CORBY

Corby Distilleries Limited

Interim Condensed Consolidated Financial Statements

For the Three and Nine Month Periods Ended
March 31, 2012 and 2011

Q3

Affiliated with Pernod Ricard

CORBY DISTILLERIES LIMITED
Management's Discussion and Analysis
March 31, 2012

The following Management's Discussion and Analysis ("MD&A") dated May 10, 2012, should be read in conjunction with the unaudited interim condensed consolidated financial statements and accompanying notes as at and for the three and nine month periods ended March 31, 2012, prepared in accordance with International Financial Reporting Standards ("IFRS"). (See "Transition to International Financial Reporting Standards" under "New Accounting Pronouncements" in this MD&A). These unaudited interim condensed financial statements do not contain all disclosures required by IFRS for annual financial statements and, accordingly, should also be read in conjunction with the most recently prepared annual consolidated financial statements for the year ended June 30, 2011, which have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"), with consideration given to the IFRS transition disclosures and the additional annual disclosures included in Note 16 to the interim condensed consolidated financial statements as at and for the three months ended September 30, 2011.

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; business interruption; trademark infringement; consumer confidence and spending preferences; regulatory changes; general economic conditions; and the Company's ability to attract and retain qualified employees. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. These factors are not intended to represent a complete list of the factors that could affect the Company. Additional factors are noted elsewhere in this MD&A.

This document has been reviewed by the Audit Committee of Corby's Board of Directors and contains certain information that is current as of May 10, 2012. 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 30. Unless otherwise indicated, all comparisons of results for the third quarter of fiscal 2012 (three months ended March 31, 2012) are against results for the third quarter of fiscal 2011 (three months ended March 31, 2011). Results for the three and nine months ended March 31, 2011 have been restated to conform to IFRS. All dollar amounts are in Canadian dollars unless otherwise stated.

Business Overview

Corby is a leading Canadian marketer of spirits and importer of wines. Corby's national leadership is sustained by a diverse brand portfolio that allows the Company to drive profitable organic growth with strong, consistent cash flows. Corby is a publicly traded company, with its shares listed on the Toronto Stock Exchange under the symbols "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 ("HWSL") (a private company) located in Windsor, Ontario. HWSL is a wholly-owned subsidiary of international spirits and wine company Pernod Ricard S.A. ("PR") (a French public limited company), which is headquartered in Paris, France. Therefore, throughout the remainder of this MD&A, Corby refers to HWSL as its parent, and to PR as its ultimate parent. Affiliated companies are those that are also subsidiaries of PR.

The Company derives its revenues from the sale of its owned-brands ("Case Goods"), as well as earning commission income from the representation of selected non-owned brands in Canada ("Commissions"). The Company also supplements these primary sources of revenue with other ancillary activities incidental to the manufacture of case goods, such as logistics fees and miscellaneous bulk spirit sales. Revenue from Corby's owned-brands predominately consists of sales made to each of the provincial liquor boards in Canada, and also includes sales to international markets. As noted in the "Significant Events" section of this MD&A, Corby sold its bottling facility on October 31, 2011. As a result of this transaction Corby no longer derives revenue from contract bottling services. All other activities remain in place.

Corby's portfolio of owned-brands includes some of the most renowned brands in Canada, including Wiser's Canadian whisky, Lamb's rum, Polar Ice vodka and McGuinness liqueurs. Through its affiliation with PR, Corby also represents leading international brands such as ABSOLUT vodka, Chivas Regal, The Glenlivet and Ballantine's Scotch whiskies, Jameson Irish whiskey, Beefeater gin, Malibu rum, Kahlúa liqueur, Mumm champagne, and Jacob's Creek, Wyndham Estate, Stoneleigh and Graffigna 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.

Pursuant to a production agreement that expires in September 2016, PR produces Corby's owned-brands at HWSL's production facility in Windsor, Ontario. Under the production agreement, Corby manages PR's business interests in Canada, including HWSL's production facility, also until September 2016.

The Company sources more than 80% of its spirits production requirements from HWSL at its production facility in Windsor, Ontario. The Company's remaining production requirements have been outsourced to third party vendors. The formerly owned plant in Montreal continues to manufacture most of the Corby products that were produced there prior to the sale. The Company also utilizes a third-party manufacturer in the UK to produce its Lamb's rum products destined for sale in countries located outside North America. Corby's Lamb's rum products sold in North America continue to be manufactured at HWSL's production facility.

In most provinces, Corby's route to market in Canada entails shipping its products to government-controlled liquor boards ("LBs"). The LBs then sell directly, or control the sale of, beverage alcohol products to end consumers. The exception to this model is Alberta, where the retail sector is privatized. In this province, Corby ships products to a bonded warehouse that is managed by a government-appointed service provider who is responsible for warehousing and distribution into the retail channel.

Corby's shipment patterns to the LBs will not always exactly match short-term consumer purchase patterns. However, given the importance of monitoring consumer consumption trends over the long term, the Company stays abreast of consumer purchase patterns in Canada through its member affiliation with the Association of Canadian Distillers ("ACD"), which tabulates and disseminates consumer purchase information it receives from the LBs to its industry members. Corby refers to this data throughout this MD&A as "retail sales", which are measured both in volume (measured in nine-litre-case equivalents) and in retail value (measured in Canadian dollars).

Corby's route to market for its international business primarily entails direct shipment of its products to international distributors, located mainly in the US. In the UK, Corby utilizes a third party contract bottler and distribution company for the production and distribution of Lamb's rum for the UK and select markets. International sales typically account for less than 10% of Corby's total annual sales. Distributors sell to various local wholesalers and retailers who in turn sell directly to the consumer. Reliable consumer purchase data is not readily available for these international markets and is, therefore, not discussed in this MD&A.

Corby's operations are subject to seasonal fluctuations: sales are typically strong in the first and second quarters, while third-quarter sales usually decline after the end of the retail holiday season. Fourth-quarter sales typically increase again with the onset of warmer weather as consumers tend to increase their purchasing levels during the summer season.

Strategies and Outlook

Corby's business strategies are designed to maximize sustainable long-term value growth, and thus deliver solid profit while continuing to produce strong and consistent cash flows from operating activities. The Company's portfolio of owned and represented brands provides an excellent platform from which to achieve its current and long-term objectives moving forward.

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

Brand prioritization requires an evaluation of each brand's potential to deliver upon this strategy, and facilitates Corby's marketing and sales teams' focus and resources allocation. Over the long term, management believes that effective execution of its strategy will result in value creation for shareholders. Recent disposal transactions (Seagram Coolers brand in March 2011 and the October 2011 sale of the Montreal bottling facility and certain non-core brands, discussed below) reflect this strategy by streamlining Corby's portfolio and thus refocusing resources on key brands.

Key to brand strategies being implemented is an effective route to market strategy. Corby is committed to investing in its trade marketing expertise and ensuring that its commercial resources are focused around the differing needs of their customers and the selling channels they inhabit.

In addition, management is convinced that innovation is key to seizing new profit and growth opportunities. Successful innovation can be delivered through a structured and efficient process as well as consistent investment on consumer insight and research and development ("R&D"). As far as R&D is concerned, the Company benefits from access to leading-edge practices at PR's North American hub, which is located in Windsor, Ontario.

Finally, the Company is a strong advocate of social responsibility, especially with respect to its sales and promotional activities. Corby will continue to promote the responsible consumption of its products in its activities. The Company stresses its core values throughout its organization, including those of conviviality, straightforwardness, commitment, integrity and entrepreneurship.

Significant Events

Corby sells its Montreal bottling facility and certain non-core brands

On October 31, 2011, the Company sold certain owned-brands as well as the shares of its subsidiary, Corby Manufacturing Inc., the owner of the manufacturing and bottling facility in Montréal, Québec, to Sazerac Company, Inc. ("Sazerac") for an aggregate purchase price of $39.7 million, including the cost of inventory and other working capital items associated with the brands and manufacturing facility sold and other related adjustments.

The transaction involved the sale of 17 brands, including De Kuyper Geneva gin, De Kuyper Peachtree schnapps, Red Tassel vodka and Silk Tassel Canadian whisky, as well as the Montréal-based manufacturing facility where a significant portion of the brands are produced. As a result of this transaction, Corby recognized a gain on closing of $17.7 million, net of taxes and transaction costs. The book value of the assets disposed, including working capital items, was $17.8 million.

The agreement contains customary representations, warranties and covenants. In addition, as part of the agreement, Corby agreed to indemnify Sazerac in respect of a misrepresentation, breach of covenant, pre-closing liabilities and certain environmental matters. Based on current facts and circumstances, no material liability is anticipated in respect of this indemnification, and no provision has been made in the financial results for this contingency.

This transaction allows the Company to streamline its portfolio with a more focused and targeted collection of brands, and to focus resources on the long term growth of its core portfolio of premium spirits and wines as part of its brand prioritization strategy. The bottling facility in Montreal had been increasingly underutilized with Corby-owned brand production in recent years, and thus increased the Company's reliance on ancillary and low margin contract bottling activities to fill this capacity. Corby will continue its relationship with the facility and source the production of certain brands with the new ownership.

In Corby's most recently completed annual financial statements for the year ended June 30, 2011, the brands and manufacturing facility disposed of contributed a combined $5.7 million to net earnings on sales of $32.2 million. Therefore, the transaction will have a material impact on Corby's future operating results. Direct comparisons to prior periods will be less meaningful, and as such, the impacts of the transaction will be explained throughout this MD&A, where applicable.

Corby secures new term for ABSOLUT representation rights

On November 9, 2011, Corby entered into an agreement with PR for a new term for Corby's exclusive right to represent ABSOLUT vodka in Canada from September 30, 2013 to September 29, 2021, which is consistent with the term of Corby's Canadian representation for the other PR brands in Corby's portfolio. Under the agreement, Corby will pay the present value of $10 million for the additional eight years of the new term to PR at its commencement. Since the agreement with PR is a related party transaction, the agreement was approved by the Independent Committee of the Corby Board of Directors following an extensive review and with external financial and legal advice. Pursuant to this agreement, Corby also agreed to continue with the mirror netting arrangement with PR and its affiliates, under which Corby's excess cash will continue to be deposited to cash management pools, as further described in the "Related Party Transactions" section of this MD&A.

ABSOLUT is the number one premium vodka brand worldwide with around 11 million nine litre cases sold in 2011 and is an iconic brand with an image built around values of creativity, innovation and cultural leadership. It is one of only four international spirits brands in the world which sells more than 10 million cases a year and has an especially attractive growth profile. ABSOLUT vodka complements Corby's strategy, while further enhancing the Company's premium brands portfolio. With ABSOLUT vodka in the Corby portfolio, Corby is the number two player in the vodka category in Canada with a 21% volume share – combining ABSOLUT with other key Corby vodka brands, such as Polar Ice vodka.

Brand Performance Review

Corby's portfolio of owned-brands accounts for approximately 80% of the Company's total annual revenues. Included in this portfolio are its key brands: Wiser's Canadian whisky, Lamb's rum, Polar Ice vodka, and Corby's mixable liqueur brands. The sales performance of these key brands significantly impacts Corby's net earnings. Therefore, understanding each key brand is essential to understanding the Company's overall performance.

Shipment Volume and Shipment Value Performance

The following chart summarizes the performance of Corby's owned-brands in terms of both shipment volume (as measured by shipments to customers in equivalent nine-litre cases) and shipment value (as measured by the change in sales revenue). The chart includes results for sales in both Canada and international markets.

Specifically, the Wiser's, Lamb's and Polar Ice brands 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 revenues.

