Corby Distilleries Limited

Interim Consolidated Financial Statements

For the Three Month Period Ended
September 30, 2009 and 2008

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Affiliated with Pernod Ricard

CORBY DISTILLERIES LIMITED
Interim Management's Discussion and Analysis
September 30, 2009

The following Interim Management's Discussion and Analysis ("MD&A") dated November 12, 2009 should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes as at and for the three month period ended September 30, 2009 prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

This MD&A contains forward-looking statements, including statements concerning possible or assumed future results of operations of Corby Distilleries Limited ("Corby" or the "Company"). Forward-looking statements typically are preceded by, followed by or include the words "believes", "expects", "anticipates", "estimates", "intends", "plans" or similar expressions. Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions, including, but not limited to: the impact of competition; consumer confidence and spending preferences; regulatory changes; general economic conditions; and the Company's ability to attract and retain qualified employees. 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 November 12, 2009. Events occurring after that date could render the information contained herein inaccurate or misleading in a material respect. Corby will provide updates to material forward-looking statements, including in subsequent news releases and its interim management's discussion and analyses filed with regulatory authorities as required under applicable law. Additional information regarding Corby, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com.

The Company's fiscal year end is June 30th. Unless otherwise indicated, all comparisons of results for the first quarter of fiscal 2010 (three months ended September 30, 2009) are against results for the first quarter of fiscal 2009 (three months ended September 30, 2008). All dollar amounts are in Canadian dollars unless otherwise stated.

Business Overview

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

The Company derives its revenues from the sale of its owned-brands as well as earning commission income from the representation of selected non-owned brands in the Canadian market place. Revenue from Corby's owned-brands are denoted as "Sales" on the consolidated statement of earnings and while it predominantly consists of sales made to each of the provincial liquor boards in Canada, it also includes sales to international markets. Commission income earned from the representation of non-owned brands is denoted as "Commissions" on the consolidated statement of earnings.

Corby's portfolio of owned-brands include some of the most renowned brands in Canada, including Wiser’s Canadian whiskies, Lamb’s rum, Polar Ice vodka, McGuinness liqueurs and Seagram Coolers. Through its affiliation with PR, Corby also represents leading international brands such as ABSOLUT vodka, Chivas Regal, The Glenlivet and Ballantine’s scotches, Jameson Irish whiskey, Beefeater gin, Malibu rum, Kahlúa liqueur, Mumm champagne, and Jacob’s Creek and Wyndham Estate wines. In addition to representing PR’s brands in Canada, Corby also provides representation for certain selected unrelated third-party brands (“Agency brands”) when they fit within the Company’s strategic direction and, thus, complement Corby’s existing brand portfolio.

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

The Company sources approximately 73% of its spirits production requirements from HWSL at its production facilities in Windsor, Ontario, with the balance of Corby’s spirits production being sourced from the Company’s owned-plant in Montreal, Quebec. Essentially all of Corby’s cooler production requirements are outsourced to an unrelated third-party located in Dorval, Quebec.

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

Strategies and Outlook

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

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

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

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

Current Market Environment

While there are signs that the global economy is stabilizing, there is still uncertainty as to the sustainability and pace of any recovery. The bank of Canada has indicated the economic recovery, which is in its early stages, has been almost entirely driven by government stimulus and monetary policy, and as a result; the expectation is that it will be a long road to sustainable economic growth. Of particular concern is the rising rate of unemployment in Canada and its impact on consumer demand in the near term. As a result, the Company is expecting the difficult economic conditions to continue for the foreseeable future.

However, it should be noted that over the past several years, the Company has strengthened its operations and financial position, which should allow it to better face an economic downturn. Of particular consideration are the following factors:

- Corby has no long-term debt and, therefore, no financial or other covenants;
- The Company has significant sources of liquidity via its $69.2 million currently on deposit in a cash management pool with PR's other Canadian affiliates;
- Corby's largest customers are government-controlled liquor boards in each province, thus, greatly reducing risk associated with collection of accounts receivable;
- The Company has an exceptionally diverse and strong brand portfolio, which is well positioned to meet consumer tastes across spirit categories at a wide range of price points; and
- Corby is a leader in the Canadian spirits market and has a long history of profitability and uninterrupted dividends.

Moreover, the spirits business in Canada has historically been less affected by economic slowdowns than other consumer and manufacturing businesses. However, no business is completely immune to a slowdown in the economy. As a result, Corby closely monitors its exposure to the following potential risks, which could impact future profitability and cash flows, so it can be in a position to proactively respond should any of the following materialize:

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

To date, the Company has experienced what are expected to be only short-term declines in consumer demand, which has impacted Corby's first quarter financial results. The Company continues to follow its core beliefs and execute upon its brand prioritization strategy, as management believes this course of action will successfully position Corby, both now and in the future. Aside from decreasing consumer demand, the other factors noted above have not had a meaningful impact on Corby's financial position or financial results. However, the Company will continue to closely monitor the ongoing economic environment and take proactive measures, as necessary.

