Andrew Peller Limited

Consolidated Financial Statements
March 31, 2012 and 2011

PRICEWATERHOUSECOOPERS

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Independent Auditor's Report

To the Shareholders of
Andrew Peller Limited

We have audited the accompanying consolidated financial statements of Andrew Peller Limited, which comprise the consolidated balance sheets as at March 31, 2012, March 31, 2011 and April 1, 2010 and the consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the years ended March 31, 2012 and March 31, 2011, and the related notes, which comprise a summary of significant accounting policies.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Andrew Peller Limited as at March 31, 2012, March 31, 2011 and April 1, 2010 and their financial performance and their cash flows for the years ended March 31, 2012 and March 31, 2011 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Toronto, Ontario, Canada
June 20, 2012

Andrew Peller Limited

Consolidated Balance Sheets

(in thousands of Canadian dollars)

	March 31, 2012	March 31, 2011	April 1, 2010
Assets			
Current assets			
Accounts receivable (note 19)	$ 24,937	$ 23,390	$ 22,902
Inventories (note 4)	110,256	94,692	88,818
Current portion of biological assets (note 6)	881	759	615
Prepaid expenses and other assets	1,338	818	1,818
Income taxes recoverable (note 13)	-	-	1,327
	137,412	119,659	115,480
Property, plant and equipment (note 5)	84,490	84,744	85,133
Biological assets (note 6)	12,556	11,950	12,395
Intangibles (note 7)	13,621	14,170	14,775
Goodwill (note 8)	37,473	37,473	37,473
	$ 285,552	$ 267,996	$ 265,256
Liabilities			
Current liabilities			
Bank indebtedness (note 10)	$ 57,495	$ 48,758	$ 48,877
Accounts payable and accrued liabilities (note 9)	37,118	33,883	28,229
Dividends payable	1,252	1,148	1,197
Income taxes payable (note 13)	40	1,000	-
Current portion of derivative financial instruments (note 19)	1,272	1,894	1,922
Current portion of long-term debt (note 11)	5,366	5,333	6,158
	102,543	92,016	86,383
Long-term debt (note 11)	41,456	42,720	47,633
Long-term derivative financial instruments (note 19)	1,943	1,578	1,667
Post-employment benefit obligations (note 12)	7,151	5,565	5,414
Other long-term liabilities	-	-	600
Deferred income taxes (note 13)	11,907	11,820	9,879
	165,000	153,699	151,576
Shareholders' Equity			
Capital stock (note 14)	7,026	7,026	7,375
Retained earnings	113,526	107,271	106,305
	120,552	114,297	113,680
	$ 285,552	$ 267,996	$ 265,256

Commitments (note 17)

Director

Director

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

Andrew Peller Limited

Consolidated Statements of Earnings

For the years ended March 31

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

	2012	2011
Sales	$ 276,883	$ 265,420
Cost of goods sold (note 15)	169,626	162,158
Amortization of plant and equipment used in production	4,826	4,667
Gross profit	102,431	98,595
Selling and administration (note 15)	74,606	71,718
Amortization of equipment and intangibles used in selling and administration	3,026	2,925
Interest	5,354	6,673
Operating earnings	19,445	17,279
Net unrealized gains on derivative financial instruments (note 19)	(257)	(117)
Other expenses (note 15)	1,163	791
Earnings before income taxes	18,539	16,605
Provision for income taxes (note 13)		
Current	4,841	3,223
Deferred	697	2,159
	5,538	5,382
Net earnings for the year	$ 13,001	$ 11,223
Net earnings per share (notes 2 and 16)		
Basic and diluted		
Class A shares	$ 0.93	$ 0.78
Class B shares	$ 0.81	$ 0.67

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

Andrew Peller Limited

Consolidated Statements of Comprehensive Income

For the years ended March 31

(in thousands of Canadian dollars)

		2012		2011
Net earnings for the year	$	13,001	$	11,223
Net actuarial losses on post-employment benefit plans (note 12)		(2,347)		(837)
Deferred income taxes (note 13)		610		218
Other comprehensive loss for the year		(1,737)		(619)
Net comprehensive income for the year	$	11,264	$	10,604

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

Andrew Peller Limited

Consolidated Statements of Changes in Equity

For the years ended March 31, 2012 and 2011

(in thousands of Canadian dollars)

	Capital stock	Retained earnings	Total shareholders' equity
Balance at April 1, 2010	$ 7,375	$ 106,305	$ 113,680
Net earnings for the year	-	11,223	11,223
Net actuarial losses (net of $218 deferred tax recovery) (note 12)	-	(619)	(619)
Net comprehensive income for the year	-	10,604	10,604
Issue price of repurchased shares	(349)	-	(349)
Excess of repurchase price over average per share issue price	-	(4,900)	(4,900)
Dividends (Class A $0.330 per share, Class B $0.288 per share)	-	(4,738)	(4,738)
Balance at March 31, 2011	$ 7,026	$ 107,271	$ 114,297
Balance at April 1, 2011	$ 7,026	$ 107,271	$ 114,297
Net earnings for the year	-	13,001	13,001
Net actuarial losses (net of $610 deferred tax recovery) (note 12)	-	(1,737)	(1,737)
Net comprehensive income for the year	-	11,264	11,264
Dividends (Class A $0.360 per share, Class B $0.314 per share)	-	(5,009)	(5,009)
Balance at March 31, 2012	$ 7,026	$ 113,526	$ 120,552

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

Andrew Peller Limited

Consolidated Statements of Cash Flows

For the years ended March 31

(in thousands of Canadian dollars)

	2012	2011
Cash provided by (used in)		
Operating activities		
Net earnings for the year	$ 13,001	$ 11,223
Adjustments for		
Loss (gain) on disposal of property and equipment	203	(96)
Amortization of plant, equipment and intangible assets	7,852	7,592
Impairment of intangibles (note 15)	200	-
Interest expense	5,354	6,673
Provision for income taxes (note 13)	5,538	5,382
Revaluation of biological assets – net of insurance recovery	412	831
Post-employment benefits	(761)	(686)
Net unrealized loss on derivative financial instruments (note 19)	(257)	(117)
Interest paid	(5,520)	(6,601)
Income taxes paid	(5,801)	(896)
	20,221	23,305
Change in non-cash working capital items related to operations (note 18)	(13,228)	(286)
	6,993	23,019
Investing activities		
Proceeds from disposal of property, plant and equipment and vine biological assets	27	1,488
Purchase of property and equipment and vine biological assets	(7,272)	(8,093)
Purchase of intangibles	(1,395)	(101)
Acquisition of businesses	(600)	(825)
	(9,240)	(7,531)
Financing activities		
Increase (decrease) in bank indebtedness	8,737	(119)
Issuance of long-term debt	50,263	-
Repayment of long-term debt	(50,944)	(5,333)
Deferred financing costs	(904)	-
Dividends paid	(4,905)	(4,787)
Repurchase of Class A Shares	-	(5,249)
	2,247	(15,488)
Increase in cash during the year	-	-
Cash - Beginning of year	-	-
Cash - End of year	$ -	$ -

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

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

1 Nature of operations

Andrew Peller Limited (the "Company") produces and markets wine and wine related products. The Company's products are produced and sold predominately in Canada. The Company is incorporated under the Canada Business Corporations Act and is domiciled in Canada. The address of its head office is 697 South Service Road, Grimsby, Ontario, L3M 4E8.

2 Significant accounting policies

(A) Basis of presentation and adoption of IFRS

The Company prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles as defined in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") and to require publicly accountable enterprises to apply these standards effective for years beginning on or after January 1, 2011. Accordingly, these are the Company's first annual consolidated financial statements prepared in accordance with IFRS. In these consolidated financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

The consolidated financial statements have been prepared in compliance with IFRS. Subject to certain transition elections and exceptions disclosed in note 23, the Company has consistently applied the accounting policies used in the preparation of its opening IFRS balance sheet at April 1, 2010 throughout all periods presented, as if these policies had always been in effect. Note 23 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended March 31, 2011 prepared under Canadian GAAP.

These financial statements were approved by the Board of Directors for issue on June 20, 2012.

(B) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for derivatives, which are measured at fair value and biological assets, which are measured at fair value less costs to sell.

(C) Basis of consolidation

These consolidated financial statements include the accounts of the Company and all subsidiary companies. Subsidiaries are those entities which the Company controls by having the power to govern the financial and operating policies. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are de-consolidated from the date that control ceases. Intercompany transactions, balances, income and expenses, and profits and losses are eliminated.

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

(D) Revenue

The Company records a sale when it has transferred the risks and rewards of ownership of the goods to the buyer; the Company has no continuing managerial involvement over the goods; it is probable that the consideration will be received by the Company; and the amount of revenue and costs related to the transaction can be measured reliably. For transactions with provincial liquor boards, licensee retail stores and wine kit retailers, the Company's terms are "FOB shipping point". Accordingly, sales are recorded when the product is shipped from the Company's production facility. Sales to consumers through retail stores, winery restaurants and estate wineries are recorded when the product is purchased.

Excise taxes collected on behalf of the federal government, licensing fees and levies paid on wine sold through the Company's independent retail stores in Ontario, product returns, breakage and discounts provided to customers are deducted from gross revenue to arrive at sales.

(E) Cost of goods sold, excluding amortization

Cost of goods sold, excluding amortization includes the cost of finished goods inventories sold during the year, inventory writedowns and revaluations of agricultural produce to fair value less costs to sell at the point of harvest.