BRAND PERFORMANCE CHART - INCLUDES BOTH CANADIAN AND INTERNATIONAL SHIPMENTS

	Three Months Ended				*Nine Months Ended*			
Volumes (in 000's of 9L cases)	***Mar. 31, 2012***	*Mar. 31, 2011*	*Shipment % Volume Change*	*Shipment % Value Change*	***Mar. 31, 2012***	*Mar. 31, 2011*	*Shipment % Volume Change*	*Shipment % Value Change*
Brand								
Wiser's Canadian whisky	**171**	146	17%	21%	**597**	572	4%	5%
Lamb's rum	**118**	113	4%	4%	**438**	435	1%	1%
Polar Ice vodka	**85**	88	(3%)	(4%)	**292**	267	9%	13%
Mixable liqueurs	**34**	32	6%	11%	**137**	134	2%	3%
Total Key Brands	**408**	379	8%	10%	**1,464**	1,408	4%	5%
All other Corby-owned brands	**52**	50	4%	8%	**174**	176	(1%)	1%
Total Corby brands	**460**	429	7%	9%	**1,638**	1,584	3%	5%
Disposed brands	**-**	82	(100%)	(100%)	**108**	343	(69%)	(63%)
Total Corby brands including disposed brands	**460**	511	(10%)	(3%)	**1,746**	1,927	(9%)	(3%)

Note that the above chart segregates "Disposed Brands" from the other Corby-owned brands. Disposed Brands include brands that are no longer owned by Corby as a result of two sale transactions. Specifically, the Company sold its Montreal plant and certain non-core brands on October 31, 2011 (further described in the "Significant Event" section of this MD&A) and in the prior fiscal year the Company sold the Seagram Coolers brand effective March 16, 2011. Therefore, shipment information associated with these Disposed Brands has been segregated in an effort to display their non-recurring impact on Corby's shipments, as comparisons with prior periods are otherwise no longer meaningful. Up until the date of their sale, the Disposed Brands sold in the October 31, 2011 sale transaction were showing a trend of decline of 4% over prior year performance.

As previously discussed in the "Strategies and Outlook" section of this MD&A, the Company has implemented a brand prioritization strategy that requires focused investments in 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.

The Canadian economy continued to show indicators of improvement. The overall spirits market in Canada experienced strong growth this quarter with retail volume increases of 6% and retail value increases of 7%, when compared to the same three month period of the prior year. The trend for the nine months ended March 31, 2012 shows retail volumes and retail value growing at 3% and 4%, respectively, when compared to the same nine month period last year.

Corby's brand portfolio, excluding Disposed Brands, saw its shipment performance increase 7% for volume and 9% for value on a quarter-over-quarter comparison basis. In particular, Wiser's Canadian whisky, Corby's flagship brand, enjoyed a strong quarter due to refocused promotional activity in Western Canada and favourable shipment phasing. Lamb's rum also experienced an increase this quarter as the brand benefited from strong international shipments; mostly as the result of a changing shipment profile since its international production was moved to a third party bottler in the UK. Partially offsetting the growth from these brands was Polar Ice vodka, as its shipments pulled back in Q3 from its exceptional Q1 and Q2 performance. This was largely the result of planned changes in the brand's promotional calendar (i.e., promotions occurring in Q3 last year occurred in Q1 and Q2 of the current year).

On a year-to-date basis, Polar Ice vodka led Corby's key brand portfolio with a 9% increase in shipment volume as a result of successful new market strategies, including the aforementioned changes to the brands promotional calendar. Wiser's Canadian whisky also contributed to the year-to-date growth trend as this brand shipped an additional twenty-five thousand cases so far this fiscal year when compared to the same nine month period last year. Wiser's performance represents a 4% improvement within the Canadian whisky category which generated only a 1% increase in volumes over the same nine month period.

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 purchase patterns and trends. Retail sales data, as provided by the ACD, is set out in the following chart and is discussed throughout this MD&A. It should be noted that the retail sales information presented 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 revenues.

RETAIL SALES FOR THE CANADIAN MARKET ONLY[1]

	Three Months Ended				*Nine Months Ended*			
Volumes (in 000's of 9L cases)	***Mar. 31, 2012***	*Mar. 31, 2011*	*% Retail Volume Change*	*% Retail Value Change*	***Mar. 31, 2012***	*Mar. 31, 2011*	*% Retail Volume Change*	*% Retail Value Change*
Brand								
Wiser's Canadian whisky	**155**	143	9%	8%	**556**	536	4%	4%
Lamb's rum	**90**	86	5%	4%	**353**	352	0%	1%
Polar Ice vodka	**77**	80	(3%)	3%	**274**	247	11%	12%
Mixable liqueurs	**34**	33	3%	4%	**142**	140	2%	2%
Total Key Brands	**356**	342	4%	6%	**1,325**	1,275	4%	4%
All other Corby-owned brands	**49**	47	4%	4%	**165**	161	3%	3%
Total	**405**	389	4%	6%	**1,490**	1,436	4%	4%

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

In an effort to maintain focus on Corby's continuing business activities and the Company's brand prioritization strategy, brands impacted by the aforementioned sale transaction which closed on October 31, 2011, in addition to Seagram Coolers (which was sold in Q3 last year), have been excluded from the above chart.

Overall, the performance of Corby-owned brands was consistent with trends seen in the Canadian spirits industry as a whole, with total retail volume and value increases of 4% on a year-to-date basis. The Canadian spirits industry saw volume and value growth of 3% and 4%, respectively, during the same nine month period.

The nine-month growth trend currently experienced in the Canadian spirits industry continued to be led by the vodka and rum categories (especially spiced and dark rums). While the Company benefited by the growing vodka category, Corby's portfolio is heavily weighted in the Canadian whisky and white rum categories; these categories are trending significantly below the Canadian spirit industry average. Specifically, the Canadian whisky category volumes grew by only 1%, while volumes in the white rum category declined 2%. However, Corby's key brand in the Canadian whisky segment, Wiser's, continued to outperform and gain market share from its competitors. The Company’s strategy to significantly increase its investment levels behind key brands and in key markets (especially Western Canada) is showing positive results.

Summary of Corby’s Key Brands

Wiser’s Canadian Whisky

Corby’s flagship brand, Wiser’s Canadian whisky, benefited from focused advertising and promotional activity this quarter which drove retail volume growth of 9% and retail value growth of 8%, while the Canadian whisky category as a whole grew at 4% and 5% in retail volume and retail value, respectively. On a year-to-date basis, the brand has continued to gain market share from both a retail volume and value perspective, at the expense of its direct competitors in Canada. Specifically, the brand had retail value and volume growth of 4% compared to its category which showed 2% value and 1% volume growth for the nine month period. This year, the Company continued to build upon the brand’s popular and award winning “Welcome to the Wiserhood” television campaign, as it launched new versions of its popular television commercials.

Lamb’s Rum

Lamb’s rum, one of the top-selling rum families in Canada, saw its retail volumes hold steady for the nine month period ended March 31, 2012 versus the same period last year, while retail volumes for the rum category in Canada increased 4%. The growth in the rum category has been entirely driven by the growth in spiced and dark rum categories, while consumer consumption of white rum has been experiencing declines (-2% on a nine month comparison basis). The Lamb’s rum family has a significant amount of its volume weighted in white rum, and its performance is reflective of the decline in the category. Compared to the white rum category, Lamb’s rum is performing slightly ahead of the market. Corby continued to invest behind the brand this year as it launched a new campaign entitled “Lamb’s Nation”, which is focused in its key markets of Newfoundland and Labrador.

Polar Ice Vodka

Polar Ice vodka is among the top three largest vodka brands in Canada. As a result of achieving considerable growth in the first and second quarters, the brand’s year-to-date growth trend (+11% volume, +12% value) continued to significantly outpace the vodka category in Canada which was +3% during the same nine month period. Aggressive investment in key markets, specifically BC and Alberta, supported with an outdoor “Canada’s Vodka” media campaign and strategic pricing were key reasons that consumers have re-engaged with the brand.

Mixable Liqueurs

Corby’s portfolio of mixable liqueur brands consists of McGuinness liqueurs (which is Canada’s largest mixable liqueur brand family) and Meaghers liqueurs. Retail value and volumes for Corby’s mixable liqueurs portfolio grew 2% during the nine month period compared to the same period last year, while the category as a whole remained relatively flat. Quarterly trends were similar, and show Corby brands remained slightly ahead of the overall market for the mixable liqueurs category. Specifically, Corby’s mixable liqueur brands grew 3% for volume and 4% for value while the category shows growth of 2% in volume and 3% in value over the same three month period. The liqueur category is most affected by changes in consumer spending, particularly as it relates to consumption at licensed establishments, such as bars and restaurants.

Other Corby-Owned Brands

Royal Reserve, a Canadian whisky, is the most significant brand in this grouping and achieved growth of 3% in both retail volume and value compared to the same nine month period last year. On a quarterly basis the brand’s retail sales grew 4% when compared to the same period last year. The brand’s performance exceeded its Canadian whisky category in Canada on a year-to-date basis and matched the category on a quarter-over-quarter basis.

Financial and Operating Results

The following table presents a summary of certain selected consolidated financial information of the Company for the three and nine month periods ended March 31, 2012 and 2011.

	Three Months Ended				Nine Months Ended			
(in millions of Canadian dollars, except per share amounts)	**Mar. 31, 2012**	Mar. 31, 2011 (1)	$ Change	% Change	**Mar. 31, 2012**	Mar. 31, 2011 (1)	$ Change	% Change
Revenue	**$ 29.2**	$ 32.4	$ (3.2)	(10%)	**$ 114.3**	$ 119.5	$ (5.2)	(4%)
Cost of sales	**(11.7)**	(16.1)	4.4	(27%)	**(47.9)**	(52.9)	5.0	(9%)
Marketing, sales and administration	**(11.5)**	(10.2)	(1.3)	13%	**(35.9)**	(34.0)	(1.9)	6%
Disposal transactions	**-**	(2.2)	2.2	N/A	**21.5**	(2.2)	23.7	N/A
Other income (expense)	**0.1**	0.3	(0.2)	(67%)	**0.2**	0.6	(0.4)	(67%)
Earnings from operations	**6.1**	4.2	1.9	45%	**52.2**	31.0	21.2	68%
Financial income	**0.5**	0.4	0.1	25%	**1.5**	0.9	0.6	67%
Financial expenses	**(0.2)**	(0.3)	0.1	(33%)	**(0.4)**	(0.7)	0.3	(43%)
Net financial income	**0.3**	0.1	0.2	200%	**1.1**	0.2	0.9	450%
Earnings before income taxes	**6.4**	4.3	2.1	49%	**53.3**	31.2	22.1	71%
Income taxes	**(1.8)**	(1.3)	(0.5)	38%	**(12.1)**	(9.2)	(2.9)	32%
Net earnings	**$ 4.6**	$ 3.0	$ 1.6	53%	**$ 41.2**	$ 22.0	$ 19.2	87%
Per common share								
- Basic net earnings	**$ 0.16**	$ 0.11	$ 0.05	45%	**$ 1.45**	$ 0.77	$ 0.68	88%
- Diluted net earnings	**$ 0.16**	$ 0.11	$ 0.05	45%	**$ 1.45**	$ 0.77	$ 0.68	88%

(1) In preparing the comparative information, the Company has adjusted amounts previously reported in financial statements prepared in accordance with Canadian GAAP. See Note 16 to the interim condensed consolidated financial statements for an explanation of the transition to IFRS.

