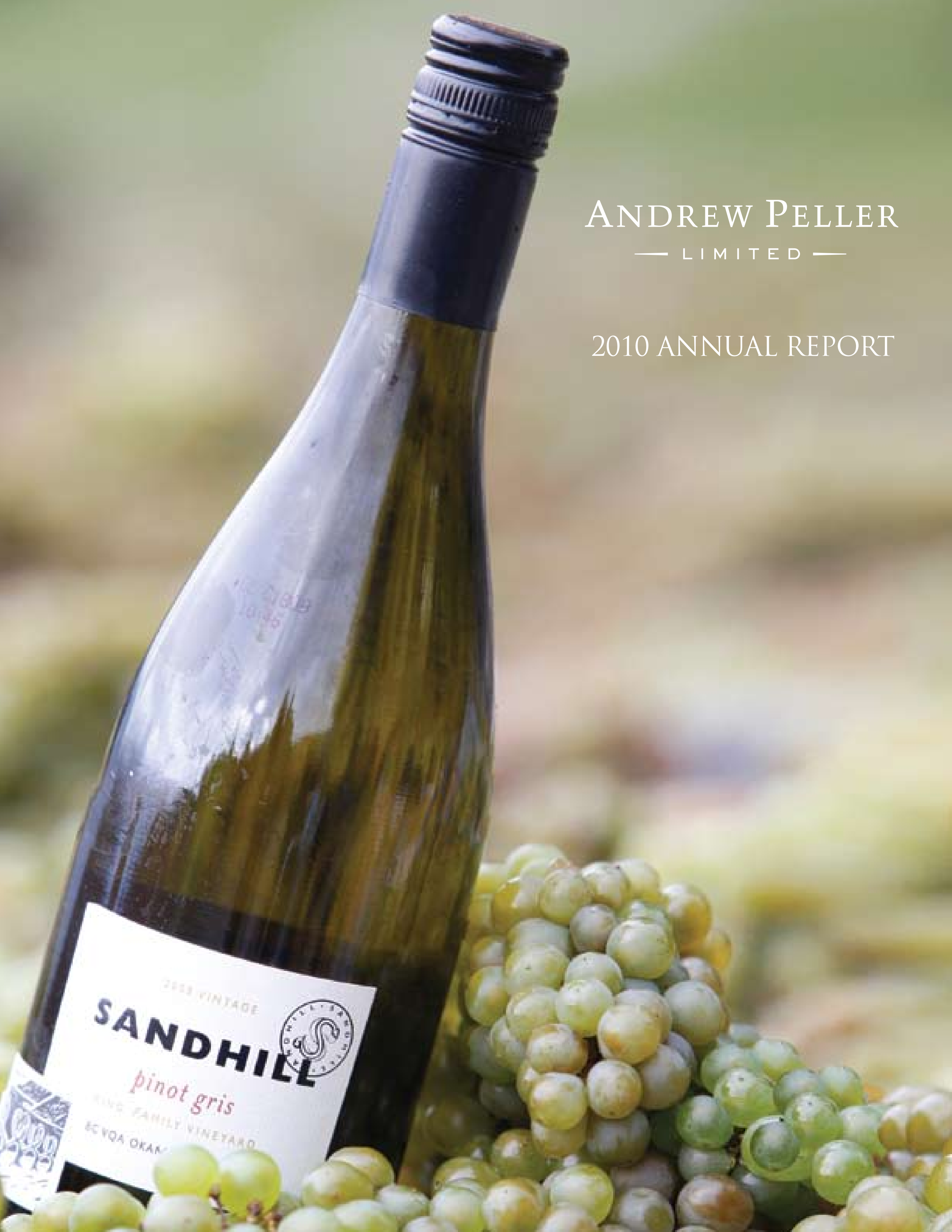


ANDREW PELLER
LIMITED

2010 ANNUAL REPORT

Almost 50 years ago my grandfather, Andrew Peller, raised a glass to toast his very first vintage. The Peller family proudly carries on his tradition of crafting wine with an uncommon commitment to quality; in fact, our goals today are higher than ever before as we aim to produce wines that rank among the best in the world.

- John Peller

Thirty Bench is a producer of premium wines grown exclusively on estate vineyards in the Beamsville Bench appellation, a superior winegrowing region on the Niagara Peninsula. Thirty Bench received third place, Winery of the Year, at the Canadian Wine Access Awards and over 12 other medals throughout the year at various competitions.

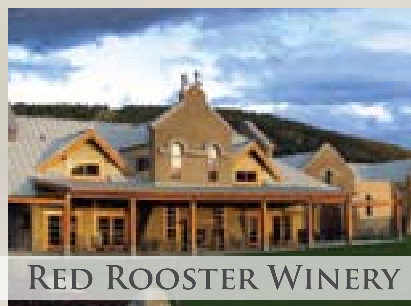
Thirty Bench

Hillebrand

Hillebrand Winery is the birthplace of fine winemaking in Niagara. More than 30 years ago, we opened our cellar doors in Niagara-on-the-Lake, the heart of Ontario's wine country. Hillebrand received fourth place Winery of the Year at the Canadian Wine Access Awards while over 36 medals were awarded to Hillebrand and Trius.

Peller Estates received approximately 127 medals internationally this year. Awarded the highest Zagat rating, 'Extraordinary', Peller Estates Winery Restaurant offers sweeping vineyard views, and sumptuous wine and food pairings that evolve with the changing seasons.

Peller Estates



Red Rooster Winery

Perched high above Okanagan Lake, our winery is located among the rolling hills of Naramata Bench Road. During this fiscal, Red Rooster received over 34 medals at various wine competitions.

On the Cover: Sandhill – Winery of the Year, Canadian Wine Access Awards - *Sandhill's Small Lot Syrah 2007* and *Sandhill's Small Lot Viognier 2008* won Best Red and Best White Wine of the Year, in addition to 79 other medals.

Contents

1 Financial Highlights

3 Report to Shareholders

12 Management's Discussion and Analysis

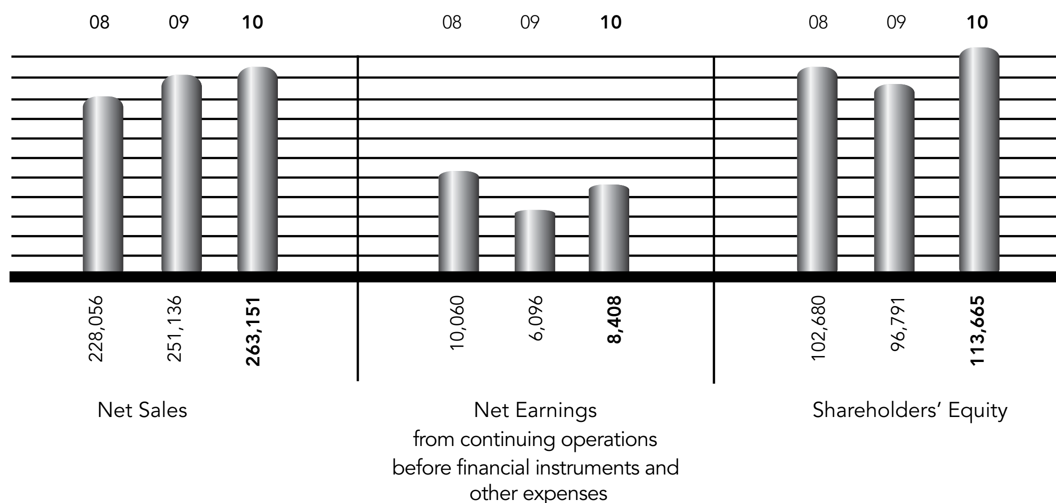
26 Consolidated Financial Statements and Notes

47 Shareholder Information

FINANCIAL AND OPERATING HIGHLIGHTS

FOR THE YEARS ENDED MARCH 31 IN THOUSANDS OF DOLLARS, EXCEPT PER SHARE AMOUNTS

	2010	2009 Restated (1)
SALES AND EARNINGS		
Net sales	**$ 263,151**	$ 251,136
Earnings before interest,amortization, income taxes and unusual items	**27,354**	23,359
Net earnings (loss) from continuing operations	**9,526**	(1,444)
Net earnings (loss)	**21,661**	(125)
FINANCIAL POSITION		
Working capital	**29,968**	29,203
Total assets	**263,716**	293,507
Shareholders' equity	**113,665**	96,791
PER SHARE		
Net earnings (loss) per Class A share - basic and diluted	**1.49**	(0.01)
DIVIDENDS		
Class A shares, non-voting	**0.330**	0.330
Class B shares, voting	**0.288**	0.288
SHAREHOLDERS' EQUITY MARKET VALUE		
Class A - HIGH	**8.99**	11.59
Class A - LOW	**6.01**	6.00
Class B - HIGH	**11.00**	12.00
Class B - LOW	**9.00**	9.00
ANALYTICAL INFORMATION		
Return on average shareholders' equity	**7.2%**	6.0%
Return on average capital employed	**9.1%**	7.8%
Ratio of current assets to current liabilities	**1.3:1**	1.3:1



(1) comparative amounts have been restated to effect the sale of the Company's beer business on October 1, 2009

CORPORATE PROFILE

Andrew Peller Limited ('APL' or the 'Company') is a leading producer and marketer of quality wines in Canada. With wineries in British Columbia, Ontario and Nova Scotia, the Company markets wines produced from grapes grown in Ontario's Niagara Peninsula, British Columbia's Okanagan and Similkameen Valleys and from vineyards around the world. The Company's award-winning premium and ultra-premium VQA brands include *Peller Estates, Trius, Hillebrand, Thirty Bench, Sandhill, Calona Vineyards Artist Series and Red Rooster*. Complementing these premium brands are a number of popularly priced varietal wine brands including *Peller Estates French Cross* in the East, *Peller Estates Proprietors Reserve* in the West, *Copper Moon, XOXO and Croc Crossing. Hochtaler, Domaine D'Or, Schloss Laderheim, Royal* and *Sommet* are our key value-priced wine brands. The Company imports wines from major wine regions around the world to blend with domestic wine to craft these popularly priced and value-priced wine brands. With a focus on serving the needs of all wine consumers, the Company produces and markets premium personal winemaking products through it's wholly-owned subsidiary, Global Vintners Inc., the recognized world leader in personal winemaking products. Global Vintners distributes products through over 250 Winexpert and Wine Kitz authorized retailers and franchisees and more than 600 independent retailers across Canada, United States, United Kingdom, New Zealand and Australia. Global Vintners award-winning premium and ultra-premium winemaking brands include *Selection, Vintners Reserve, Island Mist, Kenridge, Cheeky Monkey, Ultimate Estate Reserve, Traditional Vintage* and *Artful Winemaker.* The Company owns and operates more than 100 well-positioned independent retail locations in Ontario under the Vineyards Estate Wines, Aisle 43 and WineCountry Vintners store names. The Company also owns Grady Wine Marketing Inc. based in Vancouver, and The Small Winemaker's Collection Inc. based in Ontario; both of these wine agencies are importers of premium wines from around the world and are marketing agents for these fine wines. The Company's products are sold predominately in Canada with a focus on export sales for our icewine products.

REPORT TO SHAREHOLDERS

Despite the challenging economic environment experienced during the year, we generated sales growth and improved profitability across all of our distribution channels in fiscal 2010. With our strong market presence and profit margins, combined with our much improved balance sheet and financial position, we are well positioned for continued growth in the years ahead.

"We are pleased with our strong operating and financial performance through fiscal 2010, a solid achievement in the face of a challenging economic environment."

– commented John Peller, President & CEO.

STRONG OPERATING PERFORMANCE

Sales rose 4.8% in fiscal 2010 as the contribution from recent acquisitions, our successful programs to grow sales volumes of our blended varietal table and premium wines through provincial liquor boards, the introduction of new products, and solid performance by our premium personal winemaking business more than offset the negative impact of the global recession on our export and estate winery businesses.

Gross margins declined slightly in fiscal 2010 compared with the prior year as cost control and production efficiency measures helped to mitigate increased costs to the Company for the purchases of United States dollars, an increase in our sales mix of lower margin wines as consumers traded down during the economic recession and higher costs for our grape and wine purchases. Most importantly, these negative factors began to reverse themselves during the fourth quarter of the year with gross margins improving significantly compared to the prior year period. We believe profitability will continue to improve as cost pressures ease and as we continue our ongoing focus on enhancing production efficiency and productivity.

A key achievement during the year was the sale of our ownership interests in Granville Island Brewing Company Ltd. and Mainland Beverage Distribution Ltd. to Creemore Springs Brewery Ltd. We were pleased to position Granville Island's strong brand, quality products and talented people with one of the country's leading craft brewers, and the sale allows us to more effectively focus all our efforts on growing our leading portfolio of premium and ultra-premium wine through best-in-class distribution practices in all trade channels across Canada.

The sale of our beer business generated proceeds of approximately $26.2 million, of which $25.0 million was received during the fiscal year and $0.2 million during the first quarter of fiscal 2011. We recorded a net gain of $11.9 million or $0.80 per common share on the sale and used the proceeds to significantly reduce the Company's long-term debt and bank indebtedness. With the strengthening of our balance sheet, we are well positioned with the financial resources and flexibility to continue to execute our proven strategies to enhance value to our shareholders and to take advantage of growth opportunities as they occur.

Net earnings from continuing operations, excluding gains or losses on non-hedge derivatives and other expenses rose to $8.4 million for the year compared to $6.1 million in fiscal 2009. Including the impact of other expenses and the gain on the sale of the beer business, net earnings for year were $21.7 million or $1.49 per Class A share compared to a loss of $0.1 million or $0.01 per Class A share in fiscal 2009.

In addition to our solid operating and financial performance in fiscal 2010, a number of significant accomplishments bode well for continued growth in the years ahead.

ESTATE WINERIES

Our estate winery business performed well in fiscal 2010, especially though the last half of the year as improved economic conditions fostered increased visits to our vineyards in Ontario and British Columbia. However, while sales of our premium and ultra-premium brands were strong, we did see some softening in demand as consumers reacted to the global economic recession by increasing their purchases of lower priced wines. Fortunately, with our brands covering the complete spectrum of the Canadian wine market, overall sales remained robust for the year.

We were very proud to have three of our estate wineries named among the top-five in the country at the Canadian Wine Access Awards for 2009: Sandhill was awarded Winery of the Year; Thirty Bench Winemakers and Hillebrand were ranked third and fourth respectively. With more than 200 Canadian wineries competing, this was a significant achievement.

We were also honoured with a number of other prestigious awards at domestic and international wine competitions during the year. *Sandhill's Small Lot Syrah 2007* and *Small Lot Viognier 2008* won best red and white wine of the year, in addition to 79 other medals that were awarded to the Company. Peller Estates received approximately 127 medals nationally, while Hillebrand and Trius were awarded 36 medals. Thirty Bench won 12 medals, Calona Vineyards 32 medals and Red Rooster 34 medals.

Among the most prominent of the awards was a Gold Medal presented to *Thirty Bench Riesling 2007* at the International Wine Challenge 2009 in the United Kingdom, as well as a silver medal, best in class, at the 2009 International Wine and Spirit Competition. At the same competition, the Company won silver awards for *Peller Estates Signature Series Chardonnay "Sur Lie" 2007* (Best in Class), *Trius Icewine 2007*, *Peller Estates Vidal Icewine 2007*, *Peller Estates Oak Aged Icewine 2007, Peller Estates Cabernet Franc Icewine 2007* and *Peller Estates Riesling Icewine 2007*.

At the Concours Mondial de Bruxelles 2009, silver medals were won by *Peller Estates Signature Series Chardonnay "Sur Lie" 2007, Trius Red 2007, Trius Chardonnay Barrel Fermented 2007* and *Thirty Bench Small Lot Riesling Triangle Vineyard 2007*. At the International Eastern Wine Competition, *Trius Red 2007* won Double Gold while at the 2009 Effervescents du Monde *Peller Estates Ice Cuvée* won a gold medal. At the 2009 Los Angeles International Wine Competition, the Company won Best in Class, gold medals for *Andrew Peller Signature Series Niagara Peninsula VQA Oak Aged Icewine 2007 and Andrew Peller Signature Series Niagara Peninsula VQA Riesling Icewine 2007.*

At the All Canadian Wine Championships, *Peller Estates Ice Cuvée Rosé* won Double Gold and Best Sparkling Wine of the Year, *Trius Chardonnay Barrel Fermented 2007* won Double Gold while gold medals were won by *Peller Estates Ice Cuvée, Peller Estates Private Reserve Rosé 2007* and *Hillebrand Showcase Chardonnay Wild Ferment 2007. Sandhill Small Lot Syrah 2007* and *Peller Estate Private Reserve Pinot Noir 2007* were successful in being recognized as two of the top 11 British Columbia wines selected to receive the Lieutenant Governor's Award of Excellence for 2009. Our British Columbia wine portfolio also did well at the Grand Harvest Awards achieving gold medals for *Calona Vineyards Artist Series Sovereign Opal 2008, Peller Estates Private Reserve Riesling 2008* and *Red Rooster Pinot Gris 2008.*

Looking ahead, we are accelerating our efforts to build awareness and consumer loyalty for all of our estate brands. Our popular Wine Clubs have been introduced across the country and we have seen particular success with recent launches at Sandhill, Thirty Bench and Red Rooster. A new initiative, *Winemakers Challenge*, offers consumers the opportunity to purchase the best of the Company's Ontario VQA wines through a state-of-the-art online portal. We remain relentless in our efforts to produce the highest quality wines targeted at the growing demand for premium and ultra-premium wines across the country.