(F) Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined on an average cost basis. The Company utilizes a weighted average cost calculation to determine the value of ending inventory (bulk wine and finished goods). Average cost is determined separately for import wine and domestic wine and is calculated by varietal and vintage year.

Grapes produced from vineyards controlled by the Company that are part of inventories are measured at their fair value less costs to sell at the point of harvest.

The Company includes borrowing costs in the cost of certain wine inventories that require a substantial period of time to become ready for sale.

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

(G) Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated amortization. Cost includes borrowing costs for assets that require a substantial period of time to become ready for use. Amortization of buildings, vineyard infrastructure and machinery and equipment is calculated on the straight-line basis in amounts sufficient to amortize the cost of buildings, vineyard infrastructure and machinery and equipment over their estimated useful lives as follows:

Buildings	2.5% per year
Vineyard infrastructure	5% per year
Machinery and equipment	2.5% to 20% per year

Vineyard infrastructure amortization commences in the year the vineyard yields a crop that approximates 50% of expected annual production.

(H) Biological assets

The Company measures biological assets, consisting of grape vines, at fair value less costs to sell. Agricultural produce, consisting of grapes grown on vineyards controlled by the Company, is measured at fair value less cost to sell at the point of harvest and becomes the basis for the cost of inventories after harvest.

Gains or losses arising from a change in fair value less costs to sell are included in the consolidated statement of earnings in the period in which they arise.

(I) Intangibles

Intangible assets include brands, customer contracts, contract co-packaging arrangements and customer-based relationships. These intangible assets are recorded at their estimated fair value on the date of acquisition.

	Amortization method	**Useful life**	**Remaining useful life**
Brands	N/A	Indefinite	Indefinite
Customer based	Straight-line	10-20 years	11-18 years
Contract packaging	Straight-line	10 years	7 years

Brands have been assessed as having an indefinite life because the expected usage, period of control and other factors do not limit the life of these assets. Intangible assets with an indefinite life are not amortized but are tested for impairment at least annually or more frequently if events or circumstances indicate that the asset might be impaired.

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

(J) Goodwill

Goodwill represents the cost of a business combination in excess of the fair values of the net tangible and identifiable intangible assets acquired. Goodwill is not amortized but is tested for impairment on an annual basis, or more frequently if circumstances indicate that goodwill may be impaired. The Company assigns goodwill combined with other assets to a cash generating unit ("CGU") based on certain regions and product lines, which is the lowest level at which the combined assets generate independent cash inflows. To test for impairment the Company primarily compares a CGU's value in use, determined based on expected future discounted cash flows, to its carrying value. If necessary, a CGU's fair value is also considered. An impairment charge is recorded to the extent that the carrying value of a CGU exceeds the greater of the CGU's fair value and its value in use. An impairment loss in respect of goodwill is not reversed. Management has determined that there is no impairment in goodwill for the years ended March 31, 2012 and 2011.

The Company has elected not to restate business combinations that occurred prior to its transition to IFRS. As a result, goodwill in respect of acquisitions prior to April 1, 2010 is measured at the amount recorded under previous Canadian GAAP other than as described in note 23.

(K) Post-employment benefits

The Company sponsors defined contribution pension plans, defined benefit pension plans, post-employment medical benefits plans, and other post-employment benefit plans for certain employees. Contributions to the defined contribution pension plans are recognized as an expense as services are rendered by employees. The costs of the defined benefit plans, the post-employment medical benefit plans and other post-employment benefit plans are actuarially determined and include management's best estimate of expected plan investment performance, the interest rate on the plan obligation, salary escalation, expected retirement ages, and medical cost escalation. The liability recognized in the balance sheet in respect of these plans is the present value of the defined benefit obligation at the end of the reporting period as determined by the Company's actuary less the fair value of plan assets adjusted for the unamortized portion of negative past service credits. The current service cost, amortization of past service credits and the interest cost net of the expected return on plan assets are recognized in earnings in the period they arise. Adjustments arising from actuarially determined gains or losses are recognized in other comprehensive income in the period in which they arise. The corresponding change in shareholders' equity is adjusted to retained earnings for the period.

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

(L) Financial instruments and hedge accounting

The Company classifies its financial instruments into the following categories: loans and receivables, liabilities at amortized cost, available-for-sale investments and financial assets and liabilities at fair value through profit or loss.

The Company has chosen not to apply hedge accounting to any of its derivative financial instruments. As a result of this optional policy, these hedging instruments are recorded initially and subsequently at fair value and the change in the fair value is recorded directly in earnings.

The Company classifies accounts payable and accrued liabilities, dividends payable, bank indebtedness and long-term debt as liabilities at amortized cost. Accounts payable and accrued liabilities and dividends payable are initially measured at the amount to be paid, which approximates fair value because of the short-term nature of these liabilities. Subsequently, they are measured at amortized cost. Bank indebtedness and long-term debt are measured initially at fair value, net of transaction costs incurred, and subsequently at amortized costs using the effective interest method.

Accounts receivable are classified as loans and receivables. Accounts receivable are primarily amounts due from customers from the sale of goods or the rendering of services. The Company maintains an allowance for doubtful accounts to record an estimate of credit losses. When no recovery of an amount owing is possible, the account receivable is reduced directly.

Transaction costs related to long-term debt are netted against the carrying value of the liability and are then amortized over the expected life of the instrument using the effective interest method. The Company recognizes financial instruments when it becomes a party to the terms of the instrument and has elected to use “trade date” accounting for regular way purchases and sales of financial assets.

Embedded derivatives (elements of contracts whose cash flows move independently from the host contract similar to a stand-alone derivative) are required to be separated and measured at fair values if certain criteria are met. Management reviewed its contracts and determined that the Company does not currently have any embedded derivatives in these contracts that require separate accounting and disclosure.

(M) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of earnings on a straight-line basis over the period the asset is used under the lease. Leases under which the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Payments on finance leases are allocated to the liability and expense so as to recognize a constant rate of interest on the remaining balance of the liability. Assets acquired under finance leases are depreciated over the shorter of their useful life and the lease term.

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

(N) Impairment of non-financial assets

The Company reviews long-lived assets and definite life intangible assets for impairment when events or circumstances indicate that an asset may be impaired. Assets are assigned to a CGU based on the lowest level at which they generate independent cash inflows. When there is an indication of impairment, an impairment charge is recorded to the extent that the carrying value of a CGU exceeds the greater of the CGU's fair value less costs to sell and its value in use determined by discounting expected cash flows ("recoverable amount"). An impairment loss is reversed if a CGU's recoverable amount increases to the extent that the related assets' carrying amounts are no larger than the amount that would have been determined, net of amortization, had no impairment loss been recorded.

(O) Net earnings per share

Basic net earnings per share has been calculated using the weighted average number of Class A and Class B Shares outstanding during the year. Diluted net earnings (loss) per share has been calculated by considering the impact of any potential ordinary shares that are dilutive on the two classes of shares when considered together.

(P) Dividends

Dividends on Class A and Class B shares are recognized in the period in which they are formally declared by the Board of Directors.

(Q) Segmented information

The Company produces and markets wine products and other beverages in Canada. A significant portion of the Company's sales are made to the liquor control boards in each province in which the Company transacts business. Management has concluded that based on the type of products sold and the fact that its customers are similar in nature, the Company operates in a single operating segment. In addition, a substantial portion of the Company's sales are made in Canada. As a result, management has concluded that the Company operates in one geographic segment.

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

(R) Income taxes

Current income tax is the expected amount of tax payable or recoverable on taxable income or loss during the period. Current income tax may also include adjustments to taxes payable or recoverable in respect of previous periods.

The Company accounts for deferred income taxes based on temporary differences, which are the differences between the carrying amount of an asset or liability and its tax base. Deferred income taxes are provided for all temporary differences between the carrying amount and tax bases of assets and liabilities except for those arising from the initial recognition of goodwill or for those arising from the initial recognition of an asset or liability in a transaction that is not a business combination and has no impact on earnings or taxable income or loss. Deferred income tax assets and liabilities are measured using the enacted or substantially enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The deferred income tax provision (recovery) recorded in net earnings and other comprehensive income represents the change during the year in deferred income tax assets and deferred income tax liabilities.

(S) Contingencies

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims. Management believes that adequate provisions have been recorded in the accounts where required. Although it is not possible to accurately estimate the extent of potential claims, if any, management believes that the ultimate resolution of such contingencies would not have a material adverse effect on the financial position of the Company.

(T) Comprehensive income (loss)

Comprehensive income (loss) is comprised of net earnings and other comprehensive income (loss) (“OCI”). OCI represents the change in equity for a period that arises from transactions that are required to be or are elected to be recognized outside of net earnings. The Company has chosen to record actuarial gains and losses on defined benefit pension plans and other post-employment benefit plans in OCI in the period incurred.

(U) Equity

The Company separately presents changes in equity related to capital stock, retained earnings, and accumulated OCI in the consolidated statements of changes in equity.

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

(V) Recently issued accounting pronouncements

In December 2011, the IASB issued amendments to IFRS 7 – Financial Instruments: Disclosures, which increase the disclosure requirements related to the offsetting of financial assets and financial liabilities. The new requirements are effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the potential impact of this standard.

In June 2011, the IASB issued amendments to IAS 1 – Financial Statement Presentation, which requires changes in the presentation of other comprehensive income ("OCI") including grouping together certain items of OCI that may be reclassified to net earnings. The new requirements are effective for annual periods beginning on or after July 1, 2012. The Company is currently evaluating the potential impact of this standard.

