

ANDREW PELLER

— LIMITED —



POUR
EXTRAORDINARY
INTO EVERYDAY LIFE

2019 ANNUAL REPORT

OPERATIONAL HIGHLIGHTS

FOR THE YEARS ENDED MARCH 31

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

SALES AND EARNINGS	2019	2018
Net sales	\$ 381,796	\$ 363,897
EBITA	52,875	52,860
Adjusted earnings *	29,408	29,303
FINANCIAL POSITION		
Working capital	97,305	104,417
Total assets	467,019	457,780
Shareholders' equity	234,751	220,246
PER SHARE		
Net earnings per Class A Share - basic and diluted	0.51	0.71
DIVIDENDS		
Class A Shares, non-voting	0.205	0.180
Class B Shares, voting	0.178	0.157
MARKET VALUE		
Class A - HIGH	18.63	19.04
Class A - LOW	11.64	10.60
Class B - HIGH	18.84	18.80
Class B - LOW	11.62	10.80
ANALYTICAL INFORMATION		
Return on average shareholders' equity	15.2%	15.2%
Return on average capital employed	11.5%	14.0%
Ratio of current assets to current liabilities	1.98:1	2.1:1

*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 Strong Year

Fiscal 2019 was another strong year for the Company with solid sales growth, strong operating performance, and significant investments in our sales and marketing activities that we are confident will generate continued sales growth going forward.

Sales were up 4.9% for the year, driven by the acquisition of the three estates wineries in October 2017, as well as solid performance across the majority of our trade channels and the introduction of new products through the year. Through the second half of the year, sales were impacted by increased competition from new low-priced imported wines, primarily in our Western Canadian markets, and a general softening in wine sales across the country. These factors resulted in sales in the fourth quarter remaining flat with the prior year. Despite this, our share of the English Canada wine market remained strong and stable at 10.2%, comparable with the prior year, a reflection of our strong product portfolio, our reputation for delivering value, and the loyalty of our growing customer base.

We continue to benefit from the rationalization of our product lines, our increased focus on higher margin products, and our cost control initiatives over the last few years to enhance efficiency and reduce costs. As a result, gross margin improved again in fiscal 2019 to 41.6% of sales compared to 41.3% in the prior year. Gross margin in fiscal 2019 included a higher charge to cost of sales of \$5.5 million compared to \$3.0 million in the prior year to reflect sales of inventory acquired with the three wineries purchased in October 2017.

The major impact on our earnings in fiscal 2019 was the increase in our selling and administrative expenses compared to the prior year. We invested significantly during the year in building out our marketing team, extensive consumer research, large innovation projects, and the creation of marketing campaigns for the launch of *Peller Family Vineyards* and *No. 99 Rye Lager*. Thus, while these higher costs impacted our results last year, we expect the benefits of these initiatives will be seen in increased sales during fiscal 2020 and going forward.

With the increase in selling and administrative expenses, and the larger charge to cost of sales related to the acquisition accounting, EBITA was \$52.9 million in fiscal 2019, consistent with the prior year. Adjusted EBITA, which excludes one-time acquisition-related charges, was \$58.3 million, up from \$57.2 million in fiscal 2018.

Net earnings in fiscal 2019 were \$22.0 million or 51 cents per Class A Share, down from last year due to the increase in selling and administrative expenses and the larger charge to cost of sales related to the acquisitions in 2017. Net earnings in fiscal 2018 also included a \$4.2 million one-time gain related to one of the acquisitions completed in October 2017. However, adjusted net earnings, removing the one-time costs related to the acquisitions, unrealized gains and losses on our derivative financial instruments, and non-recurring, non-operating gains and losses, were \$29.4 million, up from \$29.3 million last year.

Another Dividend Increase

We were also pleased to announce another increase in our common share dividends, which is the seventh consecutive year of dividend increases. Effective with the July payment, dividends will increase by 4.8% on an annualized basis to 21.5 cents for Class A shares and 18.7 cents for Class B shares. The Company has paid common share dividends consistently since 1979, a reflection of our continuing strong financial performance, our confidence in the future, and our commitment to enhancing shareholder value over the long term.

Significant Achievements

Fiscal 2019 was an incredibly busy year for everyone at the Company as a number of major achievements and projects were completed that we are confident will lead to further growth and strong operating performance in the years ahead.

During the year we continued to integrate the acquisitions of Black Hills, Tinhorn Creek and Gray Monk completed in October 2017. The integration of these three new wineries is now largely complete, and we are starting to see the significant cost and operating synergies we expected when we closed the transactions. This was a major initiative and we are very pleased with the results to date.

We also expanded and rebuilt our marketing team in fiscal 2019, adding new and experienced people that will help us drive our more consumer-centric approach going forward. We are confident we have some of the best people in the business on our team, and we look for their contributions to drive further growth going forward.

One of the fastest growing areas in the alcohol beverage market is the “ready-to-drink” segment, and our *No Boats on Sunday* craft cider continues to see stellar growth remaining one of the fastest growing brands in this segment. We recently introduced a new cranberry cider offering under the brand and we are taking steps to expand sales nationally for this highly popular product.

Our *Trius* brand has long been a popular offering for the Company, but largely through our estate winery in Niagara. To capitalize on the popularity of this high-quality brand, we recently introduced four new *Trius* listings at the LCBO in Ontario and expect to see strong growth in this premium offering in the years ahead. Similarly, with the popularity of rosé wines across the country, we are focused on expanding our rosé listings across a number of our brands in this high-growth category.

At our retail wine shop locations in Ontario, we are launching a new, upscale and more experiential concept including a new and novel tasting bar for our customers. This initiative has been implemented at three Greater Toronto Area locations, and we encourage you to visit one of these new wine shops to see why we are so excited about this new concept.

Our personal winemaking business, Global Vintners Inc., continues to perform well. In fiscal 2019, we announced that we would be consolidating our western production facility in British Columbia into our Ontario operation, generating significant future efficiencies and economies of scale. We also introduced new packaging and formats, including the popular “bag-in-box” format, that we believe will drive growth.

Our largest projects coming out of fiscal 2019 were the re-launch of the *Peller Family Vineyards* brand in April, and our entry into the craft beer segment with the introduction of our new Wayne Gretzky *No. 99 Rye Lager*.

The launch of *Peller Family Vineyards* has been a long time in the making. While our premium and ultra-premium *Peller Estates* VQA wines continue to flourish, we knew the other more popular-priced wines in the portfolio deserved their own marketing program. As a result, we amalgamated the two popular brands, *Peller French Cross* and *Peller Proprietors Reserve*, into one megabrand, *Peller Family Vineyards*. Through fiscal 2019, we developed a new, unique and differentiated program with innovative packaging and formats, as well as a high quality digital and television advertising campaign running on major networks across Canada. The Company’s largest media campaigns in more than 25 years, it celebrates life’s perfectly imperfect moments while positioning *Peller Family Vineyards* as a signature for quality, approachable wine – as we say, *Vinted for Real Life*. The new ads are also being tied into our in-store retail program to build awareness and sales.

The second major initiative was our entry into the growing craft beer segment with the launch of our new Wayne Gretzky *No. 99 Rye Lager*, building on our success of delivering premium products born from cross-category innovation, including our Gretzky Red Cask Whisky and Whisky Oak Aged Red wine. Uniquely brewed with rye grain, *No. 99 Rye Lager* delivers the crisp, clean taste of a classic lager with an extra layer of depth, zest and freshness – there is nothing else like it on the market. Now available in Ontario at LCBO stores, at Wayne Gretzky Estates in its new beer garden, as well as in select Ontario restaurants, it will be sold more broadly across Ontario starting in September 2019.

In summary, fiscal 2019 was a very busy year for all of us at the Company as we invested in numerous projects and innovations that we are confident will drive growth and financial performance going forward. The Company has built strong and enduring brands and an enviable market presence through its more than 50-year history, and we look for this track record to continue in the years ahead.

Looking back over the last five years, sales have grown 5.1% on a compound annual basis, strong growth for a consumer products company, generating a 9.5% increase in EBITA and 10.3% increase in net earnings. Over this same five-year period common share dividends have increased 54%. The main driver of this growth and success is the dedication and commitment of our people. On behalf of the Board of Directors and all shareholders, we thank everyone at the Company for their contribution, and we remain confident we will continue to generate strong performance and enhanced value for our shareholders over the long term.



John E. Peller

Executive Chairman & CEO



Randy A. Powell

President

This Year's **TOP AWARDS**

Peller Estates

(Niagara-on-the-Lake, ON)

International Wine Challenge – UK

Canadian Sweet Trophy – Gold Medal – 95 points
2015 APSS Riesling Icewine
Gold – 95 points – 2016 APSS Vidal Icewine

International Wine & Spirit Competition – UK

Gold Medal – 2015 AP Signature Series Riesling Icewine

Los Angeles International Wine Competition 2018

Best of Class – Gold Medal – 96 points – 2016 APSS Riesling Icewine
Best of Class – Gold Medal – 96 points – 2016 APSS Oak Aged Icewine
Gold Medal – 90 points – 2016 APSS Vidal Icewine

Indy International Wine Competition – Indiana, USA

Double Gold Medal – 2016 Family Series Riesling

Korea Wine Challenge

Trophy Icewine – Gold Medal – 2016 APSS Oak Aged Icewine
Gold Medal – 2016 APSS Vidal Icewine
Gold Medal – 2016 APSS Riesling Icewine

Intervin – Vines magazine – Canada

InterVin Ontario Winery of the Year
Fourth place, Winery of the Year (Canada)

Gold Medal - APSS Cabernet Franc 2015
Gold Medal - Private Reserve Gamay Noir 2016
Gold Medal - Ice Cuvée Rosé

Six Nations Wine Challenge – Australia

Gold Medal – 2016 Private Reserve Cabernet Franc

The Global Riesling Masters – UK

Masters – 2016 APSS Riesling Icewine
Gold Medal – 2016 APSS Riesling

WineAlign – National Wine Awards of Canada

Gold Medal - 2017 Private Reserve Sauvignon Blanc
Gold Medal - 2016 APSS Vidal Icewine
Gold Medal - 2016 APSS Oak Aged Icewine

Peller Estates

(Okanagan Valley, BC)

British Columbia Lieutenant Governor's Wine Awards

Gold - 2017 Family Select Sauvignon Blanc
Gold - 2017 Family Select Chardonnay

Trius Winery

(Niagara-on-the-Lake, ON)

Chardonnay du Monde – France

Gold Medal – 2015 Trius Showcase Chardonnay WF Oliveira Vineyard

Tasters Guild – Michigan, USA

Gold Medal – 2016 Cabernet Franc

Decanter World Wine Awards – UK

Platinum Medal – 97 points – Trius Brut Rosé
Gold Medal – 95 points – 2016 Showcase Vidal Icewine

Los Angeles International Wine Competition 2018

Gold Medal – 93 points – 2016 Showcase Vidal Icewine
Gold Medal – 92 points – 2016 Showcase Riesling Icewine

