

VINTNERS QUALITY ALLIANCE ONTARIO
2008 ANNUAL REPORT



Vision

Consumers will use VQA appellations as their guide to buying authentic wines of origin and quality.



Mission

Effectively manage the appellation system while striving for continuous improvements in wine quality. Communicate the VQA promise of origin and authenticity to consumers.



Values

Integrity and Fairness

VQA Ontario will carry out its statutory authority with transparency and fairness, and strive to uphold high ethical standards.

Responsiveness and Communications

VQA Ontario will conduct its operations openly, providing its members and the public access to information and timely responses to inquiries. It will adopt and implement appropriate policies to respect the confidentiality of its members and stakeholders. It will promote the value and benefits of VQA wines to consumers.

Effectiveness

VQA Ontario will strive to carry out efficient and cost-effective operations, and continue to pursue service improvements in all areas of operations.

Firmness and Responsibility

VQA Ontario will discharge its regulatory responsibilities firmly to ensure VQA terms, descriptions and designations are not misused and consumers can rely on label integrity for all VQA wines.

Accountability

VQA Ontario will be accountable for its decisions and promote effective and fair dispute mediation to resolve conflict.

MESSAGE FROM THE CHAIR



This past year was an important one, where we reviewed our success against our five-year strategic plan and debated and finalized a new plan for the next five years. A clear focus on appellation of origin will guide our future activities and we will encourage continued quality improvements by our member wineries.

It has been 20 years since VQA was conceived by a small number of wineries that were striving for ways to improve quality and to help consumers identify their wines as true appellation wines. With these humble beginnings, VQA set the stage for an amazing renaissance in wine quality over a relatively short time. That commitment to growing high quality wine grapes and making high quality wines has given us many world class wines and a loyal consumer following that now takes for granted that VQA means quality.

Skill, care and artistry by our winemakers and grape growers are what makes great wine, but VQA Ontario can play a supporting role in helping them achieve their best. Last year, we launched a series of "Winemakers Forums" designed to encourage knowledge sharing and build expertise. We are blessed with a very diverse group of winemakers, trained both abroad and at home, experienced with many different wines, and with a wonderful mix of techniques and ideas. The Winemakers Forums bring them together in informal discussion groups to discuss and refine what really works best for Ontario's terroir.

With quality measures well in hand, our focus for the next 5 years will be on appellation of origin. What really sets us apart? What character defines wines from each of Ontario's unique wine appellations? Where do these wines fit in the global world of food and wine? As many wine drinkers are moving beyond mass market wines, they are discovering that appellation is important. It tells them about the wine and connects them with a place. And especially now, when local provenance is so important for environmental and health reasons, origin informs consumer choice.

At VQA Ontario, our core responsibility is to define origin, protect the integrity of the appellations and ensure origin claims are truthful. We will continue to do this and work with the wine industry to explain origin and all of its nuances. In reality, just as making good wine requires a long term view, so does strategic planning. The renaissance of origin for Ontario's appellations could take yet another 20 years but I am sure that our appellations will serve us well.

Two new directors joined the VQA Ontario Board of Directors last year. Tony Elenis, *President of the Ontario Restaurant, Hotel and Motel Association (ORHMA)* joined us in February 2007 and Norman Hardie of *Hardie Wines* began his term in July 2007. We welcome them.

Our many positive achievements last year would not have been realized without the support of our member wineries, the Ministry of Government and Consumer Services, the LCBO and many other stakeholders. I am also grateful for the efforts of the VQA staff and all those who contributed to the success of our appellation system.

Greg Berti
President and Chair



EXECUTIVE DIRECTOR'S REPORT



Another year has passed and we are now at the end of our first “5-year plan” and are starting another. Several key initiatives aimed at promoting the importance of origin and improving quality are well established and gaining steam. Along with new initiatives, VQA Ontario continues its efforts to protect the integrity of our appellations of origin through a rigorous program of testing, verification and enforcement. With limited resources, we are also looking at new ways to raise the profile of origin within the trade and influential stakeholder groups. New website materials, presentations and work with the Wine Council of Ontario all contributed to this goal. We also began a substantive review of labelling regulations to review how appellation is displayed to the consumer and consider how it might be highlighted. All these things will transition us smoothly into the next 5 years from an excellent starting point.

The Winemakers Forum program has been a great initial success, with 5 forums held last year in all regions in the province. This program will continue to expand with VQA Ontario in a facilitator's role. Also aimed at supporting the concept of continuous improvement, VQA Ontario compiled a detailed review of the results of the VQA tasting process, including confidential individual results so that each winery could benchmark itself among its colleagues.

At the staff level, the core business activities of wine testing and tasting, label review and audit and enforcement remain a top priority. Activity last year reflects a recovery from the crop shortage in 2005 to more normal volumes of wines submitted for review and approval. In brief:

- Wine approvals were up from 879 to 1270 wines
- Total volume of wine approved was up from 10 million litres to 16 million litres

Membership has grown another 8% similar to past years. With the recent crop shortages behind us and a very promising vintage in 2007, moderate

positive growth in both membership and wine production is expected to continue.

Compliance with the VQA regulations continues to be very good. Statistics on inspections and compliance actions can be found later in this report.

