CORBY SPIRIT AND WINE LIMITED

(Formerly Corby Distilleries Limited)

Consolidated Financial Statements

For the three and nine months ended
March 31, 2014 and 2013

Q3

Affiliated with Pernod Ricard

CORBY SPIRIT AND WINE LIMITED
Management's Discussion and Analysis
March 31, 2014

The following Management's Discussion and Analysis ("MD&A") dated May 7, 2014, 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, 2014, prepared in accordance with International Financial Reporting Standards ("IFRS"). 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, 2013. Effective November 7, 2013 the Company changed its name from Corby Distilleries Limited to Corby Spirit and Wine Limited.

This MD&A contains forward-looking statements, including statements concerning possible or assumed future results of operations of Corby Spirit and Wine 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 7, 2014. 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.

Unless otherwise indicated, all comparisons of results for the third quarter of fiscal 2014 (three months ended March 31, 2014) are against results for the third quarter of fiscal 2013 (three months ended March 31, 2013). 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 "CSW.A" (Voting Class A Common Shares) and "CSW.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 its core business, such as logistics fees. Revenue from Corby's owned-brands predominantly consists of sales made to each of the provincial liquor boards ("LBs") in Canada, and also includes sales to international markets.

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.

The Company expanded its agency portfolio, particularly with regard to our strategic priority of wines, through an agreement (which began April 2013) with The Wine Group LLC ("The Wine Group"), providing Corby with the exclusive rights to represent The Wine Group brands in Canada for the next five years (expiring May 2018). The agreement complements Corby's owned and represented brands and expands Corby offerings in the premium wine sector. Corby now represents all The Wine Group brands, including Cupcake Vineyards, Big House Wine Co., Concannon Vineyard, Grayfox Vineyards and Mogen David Wine Co.

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.

Corby 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 various third party vendors; including a bottling plant in Montreal, Quebec and a third-party manufacturer in the United Kingdom ("UK"). The UK site blends and bottles Lamb's rum products destined for sale in countries located outside North America.

In most provinces, Corby's route to market in Canada entails shipping its products to government-controlled 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 international business is concentrated in the United States ("US") and UK and the Company has a different route to market for each. For the US market, Corby manufactures the majority of its products in Canada and ships to its US distributor, Pernod Ricard USA, LLC ("PR USA"), an affiliated company. For the UK market, Corby utilizes a third party contract bottler and distribution company for the production and distribution of Lamb's rum. Distributors sell to various local wholesalers and retailers who in turn sell directly to the consumer.

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.

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 resource allocation. Over the long-term, management believes that effective execution of its strategy will result in value creation for shareholders. Past disposal transactions reflect this strategy by streamlining Corby's portfolio and eliminating brands with below average performance trends, thus focusing resources on key brands.

Pursuing new growth opportunities outside of Canada is also a key strategic priority. Our agreement with PR USA to represent certain of Corby's owned brands in the US supports our goal of expanding our Canadian whisky business into this market where we see growth potential in both volume and margin.

Of primary importance to the successful implementation of our brand strategies 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 its customers and the selling channels they inhabit. In all areas of the business, management believes setting clear strategies which optimize organization structure and increase efficiencies is key to Corby's overall success.

In addition, management is convinced that innovation is essential to seizing new profit and growth opportunities. Successful innovation can be delivered through a structured and efficient process as well as consistent investment in 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. In 2013, Corby partnered with the Toronto Transit Commission to provide free transit on New Year's Eve for a three year period. The Company stresses its core values throughout its organization, including those of conviviality, straightforwardness, commitment, integrity and entrepreneurship.

Significant Events

Corby Distilleries Limited changes its name to Corby Spirit and Wine Limited

Effective November 7, 2013, Corby Distilleries Limited began operating under the name Corby Spirit and Wine Limited. The new name was approved at the Company's annual and special meeting held November 7th, 2013, and reflecting the change, Corby now trades on the TSX under the symbols CSW.A and CSW.B. The new name coincided with completely redesigned corporate branding and logos. The new name and branding better reflect Corby's growing activities with a strong focus on product, service and marketing.

Corby Launches J.P. Wiser's Rye and J.P. Wiser's Spiced Canadian Whisky in the US Market

In July 2012, the Company reached a new agreement with PR USA to represent Corby brands in the United States for a five year period, giving Corby access to one of the strongest spirits distribution networks in the US market.

Since signing the agreement, Corby and PR USA have been readying Corby's whisky portfolio for a national launch which began in the first quarter of this fiscal year. Specifically, Corby has developed two new Wiser's brand extensions under the names J.P. Wiser's Rye and J.P. Wiser's Spiced Whisky. Given this is the first year of the launch, Corby is investing heavily into the market. The launch has had a significant impact on our financial results and as such will be discussed throughout this MD&A.

Corby Continues its Exclusive Canadian Representation of the Iconic ABSOLUT Vodka Brand

On September 30, 2013, Corby paid $10.3 million to continue its exclusive rights to represent the ABSOLUT vodka brand in Canada for an eight-year period ending September 29, 2021. The previous representation period expired September 29, 2013. The terms of this agreement are further described in the "Related Party

Transactions" section of this MD&A. The transaction was accounted for as an increase in Intangible Assets and the purchase price is being amortized, straight-line, over the eight-year term of the agreement. Amortization expense is recorded net of commission revenues. The payment was funded from the Company's deposits in cash management pools.

Brand Performance Review

Corby's portfolio of owned-brands accounts for more than 80% of the Company's total annual revenue. 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 (i.e., Case Goods) 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 gross 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.

	Three Months Ended				*Nine Months Ended*			
Volumes (in 000's of 9L cases)	***Mar. 31, 2014***	*Mar. 31, 2013*	*Shipment % Volume Change*	*Shipment % Value Change*	***Mar. 31, 2014***	*Mar. 31, 2013*	*Shipment % Volume Change*	*Shipment % Value Change*
Brand								
Wiser's Canadian whisky	**183**	161	14%	24%	**661**	609	9%	17%
Lamb's rum	**91**	94	(3%)	0%	**391**	409	(4%)	(4%)
Polar Ice vodka	**92**	83	11%	16%	**290**	291	0%	2%
Mixable liqueurs	**35**	38	(8%)	(5%)	**142**	136	4%	7%
Total Key Brands	**401**	376	7%	13%	**1,484**	1,445	3%	8%
All other Corby-owned brands	**52**	44	18%	38%	**166**	163	2%	15%
Total Corby brands	**453**	420	8%	16%	**1,650**	1,608	3%	8%

Overall, Corby owned-brands experienced solid growth in both the three- and nine- month periods ended March 31, 2014. However, trends in Corby's domestic market (i.e., Canada - in which 86% of the Company's brands are sold) differ significantly from international markets as highlighted in the following chart:

	Three Months Ended				*Nine Months Ended*			
Volumes (in 000's of 9L cases)	***Mar. 31, 2014***	*Mar. 31, 2013*	*Shipment % Volume Change*	*Shipment % Value Change*	***Mar. 31, 2014***	*Mar. 31, 2013*	*Shipment % Volume Change*	*Shipment % Value Change*
Domestic	**386**	374	3%	5%	**1,421**	1,442	(1%)	1%
International	**67**	46	46%	163%	**229**	166	38%	120%
Total Corby brands	**453**	420	8%	16%	**1,650**	1,608	3%	8%

During the three month period ended March 31, 2014, Corby's domestic shipments benefited from phasing of promotional activity in Western Canada (most significantly impacting Polar Ice vodka and Royal Reserve Canadian whisky) which in the prior year took place in the first quarter. The Canadian spirit industry continues to experience soft market conditions, especially in key spirit categories (i.e., Canadian whisky, rum and vodka).