All Canadian Wine Championships

Gold Medal – 2016 Sauvignon Blanc

Ontario Wine Awards

Gold Medal – 2016 Showcase Riesling Ghost Creek Vineyard

Lieutenant Governor's Award for Excellence in Ontario Wines

Winner – 2016 Trius Showcase Riesling Ghost Creek Vineyard

Indy International Wine Competition – Indiana, USA

Double Gold Medal – 2016 Sauvignon Blanc

Korea Wine Challenge

Gold Medal – 2016 Showcase Vidal Icewine

WineAlign – National Wine Awards of Canada

Gold Medal - Trius Brut
Gold Medal - Trius Brut Rosé
Gold Medal - 2016 Showcase Clean Slate Sauvignon Blanc
Gold Medal - 2016 Showcase Riesling Ghost Creek
Gold Medal - 2016 Showcase Chardonnay WF Watching Tree Vineyard
Gold Medal - 2014 Showcase RHS Merlot

Intervin – Vines magazine – Canada

Fifth place, Winery of the Year (Canada)
Gold Medal - Trius Brut Rosé
Gold Medal - Showcase Riesling Icewine 2016
Gold Medal - Showcase WF Chardonnay Watching Tree Vineyard 2016

Effervescents du Monde – Best Sparkling Wines in the World, France

Gold Medal – Trius Brut Rosé

Wayne Gretzky Estates

(Niagara-on-the-Lake, ON)

San Francisco World Spirits Competition

Gold Medal - Wayne Gretzky Canadian Cream

Los Angeles International Spirits Competition

Gold Medal – 90 points – Red Cask Whisky
Gold Medal – 90 points – Ice Cask Whisky
Gold Medal – 90 points – Ninety Nine Proof Whisky
Gold Medal – 90 points – Canadian Cream Whisky
Gold Medal – 90 points – Vidal Artisanal Spirited Wine
Gold Medal – 90 points – Muscat Artisanal Spirited Wine

Decanter World Wine Awards – UK

Platinum Medal – 97 points – 2016 Vidal Icewine

Los Angeles International Wine Competition 2018

Best of Class – Gold Medal – 95 points – 2016 Riesling
Best of Class – Gold Medal – 92 points – 2016 Cabernet Franc Icewine
Gold Medal – 93 points – 2016 Vidal Icewine

All Canadian Wine Championships

Double Gold Medal – 2016 Cabernet Franc Icewine

Korea Wine Challenge

Gold Medal – 2016 Vidal Icewine

Intervin – Vines magazine – Canada

Gold Medal - Sauvignon Blanc Estate Series 2016

World Whisky Masters – Asia (Hong Kong)

Gold Medal – Ice Cask Whisky

Wayne Gretzky Estates

(Okanagan Valley, BC)

Tasters Guild USA

Gold Medal – 2016 Cabernet Sauvignon Syrah
Gold Medal – 2016 Merlot

Okanagan Spring Wine Festival – Best of Varietals

Best of Varietal – Gold – Best Red Blend – 2016 Cabernet Sauvignon Syrah
Gold Medal – 2015 Signature Series Cabernet Merlot
Gold Medal – 2015 Signature Series Shiraz

Los Angeles International Wine Competition

Gold Medal – 94 points – 2016 Signature Series Riesling
Gold Medal – 92 points – 2017 Pinot Grigio

Dan Berger's International Wine Competition

Gold Medal – 2017 Pinot Grigio

WineAlign National Wine Awards of Canada

Gold Medal – 2016 Signature Riesling

Intervin International Wine Awards

Gold Medal - Signature Series Riesling 2016

British Columbia Lieutenant Governor's Wine Awards

Gold Medal - 2016 Merlot

Black Cellar

Tasters Guild – Michigan, USA

Gold Medal – Cabernet Sauvignon (ON)

Pacific Rim Wine Competition – USA

Gold Medal – Pinot Grigio (BC)

Tasters Guild USA

Gold Medal – Malbec Merlot (BC)
Gold Medal – Shiraz Cabernet (BC)



+550 AWARDS NATIONALLY



2018 ONTARIO WINERY OF THE YEAR PELLER ESTATES

Sandhill Winery

(Okanagan Valley, BC)

Okanagan Spring Wine Festival – Best of Varietals
Best of Varietal – Gold – Best Other Single Red Varietal
– 2015 Small Lots Petit Verdot
Gold Medal – 2015 Small Lots THREE

Beverage Testing Institute – Rosé Challenge
Gold Medal – Best Buy – 90 points – 2017 Sandhill Rosé

Los Angeles International Wine Competition
Best of Class – Gold Medal – 96 points – 2016 Riesling Icewine
Gold Medal – 92 points – 2015 Small Lots Malbec

All Canadian Wine Championships
Gold Medal – 2017 Rosé
Gold Medal – 2015 Small Lots ONE Phantom Creek Vineyard
Gold Medal – 2015 Small Lots THREE Sandhill Estate Vineyard
Gold Medal – 2016 Small Lots Syrah Sandhill Estate Vineyard

WineAlign National Wine Awards of Canada
Gold Medal – 2017 Small Lots Viognier
Gold Medal – 2016 Small Lots Syrah

Intervin International Wine Awards
Runner-Up: Winery of the Year (Second place)

Gold Medal – Cabernet Franc Icewine 2017
Gold Medal – Small Lots Syrah Sandhill Estate Vineyard 2016
Gold Medal – Terroir Driven Rosé 2017

British Columbia Lieutenant Governor's Wine Awards
Gold Medal – 2016 Terroir Driven Chardonnay

Six Nations Wine Challenge – Australia
Gold Medal – 2016 Small Lots Syrah Sandhill Estate Vineyard

Thirty Bench Wine Makers

(Beamsville, ON)

Decanter World Wine Awards – UK
Best in Show – Platinum – 97 points – 2015 Small Lot Cabernet Franc
Platinum – 97 points – 2015 Small Lot Riesling Steel Post Vineyard
Gold Medal – 95 points – Sparkling Riesling

International Wine & Spirit Competition – UK
Gold Medal – 2015 Small Lot Cabernet Franc

Los Angeles International Wine Competition 2018
Gold Medal – 93 points – 2016 Winemaker's Blend Riesling

Ontario Wine Awards
Gold Medal – 2016 Winemakers Blend Chardonnay

WineAlign – National Wine Awards of Canada
Platinum Medal – 2016 Winemakers Blend Riesling
Gold Medal – 2015 SL Pinot Noir
Gold Medal – 2015 SL Cabernet Franc
Gold Medal – 2016 SL Riesling Steel Post

Intervin – Vines magazine – Canada
Gold Medal – Small Lot Wood Post Vineyard Riesling 2016

Six Nations Wine Challenge – Australia
Trophy – 2016 Winemaker's Blend Riesling
Runner-up Double Gold – 2016 Small Lot Riesling Wood Post Vineyard

The Global Riesling Masters – UK
Gold Medal – 2016 Small Lot Riesling Wood Post Vineyard

Black Hills Estate Winery

(Okanagan Valley, BC)

Okanagan Life magazine, Best of BC Wine Awards
Gold Medal – 2016 Chardonnay

All Canadian Wine Championships
Gold Medal – 2016 Chardonnay

Best of BC Wine Country Awards
Best Red Wine in BC – 2016 Black Hills Estate Nota Bene

British Columbia Lieutenant Governor's Wine Awards
Platinum Medal – 2016 Syrah
Gold Medal – 2016 Cellar Hand Punch Down Red
Gold Medal – 2016 Chardonnay

Gray Monk Estate Winery

(Okanagan Valley, BC)

British Columbia Lieutenant Governor's Wine Awards
Gold Medal – 2014 Odyssey Merlot
Gold Medal – 2014 Cabernet Merlot

Okanagan Spring Wine Festival – Best of Varietals
Best of Varietal – Gold – Best Merlot – 2014 Odyssey Merlot
Best of Varietal – Gold – Best Sparkling – 2016 Odyssey Rosé Brut

WineAlign National Wine Awards of Canada
Gold Medal – 2017 Chardonnay Unwooded
Gold Medal – 2016 Pinot Noir

Northwest Wine Summit
Gold Medal – Best Sparkling Wine – 2015 Odyssey White Brut
Gold Medal – 2016 Odyssey Rosé Brut
Gold Medal – 2014 Odyssey Merlot

Intervin International Wine Awards
Gold Medal – 2015 Odyssey Cabernet Sauvignon

Tinhorn Creek

(Okanagan Valley, BC)

Okanagan Spring Wine Festival – Best of Varietals
Best of Varietal – Gold – Best Cabernet Franc – 2015 Cabernet Franc
Gold Medal – 2016 Oldfield Reserve Chardonnay

Los Angeles International Wine Competition
Gold Medal – 91 points – 2014 Oldfield Reserve Cabernet Franc

All Canadian Wine Championships
Gold Medal – 2016 Chardonnay
Gold Medal – 2015 Oldfield Reserve Cabernet Franc

Great Northwest Invitational Wine Competition – USA
Gold Medal – 2017 Pinot Gris
Gold Medal – 2017 Oldfield Reserve 2Bench White

Panama Jack's

Jerry Mead's New World International Wine Competition USA
Gold Medal – 95 points – PJ's Original Cream

Finger Lakes International Wine Awards USA
Double Gold – PJ's Original Cream

No Boats On Sunday

All Canadian Wine Championships
Double Gold Medal – Cranberry Rosé Cider 100% Nova Scotia

Red Rooster Winery

(Okanagan Valley, BC)

Okanagan Spring Wine Festival – Best of Varietals
Best of Varietal – Gold – Best Viognier – 2017 Rare Bird Series Viognier

Los Angeles International Wine Competition
Gold Medal – 90 points – 2017 Riesling
Gold Medal – 92 points – 2017 Rare Bird Series Gewürztraminer
Gold Medal – 90 points – 2016 Riesling Icewine
Gold Medal – 90 points – 2015 Rare Bird Series Syrah

All Canadian Wine Championships
Gold Medal – 2015 Rare Bird Series Merlot
Gold Medal – 2015 Rare Bird Series Malbec

WineAlign National Wine Awards of Canada
Gold Medal – 2015 RBS Malbec
Gold Medal – 2016 RBS Pinot Noir
Gold Medal – 2017 RBS Viognier

Intervin International Wine Awards
Third place, Winery of the Year

Gold Medal – Riesling 2017
Gold Medal – Golden Egg 2015

British Columbia Lieutenant Governor's Wine Awards
Gold Medal – 2015 Golden Egg
Gold Medal – 2015 Rare Bird Series Merlot

Conviction Wines

(British Columbia)

Finger Lake Int'l Wine Competition
Gold Medal – 2016 The Priest Pinot Noir

Tasters Guild USA
Double Gold – 2016 Dreamer & Schemers Rustic Red
Double Gold – 2016 The Industrialist Sovereign Opal
Gold Medal – 2016 Movers & Shakers White
Gold Medal – 2016 The Financier Pinot Grigio
Gold Medal – 2016 The Priest Pinot Noir

Okanagan Spring Wine Festival – Best of Varietals
Gold Medal – 2016 The Industrialist Sovereign Opal

Waltzing Matilda

Tasters Guild – Michigan, USA
Gold Medal – 2016 Shiraz Grenache

XOXO

Beverage Testing Institute – Flavoured Wine & Wine Cocktail Challenge USA
Gold Medal – Best Buy – 90 Points – XOXO Red Sangria (ON)
Gold Medal – Best Buy – 90 Points – XOXO Pinot Grigio Sangria (ON)

Tasters Guild USA
Gold – Pinot Grigio Chardonnay (BC)

Indy International Wine Competition
Gold Medal – Rosé (BC)
Gold Medal – Pinot Grigio Chardonnay (BC)

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE THREE MONTHS AND YEAR ENDED MARCH 31, 2019

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, 2019 in comparison with those for the three months and year ended March 31, 2018 for Andrew Peller Limited (the "Company" or "APL"). This discussion is prepared as of June 12, 2019 and should be read in conjunction with the audited annual consolidated financial statements and accompanying notes contained therein for the periods ended March 31, 2019 and 2018. 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, 2019 and March 31, 2018, is available on www.sedar.com. The financial years ending March 31, 2018, March 31, 2019 and March 31, 2020 are referred to as "fiscal 2018", "fiscal 2019" and "fiscal 2020" 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 craft beverage alcohol products; 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 labelling 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 Family Vineyards* (formerly, *Peller Estates French Cross* in Eastern Canada and *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 craft beverage alcohol products, including *No Boats on Sunday* ciders, *Wayne Gretzky No. 99 Red Cask*, *No. 99 Ice Cask* and *99 Proof* Canadian Whiskies and *No. 99 Canadian Whisky Cream* products. The Company has also recently entered the craft beer market with the launch of its *No. 99 Rye Lager*. 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 vision 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.