A number of new products were introduced during fiscal 2010 that broadened and extended our offering of estate wines. *Trius Brut Rosé* was added to our portfolio of sparking wines and won Best Sparkling Wine Award at Cuvée 2010, while the new *Trius Sauvignon Blanc* was being very well received. In British Columbia, we launched *Sandhill Small Lots Chardonnay* and *Merlot*; both are receiving high accolades from the wine media.

VALUE-PRICED BRANDS

Our value-priced table wines continue to perform well with our *Peller Estates French Cross / Proprietor's Reserve* selection remaining the best-selling brand in Canada while *Copper Moon*, made with grapes harvested at night to increase the fruit flavour, moved into the top-ten in all the Provinces where the brand was sold. *Copper Moon* also expanded its franchise during the year with the launch of Pinot Grigio, Sauvignon Blanc, Shiraz and Merlot in Ontario, and into larger size formats of these varietals in Western Canada.

XOXO, our product targeted at women between the ages of 18 and 34, also saw solid growth in fiscal 2010 as our innovative social marketing programs through Facebook, Twitter and others proved highly successful. *XOXO* introduced its new *White Zinfandel Gamay* seasonal listing to leverage the recent trend of increased consumption of rosé wines in the $10 price range.

VINEYARDS ESTATE WINES / AISLE 43

Our established network of over 100 retail locations in Ontario once again generated strong growth and operating performance in fiscal 2010. Over the last few years we have increased our presence in leading national grocery chains. The majority of our stores are now well positioned in these convenient, high traffic locations. We are also continuing to expand our innovative Aisle 43 brand within these national chains, a friendly, bright and appealing concept that fits well with our grocery chain partners. New products were introduced during the year, which included our popular *Copper Moon* series. We will continue to add new brands and upgrade our store locations going forward.

WINE AGENCIES

Sales at Grady Wine Marketing and Small Winemakers both outperformed the premium import wine markets in their respective provinces, benefiting from strong brands and product portfolios that covered key price points. During the year, both agencies leveraged their coverage by taking on the responsibility of selling Andrew Peller Limited's premium VQA brands to selected on-premise customers.

GLOBAL VINTNERS

With the purchase of World Vintners in June 2008, we became the largest producer and seller of high quality personal winemaking products in Canada with a growing export business to the United States and the United Kingdom. Leveraging this strong market presence, personal winemaking sales rose in fiscal 2010 due to solid growth in Canada as well as a strong increase in export sales. Since the acquisition, significant operating synergies and economies of scale have been achieved to enhance profitability.

Looking ahead, we will continue to build on our presence as the recognized world leader in personal winemaking products. New programs are being launched to expand our leading brands, including Winexpert, Wine Kitz and Vineco, as well as sales of our private label products through such leading national retailers as Costco. The recent introduction of the innovative Artful Winemaker personal winemaking system in both the United States and Canada is also proving very popular.

AN EXCITING FUTURE

The Canadian wine market remains strong, supported by a continuing movement toward the consumption of wine by an aging population who favour the more sophisticated experience that wine offers as well as younger consumers who have more recently adopted wine as their beverage of choice. Demand also continues to be boosted by the widely reported health benefits of moderate wine consumption.

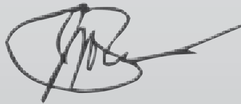
To capitalize on these strong industry fundamentals, we will continue to execute the same value-enhancing strategies that have proved so successful over the last fifty years. Our long-term objective is to generate annual organic sales increases of approximately 4%. We met this goal in fiscal 2010 and we are confident we have the brands, the assets and the people to meet this target over the long term.

Our proven sales and marketing efforts will continue to drive sales through all of our trade channels, including licensed establishments, provincial liquor boards, our network of retail locations in Ontario, our estate wineries and our wine agencies. The launch of new and re-positioned products will also contribute to our growth across all price points in the Canadian wine business. Efforts to increase export sales are proving effective. We also expect our personal winemaking business will continue to leverage its strong market presence to build sales in Canada and through export markets.

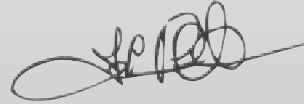
We will continue to prudently investigate acquisitions that expand and complement our presence and brand profile in the Canadian wine market. The additions to our family of brands completed over the last five years have made significant contributions to our growth and performance and we will seek out additional acquisitions that strengthen our presence and enhance value for our shareholders.

In closing, we would like to thank everyone in the Company for their dedication and hard work over the past year. Despite a very difficult consumer economy in fiscal 2010, our team met the challenge to deliver strong growth and improved profitability.

During the coming year we will be celebrating our fiftieth year in business, a considerable achievement and a testament to the values and entrepreneurial spirit of our Company's founder, Andrew Peller. As we look ahead, we are confident the Canadian wine market will remain healthy and growing and that we are well positioned to continue to build shareholder value for years to come.



Joseph A. Peller, Chairman



John E. Peller, President and CEO

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE THREE MONTHS AND YEAR ENDED MARCH 31, 2010

The following management's discussion and analysis ('MD&A') provides a review of corporate developments, results of operations and financial position for the three months and year ended March 31, 2010 in comparison with those for the three months and year ended March 31, 2009. This discussion is prepared as of June 23, 2010 and should be read in conjunction with the consolidated financial statements for the year ended March 31, 2010 and 2009, and the accompanying notes contained therein. All dollar amounts are expressed in Canadian dollars unless otherwise indicated.

FORWARD-LOOKING INFORMATION

Certain statements in this Management's Discussion & Analysis may contain "forward-looking statements" within the meaning of applicable securities laws, including the "safe harbour provisions" of the Securities Act (Ontario) with respect to Andrew Peller Limited ('APL' or the 'Company') and its subsidiaries. Such statements include, but are not limited to, statements about the growth of the business in light of the Company's recent acquisitions; its launch of new premium wines; sales trends in foreign markets; its supply of domestically grown grapes; and current economic conditions. These statements are subject to certain risks, assumptions and uncertainties that could cause actual results to differ materially from those included in the forward-looking statements. The words "believe", "plan", "intend", "estimate", "expect" or "anticipate" and similar expressions, as well as future or conditional verbs such as "will", "should", "would" and "could" often identify forward-looking statements. We have based these forward-looking statements on our current views with respect to future events and financial performance. With respect to forward-looking statements contained in this MD&A, the Company has made assumptions and applied certain factors regarding, among other things: future grape, glass bottle and wine prices; its ability to obtain grapes, imported wine, glass and its ability to obtain other raw materials; fluctuations in the U.S./Canadian dollar exchange rates; its ability to market products successfully to its anticipated customers; the trade balance within the domestic Canadian wine market; market trends; reliance on key personnel; protection of its intellectual property rights; the economic environment; the regulatory requirements regarding producing, marketing, advertising and labeling of its products; the regulation of liquor distribution and retailing in Ontario; the application of federal and provincial environmental laws; and the impact of increasing competition.

These forward-looking statements are also subject to the risks and uncertainties discussed in the "Risk Factors" section and elsewhere in this MD&A and other risks detailed from time to time in the publicly filed disclosure documents of the Company which are available at www.sedar.com. Forward-looking statements are not guarantees of future performance and involve risks, uncertainties and assumptions which could cause actual results to differ materially from those conclusions, forecasts or projections anticipated in these forward-looking statements. Because of these risks, uncertainties and assumptions, one should not place undue reliance on these forward-looking statements.

The Company's forward-looking statements are made only as of the date of this MD&A, and except as required by applicable law, Andrew Peller Limited undertakes no obligation to update or revise these forward-looking statements to reflect new information, future events or circumstances.

OVERVIEW

Andrew Peller Limited ('APL' or the 'Company') is a leading producer and marketer of quality wines in Canada. With wineries in British Columbia, Ontario and Nova Scotia, the Company markets wines produced from grapes grown in Ontario's Niagara Peninsula, British Columbia's Okanagan and Similkameen Valleys and from vineyards around the world. The Company's award-winning premium and ultra-premium VQA brands include *Peller Estates, Trius, Hillebrand, Thirty Bench, Sandhill, Calona Vineyards Artist Series* and *Red Rooster.* Complementing these premium brands are a number of popularly priced varietal wine brands including *Peller Estates French Cross* in the East, *Peller Estates Proprietors Reserve* in the West, *Copper Moon, XOXO* and *Croc Crossing. Hochtaler, Domaine D'Or, Schloss Laderheim, Royal* and *Sommet* are our key value priced wine blends. The Company imports wines from major wine regions around the world to blend with domestic wine to craft these popularly and value priced wine brands. With a focus on serving the needs of all wine consumers, the Company produces and markets premium personal winemaking products through its wholly-owned subsidiary, Global Vintners Inc. ("GVI"), the recognized world leader in personal winemaking products. Global Vintners distributes products through over 250 Winexpert and Wine Kitz authorized retailers and franchisees and more than 600 independent retailers across Canada, United States, United Kingdom, New Zealand and Australia. GVI's award-winning premium and ultra-premium winemaking brands include *Selection*, *Vintners Reserve, Island Mist, Kenridge, Cheeky Monkey, Ultimate Estate Reserve, Traditional Vintage* and *Artful Winemaker*. The Company owns and operates more than 100 well positioned independent retail locations in Ontario under the Vineyards Estate Wines, Aisle 43 and WineCountry Vintners store names. The Company also owns Grady Wine Marketing ("GWM") based in Vancouver, and The Small Winemaker's Collection Inc. ("SWM") based in Ontario; both of these wine agencies are importers of premium wines from around the world and are marketing agents for these fine wines. The Company's products are sold predominately in Canada with a focus on export sales for its icewine and personal winemaking products.

The Company's stated mission is to build sales volumes of its blended, premium and ultra-premium brands by delivering to its customers and consumers the highest quality wines at the best possible value. To meet this goal, the Company is investing in improvements in the quality of grapes and wines, its winemaking capabilities and in its quality management programs. Over the long term, the Company believes premium wine sales will continue to grow in Canada and these products generate higher sales and increased profitability compared to lower-priced table wines.

APL is focused on initiatives to reduce costs and enhance its production efficiencies through an on-going review of the Company's operations. The Company continually reviews its cost structure with a view to enhancing profitability. In addition, the Company continues to expand and strengthen distribution of its wines through provincial liquor boards, the Company's network of 102 Vineyards Estate Wines, Aisle 43 and WineCountry Vintners retail locations, estate wineries, restaurants and other licensed establishments. This distribution network is supported by enhanced sales, marketing and promotional programs. From time to time the Company also evaluates the potential for acquisitions and partnerships, both in Canada and internationally, to further complement its product portfolio and market presence.

Recent Events

On May 25, 2010 the Company sold approximately six acres of vineyard in the Okanagan Valley to Burrowing Owl Vineyards Ltd. for proceeds of approximately $0.8 million. Proceeds were used to reduce bank indebtedness.

Effective May 1, 2010 the Company completed the sale of its ownership interests in Granville Island Brewing Company Ltd. ("GIB") and Mainland Beverage Distribution Ltd. ("MD") to Creemore Springs Brewery Ltd. Of the total proceeds from the sale of approximately $26.2 million, $25.0 million was received during the fiscal year ended March 31, 2010 and $0.2 million was received during the first quarter of fiscal 2011. Proceeds were used to reduce long-term debt and bank indebtedness. The balance of the sale proceeds are expected to be received on May 1, 2012. The Company recorded an after tax gain on the sale of approximately $11.9 million. The operating results of the beer business have been classified as net earnings from a discontinued operation in current and prior periods.

On October 8, 2008 the Company acquired 100% of SWM for consideration of approximately $1.6 million. SWM is a premium wine importer and marketing agent for fine wines in the Province of Ontario. The Company imports wines from major wine regions around the world and sells primarily to on-premise accounts in key markets and through LCBO Vintages stores.

Effective June 30, 2008 the Company increased its annual common share dividends. The dividend on Class A shares increased 10% from $0.300 per share to $0.330 per share, while the dividend on Class B shares increased 10% from $0.261 per share to $0.288 per share.

On June 30, 2008 the Company acquired 100% of the common shares of World Vintners Inc. ("WVI"), a producer and seller of high quality consumer-made wine kits. The acquisition brought to the Company a dedicated network of 75 franchised wine-on-premise and retail outlets under the Wine Kitz brand name. WVI was acquired for consideration of $9.6 million, including acquisition costs. The Company has generated significant synergies in its wine kit operations as a result of this acquisition through the closure of its plant in Markham, Ontario and its Quebec distribution facility.

On June 13, 2008 the Company acquired 50% of the shares of Rocky Ridge Vineyards Inc. ("Rocky Ridge") of Cawston, British Columbia for consideration of $3.9 million, including acquisition costs. The Company previously owned 50% of the shares of Rocky Ridge and as a result of this transaction Rocky Ridge became a wholly-owned subsidiary of the Company.

The Canadian Wine Market

The market for wine in Canada has continued to grow due to a movement toward the consumption of wine made by an aging population who favour the more sophisticated experience that wine offers and young consumers who have more recently adopted wine as their beverage of choice, as well as the widely reported health benefits of moderate wine consumption. Imports from major wine-producing countries, particularly Argentina and Chile, continue to expand their share of the Canadian market, in many cases supported by extensive government subsidy programs that support lower prices that are unmatched in Canada. Canada remains one of the world's largest importers of wine, resulting in significant growth in foreign wine sales in Canada over the past five years. To ensure that fair and open trade practices exist in the domestic Canadian wine market, the Company is working closely with other Canadian wine producers and the Canadian government to address this important issue. For the year ended March 31, 2010, consumption of wine in Canada (excluding Quebec, where the Company does not participate, and excluding the refreshment wine category) rose by approximately 2.7% after increasing by 2.9% in 2009. Imported wines accounted for 64.3% of total volume in fiscal 2010. Canadian-made wines experienced a slight increase in market share to 35.7% from 35.3% in fiscal 2009. The Company's share of the total Canadian market in fiscal 2010 was 12.7% compared to 12.4% in fiscal 2009. The Company's share of the Canadian domestic market increased from 35.2% in fiscal 2009 to 35.5% in fiscal 2010 primarily due to strong sales of key brands such as Peller Estates and solid performance from recent product introductions.

The Vintners Quality Alliance ('VQA'), established in 1989, has become recognized throughout the world as the appellation system for Canadian wines that meet strict standards of excellence. The Company's sales of VQA designated wines increased by 1.8% in fiscal 2010 compared to a 9.7% increase in fiscal 2009. VQA sales in fiscal 2010 were impacted by a move by provincial liquor boards to increase support to new VQA wine brands.

Red table wines continued to grow in popularity, with total Canadian volume sales rising 2.7% in fiscal 2010 compared to 4.4% in fiscal 2009. Volume sales of the Company's red wine portfolio increased 7.5% in fiscal 2010 after an 11.1% increase in fiscal 2009. Volume sales of white table wines in Canada rose 3.8% in fiscal 2010 and 1.8% in fiscal 2009, while the Company's sales of white table wines were up 5.0% in fiscal 2010 compared to 3.8% in fiscal 2009.

The Company believes that sales of personal winemaking products declined in Canada by approximately 3.0% in fiscal 2010 after declining approximately 4.0% during the prior year. Sales of the Company's personal winemaking products experienced a solid increase during the year driven primarily by a full year's contribution from acquisitions and a solid increase in export sales to the United States and the United Kingdom compared to fiscal 2009.

Financial Statements and Accounting Policies

The Company prepared its financial statements in Canadian dollars in accordance with Canadian generally accepted accounting principles (GAAP). The Company also utilizes EBITA (defined as earnings before interest, amortization, non-hedge derivative gains (losses), other income (expense), income taxes and net earnings before a discontinued operation) to measure its financial performance.

