Andrew Peller Limited

Consolidated Financial Statements
March 31, 2013 and 2012

June 26, 2013

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, 2013 and March 31, 2012 and the consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

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 audit 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, 2013 and March 31, 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Toronto, Ontario, Canada
June 26, 2013

Andrew Peller Limited

Consolidated Balance Sheets

As at March 31, 2013 and 2012

(in thousands of Canadian dollars)

	2013	2012
Assets		
Current assets		
Accounts receivable (note 20)	$ 25,484	$ 24,937
Inventories (note 4)	115,931	110,256
Current portion of biological assets (note 6)	938	881
Prepaid expenses and other assets	1,573	1,338
Income taxes recoverable (note 14)	268	-
	144,194	137,412
Property, plant and equipment (note 5)	88,841	84,490
Biological assets (note 6)	13,405	12,556
Intangible assets (note 7)	12,606	13,621
Goodwill (note 8)	37,473	37,473
	$ 296,519	$ 285,552
Liabilities		
Current liabilities		
Bank indebtedness (note 9)	$ 60,099	$ 57,495
Accounts payable and accrued liabilities (note 10)	33,616	37,118
Dividends payable	1,252	1,252
Income taxes payable (note 14)	-	40
Current portion of derivative financial instruments (note 20)	1,107	1,272
Current portion of long-term debt (note 11)	6,450	5,366
	102,524	102,543
Long-term debt (note 11)	41,473	41,456
Long-term derivative financial instruments (note 20)	1,215	1,943
Post-employment benefit obligations (note 12)	6,816	7,151
Deferred income (note 13)	1,314	-
Deferred income taxes (note 14)	13,772	11,907
	167,114	165,000
Shareholders' Equity		
Capital stock (note 15)	7,026	7,026
Retained earnings	122,379	113,526
	129,405	120,552
	$ 296,519	$ 285,552

Commitments (note 18)

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, 2013 and 2012

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

	2013	2012
Sales	$ 289,143	$ 276,883
Cost of goods sold (note 16)	179,356	169,626
Amortization of plant and equipment used in production	5,098	4,826
Gross profit	104,689	102,431
Selling and administration (note 16)	76,254	74,606
Amortization of equipment and intangible assets used in selling and administration	3,030	3,026
Interest	5,142	5,354
Restructuring costs (note 16)	1,118	-
Operating earnings	19,145	19,445
Net unrealized gains on derivative financial instruments (note 20)	(1,295)	(257)
Other (income) expenses (note 16)	(544)	1,163
Earnings before income taxes	20,984	18,539
Provision for income taxes (note 14)		
Current	4,045	4,841
Deferred	2,180	697
	6,225	5,538
Net earnings for the year	$ 14,759	$ 13,001
Net earnings per share (notes 2 and 17)		
Basic and diluted		
Class A shares	$ 1.06	$ 0.93
Class B shares	$ 0.92	$ 0.81

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, 2013 and 2012

(in thousands of Canadian dollars)

	2013	2012
Net earnings for the year	$ 14,759	$ 13,001
Net actuarial losses on post-employment benefit plans (note 12)	(1,212)	(2,347)
Deferred income taxes (note 14)	315	610
Other comprehensive loss for the year	(897)	(1,737)
Net comprehensive income for the year	$ 13,862	$ 11,264

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, 2013 and 2012

(in thousands of Canadian dollars)

	Capital stock	Retained earnings	Total shareholders' equity
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
Balance at April 1, 2012	$ 7,026	$ 113,526	$ 120,552
Net earnings for the year	-	14,759	14,759
Net actuarial losses (net of $315 deferred tax recovery) (note 12)	-	(897)	(897)
Net comprehensive income for the year	-	13,862	13,862
Dividends (Class A $0.360 per share, Class B $0.314 per share)	-	(5,009)	(5,009)
Balance at March 31, 2013	$ 7,026	$ 122,379	$ 129,405

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, 2013 and 2012

(in thousands of Canadian dollars)

