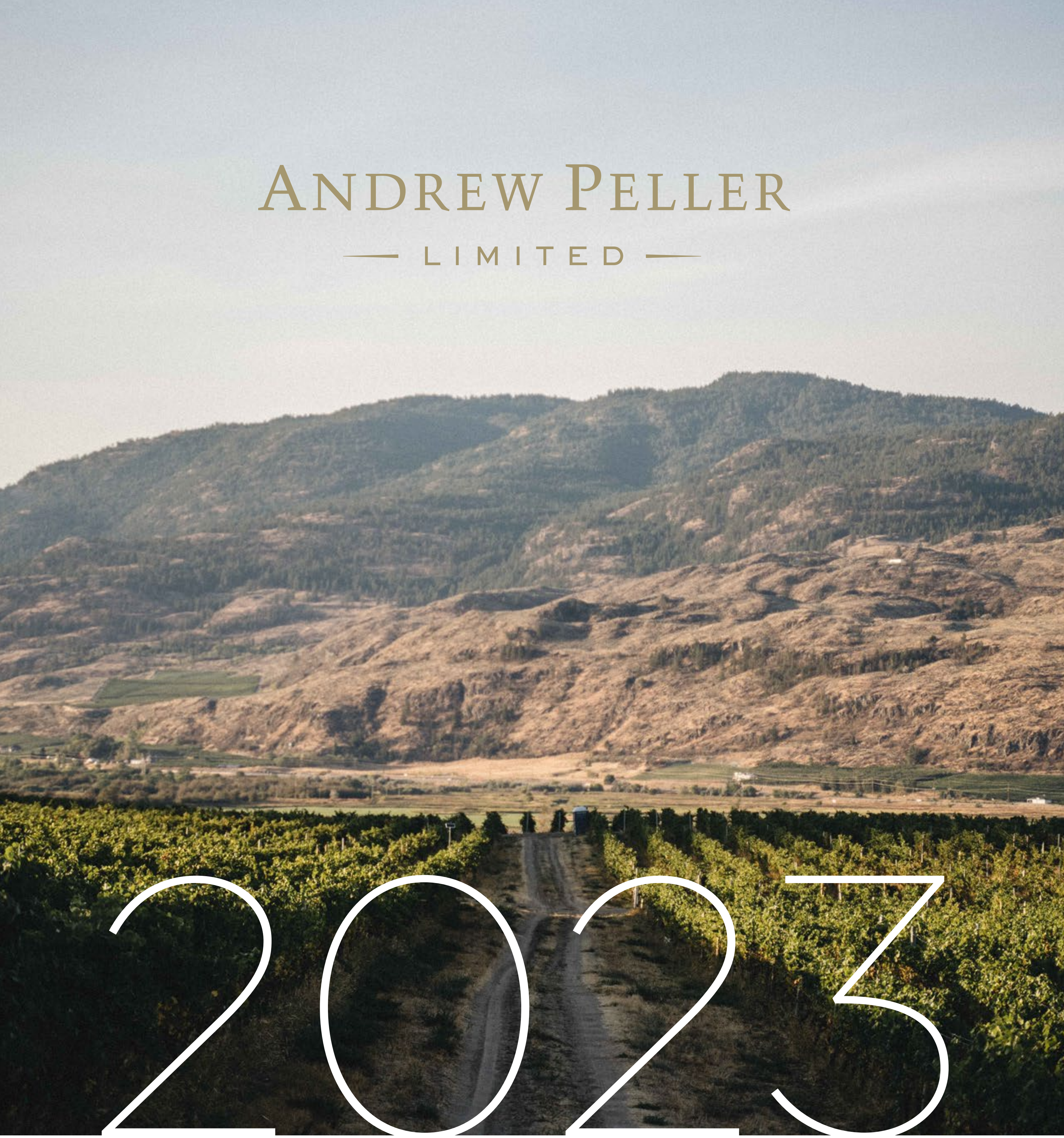


ANNUAL REPORT

OPERATIONAL HIGHLIGHTS

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

	2023	**2022**
Net sales	**382,140**	373,944
EBITA	**38,012**	39,188
FINANCIAL POSITION		
Working capital	**186,318**	181,832
Total assets	**566,748**	558,071
Shareholders' equity	**253,638**	265,401
PER SHARE		
Net earnings per Class A Share - basic and diluted	**(0.08)**	0.29
Net earnings per Class B Share - basic and diluted	**(0.07)**	0.26
DIVIDENDS		
Class A Common Shares, non-voting	**0.246**	0.246
Class B Common Shares, voting	**0.214**	0.214
MARKET VALUE		
Class A - HIGH	**7.30**	11.09
Class A - LOW	**4.36**	6.97
Class B - HIGH	**9.75**	13.96
Class B - LOW	**5.90**	8.75
ANALYTICAL INFORMATION		
Return on average shareholders' equity	**(1.3%)**	4.7%
Return on average capital employed	**3.2%**	3.8%
Ratio of current assets to current liabilities	**4.11:1**	4.34:1

CONTENTS

Report to Shareholders

Despite a number of challenges faced in fiscal 2023 we performed well as the strength of our business plan and asset base underpinned the resilience and skill of our management team. Looking ahead, the issues we experienced last year are now largely stable and steadily improving, and we look ahead confident we will return to our over sixty-year track record of growth, performance, and generating long-term value for our shareholders.

From a sales perspective, we generated 2.2% growth in fiscal 2023. However, supply constraints for imported wine, glass bottles and other input materials significantly reduced our ability to meet strengthening demand for our products, particularly through the first half of the year. Additionally, we are now paying excise tax on certain of our products, reducing sales by $1.4 million compared to the prior year. Importantly, sales growth was solid through the majority of our well-established trade channels including restaurant, hospitality, retail, export and at our ten estate wineries. Price increases implemented throughout the year also contributed to our growth in fiscal 2023.

To capitalize on the increased demand for value-priced products, we launched new imported wines from Chile, Argentina and Australia, as well as an innovative low-sugar wine, Honest Lot. We also introduced a new Ice Storm Vodka through our Gretzky spirit offering, and our No Boats on Sunday premium ciders continue to perform well.

Gross margin for fiscal 2023 as a percentage of sales was 37.1%, consistent with the prior year. Profitability was impacted by inflationary pressures, with the cost of imported wine, glass bottles, packaging materials, and international freight and shipping charges remaining well above historical levels. To meet these challenges, we increased our selling prices through the year and implemented numerous production efficiency and cost savings programs aimed at enhancing operating margins. These initiatives include evaluating alternate sourcing for imported wine and glass bottles, optimizing our logistics and freight costs and rationalizing stock keeping units. Profitability in fiscal 2023 was supported by the government's Wine Sector Support Program which reduced our cost of sales by $10.3 million for the year.

In the fourth quarter we incurred $2.8 million in one-time costs related to overhead cost reductions which we believe will enhance profitability going forward.

As a result of the inflationary impact on margins, increased interest expense and the one-time restructuring costs, we incurred a net loss of $3.4 million in fiscal 2023.

Over the near-term, the significantly higher production costs we incurred during fiscal 2023 are reflected in our inventories going into the new year, and it will take approximately twelve months to sell through these higher cost products. On the positive side, we are already purchasing at lower cost levels while we expect our selling and administrative expenses to decrease as a percentage of sales in fiscal 2024 compared with fiscal 2023 as a result of the restructuring implemented in the fourth quarter. Other operating efficiency and cost reduction initiatives are also underway which we are confident will increase future profitability.