Overall Financial Results

Financial results were substantially impacted by three factors:

1. The gain on sale of the Company's manufacturing plant and certain non-core brands on October 31, 2011. An after-tax gain on sale of $17.7 million was recognized in the year-to-date financial results. Please refer to the "Significant Event" of this MD&A for further details regarding the sale transaction.

2. The reduction of earnings resulting from the aforementioned October 31, 2011 sale transaction, as from November 1, 2011 onward, Corby's results no longer include earnings associated with the brands and manufacturing facility sold. However, the comparative periods will include the financial results of those brands for the full period, given the Company's ownership of the brands at that time.

3. The sale of the Company's formerly owned Seagram Coolers brand which occurred on March 16, 2011. There are no earnings associated with this brand in the current quarter and year-to-date period, however, the comparative periods include the financial results of this brand given the Company's ownership at that time.

In order to effectively assess Corby's current period results against those of the comparative three and nine-month periods, the impacts of the aforementioned three factors have been removed from the discussion, where noted.

As noted in the Financial and Operating Results chart, the Company's net earnings increased $1.6 and $19.2 million for the three and nine month periods, respectively. After removing the impacts of the aforementioned three factors, net earnings increased 42% and 15% for the quarter and nine-month periods ending March 31, 2012, respectively, when compared to the same periods in the prior year. Earnings per share increases mirror these results on the same comparative basis.

These increases were primarily the result of having higher case good sales (driven by Polar Ice vodka in Canada, and Wiser's Canadian whisky in Canada and internationally), increased bulk whisky sales activity, increased interest income earned on cash deposits, and lastly, the impact of having lower statutory corporate tax rates this period versus the same periods last year. The aforementioned growth in earnings was partially offset by increased selling and administrative costs and higher advertising and promotional investment in the Company's key brands in the current year.

Revenue

Revenue declined 10% (or $3.2 million) when compared with the same quarter last year and 4% (or $5.2 million) on a year-to-date comparative basis. This decrease is the result of the revenues from brands and activities no longer included in Corby's portfolio in the current year due to the aforementioned sale transactions (i.e., sale of the Montreal plant and certain non-core brands as of October 31, 2011, and the sale of the Seagram Coolers brand in March 2011). These disposed brands and activities accounted for an $8.2 million decrease in revenues for the quarter and $12.8 million decrease year-to-date.

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

	Three Months Ended				*Nine Months Ended*			
(in millions of Canadian dollars)	***Mar. 31, 2012***	*Mar. 31, 2011*	*$ Change*	*% Change*	***Mar. 31, 2012***	*Mar. 31, 2011*	*$ Change*	*% Change*
Revenue streams:								
Case goods (ex. disposed brands)	**$ 23.1**	$ 20.7	$ 2.4	12%	**$ 80.9**	$ 77.8	$ 3.1	4%
Commissions	**2.9**	2.4	0.5	21%	**12.4**	11.5	0.9	8%
Other services	**3.2**	1.1	2.1	191%	**7.9**	4.3	3.6	84%
Revenue, ex. disposed brands	**29.2**	24.2	5.0	21%	**101.2**	93.6	7.6	8%
Disposed brands	**-**	8.2	(8.2)	(100%)	**13.1**	25.9	(12.8)	(49%)
Revenue	**$ 29.2**	$ 32.4	$ (3.2)	(10%)	**$ 114.3**	$ 119.5	$ (5.2)	(4%)

Removing the impact of the aforementioned sale transactions (which is denoted in the above chart as "Disposed brands"), revenue from the remaining Corby brand portfolio and other business activities increased 21% for the quarter and 8% year-to-date when compared with the same periods in the prior year.

Revenue (excluding Disposed brands) for the three month period ended March 31, 2012 reflects strong Case Goods shipments (increased shipment volume of 7%) and a significant increase in sales of bulk whisky to a former contract bottling customer. Commission income also increased on a quarter-over-quarter comparative basis and is reflective of the overall improvement in the Canadian spirits market.

Year- to-date revenue increased 8% or $7.6 million (excluding Disposed brands) when compared to the same nine month period of the prior year. This increase is a result of the same factors influencing the quarter and is largely attributable to increased Case Good shipment volume of 3% and the aforementioned bulk whisky sales. The increase in net Case Goods revenue is driven by new pricing strategies and refocused promotional activities for certain key brands, notably Polar Ice vodka and Wiser's Canadian whisky. Case Goods revenue also benefited from the impact of general price increases across most of Corby's brand portfolio in Canada. These trends are a continuation of results seen earlier in this fiscal year. The aforementioned bulk whisky sales are to a former contract bottling customer and currently are not expected to continue past December 31, 2012. The supply of the liquid has no impact upon Corby's own supply requirements.

Cost of sales

Cost of sales was $11.7 million, representing a decrease of 27% compared to the same three month period last year. Gross margin was 55.6% this quarter, versus 46.5% for the same three month period last year. The substantial increase in gross margin this quarter when compared with the same quarter last year is a direct result of the two disposal transactions. More specifically, the disposal transactions consisted of the sale of the Seagram Coolers brand (sold March 16, 2011) and the Montreal bottling facility and certain non-core brands (sold October 31, 2011). The revenue derived from the brands and Montreal bottling facility generated significantly less margin than Corby's remaining business.

Gross margin for the nine month period was 53.1% versus 51.0%, showing an improvement this period versus last and is driven by the same factors influencing the quarter as noted above. However, the gross margin increase is not as pronounced as was experienced from a quarter-over-quarter perspective. This is due to the fact that the current nine month period includes four months of operations from the non-core brands and Montreal bottling facility up to the date of disposal on October 31, 2011.

Marketing, sales and administration

Marketing, sales and administration expenses were $11.5 million, as compared to $10.2 million during the same quarter last year, reflecting an increase of $1.3 million. A portion of the increase relates to a project the Company has undertaken to transform its sales and trade-marketing organization in Canada. Additionally, the increase this quarter also reflects higher advertising and promotional spending levels over the prior year in support of its key brands.

On a year-to-date basis, marketing, sales and administration expenses were $35.9 million, an increase of 6% or $1.9 million compared to the same period last year. In addition to the aforementioned quarter-over-quarter impacts (i.e., sales and trade-marketing project and advertising and promotional investments), the year-to-date increase is also on account of inflationary type increases associated with headcount and other related costs.

Other Income and Expenses

Other income and expenses include such items as realized foreign exchange gains and losses, gains on sale of property plant and equipment and amortization of actuarial gains and losses related to the Company's pension and post retirement benefit plans. The balances comprising this account were relatively consistent on both a three and nine month comparison basis.

Net Financial Income

Net financial income is comprised of interest earned on deposits in cash management pools, offset by interest costs associated with the Company's pension and other post-employment obligations. The increased net financial income this quarter and year-to-date is primarily the result of increased market interest rates applicable to the Company's cash deposits in addition to having higher average amounts of cash on deposit.

Income taxes

Income tax expense was $1.8 million as compared to $1.3 million for the same quarter last year. The effective tax rates approximate the statutory rates for both periods. The effective tax rate for the nine month period ending March 31, 2012 is substantially impacted by the sale of the Montreal plant and the non-core brands which resulted in a tax impact of $3.9 million. Partially offsetting the increased tax as a result of the aforementioned sale transaction, were tax savings as a result of previously announced reductions in statutory income tax rates. Both the Canadian federal and Ontario provincial governments enacted reductions to corporate taxation rates.

Liquidity and Capital Resources

Corby's sources of liquidity are its deposits in cash management pools of $106.4 million as at March 31, 2012, and its cash generated from 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, 2012***	*Mar. 31, 2011*	*$ Change*	***Mar. 31, 2012***	*Mar. 31, 2011*	*$ Change*
Operating activities						
Net earnings, adjusted for non-cash items	**$ 7.4**	$ 7.5	$ (0.1)	**$ 32.7**	$ 36.4	$ (3.7)
Net change in non-cash working capital	**(1.2)**	(3.5)	2.3	**10.9**	(2.9)	13.8
Net payments for interest and income taxes	**(1.0)**	(1.5)	0.5	**(6.2)**	(7.3)	1.1
	5.2	2.5	2.7	**37.4**	26.2	11.2
Investing activities						
Additions to capital assets	**(0.3)**	(0.3)	-	**(0.6)**	(0.6)	-
Net proceeds from sale of plant and brands	**(0.7)**	4.8	(5.5)	**37.3**	4.8	32.5
Proceeds from disposition of capital assets	**0.1**	-	0.1	**0.3**	-	0.3
Deposits in cash management pools	**52.0**	(3.0)	55.0	**(9.8)**	(18.4)	8.6
	51.1	1.5	49.6	**27.2**	(14.2)	41.4
Financing activities						
Proceeds from note receivable	**0.6**	-	0.6	**0.6**	-	0.6
Dividends paid	**(56.9)**	(4.0)	(52.9)	**(65.2)**	(12.0)	(53.2)
	(56.3)	(4.0)	(52.3)	**(64.6)**	(12.0)	(52.6)
Net change in cash	**$ -**	$ -	$ -	**$ -**	$ -	$ -

Operating activities

Net cash from operating activities was $5.2 million this quarter, representing an increase of $2.7 million when compared with the same quarter last year. The quarter-over-quarter change is mostly attributable to the net change in non-cash working capital, which generated $2.3 million of cash, and was driven mostly by a reduction in accounts receivable balances compared to the same period last year and due to the aforementioned sale transactions.

On a year-to-date basis, net cash from operating activities was $37.4 million compared to $26.2 million from the same nine month period of the prior year. Non-cash changes in working capital have increased $13.8 million compared to the prior year due to the reduction of accounts receivable and inventory balances. Similar to the quarter, these reductions are related to brands impacted in the aforementioned sale transactions. In addition, the Company's relocation of production of its Lamb's rum international business to the UK effectively reduced the amount of bulk rum inventory levels this quarter when compared with the same period last year.

Investing activities

Cash from investing activities increased $49.6 million this quarter when compared with the same quarter last year. On a year-to-date basis the increase was $41.4 million. During the quarter, cash from investing activities is significantly impacted by draws from deposits in cash management pools which funded the payment of the special dividend discussed further below under “Financing Activities”. On a year-to-date basis, investing activities primarily reflect cash flows from the sale of the Montreal plant and non-core brands, which generated $37.3 million year-to-date in net proceeds. For the nine-month period, there was a net increase to deposits in cash management pools of $8.6 million when compared to same nine month period of the prior year.

Deposits made to cash management pools represent cash on deposit with The Bank of Nova Scotia via Corby’s Mirror Netting Service Agreement with PR. Corby has daily access to these funds and earns a market rate of interest from PR on its deposits. For more information related to these deposits, please refer to the “Related Party Transactions” section of this MD&A.

Financing activities

Cash used for financing activities totals $56.3 million for the quarter and represents the payment of dividends to shareholders and proceeds received from the long-term note receivable paid to the Company during the period. Dividend payments increased over the third quarter last year due to a special dividend of $1.85 per common share paid January 3, 2012, which totalled $52.7 million. A special dividend did not occur in the prior year. In addition, regular dividends increased from $0.14 per share to $0.15 per share effective November 9, 2011, or from approximately $4.0 million per quarter to $4.3 million per quarter. For the nine month period, dividends paid totalled $65.2 million versus $12.0 million for the same nine month period in the prior year; again, the year over year increase is driven by the special dividend paid and the increase to regular quarterly dividend payments from $0.14 per share to $0.15 per share. The payment of these dividends is in accordance with the Company’s stated dividend policy.