	2013	2012
Cash provided by (used in)		
Operating activities		
Net earnings for the year	$ 14,759	$ 13,001
Adjustments for		
Loss (gain) on disposal of property and equipment	(536)	203
Amortization of plant, equipment and intangible assets	8,128	7,852
Impairment of intangible assets (note 16)	-	200
Interest expense	5,142	5,354
Provision for income taxes (note 14)	6,225	5,538
Revaluation of biological assets – net of insurance recovery	(33)	412
Net unrealized loss on derivative financial instruments (note 20)	(1,295)	(257)
Post-employment benefits	(1,547)	(761)
Deferred income	1,718	-
Interest paid	(4,823)	(5,520)
Income taxes paid	(4,353)	(5,801)
	23,385	20,221
Change in non-cash working capital items related to operations (note 19)	(10,060)	(13,228)
	13,325	6,993
Investing activities		
Proceeds from disposal of property, plant and equipment	533	27
Purchase of property, equipment and vine biological assets	(12,949)	(7,272)
Purchase of intangible assets	-	(1,395)
Proceeds from disposal of a business	1,000	
Acquisition of businesses	-	(600)
	(11,416)	(9,240)
Financing activities		
Decrease in bank indebtedness	2,604	8,737
Issuance of long-term debt	6,500	50,263
Repayment of long-term debt	(5,849)	(50,944)
Deferred financing costs	(155)	(904)
Dividends paid	(5,009)	(4,905)
	(1,909)	2,247
Net change in cash during the year	-	-
Cash – Beginning and 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

These consolidated financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements were approved by the Board of Directors for issue on June 26, 2013.

(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.

(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 distribution 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.

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

(E) Cost of goods sold

Cost of goods sold includes the cost of finished goods inventories sold during the year, inventory write-downs 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.

(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.

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

(I) Intangible assets

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	10-17 years
Contract packaging	Straight-line	10 years	6 years
Software	Straight-line	5 years	5 years
Other	Straight-line	5 years	4 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.

(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, 2013 and March 31, 2012.

(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) Deferred income

Advanced payments received for use of the Company’s assets are initially recorded in deferred income. The income is recognized on a straight-line basis in net earnings over the period of use.

(M) 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.

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

(N) 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 their useful life.

(O) 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.

(P) Net earnings per share

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

(Q) 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.

(R) Segmented information

The Company produces and markets wine products 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)

(S) 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.

(T) 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.

(U) 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.

(V) Equity

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

(W) Recently adopted accounting pronouncements

In December 2010, the IASB amended IAS 12 - Income taxes, which introduced 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 requirement was effective for annual periods beginning on or after January 1, 2012. This amendment did not impact the Company.

In October 2010, the IASB amended IFRS 7 – Financial Instruments: Disclosures, which increased disclosure requirements in relation to transferred financial assets. The standard was effective for annual periods beginning on or after July 1, 2011. This amendment did not impact the Company.

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

(X) 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 requirement of the amended standard to record a net interest cost on the plan deficits rather than interest on the liability net of the expected return on plan assets will lead to an increase in interest of $200 to $300 for the year ended March 31, 2013 when presented for comparative purposes next year. There will be a corresponding decrease in actuarial losses recorded in OCI. The impact for the year ending March 31, 2014 is expected to be in a similar range provided there are no significant changes to post-employment benefit plans.

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 thousands of Canadian dollars, except per share amounts)

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. Actual amounts may vary from these assumptions and cause significant adjustments.

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 may vary from these assumptions and cause significant adjustments.

(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. 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.

Actual amounts may vary from these assumptions and cause significant adjustments.

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. Actual amounts may vary from these assumptions and cause significant adjustments.

4 Inventories

	2013	2012
Packaging materials and supplies	$ 8,948	$ 10,624
Bulk wine	69,377	61,389
Finished goods	37,606	38,243
	$ 115,931	$ 110,256
Interest included in the cost of inventories	$ 1,224	$ 986

Inventory write-downs recognized as an expense amounted to $1,314 (2012 - $1,663).

The cost of inventories recognized as an expense and included in cost of goods sold, excluding amortization was $178,042 (2012 - $167,963).

(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 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
Year ended March 31, 2013					
Additions	$ -	$ 168	$ 2,468	$ 8,785	$ 11,421
Disposals	(30)	(8)	-	-	(38)
Amortization	-	(573)	(1,131)	(5,328)	(7,032)
Closing net carrying amount	$ 4,777	$ 20,620	$ 28,187	$ 35,257	$ 88,841
At March 31, 2013					
Cost	$ 4,777	$ 25,521	$ 42,940	$ 94,955	$ 168,193
Accumulated amortization	-	(4,901)	(14,753)	(59,698)	(79,352)
Net carrying amount	$ 4,777	$ 20,620	$ 28,187	$ 35,257	$ 88,841

Included in machinery and equipment are assets amounting to $873 (2012 - $nil) that are under development and are not being amortized.

Contractual commitments to purchase property, plant and equipment were $2,085 at March 31, 2013 (2012 - $5,411).