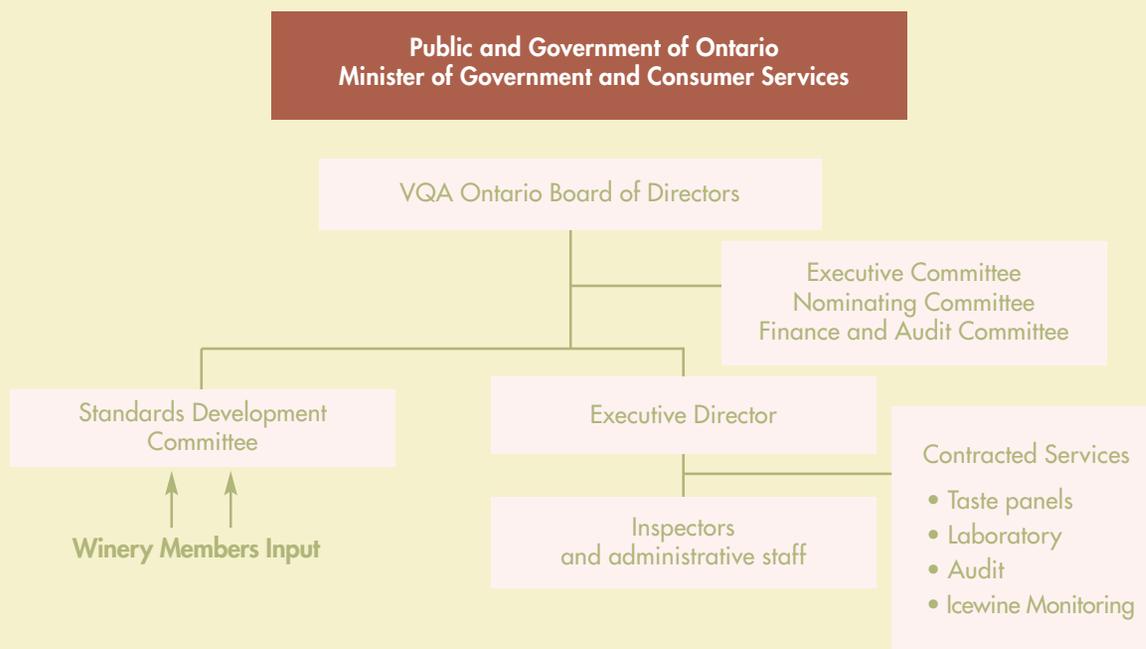
Every year, the VQA Ontario Board of Directors welcomes a few new Directors. I continue to be fortunate to work with such a committed group, all of whom volunteer their time freely to lead the organization and make sure we are well governed. VQA Ontario could not function without their thoughtful dedication and the work of many others who participate in VQA committees or take the time to send us comments and suggestions. I am also grateful to my staff and all of those who provide services on contract to VQA Ontario. Thank you – you make my job a pleasure.

L. Macdonald

Laurie Macdonald
Executive Director



ORGANIZATION PROFILE



VQA Ontario was incorporated on November 26, 1998 as a not-for-profit corporation to prepare for the implementation of the Vintners Quality Alliance Act, 1999. The VQA Act gained royal assent on May 4, 1999 and was proclaimed into law on June 29, 2000. VQA Ontario is designated as Ontario's wine authority under the Act and is responsible for administering the VQA Act and its regulations under a detailed agreement with the Minister of Government and Consumer Services.

The VQA Act establishes an "Appellation of Origin" system by which consumers can identify quality wines made in Ontario based on the origin of grapes used, production methods and other standards.

Wines produced in accordance with VQA regulations may apply for approval and, if successful, are entitled to use the terms, designations and descriptions regulated under the Act.

In addition to its primary mandate to administer and enforce standards under the VQA Act, VQA Ontario is also committed to work with other stakeholders to promote the understanding of the VQA appellation system and promote VQA wines. This includes providing educational and promotional materials and participating in national and international activities related to wine standards and trade.

VQA Ontario is governed by a Board of Directors comprised of nine members elected from its winery members and three members appointed from the

Ministry of Government and Consumer Services, the Grape Growers of Ontario and the Ontario Restaurant, Hotel and Motel Association. The governance structure reflects the principles of self-management, with industry representatives comprising a majority of the Board of Directors with additional representation ensuring balance and accountability. Members of the Board of Directors are listed inside the back cover.

Operations are run by a small permanent staff with assistance provided by the Liquor Control Board of Ontario on a contract for service basis.



ACTIVITY REVIEW

VQA Ontario's performance goals include upholding the provisions of the VQA Act and regulations and enhancing recognition and understanding of the VQA appellation system with a focus on origin, quality and integrity. The following reports activities during the period April 1, 2007 to March 31, 2008.

MEMBERSHIP

VQA Ontario ended the 2007-2008 year with 102 members including 4 large class wineries (sales of over 750,000 litres of VQA wines) 17 medium class wineries (sales of 100,000 to 750,000 litres of VQA wines) and 81 small wineries (sales of up to 100,000 litres of VQA wines). A total of 9 new wineries joined VQA Ontario. Moderate membership growth is expected to continue into 2009.

Periodic newsletters were distributed to members, keeping them up to date on VQA Ontario's policies and procedures and other developments affecting the industry. Seminars were also conducted for new or prospective members.

ACTIVITY SNAPSHOT

9 new member wineries

1270 wines approved

82% success rate for approvals

Chardonnay the top production VQA varietal wine

134 export certificates issued

253 audits and inspections conducted

3 compliance orders issued and resolved

2 convictions obtained

PRODUCT APPROVALS

1550 applications for approval to use the VQA designation and descriptive terms regulated under the VQA Act were processed. Each wine must successfully complete comprehensive quality assurance testing including a taste test, laboratory analysis and packaging review. Approvals were granted for 1270 wines, and denied for 280.

INSPECTIONS AND AUDITS

171 routine audits were conducted during 2007 – 2008 to verify compliance with origin and production standards for all approved VQA wines. Each winery member was subject to complete on-site audits on a 5 to 7 month interval, depending on their compliance record. In addition, 82 random inspections were completed at the retail level, focused primarily on ensuring ongoing compliance with VQA packaging and labelling regulations. As a result of audits and inspections, follow up was conducted in 30 cases. The majority of issues addressed were minor in nature, but a few inspections ultimately resulted in compliance orders.