On June 13, 2023, we secured a new $275 million asset-backed credit facility replacing our existing loan agreements. This new facility will result in significant annualized interest cost savings based on comparative debt levels and current interest rates. We also continue to make progress towards monetizing our Port Moody, British Columbia property, the proceeds of which will be invested to reduce debt and support our future growth strategies. In fiscal 2022 we recognized a realized gain of $7.5 million ($0.21 per Class A share) on the sale of our Port Coquitlam, B.C. property.

Despite the challenges and issues faced over the last two fiscal years, we look ahead confident in our future. The significant achievements and progress made during and recovering from the COVID pandemic are a testament to the experience, dedication and commitment of our team. Our production efficiency and cost reduction programs, as well as lower interest costs, will benefit our performance in the years ahead. Most importantly, many of the issues we faced over the last year, including supply constraints and abnormally high freight and logistics costs, have now stabilized and are reducing to more normal levels.

We are also proud to be continuing our forty-four-year track record of paying common share dividends, a testament to our commitment to enhancing long-term value for our shareholders. The Company has consistently paid dividends since 1979 and has increased dividends eight times over the last ten years, most recently in fiscal 2022. Today our dividends represent a significant and high yield based on current share values, and we look to build on this progress.

In closing, on behalf of the Board of Directors and all shareholders, I want to thank everyone at the Company for their extraordinary efforts and hard work. We also thank our customers and consumers for their loyalty. We remain committed to what we do best – providing the best products at the best price. This commitment has driven our growth and success for over six decades and will continue to build value for our shareholders in the years ahead.

John E. Peller, O.C.
President and Chief Executive Officer

2022 TOP AWARDS

Ama Bene

Beverage Testing Institute, Chicago
- Gold Medal – 94 points – Exceptional, Best Buy – Ama Bene Sangiovese Italy
- Gold Medal – 93 points – Exceptional, Best Buy – Ama Bene Pinot Grigio Italy

Black Cellar

International Eastern Wine Competition, California USA
- Silver Medal – Tempranillo Merlot Blend 10
- Silver Medal – Shiraz Cabernet Blend 19
- Silver Medal – Cabernet Sauvignon Blend 9

Good Natured

International Eastern Wine Competition, California USA
- Double Gold Medal – 95 points – Best of Class – 2020 Fresh White
- Double Gold Medal – 95 points – Best of Class – 2020 Balanced Red
- Gold Medal – 93 points – 2020 Crisp Chardonnay
- Gold Medal – 92 points – 2020 Merlot Gamay Noir

International Eastern Wine Competition, California USA
- Silver Medal – 2021 Good Natured Rosé

Beverage Testing Institute – Canadian Wine Review
- Gold Medal – 94 points – Exceptional – Cellar Selection – Best Buy – 2020 Balanced Red
- Gold Medal – 91 points – Exceptional – Best Buy – 2021 Rosé
- Silver Medal – 89 points – Highly Recommended – Best Buy – 2020 Cabernet Merlot (Low Sugar)
- Silver Medal – 87 points – Highly Recommended – Best Buy – 2020 Fresh White

All Canadian Wine Championships
- Bronze Medal – 2020 Crisp Chardonnay
- Bronze Medal – 2020 Fresh White
- Bronze Medal – 2021 Rosé

Natural Selection

Beverage Testing Institute, Chicago
- Gold Medal – 93 points – Exceptional, Best Buy – Natural Selection Dangerously Good Chardonnay Australia
- Silver Medal – 87 points – Highly Recommended, Best Buy – Natural Selection Dangerously Good Shiraz Australia

No Boats On Sunday

Beverage Testing Institute (BTI) – Chicago, USA
- Silver Medal – 89 points – Highly Recommended – Best Buy – 100% Ontario Hopped Cider
- Silver Medal – 87 points – Highly Recommended – Best Buy – 100% NS Cider

All Canadian Wine Championships
- Gold Medal - 100% Ontario Hopped Cider

WineAlign – National Wine Awards of Canada
- Bronze Medal – 100% Ontario Hopped Cider
- Bronze Medal – 100% NS Cider

Beverage Testing Institute – Cider Competition
- Silver Medal – 89 points – Highly Recommended – Best Buy – No Boats on Sunday 100% Ontario Hopped Cider
- Silver Medal – 87 points – Highly Recommended – Best Buy – No Boats on Sunday 100% NS Cider

Peller Estates Winery

International Eastern Wine Competition, California USA
- Double Gold Medal – 96 points – Best of Class – Best of Show Rosé Wine –2020 Family Reserve VQA Rosé
- Gold Medal – 93 points – 2020 Family Reserve VQA Rosé Light
- Gold Medal – 93 points – 2020 Family Reserve VQA Cabernet Merlot
- Gold Medal – 91 points – 2020 Family Reserve VQA Winemaker's Red
- Gold Medal – 91 points – 2020 Family Reserve VQA Chardonnay
- Silver Medal – 2020 Family Reserve VQA Riesling
- Silver Medal – 2020 Family Reserve VQA Sauvignon Blanc
- Silver Medal – 2020 Family Reserve VQA Winemaker's White
- Silver Medal – 2020 Family Reserve VQA Baco Noir
- Silver Medal – 2020 Family Reserve VQA Merlot
- Silver Medal – 2020 Family Reserve VQA Cabernet Franc
- Silver Medal – 2020 Family Reserve VQA Cabernet Sauvignon

Los Angeles International Wine Competition
- Best of Class – Gold Medal – 98 points – 2019 Signature Series Riesling Icewine
- Gold Medal – 93 points – 2018 Signature Series Cabernet Franc Icewine
- Gold Medal – 92 points – 2018 Signature Series Vidal Blanc Icewine
- Gold Medal – 90 points – 2020 Family Reserve Sauvignon Blanc
- Silver Medal – Ice Cuvee Classic
- Silver Medal – Ice Cuvee Rosé
- Silver Medal – 2020 Family Reserve Winemaker's White
- Silver Medal – 2020 Family Reserve Cabernet Franc
- Silver Medal – 2020 Family Reserve Winemaker's Red
- Silver Medal – 2020 Private Reserve Riesling
- Silver Medal – 2020 Private Reserve Sauvignon Blanc
- Silver Medal – 2019 Private Reserve Cabernet Franc
- Silver Medal – 2019 Signature Series Cabernet Franc
- Silver Medal – 2019 Signature Series Sur Lie Chardonnay
- Silver Medal – 2018 Signature Series Oak Aged Vidal Blanc Icewine

Experience Rosé, California USA
- Gold Medal – 91 points – 2021 Peller Private Reserve Rosé

International Wine Challenge – UK
- Silver Medal – 91 points – 2020 Signature Series Riesling

Beverage Testing Institute – Canadian Wine Review
- Gold Medal – 95 points – Exceptional – Best Buy – 2021 Family Reserve VQA Sauvignon Blanc
- Gold Medal – 95 points – Exceptional – Best Buy – 2020 Family Reserve VQA Merlot
- Gold Medal – 94 points – Exceptional – Best Buy – 2020 Family Reserve VQA Cabernet Merlot
- Silver Medal – 86 points – Highly Recommended – Best Buy – 2020 Family Reserve VQA Winemaker's Red

Decanter World Wine Awards – UK
- Silver Medal – 90 points – 2020 Signature Series Riesling