Brand Performance Review

Corby's portfolio of owned-brands typically accounts for more than 80% of the Company's total operating revenue. Included in this portfolio are its key brands: Wiser's Canadian whisky, Lamb's rum, Polar Ice vodka, Seagram Coolers, and Corby's mixable liqueur brands. The sales performance of these key brands significantly impacts Corby's earnings and, therefore, understanding each key brand is essential to understand the Company's overall performance.

Shipment Volume and Sales Value Performance

The following chart summarizes the performance of Corby's key brands in terms of both shipment volume (as measured by shipments to customers in equivalent nine litre cases) and sales value (as measured by the change in sales revenue) during the current quarter ended September 30, 2009 compared with the quarter ended

September 30, 2008. The chart below includes results for sales in both Canada and international markets. Specifically, the Wiser's, Lamb's and Polar Ice brands are also sold to international markets, particularly in the US and UK. International sales typically account for less than 10% of Corby's total annual sales.

SHIPMENT VOLUME AND SALES VALUE PERFORMANCE[(1)]

	Three Months Ended			
(Volumes in 000's of 9L cases)	***Sept. 30, 2009***	*Sept. 30, 2008*	*% Shipment Volume Growth*	*% Sales Value Growth*
Brand				
Wiser's Canadian whisky	**181**	206	(12%)	(10%)
Lamb's rum	**155**	177	(12%)	(10%)
Polar Ice vodka	**90**	110	(18%)	(17%)
Mixable liqueurs	**45**	63	(29%)	(25%)
Seagram Coolers	**77**	99	(22%)	(25%)
Total Key Brands	**548**	655	(16%)	(14%)
All other Corby-owned brands	**145**	157	(8%)	(8%)
Total	**693**	812	(15%)	(13%)

[(1)] *The above chart includes shipments to both Canadian and international markets.*

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

The above chart clearly demonstrates that Corby experienced a challenging start to its fiscal year, with shipments decreasing 15%, when compared to the same period last year. More specifically, shipments to Canadian markets declined 14%, while shipments to international markets decreased 22%.

Softer than expected market conditions were noted in several provinces in Canada, with Alberta and British Columbia being most impacted by weakened economic conditions due to a combination of softening consumer demand and de-stocking of inventory levels by key customers in the private retail channels. Furthermore, shipments into the Ontario market in the first quarter were negatively impacted by the threat of a labour disruption experienced in June 2009. The threat of a labour disruption had the effect of advancing shipments into Corby's fourth quarter of fiscal 2009, which would otherwise have been expected to occur in the first quarter of fiscal 2010.

The decline in shipments to international markets is mainly due to higher comparatives in the previous year, as Corby's first quarter of fiscal 2009 included volumes associated with the launch of Polar Ice vodka flavours in the US market.

The change in sales value was largely commensurate with the change experienced in shipment volumes, with higher average selling prices providing for a mild offset to the decline in volumes.

Retail Volume and Retail Value Performance

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

RETAIL VOLUME AND RETAIL VALUE PERFORMANCE - FOR THE CANADIAN MARKET ONLY[1]

	Three Months Ended			
(Volumes in 000's of 9L cases)	***Sept. 30, 2009***	*Sept. 30, 2008*	*% Retail Volume Growth*	*% Retail Value Growth*
Brand				
Wiser's Canadian whisky	**158**	162	(2%)	(1%)
Lamb's rum	**117**	123	(5%)	(3%)
Polar Ice vodka	**77**	81	(5%)	(3%)
Mixable liqueurs	**49**	53	(8%)	(7%)
Seagram Coolers	**107**	124	(14%)	(16%)
Total Key Brands	**508**	543	(6%)	(3%)
All other Corby-owned brands	**131**	137	(4%)	(5%)
Total	**639**	680	(6%)	(4%)

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

As denoted in the chart above, retail volumes have declined 6% this quarter, when compared against the same quarter last year. The decline in retail volumes is far less than that of shipment volumes (as discussed in the previous section of this MD&A). This discrepancy is magnified by several factors, namely changes in customer order patterns, the impact of de-stocking in the retail channel, the effect of the threat of a labour disruption in Ontario, and inclusion of new product launches in the comparative period.

Trends over the past year have shown a shift in consumption patterns as consumers are purchasing fewer products from certain discretionary spirit categories, such as liqueurs, when compared to the spirit staples such as vodka, whisky, and rum. Furthermore, the overall decline in consumer spending has resulted in more at-home consumption, as consumers are trending away from consumption at licensed establishments, such as bars and restaurants.

Corby's own portfolio of brands reflects this shift in consumer consumption pattern, as evidenced by the performance of its mixable liqueurs brands, while the Company's vodka, whisky, and rum brands continue to demonstrate resilience from both a retail volume and retail value perspective.

Summary of Corby's Key Brands

Wiser's Canadian Whisky

Corby's flagship brand, Wiser's Canadian whisky, experienced declines of 2% in retail volumes and 1% in retail value when compared against the same quarter last year. The decline was mainly due to deteriorating market conditions in British Columbia, which is the brand's second largest market by volume. Overall, the brand's performance matched that of the Canadian whisky category as a whole, and is reflective of a challenging segment in a recessionary economy.