ENFORCEMENT

VQA Ontario issued 3 compliance orders in cases of violations of the VQA Act and Regulations. All orders involved labelling infractions and resulted in full compliance. One order resulted in charges and 2 convictions under the VQA Act. Details on enforcement activity are found later in this report.

REGULATORY REVIEW

Prince Edward County was recognized as a new appellation of origin in June of 2007.

TRADE AND EXPORT DEVELOPMENT

Along with stakeholders from industry and government, VQA Ontario continued to participate in discussions to promote recognition and acceptance of the VQA appellation standard and access to world markets. VQA Ontario provides an independent certification process required by the European Union as a condition of access to member states and also provides hygiene certificates for wines destined for Taiwan. 134 export certificates were issued last year.



PUBLIC EDUCATION AND COMMUNICATIONS

VQA Ontario participated in and supported a number of programs aimed at informing members, the public, consumers and industry groups about VQA wines, origin, quality standards and the value of a regulated appellation system.

The majority of financial resources in this area were devoted to the Ontario Wine Strategy program to promote and market VQA wines to Ontario consumers. Funded jointly by industry, VQA Ontario and the Province of Ontario, one of its key components is a generic marketing campaign focused on VQA wines.

Other activities included:

- The implementation of an online registration and tracking system for grapes and juice intended to be used for Late Harvest and Icewines
- Improvements to the VQA Ontario website with added resources for consumers and member wineries
- Presentations to various groups and conferences, with a particular emphasis on the importance of origin
- Providing information to media
- Responding to inquiries or complaints from consumers



ONTARIO'S VQA WINES

The Year in Review (2007 - 2008)

VQA Ontario Wine Sales - Year ending March 31, 2008

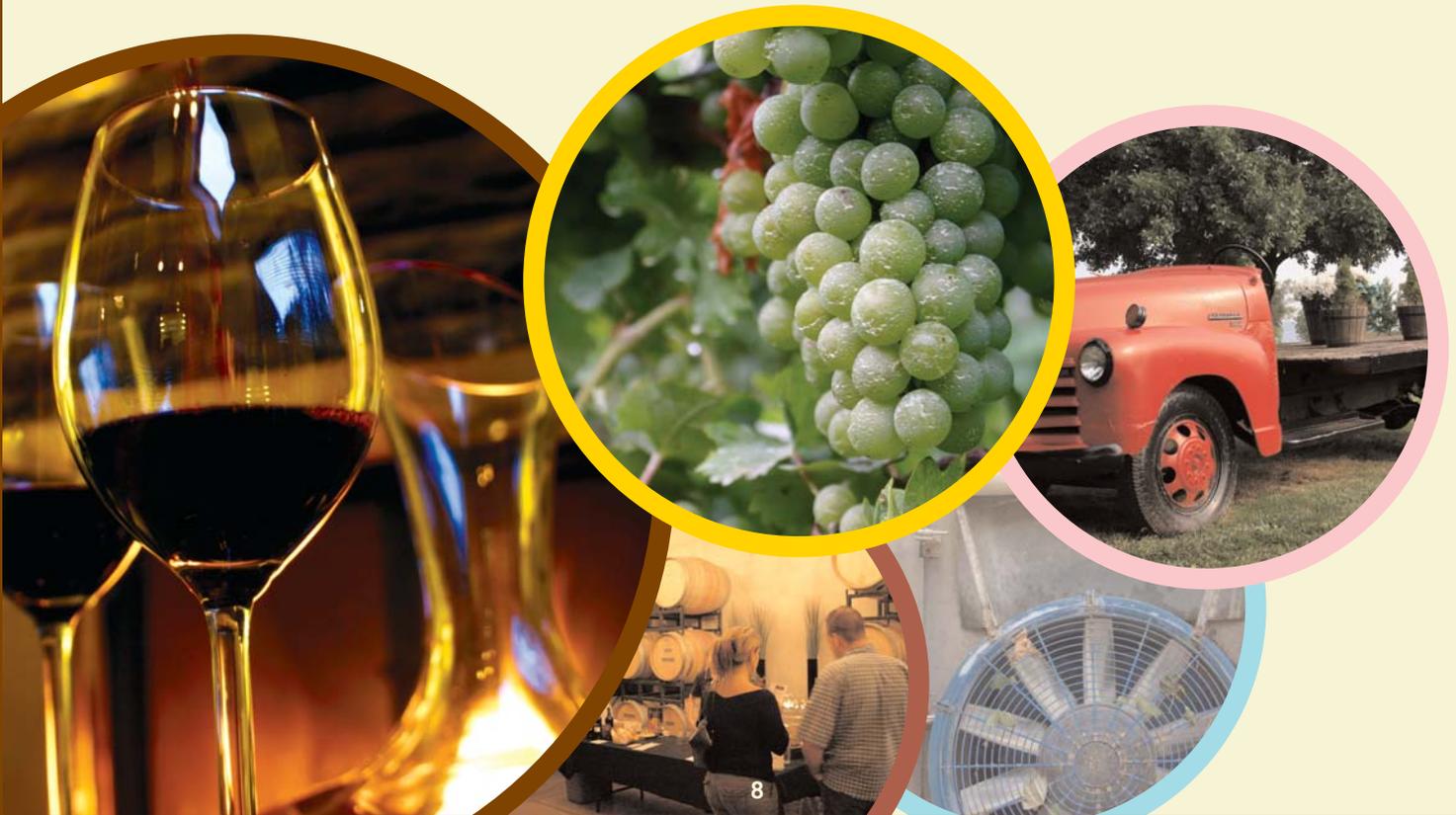
By Volume

	Litres (2008)	Litres (2007)	% Change
Winery Retail	3,364,388	2,814,691	19.5
Licensees	2,800,920	2,811,022	- 0.4
LCBO (shipped)	4,228,595	3,500,878	20.8
Outside of Ontario and miscellaneous	1,066,833	818,115	30.4
Total*	11,460,736	9,944,706	15.2