Corby's shipment value performance continued to track ahead of volume as a result of our premiumization strategy, price increases and effective management of our promotional programming. A more in-depth discussion of Corby's key brands in the Canadian market is provided in the "Summary of Corby's Key Brands" section of this MD&A.

In international markets, Corby's portfolio of owned brands increased significantly in both the three- and nine-month periods ended March 31, 2014. The growth in shipment volumes (+46% for the quarter, +38% for the nine month period) were driven by the Company's launch of its JP Wiser's Canadian whisky brand in the US. Corby is benefiting from the more premium nature of this brand, as is evidenced by value growth significantly outpacing the growth in volume. Shipments of Lamb's rum in the UK market were slightly ahead when compared to the same three- and nine- month periods last year due to the launch of a new Spiced rum format.

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:

	Three Months Ended				*Nine Months Ended*			
Volumes (in 000's of 9L cases)	***Mar. 31, 2014***	*Mar. 31, 2013*	*% Retail Volume Change*	*% Retail Value Change*	***Mar. 31, 2014***	*Mar. 31, 2013*	*% Retail Volume Change*	*% Retail Value Change*
Brand								
Wiser's Canadian whisky	**153**	154	(1%)	1%	**556**	561	(1%)	1%
Lamb's rum	**87**	86	2%	2%	**324**	332	(2%)	(1%)
Polar Ice vodka	**89**	77	16%	12%	**277**	275	1%	2%
Mixable liqueurs	**31**	32	(3%)	(1%)	**136**	137	(1%)	1%
Total Key Brands	**360**	349	3%	4%	**1,293**	1,306	(1%)	0%
All other Corby-owned brands	**53**	47	14%	13%	**169**	161	2%	4%
Total	**413**	396	4%	4%	**1,462**	1,467	0%	1%

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

The Canadian spirits industry continued to remain soft as industry retail sales volumes declined 1% during both the three and the nine month periods ended March 31, 2014, while industry retail sales value increased 1% over those same periods. As illustrated in the above chart, for the quarter, Corby's portfolio of owned brands is ahead of the spirits market in both retail volume and retail value with an increase of 4% in each. Corby's solid retail performance this quarter was the result of heavy promotional activity focused in Western Canada which primarily impacted the Polar Ice vodka, Lamb's rum and Royal Reserve Canadian whisky brands. On a year-to-date basis, Corby's retail volumes are slightly better than market and retail value growth is consistent with the overall industry.

In comparing the Company's performance to the overall spirit industry, it is important to note that Corby's portfolio is heavily weighted in the Canadian whisky, rum and vodka categories; as together they combined to make up over 80% of Corby's total retail volumes. For the nine month period ended March 31, 2014, all three industry categories showed declines in retail volume. The following brand discussion provides a more detailed discussion of how each of Corby's key brands performed relative to their respective industry category.

Summary of Corby's Key Brands

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

Corby's flagship brand, Wiser's Canadian whisky, continued to outperform the Canadian whisky category and gained market share as its retail value grew 1% on a year-to-date comparison basis. The Canadian whisky category declined 2% in retail volume and remained essentially flat on retail value when compared to the same nine month period last year. Corby continued its strong investment behind the brand, with a new version of its highly successful *Welcome to the Wiserhood* television commercial. In addition, Wiser's Spiced, launched last year in Canada in the new innovative spiced whisky category, and continued to be supported by the *That's Spiced Up* campaign.

<u>Lamb's Rum</u>

Lamb's rum, one of the top-selling rum families in Canada, experienced a 2% decline in retail volumes and a 1% decline in retail value when compared to the same nine month period last year. The rum category in Canada decreased 2% in retail volume and was off only slightly on retail value when compared to the same nine month period last year. The rum category in Canada has been driven entirely by the spiced segment (+7% in retail volumes), while the dark and white rum segments are in decline (-4% and -7%, in retail volumes respectively over the same nine month period last year). Corby's Lamb's rum product line is heavily weighted in the dark and white segments, with its spiced rum product (i.e., Lamb's Black Sheep) continuing to build off of its small base.

<u>Polar Ice Vodka</u>

Polar Ice vodka is among the top three largest vodka brands in Canada. On a year-to-date comparative basis, the brand's retail volumes and retail value increased 1% and 2%, respectively. The vodka category in Canada remained flat for retail volume and increased 1% in retail value this period when compared to the same nine month period last year. Most recently the brand underwent a label refresh and an exciting new digital marketing campaign.

<u>Mixable Liqueurs</u>

Corby's portfolio of mixable liqueur brands consists of McGuinness liqueurs (which is Canada's largest mixable liqueur brand family) and Meaghers liqueurs. Retail volume and retail value for Corby's mixable liqueurs portfolio is slightly ahead of market trends (retail volume was -1% and retail value was +1%), as the category as a whole declined 2% for retail volume and showed a slight decline for retail value when compared to the same nine month period last year. The brands benefited from improved on-shelf availability during the holiday sales period.

<u>Other Corby-Owned Brands</u>

Corby's other-owned brands grew in retail value by 4% as the group benefited from continued innovation, in particular, Pike Creek, Lot 40, Criollo® Chocolate Sea Salted Caramel and Criollo® Chocolate Raspberry Truffle. Lot 40 was most recently named "Canadian Whisky of the Year" at the Canadian Whisky Awards. Additionally, the launch of the Criollo® range of luxury liqueurs was well received by key customers and consumers. Additionally Royal Reserve Canadian whisky benefited from heavy promotional activity in Western Canada (the largest brand in this grouping).

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, 2014 and 2013.

	Three Months Ended				*Nine Months Ended*			
(in millions of Canadian dollars, except per share amounts)	***Mar. 31, 2014***	*Mar. 31,* 2013 [(1)]	*$ Change*	*% Change*	***Mar. 31, 2014***	*Mar. 31,* 2013 [(1)]	*$ Change*	*% Change*
Revenue	**$ 28.6**	$ 25.7	$ 2.9	11%	**$ 103.9**	$ 99.3	$ 4.6	5%
Cost of sales	**(11.0)**	(9.5)	(1.5)	16%	**(38.2)**	(37.3)	(0.9)	2%
Marketing, sales and administration	**(13.6)**	(11.0)	(2.6)	24%	**(41.9)**	(35.4)	(6.5)	18%
Other income (expense)	**0.1**	-	0.1	N/A	**0.4**	0.2	0.2	100%
Earnings from operations	**4.1**	5.2	(1.1)	(21%)	**24.2**	26.8	(2.6)	(10%)
Financial income	**0.4**	0.4	-	0%	**1.3**	1.3	-	0%
Financial expenses	**(0.3)**	(0.2)	(0.1)	50%	**(0.9)**	(0.8)	(0.1)	13%
Net financial income	**0.1**	0.2	(0.1)	(50%)	**0.4**	0.5	(0.1)	(20%)
Earnings before income taxes	**4.2**	5.4	(1.2)	(22%)	**24.6**	27.3	(2.7)	(10%)
Income taxes	**(1.1)**	(1.4)	0.3	(21%)	**(6.5)**	(7.6)	1.1	(14%)
Net earnings	**$ 3.1**	$ 4.0	$ (0.9)	(21%)	**$ 18.1**	$ 19.7	$ (1.6)	(7%)
Per common share								
- Basic net earnings	**$ 0.11**	$ 0.14	$ (0.03)	(21%)	**$ 0.64**	$ 0.69	$ (0.05)	(7%)
- Diluted net earnings	**$ 0.11**	$ 0.14	$ (0.03)	(21%)	**$ 0.64**	$ 0.69	$ (0.05)	(7%)

[1] In preparing its comparative information, the Company has adjusted amounts reported previously in the condensed consolidated financial statements as a result of the retrospective application of the amendments to IAS 19, Employee Benefits. Refer to Note 3 for details regarding adjusted amounts.