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

Declaration Date	Record Date	Payment date	Dividend per Share
May 10, 2012	May 31, 2012	June 15, 2012	$ 0.15
February 8, 2012	February 29, 2012	March 15, 2012	0.15
November 9, 2011 *(special dividend)*	December 15, 2011	January 3, 2012	1.85
November 9, 2011	November 30, 2011	December 15, 2011	0.15
August 24, 2011	September 15, 2011	September 30, 2011	0.14
May 11, 2011	May 31, 2011	June 15, 2011	0.14
February 9, 2011	February 28, 2011	March 15, 2011	0.14
November 10, 2010	November 30, 2010	December 15, 2010	0.14

Outstanding Share Data

There has been no change in Corby’s share data since June 30, 2011. As at May 10, 2012, Corby had 24,274,320 Voting Class A Common Shares and 4,194,536 Non-Voting Class B Common Shares outstanding. The Company does not have a stock option plan, and therefore, there are no options outstanding.

Related Party Transactions

Transactions with parent, ultimate parent, and affiliates

Corby engages in a significant number of transactions with its parent company, its ultimate parent and various affiliates. Specifically, Corby renders services to its parent company, its ultimate parent, and affiliates for the marketing and sale of beverage alcohol products in Canada. Furthermore, Corby 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, recordkeeping services, data processing and other administrative services is also outsourced to its parent company.

The companies operate under the terms of agreements that became effective on September 29, 2006. These agreements provide the Company with the exclusive right to represent PR's brands in the Canadian market for 15 years, as well as providing for the continuing production of certain Corby brands by PR at its production facility in Windsor, Ontario, for 10 years. Corby also manages PR's business interests in Canada, including the Windsor production facility. Certain officers of Corby have been appointed as directors and officers of PR's Canadian entities, as approved by Corby's Board of Directors.

In addition to the aforementioned agreements, Corby signed an agreement on September 26, 2008, with its ultimate parent to be the exclusive Canadian representative for the ABSOLUT vodka and Plymouth gin brands, for a five-year term expiring October 1, 2013. These brands were acquired by PR subsequent to the original representation rights agreement dated September 29, 2006. As noted in the "Significant Events" section of this MD&A, the Company entered into an agreement with PR on November 9, 2011, for a new term for Corby's exclusive right to represent ABSOLUT vodka and Plymouth gin brands in Canada from September 30, 2013 to September 29, 2021, which is consistent with the term of Canadian representation for the other PR brands in Corby's portfolio.

Deposits in cash management pools

Corby participates in a cash pooling arrangement under a Mirror Netting Service Agreement, together with PR's other Canadian affiliates, the terms of which are administered by The Bank of Nova Scotia. The Mirror Netting Service Agreement acts to aggregate each participant's net cash balance for purposes of having a centralized cash management function for all of PR's Canadian affiliates, including Corby. As a result of Corby's participation in this agreement, Corby's credit risk associated with its deposits in cash management pools is contingent upon PR's credit rating. PR's credit rating as at May 10, 2012, as published by Standard & Poor's and Moody's, was BBB- and Baa3, respectively. PR compensates Corby for the benefit it receives from having the Company participate in the Mirror Netting Service Agreement by paying interest to Corby based upon the 30-day LIBOR rate plus 0.40%.

Corby accesses these funds on a daily basis and has the contractual right to withdraw these funds or terminate these cash management arrangements upon providing five days' written notice.

Selected Quarterly Information

Summary of Quarterly Financial Results

(in millions of Canadian dollars, except per share amounts)	**Q3 2012**	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010 (1)
Revenue	**$ 29.2**	$ 40.9	$ 44.2	$ 40.0	$ 32.4	$ 45.5	$ 41.6	$ 42.0
Earnings from operations	**6.1**	33.6	12.6	9.4	4.3	13.7	13.1	9.4
Net earnings, excluding undernoted items (2)	**4.6**	9.0	9.9	6.8	3.1	9.8	9.2	6.6
Net earnings	**4.6**	27.1	9.5	6.8	4.8	9.8	9.2	6.6
Basic EPS	**0.16**	0.95	0.33	0.24	0.11	0.34	0.32	0.23
Diluted EPS	**0.16**	0.95	0.33	0.24	0.11	0.34	0.32	0.23

(1) *The selected information that is presented for quarterly periods in fiscal 2010 does not reflect the impact of the adoption of IFRS.*
(2) *Net earnings have been adjusted for the net after-tax gain on the sale of plant and brands of $17.7 million in the current year and for the net after-tax loss on the sale of Seagram Coolers of $1.7 million in 2011*

The above chart demonstrates the seasonality of Corby's business, as sales are typically strong in the first and second quarters, while third-quarter sales (January, February and March) usually decline after the end of the retail holiday season. Fourth-quarter sales typically increase again with the onset of warmer weather, as consumers tend to increase their purchasing levels during the summer season.

Also highlighted in the chart is the effect the aforementioned sale transactions (i.e., the sale of the Montreal plant and non-core brands in Q2-2012, and the sale of the Seagram Coolers brand in Q3-2011) had on the quarterly results. Specifically, on a quarter-over-quarter comparative basis, revenues for Q3-2012 are lower by $3.2 million compared to Q2-2011 due to these aforementioned changes to the Company's brand portfolio. Removing the impact of the aforementioned sale transactions, revenue from the remaining Corby brand portfolio and other business activities increased 21% for the quarter when compared with the same period in the prior year. In addition, the Company's net earnings were impacted by the gain on the sale of the Montreal plant and non-core brands in the amount of $18.1 million in the second quarter for 2012. The third quarter of 2011 was impacted by a loss on the sale of the Seagram Coolers brand in the amount of $1.7 million.

For further information regarding the sale of the Montreal plant and non-core brands please refer to the interim condensed consolidated financial statements for the period ending March 31, 2012. For further information regarding the sale of the Seagram Coolers brand please refer to the most recently completed annual report for the year ended June 30, 2011.

New Accounting Pronouncements

Transition to International Financial Reporting Standards

The Company has adopted International Financial Reporting Standards ("IFRS") for its 2012 fiscal year as required by the Accounting Standards Board of the Canadian Institute of Chartered Accountants. The Company provided information on its transition to IFRS in its 2011 Annual MD&A. The assessments and impacts discussion in the 2011 Annual MD&A remain largely unchanged.

The most significant impact of the transition to IFRS is the revaluation of the Company's provision for pensions to conform to Corby's parent company's measurement basis. Upon transition to IFRS, the Company's opening July 1, 2010 retained earnings balance has been reduced by $14.6 million, including the impact of taxes, due to the revaluation of its pension obligations.

The Company has provided a detailed explanation of the impacts of this transition in Note 16 of the Company's first quarter 2012 unaudited interim condensed period financial statements ("Note 16"). Note 16 includes reconciliations of the Company's balance sheet and shareholders' equity from Canadian GAAP to IFRS as at June 30, 2011and July 1, 2010 and its fiscal 2011 net earnings and comprehensive income for the year ending June 30, 2011. Explanation of the individual impacts of adopting IFRS identified in the reconciliations is also provided, as are the Company's elections under IFRS 1 "First-time Adoption of International Financial Reporting Standards". Note 16 to the Company's third quarter 2012 unaudited condensed consolidated financial statements includes reconciliations of the Company's balance sheet and shareholders' equity from Canadian GAAP to IFRS as at March 31, 2011 and its net earnings and comprehensive income for the three and nine months ended March 31, 2011.

Recent accounting pronouncements

A number of new standards, amendments to standards and interpretations have been issued but are not yet effective for the financial year ending June 30, 2012, and accordingly, have not been applied in preparing the interim condensed consolidated financial statements for the three and nine month periods ending March 31, 2012:

(i) Deferred Taxes – Recovery of Underlying Assets

The IASB has issued an amendment to IAS 12, "Income Taxes" ("IAS 12 amendment"), which introduces an exception to the general measurement requirements of IAS 12 in respect of investment properties measured at fair value. The IAS 12 amendment is effective for annual periods beginning on or after January 1, 2012. For Corby, this amendment becomes effective July 1, 2012. Corby does not anticipate the implementation of this amendment to have a significant impact on its results of operations, financial position and disclosures.

(ii) Presentation of Financial Statements

On June 16, 2011 the IASB issued amendments to IAS 1, "Presentation of Financial Statements." The amendments enhance the presentation of Other Comprehensive Income ("OCI") in the financial statements. A requirement has been added to present items in other comprehensive income grouped on the basis of whether they may be subsequently reclassified to earnings in order to more clearly show the effect the items of other comprehensive income may have on future earnings. The amendments are effective for annual periods beginning on or after July 1, 2012. As the amendments only relate to presentation, Corby's results of operations and financial position will not be impacted. Further, Corby does not anticipate the amendment will have a significant impact on disclosure.

(iii) Consolidated Financial Statements

In May 2011 the IASB issued IFRS 10, "Consolidated Financial Statements" ("IFRS 10"), IFRS 11, "Joint Ventures" ("IFRS 11"), and IFRS 12, "Disclosure of Interest in Other Entities" ("IFRS 12"). In addition, the IASB amended IAS 27, "Consolidated and Separate Financial Statements" ("IAS 27") and IAS 28, "Investments in Associates and Joint Ventures" ("IAS 28"). The objective of IFRS 10 is to define the principles of control and establish the basis of determining when and how an entity should be included within a set of consolidated financial statements. IFRS 11 establishes principles to determine the type of joint arrangement and guidance for financial reporting activities required by entities that have an interest in an arrangement that is jointly controlled. IFRS 12 enables users of the financial statements to evaluate the nature and risks associated with its interest in other entities and the effects of those interests on its financial performance.

IFRS 10, 11 and 12, and the amendments to IAS 27 and 28 are all effective for annual periods beginning on or after January 1, 2013. For Corby, this set of standards and amendments becomes effective July 1, 2013. The

Company is currently assessing the impact of IFRS 10, 11, and 12 and the amendments to IAS 27 and 28 on its consolidated financial statements.

(iv) Fair Value Measurement

On May 12, 2011 the IASB issued IFRS 13, "Fair Value Measurement" ("IFRS 13") which defines fair value, provides guidance in a single IFRS framework for measuring fair value and identifies the required disclosures pertaining to fair value measurement. This standard is effective for annual periods beginning on or after January 1, 2013. For Corby this standard becomes effective July 1, 2013. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

(v) Employee Benefits

On June 16, 2011 the IASB revised IAS 19, "Employee Benefits" ("IAS 19"). The revisions include the elimination of the option to defer the recognition of actuarial gains and losses, enhancing the guidance around measurement of plan assets and defined benefit obligations, streamlining the presentation of changes in assets and liabilities arising from defined benefit plans and introduces enhanced disclosure for defined benefit plans. The amendments are effective for annual periods beginning on or after January 1, 2013. For Corby, the revisions to this standard become effective July 1, 2013. The Company is currently assessing the impact of this amendment on its consolidated financial statements.

(vi) Financial Instruments

The IASB has issued a new standard, IFRS 9, "Financial Instruments" ("IFRS 9"), which will ultimately replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). The replacement of IAS 39 is a multi-phase project with the objective of improving and simplifying the reporting for financial instruments and the issuance of IFRS 9 is part of the first phase. This standard becomes effective for fiscal years beginning on or after January 1, 2015. For Corby, this standard will become effective July 1, 2015. The Company is currently assessing the impact of the new standard on its results of operations, financial position and disclosures.

Internal Controls Over Financial Reporting

The Company maintains a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the Company is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.

In addition, the CEO and CFO have designed, or caused to be designed under their supervision, internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be designed effectively can provide only reasonable assurance with respect to financial reporting and financial statement preparation.

There were no changes in internal control over financial reporting during the Company's most recent interim period that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Risks & Risk Management

The Company is exposed to a number of risks in the normal course of its business that have the potential to affect its operating and financial performance.