All Canadian Wine Championships
- Double Gold Medal – 2020 Private Reserve Merlot
- Gold Medal – 2019 Signature Series Riesling
- Gold Medal – 2018 Signature Series Vidal Blanc Icewine
- Gold Medal – 2018 Signature Series Cabernet Franc Icewine
- Silver Medal – 2020 Private Reserve Gamay Noir
- Bronze Medal – Ice Cuvee Rosé
- Bronze Medal – 2021 Private Reserve Rosé
- Bronze Medal – 2020 Private Reserve Chardonnay

Ontario Wine Awards
- Silver Medal – 2020 Signature Series Sauvignon Blanc

WineAlign – National Wine Awards of Canada
- #5 – Top 10 Ontario Wineries
- #14 – Top 25 Canadian Wineries
- Gold Medal – 2020 Private Reserve Gamay Noir
- Gold Medal – 2020 Signature Series Riesling
- Gold Medal – 2020 Signature Series Sauvignon Blanc
- Gold Medal – 2020 Signature Series Chardonnay Sur Lie
- Gold Medal – 2019 Signature Series Cabernet Sauvignon
- Gold Medal – 2019 Private Reserve Late Harvest Vidal
- Gold Medal – 2019 Oak Aged Vidal Blanc Icewine
- Silver Medal – 2021 Family Reserve Sauvignon Blanc
- Silver Medal – 2021 Private Reserve Rosé
- Silver Medal – 2020 Private Reserve Cabernet Franc
- Silver Medal – 2020 Private Reserve Cabernet Sauvignon
- Bronze Medal – 2020 Private Reserve Merlot
- Bronze Medal – 2020 Private Reserve Meritage
- Bronze Medal – 2019 Signature Series Cabernet Franc
- Bronze Medal – 2019 Cabernet Franc Icewine

Beverage Testing Institute – World Value Wine Challenge
- 94 points – Gold Medal – Exceptional – Best Buy – "Exceptional Value" – 2021 Family Reserve VQA Rosé
- 92 points – Gold Medal – Exceptional – Best Buy – "Best Value Canadian Riesling" – 2021 Family Reserve VQA Riesling
- 92 points – Gold Medal – Exceptional – Best Buy – "Top 10 Red Wine $10 and under" – "Best Value Canadian Cabernet Sauvignon" – 2021 Family Reserve VQA Cabernet Sauvignon
- 92 points – Gold Medal – Exceptional – Best Buy – "Top 10 Red Wine $10 and under" – "Best Value Canadian Red Blend" – 2021 Family Reserve VQA Double Noir
- 87 points – Silver Medal – Highly Recommended – Best Buy – "Top 5 White Wine $10 and under" – 2021 Family Reserve VQA Pinot Grigio
- 87 points – Silver Medal – Highly Recommended – Best Buy – "Top 5 White Wine $10 and under" – 2021 Family Reserve VQA Chardonnay
- 87 points – Silver Medal – Highly Recommended – Best Buy – "Top 10 Red Wine $10 and under" – 2021 Family Reserve VQA Cabernet Merlot
- 87 points – Silver Medal – Highly Recommended – Best Buy – 2021 Family Reserve VQA Rosé Bubbles

The Global Fine Wine Challenge – Australia
- Runner-Up Double Gold Medal – 2020 Signature Series Riesling
- Double Gold Medal – 2020 Signature Series Sauvignon Blanc

Thirty Bench Wine Makers

Experience Rosé, California USA
- Silver Medal – 2021 Thirty Bench Winemaker's Blend Rosé

International Wine Challenge – UK
- Silver Medal – 91 points – 2019 Small Lot Riesling Wild Cask
- Silver Medal – 90 points – 2019 Small Lot Riesling Steel Post Vineyard

ONTARIO & N.S.

International Wine & Spirit Competition – UK
- Silver Medal – 90 points – 2020 Winemakers Blend Riesling
- Bronze Medal – 89 points – 2019 Small Lot Riesling Steel Post Vineyard

Decanter World Wine Awards – UK
- Silver Medal – 92 points – 2020 Wild Cask Cabernet Franc
- Silver Medal – 91 points – 2020 Winemakers Blend Cabernet Franc
- Silver Medal – 91 points – 2019 Small Lot Riesling Wild Cask
- Silver Medal – 91 points – 2019 Small Lot Riesling Triangle Vineyard
- Bronze Medal – 89 points – 2019 Small Lot Riesling Steel Post Vineyard
- Bronze Medal – 88 points – 2019 Small Lot Riesling Wood Post Vineyard
- Bronze Medal – 87 points – 2020 Winemakers Blend Riesling

All Canadian Wine Championships
- Best White Wine of the Year – Double Gold Medal – 2019 Small Lot Riesling Triangle Vineyard
- Gold Medal – 2020 Winemaker's Blend Riesling
- Gold Medal – 2021 Winemaker's Blend Rosé
- Gold Medal – 2020 Winemaker's Blend Cabernet Franc
- Gold Medal – 2019 Small Lot Riesling Wild Cask
- Gold Medal – 2019 Special Select Late Harvest
- Silver Medal – 2019 Small Lot Riesling Wood Post Vineyard
- Bronze Medal – 2020 Small Lot Chardonnay

Ontario Wine Awards
- Gold Medal – 2019 Small Lot Riesling Wild Cask
- Gold Medal – 2019 Special Select Late Harvest

WineAlign – National Wine Awards of Canada
- #3 – Top 10 Ontario Wineries
- #10 – Top 25 Canadian Wineries
- Gold Medal – 2020 Winemaker's Blend Cabernet Franc
- Gold Medal – 2020 Small Lot Riesling Steel Post Vineyard
- Gold Medal – 2019 Small Lot Riesling Triangle Vineyard
- Gold Medal – 2019 Small Lot Riesling Wood Post Vineyard
- Gold Medal – 2020 Small Lot Pinot Noir
- Gold Medal – 2019 Special Select Late Harvest
- Silver Medal – 2020 Winemaker's Blend Riesling
- Silver Medal – 2021 Winemaker's Blend Rosé
- Silver Medal – 2020 Winemaker's Blend Red
- Silver Medal – 2020 Small Lot Riesling Wild Cask
- Silver Medal – 2020 Wild Cask Cabernet Franc
- Silver Medal – 2019 Small Lot Cabernet Franc
- Silver Medal – 2019 Small Lot Cabernet Sauvignon
- Bronze Medal – 2021 Small Lot Gewurztraminer

The Global Fine Wine Challenge – Australia
- Double Gold Medal – 2019 Small Lot Cabernet Franc

The Global Riesling Masters – UK
- Silver Medal – 2020 Small Lot Riesling Wood Post Vineyard
- Silver Medal – 2020 Small Lot Riesling Wild Cask

Trius Winery

Los Angeles International Wine Competition
- Best of Class – Gold Medal – 95 points – Brut Rosé
- Best of Class – Gold Medal – 94 points – 2020 Late Autumn Off Dry Riesling
- Best of Class – Gold Medal – 95 points – 2020 Baco Noir
- Gold Medal – 93 points – 2020 Riesling
- Gold Medal – 91 points – 2020 Distinction Sauvignon Blanc
- Gold Medal – 91 points – 2019 Showcase Wild Ferment Chardonnay
- Silver Medal – Brut
- Silver Medal – 2020 Sauvignon Blanc
- Silver Medal – 2020 Rosé
- Silver Medal – 2019 Red The Icon
- Silver Medal – 2020 Cabernet Franc