The Company has continued to strongly invest behind the brand for the upcoming holiday season, which is a key selling period for whisky. Specifically, the Company has maintained its investment behind the brand's media and television campaign entitled "Welcome to the Wiserhood".

Lamb's Rum

Lamb's rum, one of the top selling rum families in Canada, saw its retail volumes decrease by 5% this quarter, when compared to the same quarter last year. The brand has continued to experience competitive pressures in its category, specifically in the Alberta and Ontario markets.

The Company has taken actions over the past year to improve the brand's performance, such as launching an updated package and increasing its level of investment in the brand's critical Newfoundland and Labrador market. Furthermore, the Company recently launched a Lamb's spiced rum variant in the UK and in certain Canadian markets (entitled "Lamb's Spiced" and "Lamb's Black Sheep", respectively), as the Company looks to capitalize on the growing consumer demand in the spiced rum segment.

Polar Ice Vodka

Polar Ice vodka, which is among the top three largest vodka brands in Canada, experienced a first quarter reduction of 5% in retail sales volumes, when compared against the same period last year. The performance is reflective of challenging market conditions as the brand faced increased pressure from its key competitors across most major markets. Furthermore, the vodka category in Canada experienced a slight increase in retail volumes of only 1%, which is demonstrative of a marked slowdown in this highly dynamic and competitive category.

Polar Ice shipment volumes in both Canada and the US market experienced a sharp decrease in shipment volumes of 18% due to the inclusion of additional volumes associated with the launch of Polar Ice vodka flavours in the prior period.

Mixable Liqueurs

Corby's portfolio of mixable liqueur brands consist of McGuinness liqueurs (which is Canada's largest mixable liqueur brand family), Meaghers liqueurs, and De Kuyper liqueurs. The Company's mixable liqueur portfolio experienced an 8% decrease in retail sales volumes, while shipment volumes decreased 29% this quarter compared with the same quarter last year. The sharp decline in shipment volumes is partially attributable to the impact of the aforementioned threat of a labour disruption at the LCBO in June 2009. However, the recent performance of Corby's liqueur brands also mirrors the challenges experienced by the overall liqueur category in the Canadian market. The liqueur segment as a whole is most effected by the decline in consumer spending, particularly as it relates to consumption at licensed establishments, such as bars and restaurants.

Seagram Coolers

Seagram Coolers continues to experience significant challenges in its competitive segment. The brand had a disappointing first quarter, as it saw consumer purchases decrease 14% and experienced a decrease in shipment volumes of 22%, when compared with the same quarter last year. The brand is underperforming relative to its segment due to competitive pressures. Management is in the process of evaluating several strategic options to address this brand.

Financial and Operating Results

The following table presents a summary of certain selected consolidated financial information of the Company for the three month period ended September 30, 2009 and 2008.

(in millions of Canadian dollars, except per share amounts)	Three Months Ended Sept. 30, 2009	Three Months Ended Sept. 30, 2008	$ Change	% Change
Sales	**$ 37.1**	$ 41.8	$ (4.7)	*(11%)*
Commissions[(1)]	**4.0**	4.3	(0.3)	*(7%)*
Operating revenue	**41.1**	46.1	(5.0)	*(11%)*
Cost of sales	**18.1**	20.2	(2.1)	*(10%)*
Marketing, sales and administration	**10.4**	11.4	(1.0)	*(9%)*
Amortization	**0.4**	0.3	0.1	*33%*
Earnings from operations	**12.2**	14.2	(2.0)	*(14%)*
Interest income	**0.1**	0.5	(0.4)	*(80%)*
Foreign exchange gain (loss)	**0.1**	(0.1)	0.2	*(200%)*
Loss on disposal of capital assets	**0.0**	(0.1)	0.1	-
Earnings before income taxes	**12.4**	14.5	(2.1)	*(14%)*
Income taxes	**4.0**	4.7	(0.7)	*(15%)*
Net earnings	**$ 8.4**	$ 9.8	$ (1.4)	*(14%)*
Per common share				
- Basic net earnings	**$ 0.30**	$ 0.35	$ (0.05)	*(14%)*
- Diluted net earnings	**$ 0.30**	$ 0.35	$ (0.05)	*(14%)*

[(1)] *Amounts are presented net of representation rights amortization of $1.2 (2008 - $1.2).*

Overall Financial Results

Corby's first quarter results largely display the challenges, which exist in the current economic environment, as an 11% decline in first quarter sales led to decreases of 14% in net earnings and earnings per share, as compared to the first quarter in the previous year.

Operating revenue

Operating revenue, consisting of sales and commissions, was $41.1 million compared to $46.1 million for the same period last year. Sales decreased $4.7 million, or 11%, and was largely the result of a decline in shipment volumes this quarter versus the same quarter last year. Partially offsetting the decline in shipment volumes were slight increases in average selling prices and a modest increase in revenues from the Company's contract bottling business.

As previously discussed in the brand analysis segment of this MD&A, consumer data regarding sales occurring at the retail level were more encouraging, however, still exhibited a decline in consumption this quarter versus the same quarter last year.

Corby's sales performance was particularly difficult in those provinces most impacted by the economic downturn, namely Alberta and British Columbia. These markets are impacted by de-stocking in the private retail channel in light of the challenging economic conditions which exist in those marketplaces.