By Retail Value

	Retail value (\$) (2008)	Retail value (\$) (2007)	% change
Winery Retail	77,172,462	65,302,554	18.2
Licensees	39,821,322	36,976,068	7.7
LCBO (shipped)	68,985,314	56,109,779	22.9
Outside of Ontario and miscellaneous	33,084,305	30,725,716	7.7
Total*	219,063,403	189,114,117	15.8

* Figures may not correspond exactly due to rounding errors



VQA WINE APPROVALS AND PRODUCTION

These figures are based on volumes declared at the time a wine is submitted for VQA approval (they do not include wines that are still in process or aging prior to submission for approval).

Total number of applications for VQA approval received1550
 Total number of wines approved for VQA status.....1270
 Total volume of approved wines1.82 million cases (16.4 million litres)
 Total estimated grape tonnage used27,000 tonnes

Production at a glance

(April 1, 2007 – March 31, 2008)

Wine Category	Number of Products	Volume (9L cases)	Change from last year (volume)
Table Wine	1075	1,622,016	34%
Icewine	130	140,286	123%
Late Harvest	38	29,484	116%

TABLE WINES

The table wine category includes all still wines but does not include sweet wines. The overall production of table wine recovered from the previous year where production was reduced due to the small crop produced in the 2005 vintage. Both white and red varietal wine production was up sharply from the previous year. Recovery in volumes for the most tender vinifera varieties was dramatic, with Syrah, Sauvignon Blanc and Gewurztraminer up over 200% in wine volume compared to last year. Mainstream varieties are also showing a strong recovery in production volumes.

Chardonnay and Riesling continue to be the most popular white varietals based on volume. For red varietals, Cabernet

Franc varietals appear to be decreasing in favour of Merlot, Pinot Noir and Cabernet Sauvignon. While trends cannot be established with one year of data, Cabernet Franc grapes may be migrating towards use in blended wines rather than single varietals.

Wineries within the Niagara Peninsula are continuing to develop their use of sub-appellation labelling to give consumers more specific information about wine origin. A total of 321 wines, or 25% of all VQA wines that were approved in the past year, specified a sub-appellation. This compares to 109 wines that took advantage of this opportunity in the previous year when they were first introduced.



WINE PRODUCTION BY CATEGORY

Single Varietal Wines by Grape Variety					
SINGLE VARIETAL	Year ending March 31, 2008		Year ending March 31, 2007		Year over Year % change (volume)
	Number of approved wines	Volume (9 L cases)	Number of approved wines	Volume (9 L cases)	
WHITE WINES					
Chardonnay	192	307,574	123	166,836	84
Riesling	124	224,031	75	84,277	166
Vidal	28	72,956	39	80,764	-10
Sauvignon Blanc	50	45,748	18	14,890	207
Pinot Gris/Grigio	35	30,633	19	16,706	83
Gewurztraminer	40	28,157	19	9,065	211
TOTAL WHITE	469	709,099	293	372,538	90
RED WINES					
Merlot	54	76,496	28	35,011	118
Baco Noir	32	63,413	30	62,323	2
Pinot Noir	58	60,857	50	38,700	57
Cabernet Franc	54	56,163	48	77,494	-28
Cabernet Sauvignon	48	46,162	35	18,467	150
Gamay	25	27,402	24	19,150	43
Shiraz/Syrah	28	14,251	9	3,497	308
TOTAL RED	299	344,744	224	254,642	35
Other (15 varietals)	44	26,423	37	12,614	109
TOTAL	812	1,080,266	554	639,794	69

Late Harvest wines– (including Botrytis affected wines)					
WINE CATEGORY	Year ending March 31, 2008		Year ending March 31, 2007		Year over Year % change (volume)
	Number of approved wines	Volume (9 L cases)	Number of approved wines	Volume (9 L cases)	
Late Harvest	15	20,147	14	10,342	95
Select Late Harvest	16	6,560	10	1,436	357
Special Select Late Harvest	7	2,777	5	1,845	51
TOTAL	38	29,484	29	13,623	116

* less than 5

Sparkling and Fortified wines					
WINE CATEGORY	Year ending March 31, 2008		Year ending March 31, 2007		Year over Year % change (volume)
	Number of approved wines	Volume (9 L cases)	Number of approved wines	Volume (9 L cases)	
Sparkling wines	10	17,907	13	18,792	- 5
Fortified wines	*	573	*	550	4

* less than 5

ICEWINE

Icewines by Variety					
SINGLE VARIETAL	Year ending March 31, 2008		Year ending March 31, 2007		Year over Year % change (volume)
	Number of approved wines	Volume (9 L cases)	Number of approved wines	Volume (9 L cases)	
Vidal	70	118,021	49	57,994	104
Riesling	19	6,121	7	1,929	217
Cabernet Franc	23	12,667	8	2,849	345
Gewurztraminer	*	636	0	0	-
Cabernet Sauvignon	11	2,113	0	0	-
Other	7	728	0	0	-
TOTAL	130	140,286	64	62,772	123



THE 2007 VINTAGE

CONDITIONS

The 2007 vintage was characterized by warm and dry conditions for most of the growing season. Precipitation was lower than normal throughout southern Ontario, and rain came mostly with severe weather and thunderstorms. Near drought conditions prevailed through the late summer, particularly in the Niagara Peninsula where precipitation levels were less than half of normal in many areas for much of the season. Prince Edward County experienced similar but not quite as dry conditions while Lake Erie North Shore and Pelee Island enjoyed more normal rain levels once into the late summer and early fall.