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 12, 2019, the Company’s Board of Directors approved a 4.8% increase in common share dividends. The annual dividend on Class A Shares was increased to \$0.215 per share from \$0.205 per share and the dividend on Class B Shares was increased to \$0.187 per share from \$0.178 per share. The Company has consistently paid common share dividends since 1979 and has increased dividends every year for the past seven years. APL currently designates all dividends paid as “eligible dividends” for purposes of the *Income Tax Act* (Canada) unless indicated otherwise.

On April 26, 2019, the Company’s Wayne Gretzky Estates introduced its expansion into the craft beer market with its new *No. 99 Rye Lager*. *No. 99 Rye Lager* has only four natural ingredients and is brewed locally in Ontario with Canadian Winter rye grain. The craft beer is available for sale across Ontario in LCBO stores, Wayne Gretzky Estates as well as select Ontario restaurants, and will be more broadly available across Ontario this fall.

On April 11, 2019, the Company announced the launch of the new *Peller Family Vineyards* brand supported by a comprehensive media campaign including television, digital, social, public relations and in-store programs, positioning *Peller Family Vineyards* as a signature for quality, approachable wine.

The Government of Ontario has announced its intention to modernize the rules for selling beverage alcohol in Ontario by expanding retail distribution in the province. This could represent a significant change to the retail landscape in Ontario with the goal of providing more convenience and choice to consumers. While there has not been a proposal by the Government of Ontario regarding implementation, the Company is working closely with its industry partners to mitigate the risks that this transition may have on its financial results.

On September 30, 2018, Canada, the United States of America and Mexico reached an agreement in principle to a revised trade agreement to replace the North American Free Trade Agreement implemented in 1994. The new trade agreement maintains the tariff-free market access from the original agreement and includes updates to address modern-day trade challenges and opportunities. The Company does not expect a material change to the financial results or current operations as a result of the new trade agreement.

Results of Operations

For the years ended March 31, (in \$000, except per share amounts)	2019	2018	2017
Sales	\$ 381,796	\$ 363,897	\$ 342,606
Gross margin	159,008	150,325	131,155
Gross margin (% of sales)	41.6%	41.3%	38.3%
Selling and administrative expenses	106,133	97,465	86,018
EBITA	52,875	52,860	45,137
Adjusted EBITA	58,287	57,225	46,246
Interest	6,872	5,345	3,078
Net unrealized (gain) loss on derivative financial instruments	1,679	(1,400)	(2,232)
Other (income) expenses	1,063	(3,842)	120
Adjusted earnings	29,408	29,303	25,608
Net earnings	21,958	30,117	26,350
Earnings per share – basic and diluted - Class A	\$0.51	\$0.71	\$0.64
Earnings per share – basic and diluted - Class B	\$0.44	\$0.62	\$0.55
Adjusted earnings per share – basic and diluted – Class A	\$0.68	\$0.69	\$0.62
Adjusted earnings per share – basic and diluted – Class B	\$0.59	\$0.60	\$0.54
Dividend per share – Class A (annual)	\$0.205	\$0.180	\$0.163
Dividend per share – Class B (annual)	\$0.178	\$0.156	\$0.142

Sales for the year ended March 31, 2019 were \$381.8 million, up 4.9% from \$363.9 million in the prior year. The increase in sales is due primarily to the acquisition of three estate wineries in October 2017 as well as the introduction of new products and solid performance across the majority of the Company's well established trade channels. Sales during the second half of fiscal 2019 were impacted by increased competition from new low-priced imported wines and market softness primarily in Western Canada. Despite these factors, the Company's share of the English Canada wine market remained strong and stable at approximately 10.2%, which is comparable to fiscal 2018.

The Company defines gross margin as gross profit excluding amortization. Gross margin as a percentage of sales improved to 41.6% for the year ended March 31, 2019 compared to 41.3% in the prior year. Gross margin in fiscal 2019 benefited from the rationalization of lower performing products, an increased focus on higher margin products, and the positive impact of the Company's cost control initiatives, partially offset by the softer markets in Western Canada and increased competition from new low-priced imported wines. Management is continually focused on efforts to enhance production efficiency and productivity and believes gross margin will continue to strengthen over the long term.

On the acquisition of the three wineries purchased in October 2017, the Company recorded an increase of \$10.4 million to inventory to represent the fair value of the goods acquired. This increase is being expensed over time to the consolidated statement of earnings as finished goods are sold, thus reducing gross margin. During fiscal 2019 the Company's gross margin was reduced by \$5.5 million due to this adjustment compared to \$3.0 million in fiscal 2018.

Selling and administrative expenses increased in fiscal 2019 compared to the prior year due to additional expenditures related to compensation to build out the Company's marketing team, extensive consumer research, large innovation projects and the creation of marketing campaigns for the launch of *Peller Family Vineyards* and *No. 99 Rye Lager* in the first quarter of fiscal 2020. Selling and administrative expenses also increased by approximately \$1.2 million in fiscal 2019 due to the increase in minimum wage in Ontario.

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

Earnings before interest, amortization, net unrealized gains and losses on derivative financial instruments, other (income) expenses, and income taxes ("EBITA") were \$52.9 million for the year ended March 31, 2019 which is consistent with the prior year. EBITA in fiscal 2019 was impacted by the increase in selling and administrative expenses and the larger reduction in margin due to the inventory fair value adjustment charged to cost of sales, partially offset by the increase in sales and improved gross margin. Adjusted EBITA, which excludes from EBITA one-time acquisition related charges, was \$58.3 million for the year ended March 31, 2019 compared to \$57.2 million in the prior year.

Interest expense increased in fiscal 2019 compared to the prior year due primarily to long-term debt incurred to complete the three acquisitions in October 2017. Amortization expense has also increased due to the addition of the three acquired wineries and operational improvements at the Company's production facilities.

The Company recorded a net unrealized non-cash loss in fiscal 2019 of \$1.7 million related to mark-to-market adjustments on interest rate swaps and foreign exchange contracts compared to a gain of \$1.4 million in fiscal 2018. 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.

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 \$29.4 million for the year ended March 31, 2019 compared to \$29.3 million in the prior year. Net earnings for fiscal 2019 were \$22.0 million or \$0.51 per Class A Share compared to \$30.1 million or \$0.71 per Class A Share in the prior year. Net earnings in the third quarter of fiscal 2018 included a one-time gain of approximately \$4.2 million related to one of the acquisitions completed in October 2017.

The Company believes that sales will grow over the long term due to strong positioning of key brands, the continued launch of new and innovative products, and growth in the Canadian beverage alcohol market.

Quarterly Performance

The following table outlines key quarterly highlights.

(in \$000, except per share amounts)	Q4 19	Q3 19	Q2 19	Q1 19	Q4 18	Q3 18	Q2 18	Q1 18
Sales	79,780	103,152	103,323	95,541	79,817	103,583	91,857	\$88,640
Gross margin	31,310	42,133	44,284	41,281	32,811	43,217	38,693	35,604
Gross margin (% of sales)	39.2%	40.8%	42.9%	43.2%	41.1%	41.7%	42.1%	40.2%
EBITA	6,554	14,353	16,160	15,808	4,279	17,833	16,290	14,458
Interest	1,055	1,920	1,943	1,954	1,749	1,656	1,157	783
Adjusted EBITA	6,548	15,599	18,198	17,942	5,740	20,175	16,852	14,458
Net unrealized loss (gain) on financial instruments	1,168	1,478	(749)	(218)	(833)	(216)	(285)	(66)
Other expenses (income)	669	27	92	275	35	(4,092)	70	145
Adjusted earnings (loss)	1,477	7,761	10,446	9,724	(904)	12,402	9,556	8,249
Net earnings (loss)	84	5,432	8,894	7,548	(1,691)	14,391	9,226	8,191
E.P.S. – Class A basic & diluted	\$0.00	\$0.13	\$0.21	\$0.18	\$(0.04)	\$0.33	\$0.22	\$0.20
E.P.S. – Class B basic & diluted	\$0.00	\$0.11	\$0.18	\$0.15	\$(0.03)	\$0.29	\$0.19	\$0.17
Adjusted E.P.S – Class A basic & diluted	\$0.03	\$0.18	\$0.24	\$0.23	\$(0.02)	\$0.29	\$0.23	\$0.20
Adjusted E.P.S – Class B basic & diluted	\$0.03	\$0.16	\$0.21	\$0.20	\$(0.02)	\$0.25	\$0.20	\$0.17

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

Sales in the fourth quarter of fiscal 2019 were comparable to the fourth quarter of fiscal 2018, however, sales were impacted by increased competition from new low-priced imported wines and market softness primarily in Western Canada.

Gross margin for the three months ended March 31, 2019 was 39.2% of sales compared to 41.1% in the fourth quarter of fiscal 2018. The decrease in gross margin in the fourth quarter of fiscal 2019 is primarily attributable to certain short-term cost increases of bulk wine due to poor crops in international markets and the short-term competitive price discounts as discussed above. These factors have been partially offset by the Company's increased focus on higher margin products and the positive impact of the Company's cost control initiatives.

Selling and administrative expenses reduced significantly in the fourth quarter of fiscal 2019 compared to the prior year's fourth quarter due primarily to the Company's ongoing focus on reducing costs and the realization of synergies on acquisitions. Investments made during fiscal 2019 in sales and marketing are expected to result in increased sales, thus reducing selling and administrative expenses as a percentage of revenues compared to fiscal 2019.

EBITA was \$6.6 million for the three months ended March 31, 2019 compared to \$4.3 million in the same quarter in fiscal 2018. The increase is due primarily to the reduction in selling and administrative expenses in the fourth quarter of fiscal 2019, partially offset by the reduced gross margin. The Company recorded a net unrealized non-cash loss of \$1.2 million in the fourth quarter of fiscal 2019 related to mark-to-market adjustments on interest rate swaps and foreign exchange contracts compared to a gain of \$0.8 million in the fourth quarter of fiscal 2018.

