest vodka brands in Canada, saw a 16% increase in volume and 25% growth from a value perspective during the first quarter. The volume growth was mainly attributable to the launch of new Polar Ice vodka flavors in both Canada and the United States. Value growth significantly exceeded volume growth as a result of price increases taken over the past year.

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 shown excellent growth over the past several years. Consumer purchases at the retail level in Canada grew by 8% in the first quarter compared to the same period last year.

Seagram Coolers

Seagram Coolers had disappointing results in the first quarter, which was mainly the effect of adverse summer weather being experienced in the brand's key markets. 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 due to competitive pressures. Management is closely monitoring the competitive situation and will assess the need for any necessary actions should this trend continue.

Mixable Liqueurs

Corby's portfolio of mixable liqueur brands consist of McGuiness liqueurs (which is Canada's largest mixable liqueur brand family), Meaghers liqueurs, and De Kuyper liqueurs. The Company's mixable liqueur portfolio performed well in Q1, as volumes grew by 3% and value by 8%. There is a renewed focus behind the mixable liqueur portfolio, and the Company is working on several new initiatives to modernize and strengthen these brands' position in the Canadian market place.

Non-GAAP Financial Measures

Corby defines "EBITDA" as net earnings before equity earnings, foreign exchange, interest income, 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 a summary of certain selected consolidated financial information for the Company for the three month periods ended September 30, 2008 and 2007. Note that the comparative amounts have been restated due to the adoption of a new accounting standard, as described in the "Accounting Standards – Implemented in Fiscal 2009" section of this MD&A.

(in millions of Canadian dollars, except per share amounts)	Three Months Ended **Sept. 30, 2008**	Three Months Ended Sept. 30, 2007[3]	$ Change	% Change
Sales	**$ 41.8**	$ 37.8	$ 4.0	*11%*
Commissions[1]	**5.4**	5.3	0.1	*2%*
Operating revenue[1]	**47.2**	43.1	4.1	*10%*
Cost of sales	**20.2**	18.3	1.9	*10%*
Marketing, sales and administration	**11.3**	9.6	1.7	*18%*
EBITDA	**15.7**	15.2	0.5	*3%*
Amortization[2]	**1.5**	1.4	0.1	*7%*
Earnings from operations	**14.2**	13.8	0.4	*3%*
Interest income	**0.5**	0.6	(0.1)	*(17%)*
Foreign exchange loss	**(0.1)**	(0.3)	0.2	*(67%)*
Loss on disposal of capital assets	**(0.1)**	-	(0.1)	-
Earnings before income taxes	**14.5**	14.1	0.4	*3%*
Income taxes	**4.7**	4.8	(0.1)	*(2%)*
Net earnings	**$ 9.8**	$ 9.3	$ 0.5	*6%*
Per common share				
- Basic net earnings	**$ 0.35**	$ 0.33	$ 0.02	*6%*
- Diluted net earnings	**$ 0.35**	$ 0.33	$ 0.02	*6%*

[1] Amounts are presented gross of representation rights amortization of $1.2 (2007 - $1.2).
[2] Amounts include capital assets amortization of $0.3 (2007 - $0.3) and representation rights amortization of $1.2 (2007 - $1.2).
[3] The comparative figures have been restated for the adoption of CICA HB Section 3031 - Inventories, as required by the CICA.

Overview

Corby's first quarter results delivered exceptional top line sales growth of 11%, largely buoyed by the success of the Company's flagship brand Wiser's Canadian whisky, which continues to outperform its competitive segment in the Canadian market.

EBITDA increased 3%, reflecting the strong top-line sales growth, partially offset by inflationary production cost increases and the Company's continued investment behind its key brands via increased advertising and promotional spend. Net earnings increased 6% quarter over quarter, driven by the 3% EBITDA increase and being further complimented by slightly reduced income tax rates.