EBITA is not a recognized measure under GAAP; however, management believes that EBITA is a useful supplemental measure to net earnings, as it provides readers with an indication of earnings available for investment prior to debt service, capital expenditures and income taxes. Readers are cautioned that EBITA should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of the Company's performance or to cash flows from operating, investing and financing activities as a measure of liquidity and cash flows. The Company's method of calculating EBITA may differ from the methods by which other companies calculate EBITA and, accordingly, EBITA may not be comparable to measures used by other companies.

Critical Accounting Estimates

During the year, management is required to make estimates or rely on assumptions that are inherently uncertain. These estimates can vary with respect to the level of judgment involved and ultimately the impact that these estimates may have on the Company's financial statements. Estimates are deemed to be critical when a different estimate could reasonably be used or where changes are reasonably likely to occur which would materially affect the Company's financial position, or results in operations. The Company's significant accounting policies are discussed in Note 1 of the Notes to the March 31, 2010 Consolidated Financial Statements; critical estimates inherent in these accounting policies are set out below.

Accounts Receivable

The Company records an allowance for doubtful accounts to reflect management's best estimate of losses that may occur on accounts receivable during the year. This allowance was recorded through a charge to earnings and takes into consideration the financial condition and recent payment patterns of customers and the general state of the economy. Management believes that the allowance is sufficient to cover any risk of potential losses. Credit losses were within management's expectations.

Inventory Valuation

Inventories are valued at the lower of cost and net realizable value. The Company determines cost on a weighted average cost basis using separate pools for domestic and imported wines.

All inventories are counted as close as possible to year end without impacting the operations of the Company. Management has provided an allowance for slow moving and obsolete inventory which is considered to be sufficient for potential losses.

On April 1, 2008 the Company adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3031"Inventories". For details on the impact of the adoption of the standard, refer to the Consolidated Financial Statements for the year ended March 31, 2010.

Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated amortization. Amortization is calculated on a straight line basis in amounts that are sufficient to amortize the cost over the estimated useful life of the asset. Details of the amounts classified as property, plant and equipment are set out in the Notes to the Consolidated Financial Statements.

Goodwill

Goodwill on the purchase of Hillebrand in 1993, Vineco International Products in 1996, Brew King (now named Winexpert) in 1997, Distrivin and Winexpert in 2004, Wine Not in 2005 and Cascadia, Thirty Bench and Red Rooster in 2006 and WVI, Rocky Ridge, Camelot Cellars and SWM in 2009 represents the excess of purchase price of acquired businesses over the fair value of the net assets acquired. Goodwill relating to the disposition of GIB and MD is classified as part of discontinued operations – long-term assets in the accompanying consolidated financial statements. The Company determines an impairment of goodwill based on the ability to recover the balance from expected future discounted operating cash flows. Management has determined that there was no impairment in goodwill as at March 31, 2010 and 2009.

Intangible assets

Intangible assets primarily relate to customer contracts, brands and customer based relationships that have been acquired through recent acquisitions. Management believes that brands do not have a fixed or determinable life and consequently brands are not amortized but are subject to annual impairment tests based on a comparison of the carrying amount to the estimated fair market value of the brands. The amortization periods related to those intangible assets with finite lives are based on the expected duration of the contracts and relationships acquired. These intangible assets will be tested at least annually for impairment or when events or circumstances arise that indicate impairment may exist. Intangible assets relating to the disposition of GIB and MD have been classified as part of discontinued operation – long-term assets in the accompanying consolidated financial statements.

Fair value of financial instruments

Accounts receivable, accounts payable and accrued liabilities and bank indebtedness are reflected in the consolidated financial statements at carrying values, which approximate fair value due to the short-term maturity of these instruments.

Long-term debt has a floating interest rate and its carrying value, as reflected in the consolidated financial statements, approximates fair value. Interest on long-term debt has been fixed through the use of an interest rate swap.

The Company purchases wine and other inventory items throughout the year. These purchases are made in United States dollars and Euros. The Company uses foreign exchange contracts as a hedge against changes in currency values. The Company's strategy is to hedge approximately 50% - 80% of its foreign exchange requirements prior to the beginning of each fiscal quarter. The Company does not enter into foreign exchange contracts for trading or speculative purposes. Contracts are matched against forecasted purchases of inventory and other purchases in U.S. dollars and Euros.

All financial instruments are initially recorded at fair value which includes the Company's interest rate swap and foreign exchange contracts. The Company has not designated any of its financial instruments as hedges and accordingly, changes to the fair value of these instruments are recorded through earnings each period as a net unrealized gain (loss) on derivative financial instruments.

Employee Future Benefits

The Company provides a defined benefit pension plan to certain of its employees. The assumptions used to measure the accrued benefit obligations and benefit costs are: discount rate for expenses 7.0%, discount rate for obligations 5.5%, expected long-term rate of return on plan assets 7.0% and rate of compensation increase 4.0-5.0%. To measure the obligation for past employment medical benefits, it was assumed that the health care inflation rate would be 10% in fiscal 2011 reducing by 1% each year for the next five years. The annual pension expense to provide those benefits is approximately $440. All actuarial losses are amortized over the expected remaining service life which is estimated to be 7-14 years. On March 31, 2010 the Company recognized an obligation to provide post employment medical benefits to certain employees which arose as the result of the Company's acquisition of Cascadia Brands Inc. The obligation to provide post employment medical benefits was not identified at the time of the Cascadia acquisition. The recognition of the post employment medical benefit obligation has resulted in an increase to the employee future benefit liability of $2.6 million, an increase to goodwill in the amount of $1.9 million and a reduction to future income tax liability in the amount of $0.7 million.

Recently Adopted Accounting Pronouncements

Effective for the year ended March 31, 2010, the Company adopted the amended version of CICA Section 3862 "Financial Instruments – Disclosures". The amended standard requires enhanced disclosures about the relative reliability of the data, or "inputs", that an entity uses to measure the fair values of its financial instruments.

Effective April 1, 2008 the Company adopted the following new accounting standards that were issued by the CICA:

CICA Handbook Section 3031 "Inventories" replaced CICA Handbook Section 3030, "Inventories" which provided guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. It also provided guidance on the cost formulas that are used to assign costs to inventories and is effective for the Company's fiscal years beginning on April 1, 2008. As required, this standard has been adopted prospectively and comparative amounts have not been restated. This change predominately related to changes in the application of overhead cost allocations to bulk and finished goods inventory. As a result, on adoption of this standard, the Company recorded an adjustment on April 1, 2008 to reduce inventories by $2,725, to reduce future income taxes by $850 and to reduce opening retained earnings by $1,875.

The Company adopted CICA Emerging Issues Committee 173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities" that required an entity's own credit risk and the risk of counterparty to be taken into account when determining the fair value of financial assets and financial liabilities including derivative amounts. As a result, on adoption, the company recorded an adjustment on January 1, 2009 to increase the fair value of derivative financial instruments by $1,307, increase future income taxes by $409 and increase opening retained earnings by $898.

Recently Issued Accounting Pronouncements

CICA Handbook Section 1582, "Business Combinations", CICA Handbook Section 1601, "Consolidated Financial Statements", and CICA Handbook Section 1602, "Non-controlling interests" replace the former CICA Handbook Section 1581, "Business Combinations" and CICA Handbook Section 1600, "Consolidated Financial Statements" and establishes a new section for accounting for a non-controlling interest in a subsidiary. These sections provide the Canadian equivalent to IFRS 3, "Business Combinations" and International Accounting Standard 27, "Consolidated and Separate Financial Statements". CICA Handbook Section 1582 is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Section 1601 and Section 1602 apply to interim and annual consolidated financial statements relating to years beginning on or after January 1, 2011. The Company has the option to collectively adopt Section 1582, Section 1601, and Section 1602 beginning on April 1, 2010. Electing to adopt these standards in fiscal 2011 would minimize the impact of transitioning to International Financial Reporting Standards for any business combinations occurring during the year. The Company is currently evaluating the impact of adoption of these standards.

CICA Emerging Issues Committee 175, "Multiple Deliverable Revenue Arrangements" was released and requires a vendor to allocate arrangement consideration at the inception of an arrangement to all deliverables using the relative selling price method. The new requirements are effective for fiscal years beginning on or after January 1, 2011 with early adoption permitted. The Company is currently evaluating the impact of the adoption of this standard.

International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that the use of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board will be required for fiscal years beginning after January 1, 2011 for publicly accountable profit oriented enterprises. The transition date will require the Company to restate, for comparative purposes, amounts reported for the year ending March 31, 2011 as if the Company had always reported under IFRS.

Although IFRS uses a conceptual framework similar to Canadian GAAP, differences in accounting policies will need to be addressed. During fiscal 2009, the Company undertook an IFRS diagnostic study with a view to assess the impact of the transition on the Company's accounting policies and to establish a project plan to implement IFRS. Some key accounting areas where IFRS differs from current policy and accounting alternatives were identified. It was also determined that the implementation of IFRS will require increased financial statement disclosure.

During fiscal 2010, the Company finalized its diagnostic study, hired a dedicated resource to lead the IFRS implementation team and engaged an external service provider to provide additional assistance. Based on evaluations that are currently in progress, the Company's preliminary expectation is that the following components will have the most impact on its quarterly and annual consolidated financial statements beginning in the year ending March 31, 2012:

- IFRS 1 – First-time Adoption of IFRS: During the year ended March 31, 2012, the Company will be required to disclose certain additional comparative financial information related to its quarterly and annual reporting periods. These additional disclosures will provide information that will allow the user to reconcile amounts that were previously presented under Canadian GAAP to IFRS for the interim and annual periods occurring during the year ending March 31, 2011. IFRS 1 also provides numerous exemptions to the general requirement to retrospectively apply IFRS accounting policies. The Company is currently evaluating the exemptions that it will utilize.
- IAS 41 – Agriculture: IAS 41 will require the Company to measure its grape vines at their fair value less costs to sell. Costs to sell are the incremental costs that would be required to dispose of an asset if it were sold to a third party. Harvested grapes will be measured at their fair value less costs to sell at the point of harvest. This measurement will then become the cost used in measuring the value of the Company's inventories. Prior to the adoption of IFRS, the Company recorded its vineyards at cost less accumulated amortization and its inventories at the lower of cost and net realizable value. The Company is currently evaluating the direction and magnitude of this application IAS 41, on the accounting for the Company's vineyards and inventories.
- IAS 16 – Property, Plant and Equipment: IAS 16 provides options to record property, plant and equipment using a cost or a revaluation model. There are also exemptions under IFRS 1 that provide an additional option for the Company to use fair value as deemed cost at transition for an item of property, plant and equipment. IAS 16 also contains detailed guidance on the componentization of property, plant and equipment. Currently, the Company records property, plant and equipment at historical cost less accumulated amortization. The Company is currently evaluating its options and requirements under IAS 16 in combination with its options under IFRS 1.
- IAS 19 – Employee Benefits: There are currently different options available to the Company under IFRS 1 and IAS 19 to record actuarial gains and losses upon transition to IFRS. In its opening IFRS balance sheet, the Company may elect to leave a portion of actuarial gains and losses unrecognized or it may elect to recognize all cumulative actuarial gains and losses. After the Company's transition date of April 1, 2010, actuarial gains and losses may be amortized over a period of time similar to the Company's current treatment under Canadian GAAP, recognized immediately in profit or loss, or recognized immediately in other comprehensive income. The Company has currently decided to recognize all cumulative actuarial gains and losses in its opening IFRS balance sheet and immediately recognize actuarial gains and losses in other comprehensive income in its IFRS consolidated financial statements. The Company is monitoring potential future changes in this area, which may impact these preliminary decisions. The differences in recognition criteria for post-employment benefit liabilities compared to those under Canadian GAAP may also impact the Company. An evaluation of the amount of the impact is underway.
- IAS 36 – Impairment of Assets: Under Canadian GAAP, impairment testing of property, plant and equipment and intangible assets with finite lives involves comparing the carrying value of an asset to its undiscounted cash flows when an indication of impairment exists. If the undiscounted cash flows expected to be generated from the asset are greater than the carrying value, no impairment is recorded. This initial step is not part of IFRS. Under IFRS, property, plant and equipment and intangible assets with finite lives will be assigned to cash generating units ("CGUs"). When there is an indication of impairment, the carrying value of a CGU is compared to the greater of the CGUs fair value and its value in use using discounted cash flows to determine whether or not an impairment charge should be recorded. Under Canadian GAAP, the carrying value of an intangible asset with an indefinite life is compared to its fair value to determine whether impairment expense should be recorded. Under IFRS, intangible assets with an indefinite life may be allocated to CGUs for impairment testing. Under Canadian GAAP, goodwill is grouped with other assets to form a reporting unit and the carrying value of a reporting unit is compared to its fair value to determine whether an impairment charge should be recorded for goodwill. Under IFRS, goodwill will be allocated to CGUs for impairment testing purposes. The grouping of assets and liabilities used to form a reporting unit to test goodwill for impairment under Canadian GAAP will be different from the grouping of assets and liabilities used to form a CGU to test goodwill for impairment under IFRS. IFRS also requires impairment charges to be reversed in certain circumstances, except for impairment of goodwill and intangible assets with an indefinite life. Reversal of an impairment charge is not permitted under Canadian GAAP. Management is currently evaluating the impact of the applicable IFRS accounting standards.

- IAS 12 – Income Taxes: Future income tax balances will change as a result of the other adjustments required to transition from Canadian GAAP to IFRS.

  The Company is currently evaluating the extent of other changes and disclosures resulting from IAS 12.

This is not an exhaustive list as there are other less significant areas that are expected to affect the Company's consolidated financial statements and disclosures. In addition, other areas that will change as a result of IFRS may be identified as the Company progresses through its transition.

During fiscal 2010 the Company made progress in other aspects of its transition to IFRS. An information session was held for the board of directors and senior management to facilitate the development and maintenance of an appropriate level of financial reporting expertise. Management has also provided regular updates to the Finance, Audit and Risk Committee regarding its transition progress and specific business and accounting policy choices. With regard to changes to the Company's information systems, a plan has been developed to leverage existing accounting information system capabilities to meet the dual reporting requirements for the year ended March 31, 2011. Under the plan, current accounting information systems will be able to produce reconciliations from Canadian GAAP to IFRS balances. The Company is also assessing the impact of the conversion on internal controls over financial reporting and disclosure controls and procedures and will provide sufficient resources and training to ensure an orderly transition.

The Company has developed and continues to monitor its conversion plan for the transition that was effective April 1, 2010. IFRS accounting standards are continuing to evolve and are therefore subject to change throughout the remainder of the conversion process. The Company will continue to monitor any IFRS accounting developments and update the conversion plan as necessary.

Results of Operations

The following table outlines key highlights for the year ended March 31, 2010, 2009 and 2008. With the Company's entering into an agreement effective October 1, 2009 to sell its ownership of GIB and MD, the results for the Company's beer business have been classified as earnings from a discontinued operation. The sale was completed on May 1, 2010.

FOR THE YEAR ENDED MARCH 31, (in thousands of dollars except per share amounts)	**2010** **$**	2009 $	2008 $
Sales	**263,151**	251,136	228,056
Gross profit	**96,324**	93,691	95,983
Gross profit (% of sales)	**36.6%**	37.3%	42.1%
Selling general and administrative expenses	**68,970**	70,332	67,874
Earnings before interest, taxes, amortization, other income (loss) and unusual items	**27,354**	23,359	28,109
Unrealized gain (loss) on financial instruments and other expenses	**1,597**	(10,771)	718
Net and comprehensive earnings (loss) from continuing operations	**9,526**	(1,444)	10,563
Net and comprehensive earnings from a discontinued operation	**12,135**	1,319	818
Net and comprehensive earnings (loss)	**21,661**	(125)	11,381
Earnings (loss) per share from continuing operations Class A	**$0.66**	($0.10)	$0.73
Earnings (loss) per share from continuing operations Class B	**$0.57**	($0.09)	$0.63
Earnings (loss) per share – basic and diluted - Class A	**$1.49**	($0.01)	$ 0.78
Earnings (loss) per share – basic and diluted - Class B	**$1.30**	($0.01)	$ 0.68
Dividend per share – Class A (annual)	**$0.330**	$0.330	$0.300
Dividend per share – Class B (annual)	**$0.288**	$0.288	$0.261

Sales increased 4.5% and 4.8% for the three months and year ended March 31, 2010 respectively compared to the prior year periods primarily due to ongoing initiatives to grow sales of the Company's premium and blended varietal wines sold through provincial liquor control boards, new product launches that occurred during fiscal 2010 and to the full year's earnings' impact from the acquisitions of WVI and SWM. Sales in fiscal 2010 have been negatively affected by the impact of the global economic slowdown on export and estate winery sales.