Included in machinery and equipment are assets with a net carrying amount of $315 (2012 - $nil) that were purchased under a finance lease.

(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.

During the year ended March 31, 2013, the Company harvested grapes valued at $4,979 (2012 - $4,521).

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

	2013 $	2012 $
Carrying amount – Beginning of year	$ 13,437	$ 12,709
Net increase in fair value less costs to sell due to biological transformation, prices and other changes	5,098	4,258
Decrease in fair value less costs to sell of vines on leased land	(29)	(27)
Transferred to inventory upon harvest	(4,979)	(4,521)
Net gains (losses)	90	(290)
	13,527	12,419
Purchases of vines	816	1,018
Carrying amount – End of year	14,343	13,437
Current portion of biological assets	(938)	(881)
Biological assets	$ 13,405	$ 12,556

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

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

	2013	2012
Yield	3-5 tonnes per acre	3-5 tonnes per acre
Discount rate	10 - 12%	10 - 12%
Inflation rate	2.5%	2.0%
Annual vineyard operating costs	$6 to $7 per acre	$5 to $7 per acre

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 Intangible assets

	Brands – indefinite life	Customer-based intangible assets	Contract packaging	Software	Other	Total
At March 31, 2011						
Cost	$ 3,800	$ 10,259	$ 1,100	$ -	$ 2,766	$ 17,925
Accumulated amortization	-	(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)
Disposals	(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	(200)	(3,100)	(426)	-	(973)	(4,699)
Net carrying amount	$ 3,975	$ 8,047	$ 674	$ -	$ 925	$ 13,621
Year ended March 31, 2013						
Additions	$ -	$ -	$ -	$ 81	$ -	$ 81
Amortization	-	(704)	(110)	-	(282)	(1,096)
Closing net carrying amount	$ 3,975	7,343	$ 564	$ 81	$ 643	$ 12,606
At March 31, 2013						
Cost	$ 4,175	$ 11,147	$ 1,100	$ 81	$ 1,898	$ 18,401
Accumulated amortization	(200)	(3,804)	(536)	-	(1,255)	(5,795)
Net carrying amount	$ 3,975	$ 7,343	$ 564	$ 81	$ 643	$ 12,606

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

8 Goodwill

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:

	2013	2012
Ontario and Eastern Canadian wine	$ 3,134	$ 3,134
Western Canadian wine	10,530	10,530
Personal winemaking products	23,809	23,809
	$ 37,473	$ 37,473

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

	2013	2012
Pre-tax discount rate	12%	10%
Period of projected cash flows	5 years	5 years
Growth rate beyond period of projected cash flows	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 Bank indebtedness

In September 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").

	2013	2012
Bank indebtedness	$ 60,099	$ 57,495
Significant terms		
Committed until	September 16, 2015	September 16, 2015
Borrowing limit	$80,000	$80,000
Interest rate	CDOR + 2.00%	CDOR + 1.75%
Unused amount	$22,533	$24,162

10 Accounts payable and accrued liabilities

	2013	2012
Trade payables	$ 24,057	$ 28,464
Accrued liabilities and other	8,080	8,654
Restructuring provision	1,075	-
Deferred income	404	-
	$ 33,616	$ 37,118

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

11 Long-term debt

		2013		2012
Term loan, maturing September 16, 2015	$	47,984	$	47,333
Other		264		264
Finance lease obligation		315		-
		48,563		47,597
Less: Financing costs		640		775
		47,923		46,822
Less: Current portion		6,450		5,366
	$	41,473	$	41,456

The significant terms of term loan, maturing September 16, 2015, are as follows:

		2013		2012
Monthly payment until maturity	$	523	$	444
Amount bearing fixed interest as a result of an interest rate swap		42,000		47,333
Amount bearing floating interest		5,984		-
Fixed interest rate		5.98% (3.98% + 2.00% leverage premium)		5.73% (3.98% + 1.75% leverage premium)
Floating interest rate		CDOR + 2.00%		n/a

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 1.50% based on leverage and funding premiums.

The minimum lease payments of the finance lease obligation are as follows:

		Minimum lease payment		Future interest		Present value of minimum lease payment
2013	$	121	$	4	$	117
2014		121		11		110
2015		101		13		88
	$	343	$	28	$	315

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

Interest expense on long-term debt during the year was $3,026 (2012 - $3,302).