Overall Financial Results

For the three-month period ended March 31, 2014, net earnings decreased $0.9 million, or $0.03 per share, when compared to the same three month period last year. Corby's 11% increase in revenue this quarter was more than offset by its significant advertising and promotional investment in the US. Investment in the US market was primarily in support of the JP Wiser's brand (which launched in the first quarter of the current year).

In addition to the increased revenue, net earnings for the quarter also benefited from amendments being made to certain of the Company's employee defined benefit pension plans. More specifically, effective January 1, 2014, the Company reduced certain early retirement provisions resulting in a one-time non-cash savings of $0.7 million. The amendments also included an increase in employee contribution levels as part of management's ongoing effort to reduce overhead costs.

On a year-to-date basis, net earnings decreased $1.6 million or 7%, when compared to the same nine-month period last year. Increased revenue of $4.6 million (driven by the launch of JP Wiser's in the US and increased commission from our Agency wine portfolio) was more than offset by increased advertising and promotional investment behind our up-weighted third quarter launch plans. The aforementioned pension plan amendments and resulting one-time savings favourably impacting the quarter were offset by other inflationary and head-count related costs, when compared to the same nine-month period last year.

Revenue

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, 2014**	*Mar. 31, 2013*	*$ Change*	*% Change*	**Mar. 31, 2014**	*Mar. 31, 2013*	*$ Change*	*% Change*
Revenue streams:								
Case goods	**$ 24.6**	$ 22.1	$ 2.5	11%	**$ 88.0**	$ 81.9	$ 6.1	7%
Commissions	**3.1**	2.7	0.4	15%	**12.7**	11.9	0.9	7%
Other services	**0.9**	0.9	-	0%	**3.2**	5.5	(2.3)	(41%)
Revenue	**$ 28.6**	$ 25.7	$ 2.9	11%	**$ 103.9**	$ 99.3	$ 4.6	5%

Case Goods revenue for the quarter increased $2.5 million and was driven by our international business, more specifically by shipments of JP Wiser's to the US market. Corby launched JP Wiser's Rye and JP Wiser's Spiced Vanilla in the US market in the first quarter of this year. While shipments to Canadian markets increased 3% this quarter, heavy promotional activities in Western Canada offset the revenue growth as IFRS requires certain promotional activities to be classified net of revenue.

Year-to-date Case Goods revenue grew $6.1 million when compared to the same nine month period last year. Increased shipments to the US more than offset a 1% decline in Canada. Growth in the US has been mostly driven by the first quarter launch and distribution build-up of JP Wiser's, while the aforementioned reduction in shipments to Canadian customers is mostly reflective of market conditions discussed previously.

Commissions increased $0.4 million, or 15%, on a quarter-over-quarter comparative basis. The increase is the result of a strong performance from the PR brand portfolio and the addition of The Wine Group to Corby's agency portfolio (added in the fourth quarter of last year).

On a year-to-date basis, Commissions increased $0.9 million or 7% when compared with the same nine month period last year. The growth experienced in the year-to-date period was driven by the addition of our new agency partner, The Wine Group, which more than offset the impacts of certain discontinued agency brands.

Other services represents ancillary revenue incidental to Corby's core business activities such as logistical fees and bulk whisky sales. The year-to-date decrease of $2.3 million in other services revenue is primarily due to the fact the Company ceased selling bulk whisky in September 2012.

Cost of sales

Cost of sales was $11.0 million for the quarter, representing an increase of 17%, or $1.6 million when compared to the same quarter last year. The increase in cost of sales is mostly the result of increased shipment volumes, particularly into the US market supporting the launch of JP Wiser's brands. Gross margin for the quarter was 57% versus 59% for the same quarter last year (note: commissions are not included in this calculation). Gross margins were impacted by the phasing of advertising and promotional programming in Western Canada during the quarter as IFRS requires these activities to be classified net of revenue.

On a year-to-date basis, cost of sales was $38.2 million compared to $37.3 million last year, an increase of $0.9 million, or 3%. Gross margin for the year-to-date period was 58% versus 57% last year (note: commissions are not included in this calculation). The improved gross margin reflects the fact that the comparative period included bulk whisky sales, which are typically lower margin than case goods.

Marketing, sales and administration

Marketing, sales and administration expenses were $13.6 million for the quarter ended March 31, 2014, which is an increase of 24% or $2.6 million compared to the same quarter last year. The increase was most significantly driven by increased advertising and promotional investment behind the Company's owned-brands in the US market. Administration expenses benefited from management's efforts to control costs and improve efficiencies in light of such increased promotional activity (eg: the aforementioned pension plan design changes and reductions in travel, entertainment and discretionary expenses).

On a year-to-date basis marketing, sales and administration expenses increased $6.5 million, or 18% over the same nine month period last year. As previously mentioned, Corby has made significant investments behind the launch of the JP Wiser's brands in the US market through increased advertising and promotional spend. Employee related costs were consistent on a year-to-date comparative basis as savings realized on account of the aforementioned pension plan design changes were offset by other inflationary increases.

Other income and expenses

Other income and expenses include such items as realized foreign exchange gains and losses, and gains on sale of property and equipment. This balance is relatively consistent for both the three- and nine-month comparative periods.

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 post-retirement benefit plans. This balance is relatively consistent for both the three- and nine-month comparative periods.

Income taxes

A reconciliation of the effective tax rate to the statutory rates for each period is presented below. Note, for the year-to-date period, that the effective tax rates were impacted by permanent differences between financial income and income reported for taxation purposes as well as the impact of other adjustments that arise upon the completion of annual tax filings.

	Three Months Ended		*Nine Months Ended*	
	Mar. 31 2014	*Mar. 31 2013*	***Mar. 31 2014***	*Mar. 31 2013*
Combined basic Federal and Provincial tax rates	**27%**	27%	**27%**	27%
Other	**0%**	0%	**(1%)**	1%
Effective tax rate	**27%**	27%	**26%**	28%

Liquidity and Capital Resources

Corby's sources of liquidity are its deposits in cash management pools of $105.6 million as at March 31, 2014, and its cash generated from operating activities. Corby's total contractual maturities are represented by its accounts payable and accrued liabilities, which totalled $25.8 million as at March 31, 2014, and are all due to be paid within one year. The Company does not have any liabilities under short- or long-term debt facilities.

The Company believes that its deposits in cash management pools, combined with its historically strong operational cash flows, provide for sufficient liquidity to fund its operations, investing activities and commitments for the foreseeable future. The Company's cash flows from operations are subject to fluctuation due to commodity, foreign exchange and interest rate risks. Please refer to the "Risks and Risk Management" section of this MD&A for further information.

Cash Flows

	Three Months Ended				Nine Months Ended		
	Mar. 31,	*Mar. 31,*			***Mar. 31,***	*Mar. 31,*	
(in millions of Canadian dollars)	***2014***	*2013*	*$ Change*		***2014***	*2013*	*$ Change*
Operating activities							
Net earnings, adjusted for non-cash items	**$ 4.9**	$ 6.3	$ (1.4)		**$ 28.2**	$ 30.6	$ (2.4)
Net change in non-cash working capital	**4.0**	(2.7)	6.7		**(0.3)**	(2.8)	2.4
Net payments for interest and income taxes	**(0.7)**	(2.4)	1.7		**(5.1)**	(11.2)	6.1
	8.2	1.2	7.0		**22.7**	16.7	6.1
Investing activities							
Additions to capital assets	**(0.4)**	(0.4)	0.0		**(0.7)**	(0.6)	(0.0)
Additions to intangible assets	**-**	-	-		**(10.3)**	-	(10.3)
Proceeds from disposition of capital assets	**0.1**	0.2	(0.1)		**0.3**	0.3	(0.0)
Deposits in cash management pools	**(3.4)**	18.7	(22.1)		**2.4**	12.3	(9.9)
	(3.8)	18.4	(22.2)		**(8.2)**	12.0	(20.3)
Financing activities							
Proceeds from note receivable	**0.6**	0.6	-		**0.6**	0.6	-
Dividends paid	**(5.1)**	(20.2)	15.1		**(15.1)**	(29.3)	14.2
	(4.5)	(19.6)	15.1	**-**	**(14.5)**	(28.7)	14.2
Net change in cash	**$ -**	$ -	$ -		**$ -**	$ -	$ -

Operating activities

Net cash from operating activities was $8.2 million during the quarter ended March 31, 2014 compared to $1.2 million in the same quarter last year, representing an increase of $7.0 million. The quarter-over-quarter increase is mostly attributable to the net change in non-cash working capital and was significantly impacted by the timing of finished goods shipments (due to promotional programming in Western Canada) and heavy advertising and promotional activity in the US market at the end of the quarter.

