Andrew Peller

Limited

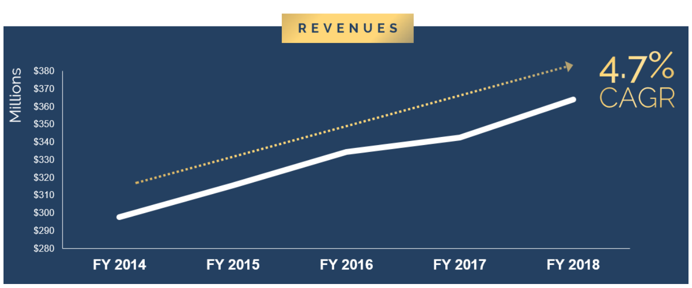
2018 Annual Report

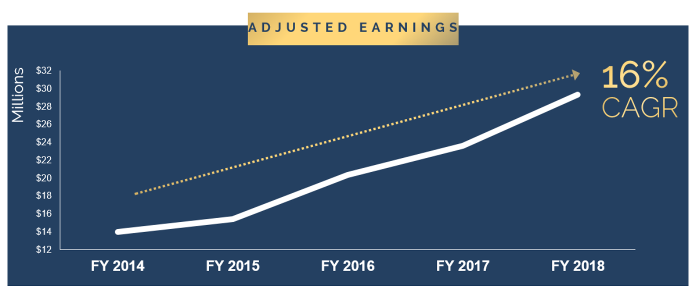
OPERATIONAL HIGHLIGHTS

FOR THE YEARS ENDED MARCH 31
(in thousands of Canadian dollars, except per share amounts)

	2018	2017
SALES AND EARNINGS		
Net sales	$ 363,897	$ 342,606
EBITA	52,860	45,137
Adjusted earnings *	29,303	25,608
FINANCIAL POSITION		
Working capital	104,417	78,825
Total assets	457,780	327,478
Shareholders' equity	220,246	177,317
PER SHARE		
Net earnings per Class A Share - basic and diluted	0.71	0.64
DIVIDENDS		
Class A Shares, non-voting	0.1800	0.1632
Class B Shares, voting	0.1565	0.1420
MARKET VALUE		
Class A - HIGH	19.04	13.00
Class A - LOW	10.60	8.38
Class B - HIGH	18.80	13.00
Class B - LOW	10.80	8.67
ANALYTICAL INFORMATION		
Return on average shareholders' equity	15.2%	15.7%
Return on average capital employed	14.0%	14.1%
Ratio of current assets to current liabilities	2.1:1	2.0:1

*Adjusted earnings is defined as net earnings excluding restructuring costs, gains (losses) on derivative financial instruments, other expenses (income), non-recurring, non-operating (gains) and losses and the related income tax effect.





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Report to Shareholders

Another Record Year

Fiscal 2018 was another year of record financial and operating performance as strong organic revenue growth, our focus on higher margin premium brands, and the contribution from acquisitions completed during the year all contributed to a 14.3% increase in our net income.

For the year ended March 31, 2018, sales rose 6.2% to $363.9 million, driven by increased consumer brand building, new product introductions, selective price increases and the contribution from the acquisition of three estate wineries completed in early October 2017. Not including the contribution from the acquisitions, the Company generated strong 3.7% organic sales growth in fiscal 2018.

We continue to perform very well across all our well-established trade channels. Our business with provincial liquor stores, our network of company-owned retail stores in Ontario, our award-winning estate wineries, our sales to licensed restaurants and clubs, our export business, our two wine importing and marketing agencies, and our personal winemaking business all contributed to our record performance in fiscal 2018. In addition, the introduction of new brands and our entry into new markets continue to expand our distribution channels and customer base.

Our strong performance during the year was supported by the continuing growth of the Canadian wine market where national retail wine sales rose 4.5% in fiscal 2018. Most of this gain came in the premium and ultra-premium categories, driven largely by sales of VQA products.

With the increase in sales and our continuing focus on productivity and cost control, our gross margins strengthened again in fiscal 2018, rising to 41.3% of sales from 38.3% in the prior year. We are also making good progress in integrating our recent acquisitions into the Andrew Peller family, and expect to see further margin improvements as we realize operating synergies across our operations due to our increase in scale.

As a result of our solid sales growth and strong gross margins, our adjusted earnings before interest, amortization, net unrealized gains and losses on derivative financial instruments, other expenses, and taxes (EBITA), and excluding one-time charges related to the acquisitions completed during the year, rose 23.7% to $57.2 million for the year ended March 31, 2018 compared to $46.2 million in the prior year. Net earnings for the year were $30.1 million or $0.71 per Class A Share, up from $26.4 million or $0.64 per Class A Share in fiscal 2017.

Another Dividend Increase

We were very pleased to announce a 13.9% increase in common share dividends in June 2018, our fifth increase in the last five years and a reflection of our continuing growth, strong performance, and confidence in the future. The Company has paid dividends every year since 1979, a remarkable track record of delivering value to shareholders, and we look for this momentum to continue going forward.

Expanding our Presence in the Strong Canadian Wine Market

In early October 2017 we completed the acquisition of three premium and well-established wineries located in British Columbia's Okanagan Valley. The purchase of Gray Monk Estate Winery, Tinhorn Creek Vineyards, and Black Hills Estate Winery complement and strengthen our premium and ultra-premium VQA brand portfolio and enhance our presence in the strong western Canadian market. With these acquisitions the Company has become the largest producer and the market leader of quality VQA wines in the province, almost doubling our market share to an estimated 23% of the B.C. VQA business.

With wine consumers increasingly interested in the high-value segment of the Canadian wine business, especially those wines coming from local producers, these new brands significantly increase our potential to capitalize on these trends. We believe our proven sales and marketing programs, combined with our well-established trade channel presence, will contribute to the long-term growth at all three of our new wineries.

We were also very proud to officially open our Wayne Gretzky Estate Winery and Craft Distillery in June 2017. The new facility has quickly become a very popular destination for wine lovers in the Niagara wine region and a complement to all our estate wineries across Canada. We have seen significant growth in sales of their quality wines, and the launch of our Wayne Gretzky No. 99 'Red Cask' Canadian Whisky is also performing very well, with future growth coming from the brand's recent introduction into select markets in the United States.

Taking Our Place Among the Best in the World

At Andrew Peller we have always known we produce some of the world's best wines, and recently we received a testament to our quality with the selection of our Thirty Bench 2015 Cabernet Franc as the world's best varietal by the prestigious Decanter Magazine. Published in the UK, Decanter is recognized as the world's leading authority on wine and wine quality. Their competition for the world's best receives approximately 4,000 entries for each varietal being judged from producers around the globe, and we are very proud to have been awarded the world's best Cabernet Franc in 2018. This award speaks volumes about the dedication and skill of not only our winemakers, but producers across Canada. We do rank among the world's best.

We received several other important awards at both domestic and international wine competitions during the year. At the Decanter World Wine Awards in London, England, our Thirty Bench, Trius and Gretzky wineries were also presented with numerous other platinum, gold and best in show medals. Our Trius 2015 Showcase Chardonnay won a gold medal at Chardonnay du Monde in France, and at the UK's International Wine challenge, Peller Estates won gold medals for both its Signature Series Riesling and Vidal icewines, in addition to eight other prestigious awards. The Okanagan Spring Wine festival presented eleven gold medals across a number of our brands, and at the San Francisco World Spirits Competition, our Wayne Gretzky Canadian Crème was presented with a gold medal, plus three other key awards.

These, and many other successes at wine competitions in Canada and around the world, are testaments to the quality we are producing at our wineries each and every day. We are very proud of these achievements and congratulate our winemakers for their commitment to helping us achieve our goals.

Looking Ahead

Over the last few years we have effectively implemented programs aimed at becoming Canada's Number One wine and craft spirits company by delivering the best brand experience for every lifestyle, occasion and generation. Our vision is to "Pour Extraordinary into Everyday Life", and our growth and record financial performance in fiscal 2018 has demonstrated we are well on our way to achieving our goals.

Today Andrew Peller is recognized as one of Canada's most successful wine producers with a reputation for quality and value, an industry-leading distribution network, well-established and popular brands, and proven programs that continue to build brand awareness and growing sales.

Sales will continue to grow as we invest in our portfolio of powerful national and regional brands. Going forward we will build on this enviable market presence through innovative investments that drive growth. Fiscal 2019 will also benefit from a full year's contribution from our recently-acquired BC wineries, and our further investments in building these leading brands.

Operating profitability will continue to strengthen as we invest in our capacity and production efficiency through technological advancements that drive gross margin growth. As we complete the integration of our three new wineries, we expect further improvements in our overall profitability as we benefit from the resulting economies of scale and operating synergies.

In addition to generating solid organic growth on our base business, we continue to prudently examine strategic acquisitions that further strengthen our brand portfolio and build on the success we have demonstrated with the seventeen purchases completed and successfully integrated since 1995.

These initiatives and programs are targeted at growing our business and increasing profits with the ultimate goal of enhancing value for our shareholders. The Company has a successful track record of growth and strong operating performance for more than forty years, and we look forward to building on this success in the years ahead.

On behalf of the Board of Directors and all shareholders, we thank our leadership team and many valued teammates at Andrew Peller for their dedication and hard work. Our people are our most important asset - it is their unwavering commitment that has led to our record results in the past and will continue to be our driving force going forward.

John E. Peller
Executive Chairman & CEO

Randy A. Powell
President

Peller Estates
(Niagara-on-the-Lake)

Chardonnay du Monde – France
Silver Medal
2015 Peller Estates AP Signature Series Chardonnay

Indy International Wine Competition – Indiana, USA
Double Gold – 2015 Family Series Riesling

Los Angeles Int'l Wine Competition – USA
Best of Class: Gold (96 Points)
2015 AP Signature Series Vidal Blanc Icewine
Gold (94 Points)
2015 AP Signature Series Oak Aged Vidal Blanc Icewine

All Canadian Wine Championships
Double Gold – 2015 Family Series Riesling
Double Gold – 2015 Private Reserve Cabernet Franc
Gold – 2015 Private Reserve Cabernet Sauvignon

Ontario Wine Awards
Gold – 2015 Private Reserve Late Harvest Vidal

Decanter World Wine Awards – UK
Gold (95 points) 2015 AP Signature Series Oak Aged Vidal Icewine

Sommelier Wine Awards, UK
Gold – 2015 AP Signature Series Vidal Icewine

WineAlign – National Wine Awards of Canada
Gold – 2016 Private Reserve Rose
Gold – 2015 Private Reserve Cabernet Franc
Gold – 2015 AP Signature Series Vidal Icewine

Intervin – Vines magazine – Canada
Gold – Ice Cuvee Classic
Gold – 2015 AP Signature Series Vidal Icewine

Six Nations Wine Challenge – Australia
Gold – 2015 Peller Estates Private Reserve Gamay Noir

Sandhill Winery
(Okanagan)

Pacific Rim Wine Competition – USA
Gold 'Best of Class' – 2014 Small Lots TWO

Okanagan Spring Wine Festival – Best of Varietals
Gold 'Best Meritage Blend' – 2014 Small Lots Two
Gold - 2016 Small Lots Viognier

Los Angeles International Wine Competition
Gold (92 Points) – 2014 Cabernet Merlot Sandhill Estate Vineyard

Intervin International Wine Awards
Gold – 2014 Small Lots ONE Phantom Creek Vineyard

All Canadian Wine Championships
Double Gold 'Red Wine of the Year' – 2014 Howard Soon Red
Double Gold – 2014 Small Lots Syrah Phantom Creek Vineyard
Gold – 2014 Cabernet Franc Sandhill Estate Vineyard
Gold – 2014 Small Lots Sangiovese Sandhill Estate Vineyard
Gold – 2014 Small Lots Petit Verdot Phantom Creek Vineyard

British Columbia Wine Awards
PREMIER'S AWARD - 2015 Syrah
Gold - 2016 Riesling Icewine

Six Nations Wine Challenge – Australia
Double Gold / 2nd Runner Up
2014 Sandhill Small Lots Syrah Phantom Creek Vineyard

The Global Chardonnay Masters – UK
Gold (93 Points) – 2016 Sandhill Chardonnay Terroir Driven Wine

Trius Winery
(Niagara-on-the-Lake)

All Canadian Wine Championships
Gold – Trius Brut
Gold – 2015 Chardonnay Barrel Fermented

Ontario Wine Awards
Gold – 2015 Showcase Clean Slate Wild Ferment Sauvignon Blanc
Gold – 2015 Trius Shiraz
Gold – 2014 Showcase Vidal Icewine

International Wine Challenge – UK
Gold (Cnd. Icewine Trophy) – 2015 Showcase Riesling Icewine
Gold – 2015 Showcase Vidal Icewine

Korea Wine Challenge
Gold Medal (Icewine Trophy) - 2015 Showcase Riesling Icewine
Gold Medal – 2015 Showcase Vidal Icewine
Gold Medal – 2015 Showcase Cabernet Franc Icewine

WineAlign – National Wine Awards of Canada
Platinum – 2015 Showcase Chardonnay Wild Ferment Oliveira Vineyard
Gold – Brut Rosé

Lieutenant Governor's Award for Excellence in Ontario Wines
2015 Showcase Clean Slate Sauvignon Blanc Wild Ferment
2014 Showcase Vidal Icewine
2015 Showcase Riesling Ghost Creek Vineyard

Intervin (Vines magazine) Canada
Gold – 2014 Showcase Red Shale Cabernet Franc

Six Nations Wine Challenge – Australia
Gold – Trius Brut

The Global Chardonnay Masters – UK
Gold – 2015 Showcase Chardonnay Wild Ferment Oliveira Vineyard

TOP AW

Black Cellar

Pacific Rim Wine Competition
Gold 'Best of Class' – Cabernet Sauvignon Tempranillo

Indy International Wine Competition – Indiana, USA
Gold – Malbec Merlot Blend 13
Gold – Merlot Blend 4
Gold – Shiraz Cabernet Blend 19

Tasters Guild – Michigan, USA
Gold – Pinot Grigio Chardonnay Blend 11
Gold – Cabernet Sauvignon Tempranillo Blend 9

Wayne Gretzky Estates
(Niagara-on-the-Lake)

Indy International Wine Competition – Indiana, USA
Double Gold – 2015 Merlot
Gold – 2016 Pinot Grigio

Los Angeles International Wine Competition – USA
Best of Class: Gold (94 Points) – 2015 No.99 Vidal Icewine
Gold (92 Points) - 2015 No.99 Cabernet Franc Icewine
Gold (91 Points) – 2015 No.99 Estate Series Cabernet Sauvignon

Ontario Wine Awards
Gold – 2015 Estate Series Shiraz Cabernet

International Wine & Spirit Competition – UK
Gold – 2015 Vidal Icewine

Decanter World Wine Awards – UK
Gold (95 points) – 2015 Vidal Icewine

International Wine Challenge – UK
Gold – 2015 Vidal Icewine

Beverage Tasting Institute (Tastings Spirits Competition) Tastings.com
Gold (90 Points) – Wayne Gretzky No.99 Ice Cask Whisky
Gold (92 Points) – Wayne Gretzky No.99 Muscat Spirited Wine
88 Points – Wayne Gretzky No.99 Ninety Nine Proof Whisky
86 Points – Wayne Gretzky No.99 Vidal Spirited Wine

Six Nations Wine Challenge – Australia
Gold – 2015 Wayne Gretzky Estates Estate Series Shiraz Cabernet

Thirty Bench Wine Makers
(Beamsville)

Los Angeles International Wine Competition – USA
Gold (92 Points) – 2014 Small Lot Cabernet Franc

All Canadian Wine Championships
Gold – 2015 Winemakers Blend Riesling

Decanter World Wine Awards – UK
Platinum 'Best in Category' Best Canadian White (96 points)
2014 Small Lot Riesling Steel Post Vineyard

WineAlign – National Wine Awards of Canada
#2 – Top 25 Wineries in Canada
#2 – Top 10 Wineries in Ontario
Platinum – 2015 Small Lot Riesling Wild Cask
Platinum – 2015 Small Lot Riesling Wood Post Vineyard
Gold – 2014 Small Lot Riesling Triangle Vineyard
Gold – 2014 Small Lot Chardonnay

Six Nations Wine Challenge – Australia
Trophy/Class Winner – 2015 Thirty Bench Winemaker's Blend Riesling
Gold – 2014 Thirty Bench Small Lot Riesling Steel Post Vineyard

280
Number of Awards Won Nationally.

Red Rooster Winery
(Okanagan)

West Coast Wine Competition (East Meets West) California
Gold – 2015 Red Rooster Hen House Sly White

Pacific Rim Wine Competition – USA
Gold – 2015 The Coop Wicked White
Gold – 2015 Hen House Ruffled Red

Okanagan Life Magazine, Best of BC Wine Awards
Gold – 2016 Rare Bird Series Viognier

Okanagan Spring Wine Festival – Best of Varietals
Best Viognier 'Gold' – 2016 Rare Bird Series Viognier
Gold – 2016 Rare Bird Series Pinot Gris
Gold – 2014 Reserve Merlot

Dan Berger's Intermatopmal Wine Competition (formerly known as Riverside International)
Gold – 'Best in Class' – 2016 Pinot Blanc
Gold – 2016 Gewurztraminer

Los Angeles Int'l Wine Competition
Gold (95 Points) 'Best in Class' – 2016 Pinot Blanc
Gold (95 Points) – 2016 Riesling

Intervin International Wine Awards
Gold – 2016 Riesling
Gold – 2014 Reserve Syrah

British Columbia Wine Awards
Platinum – 2016 Riesling
Gold - 2016 Pinot Blanc
Gold - 2015 Rare Bird Series Syrah

Wayne Gretzky Estates
(Okanagan)

Syrah du Monde, France
Gold– 2014 Wayne Gretzky Okanagan Signature Series Shiraz

All Canadian Wine Championships
Gold – 2015 Cabernet Sauvignon Syrah
Gold – 2016 Signature Series Riesling

Los Angeles Int'l Wine Competition
Gold (92 Points) – 2015 Cabernet Sauvignon Syrah
Gold (90 Points) – 2016 The Great White

Intervin International Wine Awards
Gold – 2015 Signature Series Chardonnay

Panama Jack's

Harvest Challenge – USA
Gold 'Best in Class' – Panama Jack's Original Cream

No Boats On Sunday

Pacific Rim Wine Competition
Gold 'Best in Class' – 100% Canadian Cider

Raven Conspiracy

West Coast Wine Competition (East Meets West) California
Double Gold 'Best of Class' – 2015 Raven Conspiracy White (BC)

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE THREE MONTHS AND YEAR ENDED MARCH 31, 2018

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, 2018 in comparison with those for the three months and year ended March 31, 2017 for Andrew Peller Limited (the "Company" or "APL"). This discussion is prepared as of June 6, 2018 and should be read in conjunction with the audited consolidated financial statements and accompanying notes contained therein for the years ended March 31, 2018 and 2017. Additional information relating to the Company, including the audited annual consolidated financial statements, MD&A and Annual Information Form for the years ended March 31, 2018 and March 31, 2017, is available on www.sedar.com. The financial years ending March 31, 2019, March 31, 2018 and March 31, 2017 are referred to as "fiscal 2019", "fiscal 2018" and "fiscal 2017" respectively. All dollar amounts are expressed in Canadian dollars unless otherwise indicated.