Experience Rosé, California USA
- Silver Medal – 2021 Trius Rosé

International Wine Challenge – UK
- Silver Medal – 93 points – 2018 Vidal Icewine
- Silver Medal – 90 points – Brut Rosé

International Wine & Spirit Competition – UK
- Silver Medal – 90 points – 2018 Showcase Vidal Icewine

Decanter World Wine Awards – UK
- Silver Medal – 93 points – 2018 Vidal Icewine
- Silver Medal – 92 points – 2018 Showcase Vidal Icewine
- Bronze Medal – 89 points – 2020 Showcase Riesling Ghost Creek Vineyard
- Bronze Medal – 87 points – Brut Rosé

All Canadian Wine Championships
- Gold Medal – 2020 Distinction Chardonnay Barrel Fermented
- Silver Medal – 2020 Distinction Cabernet Sauvignon
- Silver Medal – 2019 Showcase Riesling Ghost Creek Vineyard
- Silver Medal – 2020 Showcase Chardonnay Wild Ferment
- Bronze Medal – 2020 Showcase Pinot Noir Clark Farm
- Bronze Medal – 2021 Sauvignon Blanc

Ontario Wine Awards
- Silver Medal – 2019 Showcase Late Harvest Vidal

WineAlign – National Wine Awards of Canada
- Gold Medal – 2020 Reserve Syrah
- Gold Medal – 2020 Showcase Riesling Ghost Creek Vineyard
- Gold Medal – 2020 Showcase Sauvignon Blanc Wild Ferment
- Silver Medal – 2021 Sauvignon Blanc
- Silver Medal – 2020 Red The Icon
- Silver Medal – 2020 Distinction Gamay Noir
- Silver Medal – 2020 Distinction Pinot Noir
- Silver Medal – 2020 Showcase Clark Farm Pinot Noir
- Silver Medal – 2019 Showcase Cabernet Franc Icewine
- Bronze Medal – Brut
- Bronze Medal – Brut Rosé
- Bronze Medal – 2021 Rosé
- Bronze Medal – 2020 Showcase Chardonnay Wild Ferment
- Bronze Medal – 2019 Showcase East Block Cabernet Sauvignon

The Global Fine Wine Challenge – Australia
- Runner-Up Double Gold Medal – Showcase Brut Nature
- Double Gold Medal – 2020 Showcase Riesling Ghost Creek Vineyard
- Gold Medal – 2019 Showcase Red Shale Cabernet Franc

The Global Riesling Masters – UK
- Master – 2018 Showcase Riesling Icewine

Wayne Gretzky Distillery

Canadian Whisky Awards – Victoria, BC
- Silver Medal – No.99 Ice Cask Whisky
- Silver Medal – No.99 Maple Cask Whisky
- Silver Medal – No.99 Ninety-Nine Proof Whisky
- Silver Medal – No.99 Canadian Cream Whisky
- Silver Medal – No.99 Salted Caramel Canadian Cream Whisky
- Silver Medal – No.99 Maple Canadian Cream Whisky

TAG Global Spirits Awards, Las Vegas Nevada 2022
- Best in Show – Canadian Whisky – Wayne Gretzky No.99 Ninety Nine Proof Small Batch Whisky
- Silver Medal – Wayne Gretzky No.99 Red Cask Whisky
- Silver Medal – Wayne Gretzky No.99 Maple Canadian Cream

San Francisco World Spirits Competition
- Gold Medal – Wayne Gretzky No.99 Canadian Cream Whisky
- Silver Medal – Wayne Gretzky No.99 Ninety Nine Proof Small Batch Canadian Whisky
- Silver Medal – Wayne Gretzky No.99 Ice Cask Whisky

Alberta Beverage Awards
- Best in Class – Gold – Wayne Gretzky No.99 Double Oaked Whisky
- Judge's Selection – Wayne Gretzky No.99 Red Cask Whisky

Wayne Gretzky Estates Niagara

International Eastern Wine Competition, California USA
- Silver Medal – 2020 Founders Series Riesling
- Silver Medal – 2020 Founders Series Chardonnay
- Silver Medal – 2020 Founders Series Baco Noir

Los Angeles International Wine Competition
- Silver Medal – 2020 Founders Series Riesling
- Silver Medal – 2018 Vidal Icewine
- Silver Medal – 2019 Cabernet Franc Icewine

All Canadian Wine Championships
- Double Gold Medal – 2019 Vidal Icewine
- Silver Medal – 2019 Cabernet Franc Icewine

Ontario Wine Awards
- Silver Medal – 2020 Signature Series Baco Noir
- Silver Medal – 2019 Cabernet Franc Icewine

WineAlign – National Wine Awards of Canada
- Gold Medal – 2020 Signature Series Shiraz Cabernet
- Gold Medal – 2020 Signature Series Cabernet Sauvignon
- Silver Medal – 2020 Signature Series Cabernet Merlot
- Silver Medal – 2021 Founders Series Sauvignon Blanc
- Bronze Medal – 2021 Founders Series Rosé

Beverage Testing Institute – World Value Wine Challenge
- 95 points – Gold Medal – Exceptional – Best Buy – "Best Value Canadian Rosé" – 2021 Founders Series Rosé
- 93 points – Gold Medal – Exceptional – Best Buy – "Top 10 White Wine $15 and under" – "Best Value Canadian Sauvignon Blanc" – 2021 Founders Series Sauvignon Blanc
- 91 points – Gold Medal – Exceptional – Best Buy – "Top 10 Red Wine $15 and under" – 2021 Founders Series Cabernet Merlot
- 87 points – Silver Medal – Highly Recommended – Best Buy – "Top 10 White Wine $15 and under" – 2021 Founders Series Fresh & Crisp White
- 87 points – Silver Medal – Highly Recommended – Best Buy – "Top 10 White Wine $15 and under" – 2021 Founders Series Riesling
- 86 points – Silver Medal – Highly Recommended – Best Buy – 2021 Founders Series Pinot Grigio

Selections Mondiales des Vin Canada, Quebec City
- Gold Medal – 2021 Wayne Gretzky Founders Series Cabernet Merlot

+426
AWARDS NATIONALLY
▲15% OVER LAST YEAR

2022 TOP AWARDS

Black Cellar

West Coast Wine Competition, California USA
- Silver Medal – Malbec Merlot Blend 13

Black Hills Estate Winery

Chardonnay du Monde, France
- Silver Medal – 2020 Black Hills Chardonnay

Decanter World Wine Awards, UK
- Silver Medal – 93 points – 2019 Carmenere
- Silver Medal – 91 points – 2019 Per Se
- Silver Medal – 90 points – 2020 Chardonnay
- Bronze Medal – 89 points – 2019 Tempranillo

WineAlign National Wine Awards of Canada
- #5 – Top 10 BC Wineries
- #7 – Top 25 Canadian Wineries
- Platinum Medal – 2020 Ipso Facto
- Gold Medal – 2020 Roussanne
- Gold Medal – 2020 Chardonnay
- Gold Medal – 2021 Alibi
- Gold Medal – 2020 Per Se
- Gold Medal – 2020 Addendum
- Silver Medal – Brut
- Silver Medal – 2020 Carmenere
- Silver Medal – 2020 Tempranillo
- Bronze Medal – 2020 Viognier
- Bronze Medal – 2021 Rosé
- Bronze Medal – 2020 Bona Fide

Alberta Beverage Awards – Culinaire magazine
- Judges Selection – 2020 Black Hills Bona Fide