During fiscal 2010 and in fiscal 2009 the Company launched a number of new products through provincial liquor stores and the Company's network of retail stores. Sales of VQA wines in the current year were impacted by a move by provincial liquor boards to increase support to new VQA wine brands and by the consumer trading down to lower priced wines through the economic recession. The Company continued to invest in its sales and marketing efforts with the aim to grow sales volumes of its products through new and increased advertising and promotional

initiatives in all trade channels, increased sales staff focused on the licensee channel, investment in the new Aisle 43 retail stores, training of retail staff and additional investments to increase tourism at its estate wineries.

Gross profit as a percentage of sales was 37.6% and 36.6% during the three months and year ended March 31, 2010 compared to 29.2% and 37.3% in the prior year periods. The decrease in gross profit percentage for the year was due to the increased cost to the Company of purchasing United States dollars, an increase in the sales mix of lower margin wines, the increased use of higher priced domestic grapes used to produce cellared in Canada wine and an increase in the cost of domestic grapes and wine purchased on international markets. Gross profit improved in the fourth quarter of 2010 as these factors began to reverse themselves as the cost to the Company of purchasing United States dollars improved and the price of wine purchased on international markets began to decline. Management believes the Company's gross profit margins have stabilized and will continue to grow as cost pressures ease and the value of the Canadian dollar improves. Management remains focused on efforts to enhance production efficiency and productivity to further improve overall profitability.

Selling and administrative expenses as a percentage of sales were 30.6% and 26.2% during the fourth quarter and for the fiscal year compared to 29.3% and 28.0% respectively in the same periods last year. During the fourth quarter of fiscal 2010, losses on foreign exchange contracts for the entire year in the amount of $2.3 million were recorded. Excluding the impact of this adjustment, selling and administrative expenses as a percentage of sales were 26.8% and 25.3% during the fourth quarter of fiscal 2010. The decrease in selling and administrative expenses was the result of the Company's ongoing focus on reducing costs and the realization of synergies on acquisitions.

Earnings before interest, amortization, non-hedge derivative gains (losses), other expenses, income taxes and net earnings from a discontinued operation ("EBITA") were $4.1 million and $27.4 million for the three months and year ended March 31, 2010 respectively compared to a loss of $0.1 and profit of $23.4 million in the same periods in fiscal 2009. The increase is primarily due to improved sales and reduced selling and administrative expenses, partially offset by a lower gross margin percentage in the current year.

Interest expense in the fourth quarter of fiscal 2010 declined to $1.9 million from $2.1 million in last year's fourth quarter due primarily to the reduction in debt from the proceeds on sale of the Company's beer business and certain one-time adjustments related to changes in the Company's lending agreements on its operating debt partially offset by higher interest rates. Interest expense was higher in fiscal 2010 due to high debt levels and higher interest rates on the Company's long-term debt. The Company expects to benefit from lower interest costs going forward.

Amortization expenses were $1.8 million and $8.0 million for the three months and year ended March 31, 2010 compared to $2.2 million and $7.8 million in the prior year periods. The changes were due primarily to the impact of acquisitions and the sale of the beer business in fiscal 2010.

The Company incurred a non-cash gain in fiscal 2010 of approximately $3.9 million related to the mark-to-market adjustments on an interest rate swap and a loss on foreign exchange contracts of $0.7 million partially offset by other expenses of $1.6 million primarily related to impairment charges on certain investments made by the Company. Under CICA accounting standards, these financial instruments must be reflected in the Company's financial statements at fair value each reporting period. These instruments are considered to be effective economic hedges and have enabled management to mitigate the volatility of changing costs and interest rates during the year. Other expenses in fiscal 2009 included carrying charges for the Company's Port Moody facility. The Company closed this facility effective December 31, 2005.

Net and comprehensive earnings from continuing operations, excluding the gains or losses on derivative financial instruments and the impact of other expenses, were $0.6 million and $8.4 in the fourth quarter and fiscal year compared to a loss of $3.0 million and a profit of $6.1 million respectively for the same periods in fiscal 2009. Operating results for the Company's beer business have been classified as a discontinued item. Net and comprehensive earnings include an after-tax gain on the sale of the beer business of approximately $11.9 million. Net and comprehensive earnings for the three months and year ended March 31, 2010 were $0.6 million or $0.04 per Class A share and $21.7 million or $1.49 per Class A share respectively compared to net losses of $3.2 million or $0.23 per Class A share and $0.1 million or $0.01 per Class A share respectively for the same periods in the prior year.

In spite of reduced consumer spending during most of fiscal 2010 due to a challenging economic environment, the Company has experienced modest increases in sales through the majority of its trade channels and these increases are expected to continue into the upcoming year. The Company expects to benefit in fiscal 2011 from the higher value of the Canadian dollar and moderating prices for the purchase of imported wine. The Company uses foreign exchange contracts to protect against changes in foreign currency rates and accordingly has locked in $21.0 million in U.S. dollar contracts at rates averaging $1.0267 Canadian and $2.6 million in Euros at rates averaging $1.433 Canadian for fiscal 2011.

Quarterly Performance (unaudited)

The following table outlines key quarterly highlights. With the Company's entering into an agreement effective October 1, 2009 to sell its ownership in GIB and MD, the results for the Company's beer business have been classified as net earnings (loss) from a discontinued operation. The sale was completed on May 1, 2010.

($000 except per share amounts)	**Q4 10**	**Q3 10**	**Q2 10**	**Q1 10**	Q4 09	Q3 09	Q2 09	Q1 09
	$	**$**	**$**	**$**	$	$	$	$
Sales	**59,295**	**71,945**	**66,961**	**64,950**	56,749	71,342	65,808	57,237
Gross profit	**22,281**	**25,430**	**24,816**	**23,797**	16,598	27,617	26,656	22,820
Gross profit (% of sales)	**37.6%**	**35.3%**	**37.1%**	**36.6%**	29.2%	38.7%	40.5%	39.9%
EBITA	**4,129**	**8,527**	**6,750**	**7,948**	(48)	9,261	7,642	6,504
Unrealized gain (loss) on financial instruments and other expenses	**401**	**(144)**	**213**	**1,127**	(67)	(9,412)	(1,073)	(219)
Net & comprehensive earnings (loss) from continuing operations	**838**	**3,588**	**1,762**	**3,338**	(3,087)	(2,713)	2,084	2,272
Net & comprehensive earnings (loss) from a discontinued operation	**(200)**	**11,940**	**482**	**(87)**	(162)	740	360	381
Net & comprehensive earnings (loss)	**638**	**15,528**	**2,244**	**3,251**	(3,249)	(1,973)	2,444	2,653
EPS – Class A basic & diluted	**$0.04**	**$1.07**	**$0.16**	**$0.22**	($0.23)	($0.13)	$0.17	$0.18
EPS – Class B basic & diluted	**$0.04**	**$0.93**	**$0.14**	**$0.19**	($0.20)	($0.12)	$0.15	$0.16

The third quarter of each year is historically the strongest in terms of sales, gross profit and net and comprehensive earnings due to increased consumer purchasing of the Company's products during the holiday season. Sales in the fourth quarter of fiscal 2010 increased by 4.5% over the comparable period in fiscal 2009 due to increased sales through provincial liquor boards and stable revenues at its retail stores partially offset by lower estate wine and export sales. Sales in the first quarter of fiscal 2010 were impacted by higher purchases from the LCBO in June in anticipation of a potential strike which negatively affected second quarter results. Sales in the fourth quarter were positively impacted by strong purchases by provincial liquor boards due to the Easter holiday occurring very early in April. Gross profit for the three months ended March 31, 2010 increased to 37.6% of sales due primarily to the decreased cost to the Company of purchasing United States dollars and a decrease in the price of wine purchased on international markets. Net and comprehensive earnings from continuing operations, not including the gains or losses on derivative financial instruments, other expenses and income from a discontinued operation, were $0.6 million for the fourth quarter of fiscal 2010 compared to a loss of $3.0 million in the fourth quarter of fiscal 2009. Results for fiscal 2010 included an after tax gain on the sale of the beer business of approximately $11.9 million in the third quarter.

Liquidity and Capital Resources

As at ($000)	**March 31, 2010** **$**	March 31, 2009 $
Current Assets	**116,351**	134,818
Property, Plant & Equipment	**95,728**	98,234
Goodwill	**37,473**	35,684
Intangibles and Other Assets	**14,164**	14,838
Discontinued Operation	**-**	9,933
Total Assets	**263,716**	293,507
Current Liabilities	**86,383**	105,615
Long-term Debt	**47,633**	71,549
Long-term Derivative Financial Instruments	**1,667**	5,963
Employee Future Benefits	**4,530**	2,824
Future Income Tax	**9,838**	10,428
Discontinued Operation	**-**	337
Shareholders' Equity	**113,665**	96,791
Total Liabilities & Shareholders' Equity	**263,716**	293,507

The changes to the Company's balance sheet at March 31, 2010 compared to March 31, 2009 are primarily due to the sale of GIB and MD on October 1, 2009. The resulting reduction in bank indebtedness and long-term debt, and a lower investment in inventory partially offset by a reduction in accounts payable and accrued charges also impacted working capital during the period. The Company's beer business has been classified as a discontinued operation in current and prior periods. The Company recognized additional post employment medical benefit liabilities in the fourth quarter of the fiscal year related to commitments acquired through the previously completed Cascadia acquisition.

As at March 31, 2010 bank indebtedness and long-term debt decreased to $102.7 million compared to $129.9 million at March 31, 2009. The change was due primarily to proceeds from the sale of GIB and MD, increased cash flow from operating activities due to higher net earnings and lower levels of inventory partially offset by lower levels of accounts payable and accrued charges.

Inventory at March 31, 2010 decreased by approximately $11.2 million compared to the end of fiscal 2009 as the Company increased its efforts to reduce working capital during the year primarily through a reduction in finished goods inventory. Inventory is dependent on the increased use of domestically grown grapes used in the sale of premium and ultra-premium wines which are held for a longer period than imported wine. These grapes are typically aged for one to three years before they are sold. The cost of domestically grown grapes is also significantly higher than wine purchased on international markets.

Accounts receivable are predominately with provincial liquor boards and to a lesser extent licensed establishments and independent retailers of consumer made wine kits. Accounts receivable increased slightly during fiscal 2010 due primarily to strong sales during the month of March. The Company has $12.6 million dollars of accounts receivable with provincial liquor boards all of which are expected to be collectible. The balance of $10.3 million represents amounts due from licensees, export customers and independent retailers of consumer made wine kits. The amount of accounts receivable that is beyond 60 days is $0.9 million. Against this amount, an allowance for doubtful accounts of $0.3 million has been provided which the Company has determined to represent a reasonable estimate of amounts that may not be collectible.

Contractual Obligations

The following table outlines the Company's contractual obligations, including long-term debt, operating leases, and commitments on short-term forward foreign exchange contracts used to hedge the currency risk on U.S. dollar purchases.

As at March 31, 2010 ($000)	**Total**	**<1 year**	**2-3 years**	**4-5 years**	**>5 years**
	$	$	$	$	$
Long-Term Bank Loan	54,436	6,158	10,666	10,666	26,946
Swap Agreement	15,665	3,911	6,609	5,145	-
Operating Leases	20,655	3,878	5,455	2,820	8,502
Pension Obligations	3,841	575	886	658	1,722
Foreign Exchange Contracts	20,655	20,655	-	-	-
Long-Term Grape Contracts	269,919	20,190	42,141	41,342	166,246
Total Long-Term Obligations	385,171	55,367	65,757	60,631	203,416

The ratio of debt to equity decreased to 0.90:1 at March 31, 2010 compared to 1.34:1 at March 31, 2009 due primarily to the use of proceeds from the sale of GIB and MD to reduce bank indebtedness and long-term debt. At March 31, 2010 the Company had unutilized debt capacity in the amount of $19.4 million on its operating loan facility.

On November 10, 2009, the Company modified the terms of its operating loan facility to increase the borrowing limit to $75.0 million. The loan is a one-year committed facility incurring interest at the Royal Bank of Canada prime lending rate plus 2.75%.

On January 26, 2010, the Company modified its existing term loan. The modified term loan will continue to be repayable in monthly principal payments of $0.444 million plus interest and matures on April 30, 2015. The Company maintains an interest rate swap which effectively fixes the interest rate on the term loan at 5.64%. Under terms of the modified loan, the Company currently pays additional interest of 0.95% based on leverage and a funding premium of 1.05% which is renegotiated annually. Effective May 1, 2010, the funding premium was reduced by 0.25%.

Management expects to generate sufficient cash flow from operations to meet its debt servicing, principal payment and working capital requirements over both the short and the long term through increased profitability and strong management of working capital and capital expenditures. The Company closed its Port Moody B.C. winery effective December 31, 2005. The Company continually reviews all of its assets to ensure appropriate returns on investment are being achieved and fit with the Company's long-term strategic objectives.

During fiscal 2010, the Company generated cash from operating activities, after changes in non-cash working capital items, of $17.5 million compared to $8.2 million in the same period last year. Cash flow from operating activities increased due to stronger earnings performance and improved management of working capital, principally by a reduction in inventories partially offset by a decrease in accounts payable and accrued liabilities.

Investing activities of approximately $5.8 million were made in fiscal 2010 compared to $23.8 million in the prior year. The decrease in fiscal 2010 is primarily related to the $9.6 million acquisition of WVI and a $3.9 million investment in acquiring the remaining 50% equity interest in Rocky Ridge in fiscal 2009. Excluding acquisitions, capital spending was $5.0 million for the year ended March 31, 2010 compared to $10.0 million in the prior year.

Working capital as at March 31, 2010 was $30.0 million compared to $29.2 million as at March 31, 2009. Shareholders' equity as at March 31, 2010 was $113.7 million or $7.63 per common share compared to $96.8 million or $6.50 per common share as at March 31, 2009. The increase in shareholders' equity is due to the gain on the Company's sale of GIB and MD, higher net earnings from continuing operations for the period and the impact of unrealized gains (losses) on derivative financial instruments.

The dividend on Class A shares increased 10% from $0.300 per share to $0.330 per share effective June 30, 2008. The dividend on Class B shares increased 10% from $0.261 per share to $0.288 per share.

Common Shares Outstanding

The Company is authorized to issue an unlimited number of Class A and Class B common shares. 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.

Shares outstanding	June 23, 2010	**March 31, 2010**	March 31, 2009
Class A shares	11,888,241	**11,888,241**	11,888,241
Class B shares	3,004,041	**3,004,041**	3,004,041
Total	14,892,282	**14,892,282**	14,892,282

Strategic Outlook and Direction

Andrew Peller Limited is committed to a strategy of growth that focuses on the expansion of its core business as a producer and marketer of quality wines through the development of leading brands that meet the needs of our consumers and customers.

The market for wine in Canada has continued to grow due to a movement toward the consumption of wine made by an aging population who favour the more sophisticated experience that wine offers and young consumers who have more recently adopted wine as their beverage of choice, as well as the widely reported health benefits of moderate wine consumption. The share of the market held by domestic producers increased moderately in fiscal 2010. During the year, the Company began to experience a slight weakness in certain trade channels, specifically its estate winery and export sales, due to weak consumer spending being experienced across North America. Growth was moderate in sales to liquor boards across the country and through the Company's 102 retail stores in Ontario. Sales of blended varietal table wines increased during the year and these products produced a lower percentage margin than ultra-premium wines. Andrew Peller Limited has focused its product development and sales and marketing initiatives aimed at capitalizing on this trend. The Company will continue to closely monitor its costs and will react quickly if there is any further significant change in gross profit margin.

The Company expects to continue to launch new blended varietal and ultra-premium brands in fiscal 2011 and increase its use of unique package formats. The Company will also make packaging design changes that are consistent with its continued move to be more environmentally friendly. Increased focus will be made on expanding distribution through the Company's direct to home trade channels to provide consumers with more access to our extensive brand portfolio.

These product launches and directed spending behind key brands through all of the Company's distribution channels will receive increased marketing and sales support during the year.

The Company expects to make additional investments in capital expenditures to support its ongoing commitment to producing the highest-quality wines and to improve productivity and efficiencies.

Investments made over the past few years are expected to continue to result in increased sales and improved profitability going forward.

From time to time the Company evaluates investment opportunities, including acquisitions, which could support its strategic direction.

The sale of the Company's interest in its ownership of GIB and MD completed on May 1, 2010 will allow the Company to more effectively focus on its key strengths and long-term strategies to build its leading portfolio of premium and ultra premium wines through all its trade channels. The proceeds from the sale were used to reduce bank indebtedness and long-term debt.