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

2014	$	6,452
2015		6,424
2016		35,555
2017		33
2018		33
Thereafter		66
	$	48,563

(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 $1,223 (2012 - $1,220). 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 are as follows:

			2013
	Pension benefits	**Other post-employment benefits**	**Total**
Plan assets			
Fair value - Beginning of year	$ 16,076	$ -	$ 16,076
Expected return on plan assets	992	-	992
Actuarial gains (losses)	(446)	-	(446)
Company's contributions	1,767	81	1,848
Employees' contributions	3	-	3
Benefits paid	(856)	(81)	(937)
Fair value - End of year	$ 17,536	$ -	$ 17,536
Plan obligations			
Accrued benefit obligations - Beginning of year	$ 20,675	$ 2,066	$ 22,741
Employees' contributions	3	-	3
Total current service cost	530	57	587
Interest cost	935	94	1,029
Benefits paid	(856)	(81)	(937)
Curtailment gain	(201)	(41)	(242)
Actuarial losses (gains)	776	(10)	766
Accrued benefit obligations - End of year	21,862	2,085	23,947
Plan deficits	4,326	2,085	6,411
Unamortized past service credits from amendment to post-employment medical benefits plan	-	405	405
Accrued benefit liability	$ 4,326	$ 2,490	$ 6,816

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

	2013		
	Pension benefits	**Other post-employment benefits**	**Total**
Benefit plan expense			
Current service cost	$ 530	$ 57	$ 587
Interest cost	935	94	1,029
Expected return on plan assets	(992)	-	(992)
Employees' contributions	(3)	-	(3)
Amortization of past service credits	-	(81)	(81)
Curtailment gain	(201)	(41)	(242)
Net benefit plan expense	$ 269	$ 29	$ 298
Amount recognized in other comprehensive income			
Net actuarial loss (gain)	$ 1,222	$ (10)	$ 1,212
Actual return (loss) on plan assets	$ 546	-	$ 546
Experience adjustments			
Plan assets	$ (446)	$ -	$ (446)
Plan liabilities	(776)	10	(766)
	$ (1,222)	$ 10	$ (1,212)

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

				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)

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

	2013	**2012**
Discount rate for expenses	4.5%	5.0%
Discount rate for obligations	4.2%	4.5%
Expected long-term rate of return on plan assets	4.8 – 6.3%	4.8 – 6.3%
Rate of compensation increase	4%	4%
Rate of medical cost increases	7% decreasing to 5% after 2 years	8% decreasing to 5% after 3 years
Retirement age	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.

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

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 (2012 - $3) and an increase in the accrued benefit obligation of $158 (2012 - $62). 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 (2012 - $3) and a decrease in the accrued benefit obligation of $51 (2012 - $55).

At March 31, 2013, the accumulated actuarial losses recognized in OCI were $4,396 (2012 - $3,184).

Plan assets

The plan assets consist of the following:

	2013 %	2012 %
Mutual Funds		
Fixed Income	65	55
Equity	35	20
Balanced	-	25
	100	100

Estimated contributions

The Company expects to make contributions of $1,675 to its defined benefit plans in the year ending March 31, 2014.

13 Deferred income

During the year ended March 31, 2013, the Company received an expropriation notice that its idle facility in Port Moody, British Columbia will be used, on a temporary basis, while construction of a rapid transit project takes place. Advance payments amounting to $2,021 were received for the temporary use of the property. The amount received was initially recorded in deferred income and is being reported as other (income) expenses over the five-year term of the expropriation.

	2013	2012
Deferred income	$ 1,718	$ -
Less: Current portion	404	-
	$ 1,314	$ -

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

14 Income taxes

		2013		2012
Current tax on earnings for the year	$	4,800	$	4,504
Adjustments in respect of prior years		(755)		337
Provision for current income taxes		4,045		4,841
Change in temporary differences		1,895		828
Impact of change in tax rate		285		(131)
Provision for deferred income taxes		2,180		697
Total provision for income taxes	$	6,225	$	5,538

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

		2013		2012
Provision for income taxes at blended statutory rate of 25.70% (2012 – 26.79%)	$	5,394	$	4,967
Permanent differences and non-deductible items		335		307
Future income tax rate changes		285		(131)
Other		211		395
	$	6,225	$	5,538

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

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

		2013		2012
At beginning of year	$	11,907	$	11,820
Provision for deferred income taxes in net earnings		2,180		697
Recovery of deferred income taxes in other comprehensive earnings		(315)		(610)
At end of year	$	13,772	$	11,907