Operating revenue

Operating revenue, consisting of sales and commissions, was $47.2 million compared to $43.1 million for the same period last year. Sales increased $4.0 million, or 11%, and was driven by a strong underlying performance from the Company's key brands this quarter. The growth in sales was the result of a 4% increase in shipment volumes combined with an 8% increase in average selling prices. The growth in average selling prices was the result of strategic price increases which were taken over the past year in addition to 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.

Commissions increased by $0.1 million, or 2%, this quarter. As the following chart denotes, PR brands are responsible for the increase, as commissions from these brands increased 5% this quarter. Specifically, double digit value growth was experienced from Jacob's Creek wines, Chivas Regal scotch and Havana Club rum, in addition to several other PR brands.

The following table highlights the various components which comprise commissions:

	Three Months Ended			
(in millions of Canadian dollars)	**Sept. 30, 2008**	Sept. 30, 2007	$ Change	% Change
Commission from PR brands	**$ 4.2**	$ 4.0	$ 0.2	5%
Commission from Agency brands	**1.2**	1.3	(0.1)	(8%)
Commissions	**$ 5.4**	$ 5.3	$ 0.1	2%

Cost of sales

Cost of sales was $20.2 million compared to $18.3 million for the same quarter last year. The increase in cost of sales is commensurate with the increase in sales. Gross margin remained consistent at 51.7%, as compared with 51.6% for the same quarter last year. The improvements in gross margin as a result of increased prices were offset by the impact of positive manufacturing variances in the comparative quarter.

Marketing, sales and administration

Marketing, sales and administration expenses were $11.3 million, as compared to $9.6 million during the same quarter last year. The increase primarily reflects additional advertising and promotional activity being invested behind the Company's key brands, in addition to advanced promotional activity in preparation for the upcoming holiday season.

Specifically, the advertising and promotional spend in the first quarter included 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 promotion for Lamb's rum, and spend in support of the launch of new flavours for Polar Ice vodka in both the US and Canada. Overall, the Company anticipates that the cost of its marketing and promotional activities will return to more normal levels during the remainder of the fiscal year.

Income taxes

Corby's effective income tax rate of 32% represents a decrease of 2%, when compared with the same quarter last year. The decrease is the result of the Government of Canada's decision to enact reductions in corporate income tax rates in December 2007.

Liquidity and Capital Resources

Sources of liquidity

Corby's sources of liquidity are its cash and cash equivalents balance as at September 30, 2008 of $57.7 million, along with cash generated by operating activities. The Company does not have any short or long-term debt facilities.

Cash flows

	Three Months Ended					
(in millions of Canadian dollars)		**Sept. 30, 2008**		Sept. 30, 2007[1]		$ Change
Operating activities	**$**	**4.1**	$	7.0	$	(2.9)
Investing activities		**(1.0)**		(0.2)		(0.8)
Financing activities		**(4.0)**		(4.0)		-
Effect of exchange rate changes on cash		**0.1**		(0.1)		0.2
Net change in cash and cash equivalents	**$**	**(0.8)**	$	2.7	$	(3.5)

[1] *The comparative figures have been restated for the adoption of CICA HB Section 3031 - Inventories, as required by the CICA.*

Operating activities

Cash flows from operating activities were $4.1 million during the first quarter, as compared with $7.0 million during the same period last year. The growth in net earnings, adjusted for non-cash items, was more than offset by increased investment in non-cash working capital. The increased investment in working capital balances can largely be attributed to the timing of inventory build in advance of the upcoming holiday season, in addition to increased accounts receivable reflecting higher sales in September versus the same month last year.

Investing activities

Cash used for investing activities increased $0.8 million this quarter when compared with the same quarter last year. This increase was primarily the result of asset additions related to the relocation of the Company's corporate offices in September 2008.

Financing activities

Cash used for financing activities was $4.0 million this quarter, consistent with the amount used during the same quarter last year. The $4.0 million reflects regular quarterly dividends being paid to shareholders.