The Global Fine Wine Challenge – Australia
- Double Gold Medal – 2019 Per Se

Good Natured Okanagan

West Coast Wine Competition, California USA
- Double Gold Medal – 98 points – Best of Class – 2020 Crisp Chardonnay
- Gold Medal – 92 points – 2020 Petit Verdot Merlot
- Silver Medal – 2020 Balanced Red

Los Angeles International Wine Competition
- Best of Class – Gold Medal – 94 points – 2020 Crisp Chardonnay [Silver Medal – Shelf Appeal – Label Design]
- Bronze Medal – 2020 Balanced Red

All Canadian Wine Championships
- Double Gold Medal – 2020 Balanced Red
- Bronze Medal – 2020 Crisp Chardonnay
- Bronze Medal – 2020 Petit Verdot Merlot

WineAlign National Wine Awards of Canada
- Bronze Medal – 2021 Crisp Chardonnay

Alberta Beverage Awards – Culinaire magazine
- Best in Class – Gold – 2020 Good Natured Okanagan Petit Verdot Merlot

Sip Magazine, Best of the Northwest
- Judge's Pick – 2021 Crisp Chardonnay

Gray Monk Estate Winery

West Coast Wine Competition, California USA
- Gold Medal – 94 points – Best of Class – 2020 Chardonnay Unwooded
- Gold Medal – 93 points – Best of Class – 2020 Gewurztraminer
- Gold Medal – 94 points – 2020 Kerner
- Gold Medal – 93 points – 2020 Pinot Auxerrois
- Silver Medal – 2020 Monk's Blend
- Silver Medal – 2020 Riesling
- Silver Medal – 2019 Cabernet Merlot
- Bronze Medal – 2018 Merlot
- Bronze Medal – 2019 Pinot Noir

Los Angeles International Wine Competition
- Gold Medal – 93 points – 2020 Latitude 50 White
- Gold Medal – 92 points – 2020 Pinot Gris
- Silver Medal – 2020 Chardonnay Unwooded
- Silver Medal – 2020 Rosé
- Bronze Medal – 2020 Monk's Blend
- Bronze Medal – 2020 Latitude 50 Rosé

Experience Rosé, California USA
- Silver Medal – 2021 Gray Monk Rosé
- Bronze Medal – 2021 Gray Monk Latitude 50 Rosé

International Wine & Spirit Competition UK
- Bronze Medal – 87 points – 2018 Odyssey Traditional Brut
- Bronze Medal – 86 points – 2019 Odyssey White Brut
- Bronze Medal – 86 points – 2019 Odyssey Rosé Brut

Decanter World Wine Awards, UK
- Bronze Medal – 89 points – 2019 Odyssey White Brut
- Bronze Medal – 87 points – 2018 Odyssey Traditional Brut
- Bronze Medal – 87 points – 2019 Odyssey Rosé Brut

All Canadian Wine Championships
- Gold Medal – 2020 Pinot Noir
- Gold Medal – 2021 Chardonnay Unwooded
- Silver Medal – 2021 Pinot Auxerrois
- Silver Medal – 2019 Odyssey White Brut
- Bronze Medal – 2019 Odyssey Rosé Brut

WineAlign National Wine Awards of Canada
- Gold Medal – 2021 Odyssey Pinot Gris
- Gold Medal – 2019 Odyssey Meritage
- Silver Medal – 2019 Odyssey Rosé Brut
- Silver Medal – 2021 Chardonnay Unwooded
- Silver Medal – 2019 Odyssey Merlot
- Bronze Medal – 2019 Odyssey White Brut
- Bronze Medal – 2021 Pinot Gris
- Bronze Medal – 2021 Siegerrebe
- Bronze Medal – 2021 Rosé
- Bronze Medal – 2019 Odyssey Cabernet Sauvignon

Sip Magazine, Best of the Northwest
- Platinum Medal – 2021 Chardonnay Unwooded
- Platinum Medal – 2019 Odyssey Rosé Brut
- Double Gold Medal – 2018 Odyssey Traditional Brut
- Double Gold Medal – 2021 Siegerrebe
- Double Gold Medal – 2021 Gewurztraminer
- Double Gold Medal – 2019 Odyssey Meritage
- Gold Medal – 2019 Odyssey White Brut

The Global Fine Wine Challenge – Australia
- Trophy – Best Pinot Gris / Pinot Grigio – 2021 Odyssey Pinot Gris

No Boats On Sunday

WineAlign National Wine Awards of Canada
- Bronze Medal – 100% BC Cider

Beverage Testing Institute – Cider Competition
- Silver Medal – 87 points – Highly Recommended – Best Buy – No Boats on Sunday 100% BC Cider

Alberta Beverage Awards – Culinaire magazine
- Judge's Selection – No Boats on Sunday 100% BC Cider – Pear

Peller Estates Winery Okanagan

West Coast Wine Competition, California USA
- Double Gold Medal – 97 points – 2020 Family Reserve VQA Winemaker's Red
- Double Gold Medal – 96 points – Best of Class – 2019 Family Reserve VQA (Series) Cabernet Merlot
- Silver Medal – 2020 Family Reserve VQA Sauvignon Blanc (Select)
- Silver Medal – 2020 Family Reserve VQA Winemaker's White

Red Rooster

Decanter World Wine Awards, UK
- Silver Medal – 93 points – 2019 Malbec
- Bronze Medal – 88 points – Sparkling Brut
- Bronze Medal – 86 points – 2020 Sauvignon Blanc
- Bronze Medal – 86 points – 2020 Viognier

WineAlign National Wine Awards of Canada
- Silver Medal – 2020 Sur Lie Chardonnay
- Silver Medal – 2020 Viognier
- Silver Medal – 2020 Gew
- Silver Medal – Sparkling Rosé
- Silver Medal – 2021 Rosé
- Bronze Medal – 2021 Riesling
- Bronze Medal – 2021 Sauvignon Blanc
- Bronze Medal – 2021 Pinot Gris
- Bronze Medal – 2020 Pinot 3
- Bronze Medal – 2019 Pinot Noir (Reserve)
- Bronze Medal – 2018 Rare Bird Series Syrah
- Bronze Medal – 2019 Malbec

BRITISH COLUMBIA

Sip Magazine, Best of the Northwest
- Gold Medal – 2020 Carbonic Merlot Malbec
- Judge's Pick – 2020 Cabernet Merlot
- Judge's Pick – 2020 Pinot 3
- Judge's Pick – 2021 Rosé

Sandhill

West Coast Wine Competition, California USA
- Double Gold Medal – 97 points – Best of Class – 2020 Sovereign Opal Terroir Driven Wine
- Gold Medal – 91 points – 2020 Chardonnay Terroir Driven Wine
- Silver Medal – 2020 Pinot Gris Terroir Driven Wine
- Silver Medal – 2019 Merlot Terroir Driven Wine
- Silver Medal – 2019 Cabernet Franc Terroir Driven Wine
- Silver Medal – 2019 Cabernet Merlot Terroir Driven Wine
- Bronze Medal – 2019 Syrah Terroir Driven Wine

Los Angeles International Wine Competition
- Gold Medal – 90 points – 2020 Sovereign Opal Terroir Driven Wine
- Silver Medal – 2020 Sauvignon Blanc Terroir Driven Wine
- Silver Medal – 2019 Merlot Terroir Driven Wine
- Silver Medal – 2019 Cabernet Franc Terroir Driven Wine
- Silver Medal – 2019 Syrah Terroir Driven Wine
- Bronze Medal – 2020 Chardonnay Terroir Driven Wine