FORWARD-LOOKING INFORMATION

Certain statements in this MD&A 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 APL and its subsidiaries. Such statements include, but are not limited to, statements about the growth of the business in light of the Company's acquisitions; its launch of new premium wines and spirits; 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", "could", and similar verbs 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 and spirit prices; its ability to obtain grapes, imported wine, glass, and other raw materials; fluctuations in foreign currency exchange rates; its ability to market products successfully to its anticipated customers; the trade balance within the domestic Canadian and international wine markets; 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 "Risks and Uncertainties" 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 the conclusions, forecasts, or projections anticipated in these forward-looking statements. Because of these risks, uncertainties, and assumptions, you 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

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 Vintners' Quality Alliance ("VQA") brands include *Peller Estates*, *Trius*, *Thirty Bench*, *Wayne Gretzky*, *Sandhill*, *Red Rooster*, *Black Hills Estate*, *Tinhorn Creek*, *Gray Monk Estates*, *Raven Conspiracy* and *Conviction*. Complementing these premium brands are a number of popularly priced varietal brands including *Peller Estates French Cross* in Eastern Canada, *Peller Estates Proprietors Reserve* in Western Canada, *Copper Moon*, *Black Cellar* and *XOXO*. *Hochtaler, Domaine D'Or, Schloss Laderheim, Royal,* and *Sommet* are the Company's key value priced brands. The Company imports wines from major wine regions around the world to blend with domestic wine to craft these quality and value priced brands. The Company also produces wine based liqueurs and cocktails under the brand *Panama Jack* and craft cider under the brand *No Boats on Sunday*. In October 2016, the Company launched its new *Wayne Gretzky No. 99 Red Cask* Canadian Whisky in certain markets across Canada and in 2017 expanded the Spirits portfolio with *No. 99 Ice Cask*, *99 Proof*, and *No. 99 Canadian Whisky Cream* products. 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 leader in personal winemaking products. GVI distributes products through over 170 Winexpert authorized retailers and more than 500 independent retailers across Canada, with additional distributors in the United States, the United Kingdom, New Zealand, Australia, and China. GVI's award-winning premium and ultra-premium winemaking brands include *Selection*, *Vintners Reserve*, *Island Mist*, *KenRidge*, *Cheeky Monkey*, *Traditional Vintage*, and *Cellar Craft*. The Company owns and operates 101 well-positioned independent retail locations in Ontario under The Wine Shop, Wine Country Vintners, and Wine Country Merchants store names. The Company also operates Andrew Peller Import Agency and The Small Winemaker's Collection Inc., importers and marketing agents for premium wines from around the world.

The Company's mission is to *Pour Extraordinary into Everyday Life*. The Company believes it achieves this objective by delivering to its customers and consumers the highest quality wines, spirits, refreshments, and experiences at the best possible value. To meet this goal, the Company invests in improvements in the quality of grapes, wines, and spirits raw materials, its winemaking and distillation capabilities, sales and marketing initiatives, tourism and hospitality experiences, and its quality management programs. Our achievement of this goal is evidenced in our award-winning products: VQA brands in Eastern Canada received a total of 184 awards in fiscal 2018 (up from 171 awards a year ago and 30% more awards than 2 years ago), including: 4 platinum, 47 gold, 78 silver, 41 bronze and 3 Lieutenant Governor Awards. VQA brands in Western Canada won a total of 96 awards this past fiscal. The Sandhill portfolio did exceptionally well with over 35 awards in total this year. Four of those awards were classified as "best in class" or double gold.

The Company is focused on initiatives to reduce costs and enhance its production efficiencies through a continual review of its operations and cost structure with a view to enhancing profitability. The Company continues to expand and strengthen its distribution through provincial liquor boards, Ontario independent retail locations and grocery outlets under The Wine Shop, Wine Country Vintners, and Wine Country Merchants store names, 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 June 6, 2018, the Company's Board of Directors approved a 13.9% increase in common share dividends for shareholders of record on June 29, 2018 payable on July 6, 2018. The annual dividend on Class A Shares was increased to $0.2050 per share from $0.1800 per share and the dividend on Class B Shares was increased to $0.1783 per share from $0.1565 per share. The Company has consistently paid common share dividends since 1979 and has increased dividends every year for the past five years. APL currently designates all dividends paid as "eligible dividends" for purposes of the *Income Tax Act* (Canada) unless indicated otherwise.

On October 10, 2017, the Company acquired 100% of the operating assets of Black Hills Estate Winery (Black Hills) for cash consideration of approximately $31.3 million. Black Hills generates annual revenue of approximately $6.0 million and employs approximately 20 people. The results of operations from October 10, 2017 have been included in the audited annual consolidated financial statements for the period.

On October 1, 2017, the Company acquired 100% of the common shares of Gray Monk Cellars Ltd. (Gray Monk) and certain operating assets held by related parties for consideration of approximately $36.4 million, of which $17.3 million was funded in cash and $19.1 million was funded by the issuance of 1,579,670 Class A non-voting common shares. The consideration transferred increased by $1.9 million, from $34.5 million to $36.4 million due to the appreciation of the Company's Class A non-voting shares from September 8, 2017, the date the share purchase agreement was signed, to October 1, 2017, the date the acquisition closed. Gray Monk generates annual revenue of approximately $11.0 million and employs approximately 50 people. The results of operations from October 1, 2017 have been included in the audited annual consolidated financial statements for the period.

On October 1, 2017, the Company acquired 100% of the common and preferred shares of Tinhorn Creek Vineyards Ltd. (Tinhorn) for cash consideration of approximately $28.9 million. Tinhorn generates annual revenue of approximately $7.0 million and employs approximately 50 people. The results of operations from October 1, 2017 have been included in the audited annual consolidated financial statements for the period.

Results of Operations

For the years ended March 31, (in $000, except per share amounts)	2018	2017 (1)	2016 (1)
Sales	**$ 363,897**	$ 342,606	$ 334,263
Gross margin	**150,325**	131,155	122,964
Gross margin (% of sales)	**41.3%**	38.3%	36.8%
Selling and administrative expenses	**97,465**	86,018	82,048
EBITA	**52,860**	45,137	40,916
Adjusted EBITA	**57,225**	46,246	40,916
Interest	**5,345**	3,078	3,575
Net unrealized (gain) loss on derivative financial instruments	**(1,400)**	(2,232)	1,558
Other (income) expenses	**(3,842)**	120	(40)
Adjusted earnings	**29,303**	25,608	20,322
Net earnings	**30,117**	26,350	19,199
Earnings per share – basic and diluted - Class A	**$0.71**	$0.64	$0.46
Earnings per share – basic and diluted - Class B	**$0.62**	$0.55	$0.40
Adjusted earnings per share – basic and diluted – Class A	**$0.69**	$0.62	$0.46
Adjusted earnings per share – basic and diluted – Class B	**$0.60**	$0.54	$0.40
Dividend per share – Class A (annual)	**$0.1800**	$0.1632	$0.1500
Dividend per share – Class B (annual)	**$0.1565**	$0.1420	$0.1304

[1] Adjusted EBITA, Adjusted earnings and Adjusted earnings per share figures have been restated to conform to the current year's presentation

Sales in fiscal 2018 increased 6.2% compared to fiscal 2017 due to organic growth across the majority of the Company's products and trade channels, introduction of new products and new product categories, selective price increases in certain trade channels implemented during the year, and the contribution during the last half of the year from the acquisition of three estate wineries completed in early October 2017. Not including the contribution from the recent acquisitions, the Company generated organic growth in sales of 3.7% for the year ended March 31, 2018.

The Company defines gross margin as gross profit excluding amortization. Gross margin as a percentage of sales improved to 41.3% for the year ended March 31, 2018 compared to 38.3% in the prior year. Gross margin in fiscal 2018 benefited from the discontinuation of lower performing products, increased focus on higher margin products, selective pricing increases, and the positive impact of the Company's cost control initiatives. During fiscal 2018, the Company recorded a charge of $3.0 million to increase cost of goods sold to reflect the fair value of inventory acquired from the new wineries that had been sold since the acquisition dates. Management is continually focused on efforts to enhance production efficiency and productivity as well as developing synergies from the addition of the three new wineries acquired in October 2017.

Selling and administrative expenses for the year ended March 31, 2018 included $3.2 million of expenses due to the addition of the three new wineries, as well as increased costs related to the operations of the new Wayne Gretzky Estate Winery and Craft Distillery, which opened in June 2017 and increased marketing support for new launches across the Company's product portfolio. Included in selling and administrative expenses is $1.1 million in one-time professional and transition fees related to the acquisitions, which is comparable to the $1.1 million charged in fiscal 2017 for professional fees related to a strategic acquisition that was not completed. In fiscal 2018, selling and administrative expenses included $0.6 million in severance payments, compared to $1.3 million in post-retirement benefits for certain employees retiring during fiscal 2017. Selling and administrative expenses also increased by $0.8 million when compared to fiscal 2017 due to the increase in minimum wage in Ontario. The Company continues to increase its investment in its sales and marketing programs while remaining focused on ensuring a strong return on these investments.

Earnings before interest, amortization, net unrealized gains and losses on derivative financial instruments, other (income) expenses, and income taxes ("EBITA") was $52.9 million for the year ended March 31, 2018 compared to $45.1 million in the prior year. The increase in fiscal 2018 was due to the increase in sales across the Company's established distribution network and the improved gross margin, partially offset by the increase in selling and administrative expenses and the reduction in margin related to the three new wineries due to the inventory fair value adjustment charged to cost of sales. Adjusted EBITA, which excludes from EBITA one-time acquisition related charges, was $57.2 million for the year ended March 31, 2018 compared to $46.2 million in fiscal 2017.

Interest expense increased in fiscal 2018 compared to the prior year due primarily to long-term debt incurred to complete the three acquisitions in October 2017 and the write-off of $0.4 million in unamortized deferred financing fees related to the prior banking agreement that was amended on September 29, 2017.

Amortization expense increased in fiscal 2018 due primarily to the addition of the three recently acquired wineries and the completion of the Wayne Gretzky Estate Winery and Craft Distillery in June 2017.

The Company recorded net unrealized non-cash gains in fiscal 2018 and fiscal 2017 related to mark-to-market adjustments on interest rate swaps and foreign exchange contracts. The Company has elected not to apply hedge accounting and accordingly the change in fair value of these financial instruments is reflected in the Company's consolidated statement of earnings each reporting period. These instruments are considered to be effective economic hedges and have enabled management to mitigate the short-term volatility of changing foreign exchange and interest rates.

Other income in fiscal 2018 includes a one-time gain of $4.2 million on the acquisitions completed in October 2017.

Adjusted earnings, defined as net earnings not including net unrealized gains and losses on derivative financial instruments, other (income) expenses, non-recurring, non-operating (gains) and losses, and the related income tax effect were $29.3 million for the year ended March 31, 2018 compared to $25.6 million in the prior year. Net earnings for the year ended March 31, 2018 were $30.1 million or $0.71 per Class A Share compared to $26.4 million or $0.64 per Class A Share in the prior year.

The three acquired wineries contributed $8.6 million in sales, $1.1 million in EBITA and $0.4 million in net earnings in fiscal 2018 excluding acquisition related fees and margin adjustments as described below. The acquisitions contributed approximately $0.01 per Class A share in net earnings, which was offset by the dilution impact of the 1.6 million Class A shares issued to acquire one of the wineries. On acquisition the Company recorded an increase of $10.4 million to inventory to represent the fair value of the goods acquired. This increase will be expensed over time to the consolidated statement of earnings as finished goods are sold thus reducing gross margin. During fiscal 2018, the Company's gross margin was reduced by $3.0 million as a result of this adjustment. It is expected that most goods acquired will be sold within one year of the acquisitions, and as such, the remaining balance of the fair value adjustment of $7.4 million will continue to be dilutive into fiscal 2019. Furthermore, one-time transaction and transition costs and restructuring costs, of which $1.4 million was expensed in fiscal 2018, also had a dilutive impact on earnings per share in fiscal 2018. The impact of these items reduced earnings per share by approximately $0.10 per Class A Share for the year ended March 31, 2018. Additional interest expense on debt used to fund the acquisitions and higher amortization on acquired assets will also have a dilutive impact. The above items have resulted in an overall dilution of $0.06 per Class A share for the year ended March 31, 2018.

The Company believes that sales will continue to grow going forward due to strong positioning of key brands, the continued launch of new and innovative products in the Canadian wine, cider and spirits markets, continued growth in new wine-related markets, and the full year's contribution from the three estate wineries acquired in October 2017 in fiscal 2019.

The Company has exposure to foreign currency risk as purchases of bulk wine and concentrate are made in U.S. dollars, Australian dollars, and Euros. Fluctuating foreign currencies may have a positive or negative impact on gross margins. Management believes the impact on gross margin will be largely offset by the Company's continued ability to leverage scale and successful cost control initiatives to reduce distribution, operating and packaging expenses, and raw material cost savings. The Company also uses foreign exchange forward contracts to protect against changes in foreign currency rates and, as at March 31, 2018, had locked in $4.7 million in U.S. dollar contracts at rates averaging $1.26 Canadian, €0.9 million in Euro contracts at rates averaging $1.55 Canadian and $1.4 million in Australian dollar contracts at rates averaging $1.00 Canadian. These contracts expire at various dates through June 30, 2018.

Quarterly Performance

The following table outlines key quarterly highlights.

(in $000, except per share amounts)	Q4 18	Q3 18	Q2 18	Q1 18	Q4 17 (1)	Q3 17 (1)	Q2 17 (1)	Q1 17
Sales	79,817	103,583	91,857	$88,640	$72,295	$94,048	$88,357	$87,906
Gross margin	32,811	43,217	38,693	35,604	28,326	35,042	33,644	34,143
Gross margin (% of sales)	41.1%	41.7%	42.1%	40.2%	39.2%	37.3%	38.1%	38.8%
EBITA	4,279	17,833	16,290	14,458	5,865	11,886	12,583	14,803
Interest	1,749	1,656	1,157	783	813	702	780	783
Adjusted EBITA	5,740	20,175	16,852	14,458	5,865	12,167	13,411	14,803
Net unrealized gain on financial instruments	(833)	(216)	(285)	(66)	(189)	(868)	(1,128)	(47)
Other expenses (income)	35	(4,092)	70	145	(15)	52	56	27
Adjusted earnings (loss)	(904)	12,402	9,556	8,249	1,859	7,741	7,450	8,558
Net earnings (loss)	(1,691)	14,391	9,226	8,191	2,010	8,137	7,630	8,573
E.P.S. – Class A basic & diluted	$(0.04)	$0.33	$0.22	$0.20	$0.05	$0.20	$0.18	$0.21
E.P.S. – Class B basic & diluted	$(0.03)	$0.29	$0.19	$0.18	$0.04	$0.17	$0.16	$0.18
Adjusted E.P.S – Class A basic & diluted	$(0.02)	$0.29	$0.23	$0.20	$0.05	$0.19	$0.18	$0.20
Adjusted E.P.S – Class B basic & diluted	$(0.02)	$0.25	$0.20	$0.17	$0.04	$0.16	$0.16	$0.18

[1] Adjusted EBITA, Adjusted earnings and Adjusted EPS figures have been restated to conform to the current year's presentation

The third quarter of the Company's fiscal year is historically the strongest due to increased consumer purchasing of the Company's products during the holiday season.