Future liquidity

Corby's sources of liquidity are its available cash and cash equivalents balance of $57.7 million and its cash generated by operating activities. Corby's total contractual maturities are represented by its accounts payable and accrued liabilities balances, which totaled $21.5 million as at September 30, 2008, and are all due to be paid within one year. The Company believes that its available cash and cash equivalents balance, combined with its historically strong and consistent operational cash flows, are sufficient 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 September 30, 2008, 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.

On September 26, 2008, Corby entered into an agreement with 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 will also receive 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 mirror netting service agreements with PR's wholly-owned Canadian subsidiaries and Corby's commercial bank regarding Corby's cash surplus 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.

As previously discussed, Corby participates in 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 cash balances is determinant upon PR's credit rating. 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%. PR's current credit rating, as published by Standard & Poor's and Moody's, is BB+ and Ba1, respectively. Corby has the right to terminate its participation in the Mirror Agreement at any time, subject to five days written notice.

In addition to the related party transactions previously described, during the three month period ended September 30, 2007, Corby sold three year old bulk whisky to its parent company, HWSL, at market prices for $0.7 million. There were no such sales made during the three month period ended September 30, 2008. The transaction was measured at the exchange amount.

Accounting Standards – Implemented in Fiscal 2009

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	3 Months Ended Sept. 30, 2007
Retained earnings, opening	$ 2.4	$ 2.4
Retained earnings, ending	2.5	2.3
Inventories	3.6	3.3
Future income tax liability	1.0	1.0
Cost of sales	1.5	0.5
Marketing, sales and administration	(1.7)	(0.4)
Future income tax expense	0.1	0.0
Net earnings	0.2	(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 2006 the Accounting Standards Board has announced that Canadian generally accepted accounting principles for publicly accountable enterprises will be replaced with International Financial Reporting Standards (“IFRS”) over a five year transitional period. As the changeover is effective for fiscal years beginning on or after January 1, 2011, Corby will changeover July 1, 2011. The Company has launched an internal initiative to govern the conversion process and is currently in the process of evaluating the potential impact of the conversion on its 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.

Selected Quarterly Information

Summary of Quarterly Financial Results [1]

(in millions of Canadian dollars, except per share amounts)	**Q1 2009**	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007
Operating revenue - net	**$ 46.1**	$ 39.6	$ 33.0	$ 48.8	$ 41.9	$ 40.1	$ 33.3	$ 43.1
EBITDA	**15.7**	10.0	9.7	15.9	15.2	10.0	7.3	14.5
Net earnings	**9.8**	5.9	6.0	10.7	9.3	5.5	4.3	8.7
EBITDA per share	**0.55**	0.35	0.34	0.56	0.53	0.35	0.26	0.51
Basic EPS	**0.35**	0.21	0.21	0.37	0.33	0.20	0.15	0.31
Diluted EPS	**0.35**	0.21	0.21	0.37	0.33	0.20	0.15	0.31

[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. 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. 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 cash 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 cash and cash equivalents balance. 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.

Exposure to Commodity Price Fluctuations

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

Foreign Currency Exchange 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.

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.

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.

CORBY DISTILLERIES LIMITED
INTERIM CONSOLIDATED BALANCE SHEETS

(Unaudited)
(in thousands of Canadian dollars)

	September 30, 2008	September 30, 2007 (Restated - Note 2)	June 30, 2008 (Restated - Note 2)
ASSETS			
Current			
Cash and cash equivalents (Note 5)	**$ 57,743**	$ 49,715	$ 58,553
Accounts receivable	**27,475**	25,209	21,873
Inventories	**53,934**	46,682	50,876
Prepaid expenses	**1,786**	257	1,936
Future income taxes	**141**	439	164
	141,079	122,302	133,402
Capital assets	**12,658**	9,556	12,010
Employee future benefits	**8,060**	6,958	8,135
Goodwill	**9,856**	9,856	9,856
Intangible assets	**88,932**	93,823	90,103
	$ 260,585	$ 242,495	$ 253,506
LIABILITIES			
Current			
Accounts payable and accrued liabilities	**$ 20,174**	$ 17,064	$ 19,248
Income and other taxes payable	**1,292**	3,712	1,016
	21,466	20,776	20,264
Employee future benefits	**5,311**	4,192	5,023
Future income taxes	**6,175**	6,347	6,425
	32,952	31,315	31,712
SHAREHOLDERS' EQUITY			
Share capital	**14,304**	14,304	14,304
Retained earnings	**213,329**	196,876	207,490
	227,633	211,180	221,794
	$ 260,585	$ 242,495	$ 253,506