Experience Rosé, California USA
- Silver Medal – 2021 Sandhill Rosé Terroir Driven Wine

International Wine & Spirit Competition UK
- Bronze Medal – 89 points – 2018 Single Vineyard THREE Sandhill Estate Vineyard
- Bronze Medal – 87 points – 2018 Single Vineyard TWO Sandhill Estate Vineyard
- Bronze Medal – 87 points – 2018 Single Vineyard Petit Verdot Osprey Ridge Vineyard
- Bronze Medal – 87 points – 2018 Single Vineyard Syrah Hidden Terrace Vineyard
- Bronze Medal – 87 points – 2018 Single Vineyard Sangiovese Sandhill Estate Vineyard
- Bronze Medal – 85 points – 2018 Single Vineyard ONE Vanessa Vineyard

Decanter World Wine Awards, UK
- Silver Medal – 91 points – 2019 Single Vineyard Syrah Hidden Terrace Vineyard
- Silver Medal – 90 points – 2019 Single Vineyard ONE Vanessa Vineyard
- Silver Medal – 90 points – 2019 Single Vineyard Malbec Osprey Ridge Vineyard
- Bronze Medal – 89 points – 2019 Harvest Series Co-fermented Red
- Bronze Medal – 89 points – 2019 Single Vineyard Petit Verdot Osprey Ridge Vineyard
- Bronze Medal – 86 points – Single Vineyard TWO Sandhill Estate Vineyard

All Canadian Wine Championships
- Silver Medal – 2021 Sangiovese Rosé
- Silver Medal – 2021 Sauvignon Blanc

WineAlign National Wine Awards of Canada
- Gold Medal – 2019 Single Vineyard Three Sandhill Estate Vineyard
- Silver Medal – 2020 Cabernet Merlot Terroir Driven Wine
- Silver Medal – 2020 Merlot Terroir Driven Wine
- Silver Medal – 2020 Cabernet Franc Terroir Driven Wine
- Silver Medal – 2019 Single Vineyard Syrah Hidden Terrace Vineyard
- Bronze Medal – 2021 Pinot Gris Terroir Driven Wine
- Bronze Medal – 2021 Sovereign Opal Terroir Driven Wine
- Bronze Medal – 2021 Rosé Terroir Driven Wine
- Bronze Medal – 2021 Sangiovese Rosé Single Block C9
- Bronze Medal – 2020 Syrah Terroir Driven Wine
- Bronze Medal – 2019 Single Vineyard One Vanessa Vineyard
- Bronze Medal – 2019 Single Vineyard Two Sandhill Estate Vineyard
- Bronze Medal – 2019 Single Vineyard Malbec Osprey Ridge Vineyard

Alberta Beverage Awards – Culinaire magazine
- Best in Class – Gold – 2021 Sandhill Rosé Terroir Driven Wine

Sip Magazine, Best of the Northwest
- Platinum Medal – 2021 Rosé Terroir Driven Wine
- Platinum Medal – 2021 Sovereign Opal Terroir Driven Wine
- Judge's Pick – 2021 Sauvignon Blanc Terroir Driven Wine

Tinhorn Creek Vineyards

WineAlign National Wine Awards of Canada
- #23 – Top 25 Canadian Wineries
- Gold Medal – 2018 Blanc de Blancs
- Gold Medal – 2021 Pinot Gris
- Gold Medal – 2020 Chardonnay
- Gold Medal – 2019 Oldfield Reserve Syrah
- Silver Medal – 2021 Reserve Rosé
- Silver Medal – 2020 Reserve Chardonnay
- Silver Medal – 2019 Oldfield Reserve Merlot
- Silver Medal – 2019 Oldfield Reserve Cabernet Franc
- Bronze Medal – 2021 Gewurztraminer
- Bronze Medal – 2020 Merlot
- Bronze Medal – 2020 Cabernet Franc

Sip Magazine, Best of the Northwest
- Judge's Pick – 2020 Chardonnay
- Judge's Pick – 2019 Reserve Merlot

The Global Fine Wine Challenge – Australia
- Double Gold Medal – 2021 Pinot Gris

Wayne Gretzky Estates Okanagan

West Coast Wine Competition, California USA
- Silver Medal – 2020 Founders Series Pinot Grigio
- Silver Medal – 2020 Founders Series Cabernet Franc Syrah

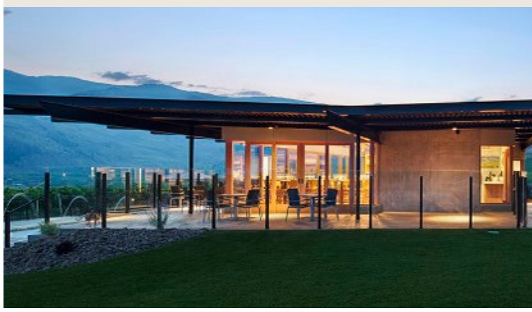
All Canadian Wine Championships
- Bronze Medal – 2021 Founders Series Pinot Grigio

WineAlign National Wine Awards of Canada
- Silver Medal – 2020 Founders Series Cabernet Franc Syrah
- Silver Medal – 2021 Founders Series Rosé
- Bronze Medal – 2021 Founders Series Sauvignon Blanc
- Bronze Medal – 2021 Founders Series Pinot Grigio

WineAlign National Wine Awards of Canada

BEST BLEND
PLATINUM MEDAL

Black Hills Estate Winery
2020 Ipso Facto



MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE THREE MONTHS AND YEAR ENDED MARCH 31, 2023

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, 2023, in comparison with those for the three months and year ended March 31, 2022, for Andrew Peller Limited (the "Company" or "APL"). This discussion is prepared as of June 14, 2023 and should be read in conjunction with the audited consolidated financial statements and accompanying notes contained therein for the period ended March 31, 2023 and 2022. Additional information relating to the Company, including the audited annual consolidated financial statements and Annual Information Form for the years ended March 31, 2023, and March 31, 2022, is available on www.sedar.com. The financial years ending March 31, 2023 and March 31, 2022 are referred to as "fiscal 2023 and "fiscal 2022" 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; 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 and craft beverage alcohol products 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 Winery, Tinhorn Creek Vineyards, Gray Monk Estate Winery, Raven Conspiracy and Conviction. Complementing these premium brands are a number of popularly priced varietal brands including Peller Family Vineyards, 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 products. The Company also produces craft beverage alcohol products, including No Boats on Sunday ciders and seltzers, and various spirits and cream whisky products under the Wayne Gretzky No. 99 brand. 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 200 authorized retailers and more than 400 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 Winexpert, Vine Co., Apres, LE, Passport Series, On the House, Wild Grapes, DIY My Wine Co., Island Mist and Niagara Mist. 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 achieves this objective by delivering to its customers and consumers the highest quality branded wines, spirits, refreshments, and experiences. To meet this goal, the Company invests in improvements in the quality of grapes, wines, and other 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 drive production efficiencies and realize cost savings through a continual review of its operations and cost structure with a view to improving profitability. The Company continues to expand and strengthen its distribution to all customers and consumers through its extensive distribution network, which 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 14, 2023 the Company's Board of Directors approved an annual common share dividend of $0.246 per Class A Share and $0.214 per Class B Share, to be declared and paid quarterly. The Company has consistently paid common share dividends since 1979. APL currently designates all dividends paid as "eligible dividends" for purposes of the Income Tax Act (Canada) unless indicated otherwise.