(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 intangible assets	Tax deductions on goodwill	Total
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
Provision (recovery) in net earnings	1,310	279	(110)	160	1,639
March 31, 2013	$ 8,030	$ 3,069	$ 2,474	$ 2,959	$ 16,532

Deferred income tax asset

	Loss carry forwards	Fair value change on derivatives	Post-employment benefits	Other	Total
March 31, 2011	$ (143)	$ (889)	$ (1,425)	$ (336)	$ (2,793)
Provision (recovery) in net earnings	(8)	77	229	119	417
Recovery in comprehensive income	-	-	(610)	-	(610)
March 31, 2012	(151)	(812)	(1,806)	(217)	(2,986)
Provision (recovery) in net earnings	151	316	360	(286)	541
Recovery in other comprehensive income	-	-	(315)	-	(315)
March 31, 2013	$ -	$ (496)	$ (1,761)	$ (503)	$ (2,760)

Changes to statutory income tax rates have been announced in British Columbia. The Company estimates that these changes will increase the deferred income tax liability by approximately $200 when and if the related legislation is introduced.

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

15 Capital stock

		March 31, 2013		March 31, 2012	
	Authorized	Issued		Issued	
		Shares	Amount	Shares	Amount
Class A Shares, non-voting	Unlimited	11,293,829	$ 6,626	11,293,829	$ 6,626
Class B Shares, voting	Unlimited	3,004,041	400	3,004,041	400
		14,297,870	$ 7,026	14,297,870	$ 7,026

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, 2013 and 2012, there were no preference shares issued or outstanding.

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 the 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 2013, expensed $222 (2012 - $219) 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.

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

16 Nature of expenses

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

		2013		2012
Raw materials and consumables	$	142,862	$	134,213
Employee compensation and benefits		54,191		53,104
Advertising, promotion and distribution		28,016		27,652
Occupancy		9,551		9,550
Repairs and maintenance		6,242		5,960
Other external charges		14,748		13,753
	$	255,610	$	244,232

Restructuring costs amounting to $1,118 (2012 - $nil) were recorded during the year ended March 31, 2013. The costs relate to termination payments and benefits for restructuring of the distribution, marketing, and administration functions of the Company’s personal winemaking product division.

Other (income) expenses are as follows:

		2013		2012
Revaluation of vines (a)	$	(33)	$	411
Ongoing maintenance costs related to Port Moody winery facility (b)		319		185
Income related to Port Moody Winery facility (c)		(830)		-
Impairment on intangible assets (d)		-		200
Change in estimated payroll taxes and benefits (e)		-		367
	$	(544)	$	1,163

(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.

b) During fiscal 2006, the Company closed its Port Moody winery facility and transferred production to its winery operations in Kelowna, British Columbia. Effective July 1, 2012, the property was expropriated for a 5-year period. The cost of maintaining this idle facility and costs associated with its expropriation amounted to $319 in 2013 (2012 - $185).

c) Income amounting to $830 was recorded related to the Company's idle Port Moody property. A pre-tax gain of $527 was recorded from a small part of the property that was expropriated on a permanent basis. $303 was recorded as income related to the remainder of the property, which was expropriated for a 5-year period that began on July 1, 2012.

d) During 2012, the Company recorded a $200 impairment charge for certain personal winemaking product brand names that will be discontinued.

e) 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.

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

17 Net earnings per share

			2013
	Class A	**Class B**	**Total**
Net earnings attributed for the year – basic and diluted	$ 11,987	$ 2,772	$ 14,759
Weighted average number of shares outstanding – basic and diluted	11,293,829	3,004,041	
Net earnings per share – basic and diluted	$ 1.06	$ 0.92	

			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	

As at March 31, 2013, there were no stock options outstanding.

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

18 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, 2013 under long-term non-cancellable leases are as follows:

No later than 1 year	$	4,742
Later than 1 year and no later than 5 years		9,356
Later than 5 years		7,962
	$	22,060

In 2013, minimum lease payments of $5,157 (2012 - $3,176) were recognized as expense.

b) As at March 31, 2013, the Company held $10,000 in U.S. dollar-denominated foreign exchange forward contracts at rates averaging between $0.98 and $1.00 expiring at various dates to June 2013. The Company also held EUR 2,500 in Euro-denominated foreign exchange contracts at a rate of $1.25 expiring at various dates until June 2013.