For the year-to-date period, net cash from operating activities was $22.7 million, an increase of $6.1 million, when compared to the same period last year. The year to date period benefited from lower tax instalments.

Investing activities

Cash used in investing activities was $3.8 million for the quarter and $8.2 million for the nine month period ended March 31, 2014, compared to cash generated from investing activities of $18.4 million and $12.0 million for the same three and nine month periods last year. Activities during the current and prior year quarter substantially reflect the amount deposited in cash management pools. 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. Changes in cash management pools reflect amounts either deposited in or withdrawn from these bank accounts and are simply a function of Corby's cash requirements during the period of time being reported on. For more information related to these deposits, please refer to the "Related Party Transactions" section of this MD&A.

The year-to-date period includes a payment of $10.3 million to PR for the exclusive right to represent the ABSOLUT vodka brand in Canada for an eight year term, as discussed in the "Related Party Transaction" section of this MD&A. The payment was made on September 30, 2013 and was funded through withdrawals from cash management pools.

Financing activities

Cash used for financing activities was $4.5 million this quarter and $14.5 million on a year-to-date basis and largely represents the payment of dividends to shareholders. The prior year quarter and year-to-date dividends include a special dividend paid on January 10, 2013 of $0.54 per share, or $15.4 million. There was no special dividend paid in the current fiscal year. The payment of dividends is in accordance with the Company's previously disclosed dividend policy.

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

for	Declaration date	Record Date	Payment date	$ / Share
2014 - Q3	May 7, 2014	May 30, 2014	June 13, 2014	$ 0.18
2014 - Q2	February 5, 2014	February 28, 2014	March 14, 2014	0.18
2014 - Q1	November 6, 2014	November 29, 2013	December 13, 2013	0.18
2013 - Q4	August 28, 2013	September 13, 2013	September 30, 2013	0.17
2013 - Q3	May 9, 2013	May 31, 2013	June 14, 2013	0.17
2013 - Q2	February 6, 2013	February 28, 2013	March 15, 2013	0.17
2013 - *special*	November 7, 2012 *(special dividend)*	December 14, 2012	January 10, 2013	0.54
2013 - Q1	November 7, 2012	November 30, 2012	December 14, 2012	0.17
2012 - Q4	August 29, 2012	September 15, 2012	September 30, 2012	0.15

Outstanding Share Data

As at May 7th, 2014, 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 outsources 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 are also outsourced to its parent company. Transactions with the parent company, ultimate parent and affiliates are subject to Corby's related party transaction policy, which requires such transactions to undergo an extensive review and receive approval from an Independent Committee of the Board of Directors.

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 fifteen years, as well as providing for the continuing production of certain Corby brands by PR at its production facility in Windsor, Ontario, for ten 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.

Further, on November 9, 2011, Corby entered into an agreement with a PR affiliate 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 of the other PR brands in Corby's portfolio. On September 30, 2013, Corby paid the present value of $10 million, or $10.3 million, for the additional eight years of the new term pursuant to an agreement entered into between Corby and The Absolut Company, an affiliate of PR and owner of the Absolut brand, to satisfy the parties' obligations under the 2011 agreement. Since the agreement is a related party transaction, the agreement was approved by the Independent Committee of the Corby Board of Directors, in accordance with Corby's related party transaction policy, following an extensive review and with external financial and legal advice.

Pursuant to the November 9, 2011 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. The mirror netting arrangement with PR and its affiliates is further described below.

On July 1, 2012, the Company entered into a five year agreement with PR USA, an affiliated company, which provides PR USA the exclusive right to represent Wiser's Canadian whisky and Polar Ice vodka in the US. The agreement provides these key brands with access to PR USA's extensive national distribution network throughout the US and complements PR USA's premium brand portfolio. The agreement is effective for a five year period ending June 30, 2017. The agreement with PR USA is a related party transaction between Corby and PR USA, as such; the agreement was approved by the Independent Committee of the Board of Directors of Corby following an extensive review, in accordance with Corby's related party transaction policy.

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 7, 2014, 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 Canadian Dealer Offered Rate ("CDOR") plus 0.40% (previous to June 2013, LIBOR plus 0.40% was used, as the Canadian LIBOR rate was discontinued). 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 2014**	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012 [1]
Revenue	**$ 28.6**	$ 38.5	$ 36.7	$ 33.5	$ 25.7	$ 37.7	$ 35.9	$ 32.4
Earnings from operations	**4.1**	10.2	9.9	10.0	5.4	12.0	9.5	6.6
Net earnings	**3.1**	7.5	7.5	7.3	3.9	8.9	6.9	4.9
Basic EPS	**0.11**	0.26	0.26	0.26	0.14	0.31	0.24	0.17
Diluted EPS	**0.11**	0.26	0.26	0.26	0.14	0.31	0.24	0.17

[1] The selected information that is presented for quarterly periods in fiscal 2012 does not reflect the impact of the adoption of the amendments to IAS 19, Employee Benefits.

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.

New Accounting Pronouncements

New accounting standards

The following new and revised standards and interpretations were effective for Corby on July 1, 2013:

(i) Fair Value Measurement

The IASB issued a new standard, 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. IFRS 13 applies to all International Financial Reporting Standards that require or permit fair value measurements or disclosures. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This standard is effective for annual periods beginning on or after January 1, 2013, and must be applied prospectively. For Corby, this standard became effective July 1, 2013. The Company determined that the adoption of IFRS 13 had no impact on its results of operations and financial position. Certain additional information for assets and liabilities not measured at fair value, but for which fair value is disclosed is included in Note 3 of the unaudited condensed consolidated interim financial statements for the third quarter ended March 31, 2014.

(ii) Financial Instruments – Asset and Liability Offsetting

The IASB has issued amendments to IFRS 7, "Financial Instruments: Disclosures" ("IFRS 7 amendment") which clarify the requirements for offsetting financial instruments and require new disclosures on the effect of offsetting arrangements on an entity's financial position. The IFRS 7 amendment is effective for annual periods beginning on or after January 1, 2013 and must be applied retrospectively. For Corby, this amendment became effective July 1, 2013. The adoption of the IFRS 7 amendment did not have an impact on the Company's consolidated results of operations and financial position.

(iii) Consolidated Financial Statements

The IASB issued new standards, IFRS 10, "Consolidated Financial Statements" ("IFRS 10"), IFRS 11, "Joint Arrangements" ("IFRS 11"), and IFRS 12, "Disclosure of Interest in Other Entities" ("IFRS 12"). In addition, the IASB amended IAS 27, "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 effective for annual periods beginning on or after January 1, 2013 and must be applied retrospectively. For Corby, this set of standards and amendments became effective July 1, 2013. The adoption of IFRS 10, 11, and 12 and the amendments to IAS 27 and 28 did not have an impact on the Company's results of operations, financial position and disclosures.