Furthermore, first quarter sales in the Ontario market were also impacted by the effect of the aforementioned threatened labour disruption in June 2009, which served to accelerate some orders and shipments into the fourth quarter of fiscal 2009, which typically otherwise would have been made in the first quarter of fiscal 2010.

Lastly, the current quarter results are up against higher than normal comparatives given the inclusion of some product launches (namely Polar Ice vodka flavours) in the first quarter of last year.

Commissions decreased by $0.3 million, or 7%, this quarter when compared with the same quarter last year. The following table highlights the primary components which comprise commissions:

	Three Months Ended			
(in millions of Canadian dollars)	**Sept. 30, 2009**	Sept. 30, 2008	$ Change	% Change
Commission from PR brands	**$ 4.4**	$ 4.2	$ 0.2	5%
Commission from Agency brands	**0.8**	1.3	(0.5)	(38%)
Less amortization of representation rights	**(1.2)**	(1.2)	-	-
Commissions	**$ 4.0**	$ 4.3	$ (0.3)	(7%)

Commissions from PR brands shows an increase of 5%, however, the current quarter results include Corby's representation of the ABSOLUT vodka brand, whereas the results in the comparative quarter did not as the Company only began representing the brand on October 1, 2008. Measured on an organic basis, commissions from PR brands declined 13%, which is relatively consistent with the volume decreases experienced on Corby's owned-brands in the Canadian market.

Commission from Agency brands have declined by $0.5 million compared to the same period last year. The decrease is the result of the comparative period including commissions from brands, which are no longer represented by Corby.

Cost of sales

Cost of sales was $18.1 million compared to $20.2 million for the same quarter last year. The decrease in cost of sales is commensurate with the decrease in sales. Gross margin remained relatively consistent at 51.1%, as compared with 51.7% for the same quarter last year.

Marketing, sales and administration

Marketing, sales and administration expenses were $10.4 million, as compared to $11.4 million during the same quarter last year. The decrease primarily reflects reduced advertising and promotional spend when compared with the same quarter last year. Specifically, advertising and promotional spend in the first quarter of last year included costs associated with the production of a series of the "Welcome to the Wiserhood" television commercials for the Wiser's Canadian whisky brand. This media campaign was extremely successful and, therefore, was continued this year as well. In addition to the Wiser's campaign, the first quarter of last year also included one-time costs associated with the launch of flavours for the Polar Ice vodka brand in both the US and Canada.

Furthermore, overhead and administrative costs also declined by $0.4 million as the Company continues to focus on management of discretionary expenses and cost control.

Income taxes

Income tax expense decreased $0.7 million, when compared to the same quarter last year and is commensurate with the decrease in the Company's earnings before income taxes. Corby's effective tax rate in the first quarter was 32%, which is consistent with the same period last year.

Liquidity and Capital Resources

Corby's sources of liquidity come from its deposits in cash management pools balance of $69.2 million as at September 30, 2009, along with cash generated by operating activities. The Company does not have any liabilities under short or long-term debt facilities.

Cash flows

	Three Months Ended		
(in millions of Canadian dollars)	***Sept. 30, 2009***	*Sept. 30, 2008*	*$ Change*
Operating activities			
Net earnings, adjusted for non-cash items	**$ 10.5**	$ 11.5	$ (1.0)
Net change in non-cash working capital	**-**	(7.3)	7.3
	10.5	4.2	6.3
Investing activities			
Additions to capital assets	**(0.1)**	(1.0)	0.9
Deposits in cash management pools	**(6.4)**	0.8	(7.2)
	(6.5)	(0.2)	(6.3)
Financing activities			
Dividends paid	**(4.0)**	(4.0)	-
Net change in cash	$ -	$ -	$ -

Operating activities

Cash flows from operating activities were $10.5 million this quarter, representing an increase of more than $6 million when compared with the same quarter last year. The increased cash from operating activities was largely the result of fluctuations in the Company's sales patterns quarter-over-quarter, which served to reduce Corby's overall level of investment in accounts receivable. Further contributing to the increased cash from operating activities was the threat of a labour disruption in the Ontario market in late June 2009. The threatened labour disruption had the effect of significantly increasing sales in the month of June, resulting in higher accounts receivable balances at June 30, 2009. As a result, Corby's cash collections in the first quarter were higher than that of the same quarter in the previous year.

Partially offsetting the effect of reduced accounts receivable balances was the decrease in net earnings combined with having a higher level of investment in inventories and lower overall accounts payable balances. Refer to the "Financial and Operating Results" section of this MD&A for further details regarding the change in net earnings.

Investing activities

Cash used for investing activities increased $6.3 million this quarter when compared with the same quarter last year. This was primarily due to Corby depositing a net $6.4 million of cash in PR's cash management pool, as compared with the Company drawing a net $0.8 million in the first quarter last year. Partially offsetting the increased cash used for investing activities was the fact that the Company relocated its head office location in the first quarter of last year and, therefore, incurred a higher than normal level of capital asset additions.