Temperatures were also warmer than normal for much of June through October in all wine appellations, with record-breaking high temperatures recorded in September and October. The summer saw a number of severe weather events, including thunderstorms, high winds, and hail but no significant damage was inflicted on the wine grape crop. Several powerful tornadoes also occurred in southern Ontario but fortunately not in wine country.

HARVEST

Harvest began early – in late August in Pelee Island and Lake Erie North Shore and for sparkling wine grapes across the province. September and October were warm and drier than normal yielding excellent conditions for harvest. Many wineries took advantage of the longer hang times during the warm fall weather to harvest their grapes later at increased sugar levels.

Vines are fully recovered from winter damage sustained in early 2003 and 2005 and are producing fruit at normal crop levels.

In addition to the regular season harvest, an additional estimated crop of 6600 tonnes was netted and left on the vine for Late Harvest Wines and Icewines. For the 2007 vintage, an abundance of different grape varieties were registered with VQA for late harvest, including Vidal, Riesling, Cabernet Franc, Cabernet Sauvignon, Gewurztraminer, Chardonnay and 10 other varieties. Look for continued experimentation with new varieties for Ontario's strong suit in sweet wines.

Into the early winter, a short and local burst of cold started the Icewine harvest on November 24. Very little volume was produced at this early date and the majority of the Icewine harvest occurred in January and February. With a few months on the vine, moderate losses were experienced due to birds feeding on the crop and continued dehydration. The overall yields were average with a total of 1,164,000 litres of juice produced that is eligible for Icewine.

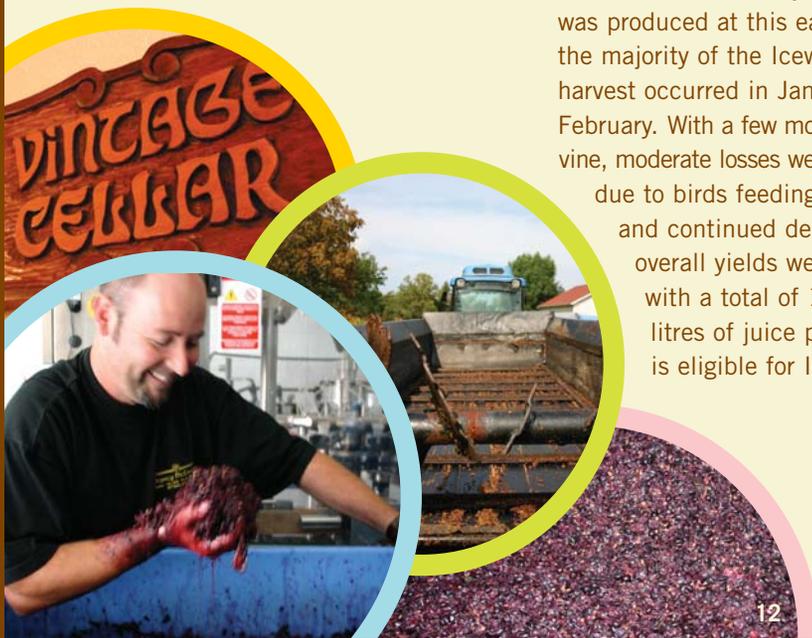
WINE EXPECTATIONS

Along with the character determined by the fixed factors of origin, such as soil, the most significant factor shaping 2007 vintage wines was the lack of precipitation. Although drought conditions are sometimes challenging when seeking optimum vine health, low moisture can have a positive impact on the crop. The dry conditions created stress on the vines, forcing them to push their roots deeper for water, reduce the vigour of their foliage and direct maximum energy to fruit production. This results in slightly less fruit overall but more complex and flavourful fruit and excellent wine potential.

With the long warm season, wines made from grapes that benefit from longer ripening times, should show particularly well. Look for full-bodied examples of red varieties such as Cabernet Sauvignon, Merlot, Cabernet Franc and Syrah. Some whites, such as Chardonnay, also show good capacity for warmer climate styles of wine.

With a moderate interval to harvest, Icewines will benefit from the dehydrating effects and promise high concentration and complexity in the finished wines.

Overall, the 2007 vintage has excellent prospects to produce high quality wine. As well, with the slightly more than usual variance in weather conditions between regions – even between adjacent sub-appellations when it comes to rain – wineries will be able to showcase the individual character of all of Ontario's appellations.



2007 Vintage Estimates – Late Harvest and Icewine Juice

(may be adjusted when fully audited)

VARIETY	Icewine Juice (Litres)			Late Harvest Juice (Litres)		
	2007 Vintage	2006 Vintage	% change	2007 Vintage	2006 Vintage	% change
Vidal	845,051	930,343	-9	36,528	134,722	-73
Riesling	131,551	96,405	36	17,481	22,785	-23
Cabernet Franc	141,660	116,890	21	8,170	3,765	117
Gewurztraminer	9,881	9,804	1	725	3,190	-77
Cabernet Sauvignon	19,263	13,055	48	5,995	2,300	161
Others	17,129	10,987	56	4,795	2,400	100
TOTAL	1,164,535	1,177,484	-1	73,694	169,162	-56

ENFORCEMENT ACTIVITY

VQA Ontario enforces compliance with the VQA Act and regulations as its primary mandate. The regulatory process starts with the monitoring of grape quality at harvest through independent sugar testing, regular auditing and reconciling of wine making processes, and record-keeping. Once the wine is finished and submitted for VQA approval, taste tests, laboratory tests and label reviews are completed. Only after having successfully completed this process can a wine receive approval and be released for sale, using designated terms and descriptions.