See accompanying notes to 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	
	September 30, 2008	September 30, 2007 (Restated - Note 2)
OPERATING REVENUE		
Sales	**$ 41,806**	$ 37,758
Commissions (net of amortization of $1,171; 2007 - $1,167)	**4,257**	4,154
	46,063	41,912
OPERATING COSTS		
Cost of sales	**20,212**	18,340
Marketing, sales and administration	**11,367**	9,587
Amortization	**327**	261
	31,906	28,188
EARNINGS FROM OPERATIONS	**14,157**	13,724
OTHER INCOME AND EXPENSES		
Interest income	**483**	602
Foreign exchange loss	**(99)**	(267)
Loss on disposal of capital assets	**(84)**	-
	300	335
EARNINGS BEFORE INCOME TAXES	**14,457**	14,059
INCOME TAXES		
Current	**4,859**	4,880
Future	**(227)**	(105)
	4,632	4,775
NET EARNINGS	**$ 9,825**	$ 9,284
BASIC EARNINGS PER SHARE	**$ 0.35**	$ 0.33
DILUTED EARNINGS PER SHARE	**$ 0.35**	$ 0.33
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING		
Basic	**28,468,856**	28,468,856
Diluted	**28,468,856**	28,468,856

See accompanying notes to consolidated financial statements

CORBY DISTILLERIES LIMITED
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)
(in thousands of Canadian dollars)

	For the Three Months Ended	
	September 30, 2008	September 30, 2007 (Restated - Note 2)
NET EARNINGS	**$ 9,825**	$ 9,284
OTHER COMPREHENSIVE INCOME	**-**	-
COMPREHENSIVE INCOME	**$ 9,825**	$ 9,284

See accompanying notes to consolidated financial statements

CORBY DISTILLERIES LIMITED
INTERIM CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Unaudited)
(in thousands of Canadian dollars)

	For the Three Months Ended	
	September 30, 2008	September 30, 2007 (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	**9,825**	9,284
Dividends	**(3,986)**	(3,986)
Balance, end of period	**$ 213,329**	$ 196,876
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Balance, beginning of period	**$ -**	$ -
Other comprehensive income for the period	**-**	-
Balance, end of period	**$ -**	$ -

See accompanying notes to consolidated financial statements

CORBY DISTILLERIES LIMITED
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW

(Unaudited)
(in thousands of Canadian dollars)

	For the Three Months Ended	
	September 30, 2008	September 30, 2007 (Restated - Note 2)
OPERATING ACTIVITIES		
Net earnings	**$ 9,825**	$ 9,284
Items not affecting cash		
Amortization	**1,498**	1,428
Foreign exchange	**99**	267
Loss on disposal of capital assets	**84**	-
Future income taxes	**(227)**	(105)
Employee future benefits	**363**	467
	11,642	11,341
Net change in non-cash working capital balances	**(7,524)**	(4,352)
Cash flows from operating activities	**4,118**	6,989
INVESTING ACTIVITIES		
Additions to capital assets	**(1,064)**	(148)
Proceeds from disposition of capital assets	**5**	-
Cash flows used in investing activities	**(1,059)**	(148)
FINANCING ACTIVITY		
Dividends paid	**(3,986)**	(3,986)
Cash flows used in financing activity	**(3,986)**	(3,986)
Effect of exchange rate changes on cash	**117**	(129)
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(810)**	2,726
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**58,553**	46,989
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 57,743**	$ 49,715
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest received	**$ 482**	$ 602
Income taxes paid	**$ 5,015**	$ 3,353

See accompanying notes to consolidated financial statements

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.