Industry and Regulatory

The beverage alcohol industry in Canada is subject to government policy, extensive regulatory requirements and significant rates of taxation at both the federal and provincial levels. As a result, changes in the government policy, regulatory and/or taxation environments within the beverage alcohol industry may affect Corby's business operations, causing changes in market dynamics or changes in consumer consumption patterns. In addition, the Company's provincial LB customers have the ability to mandate changes that can lead to increased costs, as well as other factors that may impact financial results.

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

Consumer Consumption Patterns

Beverage alcohol companies are susceptible to risks relating to changes in consumer consumption patterns. Consumer consumption patterns are affected by many external influences, not the least of which is the 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 spirits categories and at various price points, which complements consumer desires and offers exciting innovation.

Distribution/Supply Chain Interruption

The Company is susceptible to risks relating to distributor and supply chain interruptions. Distribution in Canada is largely accomplished through the government-owned provincial LBs and, therefore, an interruption (e.g., a labour strike) for any length of time may have a significant impact on the Company's ability to sell its products in a particular province and/or market.

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

Environmental Compliance

Environmental liabilities may potentially arise when companies are in the business of manufacturing products and, thus, required to handle potentially hazardous materials. As Corby outsources 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. 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 extremely competitive. Competitors may take actions to establish and sustain a 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 Netting Service Agreement (as previously described in the "Related Party Transactions" section of this MD&A), as well as credit exposure to customers, including outstanding accounts and note 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 LB s, management believes the Company's credit risk relating to accounts receivable is at an acceptably low level. The Company's note receivable is secured.

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 and also has a note receivable that earns a fixed rate of interest. An active risk management program does not exist, as management believes that changes in interest rates would not have a material impact on Corby's financial position over the long term.

Exposure to Commodity Price Fluctuations

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

Foreign Currency Exchange Risk

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

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

<u>GBP Exposure</u>
The Company's supply of GBP outpaces demand, as Corby's sales into the UK market are denominated in GBP, while it has only an insignificant amount of GBP purchases. Therefore, increases in the value of the CAD relative to the GBP will have an unfavourable impact on the Company's earnings. As a result of the Company's recent relocation of its Lamb's international production from Canada to the UK, Corby's exposure to fluctuations in GBP relative to the CAD will be significantly reduced.

Third-Party Service Providers

HWSL, which Corby manages on behalf of PR, provides more than 80% of the Company's production requirements, among other services including administration and information technology. However, the Company is reliant upon certain third-party service providers in respect of certain of its operations. It is possible that negative events affecting these third-party service providers could, in turn, negatively impact the Company. While the Company has no direct control over how such third parties are managed, it has entered into contractual arrangements to formalize these relationships. In order to minimize operating risks, the Company actively monitors and manages its relationships with its third-party service providers.

Brand Reputation and Trademark Protection

The Company promotes nationally branded, non-proprietary products as well as proprietary products. Damage to the reputation of any of these brands, or to the reputation of any supplier or manufacturer of these brands, could negatively impact consumer opinion of the Company or the related products, which could have an adverse impact on the financial performance of the Company. The Company strives to mitigate such risks by selecting only those products from suppliers that strategically complement Corby's existing brand portfolio and by actively monitoring brand advertising and promotion activities. The Company registers trademarks, as applicable, while constantly watching for and responding to competitive threats, as necessary.

Valuation of Goodwill and Intangible Assets

Goodwill and intangible assets account for a significant amount of the Company's total assets. Goodwill and intangible assets are subject to impairment tests that involve the determination of fair value. Inherent in such fair value determinations are certain judgments and estimates including, but not limited to, projected future sales, earnings and capital investment; discount rates; and terminal growth rates. These judgments and estimates may change in the future due to uncertain competitive market and general economic conditions, or as the Company makes changes in its business strategies. Given the current state of the economy, certain of the aforementioned factors affecting the determination of fair value may be impacted and, as a result, the Company's financial results may be adversely affected.

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

		Carrying Values as at March 31, 2012		
Associated Brand	Associated Market	Goodwill	Intangibles	Total
Various PR brands	Canada	$ -	$ 43.1	$ 43.1
Lamb's rum	United Kingdom[1]	1.4	11.8	13.2
Corby domestic brands	Canada [2]	1.9	-	1.9
		$ 3.3	$ 54.9	$ 58.2

[1] *The international business for Lamb's rum is primarily focused in the UK, however, the trademarks and licences purchased, relate to all international markets outside of Canada, as Corby previously owned the Canadian rights.*

[2] *Goodwill related to Corby domestic brands has been adjusted to reflect the impact of the sale of certain DeKuyer brands as discussed in the "Significant Events" section of this MD&A.*

Therefore, economic factors (such as consumer consumption patterns) specific to these brands and markets are primary drivers of the risk associated with their respective goodwill and intangible assets valuations.

Provision for pensions

The Company has certain obligations under its registered and non-registered defined benefit pension plans and other post-retirement benefit plan. There is no assurance that the Company's benefit plans will be able to earn the assumed rate of return. New regulations and market-driven changes may result in changes in the discount rates and other variables, which would result in the Company being required to make contributions in the future that differ significantly from estimates. An extended period of depressed capital markets and low interest rates could require the Company to make contributions to these plans in excess of those currently contemplated, which, in turn, could have an adverse impact on the financial performance of the Company. Somewhat mitigating the impact of a potential market decline is the fact that the Company monitors its pension plan assets closely and follows strict guidelines to ensure that pension fund investment portfolios are diversified in-line with industry best practices. For further details related to Corby's defined benefit pension plans, please refer to Note 21 of the interim condensed consolidated financial statements for the quarter ended September 30, 2011 which includes details of the provision for pensions under IFRS as at June 30, 2011.

CORBY DISTILLERIES LIMITED
INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)
(in thousands of Canadian dollars)

	Note	**March 31, 2012**	March 31, 2011[1]	June 30, 2011[1]	July 1, 2010[1]
ASSETS					
Deposits in cash management pools		**$ 106,430**	$ 93,045	$ 96,636	$ 74,685
Accounts receivable	5	**26,309**	29,567	31,005	28,340
Income and other taxes recoverable		**-**	-	-	1,070
Inventories		**50,048**	62,759	59,654	60,502
Prepaid expenses		**326**	919	1,731	1,551
Current portion of note receivable	4	**600**	600	600	-
Total current assets		**183,713**	186,890	189,626	166,148
Note receivable	4	**1,200**	1,800	1,800	-
Deferred income taxes		**-**	596	256	-
Property and equipment		**6,721**	14,509	15,646	15,238
Goodwill		**3,278**	5,886	5,886	6,857
Intangible assets		**54,904**	59,435	58,302	70,571
Total assets		**$ 249,816**	$ 269,116	$ 271,516	$ 258,814
LIABILITIES					
Accounts payable and accrued liabilities	6	**$ 18,916**	$ 17,463	$ 19,492	$ 18,285
Income and other taxes payable		**3,979**	1,873	115	-
Total current liabilities		**22,895**	19,336	19,607	18,285
Provision for pensions		**10,856**	13,384	12,670	14,175
Deferred income taxes		**853**	-	-	41
Total liabiliites		**34,604**	32,720	32,277	32,501
Shareholders' equity					
Share capital		**14,304**	14,304	14,304	14,304
Retained earnings		**200,908**	222,092	224,935	212,009
Total shareholders' equity		**215,212**	236,396	239,239	226,313
Total liabilities and shareholders' equity		**$ 249,816**	$ 269,116	$ 271,516	$ 258,814

[1] In preparing its comparative information, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). See Note 16 to the first interim condensed consolidated financial statements for the three month periods ending September 30, 2011 and 2010 for an explanation of the transition to IFRS on the balance sheet at July 1, 2010 and Note 16 to these condensed consolidated financial statements for an explanation of the impact on the three and nine month periods ending March 31, 2011.

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

CORBY DISTILLERIES LIMITED
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

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

		For the Three Months Ended		For the Nine Months Ended	
	Note	**March 31, 2012**	March 31, 2011[1]	**March 31, 2012**	March 31, 2011[1]
Revenue	7,14	**$ 29,171**	$ 32,374	**$ 114,313**	$ 119,485
Cost of sales	8,14	**(11,681)**	(16,062)	**(47,817)**	(52,900)
Marketing, sales and administration	8,14	**(11,528)**	(10,186)	**(35,970)**	(34,011)
Disposal transactions	4	**-**	(2,233)	**21,532**	(2,233)
Other income and expenses	9	**103**	335	**174**	676
Earnings from operations		**6,065**	4,228	**52,232**	31,017
Financial income		**514**	356	**1,510**	905
Financial expenses		**(151)**	(252)	**(428)**	(734)
Net financial income	10	**363**	104	**1,082**	171
Earnings before income taxes		**6,428**	4,332	**53,314**	31,188
Current income taxes		**(1,820)**	(2,009)	**(11,038)**	(9,784)
Deferred income taxes		**31**	727	**(1,109)**	637
Income taxes	11	**(1,789)**	(1,282)	**(12,147)**	(9,147)
Net earnings		**$ 4,639**	$ 3,050	**$ 41,167**	$ 22,041
Basic earnings per share		**$ 0.16**	$ 0.11	**$ 1.45**	$ 0.77
Diluted earnings per share		**$ 0.16**	$ 0.11	**$ 1.45**	$ 0.77
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

[1] In preparing its comparative information, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). See Note 16 to the first interim condensed consolidated financial statements for the three month periods ending September 30, 2011 and 2010 for an explanation of the transition to IFRS on the balance sheet at July 1, 2010 and Note 16 to these condensed consolidated financial statements for an explanation of the impact on the three and nine month periods ending March 31, 2011.

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

CORBY DISTILLERIES LIMITED
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)
(in thousands of Canadian dollars)

	For the Three Months Ended		For the Nine Months Ended	
	March 31, 2012	March 31, 2011[1]	**March 31, 2012**	March 31, 2011[1]
Net earnings	**$ 4,639**	$ 3,050	**$ 41,167**	$ 22,041
Other comprehensive income	**-**	-	**-**	-
Total comprehensive income	**$ 4,639**	$ 3,050	**$ 41,167**	$ 22,041

[1] In preparing its comparative information, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). See Note 16 to the first interim condensed consolidated financial statements for the three month periods ending September 30, 2011 and 2010 for an explanation of the transition to IFRS on the balance sheet at July 1, 2010 and Note 16 to these condensed consolidated financial statements for an explanation of the impact on the three and nine month periods ending March 31, 2011.

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

CORBY DISTILLERIES LIMITED
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)
(in thousands of Canadian dollars)

	Note	Share Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total
Balance as at July 1, 2011 [1]		$ 14,304	$ -	$ 224,935	$ 239,239
Net earnings		-	-	41,167	41,167
Other comprehensive income		-	-	-	-
Dividends		-	-	(65,194)	(65,194)
Balance as at March 31, 2012		**$ 14,304**	**$ -**	**$ 200,908**	**$ 215,212**
Balance as at July 1, 2010 [1]		$ 14,304	$ -	$ 212,009	$ 226,313
Net earnings		-	-	22,041	22,041
Other comprehensive income		-	-	-	-
Dividends		-	-	(11,958)	(11,958)
Balance as at March 31, 2011 [1]		$ 14,304	$ -	$ 222,092	$ 236,396

[1] In preparing its comparative information, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). See Note 16 to the first interim condensed consolidated financial statements for the three month periods ending September 30, 2011 and 2010 for an explanation of the transition to IFRS on the balance sheet at July 1, 2010 and Note 16 to these condensed consolidated financial statements for an explanation of the impact on the three and nine month periods ending March 31, 2011.