Sales in the fourth quarter of fiscal 2018 increased 10.4% compared to the same quarter of fiscal 2017 due primarily to the contribution of the three new estate wineries acquired in early October 2017, selective price increases in certain trade channels, and strong organic growth across most of the Company's trade channels. The three acquisitions contributed $3.7 million in sales in the fourth quarter of fiscal 2018. Not including the contribution from the recent acquisitions, the Company generated organic revenue growth of approximately 5.4% through the three months ended March 31, 2018.

Gross margin for the three months ended March 31, 2018 was 41.1% of sales compared to 39.2% in the fourth quarter of fiscal 2017. The increase in gross margin is attributable to improved product mix, increased pricing, and raw material and packaging costs savings. During the fourth quarter of fiscal 2018, the Company recorded a charge of approximately $1.1 million to increase cost of goods sold to reflect the fair value of inventory acquired from the new wineries that had been sold since the acquisition dates.

Selling and administrative expenses increased in the fourth quarter of fiscal 2018 compared to the fourth quarter of fiscal 2017 due to the addition of three new wineries acquired in October 2017 as well as an increase in marketing activities and support for recent new product launches. Included in selling and administrative expenses in the fourth quarter of 2018 is $0.1 million in one-time professional services fees and transition costs related to the three acquisitions completed in October 2017 and $0.6 million in severance payments. During the fourth quarter of fiscal 2017, selling and administrative expenses included $0.6 million in one-time costs related to restructuring.

Interest expense increased in the fourth quarter of fiscal 2018 due primarily to long-term debt incurred to complete the three acquisitions in October 2017. Amortization expense also increased in the fourth quarter of fiscal 2018 due primarily to the addition of the three recently acquired wineries and the completion of the Wayne Gretzky Estate Winery and Craft Distillery in June 2017.

EBITA declined to $4.3 million for the three months ended March 31, 2018 compared to $5.9 million in the same quarter in fiscal 2017 primarily due to the fair value adjustment to cost of goods sold and the increase in selling and administration costs related to the recent acquisitions. Adjusted EBITA was $5.7 million for the three months ended March 31, 2018 compared to $5.9 million for the three months ended March 31, 2017.

The Company generated an adjusted loss for the three months ended March 31, 2018 of $0.9 million compared to adjusted earnings of $1.9 million in the same prior year period. The net loss was $1.7 million or $0.04 per Class A Share for the three months ended March 31, 2018 compared to net earnings of $2.0 million or $0.05 per Class A Share in the fourth quarter of fiscal 2017.

Liquidity and Capital Resources

As at (in $000)	**March 31, 2018**	March 31, 2017	March 31, 2016
Current assets	**$ 198,014**	$ 160,567	$ 150,867
Property, plant, and equipment	**188,191**	118,838	108,929
Intangibles	**17,733**	10,600	11,040
Goodwill	**53,638**	37,473	37,473
Derivative financial instruments	**204**	-	-
Total assets	**$ 457,780**	$ 327,478	$ 308,309
Current liabilities	**$ 93,597**	$ 81,742	$ 79,202
Long-term debt	**116,257**	46,678	48,202
Long-term derivative financial instruments	**-**	642	1,529
Post-employment benefit obligations	**5,140**	5,279	5,947
Deferred income	**-**	-	102
Deferred income tax	**22,540**	15,820	15,591
Shareholders' equity	**220,246**	177,317	157,736
Total liabilities and shareholders' equity	**$ 457,780**	$ 327,478	$ 308,309

The changes to the Company's balance sheet as at March 31, 2018 compared to March 31, 2017 related primarily to the acquisition of three estate wineries completed in early October 2017.

Of the overall increase in inventory at March 31, 2018 compared to March 31, 2017, approximately $21.7 million related to inventory from the three wineries acquired in October 2017. The remaining increase in inventory is due to an increase in inventory volumes on hand as the harvest was larger compared to prior year, as well as an increase in spirits due to new market and product launches. The Company continued to benefit from improved information technology systems introduced to monitor and control the Company's supply chain. These systems include improvements to the Company's ability to manage supply shortages and excesses. Inventory is dependent on the increase of domestically grown grapes that are used in the sale of premium and ultra-premium wines that 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 producing wine from domestically grown grapes is also significantly higher than wine purchased on international markets.

Accounts receivable are predominantly with provincial liquor boards and, to a lesser extent, licensed establishments and independent retailers of consumer made wine products. The Company had $16.5 million of accounts receivable with provincial liquor boards at March 31, 2018, all of which is expected to be collectible. The balance represents amounts due from licensees, export customers, and independent retailers of consumer made wine products. The amount of accounts receivable that was 30 days past due was $1.5 million at March 31, 2018. Against these amounts an allowance for doubtful accounts of $0.2 million has been provided which the Company has determined represents a reasonable estimate of amounts that may not be collectible.

Property, plant, and equipment increased at March 31, 2018 compared to the prior year end due to investments in the three estate wineries acquired in October 2017. Other capital expenditures during fiscal 2018 related to completion of the new Wayne Gretzky Estate Winery and Craft Distillery which opened on June 7, 2017 and other operational investments at the Company's Ontario production facilities.

As part of the acquisitions of the three estate wineries, the Company recorded intangible assets of $8.1 million, relating to brands and customer lists, and goodwill of $16.2 million.

On September 29, 2017, the Company amended and restated its debt facilities. Amendments included a revised maturity date of September 29, 2022, revised financial covenants and updated applicable margins based on the Company's leverage. Additionally, the total borrowing limit was increased to $310.0 million and separated into two facilities: a revolving, non-amortizing facility with a borrowing limit of $90.0 million to be used for day-to-day operations, distributions and capital expenditures and a revolving, amortizing investment facility with a borrowing limit of $220.0 million to be used for acquisitions or capital expenditures. Each draw on the investment facility is subject to a new amortization schedule and annual repayments increase over the term. The initial draw on the investment facility was used to refinance the previous operating and capital term loans and fund the acquisitions of the three British Columbia premium estate wineries in early October 2017. Up to September 30, 2018, monthly principal repayments of $0.5 million are required on the revolving, amortizing investment facility based on the initial draw. Thereafter, monthly principal repayments of $0.8 million are required. At March 31, 2018, the applicable margin was 1.90% (March 31, 2017 – 1.25%).

Overall bank debt increased to $171.7 million at March 31, 2018 compared to $87.7 million at March 31, 2017. The increase in bank debt is due primarily to $79.0 million drawn on the Company's credit facility related to the above-mentioned estate winery acquisitions. The increase in bank debt has been partially offset by the strong earnings in fiscal 2018, the positive impact of working capital management, and regularly scheduled debt repayments. With the increase in debt, the Company's debt to equity ratio increased to 0.78:1 at March 31, 2018 compared to 0.49:1 at March 31, 2017. At March 31, 2018, the Company had unutilized debt capacity in the amount of $42.7 million on its operating facility and $94.7 million on its investment facility.

The following table outlines the Company's contractual obligations as at March 31, 2018:

As at March 31, 2018 (in $000)	**< 1 year**	**2 - 3 years**	**4 - 5 years**	**> 5 years**	**Total**
Long-term debt	$ 8,135	$ 20,982	$ 96,350	-	$ 125,467
Leases and royalties	5,092	6,419	4,373	8,176	24,060
Pension obligations	514	734	576	888	2,712
Grape and bulk wine purchase contracts	79,100	77,282	56,850	144,276	357,508
Packaging purchase contracts	30,392	1,457	-	-	31,849
Bulk whiskey purchase contracts	525	80	-	-	605
	123,758	106,954	158,149	153,340	542,201
Interest rate swap	2,740	4,828	2,934	-	10,502
Foreign exchange forwards	8,720	-	-	-	8,720
Total contractual obligations	$ 135,218	$ 111,782	$ 161,083	$ 153,340	$ 561,423

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 long-term through increased profitability and strong management of working capital and capital expenditures. The Company regularly reviews all of its assets to ensure appropriate returns on investment are being achieved and that they fit with the Company's long-term strategic objectives.

For the year ended March 31, 2018, the Company generated cash from operating activities, after changes in non-cash working capital items, of $21.7 million compared to $25.6 million in the prior year. Investing activities were $97.8 million in fiscal 2018 compared to $20.5 million in the prior year. The increase in fiscal 2018 includes $77.4 million related to the acquisition of the three estate wineries in October 2017. The remaining investing activities related to capital expenditures to improve operations, as well as costs incurred related to the completion of the new Wayne Gretzky Estate Winery and Craft Distillery which officially opened on June 7, 2017.

Financing activities for the year ended March 31, 2018 included a $79.0 million increase in long-term debt related to the acquisition of the three estate wineries in October 2017.

Working capital as at March 31, 2018 increased to $104.4 million compared to $78.8 million at March 31, 2017. The increase in working capital was due to increases in inventory and accounts receivable due primarily to the acquisitions completed in October 2017, partially offset by increases in current debt. Shareholders' equity as at March 31, 2018 was $220.2 million or $4.99 per common share compared to $177.3 million or $4.16 per common share as at March 31, 2017. The increase in shareholders' equity was due to the issuance of Class A Shares to fund a portion of the purchase price for one of the acquired wineries and strong net earnings, partially offset by the payment of dividends and net actuarial losses on post-employment benefit plans.

Common Shares Outstanding

The Company is authorized to issue an unlimited number of Class A and Class B 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	**March 31, 2018**	March 31, 2017	March 31, 2016
Class A Shares	**35,471,185**	33,581,487	33,581,487
Class B Shares	**8,702,095**	9,012,123	9,012,123
Total	**44,173,280**	42,593,610	42,593,610

On October 2, 2017, the Company issued approximately 1.6 million Class A Shares to fund a portion of the purchase price for one of the acquisitions. In March 2018, approximately 0.3 million Class B Shares were converted into Class A shares on a one-for-one basis.

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 and wine related products through concentrating on and developing leading brands that meet the needs of our consumers and customers. Over the long term the Company believes higher-priced premium wine and spirits sales will continue to grow in Canada, generating higher margins and increased profitability compared to its lower-priced products. The Company has also entered the spirits category, through its strategic alliance with Wayne Gretzky, and has introduced sangrias and ciders through its own brand labels.

The market for wine in Canada continues to grow due to a movement toward the consumption of wine by young consumers who have adopted wine as their beverage of choice, an aging population that favours the more sophisticated experience that wine offers, and the reported health benefits of moderate wine consumption. The Company has focused its product development and sales and marketing initiatives by capitalizing on the trend of increased wine consumption and expects to see continued sales growth. The Company will continue to closely monitor its costs and will react quickly to changes to risks and opportunities in the marketplace.

The Company will continue to launch wine and other craft alcohol brands in the future and increase its use of differentiated package formats. The Company will also expand product offerings outside the traditional table wine segment into other alcoholic beverages where it is able to leverage its detailed knowledge of growth opportunities in the Canadian market. The Company will also make packaging design changes that are more appealing to its target markets and are consistent with its initiative to be more environmentally friendly. Increased focus will be made on coordination between the Company's business-to-consumer trade channels to provide customers with a more intimate awareness of its broad product portfolio. New product launches and directed focus to support key brands through all of the Company's distribution channels will continue to receive increased marketing and sales support.

The Company expects to increase its investments in capital expenditures over the next five years to increase capacity, support its ongoing commitment to producing the highest-quality wines and spirits, and improve productivity. The Company also expects to invest additional funds in the next five years in vineyards and operations in Western Canada to support the three recent acquisitions. Improvements to enhance the coordination throughout its supply chain have been implemented recently and benefits have begun to accrue. Investments made over the past few years are expected to continue to result in increased sales and improved profitability.

The Company plans to dedicate further resources towards rectifying unfair trade barriers and taxes by continuing to work closely with other members of the Canadian wine industry and the Canadian and provincial governments.

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

Risks and Uncertainties

The Company's sales of wine and spirits are affected by general economic conditions such as changes in discretionary consumer spending and consumer confidence, future economic conditions, changes to Inter-Provincial trade laws, 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, distillery 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 incentives on subsidies. 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, are working with the Canadian government to improve support for the domestic industry.

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 products 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 products 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. APL 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.

APL expects to increase the sales of its 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 the Company's vineyards or the vineyards of our grape suppliers 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, a situation which could result in a decrease in production of certain products from those regions and/or result in an increase in costs. The inability to secure premium quality grapes could impair the ability of the Company to supply certain wines to its customers. APL 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 of bulk wine and concentrate that are primarily made in United States dollars, Euros, and Australian dollars. The Company's strategy is to hedge approximately 50% - 80% of its foreign exchange requirements throughout the fiscal year and to regularly review its on-going requirements. APL enters into a series of foreign exchange contracts as a hedge against movements in U.S. dollar, Euro, and Australian dollar exchange rates. The Company does not enter into foreign exchange contracts for trading or speculative purposes. These contracts are reviewed periodically. Based on the Company's forecasts for foreign currency purchases and the amount of foreign exchange forward contracts outstanding at March 31, 2018, each one percent change in the value of the U.S. dollar, Euro or the Australian dollar would impact the Company's net earnings by an estimated $0.2 million, $0.1 million and $0.1 million respectively.

The Company purchases glass, bag in box, tetra paks, and other components used in the bottling and packaging of wine and spirits. The largest component in the packaging of wine and spirits is glass, of which there are few domestic or international suppliers. There is currently only one commercial supplier of glass in Canada that is able to supply glass to APL's specifications. 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 inventory of selected bottles.

The Company operates in a highly regulated industry with requirements regarding the production, distribution, marketing, advertising, and labelling of wine and spirits. 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. Privatization of liquor distribution and retailing has been implemented in varying degrees across the country. The recent regulatory changes relating to privatization in Ontario and sales through grocery outlets remains a risk to the Company through its impact on the Company's retail operations.

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 revenues. 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 increase pricing to increase gross margin, and implement a higher level of promotion and advertising activity to remain competitive. APL and other wine industry participants also generally compete with other alcoholic beverages like beer and spirits for consumer acceptance, loyalty, and shelf space. Any legalization of recreational cannabis may also have an impact on consumption of wine and other beverage alcohol products. No assurance can be given that consumer demand for wine and premium wine products will continue at current levels in the future.

Federal and provincial governments impose excise, other taxes, and mark-ups on beverage alcohol products 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. 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, increased licensing fees, requirements, taxes, or mark-ups 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.

Increases in the minimum wage across Canada will also continue to negatively affect the profitability of the Company. It is estimated that increases in Ontario will increase selling and administrative expenses by approximately $3 million in the coming year.

The Company has certain defined benefit pension plans. The expense and cash contributions related to these plans depend on the discount rate used to measure the liability to pay future benefits and the market performance of the plan assets set aside to pay these benefits. The Company's Pension Committee reviews the performance of plan assets on a regular basis and has a policy to hold diversified investments. Nevertheless, a decline in long-term interest rates or in asset values could increase the Company's costs related to funding the deficit in these plans.

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. Although significant price discounting may occur in Canada beyond current levels, the Company believes that its product quality, advertising, and promotional support along with its competitive pricing strategies will effectively mitigate the impact of this to the Company.

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. APL 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 lessee 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. A perceived failure to maintain high ethical, social, and environmental standards could have an adverse effect on the Company's reputation.

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.

Non-IFRS Measures

The Company utilizes EBITA (defined as earnings before interest, amortization, net unrealized gains and losses on derivative financial instruments, other (income) expenses, and income taxes) and Adjusted EBITA (EBITA before non-recurring expenses such as acquisition transaction and transition costs) to measure its financial performance. EBITA and Adjusted EBITA are not recognized measures under IFRS; however, management believes that EBITA and Adjusted EBITA are useful supplemental measures to net earnings as these measures provide readers with an indication of earnings available for investment prior to debt service, capital expenditures, and income taxes, as well as provide an indication of recurring earnings compared to prior periods.

The Company calculates EBITA and Adjusted EBITA as follows.

For the three months and years ended March 31,	Three Months		Year	
(in $000)	**2018**	2017 [(1)]	**2018**	2017 [(1)]
Net earnings (loss)	**$ (1,691)**	$ 2,010	**$ 30,117**	$ 26,350
Add: Interest	**1,749**	813	**5,345**	3,078
Provision for income taxes	**1,411**	597	**10,937**	7,895
Amortization of plant and equipment used in production	**1,782**	1,763	**6,891**	6,549
Amortization of equipment and intangibles used in selling and administration	**1,826**	886	**4,812**	3,377
Net unrealized gains on derivative financial instruments	**(833)**	(189)	**(1,400)**	(2,232)
Other (income) expenses	**35**	(15)	**(3,842)**	120
EBITA	**$ 4,279**	$ 5,865	**$ 52,860**	$ 45,137
Acquisition transaction and transition costs	**363**	-	**1,393**	1,109
Fair value adjustment for acquired inventory sold during the period	**1,098**	-	**2,972**	-
Adjusted EBITA	**$ 5,740**	$ 5,865	**$ 57,225**	$ 46,246

[1] Adjusted EBITA figures have been restated to conform to the current year's presentation

Readers are cautioned that EBITA and Adjusted EBITA should not be construed as an alternative to net earnings determined in accordance with IFRS 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 also utilizes gross margin (defined as sales less cost of goods sold, excluding amortization) as calculated below.