Despite the economic slowdown in Canada over the last year, the Company expects it will continue to grow sales while gross profit is expected to increase moderately. Lower pricing on domestic grapes and imported wine and the higher value of the Canadian dollar will be mostly offset by the Province of Ontario's introduction of a special wine levy on Cellared in Canada ("CIC") wines sold through the Company's retail store network. The Province of Ontario introduced, as part of the harmonized sales tax, a discriminatory tax in the form of a special levy, effective July 1, 2010, on CIC wines that are sold through private retail stores in Ontario. CIC is wine that is produced through the blending of wine made from domestic grapes with wine purchased on international markets. Imported and domestic wine that is sold through the LCBO will not incur any additional taxation. The special levy will put pressure on gross profit, on domestic grape prices and will negatively impact future domestic grape purchases. The Company estimates that the cost of the levy, on an annual basis, will amount to approximately $4.3 million.

The Company's product portfolio covers the complete spectrum of price levels within the Canadian wine market and expects that, while there may be a modest reduction in purchases of ultra-premium wine, this is expected to be mitigated by an increase in sales of blended varietal wines. In addition, the Company will be accelerating its efforts to generate production efficiencies and reducing overhead costs to enhance its overall profitability.

Risks and Uncertainties

The Company's sales of wine are affected by general economic conditions such as changes in discretionary consumer spending and consumer confidence in future economic conditions, tax laws and the prices of its products. A steep and sustained decline in economic growth may cause a lower demand for the Company's products. Such general economic conditions could impact the Company's sales through the Company's estate wineries and restaurants, direct sales through licensed establishments and export sales through duty free shops. The Company believes that these effects would likely be temporary and would not have a significant impact on financial performance.

The Canadian wine market continues to be the target of low-priced imported wines from regions and countries that subsidize wine production and grape growing as well as providing sizeable export subsidies. In addition, many of these countries and regions prohibit or restrict the sale of imported wine in their own domestic markets. The Company, along with other members of the Canadian wine industry, is working with the Canadian government to rectify these unfair trade practices.

The Company operates in a highly competitive industry and the dollar amount and unit volume of sales could be negatively impacted by its inability to maintain or increase prices, changes in geographic or product mix, a general decline in beverage alcohol consumption or the decision of retailers or consumers to purchase competitive wines instead of the Company's products. Retailer and consumer purchasing decisions are influenced by, among other things, the perceived absolute or relative overall value of the Company's wines, including their quality or pricing, compared to competitive products. Unit volume and dollar sales could also be affected by purchasing, financing, operational, advertising or promotional decisions made by provincial agencies and retailers, which could affect supply of or consumer demand for the Company's products. The Company could also experience higher than expected selling and administrative expenses if it finds it necessary to increase the number of its personnel, advertising or promotional expenditures to maintain its competitive position.

The Company expects to increase its sales of premium wines in Canada, principally through the sale of VQA wines, and as a result is dependent on the quality and supply of domestically grown premium quality grapes. If any of APL's vineyards experience certain weather variations, natural disasters, pestilence, other severe environmental problems or other occurrences, APL may not be able to secure a sufficient supply of grapes and there could be a decrease in our production of certain products from those regions and/or an increase in costs. In the past, where there has been a significant reduction in domestically sourced grapes, the Government of Ontario, in conjunction with the Ontario Grape Growers Marketing Board, has agreed to temporarily increase the blending of imported wines, which would enable the Company to continue to supply products to the market. The inability to secure premium quality grapes could impair the ability of the Company to supply certain wines to our customers. The Company has developed programs to ensure it has access to a consistent supply of premium quality grapes and wine. The price of grapes is determined through negotiations with the Ontario Grape Growers Marketing Board in Ontario and with independent growers in British Columbia.

Foreign exchange risk exists on the purchases by the Company of bulk wine and concentrate that are made in U.S. dollars and Euros. The Company's strategy is to hedge approximately 50% - 80% of its foreign exchange requirements throughout the fiscal year and regularly reviews its ongoing requirements. The Company has entered into a series of foreign exchange contracts as a hedge against movements in U.S. dollar and Euro exchange rates. The Company does not enter into foreign exchange contracts for trading or speculative purposes. These contracts are reviewed periodically. Each one cent change in the value of the U.S. dollar has a $0.2 million impact on the Company's net earnings.

The Company purchases glass, bag-in-the-box, tetra paks, kegs and other components used in the bottling and packaging of wine. The largest component in the packaging of wine is glass, of which there are few domestic or international suppliers. There is currently only one commercial supplier of glass in Canada and any interruption in supply could have an adverse impact on the Company's ability to supply its markets. APL has taken steps to reduce its dependence on domestic suppliers through the development of relationships with several international producers of glass and through carrying increased inventories of selected bottles.

The Company operates in a highly regulated industry, with requirements regarding the production, distribution, marketing, advertising and labelling of wine. These regulatory requirements may inhibit or restrict the Company's ability to maintain or increase strong consumer support for and recognition of its brands and may adversely affect APL's business strategies and results of operations. The Company is currently reviewing its labelling on CIC wines. Privatization of liquor distribution and retailing has been implemented in varying degrees across the country. The possibility of privatization in Ontario remains a risk to the Company through its impact on the Company's retail operations. The provincial government has stated that, should it consider privatization, it would engage in a consultation process and would acknowledge the special role of Ontario's wine industry.

The wine industry and the domestic and international market, in which the Company operates, are consolidating. This has resulted in fewer, but larger, competitors who have increased their resources and scale. The increased competition from these larger market participants may affect the Company's pricing strategies and create margin pressures, resulting in potentially lower gross profit. Competition also exerts pressure on existing customer relationships, which may affect APL's ability to retain existing customers and increase the number of new customers. The Company has worked to improve production efficiencies, selectively increased pricing to increase gross profit and implemented a higher level of promotion and advertising activity to combat these initiatives. APL and other wine industry participants also generally compete with other alcoholic beverages like beer and spirits for consumer acceptance, loyalty and shelf space. No assurance can be given that consumer demand for wine, and premium wine products, will continue at current levels in the future.

The Company has experienced increases in energy costs, and further increases in the cost of energy would result in higher transportation, freight and other operating costs. The Company's future operating expenses and margins are dependent on its ability to manage the impact of cost increases. The Company cannot guarantee that it will be able to pass along increased energy costs to its customers through increased prices.

Federal and provincial governments impose excise and other taxes on beverage alcohol products in varying amounts which have been subject to change. Significant increases in excise and other taxes on beverage alcohol products could materially and adversely affect the Company's financial condition or results of operations. In addition, federal and provincial governmental agencies extensively regulate the beverage alcohol products industry concerning such matters as licensing, trade practices, permitted and required labelling, advertising and relations with consumers and retailers. Certain federal and provincial regulations also require warning labels and signage. New or revised regulations or increased licensing fees, requirements or taxes could also have a material adverse effect on the Company's financial condition or results of operations.

The Company's future operating results also depend on the ability of its officers and other key employees to continue to implement and improve its operating and financial systems and manage the Company's significant relationships with its suppliers and customers. The Company is also dependent upon the performance of its key senior management personnel. The Company's success is linked to its ability to identify, hire, train, motivate, promote and retain highly qualified management. Competition for such employees is intense and there can be no assurances that the Company will be able to retain current key employees or attract new key employees.

The competitive nature of the wine industry internationally has resulted in the discounting of retail prices of wine in key markets such as the United States and the United Kingdom, in part due to an international grape surplus. This international grape surplus, principally in Australia, Chile and Argentina and high inventories of French wine, could serve to continue the discounting of wine in international markets. The Company has responded by increased promotional and advertising spending to strengthen the performance of its brands. The Company does not believe that significant price discounting will occur in Canada beyond current levels.

The Company considers its trademarks, particularly certain brand names and product packaging, advertising and promotion design and artwork to be of significant importance to its business and ascribes a significant value to these intangible assets. The Company relies on trademark laws and other arrangements to protect its proprietary rights. There can be no assurance that the steps taken by APL to protect its intellectual property rights will preclude competitors from developing confusingly similar brand names or promotional materials. The Company believes that its proprietary rights do not infringe upon the proprietary rights of third parties, but there can be no assurance in this regard.

As an owner and lessor of property, the Company is subject to various federal and provincial laws relating to environmental matters. Such laws provide that the Company could be held liable for the cost of removal and remediation of hazardous substances on its properties. The failure to remedy any situation that might arise could lead to claims against the Company. These risks are believed to be limited.

The success of the Company's brands depends upon the positive image that consumers have of those brands. Contamination of APL's products, whether arising accidentally or through deliberate third-party action, or other events that harm the integrity or consumer support for those brands, could adversely affect their sales. Contaminants in raw materials purchased from third parties and used in the production of the Company's products or defects in the fermentation process could lead to low product quality as well as illness among, or injury to, consumers of the products and may result in reduced sales of the affected brand or all of the Company's brands.

Evaluation of Disclosure Controls and Procedures and Internal Control over Financial Reporting

Compliance with National Instrument 52-109 ("NI 52-109") provided the Company with a review and documentation of the processes and internal controls that were in place within the organization. As a result of the review, the Company found no material weaknesses and will continue to update the review and documentation of processes and internal controls on an on-going basis.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information required to be disclosed by the Company in reports filed with or submitted to various securities regulators is recorded, processed, summarized and reported within the time periods specified. This information is gathered and reported to the Company's management, including the President and Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), on a timely basis so that decisions can be made regarding the Company's disclosure to the public.

As at June 23, 2010, the Company's management, under the supervision of, and with the participation of the CEO and CFO, have designed and evaluated the Company's disclosure controls and procedures as required in Canada by "National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings". Based on this evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures are effective.

Internal Controls over Financial Reporting

Internal controls over financial reporting are procedures designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to reliability of financial reporting and financial statement preparation.

Designing, establishing and maintaining adequate internal controls over financial reporting is the responsibility of management. Internal controls over financial reporting is a process designed by, or under the supervision of senior management and effected by the Board of Directors to provide reasonable assurance regarding the reliability of financial reporting and preparation of the Company's financial statements in accordance with Canadian GAAP.

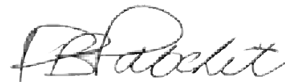
As at June 23, 2010, the CEO and CFO of the Company have evaluated the effectiveness of the Company's internal controls over financial reporting. Based on these evaluations, the CEO and CFO have concluded that the controls and procedures were operating effectively.

For the year ended March 31, 2010, there have been no material changes in the Company's internal control over financial reporting or changes to disclosure, procedures or controls that materially affected or were likely to affect, the Company's internal control systems.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements have been prepared by management and approved by the Board of Directors. Management is responsible for the integrity of the information contained in the financial statements and other sections of this annual report. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. To assist management in discharging its responsibilities, the Company maintains a system of internal controls designed to provide reasonable assurance that its assets are safeguarded; that only valid and authorized transactions are executed; and that accurate and timely financial information is prepared. The Board of Directors ensures that management fulfills its responsibilities for financial reporting and internal controls. The Board exercises these responsibilities primarily through the Audit, Finance and Risk Committee (the "Committee"). The Committee meets periodically with management and the Company's auditors to ensure that its responsibilities are properly discharged. The Committee also reviews the consolidated financial statements and recommends to the Board of Directors that the statements be approved for issuance to shareholders. PricewaterhouseCoopers LLP, Chartered Accountants, appointed by the shareholders as the Company's auditors, have audited and expressed their opinion on the accompanying consolidated financial statements of the Company.

John E. Peller, President & CEO



Peter B. Patchet , CFO & Executive Vice President,
Human Resources

AUDITORS' REPORT

To the Shareholders of Andrew Peller Limited

We have audited the consolidated balance sheets of **Andrew Peller Limited** as at March 31, 2010 and 2009 and the consolidated statements of earnings (loss) and comprehensive earnings (loss), retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants,
Toronto, Ontario

June 23, 2010

CONSOLIDATED BALANCE SHEETS

AS AT MARCH 31, 2010 AND 2009 (IN THOUSANDS OF DOLLARS)

	2010	2009
ASSETS		
Current assets		
Accounts receivable	**$ 22,902**	$ 21,044
Inventories (note 3)	**89,693**	100,883
Prepaid expenses and other assets	**2,429**	2,309
Income taxes recoverable	**1,327**	6,318
Discontinued operation (note 16)	-	4,264
	116,351	134,818
Property, plant and equipment (notes 2 and 4)	**95,728**	98,234
Intangibles and other assets (notes 2 and 5)	**14,164**	14,838
Goodwill (notes 2 and 7)	**37,473**	35,684
Discontinued operation – long-term assets (note 16)	-	9,933
	$ 263,716	$ 293,507
LIABILITIES		
Current liabilities		
Bank indebtedness (note 6)	**$ 48,877**	$ 52,192
Accounts payable and accrued liabilities	**28,229**	38,512
Dividends payable	**1,197**	1,197
Current portion of derivative financial instruments (note 14)	**1,922**	2,719
Current portion of long-term debt (note 6)	**6,158**	6,158
Discontinued operation (note 16)	-	4,837
	86,383	105,615
Long-term debt (notes 6 and 14)	**47,633**	71,549
Long-term derivative financial instruments (note 14)	**1,667**	5,963
Employee future benefits (note 7)	**4,530**	2,824
Future income taxes (note 8)	**9,838**	10,428
Discontinued operation – long-term liabilities (note 16)	-	337
	150,051	196,716
SHAREHOLDERS' EQUITY		
Capital stock (note 9)	**7,375**	7,375
Retained earnings	**106,290**	89,416
	113,665	96,791
	$ 263,716	$ 293,507

Commitments and contingencies (note 11)

Approved by the Board of Directors

John E. Peller, Director

Brian J. Short, Director

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

CONSOLIDATED STATEMENTS OF EARNINGS (LOSS) AND COMPREHENSIVE EARNINGS (LOSS) AND RETAINED EARNINGS

FOR THE YEARS ENDED MARCH 31, 2010 AND 2009 (IN THOUSANDS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)

	2010	2009
Sales	**$ 263,151**	$ 251,136
Cost of goods sold, excluding amortization	**166,827**	157,445
Gross profit	**96,324**	93,691
Selling and administration	**68,970**	70,332
Earnings before interest and amortization	**27,354**	23,359
Interest	**7,873**	6,855
Amortization of plant, equipment and intangible assets	**7,991**	7,847
Earnings before other items	**11,490**	8,657
Net unrealized (gains) losses on derivative financial instruments (note 14)	**(3,224)**	9,496
Other expenses (note 12)	**1,627**	1,275
Earnings (loss) before income taxes	**13,087**	(2,114)
Provision for (recovery of) income taxes (note 8)		
Current	**3,503**	1,935
Future	**58**	(2,605)
	3,561	(670)
Net and comprehensive earnings (loss) for the year from continuing operations	**9,526**	(1,444)
Net and comprehensive earnings for the year from a discontinued operation (note 16)	**12,135**	1,319
Net and comprehensive earnings (loss) for the year	**21,661**	(125)
Retained earnings - Beginning of year	**89,416**	95,305
Impact of adoption of accounting pronouncement on April 1, 2008 (note 1)	-	(1,875)
Impact of adoption of accounting pronouncement on January 1, 2009 (note 1)	-	898
Dividends		
Class A and Class B shares	**(4,787)**	(4,787)
Retained earnings - End of year	**$ 106,290**	$ 89,416
Net earnings (loss) per share from continuing operations		
Basic and diluted		
Class A shares	**$ 0.66**	$ (0.10)
Class B shares	**$ 0.57**	$ (0.09)
Net earnings per share from a discontinued operation		
Basic and diluted		
Class A shares	**$ 0.83**	$ 0.09
Class B shares	**$ 0.73**	$ 0.08
Net earnings (loss) per share (notes 1 and 10)		
Basic and diluted		
Class A shares	**$ 1.49**	$ (0.01)
Class B shares	**$ 1.30**	$ (0.01)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED MARCH 31, 2010 AND 2009 (IN THOUSANDS OF DOLLARS)

	2010	2009
Cash provided by (used in)		
OPERATING ACTIVITIES		
Net earnings (loss) for the year	$ 9,526	$ (1,444)
Items not affecting cash		
Loss on disposal of property, plant and equipment	175	11
Amortization of plant, equipment and intangible assets	7,991	7,847
Employee future benefits	(866)	(343)
Net unrealized loss (gain) on derivative financial instruments	(3,224)	9,496
Future income taxes	58	(2,605)
Amortization of deferred financing costs	371	75
Write-off of deferred financing costs	267	442
Impairment charges	1,247	148
	15,545	13,627
Change in non-cash working capital items related to operations (note 13)	1,905	(5,420)
	17,450	8,207
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	34	3
Purchase of property and equipment	(5,047)	(10,002)
Acquisition of businesses (note 2)	(825)	(13,665)
Investment in product development	-	(116)
	(5,838)	(23,780)
FINANCING ACTIVITIES		
Increase in deferred financing costs	(979)	(340)
Decrease in bank indebtedness	(3,315)	(7,217)
Increase in long-term debt	-	27,386
Payment to partially unwind a derivative financial instrument	(1,600)	-
Repayment of long-term debt	(22,750)	(4,748)
Dividends paid	(4,787)	(4,678)
	(33,431)	10,403
Decrease in cash during the year from continuing operations	(21,819)	(5,170)
Increase in cash during the year from discontinued operation (note 16)	21,819	5,170
Change in cash during the year	-	-
Cash - Beginning of year	-	-
Cash - End of year	$ -	$ -
Supplemental disclosure of cash flow information		
Cash paid during the year from continuing operations for		
Interest	$ 7,819	$ 6,990
Income taxes	38	4,808
Cash paid during the year from discontinued operation for		
Income taxes	602	656
Cash paid during the year for		
Interest	7,819	6,990
Income taxes	640	5,464

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

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2010 AND 2009 (IN THOUSANDS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)

1. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada. Significant accounting policies adopted by the Company are as follows:

a) Basis of consolidation

These consolidated financial statements include the accounts of the Company and all subsidiary companies. The purchase method has been used to account for all acquisitions. The assets and liabilities of subsidiary companies acquired are included at their fair value on acquisition and the results of operation are included from the date of acquisition.