(iv) Employee Benefits

The IASB issued amendments to IAS 19, "Employee Benefits" ("IAS 19 (Amended 2011)"), which eliminate the option to defer the recognition of actuarial gains and losses through the "corridor" approach, replaces the expected return on plan assets calculation with a discount rate methodology in calculating pension expense for defined benefit plans, revises the presentation of changes in assets and liabilities arising from defined benefit plans and enhances the disclosures for defined benefit plans. IAS 19 (Amended 2011) is effective for annual periods beginning on or after January 1, 2013, and must be applied retrospectively.

The adoption IAS 19 (Amended 2011), primarily the elimination of the "corridor" approach and the impact of the replacement of the expected return on plan assets with a discount rate methodology in calculating pension expense, has impacted the Company's net earnings and comprehensive income and it financial position in the comparative periods. The Company has provided a detailed explanation of the impacts in Note 3 of the Company's unaudited condensed consolidated interim financial statements for the three and nine month periods ended March 31, 2014.

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, 2014, and accordingly, have not been applied in preparing these interim condensed consolidated financial statements:

(v) Financial Instruments – Asset and Liability Offsetting

The IASB has issued amendments to IAS 32, "Financial Instruments: Presentation" ("IAS 32"), which clarify the requirements which permit offsetting a financial asset and liability in the financial statements. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014 and must be applied retrospectively. For Corby, this amendment will become effective July 1, 2014. The Company is assessing the impact of the amendments IAS 32 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 of this project. IFRS 9 uses a single approach to determine whether a financial asset or liability is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. For financial assets, the approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. IFRS 9 requires a single impairment method to be used, replacing multiple impairment methods in IAS 39. For financial liabilities measured at fair value, fair value changes due to changes in an entity's credit risk are presented in other comprehensive income. The IASB has tentatively decided to require implementation of this standard for annual periods beginning on or after January 1, 2018 and must be applied retrospectively. For Corby, this standard will become effective July 1, 2018. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

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 is considered minimal. Corby currently has no significant recorded or unrecorded environmental liabilities.

Industry Consolidation
The global beverage alcohol industry has continued to experience 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 through advertising and promotion and pricing strategies in an effort to maintain market share. Corby constantly monitors the market and adjusts its own strategies as appropriate. Competitors 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.

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 LBs, 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.

USD Exposure
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.

GBP Exposure
The Company's exposure to fluctuations in the value of the GBP relative to the CAD was reduced as both sales and cost of production are denominated in GBP. While Corby's exposure has been minimized, increases in the value of the CAD relative to the GBP will have an unfavourable impact on the Company's earnings.

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, 2014		
Associated Brand	Associated Market	Goodwill	Intangibles	Total
Various PR brands	Canada	$ -	$ 44.1	$ 44.1
Lamb's rum	United Kingdom[1]	1.4	11.8	13.2
Corby domestic brands	Canada	1.9	-	1.9
		$ 3.3	$ 55.9	$ 59.2

[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.

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.

Employee Future Benefits

The Company has certain obligations under its registered and non-registered defined benefit pension plans and other post-retirement benefit plan. There is no assurance that the Company's benefit plans will be able to earn the assumed rate of return. New regulations and market-driven changes may result in changes in the discount rates and other variables, which would result in the Company being required to make contributions in the future that differ significantly from estimates. An extended period of depressed capital markets and low interest rates could require the Company to make contributions to these plans in excess of those currently contemplated, which, in turn, could have an adverse impact on the financial performance of the Company. 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 16 of the consolidated financial statements for the year ended June 30, 2013 as well as under the heading "Overall Financial Results" in this MD&A.

CORBY SPIRIT AND WINE LIMITED

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)
(in thousands of Canadian dollars)

	Notes	Mar. 31, 2014	Mar. 31, 2013 (1)	June 30, 2013 (1)	June 30, 2012 (1)
ASSETS					
Deposits in cash management pools		**$ 105,620**	$ 97,769	$ 108,043	$ 110,113
Accounts receivable	4	**22,990**	$ 26,492	23,642	28,611
Income and other taxes recoverable		**922**	2,090	1,055	-
Inventories	5	**51,976**	50,286	49,083	47,760
Prepaid expenses		**379**	341	533	555
Current portion of note receivable	6	**600**	600	600	600
Total current assets		**182,487**	177,578	182,956	187,639
Note receivable	6	**-**	600	600	1,200
Deferred income taxes		**669**	1,787	1,699	1,753
Property and equipment		**7,533**	7,244	8,092	7,524
Goodwill		**3,278**	3,278	3,278	3,278
Intangible assets	7	**55,908**	50,374	49,665	53,771
Total assets		**$ 249,875**	$ 240,861	$ 246,290	$ 255,165
LIABILITIES					
Accounts payable and accrued liabilities	8	**$ 25,756**	$ 20,773	$ 24,185	$ 22,400
Income and other taxes payable		**-**	-	-	3,656
Total current liabilities		**25,756**	20,773	24,185	26,056
Provision for employee benefits	9	**17,348**	21,251	20,794	20,837
Total liabilities		**43,104**	42,024	44,979	46,893
Shareholders' equity					
Share capital		**14,304**	14,304	14,304	14,304
Accumulated other comprehensive loss		**(4,933)**	(7,410)	(7,363)	(7,551)
Retained earnings		**197,400**	191,943	194,370	201,519
Total shareholders' equity		**206,771**	198,837	201,311	208,272
Total liabilities and shareholders' equity		**$ 249,875**	$ 240,861	$ 246,290	$ 255,165

[1] In preparing its comparative information, the Company has adjusted amounts reported previously in the condensed consolidated financial statements as a result of the retrospective application of the amendments to IAS 19, Employee Benefits. Refer to Note 3 for details regarding adjusted amounts.

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

CORBY SPIRIT AND WINE 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	
	Notes	**Mar. 31, 2014**	Mar. 31, 2013 (1)	**Mar. 31, 2014**	Mar. 31, 2013 (1)
Revenue	10	**$ 28,642**	$ 25,671	**$ 103,913**	$ 99,279
Cost of sales		**(11,020)**	(9,459)	**(38,212)**	(37,273)
Marketing, sales and administration		**(13,624)**	(10,985)	**(41,895)**	(35,336)
Other income	11	**73**	40	**412**	138
Earnings from operations		**4,071**	5,267	**24,218**	26,808
Financial income		**429**	415	**1,310**	1,317
Financial expenses		**(305)**	(261)	**(943)**	(836)
Net financial income	12	**124**	154	**367**	481
Earnings before income taxes		**4,195**	5,421	**24,585**	27,289
Current income taxes		**(1,000)**	(1,489)	**(6,319)**	(7,627)
Deferred income taxes		**(140)**	13	**(148)**	85
Income taxes		**(1,140)**	(1,476)	**(6,467)**	(7,542)
Net earnings		**$ 3,055**	$ 3,945	**$ 18,118**	$ 19,747
Basic earnings per share		**$ 0.11**	$ 0.14	**$ 0.64**	$ 0.69
Diluted earnings per share		**$ 0.11**	$ 0.14	**$ 0.64**	$ 0.69
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 the condensed consolidated financial statements as a result of the retrospective application of the amendments to IAS 19, Employee Benefits. Refer to Note 3 for details regarding adjusted amounts.