In June 2011, the IASB issued amendments to IAS 19 – Employee Benefits, which require changes to the recognition and disclosure of defined benefit plans, including eliminating the deferral of actuarial gains and losses, requiring that actuarial gains and losses are included in OCI and increasing disclosures on the characteristics and risks of defined benefit plans. The new requirements are effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the potential impact of this standard.

In May 2011, the IASB issued IFRS 13 – Fair Value Measurements, which defines fair value, sets out a framework for measuring fair value and requires disclosures about fair value measurements. The standard applies when another standard requires or permits a fair value measurement. The new requirements are effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the potential impact of this standard.

In May 2011, the IASB issued IFRS 10 – Consolidated Financial Statements, IFRS 11 – Joint Arrangements and IFRS 12 – Disclosure of Interests in Other Entities. IFRS 10 provides a single consolidation model that identifies control as the basis for consolidation for all types of entities. IFRS 10 replaces IAS 27 - *Consolidated and Separate Financial Statements* and SIC-12 – *Consolidation - Special Purpose Entities*. IFRS 11- *Joint Arrangements* establishes principles for the financial reporting by parties to a joint arrangement. IFRS 11 supersedes IAS 31 - Interests in Joint Ventures and SIC-13 - *Jointly Controlled Entities - Non-Monetary Contributions by Venturers.* IFRS 12 changes the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. As a consequence of these new standards, the IASB also issued amended and retitled versions of IAS 27 - *Separate Financial Statements* and IAS 28 - *Investments in Associates and Joint Ventures*. The new requirements are effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Company is currently evaluating the potential impact of these standards.

In December 2010, the IASB issued an amendment to IAS 12 – Income Taxes, which introduces an exception to the requirement to measure the deferred tax assets or liabilities arising on an investment property measured at fair value based on its expected manner of recovery. The new requirements are effective for annual periods beginning on or after January 1, 2012. The Company is currently evaluating the potential impact of this standard.

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

In October 2010, the IASB issued amendments to IFRS 7 – Financial Instruments: Disclosures, which increases disclosure requirements in relation to transferred financial assets. The standard is effective for annual periods beginning on or after July 1, 2011, with earlier adoption permitted. The Company is currently evaluating the potential impact of this standard.

In November 2009, the IASB issued IFRS 9 – Financial Instruments: Classification and Measurement of Financial Assets and Financial Liabilities. In October 2010 it added requirements for financial liabilities. IFRS 9 will replace IAS 39 – Financial Instruments: Recognition and Measurement. The standard uses a single approach to determine whether a financial asset is measured at amortized cost or fair value. The approach is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used. For financial liabilities, the standard requires that for financial liabilities measured at fair value, any changes in an entity's own credit risk are generally to be presented in OCI instead of net earnings. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Company is currently evaluating the potential impact of this standard.

3 Critical accounting estimates and judgments

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, the reported amounts of revenues and expenses during the reporting period and the extent of and the reported amounts in disclosures. Actual results may vary from current estimates. These estimates are reviewed periodically and, as adjustments become necessary, are recorded in the period in which they change. Specific areas of uncertainty include but are not limited to:

Impairment of goodwill

Testing goodwill for impairment at least annually involves estimating the recoverable amount of the CGUs to which goodwill is allocated. This requires making assumptions about future cash flows, growth rates, market conditions and discount rates, which are inherently uncertain.

Post-employment benefits

Measuring the liability for post-employment benefits uses assumptions for the discount rates, increases in compensation, increases in medical costs and timing of the payment of benefits. Actual amounts could vary significantly from these assumptions.

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

Fair value of biological assets

Determining the fair value of grape vines involves making assumptions about how market participants assign the value of a vineyard between vines, land and other assets. The fair value of vineyards at April 1, 2010 was determined by an accredited appraiser and a portion of this fair value was in respect of vines. Changes in the fair value of vines may occur as a result of changes in numerous factors, including, vine health and expected future yields.

To estimate the fair value of controlled vines planted on leased land, discounted cash flows over the estimated remaining life of vines or the remaining lease term, whichever is shorter, were used. The fair value of vines on leased land reduces to $nil as the lease nears its expiration date. Assumptions used include the discount rate, expected yields, grape price trends and annual growing cost trends.

To estimate the fair value of vines in the middle and later stages of development, the estimated fair value of mature vines was reduced by the net discounted cash outflows necessary to bring the vines to a fully developed state.

Fair value of grapes at the point of harvest

Where possible, the fair value of grapes at the point of harvest is determined by reference to local market prices for grapes of a similar quality and the same varietal. For grapes for which local market prices are not readily available, the average price of similar grapes is used.

4 Inventories

	March 31, 2012	March 31, 2011	April 1, 2010
Packaging materials and supplies	$ 10,624	$ 8,213	$ 8,957
Bulk wine	61,389	50,709	49,912
Finished goods	38,243	35,770	29,949
	$ 110,256	$ 94,692	$ 88,818
Interest included in the cost of inventories	$ 986	$ 800	$ 941

Inventory write-downs recognized as an expense amounted to $1,663 (2011 - $1,357).

The cost of inventories recognized as an expense and included in cost of goods sold, excluding amortization was $167,963 (2011 - $160,801)

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

5 Property, plant and equipment

	Land	Vineyard land and infrastructure	Buildings	Machinery and equipment	Total
At April 1, 2010					
Cost	$ 4,807	$ 25,742	$ 39,193	$ 76,032	$ 145,774
Accumulated amortization	-	(3,257)	(11,326)	(46,058)	(60,641)
Net carrying amount	$ 4,807	$ 22,485	$ 27,867	$ 29,974	$ 85,133
Year ended March 31, 2011					
Additions	$ -	$ 127	$ 680	$ 6,258	$ 7,065
Disposals	-	(458)	-	(110)	(568)
Amortization	-	(531)	(1,166)	(5,189)	(6,886)
Closing net carrying amount	$ 4,807	$ 21,623	$ 27,381	$ 30,933	$ 84,744
At March 31, 2011					
Cost	$ 4,807	$ 25,390	$ 39,872	$ 81,634	$ 151,703
Accumulated amortization	-	(3,767)	(12,491)	(50,701)	(66,959)
Net carrying amount	$ 4,807	$ 21,623	$ 27,381	$ 30,933	$ 84,744
Year ended March 31, 2012					
Additions	$ -	$ 26	$ 600	$ 6,458	$ 7,084
Disposals	-	(42)	-	(188)	(230)
Amortization	-	(574)	(1,131)	(5,403)	(7,108)
Closing net carrying amount	$ 4,807	$ 21,033	$ 26,850	$ 31,800	$ 84,490
At March 31, 2012					
Cost	$ 4,807	$ 25,361	$ 40,472	$ 87,261	$ 157,901
Accumulated amortization	-	(4,328)	(13,622)	(55,461)	(73,411)
Net carrying amount	$ 4,807	$ 21,033	$ 26,850	$ 31,800	$ 84,490

Included in vineyard infrastructure are assets amounting to $nil (2011 - $nil; April 1, 2010 - $5,661) that are under development and are not being amortized.

Contractual commitments to purchase property, plant and equipment were $5,411 at March 31, 2012.

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

6 Biological assets

Biological assets consist of grape vines and grapes prior to harvest that are controlled by the Company. The Company owns and leases land in Ontario and British Columbia to grow grapes in order to secure a supply of quality grapes for the making of wine.

At March 31, 2012, the Company held grape vines planted on 762 acres of land (2011 – 762; April 1, 2010 – 768). During the year ended March 31, 2012, the Company harvested 1,990 tonnes of grapes (2011 – 1,029) valued at $4,521 (2011 - $3,098).

The changes in the carrying amount of biological assets are as follows:

	2012 $	2011 $
Carrying amount – Beginning of year	$ 12,709	$ 13,010
Net increase in fair value less costs to sell due to biological transformation, prices and other changes	4,258	1,723
Decrease in fair value less costs to sell of vines on leased land	(27)	(26)
Transferred to inventory upon harvest	(4,521)	(3,098)
Net gains (losses) from changes in fair value less costs to sell	(290)	(1,401)
	12,419	11,609
Purchases of vines	1,018	1,210
Disposal of vines	-	(110)
Carrying amount – End of year	13,437	12,709
Current portion of biological assets	(881)	(759)
Biological assets	12,556	11,950

The significant assumptions used to determine the fair value of vines planted on leased land are as follows:

	March 31, 2012	March 31, 2011	April 1, 2010
Yield	3-5 tonnes per acre	3-5 tonnes per acre	3-5 tonnes per acre
Discount rate	10 - 12%	10 - 12%	10 - 12%
Inflation rate	2.0%	2.0%	2.0%
Annual vineyard operating costs	$5 to $7 per acre	$5 to $7 per acre	$5 to $7 per acre

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

The Company is exposed to financial risk because of the long period of time between the cash outflow required to plant grape vines, cultivate vineyards, and harvest grapes and the cash inflow from selling wine and related products from the harvested grapes. To ensure the Company has access to sufficient cash to meet its obligations, the Company has negotiated sufficient credit facilities to meet its needs. In addition, the Company regularly monitors working capital requirements and cash budgets.

Substantially all of the grapes from owned and leased vineyards are used in the Company’s winemaking processes. Owned and leased vineyards, in combination with supply contracts with grape growers, are used to secure a supply of domestically grown premium quality grapes. These strategies reduce the financial risks associated with changes in grape prices.