The Company generated Adjusted earnings for the three months ended March 31, 2019 not including one-time acquisition related charges, of \$1.5 million compared to an Adjusted loss of \$0.9 million in the same prior year period. Net earnings were \$0.1 million or \$0.00 per Class A share for the three months ended March 31, 2019 compared to a net loss of \$1.7 million or a loss of \$0.04 per Class A Share in the fourth quarter of fiscal 2018.

Liquidity and Capital Resources

As at (in \$000)	March 31, 2019	March 31, 2018	March 31, 2017
Current assets	\$ 196,700	\$ 198,014	\$ 160,567
Property, plant, and equipment	199,749	188,191	118,838
Intangibles	16,932	17,733	10,600
Goodwill	53,638	53,638	37,473
Derivative financial instruments	-	204	-
Total assets	\$ 467,019	\$ 457,780	\$ 327,478
Current liabilities	\$ 99,395	\$ 93,597	\$ 81,742
Long-term debt	106,879	116,257	46,678
Long-term derivative financial instruments	1,008	-	642
Post-employment benefit obligations	4,657	5,140	5,279
Deferred income tax	20,329	22,540	15,820
Shareholders' equity	234,751	220,246	177,317
Total liabilities and shareholders' equity	\$ 467,019	\$ 457,780	\$ 327,478

The change in current assets as at March 31, 2019 compared to March 31, 2018 reflects a decrease in accounts receivable due to the timing of cash receipts from provincial liquor boards. Inventory is consistent with prior year as the decrease due to the fair value adjustment for acquired inventory sold in fiscal 2019 has been offset by an increase in finished goods inventory. 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 \$14.9 million of accounts receivable with provincial liquor boards at March 31, 2019, 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 \$1.6 million at March 31, 2019. Against these amounts an allowance for doubtful accounts of \$0.1 million has been provided which the Company has determined based on assumptions about risk of default and expected loss rates.

Property, plant, and equipment increased at March 31, 2019 compared to the prior year due to operational investments at the Company's production facilities.

The change in current liabilities as at March 31, 2019 compared to March 31, 2018 is due to an increase in accounts payable and accrued liabilities offset by lower bank indebtedness.

Overall bank debt decreased to \$154.8 million at March 31, 2019 compared to \$171.7 million at March 31, 2018. The decrease is due to cash flows from operations in fiscal 2019, the positive impact of working capital management, and regularly scheduled debt repayments. With the decrease in debt, the Company's debt to equity ratio improved to 0.66:1 at March 31, 2019 compared to 0.78:1 at March 31, 2018. At March 31, 2019, the Company had unutilized debt capacity in the amount of \$51.8 million on its operating facility and \$102.8 million on its investment facility.

The following table outlines the Company's contractual obligations as at March 31, 2019:

(in \$000)	< 1 year	2 - 3 years	4 - 5 Years	> 5 years	Total
Long-term debt	\$ 9,741	\$ 24,194	\$ 83,503	-	\$ 117,438
Leases and royalties	5,360	9,209	6,844	15,659	37,072
Pension obligations	331	438	181	89	1,039
Grape and bulk wine purchase contracts	69,362	72,305	62,951	130,992	335,610
Packaging purchase contracts	31,299	7,411	-	-	38,710
	116,093	113,557	153,479	146,740	529,869
Interest rate swap	2,519	4,339	904	-	7,762
Foreign exchange forwards	14,102	-	-	-	14,102
Total contractual obligations	\$ 132,714	\$ 117,896	\$ 154,383	\$ 146,740	\$ 551,733

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.

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, 2019, the Company generated cash from operating activities, after changes in non-cash working capital items, of \$49.0 million compared to \$21.7 million in the prior year. Investing activities of \$23.4 million in the fiscal 2019 relate to capital expenditures to improve operations. In fiscal 2018, the Company invested \$77.4 million in the acquisition of three wineries.

Financing activities for the year ended March 31, 2019 of \$25.7 million included scheduled repayments of long-term debt, dividend payments and a decrease in bank indebtedness. Financing activities in fiscal 2018 reflect the acquisition of three wineries in October 2017.

Working capital as at March 31, 2019 was \$97.3 million compared to \$104.4 million at March 31, 2018, reflecting the decrease in accounts receivable and increase in current liabilities. Shareholders' equity as at March 31, 2019 was \$234.8 million or \$5.31 per common share compared to \$220.2 million or \$4.99 per common share as at March 31, 2018. The increase in shareholders' equity was due to the increase in net earnings through fiscal 2019, partially offset by the payment of dividends.

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, 2019	March 31, 2018	March 31, 2017
Class A Shares	35,988,148	35,471,185	33,581,487
Class B Shares	8,198,994	8,702,095	9,012,123
Total	44,187,142	44,173,280	42,593,610

During fiscal 2019, approximately 0.5 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 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 and craft beer categories, 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 long term 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 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 key brands through all of the Company's distribution channels will continue to receive increased marketing and sales support.

The Company expects to continue to invest 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.

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 sales 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. Fluctuating foreign currencies may have a positive or negative impact on gross margins, however, the Company believes the impact on gross margin will be largely offset by its continued ability to leverage scale and successful cost control initiatives to reduce other cost of goods sold. 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. The Company does not enter into foreign exchange contracts for trading or speculative purposes and contracts are reviewed periodically. As at March 31, 2019, the Company had locked in \$5.0 million in U.S. dollar contracts at rates ranging between \$1.31 and \$1.32 Canadian and \$8.0 million in Australian dollar contracts at rates ranging between \$0.95 and \$0.97 Canadian. These contracts expire at various dates through November 2019. Based on the Company's forecasts for foreign currency purchases and the amount of foreign exchange forward contracts outstanding at March 31, 2019, each one percent change in the U.S. dollar would impact the Company's net earnings by an estimated \$0.2 million. Each one percent change in the Euro and the Australian dollar exchange rates would not result in a material impact on the Company's net earnings.

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 markets 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. The 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.

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, (in \$000)	Three Months		Year	
	2019	2018	2019	2018
Net earnings (loss)	\$ 84	\$ (1,691)	\$ 21,958	\$ 30,117
Add: Interest	1,055	1,749	6,872	5,345
Provision for income taxes	234	1,411	8,533	10,937
Amortization of plant and equipment used in production	2,091	1,782	7,749	6,891
Amortization of equipment and intangibles used in selling and administration	1,253	1,826	5,021	4,812
Net unrealized loss (gain) on derivative financial instruments	1,168	(833)	1,679	(1,400)
Other expenses (income)	669	35	1,063	(3,842)
EBITA	\$ 6,554	\$ 4,279	\$ 52,875	\$ 52,860
Fair value adjustment for acquired inventory sold during the period	305	1,098	5,483	2,972
Acquisition transaction and transition costs	(311)	363	(71)	1,393
Adjusted EBITA	\$ 6,548	\$ 5,740	\$ 58,287	\$ 57,225

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, (in \$000)	Three Months		Year	
	2019	2018	2019	2018
Sales	\$ 79,780	\$ 79,817	\$ 381,796	\$ 363,897
Less: Cost of goods sold, excluding amortization	48,470	47,006	222,788	213,572
Gross margin	\$ 31,310	\$ 32,811	\$ 159,008	\$ 150,325
Gross margin (% of sales)	39.2%	41.1%	41.6%	41.3%

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

For the three months and years ended March 31, (in \$000)	Three Months		Year	
	2019	2018	2019	2018
Net earnings (loss)	\$ 84	\$ (1,691)	\$ 21,958	\$ 30,117
Net unrealized loss (gain) on derivative financial instruments	1,168	(833)	1,679	(1,400)
Other expenses (income)	669	35	1,063	(3,842)
Fair value adjustment for acquired inventory sold during the period	305	1,098	5,483	2,972
Acquisition transaction and transition costs	(311)	363	(71)	1,393
Income tax effect of the above	(438)	124	(704)	63
Adjusted earnings (loss)	\$ 1,477	\$ (904)	\$ 29,408	\$ 29,303
Adjusted earnings (loss) per share – Class A	\$0.03	\$(0.02)	\$0.68	\$0.69
Adjusted earnings (loss) per share – Class B	\$0.03	\$(0.02)	\$0.59	\$0.60

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 Peller Family Enterprises Inc. (formerly, Jalger Limited), which owns 60.9% 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 Peller Family Enterprises Inc.

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

For the years ended March 31 (in \$000)	2019	2018
Compensation and short-term benefits	\$ 4,336	\$ 3,848
Post-employment benefits	295	296
Stock based compensation expense	1,097	1,422
	\$ 5,728	\$ 5,566

The compensation and short-term benefits expense consist 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

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:

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 (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, 2019 and 2018.

Post-employment benefits

Measuring the liability for post-employment benefits requires 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.

Recently Adopted Accounting Policies

The IASB issued an amended IFRS 9, Financial Instruments - Classification and Measurement of Financial Assets and Financial Liabilities. IFRS 9 replaces IAS 39, Financial Instruments - Recognition and Measurement. In addition, IFRS 7, Financial Instruments - Disclosures is amended to include additional disclosure requirements on transition to IFRS 9. The amendments were effective for annual periods beginning on or after January 1, 2018. The standard uses a single approach based on how an entity manages its financial instruments to determine whether a financial asset is measured at amortized cost or fair value and 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 (loss) 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 new requirements were adopted effective April 1, 2018, using the modified retrospective method. The adoption of these amendments did not have a significant impact on the consolidated financial statements.

The IASB issued IFRS 15, Revenue from Contracts with Customers, which supersedes IAS 18, Revenue, and IAS 11, Construction Contracts. The Company adopted the requirements of IFRS 15 on April 1, 2018, using the modified retrospective method as permitted by IFRS 15. The adoption of IFRS 15 did not result in any adjustments or in any change in the recognition of revenues compared to prior periods and therefore, there was no adjustment to opening retained earnings.

Recently Issued Accounting Pronouncements

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 lease 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 expects to use the modified retrospective method on adoption and currently expects to apply the practical expedients relating to recognition exemptions for short-term leases and low-value items as described under IFRS 16. The Company is finalizing the impact of the amendment on the consolidated financial statements and will adopt the new standard effective April 1, 2019.

IAS 19, Employee Benefits has been amended to modify the guidance in connection with defined benefit plans and accounting for plan amendments, settlements, or curtailments. The Amendments are effective for annual periods beginning on or after January 1, 2019. The Company has not yet assessed the impact of the amendments on the consolidated financial statements.

IFRS 9, Financial Instruments has been amended to enable companies to measure at amortized cost some prepayable financial assets with negative compensation. The amendment to IFRS 9 also clarifies how to account for the modification of a financial liability. Most modifications of financial liabilities will result in immediate recognition of a gain or loss. The amendment is effective for annual periods beginning on or after January 1, 2019. The Company has not yet assessed the impact of the amendment on the consolidated financial statements.