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

CORBY SPIRIT AND WINE LIMITED

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)
(in thousands of Canadian dollars)

	Notes	For the Three Months Ended Mar. 31, 2014	For the Three Months Ended Mar. 31, 2013 (1)	For the Nine Months Ended Mar. 31, 2014	For the Nine Months Ended Mar. 31, 2013 (1)
Net earnings		**$ 3,055**	$ 3,945	**$ 18,118**	$ 19,747
Amounts that will not be subsequently reclassified to earnings:					
Net actuarial gains	9	**2,847**	64	**3,312**	192
Income taxes		**(757)**	(17)	**(882)**	(51)
		2,090	47	**2,430**	141
Total comprehensive income		**$ 5,145**	$ 3,992	**$ 20,548**	$ 19,888

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)
(in thousands of Canadian dollars)

	Share Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total
Balance as at June 30, 2013 (1)	$ 14,304	$ (7,363)	$ 194,370	$ 201,311
Total comprehensive income	-	2,430	18,118	20,548
Dividends	-	-	(15,088)	(15,088)
Balance as at March 31, 2014	**$ 14,304**	**$ (4,933)**	**$ 197,400**	**$ 206,771**
Balance as at June 30, 2012(1)	$ 14,304	$ (7,551)	$ 201,519	$ 208,272
Total comprehensive income	-	141	19,747	19,888
Dividends	-	-	(29,323)	(29,323)
Balance as at March 31, 2013(1)	$ 14,304	$ (7,410)	$ 191,943	$ 198,837

[1] In preparing its comparative information, the Company has adjusted amounts reported previously in the condensed consolidated financial statements as a result of the retrospective application of the amendments to IAS 19, Employee Benefits. Refer to Note 3 for details regarding adjusted amounts.

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

CORBY SPIRIT AND WINE LIMITED

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

(Unaudited)
(in thousands of Canadian dollars)

	Notes	For the Three Months Ended Mar. 31, 2014	For the Three Months Ended Mar. 31, 2013 (1)	For the Nine Months Ended Mar. 31, 2014	For the Nine Months Ended Mar. 31, 2013 (1)
Operating activities					
Net earnings		**$ 3,055**	$ 3,945	**$ 18,118**	$ 19,747
Adjustments for:					
Amortization and depreciation		**1,945**	1,384	**5,181**	4,131
Net financial income	12	**(124)**	(154)	**(367)**	(481)
Gain on disposal of property and equipment		**(36)**	(74)	**(143)**	(143)
Income tax expense		**1,140**	1,476	**6,467**	7,542
Provision for employee benefits		**(1,059)**	(247)	**(1,076)**	(152)
		4,921	6,330	**28,180**	30,644
Net change in non-cash working capital balances	14	**4,050**	(2,723)	**(325)**	(2,753)
Interest received		**480**	479	**1,330**	1,269
Income taxes paid		**(1,152)**	(2,873)	**(6,474)**	(12,466)
Net cash from operating activities		**8,299**	1,213	**22,711**	16,694
Investing activities					
Additions to property and equipment		**(396)**	(421)	**(655)**	(624)
Additions to intangible assets	7	**-**	-	**(10,293)**	-
Proceeds from disposition of property and equipment		**56**	154	**302**	309
Deposits in cash management pools		**(3,435)**	18,667	**2,423**	12,344
Net cash used in investing activities		**(3,775)**	18,400	**(8,223)**	12,029
Financing activity					
Proceeds from note receivable		**600**	600	**600**	600
Dividends paid		**(5,124)**	(20,213)	**(15,088)**	(29,323)
Net cash used in financing activity		**(4,524)**	(19,613)	**(14,488)**	(28,723)
Net increase in cash		**-**	-	**-**	-
Cash, beginning of period		**-**	-	**-**	-
Cash, end of period		**$ -**	$ -	**$ -**	$ -

[1] In preparing its comparative information, the Company has adjusted amounts reported previously in the condensed consolidated financial statements as a result of the retrospective application of the amendments to IAS 19, Employee Benefits. Refer to Note 3 for details regarding adjusted amounts.

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

1. GENERAL INFORMATION

Corby Spirit and Wine 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 controls 51.6% of the outstanding Voting Class A Common Shares of Corby as at March 31, 2014.

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, ON M5V 3M2.

Effective November 7, 2013, Corby changed its name and began operating as Corby Spirit and Wine Limited. Prior to this date, Corby operated as Corby Distilleries Limited. Reflecting the change Corby began trading on the TSX under the symbols CSW.A and CSW.B.

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"). These interim condensed consolidated financial statements follow the same accounting policies as the most recent annual consolidated financial statements, except for changes in accounting policies and methods described in Note 3 to these condensed consolidated financial statements. These interim condensed consolidated financial statements should be read in conjunction with the Company's 2013 annual financial statements.

These interim condensed consolidated financial statements were approved by the Company's Board of Directors on May 7, 2014.

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.

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 other methods provided for by International Financial Reporting Standards ("IFRS") as described in Note 4 to the

2. BASIS OF PREPARATION (continued)

Company's annual consolidated financial statements as at and for the year ended June 30, 2013. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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 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 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. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

New accounting standards

The following new and revised standards and interpretations were effective for Corby on July 1, 2013:

(i) *Fair Value Measurement*

The IASB issued a new standard, 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. IFRS 13 applies to all International Financial Reporting Standards that require or permit fair value measurements or disclosures. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This standard is effective for annual periods beginning on or after January 1, 2013, and must be applied prospectively. For Corby, this standard became effective July 1, 2013. The Company determined that the adoption of IFRS 13 had no impact on its results of operations and financial position.

The Company has no financial instruments carried at fair value on its balance sheet. Certain additional information for assets and liabilities not measured at fair value, but for which fair value is disclosed is as follows:

3. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS (continued)

The carrying amount of the Company's deposits in cash management pools, accounts receivable, accounts payable and accrued liabilities approximate their fair value at each balance sheet date due to their short-term maturities. Fair value is determined using Level 2 inputs.

The carrying value of the note receivable approximates fair value based on the present value of future cash flows, based on estimated market rates for instruments of similar terms and conditions. Fair value is determined using Level 2 inputs.

(ii) Financial Instruments – Asset and Liability Offsetting

The IASB has issued amendments to IFRS 7, "Financial Instruments: Disclosures" ("IFRS 7 amendment") which clarify the requirements for offsetting financial instruments and require new disclosures on the effect of offsetting arrangements on an entity's financial position. The IFRS 7 amendment is effective for annual periods beginning on or after January 1, 2013 and must be applied retrospectively. For Corby, this amendment became effective July 1, 2013. The adoption of the IFRS 7 amendment did not have an impact on the Company's consolidated results of operations and financial position.

(iii) Consolidated Financial Statements

The IASB issued new standards, IFRS 10, "Consolidated Financial Statements" ("IFRS 10"), IFRS 11, "Joint Arrangements" ("IFRS 11"), and IFRS 12, "Disclosure of Interest in Other Entities" ("IFRS 12"). In addition, the IASB amended IAS 27, "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 effective for annual periods beginning on or after January 1, 2013 and must be applied retrospectively. For Corby, this set of standards and amendments became effective July 1, 2013. The adoption of IFRS 10, 11, and 12 and the amendments to IAS 27 and 28 did not have an impact on the Company's results of operations, financial position and disclosures.

(iv) Employee Benefits

The IASB issued amendments to IAS 19, "Employee Benefits" ("IAS 19 (Amended 2011)"), which eliminate the option to defer the recognition of actuarial gains and losses through the "corridor" approach, replaces the expected return on plan assets calculation with a discount rate methodology in calculating pension expense for defined benefit plans, revises the presentation of changes in assets and liabilities arising from defined benefit plans and enhances the disclosures for defined benefit plans. IAS 19 (Amended 2011) is effective for annual periods beginning on or after January 1, 2013, and must be applied retrospectively.