For the three months and years ended March 31,	Three Months		Year	
(in $000)	**2018**	2017	**2018**	2017
Sales	**$ 79,817**	$ 72,295	**$ 363,897**	$ 342,606
Less: Cost of goods sold, excluding amortization	**47,006**	43,969	**213,572**	211,451
Gross margin	**$ 32,811**	$ 28,326	**$ 150,325**	$ 131,155
Gross margin (% of sales)	**41.1%**	39.2%	**41.3%**	38.3%

The Company calculates adjusted earnings and adjusted earnings per share as follows.

For the three months and years ended March 31,	Three Months		Year	
(in $000)	**2018**	2017 [(1)]	**2018**	2017 [(1)]
Net earnings (loss)	**$ (1,691)**	$ 2,010	**$ 30,117**	$ 26,350
Net unrealized gains on derivative financial instruments	**(833)**	(189)	**(1,400)**	(2,232)
Other expenses (income)	**35**	(15)	**(3,842)**	120
Acquisition transaction and transition costs	**363**	-	**1,393**	1,109
Fair value adjustment for acquired inventory sold during the period	**1,098**	-	**2,972**	-
Income tax effect of the above	**124**	53	**63**	261
Adjusted earnings (loss)	**$ (904)**	$ 1,859	**$ 29,303**	$ 25,608
Adjusted earnings (loss) per share – Class A	**$(0.02)**	$0.05	**$0.69**	$0.62
Adjusted earnings (loss) per share – Class B	**$(0.02)**	$0.04	**$0.60**	$0.54

[1] Adjusted earnings and Adjusted earnings per share figures have been restated to conform to the current year's presentation

The Company's method of calculating EBITA, Adjusted EBITA, gross margin, adjusted earnings, and adjusted earnings per share may differ from the methods used by other companies and accordingly, may not be comparable to the corresponding measures used by other companies.

Transactions with Related Parties

The Company is controlled by Jalger Limited, which owns 57.4% of the Company's Class B voting shares. No individual has sole voting power or control in respect of the shares of the Company owned by Jalger Limited.

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

For the year ended March 31, **(in $000)**	**2018**	**2017**
Compensation and short-term benefits	$ 3,848	$ 6,951
Post-employment benefits	296	302
Stock based compensation expense	1,422	-
Payments to a share purchase plan	-	381
	$ 5,566	$ 7,634

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

Financial Statements and Accounting Policies

The Company's consolidated financial statements have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB").

Critical Accounting Estimates

During the year management is required to make estimates and 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 could materially affect the Company's financial position or financial performance. The Company's significant accounting policies are discussed in the notes to the consolidated financial statements for the years ended March 31, 2018 and March 31, 2017. Critical estimates inherent in these accounting policies are set out below:

Business combinations

For each business combination, the Company measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values. The determination of fair value requires the Company to make assumptions, estimates, and judgments regarding future events. The allocation process is inherently subjective and impacts the amounts assigned to individual identifiable assets and liabilities, including the fair value of finished goods inventory, long-lived assets, the recognition and measurement of any identified intangible assets, and the final determination of the amount of goodwill or gain on acquisition. The inputs to the exercise of judgments include legal, contractual, business and economic factors. As a result, the purchase price allocation impacts the Company's reported assets and liabilities and future net earnings due to the impact on future cost of goods sold, amortization, and impairment tests.

Impairment of goodwill and indefinite life intangible assets

Testing goodwill for impairment at least annually involves estimating the recoverable amount of the cash generating units to which goodwill is allocated. This requires making assumptions about future cash flows, growth rates, and discount rates. Testing indefinite life intangible assets for impairment at least annually involves estimating the fair value using the relief of royalty method. This requires making assumptions about royalty rates, growth rates, and discount rates. These assumptions are inherently uncertain and as such, actual amounts may vary from these assumptions and cause significant adjustments. Management has concluded that a 10% change in any key assumption in the impairment tests would not result in an impairment of goodwill or indefinite life intangible assets as at March 31, 2018 and March 31, 2017.

Post-employment benefits

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

Fair value of grapes at the point of harvest

Where possible, the fair value of grapes at the point of harvest is determined by reference to local market prices for grapes of a similar quality and same varietal. For grapes for which local market prices are not readily available, the average price of similar grapes is used. Actual amounts may vary from these assumptions and cause significant adjustments.

Recently Adopted Accounting Policies

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred by the Company is measured as the fair value of assets transferred and equity instruments issued at the date of completion of the acquisition. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at fair value at the acquisition date. The excess of the consideration transferred over the fair value of the net assets acquired is recorded as goodwill. If the consideration transferred is less than the share of the net assets acquired, the difference is recognized directly in the consolidated statement of earnings as a gain on acquisition. Results of operations of a business acquired are included in the Company's consolidated financial statements from the date of the business acquisition. Acquisition costs incurred are expensed and included in selling and administrative expenses.

Share based compensation

The Company can grant stock options, performance share units (PSUs), and deferred share units (DSUs) to employees under its share based compensation plan. All share based compensation arrangements are equity-settled in Class A non-voting common shares.

Equity-settled share based payments to employees are measured at the fair value of the equity instrument granted. An option valuation model (Black-Scholes) is used to fair value stock options issued to employees on the date of grant.

The grant date fair value of equity-settled share based awards is recognized as compensation expense with a corresponding increase in equity reserves over the related service period provided to the Company. The total amount of expense recognized in profit or loss is determined by reference to the fair value of the options granted or share awards, which factors in the number of options expected to vest. Equity-settled share based payment transactions are not remeasured once the grant date fair value has been determined except in cases where the share based payment is linked to non-market performance conditions. Stock options vest in tranches (graded vesting) and accordingly, the expense is recognized in vesting tranches. PSUs vest in full at the end of the third fiscal year after the date of grant and accordingly, the expense is recognized evenly over the vesting period. DSUs vest immediately and accordingly, the expense is recognized in full at the date of grant.

Compensation expense is recognized over the applicable vesting period by increasing contributed surplus based on the number of awards expected to vest. At the end of each reporting period, the Company revises its estimates of the number of awards that are expected to vest based on the non-market performance vesting conditions. The Company recognizes the impact of the revision to original estimates, if any, in the consolidated statements of earnings, with a corresponding adjustment to contributed surplus.

Statement of cash flows

In January 2016, the IASB issued an amendment to IAS 7, Statement of Cash Flows, introducing additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments were effective for annual periods beginning on or after January 1, 2017. The new requirements were adopted effective April 1, 2017. The adoption of these amendments did not have a material impact on the consolidated financial statements.

Income taxes

In January 2016, the IASB issued amendments to IAS 12, Income Taxes to clarify the requirements for recognizing deferred tax assets on unrealized losses. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. They also clarify certain other aspects of accounting for deferred tax assets. The amendments were effective for annual periods beginning on or after January 1, 2017. The new requirements were adopted effective April 1, 2017. The adoption of these amendments did not have a material impact on the consolidated financial statements.

Recently Issued Accounting Pronouncements

During July 2014, the IASB issued the complete version of IFRS 9, Financial Instruments - Classification and Measurement of Financial Assets and Financial Liabilities. IFRS 9 will replace IAS 39, Financial Instruments - Recognition and Measurement. In addition, IFRS 7, Financial Instruments - Disclosures was amended to include additional disclosure requirements on transition to IFRS 9. The mandatory effective date of applying these standards is for annual periods beginning on or after January 1, 2018. The standard uses a single approach to determine whether a financial asset is measured at amortized cost or fair value. The approach is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used. The standard requires that for financial liabilities measured at fair value, any changes in an entity's own credit risk are generally to be presented in other comprehensive income instead of net earnings. A new hedge accounting model is included in the standard, as well as increased disclosure requirements about risk management activities for entities that apply hedge accounting. The adoption of these amendments is not expected to have a material impact on the consolidated financial statements.

During May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers, which supersedes IAS 18, Revenue, and IAS 11, Construction Contracts. The standard details a revised model for the recognition of revenue from contracts with customers. In April 2016, the IASB has amended IFRS 15 to clarify the guidance on identifying performance obligations, licenses of intellectual property, and principal versus agent. The amendments also provide additional practical expedients on transition. The standard is effective for first interim periods within annual periods beginning on or after January 1, 2018. During the year the Company carried out a detailed review of the current recognition criteria for revenue against the requirements of IFRS 15. This review closely examined its agency wine businesses, presentation of certain customer related trade spending and timing of recognition of certain promotional discounts. Based on preliminary work completed, the adoption of this standard is not expected to have a material impact on the consolidated financial statements.

In January 2016, the IASB issued IFRS 16, Leases, which will replace IAS 17, Leases and related Interpretations. The new standard will be effective for fiscal years beginning on or after January 1, 2019, with early adoption permitted provided the Company has adopted IFRS 15, Revenue from Contracts with Customers. The new standard requires lessees to recognize a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all leases contracts, and record it on the statement of financial position, except with respect to lease contracts that meet limited exception criteria. Given that the Company has significant contractual obligations in the form of operating leases under IAS 17, there will be a material increase to both assets and liabilities on adoption of IFRS 16, and material changes to the timing of recognition of expenses associated with the lease arrangements. The Company is analyzing the new standard to determine the impact of adopting this standard.

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

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 are recorded, processed, summarized and reported within the time periods specified. This information is gathered and reported to the Company's management, including the Chief Executive Office ("CEO") and Chief Financial Officer ("CFO") on a timely basis so that decisions can be made regarding the Company's disclosures to the public.

The Company's management, under the supervision of, and with the participation of the CEO and CFO, have designed and maintained 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".

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 presentation.

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 IFRS.

For the year ended March 31, 2018, there have been no material changes in the Company's internal controls over financial reporting or changes to disclosure controls and procedures that materially affected or were likely to affect, the Company's internal control systems. As at June 6, 2018, 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.

INDEPENDENT AUDITOR'S REPORT

June 6, 2018

Independent Auditor's Report

To the Shareholders of Andrew Peller Limited

We have audited the accompanying consolidated financial statements of Andrew Peller Limited and its subsidiaries, which comprise the consolidated balance sheets as at March 31, 2018 and 2017 and the consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Andrew Peller Limited and its subsidiaries as at March 31, 2018 and 2017 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Consolidated Balance Sheets
As at March 31, 2018 and 2017
(in thousands of Canadian dollars)

		2018		2017
Assets				
Current assets				
Accounts receivable (note 21)	$	**31,406**	$	26,973
Inventories (note 5)		**160,154**		129,088
Biological assets (note 7)		**1,901**		1,400
Prepaid expenses and other assets		**4,401**		3,106
Current portion of derivative financial instruments (note 21)		**152**		-
		198,014		160,567
Property, plant and equipment (note 6)		**188,191**		118,838
Intangible assets (note 8)		**17,733**		10,600
Goodwill (note 9)		**53,638**		37,473
Derivative financial instruments (note 21)		**204**		-
	$	**457,780**	$	327,478
Liabilities				
Current liabilities				
Bank indebtedness (note 10)	$	**47,324**	$	36,620
Accounts payable and accrued liabilities (note 11)		**33,404**		36,260
Dividends payable		**1,935**		1,690
Income taxes payable (note 14)		**2,775**		2,348
Current portion of derivative financial instruments (note 21)		**24**		418
Current portion of long-term debt (note 12)		**8,135**		4,406
		93,597		81,742
Long-term debt (note 12)		**116,257**		46,678
Long-term derivative financial instruments (note 21)		**-**		642
Post-employment benefit obligations (note 13)		**5,140**		5,279
Deferred income taxes (note 14)		**22,540**		15,820
		237,534		150,161
Shareholders' Equity				
Capital stock (note 15)		**26,097**		6,967
Contributed surplus (note 16)		**1,673**		-
Retained earnings		**196,713**		174,193
Accumulated other comprehensive loss		**(4,237)**		(3,843)
		220,246		177,317
	$	**457,780**	$	327,478

Director | Director

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

Consolidated Statements of Earnings
For the years ended March 31, 2018 and March 31, 2017
(in thousands of Canadian dollars, except per share amounts)

	2018	2017
Sales	$ **363,897**	$ 342,606
Cost of goods sold, excluding amortization (note 17)	**213,572**	211,451
Amortization of plant and equipment used in production	**6,891**	6,549
Gross profit	**143,434**	124,606
Selling and administration (note 17)	**97,465**	86,018
Amortization of equipment and intangible assets used in selling and administration	**4,812**	3,377
Interest	**5,345**	3,078
Net unrealized gain on derivative financial instruments (note 21)	**(1,400)**	(2,232)
Other (income) expense (note 17)	**(3,842)**	120
Earnings before income taxes	**41,054**	34,245
Provision for (recovery of) income taxes (note 14)		
Current	**11,797**	7,664
Deferred	**(860)**	231
	10,937	7,895
Net earnings for the year	$ **30,117**	$ 26,350
Net earnings per share (notes 15 and 18)		
Basic and diluted		
Class A shares	$ **0.71**	$ 0.64
Class B shares	$ **0.62**	$ 0.55

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

Consolidated Statements of Comprehensive Income
For the years ended March 31, 2018 and March 2017
(in thousands of Canadian dollars)

		2018		2017
Net earnings for the year	$	**30,117**	$	26,350
Items that are never reclassified to net earnings				
Net actuarial losses on post-employment benefit plans (note 13)		**(533)**		(9)
Deferred income taxes (note 14)		**139**		2
Other comprehensive loss for the year		**(394)**		(7)
Net comprehensive income for the year	$	**29,723**	$	26,343

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

Consolidated Statements of Changes in Equity
For the years ended March 31, 2018 and March 31, 2017
(in thousands of Canadian dollars)

	Capital stock	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total shareholders' equity
Balance at April 1, 2016	$ 6,967	$ -	$ 154,605	$ (3,836)	$ 157,736
Net earnings for the year	-	-	26,350	-	26,350
Net actuarial losses (net of $2 deferred tax recovery) (note 13)	-	-	-	(7)	(7)
Net comprehensive income for the year	-	-	26,350	(7)	26,343
Dividends (Class A $0.163 per share, Class B $0.142 per share)	-	-	(6,762)	-	(6,762)
Balance at March 31, 2017	$ 6,967	$ -	$ 174,193	$ (3,843)	$ 177,317
Balance at April 1, 2017	$ 6,967	$ -	$ 174,193	$ (3,843)	$ 177,317
Net earnings for the year	-	-	30,117	-	30,117
Net actuarial losses (net of $139 deferred tax recovery) (note 13)	-	-	-	(394)	(394)
Net comprehensive income for the year	-	-	30,117	(394)	29,723
Issuance of Class A non-voting shares (note 4)	19,130	-	-	-	19,130
Share based compensation (note 16)	-	1,673	-	-	1,673
Dividends (Class A $0.180 per share, Class B $0.156 per share)	-	-	(7,597)	-	(7,597)
Balance at March 31, 2018	$ 26,097	$ 1,673	$ 196,713	$ (4,237)	$ 220,246

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

Consolidated Statements of Cash Flows
For the years ended March 31, 2018 and March 31, 2017
(in thousands of Canadian dollars)

	2018	2017
Cash provided by (used in)		
Operating activities		
Net earnings for the year	$ **30,117**	$ 26,350
Adjustments for non-cash items		
Gain on acquisition of subsidiary	**(4,164)**	-
Loss (gain) on disposal of property, plant and equipment	**181**	(174)
Amortization of plant, equipment and intangible assets	**11,703**	9,926
Interest expense	**5,345**	3,078
Provision for income taxes	**10,937**	7,895
Net unrealized gain on derivative financial instruments	**(1,400)**	(2,232)
Share based compensation expense	**1,673**	-
Post-employment benefits	**(672)**	(677)
Deferred income	-	(102)
Interest paid	**(4,600)**	(3,101)
Income taxes paid	**(11,484)**	(7,741)
	37,636	33,222
Change in non-cash working capital items related to operations (note 20)	**(15,889)**	(7,658)
	21,747	25,564
Investing activities		
Acquisition of subsidiaries, net of cash acquired	**(77,438)**	-
Proceeds from disposal of property, plant and equipment	-	175
Purchase of property, plant and equipment	**(19,996)**	(19,836)
Purchase of intangible assets	**(378)**	(822)
	(97,812)	(20,483)
Financing activities		
Increase in bank indebtedness	**10,642**	2,919
Drawings of long-term debt	**79,000**	3,000
Repayment of long-term debt	**(5,003)**	(4,181)
Deferred financing costs	**(1,222)**	(194)
Dividends paid	**(7,352)**	(6,625)
	76,065	(5,081)
Cash - Beginning and end of year	$ -	$ -
Supplementary information		
Property, plant and equipment and intangible assets acquired that were unpaid in cash and included in accounts payable and accrued liabilities	$ **384**	$ 1,196

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

1 Nature of operations

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

2 Summary of significant accounting policies

Basis of presentation

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

These consolidated financial statements were approved by the Board of Directors for issue on June 6, 2018.

Basis of measurement

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

Basis of consolidation

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

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred by the Company is measured as the fair value of assets transferred and equity instruments issued at the date of completion of the acquisition. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at fair value at the acquisition date. The excess of the consideration transferred over the fair value of the net assets acquired is recorded as goodwill. If the consideration transferred is less than the net assets acquired, the difference is recognized directly in the consolidated statements of earnings as a gain on acquisition. Results of operations of a business acquired are included in the Company's consolidated financial statements from the date of the business acquisition. Acquisition costs incurred are expensed and included in selling and administrative expenses.