IFRIC Interpretation 23, Uncertainty over Income Tax Treatments, has been issued to clarify how to apply the recognition and measurement requirements in IAS 12, Income Taxes, when there is uncertainty over income tax treatments. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2019. The Company has not yet assessed the impact of the amendment on the consolidated financial statements.

IAS 1, Presentation of Financial Statements and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors have been amended to use a consistent definition of materiality throughout all accounting standards, clarify the explanation of the definition of material and incorporate some of the guidance in IAS 1 about immaterial information. The amendments are effective for annual periods beginning on or after January 1, 2020. The Company has not yet assessed the impact of the amendment on the consolidated financial statements.

IFRS 3, Business Combinations has been amended to improve the definition of a business. The amendments will help companies determine whether an acquisition made is of a business or a group of assets. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments are effective for annual periods beginning on or after January 1, 2020. The Company has not yet assessed the impact of the amendment on the consolidated financial statements.

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 Officer ("CEO") and Chief Financial Officer ("CFO") on a timely basis so that decisions can be made regarding the Company 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". As at June 12, 2019, the CEO and CFO of the Company have evaluated the effectiveness of the disclosure controls and procedures. Based on these evaluations, the CEO and CFO have concluded that the controls and procedures were operating effectively.

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 maintain 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, 2019, 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 12, 2019, 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

To the Shareholders of Andrew Peller Limited

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Andrew Peller Limited and its subsidiaries (together, the Company) as at March 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated balance sheets as at March 31, 2019 and 2018;
 - the consolidated statements of earnings for the years then ended;
 - the consolidated statements of comprehensive income for the years then ended;
 - the consolidated statements of changes in equity for the years then ended;
 - the consolidated statements of cash flows for the years then ended; and
 - the notes to the consolidated financial statements, which include a summary of significant accounting policies.
-

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is John Donnelly.

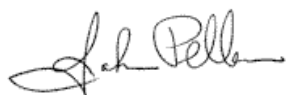
PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
June 12, 2019

Consolidated Balance Sheets
As at March 31, 2019 and 2018
(in thousands of Canadian dollars)

	2019 \$	2018 \$
Assets		
Current assets		
Accounts receivable (note 20)	29,801	31,406
Inventories (note 4)	160,537	160,154
Biological assets (note 6)	1,736	1,901
Prepaid expenses and other assets	4,626	4,401
Derivative financial instruments (note 20)	-	152
	196,700	198,014
Property, plant and equipment (note 5)	199,749	188,191
Intangible assets (note 7)	16,932	17,733
Goodwill (note 8)	53,638	53,638
Derivative financial instruments (note 20)	-	204
	467,019	457,780
Liabilities		
Current liabilities		
Bank indebtedness (note 9)	38,175	47,324
Accounts payable and accrued liabilities (note 10)	47,451	33,404
Dividends payable	2,212	1,935
Income taxes payable	1,477	2,775
Derivative financial instruments (note 20)	339	24
Long-term debt (note 11)	9,741	8,135
	99,395	93,597
Long-term debt (note 11)	106,879	116,257
Long-term derivative financial instruments (note 20)	1,008	-
Post-employment benefit obligations (note 12)	4,657	5,140
Deferred income taxes (note 13)	20,329	22,540
	232,268	237,534
Shareholders' Equity		
Capital stock (note 14)	26,330	26,097
Contributed surplus (note 15)	2,737	1,673
Retained earnings	209,825	196,713
Accumulated other comprehensive loss	(4,141)	(4,237)
	234,751	220,246
	467,019	457,780



Director



Director

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

Consolidated Statements of Earnings
For the years ended March 31, 2019 and March 31, 2018
(in thousands of Canadian dollars, except per share amounts)

	2019 \$	2018 \$
Sales	381,796	363,897
Cost of goods sold, excluding amortization (note 16)	222,788	213,572
Amortization of plant and equipment used in production	7,749	6,891
Gross profit	151,259	143,434
Selling and administration (note 16)	106,133	97,465
Amortization of equipment and intangible assets used in selling and administration	5,021	4,812
Interest	6,872	5,345
Net unrealized loss (gain) on derivative financial instruments (note 20)	1,679	(1,400)
Other expense (income) (note 16)	1,063	(3,842)
Earnings before income taxes	30,491	41,054
Provision for (recovery of) income taxes (note 13)		
Current	10,778	11,797
Deferred	(2,245)	(860)
	8,533	10,937
Net earnings for the year	21,958	30,117
Net earnings per share (note 17)		
Basic and diluted		
Class A shares	0.51	0.71
Class B shares	0.44	0.62

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

Consolidated Statements of Comprehensive Income
For the years ended March 31, 2019 and March 2018
(in thousands of Canadian dollars)

	2019	2018
	\$	\$
Net earnings for the year	21,958	30,117
Items that are never reclassified to net earnings		
Net actuarial gains (losses) on post-employment benefit plans (note 12)	130	(533)
Deferred income taxes (note 13)	(34)	139
Other comprehensive income (loss) for the year	96	(394)
Net comprehensive income for the year	22,054	29,723

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

Consolidated Statements of Changes in Equity
For the years ended March 31, 2019 and March 31, 2018
(in thousands of Canadian dollars)

	Capital stock \$	Contributed surplus \$	Retained earnings \$	Accumulated other comprehensive loss \$	Total shareholders' equity \$
Balance at April 1, 2017	6,967	-	174,193	(3,843)	177,317
Net comprehensive income for the year	-	-	30,117	(394)	29,723
Issuance of Class A non-voting shares	19,130	-	-	-	19,130
Share based compensation (note 15)	-	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
Net comprehensive income for the year	-	-	21,958	96	22,054
Issuance of Class A non-voting shares (note 15)	233	(162)	-	-	71
Share based compensation (note 15)	-	1,226	-	-	1,226
Dividends (Class A \$0.205 per share, Class B \$0.178 per share)	-	-	(8,846)	-	(8,846)
Balance at March 31, 2019	26,330	2,737	209,825	(4,141)	234,751

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

Consolidated Statements of Cash Flows
For the years ended March 31, 2019 and March 31, 2018
(in thousands of Canadian dollars)

	2019 \$	2018 \$
Cash provided by (used in)		
Operating activities		
Net earnings for the year	21,958	30,117
Adjustments for non-cash items		
Gain on acquisition of subsidiary	-	(4,164)
(Gain) loss on disposal of property, plant and equipment	(7)	181
Amortization of plant, equipment and intangible assets	12,770	11,703
Interest expense	6,872	5,345
Provision for income taxes	8,533	10,937
Net unrealized loss (gain) on derivative financial instruments	1,679	(1,400)
Share based compensation expense	1,226	1,673
Post-employment benefits	(353)	(672)
Interest paid	(6,689)	(4,600)
Income taxes paid	(12,076)	(11,484)
	33,913	37,636
Change in non-cash working capital items related to operations (note 19)	15,131	(15,889)
	49,044	21,747
Investing activities		
Acquisition of subsidiaries, net of cash acquired	-	(77,438)
Proceeds from disposal of property, plant and equipment	18	-
Purchase of property, plant and equipment	(22,516)	(19,996)
Purchase of intangible assets	(870)	(378)
	(23,368)	(97,812)
Financing activities		
(Decrease) increase in bank indebtedness	(9,149)	10,642
Issuance of Class A non-voting shares	71	-
Drawings of long-term debt	-	79,000
Repayment of long-term debt	(8,029)	(5,003)
Deferred financing costs	-	(1,222)
Dividends paid	(8,569)	(7,352)
	(25,676)	76,065
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	536	384

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2019 and March 31, 2018

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

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 12, 2019.

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

Revenue is derived from the sale of goods and is recognized at a point in time when the performance obligation is fulfilled. For sales to consumers through retail stores winery restaurants, and estate wineries, the performance obligation is deemed fulfilled when the product is purchased. For sales transactions with provincial liquor boards, licensee retail stores and wine kit retailers, the Company's performance obligation is fulfilled when the product is shipped from the Company's distribution facilities.

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 the selling price to determine the transaction price at which revenue is recognized. Expected product returns and breakage are estimated based on historical actuals as a percentage of sales.

Deferred revenue represents amounts paid by customers in advance of the purchase of products which typically takes the form of pre-loaded gift cards. The amounts received are recorded as deferred revenue within accounts payable and accrued liabilities on the consolidated balance sheets. Once a gift card is redeemed to make a purchase, the liability is relieved and revenue is recognized.

The Company also enters into arrangements with third parties for the sale of products to customers. When the terms of the arrangement are such that the Company is acting as an agent of the third party, revenue is recognized in the amount of the commission to which the Company is entitled in exchange for arranging for the third party to provide its goods to customers.

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 comprise 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 year 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 – indefinite life	n/a	indefinite	indefinite
Brands – finite life	straight-line	2 years	2 years
Customers	straight-line	10 – 20 years	3 – 15 years
Contract packaging	straight-line	10 years	none
Software	straight-line	5 years	3 – 5 years

Certain of the Company's 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 had 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, 2019 and 2018.

During the year ended March 31, 2019, it was determined that certain of the Company's brands, which were previously recorded as indefinite life, have a finite life based on the remaining expected usage. Therefore, amortization for these brands is being recorded on a straight-line basis over the remaining period of expected usage.

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, 2019 and 2018.

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 income (loss) in the year in which they arise. The corresponding change in shareholders' equity is adjusted to retained earnings for the year.

Financial instruments and hedge accounting

For the year ended March 31, 2018, the Company recorded and classified its financial instruments under IAS 39, Financial Instruments – Recognition and Measurement. 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.

Effective April 1, 2018, the Company adopted IFRS 9, Financial Instruments – Classification and Measurement of Financial Assets and Financial Liabilities using the modified retrospective method. Under IFRS 9, financial assets and liabilities are initially recorded at fair value including, where permitted by IFRS 9, any directly attributable transaction costs. For those financial assets that are not subsequently held at fair value, the Company assesses whether there is evidence of impairment at each balance sheet date.

The Company classifies its financial assets and liabilities into the following categories: financial assets and liabilities at amortized cost and financial assets and liabilities at fair value through profit or loss. Upon adoption, accounts receivables were reclassified from the loans and receivable category under IAS 39 to the amortized cost category under IFRS 9. This reclassification did not have an impact on the consolidated financial statements. There were no reclassifications of financial liabilities or financial assets and liabilities at fair value through profit or loss.

Expected credit losses on financial assets carried at amortized cost are assessed on a forward-looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Applying the expected credit risk model to accounts receivable did not have a significant impact on the consolidated financial statements upon adoption of IFRS 9.

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 year. Current income tax may also include adjustments to taxes payable or recoverable in respect of previous years.

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 income (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 comprises net earnings and other comprehensive income (loss). Other comprehensive income (loss) represents the change in equity for a year 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 income (loss) in the year incurred.

Equity

The Company separately presents changes in equity related to capital stock, contributed surplus, retained earnings and accumulated other comprehensive income (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 on the date of grant.