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

7 Intangibles

	Brands – indefinite life	Customer-based intangible assets	Contract packaging	Other	Total
At April 1, 2010					
Cost	$ 3,800	$ 10,259	$ 1,100	$ 2,665	$ 17,824
Accumulated amortization and impairment	-	(1,884)	(192)	(973)	(3,049)
Net carrying amount	$ 3,800	$ 8,375	$ 908	$ 1,692	$ 14,775
Year ended March 31, 2011					
Additions	$ -	$ -	$ -	$ 101	$ 101
Amortization	-	(582)	(124)	-	(706)
Closing net carrying amount	$ 3,800	$ 7,793	$ 784	$ 1,793	$ 14,170
At March 31, 2011					
Cost	$ 3,800	$ 10,259	$ 1,100	$ 2,766	$ 17,925
Accumulated amortization and impairment	-	(2,466)	(316)	(973)	(3,755)
Net carrying amount	$ 3,800	$ 7,793	$ 784	$ 1,793	$ 14,170
Year ended March 31, 2012					
Additions	$ 375	$ 888	$ -	$ 132	$ 1,395
Transfer	-	-	-	(1,000)	(1,000)
Impairment	(200)	-	-	-	(200)
Amortization	-	(634)	(110)	-	(744)
Closing net carrying amount	$ 3,975	$ 8,047	$ 674	$ 925	$ 13,621
At March 31, 2012					
Cost	$ 4,175	$ 11,147	$ 1,100	$ 1,898	$ 18,320
Accumulated amortization and impairment	(200)	(3,100)	(426)	(973)	(4,699)
Net carrying amount	$ 3,975	$ 8,047	$ 674	$ 925	$ 13,621

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

8 Goodwill

	March 31, 2012	March 31, 2011	April 1, 2010
Gross amount	$ 37,473	$ 37,473	$ 37,608
Accumulated impairment losses	-	-	135
	$ 37,473	$ 37,473	$ 37,473

The change in goodwill during the year ended March 31, 2011 is as a result of the disposal of a subsidiary with goodwill that was fully impaired.

In order to test goodwill for impairment, the Company allocates the carrying value of goodwill to CGUs based on the lowest level that goodwill is monitored for internal management purposes. The aggregate carrying amount of goodwill allocated to each unit is as follows:

	March 31, 2012	March 31, 2011	April 1, 2010
Ontario and Eastern Canadian wine	$ 3,134	$ 3,134	$ 3,134
Western Canadian wine	10,530	10,530	10,530
Personal winemaking products	23,809	23,809	23,809
	$ 37,473	$ 37,473	37,473

The Company determined the recoverable amount of the related CGUs by estimating their value in use. Key assumptions used are:

	March 31, 2012	March 31, 2011	April 1, 2010
Pre-tax discount rate	10%	11%	11%
Period of projected cash flows	5 years	5 years	5 years
Growth rate beyond period of projected cash flows	4%	4%	4%

The Company uses past experience and current expectations about future performance in projecting cash flows, which are based on financial budgets for 5 years. For the period after 5 years, the Company projects cash flows using an assumed growth rate, which is based on expectations about long-term economic growth in Canada and any known industry specific factors that may influence long-term growth in the Canadian wine industry. The discount rate is estimated by referring to external sources of information about the cost of capital and leverage of companies that operate in a similar industry to the Company and that are of similar size. The rate determined is then adjusted to a pre-tax basis.

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

9 Accounts payable and accrued liabilities

	March 31, 2012	March 31, 2011	April 1, 2010
Trade payables	$ 28,464	$ 23,284	$ 19,110
Accrued liabilities	8,654	10,599	9,119
	$ 37,118	$ 33,883	$ 28,229

10 Bank indebtedness

On September 16, 2011, the Company entered into a new operating loan facility. Significant terms of this facility and the previous short-term loan facility are summarized below. The floating rates are stated in relation to the one to six month Canadian Dealer Offered Rate ("CDOR") and the Royal Bank of Canada prime rate ("Prime").

	March 31, 2012	March 31, 2011	April 1, 2010
Bank indebtedness	$ 57,495	$ 48,758	$ 48,887
Significant terms			
Committed until	September 16, 2015	August 26, 2011	November 9, 2010
Borrowing limit	$80,000	$75,000	$75,000
Interest rate	CDOR + 1.75%	Prime + 2.00%	Prime + 2.75%
Unused amount	$24,162	$20,143	$19,409

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

11 Long-term debt

	March 31, 2012	March 31, 2011	April 1, 2010
Term loan, maturing September 16, 2015	47,333	-	-
Other	264	-	-
Term loan, maturing April 30, 2015	-	48,278	53,611
Note payable	-	-	825
	47,597	48,278	54,436
Less: Financing costs	775	225	645
	46,822	48,053	53,791
Less: Current portion	5,366	5,333	6,158
	41,456	42,720	47,633

On September 16, 2011, the Company entered into a new long-term debt facility. The loan matures on September 16, 2015 and is repayable in monthly principal payments of $444 plus interest prior to maturity. On November 1, 2011, the Company modified its interest rate swap, which effectively fixes the interest rate until August 31, 2015 at 3.98% plus a premium of 1.75%, based on leverage, or 5.73%. The Company and its subsidiaries have provided their assets as security for this loan.

The above described loan replaced the Company's previous term loan, which was to mature on April 30, 2015 and was also repayable in monthly principal payments of $444 plus interest prior to maturity. Under its previous term loan and interest rate swap, the Company effectively paid a fixed interest rate of 5.64% plus additional interest of 0.70% based on leverage and a funding premium of 0.80%.

Interest expense on long-term debt during the year was $3,302 (2011 - $4,124).

Annual principal repayments for the years ending March 31 are as follows:

2013	$ 5,366
2014	5,366
2015	5,366
2016	31,368
2017	33
Thereafter	98
	$ 47,597

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

12 Post-employment benefits

The Company has defined benefit pension plans and defined contribution savings plans for its employees. The total expenses for the defined contribution savings plans were $1,220 (2011 - $1,230). The Company also has a post-retirement medical benefits plan for certain employees and provides a monthly wine allowance to retired employees, which are collectively referred to as other post-employment benefits.

Information about the funded defined benefit pension plans and the unfunded other post-employment benefits plans is as follows:

			2012
	Pension benefits	**Other post-employment benefits**	**Total**
Plan assets			
Fair value - Beginning of year	$ 16,178	$ -	$ 16,178
Expected return on plan assets	977	-	977
Actuarial gains (losses)	(1,353)	-	(1,353)
Company's contributions	1,222	75	1,297
Employees' contributions	3	-	3
Benefits paid	(951)	(75)	(1,026)
Fair value - End of year	$ 16,076	$ -	$ 16,076
Plan obligations			
Accrued benefit obligations - Beginning of year	$ 19,366	$ 1,810	$ 21,176
Employees' contributions	3	-	3
Total current service cost	476	58	534
Interest cost	969	91	1,060
Benefits paid	(951)	(75)	(1,026)
Actuarial losses (gains)	812	182	994
Accrued benefit obligations - End of year	20,675	2,066	22,741
Plan deficits	4,599	2,066	6,665
Unamortized past service credits from amendment to post-employment medical benefits plan	-	486	486
Accrued benefit liability	$ 4,599	$ 2,552	$ 7,151

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

				2012
		Pension benefits	**Other post-employment benefits**	**Total**
Benefit plan expense				
Current service cost		$ 476	$ 58	$ 534
Interest cost		969	91	1,060
Expected return on plan assets		(977)	-	(977)
Employees' contributions		(3)	-	(3)
Amortization of past service credits		-	(81)	(81)
Net benefit plan expense		$ 465	$ 68	$ 533
Amount recognized in other comprehensive income				
Net actuarial loss (gain)		$ 2,165	$ 182	$ 2,347
Actual return (loss) on plan assets		$ (376)	$ -	$ (376)
Experience adjustments				
Plan assets		$ (1,353)	$ -	$ (1,353)
Plan liabilities		(812)	(182)	(994)
		$ (2,165)	$ (182)	$ (2,347)

				2011
		Pension benefits	**Other post-employment benefits**	**Total**
Plan assets				
Fair value - Beginning of year		$ 14,983	$ -	$ 14,983
Expected return on plan assets		1,050	-	1,050
Actuarial gains (losses)		119	-	119
Company's contributions		1,072	72	1,144
Employees' contributions		3	-	3
Benefits paid		(1,049)	(72)	(1,121)
Fair value - End of year		$ 16,178	$ -	$ 16,178

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

						2011
		Pension benefits		**Other post-employment benefits**		**Total**
Plan obligations						
Accrued benefit obligations - Beginning of year	$	18,001	$	1,748	$	19,749
Employees' contributions		3		-		3
Total current service cost		448		57		505
Interest cost		986		97		1,083
Benefits paid		(1,049)		(71)		(1,120)
Actuarial losses (gains)		977		(21)		956
Accrued benefit obligations - End of year	$	19,366	$	1,810	$	21,176
Funded status						
Plan deficits	$	3,188	$	1,810	$	4,998
Unamortized past service credits from amendment to post-employment medical benefits plan		-		567		567
Accrued benefit liability	$	3,188	$	2,377	$	5,565
Benefit plan expense						
Current service cost	$	452	$	57	$	509
Interest cost		986		97		1,083
Expected return on plan assets		(1,050)		-		(1,050)
Employee contributions		(3)		-		(3)
Amortization of past service credits		-		(81)		(81)
Net benefit plan expense	$	385	$	73	$	458
Amount recognized in other comprehensive income						
Net actuarial loss (gain)	$	858	$	(21)	$	837
Actual return on plan assets	$	1,169	$	-	$	1,169
Experience adjustments						
Plan assets	$	119	$	-	$	119
Plan liabilities		(977)		21		(956)
	$	(858)	$	21	$	(837)

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

					April 1, 2010	
		Pension benefits		**Other post-employment benefits**		**Total**
Accrued benefit obligations	$	18,001	$	1,748	$	19,749
Plan assets at fair value		14,983		-		14,983
Unamortized past service credits		-		648		648
Accrued benefit liability	$	3,018	$	2,396	$	5,414

The significant actuarial assumptions adopted in measuring the Company’s accrued benefit obligations and benefits costs are as follows:

	March 31, 2012	**March 31, 2011**	**April 1, 2010**
Discount rate for expenses	5.0%	5.5%	N/A
Discount rate for obligations	4.5%	5.0%	5.5%
Expected long-term rate of return on plan assets	4.8 – 6.3%	7.0%	N/A
Rate of compensation increase	4%	4 – 5%	4 – 5%
Rate of medical cost increases	8% decreasing to 5% after 3 years	9% decreasing to 5% after 4 years	10% decreasing to 5% after 5 years
Retirement age	60 – 65 years	60 – 65 years	60 – 65 years

To determine the expected long-term rate of return on plan assets, a weighted average of the expected returns of each asset category is used. The calculation is weighted based on the proportion of assets expected to be held by the plans in each asset category.