On June 13, 2023, the Company entered into a $275 million Asset Backed Lending credit facility to reduce the cost of borrowing. The new facility replaces the Company's existing credit facility entered into on December 8, 2020, and will be used to fund working capital needs, acquisitions, and other general corporate purposes.

In June 2022, Agriculture Canada announced the Wine Sector Support Program ("WSSP") to provide non-repayable grants to licensed Canadian wineries based on the production of bulk wine fermented in Canada from domestic and/or imported grapes. In January 2023, the Company received $18.1 million under this program. In the Company's judgment, the grant is intended to compensate for inventory production costs that the Company incurred to produce bulk wine in the prior year, and it will be recognized in the consolidated statement of earnings as a reduction in the cost of goods sold in the period the eligible wine is sold. For the year ended March 31, 2023, $10.3 million ($2.7 million in fourth quarter) of the grant has been recognized as a credit to cost of goods sold and $7.8 million is recorded as a reduction to the cost of inventory which will be released to cost of goods sold as the inventory is sold.

As previously announced in July 2020, the Government of Canada has repealed the federal excise duty exemption of 100% Canadian wine effective June 30, 2022. This agreement was reached due to a World Trade Organization challenge put forward by Australia against Canadian wine measures. As a result of the repeal, excise tax will be payable on any 100% Canadian wine. As part of the transition provisions, any 100% Canadian wine packaged prior to June 30, 2022 could continue to be sold under the previous exemption. This inventory was depleted in the fourth quarter of fiscal 2023 and as such, revenue for the fourth quarter of fiscal 2023 was reduced by approximately $1.4 million.

On September 13, 2022, the Company's notice of intention to make a Normal Course Issuer Bid (NCIB) had been approved by the Toronto Stock Exchange. Under the issuer bid the Company can purchase for cancellation up to 1,000,000 of its outstanding Class A non-voting shares, representing 2.86% of the Class A Common shares outstanding at the time, over the ensuing twelve months. As of June 14, 2023 Company had not purchased any Class A non-voting common shares under its current NCIB.

Results of Operations

For the years ended March 31, (in $000, except per share amounts)	**2023**	**2022**
Sales	**$ 382,140**	$ 373,944
Gross margin [(1)]	**141,892**	138,992
Gross margin (% of sales)	**37.1%**	37.2%
Selling and administrative expenses	**103,880**	99,804
EBITA [(1)]	**38,012**	39,188
Interest	**16,565**	9,337
Net unrealized gain on derivative financial instruments	**(380)**	(2,269)
Gain on sale of land and property	**-**	(7,518)
Other expenses	**3,547**	1,210
Net earnings (loss)	**(3,352)**	12,468
Earnings (loss) per share – Class A basic	**(0.08)**	0.29
Earnings (loss) per share –Class B basic	**(0.07)**	0.26
Dividend per share – Class A (annual)	**0.246**	0.246
Dividend per share – Class B (annual)	**0.214**	0.214

[(1)] See "Non-IFRS Measures" section of this MD&A

Sales for the year ended March 31, 2023 increased 2.2% over the prior year. The majority of the Company's well established trade channels performed well with solid growth generated in markets closed for a portion of fiscal 2022 due to the pandemic, including at the Company's ten estate wineries, sales to restaurants and hospitality locations, and through its export business. The growth in these channels was partially offset by a decrease in personal winemaking revenue due to softer post-pandemic demand and distribution. Additionally, the Company implemented price increases through fiscal 2023 to partially offset inflationary pressures, further contributing to an increase in sales compared to the prior year. In the fourth quarter of fiscal 2023, there was a $1.4 million reduction in sales resulting from the repeal of the federal excise duty exemption.

Gross margin as a percentage of sales was 37.1% for the year ended March 31, 2023, consistent with the prior year. The Company's cost of goods sold in fiscal 2023 included a reduction of $10.3 million related to a Wine Sector Support Program ("WSSP") grant provided by Agriculture Canada as it relates to historical inventory sold during the year. The Company continues to experience inflationary cost pressures, with the cost of imported wine, glass bottles, packaging materials, and international freight and shipping charges remaining above historical levels. In response to these margin pressures, the Company has implemented price increases and is targeting increasing sales of higher margin VQA products. In addition, the Company is executing numerous production efficiency and cost savings programs aimed at enhancing operating margins including rationalizing stock keeping units (SKUs) and evaluating alternate sourcing for imported wine and glass bottles.

As a percentage of sales, selling and administrative expenses rose to 27.2% in fiscal 2023 from 26.7% in prior year. Selling and administration expenses in fiscal 2023 include the increase in Ontario's minimum wage when compared to the prior year and a return to full operations at the Company.

Earnings before interest, amortization, gain on sale of assets held for sale, net unrealized gains and losses on derivative financial instruments, other (income) expenses, and income taxes ("EBITA") (see "Non-IFRS Measures" section of this MD&A) was $38.0 million for the year ended March 31, 2023 compared to $39.2 million in the prior year.

Interest expense for the year ended March 31, 2023 has increased compared to prior year due to higher average debt levels in fiscal 2023 when compared to prior year and increases in interest rates.

The Company recorded a net unrealized non-cash gain in fiscal 2023 of $0.4 million related to mark-to-market adjustments on interest rate swaps and foreign exchange contracts compared to a gain of $2.3 million in the prior year. The change is largely due to a decrease in the unrealized non-cash gain on the interest rate swap which expired in September 2022. 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 are expected to mitigate the short-term volatility of changing foreign exchange and interest rates.

In the second quarter of fiscal 2022 the Company completed the sale of its Port Coquitlam, British Columbia property and related assets for total proceeds of approximately $8.8 million, net of transaction costs, generating a realized gain on sale of $7.5 million or $0.21 per Class A share.

Other expenses increased in fiscal 2023 compared to the prior year due primarily to a one-time $2.8 million overhead restructuring initiative completed in the fourth quarter of the year.

The Company incurred a net loss of $3.4 million ($0.08 per Class A share) for the year ended March 31, 2023 compared to net income of $12.5 million ($0.29 per Class A Share) in the prior year.

Quarterly Performance
The following table outlines key quarterly highlights.

(in $000, except per share amounts)	Q4 23	Q3 23	Q2 23	Q1 23	Q4 22	Q3 22	Q2 22	Q1 22
Sales	77,712	104,913	101,816	97,699	78,838	103,485	99,224	92,397
Gross margin (1)	22,059	42,290	39,480	38,063	23,029	36,294	42,408	37,261
Gross margin (% of sales)	28.4%	40.3%	38.8%	39.0%	29.2%	35.1%	42.7%	40.3%
EBITA (1)	(1,247)	15,630	11,658	11,971	(630)	12,084	15,821	11,913
Interest	2,663	5,273	6,016	2,613	2,162	2,424	2,478	2,273
Net unrealized (gain) loss on financial instruments	-	-	112	(492)	(485)	(359)	(1,037)	(388)
Gain on sale of land and property	-	-	-	-	-	-	(7,518)	-
Other expenses (income)	3,030	(93)	213	397	946	(103)	26	341
Net earnings (loss)	(10,009)	3,892	(98)	2,863	(7,019)	3,107	13,090	3,290
E.P.S. – Class A basic	$(0.24)	$0.09	$(0.00)	$0.07	$(0.17)	$0.07	$0.31	$0.08
E.P.S. – Class B basic	$(0.21)	$0.08	$(0.00)	$0.06	$(0.14)	$0.06	$0.27	$0.07

(1) See "Non-IFRS Measures" section of this MD&A

The second and third quarters of the Company's fiscal year are historically the largest due to increased activity at the Company's estate properties and increased consumer purchasing of the Company's products during the holiday season.