The grant date fair value of equity-settled share based awards is recognized as a 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

The IASB issued an amended IFRS 9, Financial Instruments – Classification and Measurement of Financial Assets and Financial Liabilities. IFRS 9 replaces IAS 39, Financial Instruments – Recognition and Measurement. In addition, IFRS 7, Financial Instruments – Disclosures is amended to include additional disclosure requirements on transition to IFRS 9. The amendments were effective for annual periods beginning on or after January 1, 2018. The standard uses a single approach based on how an entity manages its financial instruments to determine whether a financial asset is measured at amortized cost or fair value and 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 (loss) 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 new requirements were adopted effective April 1, 2018, using the modified retrospective method. The adoption of these amendments did not have a significant impact on the consolidated financial statements.

The IASB issued IFRS 15, Revenue from Contracts with Customers, which supersedes IAS 18, Revenue, and IAS 11, Construction Contracts. The Company adopted the requirements of IFRS 15 on April 1, 2018, using the modified retrospective method as permitted by IFRS 15. The adoption of IFRS 15 did not result in any adjustments or in any change in the recognition of revenues compared to prior periods; therefore, there was no adjustment to opening retained earnings.

Recently issued accounting pronouncements

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 lease 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 expects to use the modified retrospective method on adoption and currently expects to apply the practical expedients relating to recognition exemptions for short-term leases and low-value items as described under IFRS 16. The Company is finalizing the impact of the amendment on the consolidated financial statements and will adopt the new standard effective April 1, 2019.

IAS 19, Employee Benefits, has been amended to modify the guidance in connection with defined benefit plans and accounting for plan amendments, settlements, or curtailments. The Amendments are effective for annual periods beginning on or after January 1, 2019. The Company has not yet assessed the impact of the amendments on the consolidated financial statements.

IFRS 9, Financial Instruments, has been amended to enable companies to measure at amortized cost some prepayable financial assets with negative compensation. The amendment to IFRS 9 also clarifies how to account for the modification of a financial liability. Most modifications of financial liabilities will result in immediate recognition of a gain or loss. The amendment is effective for annual periods beginning on or after January 1, 2019. The Company has not yet assessed the impact of the amendment on the consolidated financial statements.

IFRIC Interpretation 23, Uncertainty over Income Tax Treatments, has been issued to clarify how to apply the recognition and measurement requirements in IAS 12, Income Taxes, when there is uncertainty over income tax treatments. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2019. The Company has not yet assessed the impact of the amendment on the consolidated financial statements.

IAS 1, Presentation of Financial Statements, and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, have been amended to use a consistent definition of materiality throughout all accounting standards, clarify the explanation of the definition of material and incorporate some of the guidance in IAS 1 about immaterial information. The amendments are effective for annual periods beginning on or after January 1, 2020. The Company has not yet assessed the impact of the amendment on the consolidated financial statements.

IFRS 3, Business Combinations, has been amended to improve the definition of a business. The amendments will help companies determine whether an acquisition made is of a business or a group of assets. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments are effective for annual periods beginning on or after January 1, 2020. The Company has not yet assessed the impact of the amendment on the consolidated financial statements.

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:

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, 2019 and 2018.

Post-employment benefits

Measuring the liability for post-employment benefits requires 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 Inventories

	2019	2018
	\$	\$
Packaging materials and supplies	10,172	8,177
Bulk wine and spirits	83,979	85,780
Finished goods	66,386	66,197
	<u>160,537</u>	<u>160,154</u>
Interest included in the cost of inventories	<u>1,399</u>	<u>644</u>

Inventory writedowns recognized as an expense amounted to \$1,088 (2018 – \$1,306).

The cost of inventories recognized as an expense and included in cost of goods sold, excluding amortization, was \$221,700 (2018 – \$212,266).

5 Property, plant and equipment

	Land \$	Vines, vineyard land and infrastructure \$	Buildings \$	Machinery and equipment \$	Total \$
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	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
Year ended March 31, 2019					
Additions	-	674	9,189	12,823	22,686
Disposals	(3)	-	-	(8)	(11)
Amortization	-	(1,719)	(2,073)	(7,325)	(11,117)
Closing net carrying amount	35,801	35,132	65,581	63,235	199,749
At March 31, 2019					
Cost	35,801	48,047	88,785	151,289	323,922
Accumulated amortization	-	(12,915)	(23,204)	(88,054)	(124,173)
Net carrying amount	35,801	35,132	65,581	63,235	199,749

Included in buildings and machinery and equipment are assets amounting to \$1,465 (2018 – \$1,562) that are under development and are not being amortized.

Contractual commitments to purchase property, plant and equipment were \$6,583 as at March 31, 2019 (2018 – \$12,272).

6 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, 2019, the Company harvested grapes valued at \$9,087 (2018 – \$7,150).

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

	2019 \$	2018 \$
Carrying amount – Beginning of year	1,901	1,400
Acquisitions	-	312
Net increase in fair value less costs to sell due to biological transformation	8,922	7,339
Transferred to inventory on harvest	(9,087)	(7,150)
Net gain (loss)	(165)	501
Biological assets	1,736	1,901

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.

7 Intangible assets

	Brands – indefinite life \$	Brands – finite life \$	Customers \$	Contract packaging \$	Software \$	Other \$	Total \$
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	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
Year ended March 31, 2019							
Additions	-	-	-	-	852	-	852
Transfer	(375)	375	-	-	-	-	-
Amortization	-	(125)	(834)	(17)	(677)	-	(1,653)
Closing net carrying amount	10,039	250	4,791	-	1,751	101	16,932
At March 31, 2019							
Cost	10,239	375	12,827	1,100	4,202	1,917	30,660
Accumulated amortization and impairment	(200)	(125)	(8,036)	(1,100)	(2,451)	(1,816)	(13,728)
Net carrying amount	10,039	250	4,791	-	1,751	101	16,932

8 Goodwill

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

	2019 \$	2018 \$
Ontario and eastern Canadian wine	3,134	3,134
Western Canadian wine	26,695	26,695
Personal winemaking products	23,809	23,809
	<u>53,638</u>	<u>53,638</u>

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

	2019	2018
Pre-tax discount rate	12%	12%
Period of projected cash flows	5 years	5 years
Growth rate beyond period of projected cash flows	4%	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 on a pre-tax basis.

9 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).

	2019	2018
Bank indebtedness	\$ 38,175	\$ 47,324
Significant terms		
Committed until	September 29, 2022	September 29, 2022
Borrowing limit	\$90,000	\$90,000
Interest rate	CDOR + 1.90%	CDOR + 1.90%
Unused amount	\$51,825	\$42,676

10 Accounts payable and accrued liabilities

	2019 \$	2018 \$
Trade payables	35,392	22,211
Accrued liabilities	11,194	10,380
Deferred revenue – gift cards	865	813
	<hr/> 47,451	<hr/> 33,404

11 Long-term debt

	2019 \$	2018 \$
Revolving, amortizing loan – Investment facility	117,226	125,255
Other	212	212
	<hr/> 117,438	<hr/> 125,467
Less: Financing costs	818	1,075
	<hr/> 116,620	<hr/> 124,392
Less: Current portion of revolving, amortizing loan	9,635	8,029
Less: Current portion of other loan	106	106
	<hr/> 106,879	<hr/> 116,257

The Company's credit agreement matures on September 29, 2022 and has a total borrowing limit of \$310,000, 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. Monthly principal repayments of \$803 are required on the revolving, amortizing facility until September 30, 2020. Thereafter, monthly principal repayments will increase to \$1,071. As at March 31, 2019 and 2018, the applicable margin was 1.90%.

Financing costs of \$1,222 were incurred to amend the debt facilities during the year ended March 31, 2018 and these costs are being amortized over the term of the loan.

The Company has entered into interest rate swap agreements 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 \$4,828 (2018 – \$3,227).

12 Post-employment benefits

Defined contribution plans

The total expenses for the defined contribution savings plans were \$1,888 (2018 – \$1,630).

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:

	2019		
	Pension benefits \$	Other post- employment benefits \$	Total \$
Plan assets			
Fair value – Beginning of year	22,527	-	22,527
Return on plan assets excluding amounts in interest income	702	-	702
Interest income	787	-	787
Company's contributions	987	115	1,102
Benefits paid	(1,050)	(115)	(1,165)
Fair value – End of year	23,953	-	23,953
Plan obligations			
Accrued benefit obligations – Beginning of year	24,933	2,734	27,667
Total current service cost	494	74	568
Interest cost	872	96	968
Benefits paid	(1,050)	(115)	(1,165)
Remeasurements			
Experience loss (gain)	50	(139)	(89)
Loss from change in financial assumptions	601	60	661
Accrued benefit obligations – End of year	25,900	2,710	28,610
Post-employment benefit obligations	1,947	2,710	4,657
			2019
	Pension benefits \$	Other post- employment benefits \$	Total \$
Benefit plan expense			
Current service cost	494	74	568
Net interest cost on defined benefit liability	85	96	181
Net benefit plan expense	579	170	749
Amount recognized in other comprehensive income (loss)			
Net actuarial gain	51	79	130
Expected contributions for the year ending March 31, 2020	709	107	816
Weighted average duration of the defined benefit obligations in years	12.9	11.9	12.8

	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	<u>22,527</u>	<u>-</u>	<u>22,527</u>
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	<u>24,933</u>	<u>2,734</u>	<u>27,667</u>
Post-employment benefit obligations	<u>2,406</u>	<u>2,734</u>	<u>5,140</u>
			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	<u>646</u>	<u>171</u>	<u>817</u>
Amount recognized in other comprehensive income (loss)			
Net actuarial (loss) gain	<u>(589)</u>	<u>56</u>	<u>(533)</u>
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

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

	2019	2018
Discount rate for expenses	3.5%	3.6%
Discount rate for obligations	3.3%	3.5%
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	MI-2017

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.

	2019		2018	
	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	(3,014)	(302)	(2,928)	(267)
1% decrease in the discount rate	3,688	341	3,583	301
1% increase in the rate of compensation increase	761	5	667	5
1% decrease in the rate of compensation increase	(687)	(5)	(604)	(5)
1% increase in the inflation rate	359	-	360	-
1% decrease in the inflation rate	(325)	-	(326)	-

At March 31, 2019, the accumulated actuarial losses, net of deferred taxes, recognized in other comprehensive income (loss) were \$4,141 (2018 – \$4,237).