Financing activities

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

Outstanding Share Data

There have been no changes in Corby's share data since June 30, 2009. As at November 12, 2009, Corby had 24,274,320 Voting Class A common shares and 4,194,536 Non-Voting Class B common shares outstanding. There are no options outstanding.

Related Party Transactions

Transactions in the Normal Course of Operations

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

The companies operate under the terms of agreements which became effective on September 29, 2006. 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, Level 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.

All of the above-noted transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. For further details regarding the above agreements, readers are encouraged to refer to the most recently prepared annual MD&A and annual financial statements for the year ended June 30, 2009.

Deposits in Cash Management Pools

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

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.

Other Contractual Obligations

As part of the agreement with PR signed on September 29, 2008, Corby agreed to parameters governing certain of its obligations and continuing business practices. Specifically, Corby agreed that it would continue to participate in the existing cash pooling arrangement (i.e., the Mirror Agreement) for a three-year period ending October 1, 2011. Corby further agreed that, barring any unanticipated developments, regular dividends will be paid quarterly, on the basis of an annual amount equal to the greater of 50% of net earnings per share in the preceding fiscal year ended June 30, and $0.56 per share. In addition, it was agreed that Corby would not declare any special dividends, repurchase shares or make acquisitions or capital investments outside the normal course of business without PR's prior approval.

Accounting Standards – Implemented in Fiscal 2010

Financial Statement Concepts

Effective July 1, 2009, the Company applied the amendments to Section 1000 "Financial Statement Concepts", which clarify the criteria for recognition of an asset and the timing of expense recognition, specifically deleting the guidance permitting the deferral of costs. The new requirements are effective for interim and annual financial statements for fiscal years beginning on or after October 1, 2008. The Company applied the amendments to Section 1000 in conjunction with Section 3064 "Goodwill and Intangible Assets" which is further described below. The adoption of this standard had no impact on the Company's financial statements or note disclosures.

Goodwill and Intangible Assets

Effective July 1, 2009, the Company implemented new accounting standard, Section 3064 "Goodwill and Intangible Assets", which is effective for fiscal years beginning on or after October 1, 2008. This standard replaces the existing Section 3062 "Goodwill and Other Intangible Assets" and Section 3450, "Research and Development Costs". The new standard prescribes new methods for recognizing, measuring, presenting and disclosing goodwill and intangible assets, with the objective of eliminating the practice of deferring costs that do not meet the definition and recognition criteria of assets. The new standard is equivalent to the corresponding provisions of International Financial Reporting Standards ("IFRS") IAS 38, "Intangible Assets". The adoption of this standard had no impact on the Company's financial statements or note disclosures.

Future Accounting Standards

International Financial Reporting Standards

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

In response, the Company created a transition plan and established a timeline for the execution and completion of the conversion project to guide Corby toward its reporting deadlines. The transition plan included a high-level assessment of the key areas where conversion to IFRS may have a significant impact or present a significant challenge. The key areas identified included employee future benefits, impairment analysis, IFRS 1 choices, capital assets, income taxes, and financial statement presentation and disclosure. Initial findings indicate that changes in accounting policies will be required and are likely to materially impact the Company's consolidated financial statements. The impact on other business activities, disclosure controls and procedures and internal controls over financial reporting will be assessed once the impacts of the standards as a whole are identified.

To date, the Company has engaged an external advisor and established a working team, held an IFRS training session tailored specifically to Corby for key members of management and the Audit Committee. The IFRS team has performed detailed assessments on certain key areas identified and continues to report its progress and results to the Audit Committee on a quarterly basis.

The Company will continue to execute the transition in accordance with its plan and also continue to provide training to its key employees and monitor standards development issued by the International Accounting Standards Board and the AcSB, as well as regulatory developments issued by the Canadian Securities Administrators, which may affect the timing, nature or disclosure of its adoption of IFRS.

Selected Quarterly Information

Summary of Quarterly Financial Results

(in millions of Canadian dollars, except per share amounts)	**Q1 2010**	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008
Operating revenue - net	**$ 41.1**	$ 41.4	$ 34.0	$ 47.8	$ 46.1	$ 39.6	$ 33.0	$ 48.8
Earnings from operations	**12.2**	10.1	7.2	11.9	14.2	8.4	8.1	14.4
Net earnings	**8.4**	7.4	5.1	8.1	9.8	6.0	6.0	10.7
Basic EPS	**0.30**	0.26	0.18	0.28	0.35	0.21	0.21	0.37
Diluted EPS	**0.30**	0.26	0.18	0.28	0.35	0.21	0.21	0.37

The above chart demonstrates the seasonality of Corby's business, as sales are typically strong in the first and second quarter, while third quarter sales (i.e., January, February and March) typically 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 consumption levels during the summer season.

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 Canadian GAAP. 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.

On August 1, 2009, the Company, along with its parent company (i.e., HWSL), implemented a new Enterprise Resource Planning ("ERP") system. The new ERP system fully integrates Corby's production, logistics and finance functions on a company-wide basis. Corby's various accounting modules, including general ledger, accounts payable, accounts receivable, fixed assets, and inventories are now contained in one integrated system. Certain accounting processes and procedures were revised at that time to support the new software. This system change is the result of the Company's need to update its aging software and related processes to support the Company's evolving operational needs and ensure technical support would be available for the foreseeable future. During the quarter ended September 30, 2009, the new system and supporting processes were used by Corby to record and report its financial results which are included in the Company's consolidated totals.