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

CORBY DISTILLERIES LIMITED
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

(Unaudited)
(in thousands of Canadian dollars)

	Notes	For the Three Months Ended March 31, 2012	For the Three Months Ended March 31, 2011[1]	For the Nine Months Ended March 31, 2012	For the Nine Months Ended March 31, 2011[1]
Operating activities					
Net earnings		**$ 4,639**	$ 3,050	**$ 41,167**	$ 22,041
Adjustments for:					
Amortization and depreciation	8	**1,340**	1,542	**4,331**	4,675
Net financial income	10	**(363)**	(104)	**(1,082)**	(171)
Disposal transactions	4	**-**	2,233	**(21,532)**	2,233
(Gain) loss on disposal of property and equipment		**(42)**	-	**(128)**	4
Income tax expense		**1,789**	1,282	**12,147**	9,147
Provision for pensions		**13**	(515)	**(2,218)**	(1,514)
		7,376	7,488	**32,685**	36,415
Net change in non-cash working capital balances	12	**(1,164)**	(3,468)	**10,850**	(2,883)
Interest received		**486**	345	**1,401**	890
Income taxes paid		**(1,446)**	(1,854)	**(7,586)**	(8,249)
Net cash from operating activities		**5,252**	2,511	**37,350**	26,173
Investing activities					
Additions to property and equipment		**(310)**	(298)	**(619)**	(628)
Net (payments) proceeds on disposal transactions		**(711)**	4,756	**37,376**	4,756
Proceeds from disposition of property and equipment		**110**	-	**281**	17
Deposits in cash management pools		**51,997**	(2,983)	**(9,794)**	(18,360)
Net cash from (used) in investing activities		**51,086**	1,475	**27,244**	(14,215)
Financing activities					
Proceeds from note receivable		**600**	-	**600**	-
Dividends paid		**(56,938)**	(3,986)	**(65,194)**	(11,958)
Net cash used in financing activities		**(56,338)**	(3,986)	**(64,594)**	(11,958)
Net change in cash		**-**	-	**-**	-
Cash, beginning of period		**-**	-	**-**	-
Cash, end of period		**$ -**	$ -	**$ -**	$ -

[1] In preparing its comparative information, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). See Note 16 to the first interim condensed consolidated financial statements for the three month periods ending September 30, 2011 and 2010 for an explanation of the transition to IFRS on the balance sheet at July 1, 2010 and Note 16 to these condensed consolidated financial statements for an explanation of the impact on the three and nine month periods ending March 31, 2011.

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

1. GENERAL INFORMATION

Corby Distilleries Limited ("Corby" or the "Company") is a leading Canadian marketer of spirits and importer of wines. The Company derives its revenues from the sale of its owned-brands in Canada and other international markets, as well as earning commissions from the representation of selected non-owned brands in the Canadian marketplace. Revenues predominantly consist of sales made to each of the provincial liquor boards in Canada.

Corby is controlled by Hiram Walker & Sons Limited ("HWSL"), which is a wholly owned subsidiary of Pernod Ricard, S.A. ("PR"), a French public limited company that owned 51.6% of the outstanding Voting Class A Common Shares of Corby as at May 10, 2012.

Corby is a public company incorporated and domiciled in Canada, whose shares are traded on the Toronto Stock Exchange. The Company's registered address is 225 King Street West, Suite 1100, Toronto, Ontario M5V 3M2.

2. BASIS OF PREPARATION

Statement of compliance
These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting* ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). They have been prepared using the accounting policies the Company expects to adopt in its consolidated financial statements as at and for the financial year ending June 30, 2012 that were described in Note 3 to the Company's first quarter interim condensed consolidated financial statements as at and for the three months ended September 30, 2011 and 2010.

As these interim condensed consolidated financial statements are prepared using International Financial Reporting Standards ("IFRS"), certain disclosures that are required to be included in the annual financial statements prepared in accordance with IFRS that were not included in the Company's most recent annual financial statements prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"), were included in Note 3 to the Company's first quarter interim condensed consolidated financial statements as at and for the three months ended September 30, 2011 and 2010.

These interim condensed consolidated financial statements should be read in conjunction with the Company's 2011 annual financial statements and in consideration of the IFRS transitional disclosures included in Note 16 to these interim condensed consolidated financial statements and Note 16 to the first quarter interim condensed consolidated financial statements as at and for the three months ended September 30, 2011 and 2010 and the additional annual disclosures included in the Company's interim condensed consolidated financial statements as at and for the three months ended September 30, 2011 and 2010 (Notes 17 through 25).

These interim condensed consolidated financial statements were approved by the Company's Board of Directors on May 10, 2012.

Functional and presentation currency
The Company's interim condensed consolidated financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency.

2. BASIS OF PREPARATION (continued)

Foreign currency translation

Transactions denominated in foreign currencies are translated into the functional currency using the exchange rate applying at the transaction date. Non-monetary assets and liabilities denominated in foreign currencies are recognized at the historical exchange rate applicable at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate applying at the balance sheet date. Foreign currency differences related to operating activities are recognized in earnings from operations for the period; foreign currency differences related to financing activities are recognized within net financial income.

Basis of Measurement

These interim condensed consolidated financial statements are prepared in accordance with the historical cost model, except for certain categories of assets and liabilities, which are measured in accordance with the methods provided for by IFRS and as described in Note 3 of the first quarter interim condensed consolidated financial statements for the three months ended September 30, 2011 and 2010. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Seasonality

The interim condensed consolidated 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 subject to seasonal fluctuations as sales are typically strong in the first and second quarters, while third-quarter sales usually decline after the end of the retail holiday season. Fourth-quarter sales typically increase again with the onset of warmer weather as consumers tend to increase their purchasing levels during the summer season.

Use of Estimates and Judgements

The preparation of the interim condensed consolidated financial statements in conformity with IFRS requires management to make certain judgements, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. These estimates are made on the assumption the Company will continue as a going concern and are based on information available at the time of preparation. Estimates may be revised where the circumstance on which they were based change or where new information becomes available. Future outcomes can differ from these estimates.

Judgement is commonly used in determining whether a balance or transaction should be recognized in the consolidated financial statements and estimates and assumptions are more commonly used in determining the measurement of recognized transactions and balances. However, judgement and estimates are often interrelated.

The Company has applied judgement in its determining the tax rates used for measuring deferred taxes and identifying the indicators of impairment for property and equipment, goodwill and intangible assets. In the absence of standards or interpretations applicable to a specific transaction, management uses its judgement to define and apply accounting policies that provide relevant and reliable information in the context of the preparation of the financial statements.

Estimates are used when estimating the useful lives of property, plant and equipment and intangible assets for the purpose of depreciation and amortization, when accounting for or measuring items such as allowances for uncollectible accounts receivable and inventory obsolescence, assumptions underlying the actuarial determination of provision for pensions, income and other taxes, provisions, certain fair value measures including those related to the valuation of share-based payments and financial instruments, and when testing goodwill, intangible assets and other assets for impairment. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

3. SIGNIFICANT ACCOUNTING POLICIES

Recent accounting pronouncements
A number of new standards, amendments to standards and interpretations have been issued but are not yet effective for the financial year ending June 30, 2012, and accordingly, have not been applied in preparing these consolidated financial statements:

(i) Deferred Taxes – Recovery of Underlying Assets

The IASB has issued an amendment to IAS 12, "Income Taxes" ("IAS 12 amendment"), which introduces an exception to the general measurement requirements of IAS 12 in respect of investment properties measured at fair value. The IAS 12 amendment is effective for annual periods beginning on or after January 1, 2012. Corby does not anticipate the implementation of this amendment to have a significant impact on its results of operations, financial position and disclosures.

(ii) Presentation of Financial Statements

On June 16, 2011 the IASB issued amendments to IAS 1, "Presentation of Financial Statements." The amendments enhance the presentation of Other Comprehensive Income ("OCI") in the financial statements. A requirement has been added to present items in other comprehensive income grouped on the basis of whether they may be subsequently reclassified to earnings in order to more clearly show the effect the items of other comprehensive income may have on future earnings. The amendments are effective for annual periods beginning on or after July 1, 2012. As the amendments only relate to presentation, Corby's results of operations and financial position will not be impacted. Further, Corby does not anticipate the amendment will have a significant impact on disclosure.

(iii) Consolidated Financial Statements

In May 2011 the IASB issued IFRS 10, "Consolidated Financial Statements" ("IFRS 10"), IFRS 11, "Joint Ventures" ("IFRS 11"), and IFRS 12, "Disclosure of Interest in Other Entities" ("IFRS 12"). In addition, the IASB amended IAS 27, "Consolidated and Separate Financial Statements" ("IAS27") and IAS 28, "Investments in Associates and Joint Ventures" ("IAS 28"). The objective of IFRS 10 is to define the principles of control and establish the basis of determining when and how an entity should be included within a set of consolidated financial statements. IFRS 11 establishes principles to determine the type of joint arrangement and guidance for financial reporting activities required by entities that have an interest in an arrangement that is jointly controlled. IFRS 12 enables users of the financial statements to evaluate the nature and risks associated with its interest in other entities and the effects of those interests on its financial performance.

IFRS 10, 11 and 12, and the amendments to IAS 27 and 28 are all effective for annual periods beginning on or after January 1, 2013. For Corby, this set of standards and amendments become effective July 1, 2013. The Company is currently assessing the impact of IFRS 10, 11, and 12 and the amendments to IAS 27 and 28 on its consolidated financial statements.

(iv) Fair Value Measurement

On May 12, 2011 the IASB issued IFRS 13, "Fair Value Measurement" ("IFRS 13") which defines fair value, provides guidance in a single IFRS framework for measuring fair value and identifies the required disclosures pertaining to fair value measurement. This standard is effective for annual periods beginning on or after January 1, 2013. For Corby this standard becomes effective July 1, 2013. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Employee Benefits

On June 16, 2011 the IASB revised IAS 19, "Employee Benefits" ("IAS 19"). The revisions include the elimination of the option to defer the recognition of actuarial gains and losses, enhancing the guidance around measurement of plan assets and defined benefit obligations, streamlining the presentation of changes in assets and liabilities arising from defined benefit plans and introduces enhanced disclosure for defined benefit plans. The amendments are effective for annual periods beginning on or after January 1, 2013. For Corby, the revisions to this standard become effective July 1, 2013. The Company is currently assessing the impact of this amendment on its consolidated financial statements.

(vi) Financial Instruments

The IASB has issued a new standard, IFRS 9, "Financial Instruments" ("IFRS 9"), which will ultimately replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). The replacement of IAS 39 is a multi-phase project with the objective of improving and simplifying the reporting for financial instruments and the issuance of IFRS 9 is part of the first phase. This standard becomes effective for fiscal years beginning on or after January 1, 2015. For Corby, this standard will become effective July 1, 2015. The Company is currently assessing the impact of the new standard on its results of operations, financial position and disclosures.