During fiscal 2010, the Company disposed of its ownership interest in Granville Island Brewing Company Ltd. and Mainland Beverage Distribution Ltd. (collectively referred to as "GIBCO"), and presented this operation as a discontinued operation (note 16).

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is re-presented as if the operation had been discontinued from the start of the comparative period.

b) Revenue

The Company records a sale when persuasive evidence of an arrangement exists with a customer; delivery of goods and the transfer of title to the customer has occurred under the terms of the arrangement; the selling price is fixed or determinable; and collectibility is reasonably assured. For transactions with provincial liquor boards, licensee retail stores, licensees 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 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 revenues to arrive at sales.

c) 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.

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

d) Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated amortization. Amortization of buildings, vineyards and equipment is calculated on the straight-line basis in amounts sufficient to amortize the cost of buildings, vineyards and equipment over their estimated useful lives as follows:

Buildings	2.5% per year
Vineyards	5% per year
Machinery and equipment	7.5% to 20% per year

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

e) Goodwill

Goodwill represents the cost of investments in subsidiaries 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 determines an impairment of goodwill based on the ability to recover the balance from expected future discounted operating cash flows.

f) Intangible assets

Intangible assets include brands, customer contracts, contract co-packaging arrangements and customer-based relationships. These intangible assets are recorded at estimated fair value on the date of acquisition. Customer contracts, contract co-packaging arrangements and customer-based intangible assets are amortized on a straight-line basis over 10 - 20 years. Brands that have been assessed as having 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.

g) Impairment of long-lived assets and definite life intangible assets

The Company reviews long-lived assets and definite life intangible assets for impairment when events or circumstances indicate that the asset's carrying amount may not be recoverable. When management determines that an impairment exists, the impairment loss will be determined by comparing the asset's carrying amount to its fair value, which is determined using a discounted cash flow model (note 12).

h) 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 using the treasury stock method (note 10).

i) 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. During the year, the Company did have export sales of $10,181 (2009 - $9,279), which primarily relate to sales in the United States.

j) Measurement uncertainty

The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may vary from current estimates. These estimates are reviewed periodically and, as adjustments become necessary, are reported in earnings in the year in which they become known.

k) Income taxes

The Company follows the liability method of accounting for income taxes based on temporary differences. Future income taxes are provided for all temporary differences between the financial reporting and tax bases of assets and liabilities. Future income tax assets and liabilities are measured using 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 future income tax expense represents the change during the year in future income tax assets and future income tax liabilities.

l) Asset retirement obligations

The fair value of a liability for an asset retirement obligation is recorded in the year in which it is incurred. When the liability is initially recorded, the cost is capitalized by increasing the carrying amount of the related long-lived asset. Over time, the liability is increased to reflect an interest element considered in the initial measurement of fair value. The capitalized cost is amortized over the asset's useful life.

m) Employee future benefits

The Company sponsors defined benefit pension plans providing pension and other post retirement medical benefits to certain employees. The costs of the defined benefit pension plans and other post retirement benefits are actuarially determined and include management's best estimate of expected plan investment performance (where applicable), salary escalation and expected retirement ages. For plans with active employees, adjustments arising from plan amendments or from actuarially determined gains or losses are amortized on a straight-line basis over the average remaining service period of active employees. For plans where the majority of the plan members have retired, adjustments arising from plan amendments or from actuarially determined gains and losses are amortized on a straight-line basis over the average life expectancy of the remaining plan members.

n) Comprehensive income (loss)

Comprehensive income (loss) is comprised of net earnings or loss and other comprehensive income (loss) (OCI). OCI represents the change in equity for a period that arises from unrealized gains and losses on available-for-sale securities and changes in the fair market value of derivative instruments designated as hedges.

o) Equity

This section requires separate presentation of changes in equity for the period arising from net income, OCI, contributed surplus, retained earnings, share capital and reserves. Accumulated OCI is included in the consolidated balance sheet as a separate component of shareholders' equity. The Company does not currently have any accumulated OCI.

p) Transaction costs

Transaction costs related to financial liabilities are netted against the carrying value of the liability and are then amortized over the expected life of the instrument using the effective interest rate method.

q) Recently adopted accounting pronouncements

On April 1, 2009, the Company adopted the amendments to CICA Handbook Section 3862, Financial Instruments – Disclosures. In accordance with this section, the Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

Level 1 – fair value measurements that reflect unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – fair value measurements include inputs other than quoted prices included in Level 1 that are observable for identical or similar assets and liabilities, either directly or indirectly.

Level 3 – fair value measurements include inputs for the asset or liability that are not based on observable market data.

The amended standard requires enhanced disclosures about the relative reliability of the data, or inputs, that the Company uses to measure the fair values of its financial instruments (note 14).

Effective April 1, 2008, the Company adopted the following new accounting standards that were issued by the Canadian Institute of Chartered Accountants ("CICA"):

a) CICA Handbook Section 3031, "Inventories" replaces CICA Handbook Section 3030, "Inventories" and provides more guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories and is effective for the Company's fiscal years beginning on April 1, 2008. As required, this standard has been adopted prospectively and comparative amounts have not been restated. The change predominately relates to changes in the application of overhead cost allocations to bulk and finished goods inventory. As a result, on adoption of this standard, the Company recorded an adjustment on April 1, 2008 to reduce inventories by $2,725, reduce future income taxes by $850, and reduce opening retained earnings by $1,875.

b) The Company adopted CICA Emerging Issues Committee 173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities" ("EIC 173") that requires an entity's own credit risk and the risk of the counterparty to be taken into account when determining the fair value of financial assets and financial liabilities, including derivative amounts. As a result, on adoption, the Company recorded an adjustment on January 1, 2009 to increase the fair value of derivative financial instruments by $1,307, increase future income taxes by $409 and increase opening retained earnings by $898.

r) Recently issued accounting pronouncements

a) Business Combinations, Consolidated Financial Statements and Non-Controlling Interests: CICA Handbook Section 1582, "Business Combinations", CICA Handbook Section 1601, "Consolidated financial statements", and CICA Handbook Section 1602, "Non-controlling interests" replace the former CICA Handbook Section 1581, "Business Combinations" and CICA Handbook Section 1600, "Consolidated Financial Statements" and establishes a new section for accounting for a non-controlling interest in a subsidiary. These sections provide the Canadian equivalent to International Financial Reporting Standards ("IFRS") 3, "Business Combinations" and International Accounting Standard 27, "Consolidated and Separate Financial Statements". CICA Handbook Section 1582 is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Section 1601 and Section 1602 apply to interim and annual consolidated financial statements relating to years beginning on or after January 1, 2011. The Company is currently evaluating the impact of adoption of these standards.

b) CICA Emerging Issues Committee 175, "Multiple Deliverable Revenue Arrangements" was released and requires a vendor to allocate arrangement consideration at the inception of an arrangement to all deliverables using the relative selling price method. The new requirements are effective for fiscal years beginning on or after January 1, 2011 with early adoption permitted. The Company is currently evaluating the impact of the adoption of this standard.

2. ACQUISITIONS

During fiscal 2009, the Company made the following acquisitions:

On June 13, 2008, the Company acquired 50% of the outstanding shares of Rocky Ridge Vineyards Inc. ("Rocky Ridge") for consideration of $3,927, including acquisition costs. The Company previously owned 50% of the shares of Rocky Ridge and as a result of this transaction Rocky Ridge is now a wholly-owned subsidiary. This transaction was accounted for using the purchase method. The results of operations have been fully consolidated effective June 14, 2008.

On June 30, 2008, the Company acquired 100% of the common shares of World Vintners Inc. for consideration of $9,629, including acquisition costs. This transaction was accounted for using the purchase method. The results of operations have been included in the consolidated financial statements effective July 1, 2008.

On July 31, 2008, the Company acquired 100% of the outstanding shares of Camelot Cellars Ltd. for consideration of $154, including acquisition costs. This transaction was accounted for using the purchase method. The results of operations have been included in the consolidated financial statements effective August 1, 2009.

On October 8, 2008, the Company acquired 100% of the outstanding shares of The Small Winemakers Collection Inc. for consideration of $1,605, including acquisition costs. Pursuant to the purchase agreement, contingent consideration to a maximum of $333, measured on an annual basis, may be payable based on the pre-determined sales levels up to three years beginning March 31, 2009. Future payments under this agreement will be recorded as goodwill when the amount and outcome of the contingent consideration becomes determinable. There was no contingent consideration paid or payable at March 31, 2010. This transaction was accounted for using the purchase method. The results of operations have been included in the consolidated financial statements effective October 9, 2008.

The value assigned to goodwill in all of the acquisitions is not deductible for tax purposes.

Acquired intangible assets include brands in the amount of $1,700 that are not subject to amortization and customer-based relationships and contract packaging agreements in the aggregate amount of $7,790 which are subject to amortization. All acquired intangible assets are not deductible for income tax purposes.

The following table summarizes the amounts paid or payable at the dates of the acquisitions and the allocation of purchase prices based on management's estimates of the fair values of assets and liabilities acquired:

	Rocky Ridge	World Vintners Inc.	Camelot Cellars, Ltd.	The Small Winemakers Collection Inc.	Total
Purchase consideration					
Cash - net of cash acquired	$ 2,277	$ 9,629	$ 154	$ 1,605	$ 13,665
Note payable	1,650	-	-	-	1,650
	$ 3,927	$ 9,629	$ 154	$ 1,605	$ 15,315
Allocation					
Accounts receivable	$ 27	$ 1,144	$ -	$ 632	$ 1,803
Inventories	-	1,404	38	-	1,442
Prepaid expenses and other assets	-	72	3	36	111
Income taxes recoverable	-	2,224	-	-	2,224
	27	4,844	41	668	5,580
Property, plant and equipment	4,503	448	34	34	5,019
Intangible assets and other assets	-	8,681	-	890	9,571
Goodwill	471	2,064	134	544	3,213
	5,001	16,037	209	2,136	23,383
Bank indebtedness	603	1,084	-	-	1,687
Accounts payable and accrued liabilities	-	3,797	55	256	4,108
Income taxes payable	-	-	-	5	5
Future income taxes	471	1,527	-	270	2,268
	1,074	6,408	55	531	8,068
Net assets acquired	$ 3,927	$ 9,629	$ 154	$ 1,605	$ 15,315

3. INVENTORIES

	2010	2009
Packaging materials and supplies	**$ 8,957**	$ 9,261
Bulk wine	**50,787**	56,501
Finished goods	**29,949**	35,121
	$ 89,693	$ 100,883

The amount of interest included in the cost of inventories is $941 (2009 - $611).

Inventory write-downs recognized as an expense amounted to $1,743 (2009 - $1,459).

4. PROPERTY, PLANT AND EQUIPMENT

			2010
	Cost	**Accumulated amortization**	**Net**
Land	**$ 4,807**	**$ -**	**$ 4,807**
Vineyards	**38,627**	**5,547**	**33,080**
Buildings	**39,193**	**11,326**	**27,867**
Machinery and equipment	**86,654**	**56,680**	**29,974**
	$ 169,281	**$ 73,553**	**$ 95,728**

			2009
	Cost	Accumulated amortization	Net
Land	$ 4,807	$ -	$ 4,807
Vineyards	37,379	4,850	32,529
Buildings	38,878	10,272	28,606
Machinery and equipment	83,963	51,671	32,292
	$ 165,027	$ 66,793	$ 98,234

Included in vineyards are assets amounting to $11,731 (2009 - $10,498) that are under development and are not being amortized.

On May 25, 2010, the Company sold a portion of a vineyard with a net book value of $419 for proceeds of $833.

5. INTANGIBLES AND OTHER ASSETS

	2010	2009
Brands - indefinite lives	**$ 3,800**	$ 3,800
Customer-based intangible assets, net of accumulated amortization of $1,884 (2009 - $1,293)	**8,375**	8,966
Contract packaging, net of accumulated amortization of $192 (2009 - $82)	**908**	1,018
Other assets	**1,081**	1,054
	$ 14,164	$ 14,838

6. BANK INDEBTEDNESS AND LONG-TERM DEBT

	2010	2009
Term loan	$ 53,611	$ 76,361
Note payable	825	1,650
	54,436	78,011
Less: Financing costs	645	304
	53,791	77,707
Less: Current portion	6,158	6,158
	$ 47,633	$ 71,549

The Company has established the following credit facilities:

On November 10, 2009, the Company modified the terms of its short-term loan facility to increase the borrowing limit to $75,000 (2009 - $65,000). The loan is a one-year committed facility incurring interest at the Royal Bank of Canada prime rate plus 2.75%. As at March 31, 2010, the unused portion of this loan facility was $19,409 (2009 - $12,808).

On January 26, 2010, the Company modified its existing term loan. The term loan will continue to be repayable in monthly principal payments of $444 plus interest and matures on April 30, 2015. The Company maintains an interest rate swap which effectively fixes the interest rate on the term loan at 5.64%. Under terms of the modified loan, the Company currently pays additional interest of 0.95% based on certain leverage ratios and a funding premium, to be negotiated annually, of 1.05%.

For the year ended March 31, 2010, the change in fair value of the interest rate swap, which was calculated using year-end market rates, amounted to an unrealized gain of $3,937 (2009 - unrealized loss $9,022).

The Company and its subsidiaries have provided its assets as general security for these loan facilities.

On October 1, 2009, a payment in the amount of $17,500 was made to reduce the outstanding principal of the term loan and a payment of $6,000 was made to reduce the short-term loan facility as a result of the sale of Granville Island Brewing Company Ltd. and Mainland Beverage Distribution Ltd. (note 16).

As part of the acquisition of Rocky Ridge in fiscal 2009, the Company issued a promissory note to the vendor in the amount of $1,650. The note incurs interest at 6% compounded annually and the fixed annual instalment of principal and interest is due on June 13, 2010 (see also note 2). The outstanding balance of the note was $825 at March 31, 2010.

In 2009, a seven year variable rate term facility existed in the amount of $80,000 repayable in monthly principal payments of $444 plus interest and maturing on April 30, 2015.

Interest expense on long-term debt during the year was $5,272 (2009 - $4,270).