Corby's implementation of its new ERP system materially changed the Company's internal control over financial reporting during the quarter. There were no other material changes during the most recent interim period that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Risks & Risk Management

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

Industry and Regulatory

The beverage alcohol industry in Canada is subject to government policy, extensive regulatory requirements and significant rates of taxation at both the federal and provincial levels. As a result, changes in the government policy, regulatory and/or taxation environments within the beverage alcohol industry may affect Corby's business operations, including changes in market dynamics or changes in consumer consumption patterns.

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

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

Consumer Consumption Patterns

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

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 liquor boards and, therefore, an interruption (e.g., 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 could impact product quality and availability, including manufacturing or inventory disruption. The Company adheres to a comprehensive suite of quality programs and proactively manages production and supply chains to mitigate any potential risk to consumer safety or Corby's reputation and profitability.

Environmental Compliance

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

Industry Consolidation

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

Competition

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

Credit Risk

Credit risk arises from deposits in cash management pools held with PR via Corby's participation in the Mirror Agreement (as previously described in the "Related Party Transactions" section of this MD&A), as well as credit exposure to customers, including outstanding accounts receivable. The maximum exposure to credit risk is equal to the carrying value of the Company's financial assets. The objective of managing counter party credit risk is to prevent losses in financial assets. The Company assesses the credit quality of its counter-parties, taking into account their financial position, past experience and other factors. As the large majority of Corby's accounts receivable balances are collectable from government-controlled liquor boards, management believes the Company's credit risk relating to accounts receivable is at an acceptably low level.

Exposure to Interest Rate Fluctuations

The Company does not have any short or long-term debt facilities. Interest rate risk exists as Corby earns market rates of interest on its deposits in cash management pools. An active risk management program does not exist, as management believes that changes in interest rates would not have a material impact to Corby's 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 via pricing over the long-term.

Foreign Currency Exchange Risk

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

Third Party Service Providers

The Company is reliant upon-third party service providers in respect of certain of its operations. It is possible that negative events affecting these third-party service providers could, in turn, negatively impact the Company. While the Company has no direct influence over how such third-parties are managed, it has entered into contractual arrangements to formalize these relationships. In order to minimize operating risks, the Company actively monitors and manages its relationship with its third-party service providers.

Brand Reputations

The Company promotes nationally branded, non-proprietary products, as well as proprietary products. Damage to the reputation of any of these brands, or to the reputation of any supplier or manufacturer of these brands, could negatively impact consumer opinion of the Company or the related products, which could have an adverse impact on the financial performance of the Company.

Valuation of Goodwill and Intangible Assets

Goodwill and intangible assets account for a significant amount of the Company's total assets. Goodwill and intangible assets are subject to impairment tests which involve the determination of fair value. Inherent in such fair value determinations are certain judgments and estimates, including but not limited to, projected future sales, earnings and capital investment, discount rates, and terminal growth rates. These judgments and estimates may change in the future due to uncertain competitive market and general economic conditions, or as 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:

		Values as at September 30, 2009		
Associated Brand	Associated Market	Goodwill	Intangibles	Total
Various PR brands	Canada	$ -	$ 56.2	$ 56.2
Seagram Coolers	Canada	4.0	16.3	20.3
Lamb's rum	United Kingdom	1.4	11.8	13.2
Meaghers and De Kuyper liqueurs	Canada	4.5	-	4.5
		$ 9.9	$ 84.3	$ 94.2

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

Employee Future Benefits

The Company has certain obligations under its registered and non-registered defined benefit pension plans and other post-retirement benefit plan. There is no assurance that the Company's benefit plans will be able to earn the assumed rate of return. New regulations and market-driven changes may result in changes in the discount rates and other variables, which would result in the Company being required to make contributions in the future that differ significantly from estimates. An extended period of depressed capital markets and low interest rates could require the Company to make contributions to these plans in excess of those currently contemplated which, in turn, could have an adverse impact on the financial performance of the Company. For further details related to Corby's defined benefit pension plans, readers are encouraged to refer to the most recently prepared annual MD&A and annual financial statements for the year ended June 30, 2009.