Last year, VQA Ontario conducted 171 full on-site audits, taking from 1 to 3 days each and an additional 82 random, unannounced retail inspections at winery retail stores and

LCBO stores. As a result of these activities, a number of problems were uncovered and corrected, most related to minor labelling violations such as placement of variety names, or graphic discrepancies with the VQA logo. The most serious violations found were cases where wineries had offered VQA wines for sale before receiving approval. These wines were ordered removed from all channels of sale.

VQA Ontario also conducts random Quality Assurance Reviews (QARs) on VQA wines to ensure ongoing product integrity. This involves selecting approved wines on a random basis from a retail setting and re-testing these wines. Results from this process are used to verify that the wine in the bottle is the same wine that was approved.

The overall level of compliance with VQA regulations within Ontario continues to be very good. The majority of infractions are relatively minor and many are uncovered and corrected before products reach the consumer market. Winery compliance with correction requests is excellent and few infractions require enforcement action to achieve compliance.

Three investigations led to compliance orders being issued.

Charges were laid in September 2007 as a result of failure to comply with an order issued in July. These charges involved the use of VQA terms in association with wines that were not approved by the wine authority. Two convictions were obtained in February 2008.

Summary of Compliance Orders

	Alleged Violation	Action
April 2007	Failure to make label corrections as a condition of approval	Order to correct labels.
July 2007	Use of VQA terms (Niagara Peninsula, Ontario, Estate Bottled, VQA) on the label of a non-VQA wine	Cease and desist order.
August 2007	Use of VQA terms (VQA, Ontario) on non-VQA wine	Cease and desist order.

FINANCIAL REPORT

RESOURCING

VQA Ontario is funded by its member wineries through sales levies and fees for service. It continues to seek out ways to maximize the efficiency of service delivery, including sharing services with other agencies. VQA Ontario acknowledges the Liquor Control Board of Ontario for its assistance and cooperation in providing contracted services that increase VQA Ontario's efficiency in performing its regulatory role.

FINANCIAL SUMMARY

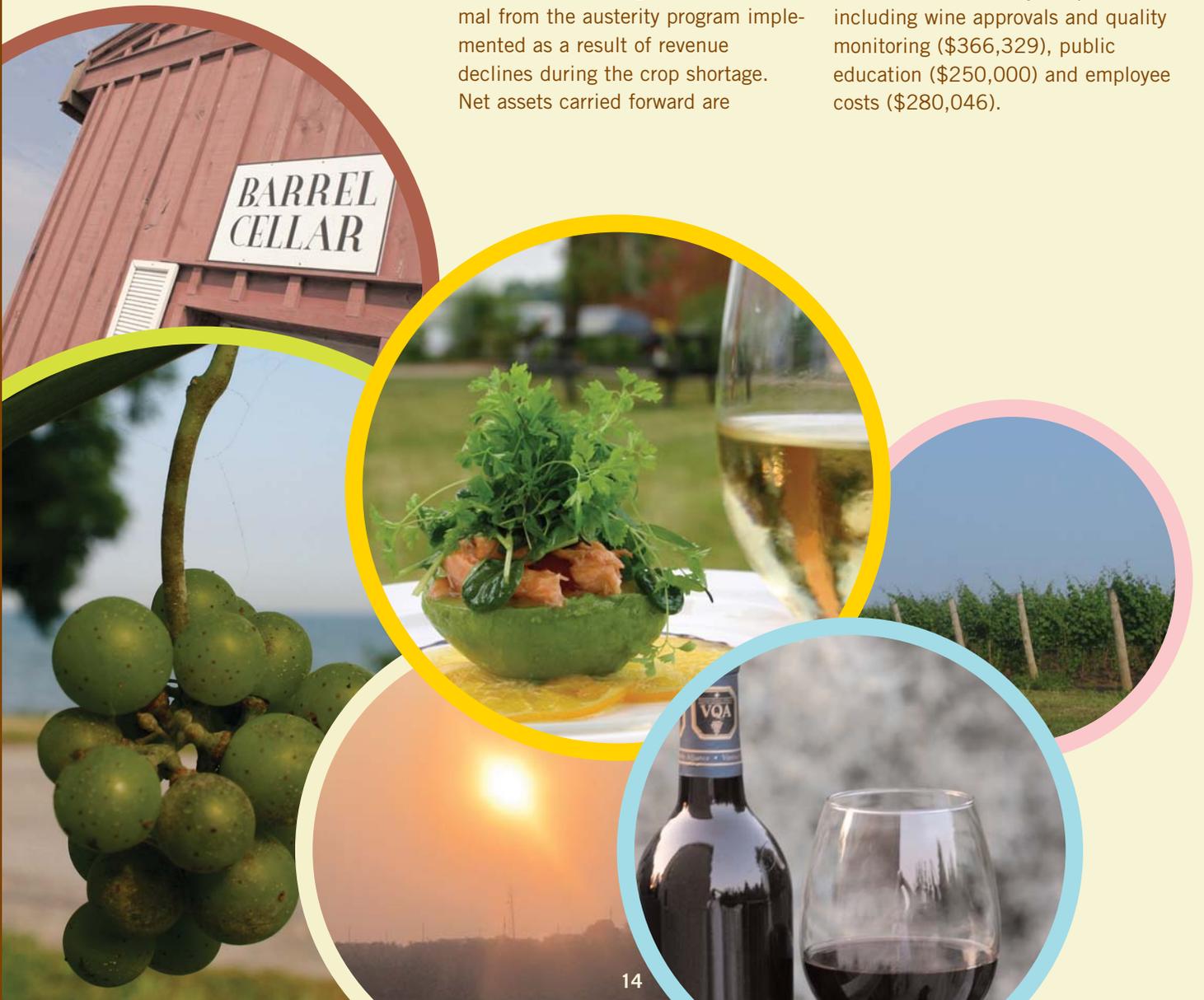
This summary is drawn from the auditor's report and financial statements for the year ended March 31, 2008.