Foreign currency translation

The consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than the Company's functional currency are recognized in the consolidated statements of earnings.

Revenue

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

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

Cost of goods sold

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

Inventories

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

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

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

Property, plant and equipment

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

Buildings	40 years
Vines and vineyard infrastructure	20 years
Machinery and equipment	5 to 20 years

Land is carried at cost and is not amortized.

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

Biological assets

The Company measures biological assets, consisting of grapes grown on vineyards controlled by the Company, at cost, which approximates fair value as there has been minimal biological transformation since the initial cost incurred. The initial costs incurred are comprised of direct expenditures required to enable the biological transformation of agricultural produce.

At the point of harvest, the fair value of biological assets is determined by reference to local market prices for grapes of a similar quality and the same varietal. At this point, agricultural produce is measured at fair value less cost to sell, which becomes the basis for the cost of inventories after harvest.

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

Intangible assets

Intangible assets include brands, customer contracts, customer lists, contract co-packaging arrangements, software and customer-based relationships. These intangible assets are recorded at their estimated fair value on the date of acquisition or at cost for regular way purchases.

	Amortization method	Useful life	Remaining useful life
Brands	n/a	indefinite	indefinite
Customers	straight-line	10 - 20 years	3 - 16 years
Contract packaging	straight-line	10 years	1 year
Software	straight-line	5 years	3 - 5 years
Other	straight-line	5 years	1 year

Brands have been assessed as having an indefinite life because the expected usage, period of control and other factors do not limit the life of these assets. Intangible assets with an indefinite life are not amortized but are tested for impairment at least annually or more frequently if events or circumstances indicate the asset might be impaired. To test for impairment the Company primarily compares the amount of royalty the Company would have to pay in an arm's length licensing arrangement to secure access to the same rights to its carrying value. If necessary, the fair value is also considered. An impairment charge is recorded to the extent the carrying value exceeds the fair value. Management has determined there was no impairment in intangible assets for the years ended March 31, 2018 and 2017.

Goodwill

Goodwill represents the cost of a business combination in excess of the fair values of the net tangible and identifiable intangible assets acquired. Goodwill is not amortized but is tested for impairment on an annual basis, or more frequently if circumstances indicate goodwill may be impaired. The Company assigns goodwill combined with other assets to a cash generating unit (CGU) based on certain regions and product lines, which is the lowest level at which the combined assets generate independent cash inflows. To test for impairment the Company primarily compares a CGU's value in use, determined based on expected future discounted cash flows, to its carrying value. If necessary, a CGU's fair value is also considered. An impairment charge is recorded to the extent the carrying value of a CGU exceeds the greater of the CGU's fair value and its value in use. An impairment loss in respect of goodwill cannot be reversed. Management has determined there is no impairment in goodwill for the years ended March 31, 2018 and 2017.

Post-employment benefits

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

Deferred income

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

Financial instruments and hedge accounting

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

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

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

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

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

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

Leases

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

Impairment of non-financial assets

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

Net earnings per share

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

Dividends

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

Segmented information

The Company produces and markets wine and spirits products in Canada. A significant portion of the Company's sales are made to the liquor control boards in each province in which the Company transacts business. Management has concluded that the chief operating decision maker allocates resources and assesses performance of the Company on a consolidated basis. Furthermore, 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, substantially all of the Company's sales are made in Canada. As a result, management has concluded the Company operates in one geographic segment.

Income taxes

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

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

Contingencies

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims. Management believes 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 the ultimate resolution of such contingencies would not have a material adverse effect on the financial position of the Company.

Comprehensive income

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

Equity

The Company separately presents changes in equity related to capital stock, contributed surplus, retained earnings and accumulated other comprehensive loss in the consolidated statements of changes in equity.

Share based compensation

The Company grants stock options, performance share units (PSUs) and deferred share units (DSUs) to employees and directors under its share based compensation plan. All share based compensation arrangements are equity-settled in Class A non-voting common shares.

Equity-settled share based payments to employees are measured at the fair value of the equity instrument granted. An option valuation model (Black-Scholes) is used to fair value stock options issued to employees on the date of grant.

The grant date fair value of equity-settled share based awards is recognized as compensation expense with a corresponding increase in equity reserves over the related service period provided to the Company. The total amount of expense recognized in profit or loss is determined by reference to the fair value of the options granted or share awards, which factors in the number of options expected to vest. Equity-settled share based payment transactions are not remeasured once the grant date fair value has been determined, except in cases where the share based payment is linked to non-market performance conditions. Stock options vest in tranches (graded vesting) and accordingly, the expense is recognized in vesting tranches. PSUs vest in full at the end of the third fiscal year after the date of grant and accordingly, the expense is recognized evenly over the vesting period. DSUs vest immediately and accordingly, the expense is recognized in full at the date of grant.

Compensation expense is recognized over the applicable vesting period by increasing contributed surplus based on the number of awards expected to vest. At the end of each reporting period, the Company revises its estimates of the number of awards that are expected to vest based on the non-market performance vesting conditions. The Company recognizes the impact of the revision to original estimates, if any, in the consolidated statements of earnings, with a corresponding adjustment to contributed surplus.

Recently adopted accounting pronouncements

In January 2016, the IASB issued an amendment to IAS 7, Statement of Cash Flows, introducing additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments are effective for annual periods beginning on or after January 1, 2017. The adoption of these amendments did not have a material impact on the consolidated financial statements.

In January 2016, the IASB issued amendments to IAS 12, Income Taxes, to clarify the requirements for recognizing deferred tax assets on unrealized losses. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. They also clarify certain other aspects of accounting for deferred tax assets. The amendments are effective for annual periods beginning on or after January 1, 2017. The adoption of these amendments did not have a material impact on the consolidated financial statements.

Recently issued accounting pronouncements

During July 2014, the IASB issued the complete version of IFRS 9, Financial Instruments - Classification and Measurement of Financial Assets and Financial Liabilities. IFRS 9 will replace IAS 39, Financial Instruments - Recognition and Measurement. In addition, IFRS 7, Financial Instruments - Disclosures, was amended to include additional disclosure requirements on transition to IFRS 9. The mandatory effective date of applying these standards is for annual periods beginning on or after January 1, 2018. The standard uses a single approach to determine whether a financial asset is measured at amortized cost or fair value. The approach is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used. The standard requires that for financial liabilities measured at fair value, any changes in an entity's own credit risk are generally to be presented in other comprehensive income instead of net earnings. A new hedge accounting model is included in the standard, as well as increased disclosure requirements about risk management activities for entities that apply hedge accounting. The adoption of these amendments is not expected to have a material impact on the consolidated financial statements.

During May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers, which supersedes IAS 18, Revenue, and IAS 11, Construction Contracts. The standard details a revised model for the recognition of revenue from contracts with customers. In April 2016, the IASB amended IFRS 15 to clarify the guidance on identifying performance obligations, licences of intellectual property and principal versus agent. The amendments also provide additional practical expedients on transition. The standard is effective for first interim periods within annual periods beginning on or after January 1, 2018. During the year, the Company carried out a detailed review of the current recognition criteria for revenue against the requirements of IFRS 15. This review closely examined its agency wine businesses, presentation of certain customer related trade spending and timing of recognition of certain promotional discounts. Based on preliminary work completed, the adoption of this standard is not expected to have a material impact on the consolidated financial statements.

In January 2016, the IASB issued IFRS 16, Leases, which will replace IAS 17, Leases and related interpretations. The new standard will be effective for fiscal years beginning on or after January 1, 2019, with early adoption permitted provided the Company has adopted IFRS 15, Revenue from Contracts with Customers. The new standard requires lessees to recognize a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all leases contracts, and record it on the consolidated statement of financial position, except with respect to lease contracts that meet limited exception criteria. Given that the Company has significant contractual obligations in the form of operating leases under IAS 17, there will be a material increase to both assets and liabilities on adoption of IFRS 16, and material changes to the timing of recognition of expenses associated with the lease arrangements. The Company is analyzing the new standard to determine the impact of adopting this standard.

3 Critical accounting estimates and judgments

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

Business combinations

For each business combination, the Company measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values. The determination of fair value requires the Company to make assumptions, estimates and judgments regarding future events. The allocation process is inherently subjective and impacts the amounts assigned to individual identifiable assets and liabilities, including the fair value of finished goods inventory, long-lived assets, the recognition and measurement of any identified intangible assets and the final determination of the amount of goodwill or gain on acquisition. The inputs to the exercise of judgments include legal, contractual, business and economic factors. As a result, the purchase price allocation impacts the Company's reported assets and liabilities and future net earnings due to the impact on future cost of goods sold, amortization and impairment tests.

Impairment of goodwill and indefinite life intangible assets

Testing goodwill for impairment at least annually involves estimating the recoverable amount of the CGUs to which goodwill is allocated. This requires making assumptions about future cash flows, growth rates and discount rates. Testing indefinite life intangible assets for impairment at least annually involves estimating the fair value using the relief of royalty method. This requires making assumptions about royalty rates, growth rates and discount rates. These assumptions are inherently uncertain and as such, actual amounts may vary from these assumptions and cause significant adjustments. Management has concluded that a 10% change in any key assumption in the impairment tests would not result in an impairment of goodwill or indefinite life intangible assets as at March 31, 2018 and 2017.

Post-employment benefits

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

Fair value of grapes at the point of harvest

Where possible, the fair value of grapes at the point of harvest is determined by reference to local market prices for grapes of a similar quality and same varietal. For grapes for which local market prices are not readily available, the average price of similar grapes is used. Actual amounts may vary from these assumptions and cause significant adjustments.

4 Acquisitions

During the year, the Company made the following acquisitions:

- On October 1, 2017, the Company acquired 100% of the common shares of Gray Monk Cellars Ltd. (Gray Monk) and certain operating assets held by related parties for consideration of $36,384, of which $17,254 was funded in cash and $19,130 was funded by the issuance of 1,579,670 Class A non-voting common shares. Gray Monk generates annual revenue of approximately $11,000 and employs approximately 50 people. The results of operations from October 1, 2017 have been included in these consolidated financial statements. Since the date of acquisition, Gray Monk has generated revenue of $4,951 and net income of $1,069.

- On October 1, 2017, the Company acquired 100% of the common and preferred shares of Tinhorn Creek Vineyards Ltd. (Tinhorn) for cash consideration of $28,880. Tinhorn generates annual revenue of approximately $7,000 and employs approximately 50 people. The results of operations from October 1, 2017 have been included in these consolidated financial statements. Since the date of acquisition, Tinhorn has generated revenue of $3,191 and has incurred a net loss of $376.

- On October 10, 2017, the Company acquired 100% of the operating assets of Black Hills Estate Winery (Black Hills) for cash consideration of $31,328. Black Hills generates annual revenue of approximately $6,000 and employs approximately 20 people. The results of operations from October 10, 2017 have been included in these consolidated financial statements. Since the date of acquisition, Black Hills has generated revenue of $544 and has incurred a net loss of $266.

These acquisitions have been accounted for as business combinations.

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

	Gray Monk Cellars Ltd.	Tinhorn Creek Vineyards Ltd.	Black Hills Estate Winery	Total
Assets acquired				
Cash	$ 24	$ -	$ -	$ 24
Receivables	934	468	-	1,402
Inventories	11,882	7,977	3,619	23,478
Current portion of biological assets	312	-	-	312
Prepaid expenses and other assets	71	107	12	190
	13,223	8,552	3,631	25,406
Property, plant and equipment	20,356	27,459	13,036	60,851
Intangible assets - brand	2,440	1,439	2,560	6,439
Intangible assets - customer lists	-	-	1,680	1,680
Goodwill	5,190	-	10,975	16,165
	41,209	37,450	31,882	110,541
Liabilities assumed				
Debt	-	62	-	62
Accounts payable and accrued liabilities	1,358	532	-	1,890
Income taxes payable	114	-	-	114
Deferred income taxes	3,353	3,812	554	7,719
	4,825	4,406	554	9,785
Net assets acquired	36,384	33,044	31,328	100,756
Total purchase consideration	36,384	28,880	31,328	96,592
Gain on acquisition	$ -	$ 4,164	$ -	$ 4,164

Recognized goodwill reflects the value assigned to expected future synergies and an assembled workforce within the companies. The gain on acquisition relating to the purchase of Tinhorn was a result of the limited number of market participants with the resources to acquire the assets and business of this scale. The gain on acquisition has been recorded as other income (expense) in the consolidated statements of earnings.

5 Inventories

		2018		2017
Packaging materials and supplies	$	8,177	$	9,627
Bulk wine and spirits		85,780		70,806
Finished goods		66,197		48,655
	$	160,154	$	129,088
Interest included in the cost of inventories	$	644	$	566

Inventory writedowns recognized as an expense amounted to $1,306 (2017 - $1,906).

The cost of inventories recognized as an expense and included in cost of goods sold, excluding amortization, was $212,266 (2017 - $209,545).

6 Property, plant and equipment

		Land		Vines, vineyard land and infrastructure		Buildings		Machinery and equipment		Total
At March 31, 2016										
Cost	$	4,816	$	40,374	$	45,343	$	116,585	$	207,118
Accumulated amortization		-		(8,069)		(18,066)		(72,054)		(98,189)
Net carrying amount		4,816		32,305		27,277		44,531		108,929
Year ended March 31, 2017										
Additions		-		573		9,777		8,213		18,563
Disposals		-		-		-		(1)		(1)
Amortization		-		(1,329)		(1,227)		(6,097)		(8,653)
Closing net carrying amount	$	4,816	$	31,549	$	35,827	$	46,646	$	118,838
At March 31, 2017										
Cost	$	4,816	$	40,947	$	55,120	$	122,325	$	223,208
Accumulated amortization		-		(9,398)		(19,293)		(75,679)		(104,370)
Net carrying amount		4,816		31,549		35,827		46,646		118,838
Year ended March 31, 2018										
Additions		-		395		2,771		16,012		19,178
Additions from acquisition (note 4)		30,988		6,119		21,705		2,039		60,851
Disposals		-		(72)		-		(109)		(181)
Amortization		-		(1,814)		(1,838)		(6,843)		(10,495)
Closing net carrying amount	$	35,804	$	36,177	$	58,465	$	57,745	$	188,191
At March 31, 2018										
Cost	$	35,804	$	47,373	$	79,596	$	139,285	$	302,058
Accumulated amortization		-		(11,196)		(21,131)		(81,540)		(113,867)
Net carrying amount	$	35,804	$	36,177	$	58,465	$	57,745	$	188,191

Included in buildings and machinery and equipment are assets amounting to $1,562 (2017 - $12,378) that are under development and are not being amortized.

Contractual commitments to purchase property, plant and equipment were $12,272 as at March 31, 2018 (2017 - $2,890).

7 Biological assets

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

During the year ended March 31, 2018, the Company harvested grapes valued at $7,150 (2017 - $6,238).

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

		2018		**2017**
Carrying amount - Beginning of year	$	1,400	$	1,196
Acquisitions (note 4)		312		-
Net increase in fair value less costs to sell due to biological transformation		7,339		6,442
Transferred to inventory on harvest		(7,150)		(6,238)
Net gain		501		204
Biological assets	$	1,901	$	1,400

The Company is exposed to financial risk because of the long period of time between the cash outflow required to plant grape vines, cultivate vineyards, and harvest grapes and the cash inflow from selling wine and related products from the harvested grapes.

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

8 Intangible assets

	Brands - indefinite life	Customers	Contract packaging	Software	Other	Total
At March 31, 2016						
Cost	$ 4,175	$ 11,147	$ 1,100	$ 2,133	$ 1,917	$ 20,472
Accumulated amortization and impairment	(200)	(5,821)	(863)	(897)	(1,651)	(9,432)
Net carrying amount	3,975	5,326	237	1,236	266	11,040
Year ended March 31, 2017						
Additions	-	-	-	833	-	833
Amortization	-	(647)	(110)	(384)	(132)	(1,273)
Closing net carrying amount	$ 3,975	$ 4,679	$ 127	$ 1,685	$ 134	$ 10,600
At March 31, 2017						
Cost	$ 4,175	$ 11,147	$ 1,100	$ 2,966	$ 1,917	$ 21,305
Accumulated amortization and impairment	(200)	(6,468)	(973)	(1,281)	(1,783)	(10,705)
Net carrying amount	3,975	4,679	127	1,685	134	10,600
Year ended March 31, 2018						
Additions	-	-	-	384	-	384
Additions from acquisitions (note 4)	6,439	1,680	-	-	-	8,119
Amortization	-	(734)	(110)	(493)	(33)	(1,370)
Closing net carrying amount	$ 10,414	$ 5,625	$ 17	$ 1,576	$ 101	$ 17,733
At March 31, 2018						
Cost	$ 10,614	$ 12,827	$ 1,100	$ 3,350	$ 1,917	$ 29,808
Accumulated amortization and impairment	(200)	(7,202)	(1,083)	(1,774)	(1,816)	(12,075)
Net carrying amount	$ 10,414	$ 5,625	$ 17	$ 1,576	$ 101	$ 17,733

9 Goodwill

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

	2018	2017
Ontario and eastern Canadian wine	$ 3,134	$ 3,134
Western Canadian wine	26,695	10,530
Personal winemaking products	23,809	23,809
	$ 53,638	$ 37,473

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

	2018	2017
Pre-tax discount rate	12%	11%
Period of projected cash flows	5 years	5 years
Growth rate beyond period of projected cash flows	3%	3%

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

10 Bank indebtedness

Significant terms of the Company's operating loan facility are summarized below. The floating rates are stated in relation to the one to six-month Canadian Dealer Offered Rate (CDOR).