4. DISPOSAL TRANSACTIONS

Sale of Montreal manufacturing facility and non-core brands

On October 31, 2011, the Company completed a transaction to sell the shares of the wholly-owned subsidiary that owned the manufacturing and bottling facility located in Montreal, Quebec. The transaction resulted in the sale of 17 brands, as well as the Montreal-based manufacturing facility where a significant portion of the brands were produced, for a total purchase price of $39,660; including the cost of inventory and other working capital items associated with the brands and manufacturing facility sold. The transaction resulted in a gain on sale recorded as follows:

	For the nine month period ended March 31, 2012
Proceeds, including inventory and other working capital items	$ 39,660
Book value of assets sold, including inventory and other working capital items	(17,820)
Curtailment gain with respect to employee benefit plans	2,168
Transaction costs	(2,476)
Gain on sale before income taxes	21,532
Income taxes	(3,855)
Net gain on sale	$ 17,677

The agreement contains customary representations, warranties and covenants. In addition, as part of the agreement, Corby agreed to indemnify Sazerac in respect of a misrepresentation, breach of covenant, pre-closing liabilities and certain environmental matters. Based on current facts and circumstances, no material liability is anticipated in respect of this indemnification, and no provision has been made in the financial results for this contingency.

4. DISPOSAL TRANSACTIONS (continued)

Sale of Seagram Coolers

On March 16, 2011, the Company entered into an agreement with Brick Brewing Co. Ltd ("Brick"), pursuant to which Brick purchased from Corby the Canadian rights to the Seagram Coolers brand, for a purchase price of $7,300. The transaction resulted in a loss on sale during the three and nine month periods ending March 31, 2011, as follows:

		For the nine month period ended March 31, 2011
Proceeds	$	7,300
Book value of assets sold		(9,061)
Transaction costs		(472)
Loss on sale before income taxes		(2,233)
Income taxes		500
Net loss on sale	$	(1,733)

The purchase price was satisfied in part by a secured promissory note issued by Brick in favour of Corby for $2,400, which will be paid in equal annual instalments of $600 plus interest of 5% per annum, with the final payment due January 31, 2015.

5. ACCOUNTS RECEIVABLE

		March 31, 2012		March 31, 2011		June 30, 2011		July 1, 2010
Trade receivables	**$**	**17,992**	$	22,367	$	21,398	$	22,144
Due from related parties		**8,302**		5,839		8,216		6,196
Other receivables		**15**		1,361		1,391		-
	$	**26,309**	$	29,567	$	31,005	$	28,340

Other receivables included amounts owing from Brick Brewing Co., Limited for inventory transferred as part of the sale of the Seagram Coolers brand, and also includes interest accrued on the secured promissory note receivable also due from Brick Brewing Co., Limited previously described in Note 4 of these interim financial statements. The amount owing from Brick related to inventory was paid in full during the three month period ending March 31, 2012.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		March 31, 2012		March 31, 2011		June 30, 2011		July 1, 2010
Trade payables and accruals	**$**	**12,388**	$	12,743	$	13,375	$	12,554
Due to related parties		**6,528**		4,720		6,117		5,731
	$	**18,916**	$	17,463	$	19,492	$	18,285

7. REVENUE

The Company's revenue consists of the following streams:

	Three Months Ended		Nine Months Ended	
	March 31, 2012	March 31, 2011	**March 31, 2012**	March 31, 2011
Case good sales	**$ 23,131**	$ 23,486	**$ 85,212**	$ 89,300
Commissions	**2,885**	2,381	**12,350**	11,454
Other services	**3,155**	6,507	**16,751**	18,731
	$ 29,171	$ 32,374	**$ 114,313**	$ 119,485

Commissions for the three and nine month periods are shown net of the long-term representation rights amortization of $1,133 and $3,398 (2011 - $1,133 and $3,398). Other services include revenues incidental to the manufacture of case goods, such as contract bottling revenues, logistics fees and miscellaneous bulk spirit sales.

8. EXPENSES BY NATURE

Earnings from operations include depreciation and amortization, as well as personnel expenses as follows:

	Three Months Ended		Nine Months Ended	
	March 31, 2012	March 31, 2011	**March 31, 2012**	March 31, 2011
Depreciation of property and equipment	**$ 207**	$ 409	**$ 933**	$ 1,277
Amortization of intangible assets	**1,133**	1,133	**3,398**	3,398
Salary and payroll costs	**5,161**	6,009	**16,024**	16,800
Expenses (recoveries) related to pensions and benefits	**490**	211	**(762)**	633
	$ 6,991	$ 7,762	**$ 19,593**	$ 22,108

9. OTHER INCOME AND EXPENSE

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

	Three Months Ended		Nine Months Ended	
	March 31, 2012	March 31, 2011	**March 31, 2012**	March 31, 2011
Foreign exchange gain	**$ 50**	$ 120	**$ 83**	$ 36
Gain (loss) on disposal of property and equipment	**42**	-	**128**	(4)
Amortization of actuarial gains (losses) under defined benefit plans	**11**	215	**(37)**	644
	$ 103	$ 335	**$ 174**	$ 676

10. NET FINANCIAL INCOME

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

	Three Months Ended		*Nine Months Ended*	
	March 31, 2012	March 31, 2011	**March 31, 2012**	March 31, 2011
Interest income	**$ 514**	$ 356	**$ 1,510**	$ 905
Interest expense	**(2)**	(11)	**(23)**	(11)
Net financial impact of pensions	**(149)**	(241)	**(405)**	(723)
	$ 363	$ 104	**$ 1,082**	$ 171

11. INCOME TAXES

The effective tax rate for the nine month period ended March 31, 2012 differs substantially from the statutory rate due to the effect of the October 31, 2011 sale transaction, whereby the Company sold its Montreal bottling facility and certain non-core brands. For further details regarding the aforementioned sale transaction, including the income tax impact, please refer to Note 4 of these interim condensed consolidated financial statements. For all other periods presented, the effective tax rates approximate the statutory rates.

12. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES

	Three Months Ended		*Nine Months Ended*	
	March 31, 2012	March 31, 2011	**March 31, 2012**	March 31, 2011
Accounts receivable	**$ 3,962**	$ 1,203	**$ 4,696**	$ (1,227)
Inventories	**(959)**	(1,580)	**3,389**	(2,550)
Prepaid expenses	**480**	(292)	**1,405**	632
Other taxes payable	**830**	786	**(131)**	1,408
Accounts payable and accrued liabilities	**(5,477)**	(3,585)	**1,491**	(1,146)
	$ (1,164)	$ (3,468)	**$ 10,850**	$ (2,883)

13. DIVIDENDS

On May 10, 2012 subsequent to the quarter ended March 31, 2012, the Board of Directors declared its regular quarterly dividend of $0.15 per common share, to be paid on June 15, 2012, to shareholders of record as at the close of business on May 31, 2012. This dividend is in accordance with the Company's dividend policy.

14. RELATED PARTY TRANSACTIONS

Transactions with parent, ultimate parent, and affiliates

The majority of Corby's issued and outstanding voting Class A shares are owned by HWSL. HWSL is a wholly-owned subsidiary of PR. Therefore, HWSL is Corby's parent and PR is Corby's ultimate parent. Affiliated companies are subsidiaries which are controlled by Corby's parent and/or ultimate parent.

The companies operate under the terms of agreements that became effective on September 29, 2006. These agreements provide the Company with the exclusive right to represent PR's brands in the Canadian market for 15 years, as well as providing for the continuing production of certain Corby brands by PR at its production facility in Windsor, Ontario, for 10 years. Corby also manages PR's business interests in Canada, including the Windsor production facility. Certain officers of Corby have been appointed as directors and officers of PR's Canadian entities, as approved by Corby's Board of Directors.

In addition to the aforementioned agreements, Corby signed an agreement on September 26, 2008, with its ultimate parent to be the exclusive Canadian representative for the ABSOLUT vodka and Plymouth gin brands, for a five-year term expiring October 1, 2013. These brands were acquired by PR subsequent to the original representation rights agreement dated September 29, 2006.

On November 9, 2011, the Company announced that it has entered into an agreement with PR for a new term for Corby's exclusive right to represent ABSOLUT vodka and Plymouth gin brands in Canada from September 30, 2013 to September 29, 2021, which is consistent with the term of Canadian representation for the other PR brands in Corby's portfolio. Under the agreement, Corby will pay the present value of $10 million for the additional eight years of the new term to PR at its commencement.

Transactions between Corby and its parent, ultimate parent and affiliates during the period are as follows:

	Three Months Ended		*Nine Months Ended*	
	March 31, 2012	March 31, 2011	**March 31, 2012**	March 31, 2011
Sales to related parties				
Commissions - parent, ultimate parent and affiliated companies	**$ 3,408**	$ 2,936	**$ 13,281**	$ 12,454
Blending and bottling services - parent	**-**	42	**217**	179
Products for resale at an export level - affiliated companies	**92**	118	**340**	319
Bulk spirits - parent	**20**	-	**170**	-
	$ 3,520	$ 3,096	**$ 14,008**	$ 12,952
Cost of goods sold, purchased from related parties				
Distilling, blending, and production services - parent	**$ 5,301**	$ 5,661	**$ 14,374**	$ 16,093
Bulk spirits - parent	**-**	408	**700**	1,416
	$ 5,301	$ 6,069	**$ 15,074**	$ 17,509
Administrative services purchased from related parties				
Marketing, selling and administraton services- parent	**$ 511**	$ 511	**$ 1,533**	$ 1,619

Outstanding balances with these related parties are priced on an arm's length basis and are to be settled in cash within two months of the reporting date. None of the balances are secured.

14. RELATED PARTY TRANSACTIONS (continued)

Deposits in cash management pools

Corby participates in a cash pooling arrangement under the Mirror Netting Service Agreement together with PR's other Canadian affiliates, the terms of which are administered by The Bank of Nova Scotia. The Mirror Netting Services Agreement acts to aggregate each participant's net cash balance for the purposes of having a centralized cash management function for all of PR's Canadian affiliates, including Corby.

As a result of Corby's participation in this agreement, Corby's credit risk associated with its deposits in cash management pools is contingent upon PR's credit rating. PR's credit rating as at May 10, 2012, as published by Standard & Poor's and Moody's, was BBB- and Baa3, respectively. PR compensates Corby for the benefit it receives from having the Company participate in the Mirror Netting Services Agreement by paying interest to Corby based upon the 30-day LIBOR rate plus 0.40%. During the three and nine month periods ending March 31, 2012, Corby earned interest income of $486 and $1,336 from PR (2011 – $339 and $888). Corby has the right to terminate its participation in the Mirror Netting Services Agreement at any time, subject to five days' written notice.

Corby has a number of defined benefit pension plans; for the three and nine month periods ending March 31, 2012, contributions to these plans totaled $303 and $942, (2010 - $541 and $1635), respectively.

During the three and nine month periods ending March 31, 2012, Corby sold machinery and equipment to its parent company for net proceeds of $109 and $277 (2011 - $nil).

15. SEGMENT INFORMATION

Corby has two reportable segments: Case Goods and Commissions. Corby's Case Goods segment derives its revenue from the production and distribution of its owned beverage alcohol brands. Corby's portfolio of owned-brands includes some of the most renowned and respected brands in Canada, such as Wiser's Canadian whisky, Lamb's rum, Polar Ice vodka, and McGuinness liqueurs.

Corby's Commissions segment earns commission income from the representation of non-owned beverage alcohol brands in Canada. Corby represents leading international brands such as ABSOLUT vodka, Chivas Regal, The Glenlivet and Ballantine's scotches, Jameson Irish whiskey, Beefeater gin, Malibu rum, Kahlúa liqueur, Mumm champagne, and Jacob's Creek and Wyndham Estate wines.

The Commissions segment's financial results are fully reported as "Commissions" in Note 7 of these consolidated statements. Therefore, a chart detailing operational results by segment has not been provided as no additional meaningful information would result.

16. EXPLANATION OF TRANSITION TO IFRS

As stated in Note 2 to these interim condensed consolidated financial statements, the Company adopted IFRS effective July 1, 2010. Prior to the adoption of IFRS, the Company prepared its financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP" or "previous GAAP"). The Company's financial statements for the financial year ending June 30, 2012 will be the first annual financial statements that comply with IFRS. Accordingly, the Company will make an unreserved statement of compliance with IFRS beginning with its 2012 annual financial statements.