Plan assets

The plan assets consist of the following:

	2019		2018	
	\$		\$	
Mutual funds				
Fixed income	17,565	73%	16,177	72%
Equity	6,388	27%	6,350	28%
	23,953	100%	22,527	100%

13 Income taxes

	2019 \$	2018 \$
Provision for current income taxes	10,778	11,797
Change in temporary differences	(2,445)	(714)
Impact of change in tax rate	200	(1)
Other	-	(145)
Recovery of deferred income taxes	(2,245)	(860)
Total provision for income taxes	8,533	10,937

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

	2019 \$	2018 \$
Provision for income taxes at blended statutory rate of 26.18% (2018 – 26.05%)	7,983	10,696
Permanent differences and non-deductible items	485	(741)
Deferred tax liability required for purchased assets	-	228
Future tax rate differential	-	185
Future income tax rate changes	200	(1)
Other	(135)	570
	8,533	10,937

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

	2019 \$	2018 \$
At beginning of year	22,540	15,820
Deferred tax liability recognized on acquired assets	-	7,719
Recovery of deferred income taxes in net earnings	(2,245)	(860)
Provision for (recovery of) deferred income taxes in other comprehensive income (loss)	34	(139)
At end of year	20,329	22,540

The significant temporary differences giving rise to the deferred income tax liability comprise 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, 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
Provision (recovery) 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
Provision (recovery) in net earnings	1,459	(1,481)	(1,503)	(66)	(1,591)
March 31, 2019	17,823	466	516	3,712	22,517

Deferred income tax asset

	Fair value change on derivatives \$	Post-employment benefits \$	Other \$	Total \$
March 31, 2017	(279)	(1,381)	(257)	(1,917)
Provision (recovery) in net earnings	366	175	(53)	488
Recovery in other comprehensive income (loss)	-	(139)	-	(139)
March 31, 2018	87	(1,345)	(310)	(1,568)
Provision (recovery) in net earnings	(443)	81	(292)	(654)
Provision in other comprehensive income (loss)	-	34	-	34
March 31, 2019	(356)	(1,230)	(602)	(2,188)

The income tax effects relating to components of accumulated other comprehensive loss are as follows:

	2019			2018		
	Before income tax amount \$	Deferred tax expense \$	Net of income tax expense \$	Before income tax amount \$	Deferred tax expense \$	Net of income tax expense \$
Accumulated actuarial losses	5,595	1,454	4,141	5,725	1,488	4,237

14 Capital stock

Authorized

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

Issued

	2019		2018	
	Number of shares \$	Amount \$	Number of shares \$	Amount \$
Class A shares, non-voting	35,988,148	25,966	35,471,185	25,711
Class B shares, voting	8,198,994	364	8,702,095	386
	44,187,142	26,330	44,173,280	26,097

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. During the year ended March 31, 2019, 503,101 Class B shares were converted into Class A shares on a one-for-one basis. The Company also issued 56 Class A shares upon the exercise of deferred share units as described in note 15, Share based compensation, as the holders of deferred share units earn dividends in the form of additional units.

Annual dividends of \$0.205 (2018 – \$0.180) per Class A share and \$0.178 (2018 – \$0.156) per Class B share were approved by the Board of Directors on June 6, 2018 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, 2019 and 2018, 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 2019, expensed \$325 (2018 – \$197) related to the employee program.

15 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:

	2019	2018
	\$	\$
436,467 stock options (2018 – 241,600) (a)	742	259
137,546 performance share units (2018 – 72,750) (b)	484	146
61,819 deferred share units (2018 – 69,559) (c)	-	1,268
	<u>1,226</u>	<u>1,673</u>

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, 2019, the Company had 3,344,343 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, 2018	241,600	11.74
Granted	205,600	17.09
Exercised	(6,066)	(11.66)
Forfeited	(4,667)	(13.44)
	<u>436,467</u>	<u>14.25</u>
Exercisable	<u>73,897</u>	<u>11.75</u>

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:

	2019	2018
Weighted average fair value per share option	\$5.52	\$3.41
Expected volatility ⁽¹⁾	28.61%	30.43%
Dividend yield	1.36%	1.75%
Risk-free interest rate	2.00%	1.00%
Weighted average expected life in years	10	10

(1) Expected volatility was determined using historical volatility.

Information relating to stock options outstanding and exercisable as at March 31, 2019 is as follows:

Range of exercise prices	Share options outstanding			Share options exercisable		
	Weighted average remaining life (in months)	Number of share options	Weighted average exercise price \$	Weighted average remaining life (in months)	Number of share options	Weighted average exercise price \$
10.01 to 15.00	103	242,567	11.88	102	73,897	11.75
15.01 to 20.00	113	193,900	17.21	-	-	-
	107	436,467	14.25	102	73,897	11.75

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 that 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, 2018	72,750	11.74
Granted	65,970	17.10
Forfeited	(1,174)	(13.46)
	<u>137,546</u>	<u>14.29</u>

No PSUs granted under the share based compensation plan have vested or been exercised as at March 31, 2019.

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, 2018	69,559	18.25
Exercised	(7,740)	(18.31)
	<u>61,819</u>	<u>18.26</u>

16 Nature of expenses

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

	2019 \$	2018 \$
Raw materials and consumables	177,655	174,825
Employee compensation and benefits	75,642	67,712
Advertising, promotion and distribution	33,277	28,504
Occupancy	12,817	11,885
Repairs and maintenance	7,200	6,708
Other external charges	22,330	21,403
	<u>328,921</u>	<u>311,037</u>

Other (income) expenses are as follows:

	2019 \$	2018 \$
Gain on acquisition	-	(4,164)
Ongoing maintenance costs related to Port Moody winery facility, net of income (a)	625	471
Restructuring (b)	727	-
Other	(289)	(149)
	<u>1,063</u>	<u>(3,842)</u>

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 \$625 in 2019 (2018 – \$572) and income amounting to \$nil (2018 – \$101) was recorded related to expropriation notices received by the Company.

b) Restructuring costs of \$727 (2018 – \$nil) were recorded during the year ended March 31, 2019. These costs relate to termination payments and benefits for restructuring of certain sales and production functions within the Company's retail and personal winemaking product division.

17 Net earnings per share

	2019		
	Class A	Class B	Total
	\$	\$	\$
Net earnings attributed for the year – basic and diluted	18,326	3,632	21,958
Weighted average number of shares outstanding – basic and diluted	35,979,473	8,200,864	
Net earnings per share – basic and diluted	0.51	0.44	
			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	

18 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, 2019 under long-term non-cancellable leases are outlined in note 20 along with its other contractual obligations.

In 2019, minimum lease payments of \$6,212 (2018 – \$6,249) were recognized as an expense.

19 Non-cash working capital items

The change in non-cash working capital items related to operations comprises the change in the following items:

	2019 \$	2018 \$
Accounts receivable	1,605	(3,031)
Inventories and current portion of biological assets	(218)	(7,615)
Prepaid expenses and other assets	(225)	(1,105)
Accounts payable and accrued liabilities	13,969	(4,138)
	<u>15,131</u>	<u>(15,889)</u>

20 Financial instruments

Classification of financial instruments

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

			<u>2019 (IFRS 9)</u>	
Assets/liabilities	Category	Measurement	Carrying amount \$	Fair value \$
Accounts receivable	Financial assets	Amortized cost	29,801	29,801
Bank indebtedness	Financial liabilities	Amortized cost	38,175	38,175
Accounts payable and accrued liabilities	Financial liabilities	Amortized cost	47,451	47,451
Dividends payable	Financial liabilities	Amortized cost	2,212	2,212
Long-term debt	Financial liabilities	Amortized cost	116,620	116,620
Interest rate swap liability	Derivatives	Fair value through profit or loss	1,351	1,351
Foreign exchange forward contracts asset	Derivatives	Fair value through profit or loss	4	4
			<u>2018 (IAS 39)</u>	
Assets/liabilities	Category	Measurement	Carrying amount \$	Fair value \$
Accounts receivable	Loans and receivables	Amortized cost	31,406	31,406
Bank indebtedness	Financial liabilities	Amortized cost	47,324	47,324
Accounts payable and accrued liabilities	Financial liabilities	Amortized cost	33,404	33,404
Dividends payable	Financial liabilities	Amortized cost	1,935	1,935
Long-term debt	Financial liabilities	Amortized cost	124,392	124,392
Interest rate swap asset	Derivatives	Fair value through profit or loss	180	180
Foreign exchange forward contracts asset	Derivatives	Fair value through profit or loss	152	152

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 year 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 loss (gain) on derivative financial instruments comprises:

	2019 \$	2018 \$
Unrealized loss (gain) on foreign exchange forward contracts	148	(160)
Unrealized loss (gain) on interest rate swaps	1,531	(1,240)
	<u>1,679</u>	<u>(1,400)</u>

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.

	<u>2019</u>		
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	-	1,351	-
Foreign exchange forward contracts asset	-	4	-

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	-

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 loss of \$1,531 (2018 – unrealized gain of \$1,240) was recognized on the interest rate swaps, which are classified as a component of the net unrealized loss (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, 2019, with other variables unchanged, a 100 basis point change in interest rates would impact the Company's net earnings by approximately \$283 (2018 – \$350), 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 \$14,869 (2018 – \$16,509) of the total accounts receivable for which no allowance has been provided. Of the remaining non-provincial liquor board balances, \$1,618 (2018 – \$1,483) was over thirty days past due as at March 31, 2019. An allowance for doubtful accounts of \$128 (2018 – \$162) 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 \$64,155 (2018 – \$64,215) during the year ended March 31, 2019. Sales to its second largest customer, a branch of a provincial government, were \$45,091 (2018 – \$42,622) during the year.

An analysis of accounts receivable is as follows:

	2019 \$	2018 \$
Liquor boards	14,869	16,509
Non-liquor boards		
Current	10,991	11,110
Past due 0 – 30 days, due on delivery accounts	1,188	913
Past due 0 – 30 days	1,263	1,553
Past due 31 – 60 days	609	786
Past due > 60 days	1,009	697
Allowance for doubtful accounts	(128)	(162)
	29,801	31,406

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

	2019 \$	2018 \$
Balance – Beginning of year	162	127
Provision for current year	132	110
Bad debts	(166)	(75)
	128	162

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, 2019.

	< 1 year \$	2 – 3 years \$	4 – 5 years \$	> 5 years \$	Total \$
Long-term debt	9,741	24,194	83,503	-	117,438
Leases and royalties	5,360	9,209	6,844	15,659	37,072
Pension obligations	331	438	181	89	1,039
Grape and bulk wine purchase contracts	69,362	72,305	62,951	130,992	335,610
Packaging purchase contracts	31,299	7,411	-	-	38,710
	116,093	113,557	153,479	146,740	529,869
Interest rate swap	2,519	4,339	904	-	7,762
Foreign exchange forwards	14,102	-	-	-	14,102
	132,714	117,896	154,383	146,740	551,733

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, 2019, the Company has forward foreign currency contracts to buy US\$4,950 at rates ranging between \$1.31 and \$1.32 and AU\$8,000 at rates ranging from \$0.95 to \$0.97. These contracts mature at various dates to November 2019. 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 \$240 (2018 – \$197), \$86 (2018 – \$68) or \$45 (2018 – \$111), respectively. The Company has elected to not use hedge accounting and as a result, has recognized unrealized foreign exchange losses of \$148 (2018 – unrealized foreign exchange gains of \$160) in the consolidated statements of earnings as a component of the net unrealized loss (gain) on derivative financial instruments and has recorded the fair value of \$4 (2018 – \$152) in the current portion of derivative financial instruments in the consolidated balance sheets.

21 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 fund working capital, 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 EBITA, 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, 2019 and 2018, the Company was in compliance with these covenants.

22 Related parties and management compensation

The Company is controlled by Peller Family Enterprises Inc. (formerly, Jalger Limited), which owns 60.9% (2018 – 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 Peller Family Enterprises Inc.

Compensation of directors and executives

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

	2019	2018
	\$	\$
Compensation and short-term benefits	4,336	3,848
Post-employment benefits	295	296
Share based compensation expense	1,097	1,422
	<u>5,728</u>	<u>5,566</u>

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

23 Segmented information

During the year, export sales were \$12,227 (2018 – \$12,247), primarily in the United States. The remainder of sales occurred in Canada. All of the Company’s assets are located in Canada.