An increase of one percent in the assumed rate of medical cost increases would lead to an increase in the aggregate of the current service cost and interest cost component of the benefit plan expense of $3 (2011 - $3) and an increase in the accrued benefit obligation of $62 (2011 - $56). A decrease of one percent in the assumed rate of medical cost increases would lead to an decrease in the aggregate of the current service cost and interest cost component of the benefit plan expense of $3 (2011 - $3) and a decrease in the accrued benefit obligation of $55 (2011 - $50).

At March 31, 2012, the accumulated actuarial losses recognized in OCI were $3,184 (2011 - $837).

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

Plan assets

The plan assets consist of the following:

	March 31, 2012 %	March 31, 2011 %	April 1, 2010 %
Mutual Funds			
Fixed Income	55	-	-
Equity	20	-	-
Balanced	25	100	100
	100	100	100

Estimated contributions

The Company expects to make contributions of $1,663 to its defined benefit plans in the year ending March 31, 2013.

13 Income taxes

	2012	2011
Current tax on earnings for the year	$ 4,504	$ 4,138
Adjustments in respect of prior years	337	(915)
Provision for current income taxes	4,841	3,223
Change in temporary differences	828	2,152
Impact of change in tax rate	(131)	7
Provision for deferred income taxes	697	2,159
Total provision for income taxes	$ 5,538	$ 5,382

The Company's income tax expense consists of the following:

	2012	2011
Provision for income taxes at blended statutory rate of 26.79% (2011 – 28.82%)	$ 4,967	$ 4,786
Permanent differences and non-deductible items	307	269
Future income tax rate changes	(131)	7
Other	395	320
	$ 5,538	$ 5,382

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

The decrease in the blended statutory rate applicable to the Company is primarily a result of an income tax rate decrease in Canada and in the province of Ontario during the year.

The movement of the deferred income tax account is as follows:

	2012	**2011**
At beginning of year	$ 11,820	$ 9,879
Provision for deferred income taxes in net earnings	697	2,159
Recovery of deferred income taxes in other comprehensive earnings	(610)	(218)
At end of year	$ 11,907	$ 11,820

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

The significant temporary differences giving rise to the deferred income tax liability are comprised of the following:

Deferred income tax liability

	Accelerated tax depreciation and deductions on property, plant and equipment	Biological assets	Accelerated tax deductions on intangibles	Tax deductions on goodwill	Total
April 1, 2010	$ 6,585	$ 2,688	$ 2,975	$ 2,443	$ 14,691
Provision (recovery) in net earnings	177	(251)	(174)	170	(78)
March 31, 2011	6,762	2,437	2,801	2,613	14,613
Provision (recovery) in net earnings	(42)	353	(217)	186	280
March 31, 2012	$ 6,720	$ 2,790	$ 2,584	$ 2,799	$ 14,893

Deferred income tax asset

	Loss carry forwards	Fair value change on derivatives	Post-employment benefits	Other	Total
April 1, 2010	$ (2,308)	$ (949)	$ (1,381)	$ (174)	$ (4,812)
Provision (recovery) in net earnings	2,165	60	174	(162)	2,237
Recovery in other comprehensive income	-	-	(218)	-	(218)
March 31, 2011	(143)	(889)	(1,425)	(336)	(2,793)
Provision (recovery) in net earnings	(8)	77	229	119	417
Recovery in other comprehensive income	-	-	(610)	-	(610)
March 31, 2012	$ (151)	$ (812)	$ (1,806)	$ (217)	$ (2,986)

Changes to statutory income tax rates have been announced in British Columbia and Ontario. The Company estimates that these changes will increase the deferred income tax liability by approximately $600 when the related legislation is introduced.

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

14 Capital stock

		March 31, 2012			March 31, 2011			April 1, 2010		
	Authorized	**Issued**			**Issued**			**Issued**		
		Shares		**Amount**	**Shares**		**Amount**	**Shares**		**Amount**
Class A Shares, non-voting	Unlimited	11,293,829	$	6,626	11,293,829	$	6,626	11,888,241	$	6,975
Class B Shares, voting	Unlimited	3,004,041		400	3,004,041		400	3,004,041		400
		14,297,870	$	7,026	14,297,870	$	7,026	14,892,282	$	7,375

During 2011, the Company repurchased 594,412 Class A non-voting shares through a normal course issuer bid. The repurchase price was first allocated to capital stock based on the average per share carrying amount of Class A Shares. The remaining amount was allocated to retained earnings. A summary of the transaction in Class A Shares is as follows:

	2012			2011		
	Shares		**Amount**	**Shares**		**Amount**
Shares outstanding at the beginning of year	11,293,829	$	6,626	11,888,241	$	6,975
Repurchase	-		-	(594,412)		(5,249)
Excess of repurchase price over average per share issue price	-		-	-		4,900
	11,293,829	$	6,626	11,293,829	$	6,626

All of the issued Class A and Class B Shares are fully paid and have no par value.

Class A Shares are non-voting and are entitled to a dividend in an amount equal to 115% of any dividend paid or declared on Class B Shares. Class B Shares are voting and convertible into Class A Shares on a one-for-one basis.

Quarterly dividends of $0.0900 (previously $0.0825) per Class A Share and $0.0785 (previously $0.0720) per Class B Share were approved by the Board of Directors on June 8, 2011 and are formally declared in each quarter. Dividend payments are reviewed at least annually by the Board of Directors.

The authorized share capital of the Company also consists of an unlimited number of preference shares, issuable in one or more series, of which 33,315 are designated as preference shares, series A. As at March 31, 2012 and 2011 and April 1, 2010, there were no preference shares issued or outstanding.

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

Stock purchase plan

The Company's full-time salaried, certain hourly employees and directors participate in a Company-sponsored stock purchase plan. Under the terms of the plan, employees can purchase a certain number of Class A Shares on an annual basis. Employees are required to pay 67% of an established market price per Class A Share. Directors can purchase 750 Class A Shares and are required to pay 50% of the cost. The Company is responsible for the remainder of the cost and, during 2012, expensed $219 (2011 - $215) related to this program. Officers of the Company also participate in an Equity Incentive Program, where Class A Shares of the Company are purchased on their behalf from the open market.

15 Nature of expenses

The nature of the expenses included in selling and administration and cost of goods sold, excluding amortization are as follows:

	2012	2011
Raw materials and consumables	$ 134,213	$ 128,495
Employee compensation and benefits	53,104	51,222
Advertising, promotion and distribution	27,652	26,581
Occupancy	9,550	9,214
Repairs and maintenance	5,960	5,762
Other external charges	13,753	12,602
	$ 244,232	$ 233,876

Other expenses (income) are as follows:

	2012	2011
Revaluation of vines (a)	$ 411	$ 1,171
Ongoing maintenance costs related to Port Moody winery facility (b)	185	189
Impairment on intangibles (c)	200	-
Change in estimated payroll taxes and benefits (d)	367	-
Change in estimated disposal costs to complete the sale of Granville Island Brewing Company Ltd. and Mainland Beverage Distribution Ltd. (e)	-	(260)
Gain on sale of vineyard (f)	-	(309)
	$ 1,163	$ 791

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

a) Changes in the fair value less costs to sell of vines included in biological assets are included in the revaluation of vine biological assets shown above. During fiscal 2011, it became evident that approximately 98 acres of vines developed by the Company on leased land in Oliver, British Columbia were damaged. Included in this amount for fiscal 2011 is a loss of $1,062 from this damage.

b) During fiscal 2006, the Company closed its Port Moody winery facility and transferred production to its winery operations in Kelowna, British Columbia. The cost of maintaining this idle facility amounted to $185 in 2012 (2011 - $189).

c) The Company recorded a $200 impairment charge for certain personal winemaking product brand names that will be discontinued.

d) During 2012, the Company recorded an increase in personnel costs for additional estimated payroll taxes and benefits. These additional costs were calculated based on the amount of gratuities that were earned by employees during the years ended March 31, 2007 to March 31, 2011. The additional estimated cost for these periods amounted to $367 and was recorded in other expenses during the year.

e) During 2011, the Company recorded a $260 reduction in its estimate of costs to complete the disposition of Granville Island Brewing Company Ltd. and Mainland Beverage Distribution Ltd.

f) A pre-tax gain in the amount of $309 was recorded related to the sale of a portion of a vineyard on May 25, 2010. The proceeds from the sale were $833.