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

2011	$ 6,158
2012	5,333
2013	5,333
2014	5,333
2015	5,333
Thereafter	26,946
	$ 54,436

7. EMPLOYEE FUTURE BENEFITS

The Company has defined benefit pension plans, providing pension and other post employment benefits, and defined contribution savings plans for its employees. The total expense for the defined contribution savings plans was $1,311 (2009 - $1,273). Information about the defined benefit pension plans and other post employment medical benefits are as follows:

		2010		2009
Plan assets				
Fair value - Beginning of year	**$**	**11,910**	$	14,149
Actual return on plan assets		**2,729**		(2,383)
Company's contributions		**1,436**		1,040
Employees' contributions		**3**		3
Benefits paid		**(1,095)**		(899)
Fair value - End of year	**$**	**14,983**	$	11,910
Plan obligations				
Accrued benefit obligations - Beginning of year	**$**	**14,361**	$	18,696
Post employment medical benefits		**1,031**		-
Past service cost due to amendment		**130**		54
Total current service cost		**336**		563
Interest cost		**1,000**		1,010
Benefits paid		**(1,095)**		(899)
Actuarial losses (gains)		**3,269**		(5,063)
Accrued benefit obligations - End of year	**$**	**19,032**	$	14,361
Funded status				
Plan deficits	**$**	**(4,049)**	$	(2,451)
Unamortized actuarial losses (gains)		**1,060**		(373)
Unamortized actuarial gain for post employment medical benefits		**(893)**		-
Unamortized plan amendment asset for post employment medical benefits		**(648)**		-
Accrued benefit liabilities	**$**	**(4,530)**	$	(2,824)
Benefit plan expense				
Current service cost	**$**	**336**	$	563
Interest cost		**1,000**		1,010
Expected return on plan assets		**(846)**		(1,058)
Employee contributions		**(3)**		(3)
Amortization of net actuarial (gain) loss, net of transition asset		**(47)**		130
Net benefit plan expense	**$**	**440**	$	642

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

	2010	2009
Discount rate for expenses	**7.0%**	5.0%
Discount rate for obligation	**5.5%**	7.0%
Expected long-term rate of return on plan assets	**7.0%**	7.0%
Rate of compensation increase	**4 - 5%**	4 - 5%
Retirement age	**60 - 65 years**	60 - 65 years
Expected average remaining service life	**7 - 14 years**	7 - 14 years
Expected health care cost inflation rate for post employment medical benefits	**10% next year decreasing to 5% after five years**	-

On March 31, 2010, the Company recognized an obligation to provide post employment medical benefits to certain employees which arose as a result of the Company's acquisition of Cascadia Brands Inc. ("Cascadia"). The obligation to provide post employment medical benefits was not identified at the time of the Cascadia acquisition and the recognition of the post employment medical benefit obligation has resulted in an increase to the employee future benefit liability of $2,572, an increase to goodwill in the amount of $1,924 and a reduction to future income tax liability in the amount of $648.

Amortization of actuarial gains and losses

All actuarial gains and losses are amortized over the expected average remaining service life which is estimated to be between 7 - 14 years (2009 – 7 - 14 years). Amortization begins in the fiscal year immediately following the year in which the gains or losses are calculated.

Plan assets

The plan's assets consist of the following:

	2010	2009
	%	%
McLean Budden Balanced Fund	**33**	33
Trimark Income Growth Fund	**33**	33
JF Balanced Fund	**34**	34
	100	100

Actuarial valuation

The most recent actuarial valuations for funding purposes were performed as at December 31, 2007 and December 31, 2008. The next actuarial valuations for funding purposes are scheduled for December 31, 2010 and December 31, 2011. The date at which the Company measures its fair value of plan assets and accrued benefit obligation is as at March 31 of each year.

8. INCOME TAXES

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

	2010	2009
Property, plant and equipment	**$ 8,761**	$ 9,819
Intangible assets	**2,975**	3,537
Goodwill	**2,443**	2,638
Loss carry forward balances	**(2,308)**	(2,082)
Derivative financial instruments	**(949)**	(2,632)
Employee future benefits	**(1,155)**	(794)
Other	**71**	(58)
	$ 9,838	$ 10,428

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

	2010	2009
Provision for (recovery of) income taxes at blended statutory rate of 31.4% (2009 – 31.8%)	**$ 4,107**	$ (672)
Permanent differences and non-deductible items	**290**	439
Future income tax rate changes	**(589)**	(5)
Other	**(247)**	(432)
	$ 3,561	$ (670)

As at March 31, 2010, the Company and its subsidiaries have available Canadian net operating losses of $8,566 (2009 - $6,873) for income tax purposes, which expire as follows:

	$
2025	52
2028	93
2029	4,958
2030	3,463

In aggregate, the Company has recognized $2,308 (2009 - $2,082) of the benefit of the net operating losses. The amount of the benefit of these losses ultimately realized is subject to change.

9. CAPITAL STOCK

			2010		2009
	Authorized		**Issued**		Issued
		Shares	**Amount**	Shares	Amount
Class A shares, non-voting	**Unlimited**	**11,888,241**	**$ 6,975**	11,888,241	$ 6,975
Class B shares, voting	**Unlimited**	**3,004,041**	**400**	3,004,041	400
		14,892,282	**$ 7,375**	14,892,282	$ 7,375

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.

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, 2010 and 2009, 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 up to 200 Class A shares and directors can purchase up to 250 Class A shares on an annual basis. Employees are required to pay 67% of an established market price per Class A share, whereas directors are required to pay 50%. The Company is responsible for the remainder of the cost and, during 2010, expensed $215 (2009 - $210) related to this program. Officers of the Company also participate in a long-term incentive program, which is used to purchase Class A shares of the Company from the open market.

10. NET EARNINGS (LOSS) PER SHARE

The following is a reconciliation of the weighted average number of shares outstanding for basic and diluted net earnings (loss) per share computations:

		2010		2009
Net earnings (loss) for the year from continuing operations		**$ 9,526**		$ (1,444)
Net earnings for the year from a discontinued operation		**$ 12,135**		$ 1,319
Net earnings (loss) for the year		**$ 21,661**		$ (125)
	Class A	**Class B**	Class A	Class B
Weighted average number of shares outstanding – Basic and diluted	**11,888,241**	**3,004,041**	11,888,241	3,004,041
Net earnings (loss) per share from continuing operations Basic and diluted	**$ 0.66**	**$ 0.57**	$ (0.10)	$ (0.09)
Net earnings per share from a discontinued operation Basis and diluted	**$ 0.83**	**$ 0.73**	$ 0.09	$ 0.08
Net earnings (loss) per share Basic and diluted	**$ 1.49**	**$ 1.30**	$ (0.01)	$ (0.01)

The dilutive effect of outstanding stock options on net earnings per share is based on the application of the treasury stock method. As at March 31, 2010 and 2009, there were no items outstanding that impact the calculation of diluted earnings per share.

11. COMMITMENTS AND CONTINGENCIES

a) Future minimum lease payments as at March 31, 2010 under long-term non-cancellable leases are as follows:

2011	$	3,878
2012		3,076
2013		2,379
2014		1,966
2015		854
Thereafter		8,502
	$	20,655

b) As at March 31, 2010, the Company held $16,450 in U.S. dollar-denominated foreign exchange forward contracts at rates ranging between $1.01 and $1.06 expiring at various dates to December 2010. The Company also held EUR 2,550 in Euro-denominated foreign exchange forward contracts at rates ranging between $1.41 and $1.47. Management has not elected to designate these contracts as hedges and as a result have recorded the change in fair value of $713 in the statement of earnings (loss) (see note 14).

c) 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.

12. OTHER EXPENSES

Other expenses are as follows:

		2010		2009
Impairment charges (i)	**$**	**1,247**	$	-
Write-off of deferred financing costs (ii)		**267**		442
Closure and integration costs related to Port Moody winery facility (iii)		**113**		208
Other (iv)		**-**		625
	$	**1,627**	$	1,275

i) During fiscal 2010, management performed an impairment analysis on the deferred costs and equipment related to Artful Winemaker and the long-lived assets and goodwill related to Camelot Cellars and determined that the respective assets were no longer recoverable based on revised forecasts. Accordingly, the Company has recorded a pre-tax impairment charge in the amount of $1,247 (intangibles and other assets - $808, property, plant and equipment - $304 and goodwill - $135).

ii) On January 26, 2010, the Company renegotiated the terms on the operating and long-term credit facilities. As a result, the carrying value of previously deferred financing costs related to the old credit facilities in the amount of $267 was written off. In 2009, the Company wrote off $442 in deferred financing costs related to four previous term loans.

iii) 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 $113 in 2010 (2009 - $208).

iv) Other expenses include the costs to close the Quebec wine kit warehouse in the amount of $423, the write-off of an investment in an Ontario wine distributor in the amount of $148 and other costs of $54.

13. 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:

		2010		2009
Accounts receivable	**$**	**(1,858)**	$	665
Inventories		**11,190**		(11,559)
Prepaid expenses and other assets		**(139)**		263
Income taxes recoverable		**3,465**		(2,878)
Accounts payable and accrued liabilities		**(10,753)**		8,089
	$	**1,905**	$	(5,420)

14. FINANCIAL INSTRUMENTS

Classification of financial instruments

Under Canadian generally accepted accounting principles, financial instruments are classified into one of the following categories: held for trading, held to maturity, available for sale, loans and receivables, other financial liabilities and derivatives.

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

				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 loans	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**

				2009
Assets/liability	Category	Measurement	Carrying amount $	Fair value $
Accounts receivable	Loans and receivables	Amortized cost	21,044	21,044
Bank indebtedness	Other liabilities	Amortized cost	52,192	52,192
Accounts payable and accrued liabilities	Other liabilities	Amortized cost	38,512	38,512
Dividends payable	Other liabilities	Amortized cost	1,197	1,197
Long-term debt – term loans	Other liabilities	Amortized cost	77,707	77,707
Interest rate swap liability	Derivatives	Fair value	8,682	8,682
Foreign exchange forward contracts asset	Derivatives	Fair value	269	269
Discontinued operation – accounts receivable	Loans and receivables	Amortized cost	1,386	1,386
Discontinued operation – accounts payable and accrued liabilities	Other liabilities	Amortized cost	4,837	4,837

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.

Embedded derivatives (elements of contracts whose cash flows move independently from the host contract) are required to be separated and measured at fair values if certain criteria are met. Under an election permitted by CICA Handbook Section 3862 "Financial Instruments – Disclosures", 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.

Hedge accounting is optional. When hedge accounting is not applied, the change in the fair value of the hedging instrument is recorded directly into earnings. The Company has chosen not to designate any of its current hedging instruments as hedges for the purpose of this section and has recorded the fair value adjustments of these instruments through net unrealized gains or losses on derivative financial instruments.

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 has elected to use "trade date" accounting for regular way purchases and sales of financial assets.

Fair value

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

The fair value of long-term debt is equivalent to its carrying value since the interest rates are comparable to market rates.

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. Unrealized gains or losses on derivative financial instruments are recorded in the net unrealized loss on derivative financial instruments in the consolidated statement of earnings (loss).

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 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.

			2010
Asset/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**

			2009
Asset/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	-	-	8,682
Foreign exchange forward contracts asset	-	-	269

A reconciliation from the beginning balances to the ending balances of financial instruments with Level 3 fair value measurements is included below:

		2010
	Interest rate swap asset (liability)	**Foreign exchange forward contracts asset (liability)**
Beginning of year	**$ (8,682)**	$ **269**
Net unrealized gain (loss) on derivative financial instruments	**3,937**	**(713)**
Net realized loss included in interest	**(2,717)**	**-**
Net realized loss included in selling and administration	**-**	**(3,539)**
Net settlements of contracts	**2,717**	**3,539**
Net settlement on reduction of term loan (note 6)	**1,600**	**-**
End of year	**$ (3,145)**	$ **(444)**

Objectives and policy relating to financial risk management

Interest rate risk

The Company's principal exposure to interest rate fluctuations is limited to long-term debt (as described in note 6) which bears interest at both fixed and floating interest rates. To mitigate the exposure to interest rate fluctuations, the Company uses interest rate swaps to fix the interest rate on a portion of the Company's variable rate debt. The Company has elected not to use hedge accounting and as a result the interest rate swaps are measured at fair value. The resulting gains or losses are recorded in the statement of earnings (loss) and the fair value of the interest rate swap is recorded on the balance sheet. As a result, the Company recognized an unrealized gain of $3,937 (2009 – loss of $9,022) on the interest rate swap classified as net unrealized losses on derivative financial instruments on the statement of earnings (loss). At March 31, 2010, there is one interest rate swap outstanding for a notional amount of $53,611 with a fixed interest rate of 5.64%. The fair value of the interest rate swap at March 31, 2010 was $3,145.

The Company's interest rate risk arises mainly from the interest rate impact on cash, floating rate debt and interest rate swap. The Company's interest rate management policy is to borrow at fixed rates to match the duration of long lived assets. Floating rate funding is used for short-term borrowing.

The Company has fixed interest on long-term debt at 5.64% until April 2015 by entering into an interest rate swap. The Company currently pays additional interest of 0.95% based on certain leverage ratios and a funding premium, to be negotiated annually of 1.05%. 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, 2010, with other variables unchanged, a 1% change in interest rates would impact the Company's net earnings (loss) by approximately $343 (2009 - $335), exclusive of the mark-to-market adjustments on the interest rate swap.

Credit risk

The Company's exposure to concentrations of credit risk is limited. The Company places its cash and cash equivalents with major Canadian financial institutions of high creditworthiness, and the Company's accounts receivable are not subject to high concentrations of credit risk. Maximum credit risk exposure represents the loss that would be incurred if all of the Company's counterparties were to default at the same time.

The Company's exposure to credit risk is very limited. 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 board amounts, the Company does not have a significant concentration of credit risk with any single counterparty or group of counterparties. The maximum exposure to credit risk is equal to the carrying value of the financial assets.

Amounts owing from Canadian provincial liquor boards represents $12,629 of the $22,902 in total accounts receivables for which no allowance has been provided. Of the remaining non-provincial liquor board balances, $947 (2009 - $1,046) had aged over sixty days as of March 31, 2010. An allowance for doubtful accounts of $288 (2009 - $234) has been provided against these accounts receivable amounts which the Company has determined to represent a reasonable estimate of amounts that may be uncollectible.

Liquidity risk

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 and long-term debt payment requirements are disclosed in note 6.

The following table outlines the Company's contractual obligations, including long-term debt repayments, 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, 2010:

	Total	< 1 year	2 – 3 years	4 – 5 years	> 5 years
Long-term debt	$ 54,436	$ 6,158	$ 10,666	$ 10,666	$ 26,946
Swap agreement	15,665	3,911	6,609	5,145	-
Operating leases	20,655	3,878	5,455	2,820	8,502
Foreign exchange contracts	20,655	20,655	-	-	-
Pension obligations	3,841	575	886	658	1,722
Long-term grape purchase contracts	269,919	20,190	42,141	41,342	166,246
Total contractual obligations	$ 385,171	$ 55,367	$ 65,757	$ 60,631	$ 203,416

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.

As at March 31, 2010, the Company has forward foreign currency contracts to buy U.S. $16,450 at rates ranging between $1.01 and $1.06 and to buy EUR 2,550 at rates ranging between $1.41 and $1.47. The U.S. dollar forward contracts mature at various dates to December 2010 and the Euro forward contracts mature at various dates to September 2010. The Company has elected not to use hedge accounting and as a result, has recognized $713 of unrealized foreign exchange losses (2009 – unrealized losses $474) in the consolidated statement of earnings (loss) as a component of net unrealized losses on derivative financial instruments and has recorded the fair value of $(444) in current portion of derivative financial instruments in the consolidated balance sheet (2009 - $269 in prepaid expenses and other assets).

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 foreign exchange requirements prior to or during the beginning of each fiscal year. The Company has entered into a series of foreign exchange contracts as a hedge against movements in U.S dollar and Euro exchange rates. These contracts are reviewed regularly. The balance of the Company's foreign exchange requirements are not hedged, accordingly a one percent change in the value of the U.S. dollar and Euro would impact the Company's net earnings (loss) by approximately $96 (2009 - $154) and $43 (2009 - $61), respectively.

15. 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. Unfunded capital expenditures are limited to $5,000 in fiscal 2010 and $10,000 thereafter. Capital expenditures are reviewed quarterly.

The Company's capital consists of cash, bank indebtedness, long-term debt and shareholders' equity. The Company's primary use of capital is to make increases to non-cash working capital, fund maintenance and growth related capital expenditures, pay dividends and finance acquisitions.

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
- Working capital ratio
- Fixed charge coverage ratio

Compliance with these covenants is monitored by management on a quarterly basis.

In order to facilitate management of its capital requirements, the Company prepares annual budgets that are updated as necessary depending on various factors including general industry conditions. The annual budget is approved by the Board of Directors. As at March 31, 2010, the Company has remained in compliance with all external lending agreement covenants.

16. DISCONTINUED OPERATIONS

During 2010, the Company entered into an agreement to dispose of Granville Island Brewing Company Ltd. and Mainland Beverage Distribution Ltd. (collectively referred to as "GIBCO") effective October 1, 2009. As a result, the Company has recognized a disposal gain of $11,859 (net of tax) classified with the results from discontinued operations.

In connection with the sale of GIBCO, the Company entered into certain agreements whereby the Company will operate the manufacturing facilities of GIBCO and provide certain administrative support services for a period of time to assist the purchaser in the transition of these businesses. Under these agreements, the Company will be reimbursed for costs incurred in providing the manufacturing and administrative support services.