Expenditures exceeded revenue by \$123,819 for the year ended March 31, 2008. This operating deficit is part of a longer term plan to draw down the level of assets retained by VQA Ontario and maintain a sustainable fee structure. Total revenue was \$957,583. Expenses increased moderately to \$1,081,402 from \$947,365 reflecting a return to normal from the austerity program implemented as a result of revenue declines during the crop shortage. Net assets carried forward are

\$607,233, down from \$731,052 in 2007, reflecting the operating deficit. This includes restricted funds in the amount of \$200,000 that are allocated to a legal contingency fund and general operating contingencies.

Revenue for fiscal 2008 of \$957,583 was derived primarily from member bottle fees (\$539,217) and approval fees (\$267,317).

Total expenditures for the year were \$1,081,402 with major expenses including wine approvals and quality monitoring (\$366,329), public education (\$250,000) and employee costs (\$280,046).



VQA 2008 FINANCIAL STATEMENTS



Mark Kopstick C.A.
Benjamin Osher C.A.
William Genga B.Comm.

In association with
Reiner Goebel C.A.

AUDITORS' REPORT

To the Board of Directors,
Vintners Quality Alliance Ontario

We have audited the statement of financial position of Vintners Quality Alliance Ontario as at March 31, 2008 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2008 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in blue ink, appearing to read "Kopstick Osher".

Toronto, Canada
May 30, 2008

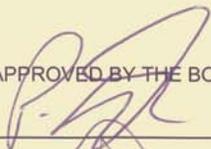
KOPSTICK OSHER
Chartered Accountants, LLP
Licensed Public Accountants

VQA 2008 FINANCIAL STATEMENTS

**VINTNERS QUALITY ALLIANCE ONTARIO
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2008**

	2008	2007
ASSETS		
Current		
Cash and short-term investments - Note 2	\$ 722,233	\$ 769,450
Accounts receivable	67,512	73,626
Interest receivable	18,734	12,522
Prepaid expenses	<u>12,952</u>	<u>9,526</u>
	<u>821,431</u>	<u>865,124</u>
 Capital - Note 3	 <u>39,332</u>	 <u>21,936</u>
	<u>\$ 860,763</u>	<u>\$ 887,060</u>
LIABILITIES		
Current		
Accounts payable and accruals	\$ 213,155	\$ 114,108
Deferred revenue - Note 4	<u>40,375</u>	<u>41,900</u>
	<u>253,530</u>	<u>156,008</u>
NET ASSETS		
 Net assets	 <u>607,233</u>	 <u>731,052</u>
	<u>\$ 860,763</u>	<u>\$ 887,060</u>

APPROVED BY THE BOARD:





The accompanying notes form an integral part of these financial statements.

Page 2

VQA 2008 FINANCIAL STATEMENTS

**VINTNERS QUALITY ALLIANCE ONTARIO
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2008**

	Invested in capital assets	Internally restricted for legal and enforcement fund (note 5)	Unrestricted	2008 Total	2007 Total
Net assets - beginning of year	\$ 21,936	\$ 200,000	\$ 509,116	\$ 731,052	\$ 782,958
Excess of revenues over expenses (expenses over revenues)	-	-	(123,819)	(123,819)	(51,906)
Purchase of capital assets	25,553	-	(25,553)	-	-
Amortization of capital assets	(8,157)	-	8,157	-	-
Net assets - end of year	<u>\$ 39,332</u>	<u>\$ 200,000</u>	<u>\$ 367,901</u>	<u>\$ 607,233</u>	<u>\$ 731,052</u>

The accompanying notes form an integral part of these financial statements.

Page 3

VQA 2008 FINANCIAL STATEMENTS

**VINTNERS QUALITY ALLIANCE ONTARIO
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2008**

	2008	2007
Revenues		
Membership fees	\$ 99,500	\$ 94,000
Bottle fees	539,217	525,761
Approval fees	267,317	210,545
Interest income	23,637	20,595
Other income	<u>27,912</u>	<u>44,558</u>
	<u>957,583</u>	<u>895,459</u>
Expenses		
Salaries and benefits	280,046	262,877
Contracted services	25,480	28,380
Public education	250,000	250,000
Approvals	324,547	231,074
Quality assurance and inspection	16,302	13,684
Strategic planning	11,812	-
Export development and trade	2,372	5,276
Appellations	7,605	6,584
Weather monitoring	4,000	4,000
Meetings	8,588	6,124
Travel	3,489	2,607
Rent and occupancy	38,400	38,400
Office and general	27,134	23,136
Printing and mailing	11,204	9,998
Telephone and communications	5,686	4,731
Insurance	29,324	29,439
Professional services	27,256	25,497
Amortization	<u>8,157</u>	<u>5,558</u>
	<u>1,081,402</u>	<u>947,365</u>
Excess of revenues over expenses (expenses over revenues)	<u>\$ (123,819)</u>	<u>\$ (51,906)</u>

The accompanying notes form an integral part of these financial statements.