The accounting policies set out in Note 3 to the Company's first quarter interim condensed consolidated financial statements as at and for the three month periods ending September 30, 2011 and 2010 have been applied in preparing the interim condensed consolidated financial statements for the three and nine months ended March 31, 2012, the comparative information presented in these financial statement for the three and nine months ended March 31, 2011 and in the preparation of an opening IFRS balance sheet at July 1, 2010 (the Company's date of transition). The Company will ultimately prepare its opening IFRS statement of financial position and the financial statements for 2011 and 2012 by applying existing IFRS with an effective date of June 30, 2012. Accordingly, the opening IFRS statement of financial position and the financial statements for 2011 and 2012 may differ from these interim condensed consolidated financial statements.

The Company has provided a detailed explanation of the impacts of this transition in Note 16 of the Company's first quarter interim condensed consolidated financial statements as at and for the three months ended September 30, 2011 and 2010 ("Note 16"). Note 16 includes reconciliations of the Company's balance sheet and shareholders' equity from previous Canadian GAAP as at July 1, 2010, June 30, 2011 and September 30, 2010, and its fiscal 2011 net earnings and comprehensive income for the year ended June 30, 2011 and the three months ended September 30, 2010. Explanation of the individual impacts of adopting IFRS identified in the reconciliations are also provided, as are the Company's elections under IFRS 1 "First-time Adoption of International Financial Reporting Standards." Accordingly, these disclosures have not been repeated within these financial statements.

An explanation of how the transition from previous GAAP to IFRS has affected the Company's financial position and financial performances as at March 31, 2011 and for the three and nine months ended March 31, 2011 is set out in the following tables and the notes that accompany the tables.

The adoption of IFRS has had no impact on the net cash flows of the Company. The changes made to the statements of financial position, statements of earnings, statements of comprehensive income and statements of equity have resulted in reclassifications of various amounts on the statements of cash flows, however, as there has been no change to net cash flows, no reconciliations have been presented.

16. EXPLANATION OF TRANSITION TO IFRS (continued)

Reconciliation of Consolidated Statement of Earnings for the Three Months Ended March 31, 2011
(in thousands of Canadian dollars, except per share amounts)

	Note	Previous GAAP	Presentation adjustments from previous GAAP to IFRS	Employee benefits	IFRS
Revenue	b)	$ 32,157	$ 217	$ -	**$ 32,374**
Cost of sales	b)	(15,993)	(69)	-	**(16,062)**
Marketing, sales and administration	a); b)	(10,196)	(557)	567	**(10,186)**
Amortization and depreciation	b)	(409)	409	-	**-**
Disposal transactions	b)	-	(2,233)	-	**(2,233)**
Other income	a); b)	-	120	215	**335**
Earnings from operations		5,559	(2,113)	782	**4,228**
Financial income	b)	-	356	-	**356**
Financial expense	a); b)	-	(11)	(241)	**(252)**
Interest income	b)	345	(345)	-	**-**
Foreign exchange loss	b)	120	(120)	-	**-**
Loss on sale of Seagram Coolers		(2,233)	2,233	-	**-**
Net financial income		(1,768)	2,113	(241)	**104**
Earnings before income taxes		3,791	-	541	**4,332**
Current income taxes		(2,009)	-	-	**(2,009)**
Deferred income taxes	a)	865	-	(138)	**727**
Income taxes		(1,144)	-	(138)	**(1,282)**
Net earnings		$ 2,647	$ -	$ 403	**$ 3,050**
Basic earnings per share		$ 0.09			**$ 0.11**
Diluted earnings per share		$ 0.09			**$ 0.11**

Reconciliation of Consolidated Comprehensive Income for the Three Months Ended March 31, 2011
(in thousands of Canadian dollars)

	Previous GAAP	Effect of transition to IFRS	IFRS
NET EARNINGS	$ 2,647	$ 403	**$ 3,050**
OTHER COMPREHENSIVE INCOME	-	-	**-**
COMPREHENSIVE INCOME	$ 2,647	$ 403	**$ 3,050**

16. EXPLANATION OF TRANSITION TO IFRS (continued)

Reconciliation of Consolidated Statement of Earnings for the Nine Months Ended March 31, 2011
(in thousands of Canadian dollars, except per share amounts)

	Note	Previous GAAP	Presentation adjustments from previous GAAP to IFRS	Employee benefits	IFRS
Revenue	b)	$ 118,868	$ 617	$ -	**$ 119,485**
Cost of sales	b)	(53,391)	491	-	**(52,900)**
Marketing, sales and administration	a); b)	(33,333)	(2,385)	1,707	**(34,011)**
Amortization and depreciation	b)	(1,277)	1,277	-	**-**
Disposal transactions	b)	-	(2,233)	-	**(2,233)**
Other income	a); b)	-	32	644	**676**
Earnings from operations		30,867	(2,201)	2,351	**31,017**
Financial income	b)	-	905	-	**905**
Financial expenses	a); b)	-	(11)	(723)	**(734)**
Interest income	b)	894	(894)	-	**-**
Foreign exchange loss	b)	36	(36)	-	**-**
Loss on sale of Seagram Coolers		(2,233)	2,233	-	**-**
Loss on disposal of property, plant and equipment	b)	(4)	4	-	**-**
Net financial income		(1,307)	2,201	(723)	**171**
Earnings before income taxes		29,560	-	1,628	**31,188**
Current income taxes		(9,784)	-	-	**(9,784)**
Deferred income taxes	a)	1,052	-	(415)	**637**
Income taxes		(8,732)	-	(415)	**(9,147)**
Net earnings		$ 20,828	$ -	$ 1,213	**$ 22,041**
Basic earnings per share		$ 0.73			**$ 0.77**
Diluted earnings per share		$ 0.73			**$ 0.77**

Reconciliation of Consolidated Comprehensive Income for the Nine Months Ended March 31, 2011
(in thousands of Canadian dollars)

	Previous GAAP	Effect of transition to IFRS	IFRS
NET EARNINGS	$ 20,828	$ 1,213	**$ 22,041**
OTHER COMPREHENSIVE INCOME	-	-	**-**
COMPREHENSIVE INCOME	$ 20,828	$ 1,213	**$ 22,041**

16. EXPLANATION OF TRANSITION TO IFRS (continued)

Reconciliation of Consolidated Balance Sheet as at March 31, 2011
(in thousands of Canadian dollars)

	Notes	Previous GAAP	Presentation adjustments from previous GAAP to IFRS	Employee benefits	**IFRS**
ASSETS					
Deposits in cash management pools		$ 93,045	$ -	$ -	**$ 93,045**
Accounts receivable		29,567	-	-	**29,567**
Note receivable		600	-	-	**600**
Inventories		62,759	-	-	**62,759**
Prepaid expenses		919	-	-	**919**
Deferred income taxes	a); b)	301	(301)	-	**-**
Total current assets		187,191	(301)	-	**186,890**
Note receivable		1,800	-	-	**1,800**
Deferred income taxes		-	-	596	**596**
Property, plant and equipment		14,509	-	-	**14,509**
Provision for pensions	a)	11,924	-	(11,924)	**-**
Goodwill		5,886	-	-	**5,886**
Intangible assets		59,435	-	-	**59,435**
Total assets		$ 280,745	$ (301)	$ (11,328)	**$ 269,116**
LIABILITIES					
Accounts payable and accrued liabilities		$ 17,463	$ -	$ -	**$ 17,463**
Income and other taxes payable		1,873	-	-	**1,873**
Total current liabilities		19,336	-	-	**19,336**
Provision for pensions	a)	7,217	-	6,167	**13,384**
Deferred income taxes	a); b)	4,360	(301)	(4,059)	**-**
Total liabilities		30,913	(301)	2,108	**32,720**
Shareholders' equity					
Share capital		14,304	-	-	**14,304**
Retained earnings	a)	235,528	-	(13,436)	**222,092**
Total shareholders' equity		249,832	-	(13,436)	**236,396**
Total liabilities and shareholders' equity		$ 280,745	$ (301)	$ (11,328)	**$ 269,116**

16. EXPLANATION OF TRANSITION TO IFRS (continued)

Reconciliation of Consolidated Shareholders' Equity as at March 31, 2011
(in thousands of Canadian dollars)

	Note	Previous GAAP	Effect of transition to IFRS	**IFRS**
Share capital		$ 14,304	$ -	**$ 14,304**
Accumulated other comprehensive income		-	-	**-**
Retained earnings	a)	235,528	(13,436)	**222,092**
Total shareholders' equity		$ 249,832	$ (13,436)	**$ 236,396**

Notes to Reconciliations

(a) Financial Impacts of Adopting IFRS

Employee benefits

The Company has elected under IFRS 1 – *First-time Adoption of International Financial Reporting Standards* ("IFRS 1") to measure its assets and liabilities in its financial statements at the carrying amounts that would be included in the parent's consolidated financial statements, if no adjustments were made for consolidation procedures and the effect of the business combination in which the parent acquired the subsidiary. As a result, the Company revalued the provision for pensions to the carrying amounts recorded by the parent company.

Deferred income tax assets and liabilities have been re-measured for the IFRS transition adjustments related to employee future benefits, as described above.

The following is the impact of electing under IFRS 1 to measure its provision for pensions and the associated impact to deferred tax liabilities based on the parent company's carrying values on the Company's net earnings and other comprehensive income for the three and nine months ended March 31, 2011 and the Company's financial position as at March 31, 2011.

16. EXPLANATION OF TRANSITION TO IFRS (continued)

Net earnings impact	Three Months Ended March 31, 2011	Nine Months Ended March 31, 2011
Marketing, sales and administration	$ 567	$ 1,707
Other income and expense	215	644
Earnings from operations	782	2,351
Financial expense	(241)	(723)
Earnings before income taxes	541	1,628
Income tax expense	(138)	(415)
Increase in net earnings	$ 403	$ 1,213

Balance sheet impact	as at March 31, 2011
Provision for pensions	$ (18,091)
Deferred tax liabilities	4,655
Decrease in retained earnings	$ (13,436)

(b) Presentation Impacts of Adopting IFRS

Certain presentation differences between Canadian GAAP and IFRS have no impact on reported earnings or shareholder's equity. Certain assets and liabilities have been reclassified into another line item under IFRS at the date of transition. Certain line items are described differently (renamed) under IFRS compared to Canadian GAAP, although the asset and liability amounts included in these items are unaffected. The following summarizes these changes:

"Deferred taxes" was previously described as future income taxes under Canadian GAAP. As well, under IFRS, deferred tax assets and liabilities may not be presented as current. The Company has reclassified deferred taxes into non-current assets and liabilities based on the net asset and liability positions of the entities that have generated the balances.

"Air miles" under previous GAAP were deemed to be a sales discount and reflected on the statement of earnings as a reduction in Net Revenues. IFRIC 13 - *Customer Loyalty Programmes* ("IFRIC 13"), requires the value of Air Miles to be presented at gross fair value in revenues, with an offsetting cost reflected in marketing, sales and administration expenses.

These IFRS financial statements follow the principles of "Functional presentation." As a result certain expenses, such as depreciation expense, interest income and foreign exchange gains and losses, have been reclassified by function. Depreciation of property, plant and equipment is reported in costs of goods sold and in marketing, sales and administrative expenses. Foreign exchange gains and losses are included in earnings from operations as they relate to operating assets and liabilities. Interest earned on deposits in cash management pools is recorded in net financial income.

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