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

16 Net earnings per share

			2012
	Class A	**Class B**	**Total**
Net earnings attributed for the year – basic and diluted	$ 10,559	$ 2,442	$ 13,001
Weighted average number of shares outstanding – basic and diluted	11,293,829	3,004,041	
Net earnings per share – basic and diluted	$ 0.93	$ 0.81	

			2011
	Class A	**Class B**	**Total**
Net earnings attributed for the year – basic and diluted	$ 9,197	$ 2,026	$ 11,223
Weighted average number of shares outstanding – basic and diluted	11,860,556	3,004,041	
Net earnings per share – basic and diluted	$ 0.78	$ 0.67	

The dilutive effect of outstanding stock options on net earnings per share is based on the application of the treasury stock method. Under this method, the Company assumes that the proceeds from the potential exercise of such stock options are used to purchase Class A non-voting shares. As at March 31, 2012 and 2011, there were no stock options outstanding.

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

17 Commitments

a) In certain instances, the Company leases land for the purpose of operating vineyards. The terms of the land leases are 30 and 32 years, which expire in 2036 and 2029 respectively. Under the terms of one land lease, the Company has the option to agree in advance to purchase any grapes grown on the property at market value for five or more years after the termination of the lease. The Company also has a right of first refusal to purchase the land under both land leases, which gives the Company the option to buy the land only if the lessor is planning to sell the land. The terms of such a purchase would be negotiated based on market conditions existing at the time of the purchase.

The Company leases various storage facilities, offices, and retail locations. The remaining terms of these leases range between 1 and 6 years. The Company also leases various equipment and vehicles with remaining lease terms between 1 and 6 years. In many cases, the Company has renewal options for fair market rental prices at the time of renewal.

Future minimum lease payments as at March 31, 2012 under long-term non-cancellable leases are as follows:

No later than 1 year	$ 5,157
Later than 1 year and no later than 5 years	9,829
Later than 5 years	8,331
	$ 23,317

In 2012, minimum lease payments of $3,176 (2011 - $3,878) were recognized as expense.

b) As at March 31, 2012, the Company held $15,000 in U.S. dollar-denominated foreign exchange forward contracts at rates averaging between $0.99 and $1.03 expiring at various dates to October 2012. The Company also held EUR 2,500 in Euro-denominated foreign exchange contracts at a rate of $1.31 expiring at various dates until June 2012. Management has not elected to designate these contracts as hedges and as a result have recorded the change in fair value of $469 in the statement of earnings (see note 19).

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

18 Non-cash working capital items

The change in non-cash working capital items related to operations is comprised of the change in the following items:

	2012	2011
Accounts receivable	$ (547)	$ (488)
Inventories and current portion of biological assets	(15,686)	(6,018)
Prepaid expenses and other assets	(520)	1,000
Accounts payable and accrued liabilities	3,525	5,220
	$ (13,228)	$ (286)

19 Financial instruments

Classification of financial instruments

The classification and measurement of the financial assets and liabilities, as well as their carrying amounts and fair values are as follows:

			March 31, 2012	
Assets/liability	**Category**	**Measurement**	**Carrying amount $**	**Fair value $**
Accounts receivable	Loans and receivables	Amortized cost	24,937	24,937
Bank indebtedness	Other liabilities	Amortized cost	57,495	57,495
Accounts payable and accrued liabilities	Other liabilities	Amortized cost	37,118	37,118
Dividends payable	Other liabilities	Amortized cost	1,252	1,252
Long-term debt – term loan	Other liabilities	Amortized cost	46,822	46,822
Interest rate swap liability	Derivatives	Fair value	3,138	3,138
Foreign exchange forward contracts liability	Derivatives	Fair value	77	77

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

			March 31, 2011	
Assets/liability	**Category**	**Measurement**	**Carrying amount $**	**Fair value $**
Accounts receivable	Loans and receivables	Amortized cost	23,390	23,390
Bank indebtedness	Other liabilities	Amortized cost	48,758	48,758
Accounts payable and accrued liabilities	Other liabilities	Amortized cost	33,883	33,883
Dividends payable	Other liabilities	Amortized cost	1,148	1,148
Long-term debt – term loan	Other liabilities	Amortized cost	48,053	48,053
Interest rate swap liability	Derivatives	Fair value	2,926	2,926
Foreign exchange forward contracts liability	Derivatives	Fair value	546	546

			April 1, 2010	
Assets/liability	**Category**	**Measurement**	**Carrying amount $**	**Fair value $**
Accounts receivable	Loans and receivables	Amortized cost	22,902	22,902
Bank indebtedness	Other liabilities	Amortized cost	48,877	48,877
Accounts payable and accrued liabilities	Other liabilities	Amortized cost	28,229	28,229
Dividends payable	Other liabilities	Amortized cost	1,197	1,197
Long-term debt – term loan	Other liabilities	Amortized cost	53,791	53,791
Interest rate swap liability	Derivatives	Fair value	3,145	3,145
Foreign exchange forward contracts liability	Derivatives	Fair value	444	444

The Company's interest rate swap and foreign exchange contracts are derivatives and are recorded at fair value. As a result, unrealized gains and losses are included each period through earnings which reflect changes in fair value.

Fair value

The fair value of accounts receivable, accounts payable and accrued liabilities and dividends payable approximates their carrying value because of the short-term maturity of these instruments.

The fair value of long-term debt is equivalent to its carrying value because the variable interest rate is comparable to market rates. The fair value of the interest rate swap used to fix this interest rate is included in the current and long-term derivative financial instruments in the balance sheet.

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

The fair value of the derivative financial instruments generally reflects the estimates of the amounts the Company would receive by way of settlement of favourable contracts or that the Company would pay to terminate unfavourable contracts at the consolidated balance sheet date. The fair value of the interest rate swap and foreign exchange contracts are calculated using the quotes obtained from major financial institutions with adjustment to reflect any changes in the Company's or the counterparty's credit risk. Unrealized gains or losses on derivative financial instruments are recorded in the net unrealized gains on derivative financial instruments in the consolidated statement of earnings.

Fair value estimates are made at a specific point in time, using available information about the instrument. These estimates are subjective in nature and often cannot be determined with precision.

The net unrealized gains on derivative financial instruments are comprised of:

	2012 $	2011 $
Unrealized gains (losses) on foreign exchange forwards	$ 469	$ (102)
Unrealized gains (losses) on the interest rate swap	(212)	219
	$ 257	$ 117

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

The fair value measurements of the Company's financial instruments are classified in the hierarchy below according to the significance of the inputs used in making the fair value measurements.

			March 31, 2012
Liability	**Quoted prices in active markets for identical assets (Level 1) $**	**Significant observable inputs other than quoted prices (Level 2) $**	**Significant unobservable inputs (Level 3) $**
Interest rate swap liability	-	3,138	-
Foreign exchange forward contracts liability	-	77	-

			March 31, 2011
Liability	**Quoted prices in active markets for identical assets (Level 1) $**	**Significant observable inputs other than quoted prices (Level 2) $**	**Significant unobservable inputs (Level 3) $**
Interest rate swap liability	-	2,926	-
Foreign exchange forward contracts liability	-	546	-

			April 1, 2010
Liability	**Quoted prices in active markets for identical assets (Level 1) $**	**Significant observable inputs other than quoted prices (Level 2) $**	**Significant unobservable inputs (Level 3) $**
Interest rate swap liability	-	3,145	-
Foreign exchange forward contracts liability	-	444	-

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

Objectives and policy relating to financial risk management

Interest rate risk

The Company is exposed to interest rate risk as a result of cash balances, floating rate debt, and an interest rate swap. Of these risks, the Company's principal exposure is that increases in the floating interest rates on its debt, if unmitigated, could lead to decreases in cash flow and earnings. The Company's objective in managing interest rate risk is to achieve a balance between minimizing borrowing costs over the long-term, ensuring that it meets borrowing covenants and ensuring that it meets other expectations and requirements of investors. To meet these objectives, the Company's policy is to effectively fix the rates on long-term debt to match the duration of investments in long-lived assets and to use floating rate funding for short-term borrowing.

The Company has effectively fixed its interest rate on long-term debt until August 2015 by entering into an interest rate swap. The interest rate swap is measured at fair value because the Company has elected not to use hedge accounting. An unrealized loss of $212 (2011 - $219 gain) was recognized on the interest rate swap, which is classified as net unrealized gains on derivative financial instruments in the statements of earnings. As at March 31, 2012, there is one interest rate swap outstanding with a notional amount of $47,333 with a fixed rate of 3.98%. The fair value of the interest rate swap at March 31, 2012 was $3,138.

The Company's short-term borrowings are funded using a floating interest rate and as such are sensitive to interest rate movements. As at March 31, 2012, with other variables unchanged, a 1% change in interest rates would impact the Company's net earnings by approximately $420 (2011 - $354), exclusive of the mark-to-market adjustments on the interest rate swap.

Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and accounts receivable. The Company places its cash and cash equivalents with major Canadian financial institutions of high creditworthiness. Counterparties to derivative contracts are also major Canadian financial institutions of high creditworthiness.