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

19 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:

	2013	2012
Accounts receivable	$ (1,547)	$ (547)
Inventories and current portion of biological assets	(5,732)	(15,686)
Prepaid expenses and other assets	167	(520)
Accounts payable and accrued liabilities	(2,948)	3,525
	$ (10,060)	$ (13,228)

20 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, 2013	
Assets/liability	**Category**	**Measurement**	**Carrying amount $**	**Fair value $**
Accounts receivable	Loans and receivables	Amortized cost	25,484	25,484
Bank indebtedness	Other liabilities	Amortized cost	60,099	60,099
Accounts payable and accrued liabilities	Other liabilities	Amortized cost	33,616	33,616
Dividends payable	Other liabilities	Amortized cost	1,252	1,252
Long-term debt	Other liabilities	Amortized cost	47,923	47,923
Interest rate swap liability	Derivatives	Fair value	2,322	2,322
Foreign exchange forward contracts asset	Derivatives	Fair value	402	402

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

			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

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.

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.

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

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

	2013 $	2012 $
Unrealized gains (losses) on foreign exchange forwards	$ 479	$ 469
Unrealized gains (losses) on the interest rate swap	816	(212)
	$ 1,295	$ 257

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, 2013
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	-	2,322	-
Foreign exchange forward contracts asset	-	402	-

			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	-

(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 a portion of its 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 gain of $816 (2012 - $212 loss) 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, 2013, there is one interest rate swap outstanding with a notional amount of $42,000 and a fixed rate of 3.98%. The fair value of the interest rate swap at March 31, 2013 was $2,322 (2012 - $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, 2013, with other variables unchanged, a 1% change in interest rates would impact the Company's net earnings by approximately $482 (2012 - $420), 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 $15,030 (2012 - $13,948) of the total accounts receivables for which no allowance has been provided. Of the remaining non-provincial liquor board balances, $457 (2012 - $771) were over thirty days past due as of March 31, 2013. An allowance for doubtful accounts of $142 (2012 - $269) 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 its largest customer, a provincial Crown corporation, were $45,023 (2012 - $45,389) during the year ended March 31, 2013. Sales to its second largest customer, a branch of a provincial government, were $30,220 (2012 - $30,125) during the year.

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

An analysis of accounts receivable is as follows:

		2013		2012
Liquor boards	$	15,030	$	13,948
Non-liquor boards				
Current		8,275		7,867
Past due 0 – 30 days, due on delivery accounts		494		427
Past due 0 – 30 days		1,228		1,924
Past due 31 – 60 days		316		461
Past due > 60 days		283		579
Allowance for doubtful accounts		(142)		(269)
	$	25,484	$	24,937

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

		2013		2012
Balance – Beginning of year	$	269	$	192
Provision for current year		74		147
Bad debt		(201)		(70)
Balance – End of year	$	142	$	269

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, 2013:

	Total	< 1 year	2 – 3 years	4 – 5 years	> 5 years
Long-term debt	$ 48,563	$ 6,452	$ 41,979	$ 66	$ 66
Leases and royalties	22,060	4,742	6,591	2,765	7,962
Plant and equipment purchases	2,085	2,085	-	-	-
Pension obligations	6,812	1,046	1,990	1,288	2,488
Long-term grape purchase contracts	265,459	24,193	54,978	51,438	134,850
	344,979	38,518	105,538	55,557	145,366
Interest rate swap	4,968	2,339	2,629		
Foreign exchange forwards	13,056	13,056	-	-	-
Total contractual obligations	$ 363,003	$ 53,913	$ 108,167	$ 55,557	$ 145,366

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 quarter. As at March 31, 2013, the Company has forward foreign currency contracts to buy U.S. $10,000 at rates ranging between $0.98 and $1.00. The Company also held EUR 2,500 in Euro-denominated foreign exchange contracts at a rate of $1.25. These contracts mature at various dates to September 2013. 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 $135 (2012 - $123) or $129 (2012 - $93), respectively. The Company has elected not to use hedge accounting and as a result, has recognized $479 of unrealized foreign exchange gains (2012 – $469) in the consolidated statement of earnings as a component of net unrealized gains on derivative financial instruments and has recorded the fair value of $402 in prepaid expenses and other assets in the consolidated balance sheet (2012 - $77 in current portion of derivative financial instruments).

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

21 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 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, 2013, and as at March 31, 2013, the Company has remained in compliance with all external lending covenants.

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

22 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:

	2013	2012
Compensation and benefits	$ 4,166	$ 4,274
Payments to a share purchase plan	165	218
	$ 4,331	$ 4,492

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

23 Segmented information

During the year, export sales were $11,426 (2012 - $11,222), primarily in the United States. The remainder of sales occurred in Canada. All of the Company's assets are located in Canada.