CORBY DISTILLERIES LIMITED
INTERIM CONSOLIDATED BALANCE SHEETS

(Unaudited)
(in thousands of Canadian dollars)

		September 30, 2009		September 30, 2008		June 30, 2009
ASSETS						
Current						
Deposits in cash management pools	**$**	**69,152**	$	57,743	$	62,726
Accounts receivable		**25,991**		27,475		28,640
Income and other taxes recoverable		**1,534**		-		1,478
Inventories		**57,485**		53,934		53,987
Prepaid expenses		**959**		1,786		1,582
Future income taxes		**183**		141		551
		155,304		141,079		148,964
Capital assets		**14,174**		12,658		14,553
Employee future benefits		**11,431**		8,060		11,382
Goodwill		**9,856**		9,856		9,856
Intangible assets		**84,253**		88,932		85,420
	$	**275,018**	$	260,585	$	270,175
LIABILITIES						
Current						
Accounts payable and accrued liabilities	**$**	**20,694**	$	20,174	$	20,416
Income and other taxes payable		**-**		1,292		-
		20,694		21,466		20,416
Employee future benefits		**6,215**		5,311		5,923
Future income taxes		**7,446**		6,175		7,605
		34,355		32,952		33,944
SHAREHOLDERS' EQUITY						
Share capital		**14,304**		14,304		14,304
Retained earnings		**226,359**		213,329		221,927
		240,663		227,633		236,231
	$	**275,018**	$	260,585	$	270,175

See accompanying notes to consolidated financial statements

CORBY DISTILLERIES LIMITED
INTERIM CONSOLIDATED STATEMENTS OF EARNINGS

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

	For the Three Months Ended	
	September 30, 2009	September 30, 2008
OPERATING REVENUE		
Sales	**$ 37,108**	$ 41,806
Commissions (net of amortization of $1,167; 2008 - $1,171)	**4,010**	4,257
	41,118	46,063
OPERATING COSTS		
Cost of sales	**18,144**	20,212
Marketing, sales and administration	**10,365**	11,367
Amortization	**446**	327
	28,955	31,906
EARNINGS FROM OPERATIONS	**12,163**	14,157
OTHER INCOME AND EXPENSES		
Interest income	**123**	483
Foreign exchange gain (loss)	**125**	(99)
Gain (loss) on disposal of capital assets	**3**	(84)
	251	300
EARNINGS BEFORE INCOME TAXES	**12,414**	14,457
INCOME TAXES		
Current	**3,787**	4,859
Future	**209**	(227)
	3,996	4,632
NET EARNINGS	**$ 8,418**	$ 9,825
BASIC EARNINGS PER SHARE	**$ 0.30**	$ 0.35
DILUTED EARNINGS PER SHARE	**$ 0.30**	$ 0.35
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING		
Basic	**28,468,856**	28,468,856
Diluted	**28,468,856**	28,468,856

See accompanying notes to consolidated financial statements

CORBY DISTILLERIES LIMITED
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)
(in thousands of Canadian dollars)

	For the Three Months Ended	
	September 30, 2009	September 30, 2008
NET EARNINGS	**$ 8,418**	$ 9,825
OTHER COMPREHENSIVE INCOME	**-**	-
COMPREHENSIVE INCOME	**$ 8,418**	$ 9,825

See accompanying notes to consolidated financial statements

CORBY DISTILLERIES LIMITED
INTERIM CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Unaudited)
(in thousands of Canadian dollars)

	For the Three Months Ended	
	September 30, 2009	September 30, 2008
SHARE CAPITAL		
Balance, beginning of period	**$ 14,304**	$ 14,304
Transactions, net	**-**	-
Balance, end of period	**$ 14,304**	$ 14,304
RETAINED EARNINGS		
Retained earnings, beginning of period	**$ 221,927**	$ 207,490
Net earnings	**8,418**	9,825
Dividends	**(3,986)**	(3,986)
Balance, end of period	**$ 226,359**	$ 213,329
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Balance, beginning of period	**$ -**	$ -
Other comprehensive income for the period	**-**	-
Balance, end of period	**$ -**	$ -

See accompanying notes to consolidated financial statements

CORBY DISTILLERIES LIMITED
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW

(Unaudited)
(in thousands of Canadian dollars)

	For the Three Months Ended	
	September 30, 2009	September 30, 2008
OPERATING ACTIVITIES		
Net earnings	**$ 8,418**	$ 9,825
Items not affecting cash		
Amortization	**1,613**	1,498
(Gain) loss on disposal of capital assets	**(3)**	84
Future income taxes	**209**	(227)
Employee future benefits	**243**	363
	10,480	11,543
Net change in non-cash working capital balances	**(4)**	(7,308)
Cash flows provided by operating activities	**10,476**	4,235
INVESTING ACTIVITIES		
Additions to capital assets	**(67)**	(1,064)
Proceeds from disposition of capital assets	**3**	5
(Deposits in) draws from cash management pools	**(6,426)**	810
Cash flows used in investing activities	**(6,490)**	(249)
FINANCING ACTIVITY		
Dividends paid	**(3,986)**	(3,986)
Cash flows used in financing activity	**(3,986)**	(3,986)
NET CHANGE IN CASH	**-**	-
CASH, BEGINNING OF PERIOD	**-**	-
CASH, END OF PERIOD	**$ -**	$ -
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest received	**$ 123**	$ 483
Income taxes paid	**$ 3,878**	$ 5,015

See accompanying notes to consolidated financial statements

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2009 AND SEPTEMBER 30, 2008
(in thousands of Canadian dollars, except per share amounts)

1. BASIS OF PRESENTATION

These unaudited interim consolidated financial statements (the "financial statements") have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP") and include the accounts of Corby Distilleries Limited and its subsidiaries ("Corby" or the "Company"). These financial statements do not include all disclosures required by Canadian GAAP for annual financial statements and therefore should be read in conjunction with the most recently prepared annual financial statements for the year ended June 30, 2009.