Page 4

VQA 2008 FINANCIAL STATEMENTS

**VINTNERS QUALITY ALLIANCE ONTARIO
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2008**

	2008	2007
Cash flows from operating activities		
Excess of revenues over expenses (expenses over revenues)	\$ (123,819)	\$ (51,906)
Non-cash items:		
Amortization	8,157	5,558
Changes in non-cash working capital		
Accounts receivable	6,114	(22,324)
Interest receivable	(6,212)	(11,072)
Prepaid expenses	(3,426)	60,125
Accounts payable and accruals	99,047	(865)
Deferred revenue	<u>(1,525)</u>	<u>1,170</u>
	<u>(21,664)</u>	<u>(19,314)</u>
Cash flows from investing activities		
Purchase of capital assets	<u>(25,553)</u>	<u>(17,965)</u>
Cash flows from financing activities	<u>-</u>	<u>-</u>
Increase (decrease) in cash and short-term investments	(47,217)	(37,279)
Cash and short-term investments - beginning of year	<u>769,450</u>	<u>806,729</u>
Cash and short-term investments - end of year	<u>\$ 722,233</u>	<u>\$ 769,450</u>

The accompanying notes form an integral part of these financial statements.

Page 5

VINTNERS QUALITY ALLIANCE ONTARIO
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

1. Significant accounting policies

Purpose and legal form of the organization

Vintners Quality Alliance Ontario is an independent organization that administers the Vintners Quality Alliance Act, 1999 and its regulations through an administrative agreement with the Ontario government. It establishes, monitors and enforces a system of quality assurance and verification of product origin for wines bearing the VQA logo.

Vintners Quality Alliance Ontario exists as a not-for-profit corporation without share capital. It is not subject to income tax.

Revenue recognition

Vintners Quality Alliance follows the deferral method of accounting for revenues. All revenues are recognized in the year to which they pertain.

Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided for on a straight-line basis at the following annual rates:

Computer equipment	20%
Computer software	20%
Office furniture and equipment	20%

Contributed materials and services

The organization receives substantial contributed services from members and others through participation on the Board of Directors and other committees. Because of the difficulty in determining their fair value, such services are not recorded in these financial statements.

Use of estimates

The preparation of 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 at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

VQA 2008 FINANCIAL STATEMENTS

VINTNERS QUALITY ALLIANCE ONTARIO
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

1. Significant accounting policies (continued)

Financial instruments

Financial assets and liabilities are initially recognized at fair value and their subsequent measurement is dependant on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the organization's designation of such instruments.

Cash

Cash is classified as held for trading, which is measured at fair value. Any fair value fluctuations are included in income.

Short-term investments and interest receivable

Short-term investments and related interest receivable are classified as held to maturity, which are measured at amortized cost using the effective interest rate method.

Accounts receivable

Accounts receivable are classified as loans and receivables, which are measured at amortized cost using the effective interest rate method.

Accounts payable and accruals

Accounts payable and accruals are classified as other liabilities, which are measured at amortized cost using the effective interest rate method.

Effective interest rate method

The organization uses the effective interest rate method to recognize interest income or expense for financial instruments.

2. Short-term investments

Short-term investments consist of three guaranteed investment certificates totalling \$576,860, maturing between April, 2008 and July, 2009 and bearing interest at rates between 3.6% and 4.5%.

The carrying value of short-term investments is equal to fair value.

3. Capital assets

	Cost	Accumulated Amortization	2008 Net Book Value	2007 Net Book Value
Computer equipment	\$ 25,069	\$ 11,591	\$ 13,478	\$ 18,492
Computer software	26,104	1,588	24,516	1,922
Office furniture and equipment	<u>8,637</u>	<u>7,299</u>	<u>1,338</u>	<u>1,522</u>
	<u>\$ 59,810</u>	<u>\$ 20,478</u>	<u>\$ 39,332</u>	<u>\$ 21,936</u>

VINTNERS QUALITY ALLIANCE ONTARIO
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

4. Deferred revenue

Deferred revenue represents membership fees and product approval fees received, which relate to the subsequent year.

5. Net assets internally restricted for legal and enforcement fund

Net assets of \$200,000 have been restricted for the purpose of funding costs of enforcing adherence to the regulations of the Vintners Quality Alliance Act.

6. Financial instruments

The carrying values of cash and short-term investments, accounts receivable, interest receivable and accounts payable approximate their fair values due to their liquidity and short-term maturity.

Interest and currency risk

It is management's opinion that the organization is not exposed to any significant interest or currency risks arising from its financial instruments.

Credit risk

The organization maintains cash and short-term investments, with financial institutions, which are in excess of amounts insured by the Canada Deposit Insurance Corporation (CDIC). Management monitors the soundness of these institutions and considers the organization's risk to be negligible.

VINTNER'S QUALITY ALLIANCE ONTARIO

BOARD OF DIRECTORS

MARCH 31, 2008

Officers	Elected Directors	Ex-Officio Directors
Greg Berti Andrew Peller Ltd. <i>President and Chair, VQA Ontario</i>	Paul Lizak Legends Estate Winery	Tony Elenis Ontario Restaurant, Hotel and Motel Association
Ken Douglas Thirteenth Street Winery <i>Vice-Chair, VQA Ontario</i>	Norman Hardie Hardie Wines	William George Jr. Grape Growers of Ontario
Paul Speck Henry of Pelham Family Estate Winery <i>Secretary, VQA Ontario</i>	Frank Hellwig Vincor Canada	Len Pennachetti Cave Spring Cellars <i>Past-Chair, VQA Ontario</i>
Newman Smith Strewn Inc. <i>Treasurer, VQA Ontario</i>	Brian Schmidt Vineland Estates Winery	Mary Shenstone Ontario Ministry of Public Infrastructure Renewal
	Walter Schmoranz Pelee Island Winery	

Photo Credits 2008:

Cover: Steve Elphick, *Velocite Graphics Group Ltd.*
Interior: Darren Richards, *Richards Design & Communications*

Niagara Appellations Map Illustration:

Heather Cooper

Design:

Richards Design & Communications
www.richardsdesign.ca