	2018	2017
Bank indebtedness	$ 47,324	$ 36,620
Significant terms		
Committed until	September 29, 2022	July 31, 2021
Borrowing limit	$90,000	$90,000
Interest rate	CDOR + 1.90%	CDOR + 1.25%
Unused amount	$42,676	$53,380

11 Accounts payable and accrued liabilities

	2018	2017
Trade payables	$ 22,211	$ 23,725
Accrued liabilities	10,796	12,045
Deferred revenue - gift cards	397	380
Foreign exchange forward contracts liability (note 21)	-	8
Deferred income	-	102
	$ 33,404	$ 36,260

12 Long-term debt

		2018		2017
Revolving, amortizing loan - Investment facility	$	125,255	$	-
Term loan - Operating facility		-		48,333
Term loan - Capital facility		-		2,925
Other		212		319
		125,467		51,577
Less: Financing costs		1,075		493
		124,392		51,084
Less: Current portion		8,135		4,406
	$	116,257	$	46,678

On September 29, 2017, the Company amended and restated its debt facilities. Amendments include a revised maturity date of September 29, 2022, revised financial covenants and updated applicable margins based on the Company's leverage. Additionally, the total borrowing limit was increased to $310,000 and separated into two facilities: a revolving, non-amortizing facility with a borrowing limit of $90,000 to be used for day-to-day operations, distributions and capital expenditures and a revolving, amortizing investment facility with a borrowing limit of $220,000 to be used for acquisitions or capital expenditures. Each draw on the investment facility is subject to a new amortization schedule and required annual repayments increase over the term of the loan. The initial draw on the investment facility was used to refinance the previous operating and capital term loans and to fund acquisitions. Monthly principal repayments of $535 are required on the revolving, amortizing investment facility based on the initial draw until September 30, 2018. Thereafter, monthly principal repayments of $803 are required. As at March 31, 2018, the applicable margin was 1.90% (2017 - 1.25%).

Unamortized financing costs relating to the refinanced facilities of $435 as at September 29, 2017 were expensed to interest expense in the consolidated statements of earnings. Financing costs of $1,222 were incurred to amend the debt facilities and these costs will be amortized over the new term of the loan.

On October 31, 2017, the Company terminated its existing swap agreements and entered into a new swap agreement to fix the interest rate on the balance outstanding on the investment facility. Until September 29, 2022, the interest rate is fixed at 2.25%, plus the applicable margin.

The Company and its subsidiaries have provided their assets as security for these loans.

Interest expense on long-term debt during the year was $3,227 (2017 - $1,858).

13 Post-employment benefits

Defined contribution plans

The total expenses for the defined contribution savings plans were $1,630 (2017 - $1,519).

Defined benefit plans

The Company has funded defined benefit pension plans. The Company also has an unfunded post-retirement medical benefits plan for certain employees and provides a monthly wine allowance to retired employees, which are collectively referred to as other post-employment benefits.

Nature

The Company's defined benefit pension plans pay benefits based on a percentage of final average salary. There are two defined benefit pension plans in British Columbia with members who continue to accrue benefits. New employees are no longer entitled to accrue benefits under these defined benefit pension plans. There is one defined benefit pension plan in Ontario and no further benefits accrue to the members of this plan. All members of the defined benefit pension plan in Ontario have retired. The Company is responsible for administering these pension plans and determining investment policies. A committee of the Company's Board of Directors is responsible for overseeing the Company's defined benefit pension plans.

Regulatory information

The defined benefit pension plans are governed by the Pension Benefits Standards Act in British Columbia and the Pension Benefits Act in Ontario. An appointed actuary prepares a valuation at least every three years for each of the plans. These valuations determine the Company's minimum contributions. The minimum contributions are primarily based on the normal going concern cost, the funding deficit amortized over 15 years, and the solvency deficit amortized over five years. The solvency deficit is calculated assuming the plan is wound up on the effective date of the valuation. Contributions could be reduced in certain instances via a funding holiday if requirements of the relevant regulations are met, which normally requires the plan to have a surplus above certain threshold levels.

Risks

The defined benefit plan's assets are invested in mutual funds. The investment mix for each plan is chosen with the objective that sufficient assets will be available to pay benefits as they come due and to achieve a reasonable return at an acceptable level of risk to stakeholders. The defined benefit plans subject the Company to market, interest rate, currency, price, credit, liquidity and longevity risks, which are typical of such plans. The most significant of these risks is that the expense and cash contributions related to these plans depend on the discount rate used to measure the liability to pay future benefits and the market performance of the plan's assets set aside to pay these benefits. A decline in long-term interest rates or in asset values could increase the Company's costs related to funding the deficit in these plans.

Amounts pertaining to defined benefit plans are as follows:

				2018		
		Pension benefits		Other post-employment benefits		Total
Plan assets						
Fair value - Beginning of year	$	22,320	$	-	$	22,320
Return on plan assets excluding amounts in interest income		(650)		-		(650)
Interest income		805		-		805
Company's contributions		1,398		91		1,489
Benefits paid		(1,346)		(91)		(1,437)
Fair value - End of year	$	22,527	$	-	$	22,527
Plan obligations						
Accrued benefit obligations - Beginning of year	$	24,889	$	2,710	$	27,599
Total current service cost		559		72		631
Interest cost		892		99		991
Benefits paid		(1,346)		(91)		(1,437)
Remeasurements						
Experience gain		(566)		(33)		(599)
Loss from change in demographic assumptions		147		9		156
Loss (gain) from change in financial assumptions		358		(32)		326
Accrued benefit obligations - End of year	$	24,933	$	2,734	$	27,667
Post-employment benefit obligations	$	2,406	$	2,734	$	5,140

				2018		
		Pension benefits		Other post-employment benefits		Total
Benefit plan expense						
Current service cost	$	559	$	72	$	631
Net interest cost on defined benefit liability		87		99		186
Net benefit plan expense	$	646	$	171	$	817
Amount recognized in other comprehensive loss						
Net actuarial (loss) gain	$	(589)	$	56	$	(533)
Expected contributions for the year ending March 31, 2019	$	1,362	$	128	$	1,490
Weighted average duration of the defined benefit obligations in years		13.1		10.4		12.8

	Pension benefits	Other post-employment benefits	Total
			2017
Plan assets			
Fair value - Beginning of year	$ 20,966	$ -	$ 20,966
Return on plan assets excluding amounts in interest income	177	-	177
Interest income	804	-	804
Company's contributions	1,397	109	1,506
Benefits paid	(1,024)	(109)	(1,133)
Fair value - End of year	$ 22,320	$ -	$ 22,320
Plan obligations			
Accrued benefit obligations - Beginning of year	$ 24,084	$ 2,829	$ 26,913
Total current service cost	520	88	608
Interest cost	916	109	1,025
Benefits paid	(1,024)	(109)	(1,133)
Remeasurements			
Experience loss (gain)	76	(231)	(155)
Loss from change in financial assumptions	317	24	341
Accrued benefit obligations - End of year	$ 24,889	$ 2,710	$ 27,599
Post-employment benefit obligations	$ 2,569	$ 2,710	$ 5,279

	Pension benefits	Other post-employment benefits	Total
			2017
Benefit plan expense			
Current service cost	$ 520	$ 88	$ 608
Net interest cost on defined benefit liability	112	109	221
Net benefit plan expense	$ 632	$ 197	$ 829
Amount recognized in other comprehensive loss			
Net actuarial (loss) gain	$ (216)	$ 207	$ (9)
Expected contributions for the year ending March 31, 2018	$ 1,357	$ 122	$ 1,479
Weighted average duration of the defined benefit obligations in years	14.7	11.1	12.7

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

	2018	2017
Discount rate for expenses	3.6%	3.8%
Discount rate for obligations	3.5%	3.6%
Rate of compensation increase	2.5%	2.5%
Rate of medical cost increases	5.0%	5.0%
Retirement age	60 - 65 years	60 - 65 years
Inflation rate	2.0%	2.0%
Mortality tables	MI-2017	CPM-B 2014 Private table

The following table outlines the impact of a reasonable change in significant assumptions assuming all other assumptions are held constant. Changes in numerous assumptions may occur at the same time, which could increase or decrease the impact. With respect to a 1% increase or decrease in the inflation rate, the analysis excludes any impact this would have on the discount rate, medical cost trend rates and the rate of compensation increase.

	2018		2017	
	Pension benefits	Other post-employment benefits	Pension benefits	Other post-employment benefits
Increase (decrease) in the post-employment benefit obligations				
1% increase in the discount rate	$ (2,928)	$ (267)	$ (3,301)	$ (263)
1% decrease in the discount rate	3,583	301	4,023	339
1% increase in the rate of compensation increase	667	5	952	10
1% decrease in the rate of compensation increase	(604)	(5)	(840)	(9)
1% increase in the inflation rate	360	-	365	-
1% decrease in the inflation rate	(326)	-	(329)	-

At March 31, 2018, the accumulated actuarial losses recognized in other comprehensive loss were $5,725 (2017 - $5,192).

Plan assets

The plan assets consist of the following:

	2018		2017	
Mutual funds				
Fixed income	$ 16,177	72%	$ 16,094	72%
Equity	6,350	28	6,226	28
	$ 22,527	100%	$ 22,320	100%

14 Income taxes

	2018	2017
Current tax on earnings for the year	$ 11,797	$ 9,220
Adjustments in respect of prior years	-	(1,556)
Provision for current income taxes	11,797	7,664
Change in temporary differences	(714)	72
Impact of change in tax rate	(1)	14
Other	(145)	145
Provision for (recovery of) deferred income taxes	(860)	231
Total provision for income taxes	$ 10,937	$ 7,895

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

	2018	2017
Provision for income taxes at blended statutory rate of 26.05% (2017 - 25.98%)	$ 10,696	$ 8,897
Permanent differences and non-deductible items	(741)	346
Deferred tax liability required for purchased assets	228	-
Future tax rate differential	185	-
Future income tax rate changes	(1)	14
Refunds relating to prior years	-	(1,357)
Other	570	(5)
	$ 10,937	$ 7,895

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

	2018	2017
At beginning of year	$ 15,820	$ 15,591
Deferred tax liability recognized on acquired assets (note 4)	7,719	-
Provision for (recovery of) deferred income taxes in net earnings	(860)	231
Recovery of deferred income taxes in other comprehensive loss	(139)	(2)
At end of year	$ 22,540	$ 15,820

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

Deferred income tax liability

	Accelerated tax depreciation and deductions on property, plant and equipment	Accelerated tax deductions on intangible assets	Tax deductions on inventory	Tax deductions on goodwill	Total
March 31, 2016	$ 12,681	$ 2,287	$ -	$ 3,171	$ 18,139
(Recovery) provision in net earnings	(27)	(375)	-	-	(402)
March 31, 2017	12,654	1,912	-	3,171	17,737
Deferred tax liability recognized on acquisition of assets	1,826	2,054	3,891	(52)	7,719
(Recovery) provision in net earnings	1,884	(2,019)	(1,872)	659	(1,348)
March 31, 2018	$ 16,364	$ 1,947	$ 2,019	$ 3,778	$ 24,108

Deferred income tax asset

	Fair value change on derivatives	Post-employment benefits	Other	Total
March 31, 2016	$ (862)	$ (1,554)	$ (132)	$ (2,548)
(Recovery) provision in net earnings	583	175	(125)	633
Recovery in other comprehensive loss	-	(2)	-	(2)
March 31, 2017	(279)	(1,381)	(257)	(1,917)
(Recovery) provision in net earnings	366	175	(53)	488
Recovery in other comprehensive loss	-	(139)	-	(139)
March 31, 2018	$ 87	$ (1,345)	$ (310)	$ (1,568)

15 Capital stock

Authorized

Unlimited preference shares
Unlimited Class A shares, non-voting
Unlimited Class B shares, voting

Issued

	2018			2017		
	Number of shares		**Amount**	**Number of shares**		**Amount**
Class A shares, non-voting	35,471,185	$	25,711	33,581,487	$	6,567
Class B shares, voting	8,702,095		386	9,012,123		400
	44,173,280	$	26,097	42,593,610	$	6,967

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

Class A shares are non-voting and are entitled to a dividend in an amount equal to 115% of any dividend paid or declared on Class B shares. Class B shares are voting and convertible into Class A shares on a one-for-one basis. In March 2018, 310,028 Class B shares were converted into Class A shares on a one-for-one basis.

Quarterly dividends of $0.0450 (previously $0.0408) per Class A share and $0.0391 (previously $0.0355) per Class B share were approved by the Board of Directors on June 7, 2017 and are formally declared in each quarter.

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, 2018 and 2017, there were no preference shares issued or outstanding.

Stock purchase plan

The Company's full-time salaried and certain hourly employees participate in a Company sponsored stock purchase plan. Under the terms of the plan, employees can purchase a certain number of Class A shares on an annual basis. Employees are required to pay 67% of the market price per Class A share. The Company is responsible for the remainder of the cost and, during 2018, expensed $197 (2017 - $268) related to the employee program. In fiscal 2017, officers of the Company participated in an Equity Incentive Program, where Class A shares of the Company were purchased on their behalf from the open market. During 2018, this program was replaced by the share based compensation program as described in note 16.

16 Share based compensation

On September 13, 2017, the Company established a new share based compensation plan comprised of stock options, PSUs and DSUs. The impact of the share based compensation expense is summarized as follows:

		2018
241,600 stock options (2017 - nil) (a)	$	259
72,750 performance share units (2017 - nil) (b)		146
69,559 deferred share units (2017 - nil) (c)		1,268
	$	1,673

The stock options, PSUs and DSUs are equity settled and as such, the expense associated with these instruments is recorded as a share based compensation expense through the consolidated statements of earnings and comprehensive income with a corresponding entry made to contributed surplus on the consolidated balance sheets.

The maximum number of shares that may be issued under all share based compensation arrangements implemented by the Company, including the stock option plan, the PSU plan and the DSU plan, may not exceed 10% of the total number of Class A non-voting common shares issued and outstanding from time to time. As at March 31, 2018, the Company had 3,358,149 Class A non-voting common shares reserved for issuance under the share based compensation arrangements.

a) Stock options

The Company has a stock option plan under which options to purchase Class A non-voting common shares may be granted to officers and employees of the Company. Options granted under the plan have an exercise price of not less than the volume weighted average trading price of the Class A non-voting common shares where they are listed for the five trading days prior to the date of the grant. Options granted vest in tranches, equally over a three-year period on each anniversary of the grant date, commencing on the first anniversary of the grant date.

The Company's stock option transactions during the year were as follows:

	Number of options		**Weighted average exercise price per share**
Balance - March 31, 2017	-	$	-
Granted on September 21, 2017	252,300		11.66
Granted on November 13, 2017	17,600		12.80
Forfeited on November 17, 2017	(1,900)		(11.66)
Forfeited on February 9, 2018	(1,700)		(11.66)
Forfeited on February 28, 2018	(6,300)		(11.66)
Forfeited on March 16, 2018	(18,400)		(11.66)
	241,600	$	11.74

The stock options granted on September 21, 2017 expire on September 21, 2027. The stock options granted November 13, 2017 expire on November 13, 2027.

For options granted during the year, the fair value was estimated on the grant date using the Black-Scholes fair value option pricing model using the following weighted average assumptions:

Weighted average fair value per share option	$3.41
Expected volatility (1)	30.43%
Dividend yield	1.75%
Risk-free interest rate	1.00%
Weighted average expected life in years	10

(1) Expected volatility was determined using historical volatility.

No stock options granted under the share based compensation plan have vested or been exercised as at March 31,2018.

b) PSU plan

The Company has established a PSU plan for employees and officers of the Company. PSUs represent the right to receive Class A non-voting common shares settled by the issuance of treasury shares or shares purchased on the open market. PSUs vest in full at the end of the third fiscal year after the grant date. The number of units that will vest is determined based on the achievement of certain performance conditions (i.e., financial targets) established by the Board of Directors and are adjusted by a factor, which ranges from 0.5 to 2.0, depending on the achievement of the targets established. Therefore, the number of units that will vest and are exchanged for Class A non-voting common shares may be higher or lower than the number of units originally granted to a participant.

The Company's PSU transactions during the year were as follows:

	Number of units		**Grant date fair value per unit**
Balance - March 31, 2017	-	$	-
Granted on September 21, 2017	76,280		11.66
Granted on November 13, 2017	4,690		12.80
Forfeited on November 17, 2017	(560)		(11.66)
Forfeited on February 9, 2018	(510)		(11.66)
Forfeited on February 28, 2018	(1,570)		(11.66)
Forfeited on March 16, 2018	(5,580)		(11.66)
	72,750	$	11.74

No PSUs granted under the share based compensation plan have vested or been exercised as at March 31, 2018.

c) DSU plan

The Company has established a DSU plan for employees, officers and Directors of the Company. DSUs represent the right to receive Class A non-voting common shares settled by the issuance of treasury shares or shares purchased on the open market. DSUs vest immediately, but are only exercisable when the participant's employment with the Company ceases, or when the participant is no longer a director of the Company.