As a result of adoption IAS 19 (Amended 2011), primarily the elimination of the "corridor" approach and the impact of the replacement of the expected return on plan assets with a discount rate methodology in calculating pension expense, the following are the impacts on the Company's net earnings and comprehensive income for the three and nine month periods ended March 31, 2013 and its financial position as at July 1, 2012, March 31, 2013 and June 30, 2013:

3. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS (continued)

Net earnings and total comprehensive income impacts	3 months ended Mar. 31 2013	9 months ended Mar. 31 2013
Marketing, sales and administration	$ 252	$ 118
Other income	(124)	84
Earnings from operations	128	202
Financial expense	(161)	(483)
Earnings before income tax	(33)	(281)
Income tax	9	75
Net earnings	(24)	(206)
Other comprehensive income	64	192
Tax impact of other comprehensive income	(17)	(51)
Net comprehensive income	47	141
Total comprehensive income	$ 23	$ (65)
Decrease in basic and diluted net earnings per common share	$ -	$ (0.01)
Basic and diluted net earnings per common share, as restated	$ 0.14	$ 0.69

Balance sheet impacts	Mar. 31 2013	June 30, 2013	July 1, 2012
Provision for pensions	$ (10,376)	$ (10,345)	$ (10,287)
Deferred income taxes	2,760	2,752	2,736
Retained earnings	206	230	-
Accumulated other comprehensive loss	7,410	7,363	7,551
	$ -	$ -	$ -

Certain additional information with respect to the net defined benefit expense and liability associated with the Company's pension and post-employment benefit plans, as restated for the impact of IAS 19 (Amended 2011), for the financial year ended June 30, 2013 is as follows:

	2013
Net defined benefit pension expense recognized in total comprehensive income	
Current service cost	$ 2,128
Interest cost	1,016
Past service cost	(638)
Net expense recognized in net earnings	2,506
Actuarial gains recognized in other comprehensive income	(256)
Total net expense recognized in total comprehensive income	$ 2,250

3. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS (continued)

	Pension Plans	Other Benefit Plans	Total
Fair value of plan assets			
Fair value of plan assets, June 31, 2012	$ 43,470	$ -	$ 43,470
Interest income	1,584	-	1,584
Actuarial gains (losses)	903	-	903
Company contributions	1,629	-	1,629
Plan participants' contributions	154	-	154
Benefits paid	(3,622)	-	(3,622)
Administrative costs	(265)	-	(265)
Fair value of plan assets, June 31, 2013	$ 43,853	$ -	$ 43,853
Present value of defined benefit obligation			
Defined benefit obligation, June 31, 2012	$ 53,830	$ 10,477	$ 64,307
Current service cost	1,601	262	1,863
Interest cost	2,179	421	2,600
Curtailment	-	(638)	(638)
Plan participants' contributions	154	-	154
Actuarial (gains) losses	554	94	648
Benefits paid	(3,671)	(616)	(4,287)
Present value of the defined benefit obligations, June 31, 2013	$ 54,647	$ 10,000	$ 64,647
Net defined benefit liability	$ 10,794	$ 10,000	$ 20,794

The significant actuarial assumptions are as follows:

	Pension Plans	Other Benefit Plans
Accrued benefit obligation, June 31, 2013		
Discount rate	4.1%	4.1%
Compensation increase	3.0 - 3.5%	N/A
Inflation rate	2.0%	N/A
Medical cost trend rate	N/A	6.1%
Benefit expense, for the year ended June 31, 2013		
Discount rate	4.2%	4.2%
Compensation increase	3.0 - 3.5%	N/A
Inflation rate	2.0%	N/A
Medical cost trend rate	N/A	6.0%

The discount rate has been set based on current market rates at the end of the Company’s financial year, assuming a rate of return comparable to high quality fixed income securities of equivalent currency and term that approximate the terms of the pension plan liabilities. A 25 basis points (“bp”) increase in the assumed discount rate would decrease the amount of the Company’s provision for pensions and pension expense in respect of its registered and non-registered defined benefit plans by $2,274 and $115, respectively.

Conversely, a 25bp decrease in the assumed discount rate would increase the amount of the Company’s provision for pensions and pension expense in respect of its registered and non-registered defined benefit plans by $2,374 and $124, respectively.

3. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS (continued)

A 25bp increase in the assumed rate of inflation, which also impacts compensation rates and medical cost trend rates, would increase the amount of the Company's provision for pensions and pension expense in respect of its registered and non-registered defined benefit plans by $678 and $51, respectively. Conversely, a 25bp decrease in the assumed rate of inflation would increase the amount of the Company's provision for pensions and pension expense in respect of its registered and non-registered defined benefit plans by $626 and $51, respectively.

The medical cost trend rate is based on historical trends and external data. The medical cost trend rate used was 6.1% for 2013, 6.0% being the trend rate for 2014, with 4.6% being the ultimate for 2026 and later years. A 1% increase the assumed medical cost trend rate would result in an increase of $1,220 to the provision for pensions and an increase of $128 on the net benefit expense in respect of its other benefit plans.

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, 2014, and accordingly, have not been applied in preparing these interim condensed consolidated financial statements:

(v) Financial Instruments – Asset and Liability Offsetting

The IASB has issued amendments to IAS 32, "Financial Instruments: Presentation" ("IAS 32"), which clarify the requirements which permit offsetting a financial asset and liability in the financial statements. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014 and must be applied retrospectively. For Corby, this amendment will become effective July 1, 2014. The Company is assessing the impact of the amendments to IAS 32 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 of this project. IFRS 9 uses a single approach to determine whether a financial asset or liability is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. For financial assets, the approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. IFRS 9 requires a single impairment method to be used, replacing multiple impairment methods in IAS 39. For financial liabilities measured at fair value, fair value changes due to changes in an entity's credit risk are presented in other comprehensive income. The IASB has tentatively decided to require implementation of this standard for annual periods beginning on or after January 1, 2018 and must be applied retrospectively. For Corby, this standard will become effective July 1, 2018. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

4. ACCOUNTS RECEIVABLE

	Mar. 31, 2014	Mar. 31, 2013	June 30, 2013	June 30, 2012
Trade receivables	**$ 13,783**	$ 15,244	$ 16,491	$ 19,759
Due from related parties	**9,207**	11,248	7,151	8,852
	$ 22,990	$ 26,492	$ 23,642	$ 28,611

5. INVENTORIES

	Mar. 31, 2014	Mar. 31, 2013	June 30, 2013	June 30, 2012
Raw materials	**$ 2,309**	$ 2,406	$ 2,132	$ 1,597
Work-in-progress	**40,577**	38,875	39,669	40,703
Finished goods	**9,090**	9,005	7,282	5,460
	$ 51,976	$ 50,286	$ 49,083	$ 47,760

The cost of inventory recognized as an expense and included in cost of goods sold for the three and nine month periods ended March 31, 2014 was $8,933 and $31,074 (2013 – $7,803 and $30,001), respectively. During the three and nine month periods ended March 31, 2014 and 2013, there were no significant write-downs of inventory as a result of net realizable value being lower than cost, and no inventory write-downs recognized in previous years were reversed.

6. NOTE RECEIVABLE

	Mar. 31, 2014	Mar. 31, 2013	June 30, 2013	June 30, 2012
Note receivable	**$ 600**	$ 1,200	$ 1,200	$ 1,800
Less: current portion	**600**	600	600	600
	$ -	$ 600	$ 600	$ 1,200

As part of the Company's sale of the Seagram Coolers brand on March 15, 2011, the purchase price was satisfied in part by a promissory note secured by specific property and issued by the purchaser in favour of Corby for $2,400, which is to be paid in equal annual instalments of $600 plus interest of 5% per annum, with the final payment due January 31, 2015.