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	3 Months Ended September 30, 2007
Retained earnings, opening	$ 2,363	$ 2,363
Retained earnings, ending	2,529	2,280
Inventories	3,574	3,269
Future income tax liability	1,045	989
Cost of sales	1,464	517
Marketing, sales and administration	(1,699)	(447)
Future income tax expense	69	13
Net earnings	166	(83)
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 month period ended September 30, 2008 was $16,859 (2007 - $16,080). 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 6.

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 7.

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.

International Financial Reporting Standards

In 2006 the Accounting Standards Board announced that Canadian GAAP for publicly accountable enterprises will be replaced with IFRS over a five year transitional period. As the changeover is effective for fiscal years beginning on or after January 1, 2011, Corby will changeover July 1, 2011. The Company has launched an internal initiative to govern the conversion process and is currently in the process of evaluating the potential impact of the conversion on its financial statements.

4. EMPLOYEE FUTURE BENEFITS

The Company has recorded a charge to earnings in the three month period ended September 30, 2008 of $842 (2007 - $884) to reflect the expense associated with its employee future benefit plans. Actual cash payments for the three month period ended September 30, 2008 totaled $301 (2007 - $400).

5. 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.

During the three month period ended September 30, 2007, Corby sold three year old bulk whisky to its parent company, HWSL, at market prices for $685. There were no such sales made during the three month period ended September 30, 2008. The transaction was measured at the exchange amount.

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 will also receive 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 mirror netting service agreements with PR’s wholly-owned Canadian subsidiaries and Corby’s commercial bank regarding Corby’s cash surplus 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.

5. RELATED PARTY TRANSACTIONS (continued)

As previously discussed, Corby participates in 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 cash balances is determinant upon PR's credit rating. 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%. PR's current credit rating, as published by Standard & Poor's and Moody's, is BB+ and Ba1, respectively. Corby has the right to terminate its participation in the Mirror Agreement at any time, subject to five days written notice.

6. FINANCIAL INSTRUMENTS

Corby's financial instruments consist of its cash and cash equivalents, 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 value of the Company's financial instruments are classified into the following categories:

Asset or Liability and Classification	September 30, 2008	September 30, 2007	June 30, 2008
Cash and cash equivalents - classified as held-for-trading	$ 57,743	$ 49,715	$ 58,553
Accounts receivable - classified as loans and receivables	27,475	25,209	21,873
Accounts payable - classified as other financial liabilities	20,174	17,064	19,248

Credit Risk

Credit risk arises from cash held with PR via Corby's participation in the Mirror Agreement (further described in Note 5), 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 cash and cash equivalents balance of $57,743 and its cash generated by operating activities. Corby's total contractual maturities are represented by its accounts payable and accrued liabilities balances which totaled $21,466 as at September 30, 2008 and are all due to be paid within one year. The Company believes that its available cash and cash equivalents balance 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.

6. FINANCIAL INSTRUMENTS (continued)

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 cash and cash equivalents balance. 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.

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.

7. CAPITAL MANAGEMENT

The Company's objectives when managing capital are:

- to ensure sufficient capital exists to allow management the flexibility to execute its strategic plans
- 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:

	September 30, 2008	September 30, 2007	June 30, 2008
Share capital	$ 14,304	$ 14,304	$ 14,304
Retained earnings	213,329	196,876	207,490
Net capital under management	$ 227,633	$ 211,180	$ 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 to certain restrictions from PR, one of which precludes the Company from declaring any special dividends until after October 1, 2011. These restrictions are further described in note 5. 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.

8. 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 and Polar Ice vodka. 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 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.

The Commissions segment has no assets or liabilities. Its financial results are fully reported as “commissions” on the 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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