24 Events after the reporting period

On June 12, 2019, the Company’s Board of Directors approved a 4.8% increase in the annual dividend for holders of its Class A and Class B shares, from \$0.205 per Class A share and \$0.178 per Class B share to \$0.215 per Class A share and \$0.187 per Class B share. This increased dividend will be paid quarterly to shareholders. The first quarterly dividend will be paid on July 5, 2019 to shareholders of record at the close of business on June 28, 2019.

TEN-YEAR SUMMARY

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

	2019	2018	2017	2016	2015 Restated ⁽⁶⁾
Sales and earnings					
Net sales	\$ 381,796	\$ 363,897	\$ 342,606	\$ 334,263	\$ 315,697
EBITA	52,875	52,860	45,137	40,916	35,184 ⁽⁶⁾
Net earnings (loss)	29,408	30,117	26,350	19,199	15,224 ⁽⁶⁾
Financial position					
Working capital	97,305	104,417	78,825	71,665	68,982
Total assets	467,019	457,780	327,478	308,309	301,519 ⁽⁶⁾
Shareholders' equity	234,751	220,246	177,317	157,736	147,375 ⁽⁶⁾
Per share ⁽⁹⁾					
Net earnings (loss) ⁽⁹⁾					
Basic & diluted Class A	0.51	0.71	0.64	0.46	0.36 ⁽⁶⁾
Basic & diluted Class B	0.44	0.62	0.55	0.40	0.32 ⁽⁶⁾
Dividends ⁽⁹⁾					
Class A Shares, non-voting	0.205	0.180	0.163	0.150	0.140
Class B Shares, voting	0.178	0.156	0.142	0.130	0.122
Number of shares outstanding (in thousands of shares) ⁽⁹⁾					
Class A Shares, non-voting	35,988	35,471	33,581	33,581	33,882
Class B Shares, voting	8,199	8,702	9,012	9,012	9,012
	44,187	44,173	42,593	42,593	42,894
Other information					
Return on average shareholders' equity ⁽⁷⁾	9.7%	15.2%	15.7%	12.6%	10.6% ⁽⁶⁾
Return on average capital employed ⁽⁸⁾	11.5%	14.0%	14.1%	13.2%	11.0% ⁽⁶⁾

⁽¹⁾ Excludes the after-tax impact of mark-to-market adjustments on an interest rate swap.

⁽²⁾ Includes an after-tax gain of \$11.9 million for the sale of Granville Island Brewing Company Ltd. and Mainland Beverage Distribution Ltd.

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

⁽⁴⁾ 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.

2014	2013 Restated ⁽⁵⁾	2012	2011 Restated ⁽⁴⁾	2010
\$ 297,824	\$ 289,143	\$ 276,883	\$ 265,420	\$ 263,151 ⁽²⁾
33,729	33,489 ⁽⁵⁾	32,651	31,544 ⁽⁴⁾	27,354 ⁽²⁾
14,021	14,519 ⁽⁵⁾	13,001	11,223 ⁽⁴⁾	21,661 ⁽²⁾
44,564	41,670	34,869	27,643 ⁽⁴⁾	29,357
301,015	296,519	285,552	267,996 ⁽⁴⁾	263,716
138,003	129,701 ⁽⁵⁾	120,552	114,297 ⁽⁴⁾	113,665
0.34	0.35 ⁽⁵⁾	0.31	0.26 ⁽⁴⁾	0.50 ⁽²⁾
0.29	0.30 ⁽⁵⁾	0.27	0.22 ⁽⁴⁾	0.43 ⁽²⁾
0.133	0.120	0.120	0.110	0.110
0.116	0.105	0.105	0.096	0.096
33,882	33,882	33,882	33,882	35,664
9,012	9,012	9,012	9,012	9,012
42,894	42,894	42,894	42,894	44,676
10.5%	11.6% ⁽⁵⁾	11.1%	9.8% ⁽⁴⁾	6.8% ^(1,3)
10.8%	11.1% ⁽⁵⁾	11.5%	11.6% ⁽⁴⁾	9.1% ^(1,3)

⁽⁵⁾ Restated to reflect the adoption of the amendments to IAS 19.

⁽⁶⁾ Restated to reflect the adoption of the amendments to IAS 16 and IAS 41.

⁽⁷⁾ Return on average shareholders' equity is calculated as net earnings divided by average shareholders' equity.

⁽⁸⁾ 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.

⁽⁹⁾ 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

SHAUNEEN BRUDER
Toronto, Ontario
Executive Vice-President, Operations
Royal Bank of Canada

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

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.

FRANCOIS VIMARD
Mississauga, Ontario
Corporate Director

Honorary Directors

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

STEVE ATTRIDGE
CFO and Executive Vice-President, IT

SHAWN B. MACLEOD
Executive Vice-President, Marketing

SARA E. PRESUTTO
Executive Vice-President, Human Resources

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

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

2019 Annual Shareholders' Meeting

The 2019 Annual Meeting of Shareholders' will be held at the Wayne Gretzky Estate Winery & Craft Distillery, Niagara-on-the-Lake, Ontario on Wednesday, September 11, 2019 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
ZEHR'S
11 BRYNE DRIVE
(705) 725-8121

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

BOLTON
ZEHR'S
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
ZEHR'S
180 HOLIDAY INN DRIVE
(519) 651-1145

ZEHR'S
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
ZEHR'S
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
ZEHR'S
297 ERAMOSIA ROAD
(519) 824-7922

ZEHR'S 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
ZEHR'S
24018 WOODBINE AVE.
(905) 476-8544

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

KITCHENER
ZEHR'S
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
SQUARE ONE
100 CITY CENTRE DRIVE
(905) 896-7822

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

UPPER CANADA MALL
17600 YONGE STREET
(905) 853-6246

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
ZEHR'S, 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

METRO
WITHIN GROCERY AISLE
100 LYNN WILLIAMS ST
(416-543-5228

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

WOODBRIIDGE
LONGOS
9200 WESTON ROAD
(905) 303-3055



ANDREW PELLER — LIMITED —

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 30th, 2019.**



Ontario VQA Wine Collections:

 <p>PELLER ESTATES <i>Niagara-on-the-Lake</i></p>	<p>Signature Series Ice Cuvee Rose Family Vineyard Chardonnay Private Reserve Gamay Noir Signature Series Sauvignon Blanc Signature Series Merlot Late Harvest Vidal</p> <p><i>Complimentary Delivery within Ontario - \$25 Charge to other select provinces</i></p>	<p>6 bottle Collection \$153.58 (Reg \$180.50) ~ 12 bottle Collection \$307.18 (Reg \$361.00)</p>
 <p>Trius WINERY</p>	<p>Trius Brut Trius Divine White Trius Rose Trius Merlot Trius Red Showcase Late Harvest Vidal</p> <p><i>Complimentary Delivery within Ontario - \$25 Charge to other select provinces</i></p>	<p>6 bottle Collection \$141.70 (Reg \$141.70) ~ 12 bottle Collection \$283.40 (Reg \$283.40)</p>
 <p>WAYNE GRETZKY ESTATES No. 99</p>	<p>Gretzky Riesling Gretzky Pinot Grigio Gretzky Chardonnay Gretzky Baco Noir Estate Series Cabernet Merlot Estate Series Shiraz Cabernet</p> <p><i>Complimentary Delivery within Ontario - \$25 Charge to other select provinces</i></p>	<p>6 bottle Collection \$120.70 (Reg \$130.70) ~ 12 bottle Collection \$241.40 (Reg \$261.40)</p>
 <p>THIRTY BENCH WINE MAKERS</p>	<p>Winemakers Riesling Small Lot Gewurztraminer Small Lot Rose Winemakers Red Small Lot Pinot Noir Small Lot Merlot</p> <p><i>Complimentary Delivery within Ontario - \$25 Charge to other select provinces</i></p>	<p>6 bottle Collection \$165.89 (Reg \$194.95) ~ 12 bottle Collection \$389.90 (Reg \$397.40)</p>

 <p>ANDREW PELLER — LIMITED —</p>	<p>Peller Family Vineyard Riesling Peller Private Reserve Pinot Noir Trius Sauvignon Blanc Trius Cabernet Franc Thirty Bench Winemakers Riesling Wayne Gretzky Estate Series Shiraz Cabernet</p> <p><i>Complimentary Delivery within Ontario - \$25 Charge to other select provinces</i></p>	<p>6 bottle Collection \$108.73 (Reg \$127.70) ~ 12 bottle Collection \$217.45 (Reg \$255.40)</p>
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British Columbia VQA Wine Collections:

	<p>Red Rooster Riesling Red Rooster Rare Bird Series Viognier Red Rooster Rare Bird Series Rose Red Rooster Rare Bird Pinot Noir Red Rooster Rare Bird Meritage Red Rooster Golden Egg</p> <p><i>Complimentary Delivery within British Columbia - \$25 Charge to other select provinces – Applicable to BC Taxes</i></p>	<p>6 bottle Collection \$163.77 (Reg \$192.57) ~ 12 bottle Collection \$327.55 (Reg \$385.14)</p>
	<p>Sandhill Pinot Gris Sandhill Sauvignon Blanc Sandhill Syrah Sandhill Merlot Sandhill Small Lot Viognier Sandhill Small Lot One</p> <p><i>Complimentary Delivery within British Columbia - \$25 Charge to other select provinces – Applicable to BC Taxes</i></p>	<p>6 bottle Collection \$123.85 (Reg \$145.60) ~ 12 bottle Collection \$247.70 (Reg \$291.20)</p>
	<p>Gray Monk Odyssey Brut Rose Gray Monk Estate Pinot Gris Gray Monk Pinot Blanc Gray Monk Siegerrebe Gray Monk Cabernet Merlot Gray Monk Odyssey Meritage</p> <p><i>Complimentary Delivery within British Columbia - \$25 Charge to other select provinces – Applicable to BC Taxes</i></p>	<p>6 bottle Collection \$105.62 (Reg \$124.15) ~ 12 bottle Collection \$211.24 (Reg \$248.30)</p>

	<p>Black Hills Nota Bene Black Hills Syrah Black Hills Pinot Noir Black Hills Alias Black Hills Viognier Black Hills Rose</p> <p><i>Complimentary Delivery within British Columbia - \$25 Charge to other select provinces – Applicable to BC Taxes</i></p>	<p>6 bottle Collection \$182.84 (Reg \$215.00) ~ 12 bottle Collection \$365.68 (Reg \$430.00)</p>
	<p>Tinhorn Creek Reserve 2Bench White Tinhorn Creek Gewurztraminer Tinhorn Creek Cabernet Franc Tinhorn Creek Reserve Merlot Tinhorn Creek Reserve Syrah Tinhorn Creek The Creek</p> <p><i>Complimentary Delivery within British Columbia - \$25 Charge to other select provinces – Applicable to BC Taxes</i></p>	<p>6 bottle Collection \$156.96 (Reg \$184.55) ~ 12 bottle Collection \$313.92 (Reg \$369.10)</p>

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 30th, 2019.

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.



POUR
extraordinary
INTO EVERYDAY LIFE