The Company’s DSU transactions during the year were as follows:

	Number of units		Grant date fair value per unit
Balance - March 31, 2017	-	$	-
Granted on March 13, 2018	9,780		18.41
Granted on March 31, 2018	59,779		18.22
	69,559	$	18.25

No DSUs granted under the share based compensation plan have been exercised as at March 31, 2018.

17 Nature of expenses

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

		2018		2017
Raw materials and consumables	$	174,825	$	173,225
Employee compensation and benefits		67,712		63,412
Advertising, promotion and distribution		28,504		24,025
Occupancy		11,885		11,169
Repairs and maintenance		6,708		6,803
Other external charges		21,403		18,835
	$	311,037	$	297,469

Other (income) expenses are as follows:

		2018		2017
Gain on acquisition (note 4)	$	(4,164)	$	-
Ongoing maintenance costs related to Port Moody winery facility (a)		572		524
Income related to Port Moody winery facility (b)		(101)		(404)
Other		(149)		-
	$	(3,842)	$	120

a) During fiscal 2006, the Company closed its Port Moody winery facility and transferred production to its winery operations in Kelowna, British Columbia. Effective July 1, 2012, the property was expropriated for a five-year period. The cost of maintaining this idle facility and costs associated with its expropriation amounted to $572 in 2018 (2017 - $524).

b) Income amounting to $101 (2017 - $404) was recorded related to the Company’s idle Port Moody property related to expropriation notices received by the Company.

18 Net earnings per share

	2018		
	Class A	Class B	Total
Net earnings attributed for the year - basic and diluted	$ 24,545	$ 5,572	$ 30,117
Weighted average number of shares outstanding - basic and diluted	34,539,843	8,986,571	
Net earnings per share - basic and diluted	$ 0.71	$ 0.62	

	2017		
	Class A	Class B	Total
Net earnings attributed for the year - basic and diluted	$ 21,363	$ 4,987	$ 26,350
Weighted average number of shares outstanding - basic and diluted	33,581,487	9,012,123	
Net earnings per share - basic and diluted	$ 0.64	$ 0.55	

19 Commitments

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

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

The Company’s minimum lease payments as at March 31, 2018 under long-term non-cancellable leases are outlined in note 21 along with its other contractual obligations.

In 2018, minimum lease payments of $6,249 (2017 - $5,289) were recognized as an expense.

20 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:

		2018		2017
Accounts receivable	$	(3,031)	$	1,250
Inventories and current portion of biological assets		(7,615)		(9,626)
Prepaid expenses and other assets		(1,105)		(1,324)
Accounts payable and accrued liabilities		(4,138)		2,042
	$	(15,889)	$	(7,658)

21 Financial instruments

Classification of financial instruments

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

				2018		
Assets/liabilities	**Category**	**Measurement**		**Carrying amount**		**Fair value**
Accounts receivable	Loans and receivables	Amortized cost	$	31,406	$	31,406
Bank indebtedness	Other liabilities	Amortized cost		47,324		47,324
Accounts payable and accrued liabilities	Other liabilities	Amortized cost		33,404		33,404
Dividends payable	Other liabilities	Amortized cost		1,935		1,935
Long-term debt	Other liabilities	Amortized cost		124,392		124,392
Interest rate swap asset	Derivatives	Fair value		180		180
Foreign exchange forward contracts asset	Derivatives	Fair value		152		152

				2017		
Assets/liabilities	**Category**	**Measurement**		**Carrying amount**		**Fair value**
Accounts receivable	Loans and receivables	Amortized cost	$	26,973	$	26,973
Bank indebtedness	Other liabilities	Amortized cost		36,620		36,620
Accounts payable and accrued liabilities	Other liabilities	Amortized cost		36,252		36,252
Dividends payable	Other liabilities	Amortized cost		1,690		1,690
Long-term debt	Other liabilities	Amortized cost		51,084		51,084
Interest rate swap liability	Derivatives	Fair value		1,060		1,060
Foreign exchange forward contracts liability	Derivatives	Fair value		8		8

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

Fair value

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

The fair value of bank indebtedness and long-term debt is equivalent to its carrying value because the variable interest rate is comparable to market rates. The fair value of the interest rate swaps used to fix the interest rate on long-term debt is included in the current and long-term derivative financial instruments in the consolidated balance sheets.

The fair value of foreign exchange forward contracts is determined based on the difference between the contract rate and the forward rate at the date of the valuation.

The fair value of the interest rate swaps is determined based on the difference between the fixed interest rate in the contract that will be paid by the Company and the forward curve of the floating interest rates that are expected to be paid by the counterparty. The fair value of foreign exchange forward contracts and the interest rate swaps are adjusted to reflect any changes in the Company's or the counterparty's credit risk.

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

The net unrealized gain on derivative financial instruments is comprised of:

		2018		2017
Unrealized gains on foreign exchange forward contracts	$	160	$	1,118
Unrealized gains on interest rate swaps		1,240		1,114
	$	1,400	$	2,232

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.

						2018
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 asset	$	-	$	180	$	-
Foreign exchange forward contracts asset		-		152		-

						2017
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	$	-	$	1,060	$	-
Foreign exchange forward contracts liability		-		8		-

Objectives and policy relating to financial risk management

Interest rate risk

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

The Company has effectively fixed its interest rate on its long-term debt until September 2022 by entering into interest rate swaps. The interest rate swaps are measured at fair value. An unrealized gain of $1,240 (2017 - $1,114) was recognized on the interest rate swaps, which are classified as a component of the net unrealized gain on derivative financial instruments in the consolidated statements of earnings.

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, 2018, with other variables unchanged, a 100 basis point change in interest rates would impact the Company's net earnings by approximately $350 (2017 - $271), exclusive of the mark-to-market adjustments on the interest rate swaps.

Credit risk

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

Credit risk for trade receivables is monitored through established credit monitoring activities. Over 50% of the Company's accounts receivable balance relates to amounts owing from Canadian provincial liquor boards. Excluding accounts receivable from Canadian provincial liquor boards, the Company does not have a significant concentration of credit risk with any single counterparty or group of counterparties. Amounts owing from Canadian provincial liquor boards represent $16,509 (2017 - $14,115) of the total accounts receivable for which no allowance has been provided. Of the remaining non-provincial liquor board balances, $1,483 (2017 - $948) was over thirty days past due as at March 31, 2018. An allowance for doubtful accounts of $162 (2017 - $127) has been provided against these accounts receivable amounts, which the Company has determined represents a reasonable estimate of amounts that may be uncollectible.

Sales to its largest customer, a provincial Crown corporation, were $64,215 (2017 - $60,415) during the year ended March 31, 2018. Sales to its second largest customer, a branch of a provincial government, were $42,622 (2017 - $41,304) during the year.

An analysis of accounts receivable is as follows:

		2018		2017
Liquor boards	$	16,509	$	14,115
Non-liquor boards				
Current		11,110		10,709
Past due 0 - 30 days, due on delivery accounts		913		534
Past due 0 - 30 days		1,553		794
Past due 31 - 60 days		786		332
Past due > 60 days		697		616
Allowance for doubtful accounts		(162)		(127)
	$	31,406	$	26,973

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

		2018		2017
Balance - Beginning of year	$	127	$	124
Provision for current year		110		141
Bad debts		(75)		(138)
Balance - End of year	$	162	$	127

Liquidity risk

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

The Company manages liquidity risk by maintaining adequate cash and cash equivalent balances and by appropriately utilizing its operating 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 and accrued liabilities are generally due within 30 days.

The following table outlines the Company's contractual undiscounted obligations. The Company analyzes contractual obligations for financial liabilities in conjunction with other commitments in managing liquidity risk. Contractual obligations include long-term debt, the expected payments under swap agreements that fix the Company's interest rate on long-term debt, operating leases and commitments on short-term forward foreign exchange contracts used to mitigate the currency risk on purchases denominated in foreign currencies as at March 31, 2018.

	< 1 year	2 - 3 years	4 - 5 years	> 5 years	Total
Long-term debt	$ 8,135	$ 20,982	$ 96,350	$ -	$ 125,467
Leases and royalties	5,092	6,419	4,373	8,176	24,060
Pension obligations	514	734	576	888	2,712
Grape and bulk wine purchase contracts	79,100	77,282	56,850	144,276	357,508
Packaging purchase contracts	30,392	1,457	-	-	31,849
Bulk whiskey purchase contracts	525	80	-	-	605
	123,758	106,954	158,149	153,340	542,201
Interest rate swap	2,740	4,828	2,934	-	10,502
Foreign exchange forwards	8,720	-	-	-	8,720
Total contractual obligations	$ 135,218	$ 111,782	$ 161,083	$ 153,340	$ 561,423

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

The Company has entered into grape purchase contracts with certain suppliers to purchase their crops at the time of harvest for prices set by the market. The amount of the commitment will change based on the total tonnes harvested or the prices set by the market for specific grapes and the amount included in the table above represents management's best estimate of the Company's commitment over the periods noted.

Foreign exchange risk

Certain of the Company's purchases are denominated in US dollars (US$), euro (EUR) or Australian dollars (AU$). Any increases or decreases to the foreign exchange rates could increase or decrease the Company's earnings. To mitigate the exposure to foreign exchange risk, the Company has entered into forward foreign currency contracts.

The Company's foreign exchange risk arises on the purchase of bulk wine and concentrate, which are priced in US dollars, euro and Australian dollars. The Company's strategy is to hedge approximately 50% to 80% of its annual foreign exchange requirements prior to or during the beginning of each fiscal quarter. As at March 31, 2018, the Company has forward foreign currency contracts to buy US$4,700 at rates ranging between $1.23 and $1.27, EUR900 at rates averaging 1.55 and AU$1,400 at rates averaging $1.00. These contracts mature at various dates to June 2018. After considering the offsetting impact of these forward contracts, a 1% increase or decrease to the exchange rate of the US dollar, the euro or the Australian dollar would impact the Company's net earnings by approximately $197 (2017 - $162), $68 (2017 - $27) or $111 (2017 - $98), respectively. The Company has elected to not use hedge accounting and as a result, has recognized unrealized foreign exchange gains of $160 (2017 - $1,118) in the consolidated statements of earnings as a component of the net unrealized gain on derivative financial instruments and has recorded the fair value of $152 in the current portion of derivative financial instruments (2017 - $8 liability recorded in accounts payable and accrued liabilities) in the consolidated balance sheets.

22 Capital disclosures

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

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

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

- funded debt to a rolling twelve-month EBITDA, which is defined as consolidated earnings before interest, amortization and taxes excluding unusual and non-recurring items that are agreed to by the Company and the lender; and

- fixed charge coverage ratio.

Compliance with these covenants is monitored by management on a quarterly basis. As at March 31, 2018 and March 31, 2017, the Company was in compliance with these covenants.

23 Related parties and management compensation

The Company is controlled by Jalger Limited, which owns 57.4% of the Company's Class B voting shares. No individual has sole voting power or control in respect of the shares of the Company owned by Jalger Limited.

Compensation of directors and executives

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

		2018		2017
Compensation and short-term benefits	$	3,848	$	6,951
Post-employment benefits		296		302
Share based compensation expense		1,422		-
Payments to a share purchase plan		-		381
	$	5,566	$	7,634

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

24 Segmented information

During the year, export sales were $12,247 (2017 - $12,177), primarily in the United States. The remainder of sales occurred in Canada. All of the Company's assets are located in Canada.

25 Events after the reporting period

On June 6, 2018, the Company's Board of Directors approved a 14% increase in the quarterly dividend for holders of its Class A and Class B shares, from $0.0450 per Class A share and $0.0391 per Class B share to $0.0513 per Class A share and $0.0446 per Class B share. This increased quarterly dividend will be paid on July 6, 2018 to shareholders of record at the close of business on June 29, 2018.

TEN-YEAR SUMMARY

(in thousands of Canadian dollars, except per share amounts)	**2018**	2017	2016	2015 Restated (7)	2014
Sales and earnings					
Net sales	$ **363,897**	$ 342,606	$ 334,263	$ 315,697	$ 297,824
EBITA	**52,860**	45,137	40,916	35,184 (7)	33,729
Net earnings (loss)	**30,117**	26,350	19,199	15,224 (7)	14,021
Financial position					
Working capital	**104,417**	78,825	71,665	68,982	44,564
Total assets	**457,780**	327,478	308,309	301,519 (7)	301,015
Shareholders' equity	**220,246**	177,317	157,736	147,375 (7)	138,003
Per share (10)					
Net earnings (loss) (10)					
Basic & diluted Class A	**0.71**	0.64	0.46	0.36 (7)	0.34
Basic & diluted Class B	**0.62**	0.55	0.40	0.32 (7)	0.29
Dividends (10)					
Class A Shares, non-voting	**0.180**	0.163	0.150	0.140	0.133
Class B Shares, voting	**0.156**	0.142	0.130	0.122	0.116
Number of shares outstanding (in thousands of shares) (10)					
Class A Shares, non-voting	**35,471**	33,581	33,581	33,882	33,882
Class B Shares, voting	**8,702**	9,012	9,012	9,012	9,012
	44,173	42,593	42,593	42,894	42,894
Other information					
Return on average shareholders' equity (8)	**15.2%**	15.7%	12.6%	10.6% (7)	10.5%
Return on average capital employed (9)	**14.0%**	14.1%	13.2%	11.0% (7)	10.8%

(1) Excludes the net impact of discontinued operations.

(2) Excludes the after-tax impact of mark-to-market adjustments on an interest rate swap.

(3) Includes an after-tax gain of $11.9 million for the sale of Granville Island Brewing Company Ltd. and Mainland Beverage Distribution Ltd.

(4) Excludes an after-tax gain of $11.9 million for the sale of Granville Island Brewing Company Ltd. and Mainland Beverage Distribution Ltd.

2013 Restated [6]	2012	2011 Restated [5]	2010	2009 Restated [1]
$ 289,143	$ 276,883	$ 265,420	$ 263,151 [3]	$ 251,136[1]
33,489 [6]	32,651	31,544 [5]	27,354 [3]	23,359[1]
14,519 [6]	13,001	11,223 [5]	21,661 [3]	(125)
41,670	34,869	27,643 [5]	29,357	29,203
296,519	285,552	267,996 [5]	263,716	293,507
129,701 [6]	120,552	114,297 [5]	113,665	96,791
0.35 [6]	0.31	0.26 [5]	0.50 [3]	($0.00)
0.30 [6]	0.27	0.22 [5]	0.43 [3]	($0.00)
0.120	0.120	0.110	0.110	0.110
0.105	0.105	0.096	0.096	0.096
33,882	33,882	33,882	35,664	35,664
9,012	9,012	9,012	9,012	9,012
42,894	42,894	42,894	44,676	44,676
11.6%[6]	11.1%	9.8% [5]	6.8% [2,4]	6.0% [2]
11.1%[6]	11.5%	11.6% [5]	9.1% [2,4]	7.9% [2]

(5) March 31, 2012 and subsequent periods have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The March 31, 2011 period was restated in accordance with IFRS. Amounts for March 31, 2010 and prior have not been prepared in accordance with IFRS. They have been presented in accordance with Canadian GAAP prior to IFRS transition and may not be comparable to subsequent periods.

(6) Restated to reflect the adoption of the amendments to IAS 19.

(7) Restated to reflect the adoption of the amendments to IAS 16 and IAS 41.

(8) Return on average shareholders' equity is calculated as net earnings divided by average shareholders' equity.

(9) To determine return on average capital employed, return is calculated as EBITA less amortization. Capital employed is calculated as total assets less non-interest bearing liabilities. For 2008 and prior periods certain non-interest-bearing debt was included in capital employed and may not be comparable to subsequent periods.

(10) Restated to reflect the three-for-one stock split completed in October of 2016.

DIRECTORS & OFFICERS

Directors

JOHN E. PELLER
Burlington, Ontario
Executive Chairman & CEO
Andrew Peller Limited

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

LORI C. COVERT
Halifax, Nova Scotia
Corporate Director

RICHARD D. HOSSACK, PhD
Toronto, Ontario
Corporate Director

MICHELLE E. MALLETT DIEMANUELE
President & CEO
Trillium Health Partners
Toronto, Ontario

PERRY J. MIELE
Burlington, Ontario
Chairman and Partner
Beringer Capital

A. ANGUS PELLER M.D.
Toronto, Ontario
Senior Medical Consultant
Medcan Health Management Inc.

Honorary Directors

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

JOHN F. PETCH, O.C.
Toronto, Ontario

BRIAN J. SHORT
Hamilton, Ontario

Officers

JOHN E. PELLER
Executive Chairman & Chief Executive Officer

RANDY A. POWELL
President

PETER B. PATCHET
CFO and Executive Vice-President, IT

SHAWN B. MACLEOD
Executive Vice-President, Marketing

SARA E. PRESUTTO
Executive Vice-President, Human Resources

ERIN L. ROONEY
Executive Vice-President, Sales

BRENDAN P. WALL
Executive Vice-President, Operations

GREGORY J. BERTI
Vice-President, Government Relations and Export

JAMES H. COLE
Vice-President, Retail and Estate Wine Group

GAVIN J. HAWTHORNE
Vice-President, Sales & Marketing GVI

CRAIG D. MCDONALD
Vice-President, Winemaking

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

Rgistrar and Transfer Agent

COMPUTERSHARE INVESTOR SERVICES INC.