Details of the gain recorded are as follows:

Cash consideration	$ 24,992
Deferred consideration	1,250
Proceeds of disposal	26,242
Less	
Net book value of assets sold	12,178
Costs of disposal	679
Gain on sale of discontinued operation	13,385
Provision for income taxes	1,526
Gain on sale of discontinued operation (net of tax)	$ 11,859

Financial information relating to the discontinued operation is as follows:

Condensed balance sheet of discontinued operation	**2010**	2009
Current assets		
Accounts receivable	$ -	$ 1,386
Inventory	-	3,273
Prepaid expenses and other assets	-	30
Income taxes recoverable (payable)	-	(425)
	$ -	$ 4,264
Long-term assets		
Property, plant and equipment	$ -	$ 4,133
Goodwill	-	3,700
Intangible assets	-	2,100
	$ -	$ 9,933
Current liabilities		
Accounts payable and accrued liabilities	$ -	$ 4,837
Long-term liabilities		
Future income taxes	$ -	$ 337

Condensed statement of net earnings from discontinued operation	**2010**	2009
Sales	**$ 10,354**	$ 17,076
Cost of goods sold	**5,438**	9,056
Gross profit	**4,916**	8,020
Selling and administration	**4,292**	5,544
Amortization	**239**	536
Gain on sale of discontinued operation	**(13,385)**	-
	(8,854)	6,080
Earnings before income taxes	**13,770**	1,940
Provision for income taxes	**1,635**	621
Net earnings from discontinued operation	**$ 12,135**	$ 1,319

Included in cost of goods sold is $2,055 (2009 - $3,513) for the year for costs relating to manufacturing services provided by a related company. The costs incurred by the Company for these activities are not expected to continue upon completion of the eventual disposition.

Condensed statement of cash flows from discontinued operation	**2010**	2009
Cash provided by (used in) operating activities	**$ (2,880)**	$ 5,49
Cash provided by investing activities	**24,699**	-
Cash used in financing activities	-	(325)
Increase in cash during the year from discontinued operation	**$ 21,819**	$ 5,170

TEN-YEAR SUMMARY

(IN THOUSANDS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)

	2010	2009 Restated (7)	2008 Restated (7)	2007
SALES AND EARNINGS				
Net sales	**$ 263,151 (7)**	$ 251,136 (7)	$ 228,056 (7)	$ 228,192
Earnings before interest, income taxes and unusual items	**$ 19,363 (6) (7)**	$ 15,512 (6) (7)	$ 20,703 (6) (7)	$ 19,680
Net earnings (loss)	**$ 21,661 (8)**	($125)	$ 11,381	$ 9,472
FINANCIAL POSITION				
Working capital	**$ 29,968**	$ 29,203	$ 25,413	$ 25,316
Total assets	**$ 263,716**	$ 293,507	$ 259,744	$ 238,956
Shareholders' equity	**$ 113,665**	$ 96,791	$ 102,680	$ 95,522
PER SHARE				
Net earnings (loss) (5)				
Basic & Diluted Class A	**$ 1.49 (8)**	($0.01)	$ 0.78	$ 0.65
Basic & Diluted Class B	**$ 1.30 (8)**	($0.01)	$ 0.68	$ 0.57
Dividends (5)				
Class A shares, non-voting	**$ 0.330**	$ 0.330	$ 0.300	$ 0.0253
Class B shares, voting	**$ 0.288**	$ 0.288	$ 0.261	$ 0.0220
NUMBER OF SHARES OUTSTANDING (IN THOUSANDS OF SHARES) (5)				
Class A shares, non-voting	**11,888**	11,888	11,888	11,888
Class B shares, voting	**3,004**	3,004	3,004	3,004
	14,892	14,892	14,892	14,892
OTHER INFORMATION				
Return on average shareholders' equity	**7.2% (6)**	6.0% (6)	12.1% (6)	10.2%
Return on average capital employed	**9.1% (6)**	7.8% (6)	10.6% (6)	10.3%

(1) Includes a pre-tax loss of $1.0 million on the settlement of a lawsuit for the co-packing of flavoured water in 1993.
(2) Includes an after-tax gain of $1.699 million from the sale of the Alberta winery.
(3) Includes a pre-tax loss of $1.2 million due to a misappropriation of funds by a former employee.
(4) Includes costs related to the integration of Cascadia Brands Inc. and other items of $2.0 million.
(5) After giving effect to a 3:1 split of Class A and Class B shares that occurred on October 31, 2006.
(6) Excludes the after-tax impact of mark-to-market adjustments on an interest rate SWAP.
(7) Excludes the net impact of discontinued operations. Including discontinued operations, net earnings before interest, income taxes and unusual items would be $19,748, $17,452, $21,906 for fiscal 2010, 2009, 2008 respectively.
(8) Includes an after-tax gain of $11.9 million for the sale of Granville Island Brewing Company Ltd. and Mainland Beverage Distribution Ltd.

2006	2005	2004	2003	2002	2001
	Restated [3]	Restated [3]			
$ 211,775	$ 167,634	$ 155,910	$ 147,856	$ 139,008	$ 134,358
$ 15,587 [4]	$ 16,418 [3]	$ 14,759 [3]	$ 14,183	$ 11,673	$ 10,168
$ 6,054 [4]	$ 8,467 [3]	$ 8,977 [2] [3]	$ 6,929	$ 5,325	$ 4,053 [1]
$ 26,756	$ 29,410 [3]	$ 29,288 [3]	$ 27,369	$ 24,622	$ 14,750
$ 222,087	$ 162,155 [3]	$ 146,163 [3]	$ 132,006	$ 133,300	$ 132,967
$ 89,580	$ 86,504 [3]	$ 80,715 [3]	$ 72,521	$ 68,560	$ 66,114
$ 0.42 [4]	$ 0.59 [3]	$ 0.63 [2] [3]	$ 0.50 [3]	$ 0.39	$ 0.29 [1]
$ 0.36 [4]	$ 0.51 [3]	$ 0.55 [2] [3]	$ 0.43 [3]	$ 0.34	$ 0.26 [1]
$ 0.215	$ 0.215	$ 0.215	$ 0.215	$ 0.215	$ 0.215
$ 0.187	$ 0.187	$ 0.187	$ 0.187	$ 0.187	$ 0.187
11,888	11,863	11,763	11,223	11,222	11,196
3,004	3,005	3,006	3,009	3,009	3,015
14,892	14,868	14,769	14,232	14,231	14,211
6.9%	10.1%	10.2%	9.8%	7.9%	7.0%
9.7%	12.4%	12.3%	12.5%	10.3%	9.2%

DIRECTORS & OFFICERS

DIRECTORS

MARK W. COSENS
Burlington, Ontario
Managing Director
Kilbride Capital Partners

LORI C. COVERT
Rockwood, Ontario
Marketing Consultant

C. WILLIAM DANIEL, O.C.
Toronto, Ontario
Corporate Director

RICHARD D. HOSSACK, PhD
Toronto, Ontario
Corporate Director

A. ANGUS PELLER, M.D.
Toronto, Ontario
Director of Medcan Health
Management Inc.

JOHN E. PELLER
Burlington, Ontario
President and
Chief Executive Officer
Andrew Peller Limited

JOSEPH A. PELLER, M.D.
Rockwood, Ontario
Chairman
Andrew Peller Limited

JOHN F. PETCH, Q.C.
Toronto, Ontario
Barrister & Solicitor
Vice Chairman
Andrew Peller Limited

BRIAN J. SHORT
Ancaster, Ontario
Corporate Director

HONORARY DIRECTORS

RALPH M. LOGAN
Halifax, Nova Scotia

WILLIAM J. WALSH, M.D.
Hamilton, Ontario

OFFICERS

JOHN E. PELLER
President and Chief Executive Officer

GREGORY J. BERTI
Vice-President, Estate Wines
(Eastern Canada) and Export

ANTHONY M. BRISTOW
Chief Operating Officer

JAMES H. COLE
Vice-President, Retail Division

SCOTT D. FRASER
Vice-President, Estate Wines
(Western Canada)

SHARI A. NILES
Executive Vice-President, Marketing

PETER B. PATCHET
Chief Financial Officer and
Executive Vice-President,
Human Resources

ROBERT P. VAN WELY
President, Global Vintners Inc.

BRENDAN P. WALL
Executive Vice-President, Operations

J. CHRISTOPHER ZARAFONITIS
Executive Vice-President, Sales

SHAREHOLDER INFORMATION

HEAD OFFICE

ANDREW PELLER LIMITED
697 South Service Road
Grimsby, Ontario L3M 4E8
Tel: (905) 643-4131
Fax: (905) 643-4944

STOCK EXCHANGE

TORONTO
Symbols: ADW.A/ADW.B

REGISTRAR AND TRANSFER AGENT

COMPUTERSHARE INVESTOR SERVICES INC.

AUDITORS

PRICEWATERHOUSECOOPERS LLP

BANKERS

ROYAL BANK OF CANADA
BANK OF MONTREAL
TORONTO DOMINION BANK
RABOBANK

SHAREHOLDER INQUIRIES

Computershare Investor Services Inc. operates services for inquiries regarding changes of address, stock transfers, registered shareholdings, dividends and lost certificates, which can be reached:

Phone: 1-800-564-6253 toll free North America
(International 514-982-7555)

Fax: 1-866-249-7775 toll free North America
(International 416-263-9524)

Email: service@computershare.com

Internet: www.computershare.com – the Investors section offers enrolment for self-service account management for registered shareholders through *Investor Centre*.

Mail: Computershare Investor Services
100 University Avenue, 9th Floor
Toronto, Ontario
M5J 2Y1

INVESTOR RELATIONS

For additional information regarding the Company's activities, please contact:

PETER B. PATCHET
Chief Financial Officer and Executive Vice-President, Human Resources at the Head Office address or by email at:
peter.patchet@andrewpeller.com

2010 ANNUAL SHAREHOLDERS' MEETING

The 2010 Annual Meeting of Shareholders will be held at:

Hillebrand Winery
1249 Stone Road, RR#2
Niagara-on-the-Lake, Ontario
on Wednesday, September 15, 2010 at 3:00 p.m.

VINEYARDS ESTATE WINES STORE LOCATIONS

AJAX

955 Westney Road South
(905) 683-1705

260 Kingston Road East
(905) 428-6500

ANCASTER

977 Golf Links Road
(905) 648-1465

AURORA

15500 Bayview Avenue
(905) 726-2454

BARRIE

201 Cundles Road East
(705) 739-1553

11 Bryne Drive
(705) 725-8121

BOLTON

487 Queen Street South
(905) 857-4166

BRAMALEA

25 Peel Centre Drive
(905) 793-4246

BRAMPTON

227 Vodden Street
(905) 459-2386

930 North Park Drive
(905) 793-9071

BROCKVILLE

1972 Parkedale Avenue
(613) 342-8477

BURLINGTON

2025 Guelph Line
(905) 336-3849

4025 New Street
(905) 632-8580

1250 Brant Street
(905) 319-8670

3505 Upper Middle Road
(905) 336-9101

5353 Lakeshore Road
(905) 681-8282

CAMBRIDGE

180 Holiday Inn Drive
(519) 651-1145

400 Conestoga Blvd.
(519) 624-1103

980 Franklin Blvd.
(519) 622-1187

COLLINGWOOD

12 Hurontario Street
(705) 446-2237

640 First Street Extension
(705) 444-1730

EAST YORK

1015 Broadview Avenue
(416) 467-7760

11 Redway Road
(416) 696-9584

ETOBICOKE

380 The East Mall
(416) 695-9567

FERGUS

800 Tower Street South
(519) 787-7721

GEORGETOWN

171 Guelph Street
(905) 877-1815

GRIMSBY

361 South Service Road
(905) 945-9982

GLOUCESTER (OTTAWA)

671 River Road
(613) 822-3080

GUELPH

167 Silver Creek Parkway
(519) 837-0540

297 Eramosa Road
(519) 824-7922

160 Kortright Road West
(519) 837-9293

HAMILTON

50 Dundurn Street South
(905) 528-4003

75 Centennial Parkway North
(905) 561-4504

1579 Main Street West
(905) 522-8882

KESWICK

24018 Woodbine Avenue
(905) 476-8544

KINGSTON

1048 Midland Avenue
(613) 389-6139

KITCHENER

750 Ottawa Street South
(519) 745-2183

39 – 875 Highland Road West
(519) 742-5844

LONDON

1244 Commissioners Road
(519) 657-7517

1030 Adelaide Street North
(519) 679-3717

395 Wellington South
(519) 649-7180

MISSISSAUGA

1151 Dundas Street West
(905) 276-7103

1240 Eglinton West
(905) 819-0202

4099 Erin Mills Parkway
(905) 607-6246

5602 – 10th Line West
(905) 858-0123

1865 Lakeshore Road West
(905) 823-5746

2150 Burnhamthorpe Road W
(905) 820-9958

NEWMARKET

1111 Davis Drive
(905) 853-0401

18200 Yonge Street North
(905) 895-2412

17725 Yonge Street North
(905) 953-1269

16640 Yonge Street
(905) 830-3448

NORTH YORK

3501 Yonge Street
(416) 481-7699

OAKVILLE

511 Maple Grove Drive
(905) 338-3042

1500 Upper Middle Road West
(905) 847-2944

ORANGEVILLE

50 – 4th Avenue
(519) 942-8752

OSHAWA

285 Taunton Road East
(905) 571-6167

1385 Harmony Road North
(905) 438-1800

1300 King Street East
Unit # 32
(905) 438-0478

OTTAWA

2515 Bank Street
(613) 523-5837

OTTAWA (NEPEAN)

59 Robertson Road
(613) 820-7219

1460 Merivale Road
(613) 723-5507

OTTAWA (STITTSVILLE)

1251 Main Street
(613) 831-3837

OTTAWA (VANIER)

100 McArthur Road
(613) 749-9618

OWEN SOUND

1150 Sixteenth Street East
(519) 371-8664

RICHMOND HILL

11700 Yonge Street
(905) 770-2314

SCARBOROUGH

3221 Eglinton Avenue East
(416) 267-2795

SIMCOE

470 Norfolk Street South
(519) 426-1033

ST. CATHARINES

318 Ontario Street
(905) 685-8898

285 Geneva Street
(905) 646-7363

600 Ontario Street
(905) 934-7430

ST. THOMAS

1063 Talbot Street
(519) 633-6343

STONEY CREEK

102 Highway #8
(905) 664-3188

TORONTO

656 Eglinton Avenue East
(416) 485-0093

3671 Dundas Street West
(416) 762-8635

228 Queens Quay
(416) 598-8880

125 The Queensway
(416) 201-8221

87 Avenue Road
(416) 923-6336

2273 Bloor Street West
(416) 766-8654

UXBRIDGE

323 Toronto Street South
(905) 852-5008

VAUGHAN

9200 Bathurst Street
(905) 707-6118

WATERLOO

450 Erb Street West
(519) 747-5897

315 Lincoln Road
(519) 746-7226

WELLAND

821 Niagara Street
(905) 714-9521

WHITBY

1615 Dundas Street East
(905) 728-4118

200 Taunton Road
(905) 668-7568

617 Victoria Street West
(905) 430-5314

AISLE 43

30 Kingston Road West
Ajax, Ontario
(905) 428-7829

10970 Airport Road
Brampton, Ontario
(905) 793-9531

1605 Bayview Avenue
East York, Ontario
(416) 481-2333

3040 Wonderland South
London, Ontario
(519) 668-2224

500 Copper Creek Blvd.
Markham, Ontario
(905) 471-3602
(opening in September 2010)

250 Lakeshore Road West
Mississauga, Ontario
(905) 274-2280

5970 McLaughlin Road
Mississauga, Ontairo
(905) 507-1520

3090 Bathurst Street
North York, Ontario
(416) 256-0462

1300 King Street East
Oshawa, Ontario
(905) 728-3767

769 Borden Avenue
Peterborough, Ontario
(705) 740-2513

221 Glendale Avenue
St. Catharines, Ontario
(905) 688-4767

411 Louth Street
St. Catharines, Ontario
(905) 685-9779

50 Musgrave Street
Toronto, Ontario
(416) 693-6336

15 York St.
Toronto, Ontario
(416) 304-0358
(opening in September 2010)

22 Fort York Blvd.
Toronto, Ontario
(416) 623-0793

ST. LAWRENCE WINE MARKET

93 Front Street East
Toronto Ontario
(416) 364-1811

WINE COUNTRY VINTNERS

27 Queen Street
Niagara-on-the-Lake, Ontario
(905) 468-1881

Andrew Peller

Limited

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