Credit risk for trade receivables is monitored through established credit monitoring activities. Over 55% of the Company's accounts receivable balance relates to amounts owing from Canadian provincial liquor boards. Excluding accounts receivable from Canadian provincial liquor boards, the Company does not have a significant concentration of credit risk with any single counterparty or group of counterparties. Amounts owing from Canadian provincial liquor boards represents $13,948 of the $24,937 in total accounts receivables for which no allowance has been provided. Of the remaining non-provincial liquor board balances, $771 (2011 - $353) were over thirty days past due as of March 31, 2012. An allowance for doubtful accounts of $269 (2011 - $192) has been provided against these accounts receivable amounts, which the Company has determined to represent a reasonable estimate of amounts that may be uncollectible.

Sales to the Liquor Control Board of Ontario were $45,389 (2011 - $42,576) during the year ended March 31, 2012. Sales to the British Columbia Liquor Distribution Branch were $30,125 (2011 - $29,893) during the year.

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

An analysis of accounts receivable is as follows:

		March 31, 2012		**March 31, 2011**		**April 1, 2010**
Liquor boards	$	13,948	$	13,653	$	12,629
Non-liquor boards						
Current		7,867		7,036		7,255
Past due 0 – 30 days, due on delivery accounts		427		389		593
Past due 0 – 30 days		1,924		1,959		1,478
Past due 31 – 60 days		461		319		482
Past due > 60 days		579		226		753
Allowance for doubtful accounts		(269)		(192)		(288)
	$	24,937	$	23,390	$	22,902

The change in the allowance for doubtful accounts was as follows:

		2012		**2011**
Balance – Beginning of year	$	192	$	288
Provision for current year		147		131
Bad debt		(70)		(227)
Balance – End of year	$	269	$	192

Liquidity risk

The Company incurs obligations to deliver cash or other financial assets on future dates. Liquidity risk inherently arises from these obligations, which include requirements to repay debt, purchase grape inventory and make operating lease payments.

The Company manages liquidity risk by maintaining adequate cash and cash equivalent balances and by appropriately utilizing its line of credit. Company management continuously monitors and reviews both actual and forecasted cash flows and matches the maturity profile of financial assets and financial liabilities. Accounts payable are generally due within 30 days.

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

The following table outlines the Company's contractual undiscounted obligations. The Company analyzes contractual obligations for financial liabilities in conjunction with other commitments in managing liquidity risk. Contractual obligations include long-term debt, the expected payments under a swap agreement that fixes the Company's interest rate on long-term debt, operating leases and commitments on short-term forward foreign exchange contracts used to mitigate the currency risk on U.S. dollar purchases as at March 31, 2012:

	Total	< 1 year	2 – 3 years	4 – 5 years	> 5 years
Long-term debt	$ 47,597	$ 5,366	$ 10,732	$ 31,401	$ 98
Operating leases and royalties	23,317	5,157	6,816	3,013	8,331
Plant and equipment purchases	5,411	5,411	-	-	-
Pension obligations	4,093	560	953	811	1,769
Long-term grape purchase contracts	315,340	24,711	49,774	49,525	191,330
	395,758	41,205	68,275	84,750	201,528
Interest rate swap	7,626	2,658	4,359	609	-
Foreign exchange forwards	18,409	18,409	-	-	-
Total contractual obligations	$ 421,793	$ 62,272	$ 72,634	$ 85,359	$ 201,528

The Company's obligations under its interest rate swap and foreign exchange forwards are stated above on a gross basis rather than net of the corresponding contractual benefits.

Foreign exchange risk

Certain of the Company's purchases are denominated in U.S. dollars or Euros. Any increases or decreases to the foreign exchange rates could increase or decrease the Company's earnings. To mitigate the exposure to foreign exchange risk, the Company has entered into forward foreign currency contracts.

The Company's foreign exchange risk arises on the purchase of bulk wine and concentrate, which are made in U.S. dollars and Euros. The Company's strategy is to hedge approximately 50% - 80% of its annual foreign exchange requirements prior to or during the beginning of each fiscal year. As at March 31, 2012, the Company has forward foreign currency contracts to buy U.S. $15,000 at rates ranging between $0.99 and $1.03. The Company also held EUR 2,500 in Euro-denominated foreign exchange contracts at a rate of $1.31. These contracts mature at various dates to October 2012. Including the impact of these contracts, a one percent increase or decrease to the exchange rate of the U.S. dollar or the Euro would impact the Company's net earnings by approximately $123 (2011 - $62) or $93 (2011 - $95), respectively. The Company has elected not to use hedge accounting and as a result, has recognized $469 of unrealized foreign exchange gains (2011 – unrealized losses $102) in the consolidated statement of earnings as a component of net unrealized gains on derivative financial instruments and has recorded the fair value of $77 in current portion of derivative financial instruments in the consolidated balance sheet.

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

20 Capital disclosures

The Company's objective when managing capital is to safeguard the Company's ability as a going concern, to provide an adequate return to shareholders and to meet external capital requirements on debt and credit facilities.

The Company's capital consists of cash, bank indebtedness, long-term debt and shareholders' equity. The primary uses of capital are to make increases to non-cash working capital, fund maintenance and growth related capital expenditures, pay dividends and finance acquisitions. In order to meet the Company's objectives in managing capital, the Company prepares annual budgets of cash, earnings and capital expenditures that are updated during the year as necessary. The annual budget is approved by the Board of Directors.

As part of the existing debt agreement, the Company is subject to externally imposed financial covenants which consist of the following:

- Funded debt to a rolling twelve month EBITDA, which is defined as consolidated earnings before interest, amortization and taxes excluding unusual and non-recurring items that are agreed to by the Company and the lender
- Working capital ratio
- Fixed charge coverage ratio

Unfunded capital expenditures are limited to $10,000 on an annual basis. The unspent portion may be carried over to the next fiscal year.

Compliance with these covenants and the capital expenditure limit is monitored by management on a quarterly basis. During the year ended March 31, 2012, and as at March 31, 2012, the Company has remained in compliance with all external lending covenants.

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

21 Related parties and management compensation

The Company is controlled by Jalger Limited, which owns 66.6% of the Company's Class B voting shares. The ultimate controlling party of the Company is Dr. Joseph A. Peller.

Compensation of directors and executives

The compensation expense recorded for directors and members of the Executive Management Team of the Company is shown below:

	2012	2011
Compensation and benefits	$ 4,274	$ 4,290
Payments to a share purchase plan	218	235
	$ 4,492	$ 4,525

The compensation and benefits expense consists of amounts that will primarily be settled within twelve months.

22 Segmented information

During the year, export sales were $11,222 (2011 - $10,040), primarily in the United States. The remainder of sales occurred in Canada. All of the Company's assets are located in Canada.

23 Transition to IFRS

The Company has adopted IFRS for the first time in accordance with IFRS 1 – First-Time Adoption of IFRS. The first date at which the Company applied IFRS was April 1, 2010 ("its Transition Date" or "the Company's Transition Date").

IFRS 1 provides certain exemptions and exceptions from the general requirement to retrospectively apply IFRS. The Company has elected to use the following applicable IFRS 1 exemptions at its Transition Date:

Business combinations – The Company has elected not to apply IFRS 3 retrospectively to business combinations prior to its Transition Date.

Share-based payment transactions – The Company has elected to forego the retrospective application of IFRS 2 to its share-based payment transactions that occurred before certain dates. As a result, the Company has maintained its previous accounting policies for equity instruments that vested before the Company's Transition Date or that were granted on or before November 7, 2002. The Company also maintained its previous accounting policies for liabilities arising from share-based payment transactions that were settled before its Transition date.

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

Leases – The Company has elected to apply the transitional provisions in IFRIC 4 – Determining whether an Arrangement contains a Lease, which allows the Company to consider whether an arrangement existing at its Transition Date contained a lease based on the circumstances existing at that date.

Employee benefits – The Company has elected to recognize all cumulative actuarial gains and losses in opening retained earnings at its Transition Date for all of its defined benefit pensions and other post-employment benefit plans.

Borrowing costs – The Company has elected to apply IAS 23 – Borrowing Costs effective the Company's Transition Date. Prior to transition, the Company had a policy of capitalizing interest on inventory taking a substantial period of time to become ready to sell. As a result of this election, the Company will be required to capitalize certain borrowing costs on all qualifying assets beginning on its Transition Date.

Cumulative translation differences – The Company has elected to deem cumulative translation differences to be zero at its Transition Date. Also, the Company will only include translation differences that arose after its Transition Date in the gain or loss on a disposal of a foreign operation occurring after its Transition Date.

In the reconciliations below, Canadian GAAP information refers to Canadian GAAP prior to the Company's transition to IFRS and is not prepared in accordance with IFRS. A summary of how the transition from Canadian GAAP to IFRS has impacted the Company's balance sheets, statements of earnings, statements of comprehensive income and statements of cash flows is included below

Certain comparative figures previously reported under Canadian GAAP have been reclassified to conform with the presentation under IFRS.