Auditors

PRICEWATERHOUSECOOPERS LLP

Bankers

BANK OF MONTREAL
NATIONAL BANK
RABOBANK
ROYAL BANK OF CANADA
TORONTO DOMINION BANK

Shareholder Inquiries

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

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)

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 Patchet
Chief Financial Officer and Executive Vice President, Information Technology at the Head Office address or by email at: info@andrewpeller.com

2018 Annual Shareholders' Meeting

The 2018 Annual Meeting of Shareholders' will be held at the Wayne Gretzky Estate Winery & Craft Distillery, Niagara-on-the-Lake, Ontario
on Wednesday, September 12, 2018 at 3:00 p.m.

AJAX
SOBEYS
WITHIN GROCERY AISLE
955 WESTNEY ROAD S.
(905) 683-1705

SOBEYS
260 KINGSTON ROAD W.
(905) 428-6500

REAL CANADIAN SUPERSTORE
30 KINGSTON ROAD W.
(905) 428-7829

ANCASTER
SOBEYS
WITHIN GROCERY AISLE
977 GOLF LINKS ROAD
(905) 648-1465

FORTINOS
54 WILSON STREET
(905) 304-0094

BARRIE
ZEHRS
11 BRYNE DRIVE
(705) 725-8121

BARRIE ESSA CENTRE
555 ESSA ROAD UNIT#5
(705) 797-1480

BOLTON
ZEHRS
487 QUEEN STREET S.
(905) 857-4166

BRAMALEA
METRO
25 PEEL CENTRE DRIVE
(905) 793-4246

BRAMPTON
FOOD BASICS
CENTENNIAL MALL
227 VODDEN STREET
(905) 459-2386

SOBEYS
WITHIN GROCERY AISLE
930 NORTH PARK DRIVE
(905) 793-9071

BROCKVILLE
REAL CANADIAN SUPERSTORE
1972 PARKEDALE AVE.
(613) 342-8477

BURLINGTON
FORTINOS
WITHIN GROCERY AISLE
2025 GUELPH LINE
(905) 336-3849

MARILU'S MARKET
4025 NEW STREET
(905) 632-8580

SOBEYS
WITHIN GROCERY AISLE
1250 BRANT STREET
(905) 319-8670

WALKERS PLACE
3505 UPPER MIDDLE ROAD
(905) 336-9101

LAKESIDE SHOPPING VILLAGE
5353 LAKESHORE ROAD
(905) 681-8282

CAMBRIDGE
ZEHRS
180 HOLIDAY INN DRIVE
(519) 651-1145

ZEHRS
400 CONESTOGA BLVD.
(519) 624-1103

NO FRILLS
980 FRANKLIN BLVD
(519) 622-2552

COLLINGWOOD
LOBLAWS
12 HURONTARIO STREET
(705) 446-2237

METRO
WITHIN GROCERY AISLE
640 FIRST STREET EXTENSION
(705) 444-1730

EAST YORK
SOBEYS
1015 BROADVIEW AVE.
(416) 467-7760

ETOBICOKE
LOBLAWS
WITHIN GROCERY AISLE
380 THE EAST MALL
(416) 695-9567

FERGUS
ZEHRS
800 TOWER STREET S.
(519) 787-7721

GEORGETOWN
REAL CANADIAN SUPERSTORE
WITHIN GROCERY AISLE
171 GUELPH STREET
(905) 877-1815

GRIMSBY
REAL CANADIAN SUPERSTORE
361 SOUTH SERVICE ROAD
(905) 945-9982

GUELPH
ZEHRS
297 ERAMOSA ROAD
(519) 824-7922

ZEHRS HARTSLAND PLAZA
WITHIN GROCERY AISLE
160 KORTRIGHT ROAD, W.
(519) 837-9293

NO FRILLS
167 SILVERCREEK PARKWAY
(519) 837-0540

HAMILTON
FORTINOS
50 DUNDURN STREET S.
(905) 528-4003

FORTINOS EASTGATE MALL
WITHIN GROCERY AISLE
75 CENTENNIAL PARKWAY N.
(905) 561-4504

FORTINOS
WITHIN GROCERY AISLE
1579 MAIN STREET W.
(905) 522-8882

KESWICK
ZEHRS
24018 WOODBINE AVE.
(905) 476-8544

KINGSTON
LOBLAWS
WITHIN GROCERY AISLE
1048 MIDLAND AVE.
(613) 389-6139

KITCHENER
ZEHRS
750 OTTAWA STREET S.
(519) 745-2183

LOBLAW SUPERSTORE
WITHIN GROCERY AISLE
39 - 875 HIGHLAND ROAD W.
(519) 742-5844

LONDON
METRO ADELAIDE CENTRE
WITHIN GROCERY AISLE
1030 ADELAIDE STREET N.
(519) 679-3717

METRO
WITHIN GROCERY AISLE
395 WELLINGTON STREET S.
(519) 649-7180

LOBLAWS
3040 WONDERLAND ROAD S.
(519) 668-2224

MILTON
LONGOS
1079 MAPLE AVE
(905) 693-8850

MISSISSAUGA
SOBEYS
5602 - 10th LINE W.
(905) 858-0123

CREDIT LANDING SHOPPING CENTRE
228 LAKESHORE ROAD W.
(905) 271-8686

SOUTH COMMON CENTRE
2150 BURNHAMTHORPE ROAD W.
(905) 820-9958

NEWMARKET
METRO
1111 DAVIS DRIVE
(905) 853-0401

REAL CANADIAN SUPERSTORE
WITHIN GROCERY AISLE
18120 YONGE STREET N.
(905) 895-2412

METRO
16640 YONGE STREET
(905) 830-3448

NIAGARA ON THE LAKE
THE OUTLET COLLECTION
300 TAYLOR ROAD
(905)704-0550

WINE COUNTRY VINTNERS
27 QUEEN STREET
(905) 468-1881

NORTH YORK
LOBLAW GREAT FOOD
3501 YONGE STREET
(416) 481-7699

OAKVILLE
SOBEYS
511 MAPLE GROVE DRIVE
(905) 338-3042

LONGOS
469 CORNWALL ROAD
(905) 338-0880

SOBEYS ABBEY PLAZA
1500 UPPER MIDDLE ROAD W.
(905) 847-2944

ORANGEVILLE
ZEHRS, HERITAGE MALL
50 - 4TH AVE.
(519) 942-8752

OSHAWA
METRO
285 TAUNTON ROAD E.
(905) 571-6167

REAL CANADIAN SUPERSTORE
1385 HARMONY ROAD N.
(905) 438-1800

NO FRILLS
1300 KING STREET E.
(905) 728-3767

OTTAWA
SOUTHGATE SHOPPING CENTRE
2515 BANK STREET
(613) 523-5837

SOBEYS
187 METCALFE STREET
(613) 565-5062

METRO
WITHIN GROCERY AISLE
50 BEECHWOOD AVENUE
(613) 746-4300

(Ottawa) GLOUCESTER
YOUR INDEPENDENT GROCER
671 RIVER ROAD
(613) 822-3080

(Ottawa) NEPEAN
LOBLAWS
59 ROBERTSON ROAD
(613) 820-7219

LOBLAWS
1460 MERIVALE ROAD
(613) 723-5507

(Ottawa) VANIER
LOBLAWS
WITHIN GROCERY AISLE
100 MCARTHUR ROAD
(613) 749-9618

OWEN SOUND
ZEHRS
1150 SIXTEENTH STREET E.
(519) 371-8664

PETERBOROUGH
REAL CANADIAN SUPERSTORE
769 BORDEN AVE.
(705) 740-2513

PICKERING
YOUR INDEPENDENT GROCER
1900 DIXIE ROAD
(905) 831-6705

SCARBOROUGH
METRO
WITHIN GROCERY AISLDE
3221 EGLINTON AVE. E.
(416) 267-2795

SIMCOE
SOBEYS
WITHIN GROCERY AISLE
470 NORFOLK STREET S.
(519) 426-1033

ST. CATHARINES
FRESCHO
318 ONTARIO STREET
(905) 685-8898

ZEHRS, PEN CENTRE
221 GLENDALE AVE.
(905) 688-4767

ZEHRS, FAIRVIEW MALL
WITHIN GROCERY AISLE
285 GENEVA STREET
(905) 646-7363

REAL CANADIAN SUPERSTORE
411 LOUTH STREET
(905) 685-9779

GRANTHAM PLAZA
400 SCOTT STREET
(905) 934-0981

LAKESHORE SQUARE PLAZA
33 LAKESHORE ROAD
(905) 937-5093

ST. THOMAS
REAL CANADIAN SUPERSTORE
1063 TALBOT STREET
(519) 633-6343

STITTSVILLE
YOUR INDEPENDENT
GROCER
WITHIN GROCERY AISLE
1251 MAIN STREET
(613) 831-3837

TORONTO
1002 BAY STREET S.
(416) 929-9706

METRO
656 EGLINTON AVE. E.
(416) 485-0093

LOBLAWS
WITHIN GROCERY AISLE
50 MUSGRAVE STREET
(416) 693-6336

LONGOS
93 LAIRD DRIVE
(416) 424-1362

LOBLAWS
WITHIN GROCERY AISLE
3671 DUNDAS STREET W.
(416) 762-8635

QUEENS QUAY
228 QUEENS QUAY W.
(416) 598-8880

SOBEYS
125 THE QUEENSWAY
(416) 201-8221

YORKVILLE VILLAGE
87 AVENUE ROAD
(416) 923-6336

ST. LAWRENCE WINE
MARKET
93 FRONT STREET E.
(416) 364-1811

SOBEYS URBAN FRESH
22 FORT YORK BLVD.
(416) 623-0793

LOBLAWS
650 DUPONT STREET
(416) 533-8484

METRO
1230 QUEEN STREET WEST
(416) 533-9180

BLOOR WEST VILLAGE
2273 BLOOR STREET W.
(416) 766-8654

UXBRIDGE
ZEHRS
WITHIN GROCERY AISLE
323 TORONTO STREET S.
(905) 852-5008

WATERDOWN
WATERDOWN SHOPPING
CENTRE
255 DUNDAS STREET E.
(905) 689-3420

WATERLOO
ZEHRS, BEECHWOOD PLAZA
450 ERB STREET W.
(519) 747-5897

ZEHRS
315 LINCOLN ROAD
(519) 746-7226

WELLAND
ZEHRS
821 NIAGARA STREET
(905) 714-9521

WHITBY
SOBEYS
1615 DUNDAS STREET E.
(905) 728-4118

REAL CANADIAN
SUPERSTORE
WITHIN GROCERY AISLE
200 TAUNTON ROAD
(905)668-7568

WHITBY TOWN SQUARE
3050 GARDEN STREET
(905) 430-5314

WINDSOR
METRO
WITHIN GROCERY AISLE
3100 HOWARD AVENUE
(519) 972-8346

WOODBRIDGE
LONGOS
9200 WESTON ROAD
(905) 303-3055

THE Wine SHOP

ANDREW PELLER
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Exclusive Wine Offer for Shareholders

We are pleased to offer exceptional VQA wines from our wineries in both the East & West. These exclusive collections are available at a **15% Savings**. As a Shareholder, we are also offering **complimentary delivery *within* Ontario & British Columbia**.

Delivered right to your door, these collections give you the opportunity to enjoy a variety of wines from Andrew Peller Limited's award-winning wineries. Stock up for get-togethers and surprise the wine lovers in your life with a delicious bottle (or two).

Don't forget, our **Wine Club memberships** are also available for Peller Estates, Trius, Thirty Bench Winery and Wayne Gretzky Winery & Distillery in the East *and* Sandhill Wines, Red Rooster Winery, Black Hills Estate, Gray Monk Estate Winery & Tinhorn Creek in the West. For more information on our programs, give us a call!

You can contact us at **1.866.440.4383** to place your order or email wineorders@peller.com. We are available Monday to Friday, 9am to 7pm EST. **Offer ends Friday, September 28th, 2018.**

Ontario VQA Wine Collections:

PELLER ESTATES Niagara-on-the-Lake	Peller Estates Signature Series Ice Cuvee Rose Peller Estates Family Series Chardonnay Peller Estates Private Reserve Gamay Noir Peller Estates Signature Series Sauvignon Blanc Peller Estates Signature Series Merlot Peller Estates Late Harvest Vidal *Complimentary Delivery within Ontario - $25 Charge to other select provinces*	6 bottle Collection $156.31 (Reg $183.70) ~ 12 bottle Collection $312.62 (Reg $367.40)
Trius WINERY	Trius Brut Trius Divine White Trius Rose Trius Merlot Trius Red Trius Showcase Late Harvest Vidal *Complimentary Delivery within Ontario - $25 Charge to other select provinces*	6 bottle Collection $120.61 (Reg $141.70) ~ 12 bottle Collection $241.22 (Reg $283.40)
WAYNE GRETZKY ESTATES No 99	Wayne Gretzky Riesling Wayne Gretzky Pinot Grigio Wayne Gretzky Chardonnay Wayne Gretzky Baco Noir Wayne Gretzky Estate Series Cabernet Merlot Wayne Gretzky Estate Series Shiraz Cabernet *Complimentary Delivery within Ontario - $25 Charge to other select provinces*	6 bottle Collection $111.28 (Reg $130.70) ~ 12 bottle Collection $222.55 ($261.40)
THIRTY BENCH WINE MAKERS	Thirty Bench Winemakers Riesling Thirty Bench Small Lot Gewurztraminer Thirty Bench Small Lot Chardonnay Thirty Bench Winemakers Red Thirty Bench Small Lot Pinot Noir Thirty Bench Small Lot Merlot *Complimentary Delivery within Ontario - $25 Charge to other select provinces*	6 bottle Collection $169.08 (Reg $198.70) ~ 12 bottle Collection $338.15 (Reg $397.40)
ANDREW PELLER LIMITED	Peller Estates Family Series Riesling Peller Estates Private Reserve Pinot Noir Trius Sauvignon Blanc Trius Cabernet Franc Thirty Bench Winemakers Riesling Wayne Gretzky Estate Series Shiraz Cabernet *Complimentary Delivery within Ontario - $25 Charge to other select provinces*	6 bottle Collection $112.30 (Reg $131.90) ~ 12 bottle Collection $224.59 ($263.80)

British Columbia VQA Wine Collections:

RED ROOSTER WINERY	Red Rooster Riesling Red Rooster Rare Bird Series Viognier Red Rooster Rare Bird Series Rose Red Rooster Reserve Syrah Red Rooster Reserve Merlot Red Rooster Rare Bird Series Meritage *Complimentary Delivery within British Columbia - $25 Charge to other select provinces – Applicable to BC Taxes*	6 bottle Collection $146.77 (Reg $172.57) ~ 12 bottle Collection $293.55 (Reg $345.14)
SANDHILL	Sandhill Pinot Gris Sandhill Sauvignon Blanc Sandhill Syrah Sandhill Merlot Sandhill Small Lot Viognier Sandhill Small Lot One *Complimentary Delivery within British Columbia - $25 Charge to other select provinces – Applicable to BC Taxes*	6 bottle Collection $123.85 (Reg $145.60) ~ 12 bottle Collection $247.70 (Reg $291.20)
GRAY MONK ESTATE WINERY	Gray Monk Odyssey Brut Rose Gray Monk Estate Unwooded Chardonnay Gray Monk Estate Pinot Gris Gray Monk Estate Ehrenfelser Gray Monk Odyssey Merlot Gray Monk Estate Pinot Noir *Complimentary Delivery within British Columbia - $25 Charge to other select provinces – Applicable to BC Taxes*	6 bottle Collection $91.33 (Reg $107.34) ~ 12 bottle Collection $182.66 (Reg $214.68)
BLACK HILLS ESTATE WINERY	Black Hills Nota Bene Black Hills Syrah Black Hills Punch Down Red Black Hills Alias Black Hills Viognier Black Hills Rose *Complimentary Delivery within British Columbia - $25 Charge to other select provinces – Applicable to BC Taxes*	6 bottle Collection $171.79 (Reg $202.00) ~ 12 bottle Collection $343.58 (Reg $404.00)
TINHORN CREEK NATURALLY SOUTH OKANAGAN	Tinhorn Creek Reserve 2Bench White Tinhorn Creek Chardonnay Tinhorn Creek Cabernet Franc Tinhorn Creek Oldfield Reserve Merlot Tinhorn Creek Oldfield Reserve Cabernet Franc Tinhorn Creek The Creek *Complimentary Delivery within British Columbia - $25 Charge to other select provinces – Applicable to BC Taxes*	6 bottle Collection $156.11 (Reg $183.55) ~ 12 bottle Collection $312.22 (Reg $367.10)

Call us at 1.866.440.4383 to Order

or email wineorders@peller.com

We're here Monday to Friday, 9am to 7pm EST

Offer Ends Friday, September 28th, 2018.

Delivery Information:

You can expect your order within 5-10 business days based on delivery location. Your wines will be delivered in a sturdy corrugated box. Please ensure someone of legal drinking age is available to sign at the time of delivery.

Please note:

Complimentary shipping applicable for deliveries within the same province each winery is based out of. A $25 shipping and handling fee will apply to any parcel requested out of province.

VISIT US AT:

www.andrewpeller.com - www.peller.com - www.triuswines.com

www.gretzkyestateswines.com - www.thirtybench.com - www.redroosterwinery.com

www.sandhillwines.ca - www.graymonk.com - www.blackhillswinery.com - www.tinhorn.com


POUR
extraordinary
INTO EVERYDAY LIFE