7. INTANGIBLE ASSETS

On September 30, 2013, Corby purchased the exclusive rights to represent ABSOLUT vodka brand in Canada for an eight year period ending September 29, 2021 for a purchase price of $10,293. The terms of this agreement are further described in Note 16 – "Related Party Transactions". The transaction was accounted for as an increase to Intangible Assets and the purchase price is being amortized, straight-line, over the eight-year term of the agreement beginning on October 1, 2013:

		Movements in the nine month period ending March 31, 2014				
	Opening Book Value	Additions	Amortization	Impairments	Disposals	Ending Book Value
Long-term representation rights	**$ 37,439**	**$ 10,293**	**$ (4,041)**	**-**	**$ -**	**$ 43,691**
Trademarks and licenses	**11,801**	**-**	**-**	**-**	**-**	**11,801**
Non-refundable upfront fees	**425**	**76**	**(85)**	**-**	**-**	**416**
	$ 49,665	**$ 10,369**	**$ (4,126)**	**$ -**	**$ -**	**$ 55,908**

		Movements in the nine month period ending March 31, 2013				
	Opening Book Value	Additions	Amortization	Impairments	Disposals	Ending Book Value
Long-term representation rights	$ 41,970	$ -	$ (3,397)	$ -	$ -	$ 38,573
Trademarks and licenses	11,801	-	-	-	-	11,801
Non-refundable upfront fees	-	-	-	-	-	-
	$ 53,771	$ -	$ (3,397)	$ -	$ -	$ 50,374

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Mar. 31, 2014	Mar. 31, 2013	June 30, 2013	June 30, 2012
Trade payables and accruals	**$ 20,574**	$ 16,120	$ 17,715	$ 16,584
Due to related parties	**5,182**	4,653	6,470	5,816
	$ 25,756	$ 20,773	$ 24,185	$ 22,400

9. PROVISION FOR EMPLOYEE BENEFITS

Effective January 1, 2014, the Company made plan design changes to certain of its pension plans which increased required member contributions and reduced early retirement provisions for plan members. The provision for employee benefits reflects these plan design changes and also the adoption of the new Canadian Pensioners Mortality tables which were recently issued by the Canadian Institute of Actuaries. These changes resulted in a one-time plan amendment gain of $969 recorded in marketing, sales and administration expenses and a pre-tax gain of $2,847 recorded in other comprehensive income during the three and nine month periods ended March 31, 2014.

10. REVENUE

The Company's revenue consists of the following streams:

	Three months ended		*Nine months ended*	
	Mar. 31, 2014	Mar. 31, 2013	**Mar. 31, 2014**	Mar. 31, 2013
Case goods sales	**$ 24,596**	$ 22,052	**$ 87,951**	$ 81,887
Commissions (net of amortization of representation rights)	**3,170**	2,700	**12,733**	11,875
Other services	**876**	919	**3,229**	5,517
	$ 28,642	$ 25,671	**$ 103,913**	$ 99,279

Commissions for the three and nine month periods are shown net of amortization of long-term representation rights and non-refundable upfront fees of $1,482 and $4,126, (2013 - $1,133 and $3,398), respectively. Other services include revenues incidental to the manufacture of case goods, such as logistics fees and miscellaneous bulk spirit sales.

11. OTHER INCOME AND EXPENSE

The Company's other income consists of the following amounts:

	Three months ended		*Nine months ended*	
	Mar. 31, 2014	Mar. 31, 2013	**Mar. 31, 2014**	Mar. 31, 2013
Foreign exchange gains (losses)	**$ 37**	$ (34)	**$ 269**	$ (5)
Gain on disposal of property and equipment	**36**	74	**143**	143
	$ 73	$ 40	**$ 412**	$ 138

12. NET FINANCIAL INCOME AND EXPENSE

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

	Three months ended		Nine months ended	
	Mar. 31, 2014	Mar. 31, 2013	**Mar. 31, 2014**	Mar. 31, 2013
Interest income	**$ 429**	$ 415	**$ 1,310**	$ 1,317
Interest expense	**-**	(75)	**-**	(75)
Net financial impact of pensions	**(305)**	(186)	**(943)**	(761)
	$ 124	$ 154	**$ 367**	$ 481

13. EXPENSES BY NATURE

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

	Three months ended		Nine months ended	
	Mar. 31, 2014	Mar. 31, 2013	**Mar. 31, 2014**	Mar. 31, 2013
Depreciation of property and equipment	**$ 463**	$ 251	**$ 1,055**	$ 733
Amortization of intangible assets	**1,482**	1,133	**4,126**	3,398
Salary and payroll costs	**5,300**	5,163	**15,610**	14,857
Expenses related to pensions and benefits	**(631)**	212	**259**	1,277
	$ 6,614	$ 6,759	**$ 21,050**	$ 20,265

14. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES

	Three months ended		Nine months ended	
	Mar. 31, 2014	Mar. 31, 2013	**Mar. 31, 2014**	Mar. 31, 2013
Accounts receivable	**$ 5,788**	$ 4,239	**$ 632**	$ 2,119
Inventories	**(1,967)**	(3,580)	**(2,893)**	(2,526)
Prepaid expenses	**(78)**	249	**154**	214
Income and other taxes recoverable / payable	**820**	(16)	**288**	(907)
Accounts payable and accrued liabilities	**(513)**	(3,615)	**1,494**	(1,653)
	$ 4,050	$ (2,723)	**$ (325)**	$ (2,753)

15. DIVIDENDS

On May 7, 2014 subsequent to the quarter ended March 31, 2014, the Board of Directors declared its regular quarterly dividend of $0.18 per common share, to be paid on June 13, 2014, to shareholders of record as at the close of business on May 30, 2014. This dividend is in accordance with the Company's dividend policy.

16. 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 which expired October 1, 2013 and was extended as noted below. These brands were acquired by PR subsequent to the original representation rights agreement dated September 29, 2006.

On November 9, 2011, Corby entered into an agreement with a PR affiliate 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 of the other PR brands in Corby's portfolio. On September 30, 2013, Corby paid the present value of $10 million, or $10.3 million, for the additional eight years of the new term pursuant to an agreement entered into between Corby and The Absolut Company, an affiliate of PR and owner of the Absolut brand, to satisfy the parties' obligations under the 2011 agreement.

Effective as of July 1, 2012, the Company entered into a five year agreement with Pernod Ricard USA, LLC ("PR USA"), an affiliated company, which provides PR USA the exclusive rights to represent Wiser's Canadian whisky and Polar Ice vodka in the US. Previously, Wiser's Canadian whisky and Polar Ice vodka were represented by an unrelated third party in this market. The agreement is effective for a five year period ending June 30, 2017.

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

	Three months ended		*Nine months ended*	
	Mar. 31, 2014	Mar. 31, 2013	**Mar. 31, 2014**	Mar. 31, 2013
Sales to related parties				
Commissions - parent, ultimate parent and affiliated companies	**$ 3,926**	$ 3,346	**$ 14,039**	$ 13,281
Products for resale at an export level - affiliated companies	**3,052**	744	**9,668**	2,423
Bulk spirits - parent	**-**	-	**-**	3
	$ 6,978	$ 4,090	**$ 23,707**	$ 15,707
Cost of goods sold, purchased from related parties				
Distilling, blending, and production services - parent	**$ 5,461**	$ 5,618	**$ 16,944**	$ 15,938
Administrative services purchased from related parties				
Marketing, selling and administration services - parent and affiliated companies	**$ 4,341**	$ 511	**$ 7,949**	$ 1,533

Balances outstanding with related parties are due within 60 days, are to be settled in cash and are unsecured.

Corby has a number of defined benefit pension plans; for the three and nine month periods ending March 31, 2014, contributions to these plans totaled $301 and $914, (2013- $323 and $959), respectively.

16. RELATED PARTY TRANSACTIONS (continued)

During the three and nine month periods ending March 31, 2014, Corby sold casks to its parent company for net proceeds of $56 and $302 (2013 – $150 and $300), respectively.

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 7, 2014, 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 CDOR rate plus 0.40%. During the three and nine month periods ending March 31, 2014, Corby earned interest income of $417 and $1272 from PR (2013 – $399 and $1,260), respectively. Corby has the right to terminate its participation in the Mirror Netting Services Agreement at any time, subject to five days' written notice.

17. 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 10 of these interim condensed consolidated statements. Therefore, a table detailing operational results by segment has not been provided as no additional meaningful information would result.

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