Reconciliations of shareholders' equity

		March 31, 2011		**April 1, 2010**
Shareholders' equity as reported under Canadian GAAP	$	114,667	$	113,665
Increase (decrease) as a result of an IFRS adjustment				
Change in measurement of internally supplied grapes (a, b)	$	(634)	$	(260)
Change in measurement of vines (b, c)		2,540		1,800
Goodwill – recognition of contingent consideration (d)		(600)		(600)
Post-employment benefits – recognition of post-employment obligation (e)		(781)		(717)
Post-employment benefits – elected to record actuarial gains and losses immediately (e)		(981)		(167)
Deferred income taxes on the above items (f)		86		(41)
Shareholders' equity as reported under IFRS	$	114,297	$	113,680

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

Reconciliation of net comprehensive income

		Year ended March 31, 2011
Net comprehensive income as reported under Canadian GAAP	$	10,989
Increase (decrease) in net earnings as a result of an IFRS adjustment		
Cost of goods sold – fair value adjustments to grape inventories (a, b)	$	(374)
Cost of goods sold – increase in post-employment pension and benefit expenses (e)		(26)
Selling and administration – increase in post-employment pension and benefit expenses (e)		(15)
Amortization – vines are biological assets and are not amortized under IFRS (b, c)		610
Other expenses – fair value adjustments to vines (b, c)		130
Deferred income tax impact of the above (f)		(91)
		234
Increase (decrease) in other comprehensive income as a result of an IFRS adjustment		
Post-employment benefits – actuarial gains and losses (e)		(837)
Deferred income tax impact (f)		218
		(619)
Net comprehensive income as reported under IFRS	$	10,604

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

Reconciliations of balance sheets

						March 31, 2011
		Canadian GAAP		**Adjustment**		**IFRS**
Assets						
Current assets						
Accounts receivable	$	23,390	$	-	$	23,390
Inventories (a)		96,085		(1,393)		94,692
Current portion of biological assets (a, b)		-		759		759
Prepaid expenses and other assets		818		-		818
		120,293		(634)		119,659
Property, plant and equipment (b, c)		94,154		(9,410)		84,744
Biological assets (b, c)		-		11,950		11,950
Intangibles and other assets		14,170		-		14,170
Goodwill (d)		38,073		(600)		37,473
	$	266,690	$	1,306	$	267,996
Liabilities						
Current liabilities						
Bank indebtedness	$	48,758	$	-	$	48,758
Accounts payable and accrued liabilities (d)		33,883		-		33,883
Dividends payable		1,148		-		1,148
Income taxes payable		1,000		-		1,000
Current portion of derivative financial instruments		1,894		-		1,894
Current portion of long-term debt		5,333		-		5,333
		92,016		-		92,016
Long-term debt		42,720		-		42,720
Long-term derivative financial instruments		1,578		-		1,578
Post-employment benefits (e)		3,803		1,762		5,565
Deferred income taxes (f)		11,906		(86)		11,820
		152,023		1,676		153,699
Shareholders' Equity						
Capital stock		7,026		-		7,026
Retained earnings (g)		107,641		(370)		107,271
		114,667		(370)		114,297
	$	266,690	$	1,306	$	267,996

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

	April 1, 2010		
	Canadian GAAP	**Adjustment**	**IFRS**
Assets			
Current assets			
Accounts receivable	$ 22,902	$ -	$ 22,902
Inventories (a)	89,693	(875)	88,818
Current portion of biological assets (a, b)	-	615	615
Prepaid expenses and other assets	1,818	-	1,818
Income taxes recoverable	1,327	-	1,327
	115,740	(260)	115,480
Property, plant and equipment (b, c)	95,728	(10,595)	85,133
Biological assets (b, c)	-	12,395	12,395
Intangibles and other assets	14,775	-	14,775
Goodwill (d)	37,473	-	37,473
	$ 263,716	$ 1,540	$ 265,256
Liabilities			
Current liabilities			
Bank indebtedness	$ 48,877	$ -	$ 48,877
Accounts payable and accrued liabilities (d)	28,229	-	28,229
Dividends payable	1,197	-	1,197
Current portion of derivative financial instruments	1,922	-	1,922
Current portion of long-term debt	6,158	-	6,158
	86,383	-	86,383
Long-term debt	47,633	-	47,633
Long-term derivative financial instruments	1,667	-	1,667
Post-employment benefits (e)	4,530	884	5,414
Other long-term (d)	-	600	600
Deferred tax liabilities (f)	9,838	41	9,879
	150,051	1,525	151,576
Shareholders' Equity			
Capital stock	7,375	-	7,375
Retained earnings (g)	106,290	15	106,305
	113,665	15	113,680
	$ 263,716	$ 1,540	$ 265,256

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

Reconciliation of statements of earnings and statements of comprehensive income

	Year ended March 31, 2011		
	Canadian GAAP	**Adjustment**	**IFRS**
Sales	$ 265,420	$ -	$ 265,420
Cost of goods sold (a, e)	161,758	400	162,158
Amortization of plant and equipment used in production (b, c)	5,277	(610)	4,667
Gross profit	98,385	210	98,595
Selling and administration (e)	71,703	15	71,718
Amortization of equipment and intangibles used in selling and administration	2,925	-	2,925
Interest	6,673	-	6,673
Operating earnings	17,084	195	17,279
Net unrealized gains on derivative financial instruments	(117)	-	(117)
Other expenses (b, c)	921	(130)	791
Earnings before income taxes	16,280	325	16,605
Provision for income taxes			
Current	3,223	-	3,223
Deferred (f)	2,068	91	2,159
	5,291	91	5,382
Net earnings for the period	10,989	234	11,223
Other comprehensive income (loss)			
Net actuarial losses on post-employment benefits) (e)	-	(837)	(837)
Deferred income taxes (f)	-	218	218
	-	(619)	(619)
Net comprehensive income	$ 10,989	$ (385)	$ 10,604

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

a) Grapes sourced from vineyards controlled by the Company are measured at fair value less costs to sell at the point of harvest under IFRS. These grapes are transferred to inventories from biological assets when they are harvested. Under Canadian GAAP, such grape inventories were recorded at the lower of cost and net realizable value and were included in inventories at an earlier date, that is when costs to produce the grapes begun.

		March 31, 2011		**April 1, 2010**
Resulting increase (decrease) in				
Inventories	$	(1,393)	$	(875)
Current portion of biological assets		759		615
Net decrease in shareholders' equity	$	(634)	$	(260)
Resulting increase in				
Cost of goods sold	$	374		

b) Biological assets include the Company's grape vines and grapes while growing on a vine. They are measured at fair value less costs to sell. The current portion of biological assets includes the value of grapes that are to be harvested in the current vintage year. Under Canadian GAAP, vines controlled by the Company were included in property, plant and equipment and were recorded at historical cost less accumulated amortization.

		March 31, 2011		**April 1, 2010**
Resulting increase (decrease) in				
Property, plant and equipment	$	(9,410)		(10,595)
Biological assets		11,950		12,395
Net increase in shareholders' equity	$	2,540	$	1,800
Resulting decrease in				
Amortization	$	(610)		
Other expenses	$	(130)		

c) Costs related to purchasing and developing grape vines have been reclassified to biological assets on the balance sheet and in turn recorded at fair value less costs to sell. Tangible vineyard infrastructure assets, such as land, irrigation, and wind machines remain in the balance of property, plant and equipment.

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

d) The Company recorded a liability of $600 for contingent consideration that was a liability under IFRS at April 1, 2010 related to the acquisition of Small Winemakers Collection Inc. The consideration was paid in June 2011. Under the Company's previous accounting policy for this business combination in accordance with Canadian GAAP, contingent consideration that was dependent upon future performance was not recognized until it was issuable if there was reasonable doubt as to the outcome of the contingency. This was the case at April 1, 2010 and the liability was not recognized under Canadian GAAP until during the year ended March 31, 2011.

The Company elected under IFRS 1 not to restate its previous business combinations. As a result, the liability was recorded as an adjustment to retained earnings at April 1, 2010. Under Canadian GAAP, the contingent consideration was recorded as an increase to goodwill during the year ended March 31, 2011. This leads to a $600 decrease in goodwill at March 31, 2011 under IFRS compared to Canadian GAAP.

e) The Company has elected under IFRS 1 to recognize its cumulative actuarial gains and losses at April 1, 2010. In addition, beyond April 1, 2010, the Company has adopted a policy to record actuarial gains and losses immediately in other comprehensive income under IFRS. Previously, experience gains and losses were deferred and amortized, generally over the remaining service life of employees. The amortization of actuarial gains and losses was included in earnings as part of cost of goods sold and selling and administration expenses. In addition, the Company considers its retiree wine allowance a liability under IFRS. The cost of this policy will now be accrued during an employee's service period rather than expensed during retirement as the wine allowance is provided.

		March 31, 2011		**April 1, 2010**
Post-employment benefits liability under Canadian GAAP	$	3,803	$	4,530
Change in timing of recording actuarial gains and losses		981		167
Recognition of retiree wine allowance		781		717
Post-employment benefits liability under IFRS	$	5,565	$	5,414
Resulting increase (decrease) in				
Cost of goods sold	$	26		
Selling and administration	$	15		

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

f) The change in the deferred tax liabilities is primarily a result of the IFRS transition adjustments previously described. The adjustments have changed the carrying amounts used to calculate the temporary difference associated with these balances and the corresponding deferred tax balances, as follows:

		March 31, 2011		**April 1, 2010**
Increase (decrease) in deferred income taxes payable resulting from adjustments to				
Inventories	$	(171)	$	(245)
Property, plant and equipment and biological assets		543		512
Post-employment benefits		(458)		(226)
	$	(86)	$	41

g) The adjustments to retained earnings are the residual of all of the adjustments previously described.

Changes to the consolidated statements of cash flows

Certain items within operating activities have been classified differently under IFRS when compared to Canadian GAAP. The change in presentation results from the changes in net earnings, as described in the reconciliations of the consolidated statements of earnings, which has a corresponding change in items not affecting cash and changes in non-cash working capital items related to operations. Other than presentation, there was no impact on the cash flow statements as a result of the transition to IFRS.