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

2. CHANGE IN ACCOUNTING POLICIES

These financial statements follow the same accounting policies and methods of their application as the most recent annual financial statements for the year ended June 30, 2009, except as noted below.

Financial Statement Concepts

Effective July 1, 2009, the Company applied the amendments to Section 1000 "Financial Statement Concepts", which clarify the criteria for recognition of an asset and the timing of expense recognition, specifically deleting the guidance permitting the deferral of costs. The new requirements are effective for interim and annual financial statements for fiscal years beginning on or after October 1, 2008. The Company applied the amendments to Section 1000 in conjunction with Section 3064 "Goodwill and Intangible Assets" which is further described below. The adoption of this standard had no impact on the Company's financial statements or note disclosures.

Goodwill and Intangible Assets

Effective July 1, 2009, the Company implemented new accounting standard, Section 3064 "Goodwill and Intangible Assets", which is effective for fiscal years beginning on or after October 1, 2008. This standard replaces the existing Section 3062 "Goodwill and Other Intangible Assets" and Section 3450, "Research and Development Costs". The new standard prescribes new methods for recognizing, measuring, presenting and disclosing goodwill and intangible assets, with the objective of eliminating the practice of deferring costs that do not meet the definition and recognition criteria of assets. The new standard is equivalent to the corresponding provisions of International Financial Reporting Standards ("IFRS") IAS 38, "Intangible Assets". The adoption of this standard had no impact on the Company's financial statements or note disclosures.

3. FUTURE ACCOUNTING STANDARDS

International Financial Reporting Standards

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

In response, the Company created a transition plan and established a timeline for the execution and completion of the conversion project to guide Corby toward its reporting deadlines. The transition plan included a high-level assessment of the key areas where conversion to IFRS may have a significant impact or present a significant challenge. The key areas identified included employee future benefits, impairment analysis, IFRS 1 choices, capital assets, income taxes, and financial statement presentation and disclosure. Initial findings indicate that changes in accounting policies will be required and are likely to materially impact the Company's consolidated financial statements. The impact on other business activities, disclosure controls and procedures and internal controls over financial reporting will be assessed once the impacts of the standards as a whole are identified.

To date the Company has engaged an external advisor and established a working team, held an IFRS training session tailored specifically to Corby for key members of management and the Audit Committee. The IFRS team has performed detailed assessments on certain key areas identified and continues to report its progress and results to the Audit Committee on a quarterly basis.

The company will continue to execute the transition in accordance with its plan, and also continue to provide training to its key employees and monitor standards development as issued by the International Accounting Standards Board and the AcSB as well as regulatory developments as issued by the Canadian Securities Administrators, which may affect the timing, nature or disclosure of its adoption of IFRS.

4. DEPOSITS IN CASH MANAGEMENT POOLS

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

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. For further information on these balances, readers are encouraged to read the Company's most recently prepared annual financial statements for the year-ended June 30, 2009.

5. INTANGIBLE ASSETS

Included in the intangible asset balance are long-term representation rights with a net value as at September 30, 2009 of $56,203. This value reflects the original cost, less accumulated amortization, of the Company's exclusive right to represent a significant number of PR's brands in Canada for a fifteen-year period, scheduled to expire on September 30, 2021.

5. INTANGIBLE ASSETS (continued)

In July 2009, PR announced the sale of its coffee liqueur brand Tia Maria to an unrelated third party, which was a brand covered under the long-term representation agreement. The new owner has since advised Corby that its representation of the Tia Maria brand would cease effective October 31, 2009. The impact on the Company's future earnings are not considered significant, as in fiscal 2009, Corby earned less than $275 in annual commissions from its representation of this brand. In addition, pursuant to the terms of the long-term representation agreement, Corby is entitled to receive an early termination payment from PR. Upon receipt, the early termination payment will be accounted for as a reduction of the original cost of the intangible asset. It is anticipated the payment will be received in the second quarter of fiscal 2010, commensurate with the date Corby will cease its representation of the Tia Maria brand.

6. EMPLOYEE FUTURE BENEFITS

The Company has recorded a charge to earnings in the three month period ended September 30, 2009 of $851 (2008 - $842) to reflect the expense associated with its employee future benefit plans. Actual cash payments for the three month period ended September 30, 2009 totaled $506 (2008 - $301).

7. SEGMENT INFORMATION

Corby has two reportable segments: "Case Goods" and "Commissions". Corby's Case Goods segment derives its revenue from the production and distribution of its owned beverage alcohol brands. Corby's portfolio of owned brands include some of the most renowned and respected brands in Canada, including Wiser's rye whiskies, Lamb's rum and Polar Ice vodka. Corby's Commissions segment earns commission income from the representation of non-owned beverage alcohol brands in Canada. Corby represents leading international brands such as ABSOLUT vodka, Chivas Regal, The Glenlivet and Ballantine's scotches, Jameson Irish whiskey, Beefeater gin, Malibu rum, Kahlua liqueur, Mumm champagne, and Jacob's Creek and Wyndham Estate wines.

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

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