Sales for the three months ended March 31, 2023 decreased 1.4% compared to the prior year's fourth quarter due to a decrease in personal winemaking sales which was largely offset by increases in export, licensee, and retail sales. In addition, sales in the fourth quarter of fiscal 2023 were reduced by approximately $1.4 million compared to fiscal 2022 due to the repeal of the federal excise duty exemption noted above. Gross margin decreased to 28.4% of sales in the fourth quarter of fiscal 2023 from 29.2% in the prior year's fourth quarter. Inflationary cost pressures, with the cost of imported wine, glass bottles, packaging materials, international freight and shipping charges continue to put pressure on the Company's gross margin. The Company's cost of goods sold in the fourth quarter of fiscal 2023 includes a credit of $2.7 million related to the WSSP grant as discussed above. Selling and administrative expenses remained consistent with the prior year's fourth quarter. Other expenses in the fourth quarter of fiscal 2023 contained a one-time $2.8 million overhead restructuring cost related to initiatives completed in the fourth quarter.

The Company incurred a net loss of $10.0 million ($0.24 per Class A share) for the three months ended March 31, 2023 compared to a net loss of $7.0 million ($0.17 per Class A Share) in the fourth quarter of the prior year.

Liquidity and Capital Resources

As at (in $000)	March 31, 2023	March 31, 2022
Current assets	**$ 246,168**	$ 236,213
Property, plant, and equipment	**210,265**	209,015
Right-of-use assets	**13,612**	15,215
Intangible assets	**43,065**	43,990
Goodwill	**53,638**	53,638
Total assets	**$ 566,748**	$ 558,071
Current liabilities	**$ 59,850**	$ 54,381
Long-term debt	**208,089**	192,065
Lease obligations	**10,205**	12,193
Post-employment benefit obligations	**1,271**	1,605
Deferred income taxes	**33,695**	32,426
Shareholders' equity	**253,638**	265,401
Total liabilities and shareholders' equity	**$ 566,748**	$ 558,071

The increase in current assets as at March 31, 2023 compared to March 31, 2022 is primarily due to an increase in finished goods inventory based on timing of production and sales, partially offset by $7.8 million related to the unamortized portion of the WSSP grant to be recognized in future periods when the related inventory is sold. Inventory is dependent on 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 wines are typically aged for one to three years before they are sold. The cost of producing wine from domestically grown grapes is also 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 personal winemaking products. The Company had $14.1 million of accounts receivable with provincial liquor boards at March 31, 2023, all of which is expected to be collectible. The remaining receivable balance represents amounts due from licensees, export customers, and independent retailers of personal winemaking products. Against these amounts, an expected credit loss of $0.2 million has been provided which the Company has determined based on a reasonable estimate of lifetime expected credit losses for trade receivables. The amount of accounts receivable that was 30 days past due was $1.2 million at March 31, 2023.

Long-lived assets at March 31, 2023, which includes property, plant and equipment and right-of-use assets, decreased compared to March 31, 2022 due to amortization in excess of additions in fiscal 2023. Additions to property, plant and equipment relate to investments made in the Company's production facilities and vineyard management programs.

Current liabilities were $59.9 million at March 31, 2023 compared to $54.4 million at March 31, 2022. The increase is primarily due to the timing of payments at year-end.

Long-term debt increased to $208.1 million at March 31, 2023 from $192.1 million at March 31, 2022 due to a reduction in cash from operations and investment in the Company's operations and properties. The Company's debt to equity ratio was 0.82:1 at March 31, 2023 compared to 0.72:1 at March 31, 2022. At March 31, 2023, the Company had unutilized debt capacity in the amount of $141.9 million on its credit facility.

Management expects to generate sufficient cash flow from operations to meet its debt servicing and working capital requirements over the short-term through strong management of working capital and prioritization of 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, 2023, the Company generated cash from operating activities, after changes in non-cash working capital items, of $13.8 million compared to $15.6 million in the prior year. The decrease in cash from operating activities is due to an increase in interest paid due to higher debt levels and increasing interest rates, compounded by higher raw materials costs and global supply chain costs. This is partially offset by the balance of the unamortized WSSP grant which is recorded as a reduction to the cost of inventory.

Cash used in investing activities for the year ended March 31, 2023 was $20.3 million compared to $14.1 million in the prior fiscal year. In fiscal 2022, cash used in investing activities was offset by $8.8 million in proceeds from the sale of the Company's Port Coquitlam, British Columbia property and related assets.

Cash provided by financing activities for the year ended March 31, 2023 of $5.3 million included an increase in bank indebtedness, drawings of long-term debt, offset by the payment of dividends and lease obligations. Cash used in the prior year's financing activities of $2.9 million included $5.2 million used in the purchase of Class A Common Shares under the Company's NCIB.

Working capital at March 31, 2023 was $186.3 million compared to $181.8 million at March 31, 2022. Shareholders' equity at March 31, 2023 was $253.6 million or $5.87 per share compared to $265.4 million or $6.15 per share at March 31, 2022.

The following table outlines the Company's contractual obligations as at March 31, 2023:

(in $000)	**< 1 Year**	**2 - 3 Years**	**4 - 5 Years**	**> 5 Years**	**Total**
Long-term debt	-	208,129	-	-	208,129
Leases and royalties	5,774	7,042	4,365	18,154	35,335
Service agreements	1,779	763	-	-	2,542
Grape, bulk wine and whisky purchase contracts	58,023	83,588	77,635	51,334	270,580
Packaging purchase contracts	15,485	25,421	-	-	40,906
Total contractual obligations	81,061	324,943	82,000	69,488	557,492

Common Shares Outstanding

The Company is authorized to issue an unlimited number of Class A and Class B Common Shares. Class A Common 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 Common Shares. Class B Common Shares are voting and convertible into Class A Common Shares on a one-for-one basis. On September 13, 2022, the Company announced its notice of intention to make a normal course issuer bid had been approved by the Toronto Stock Exchange. Under the issuer bid the Company can purchase for cancellation up to 1,000,000 of its outstanding Class A non-voting shares, representing 2.86% of the Class A Common Shares outstanding at the time, over the ensuing twelve months. As of June 14, 2023, the Company had not purchased any Class A non-voting common shares under its current NCIB.

Shares outstanding	**March 31, 2023**	**March 31, 2022**
Class A Common Shares	**35,040,656**	34,978,011
Class B Common Shares	**8,144,183**	8,144,183
Total	**43,184,839**	43,122,194

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 entered the spirits and craft beverage alcohol categories, through its strategic alliance with Wayne Gretzky, and has introduced ciders and seltzers through its own brand labels.

The Company has focused its product development and sales and marketing initiatives by capitalizing on alcohol consumption trends and expects to see continuing sales growth as markets continue to normalize after COVID-19. The Company will continue to closely monitor its costs and will react to changes to opportunities and risks in the marketplace.

The Company will continue to 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 and operational advantages 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.

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

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 in both its core wine business and in new product categories, as well as overall growth in the Canadian beverage alcohol market. The Company expects to continue to invest in capital expenditures to improve efficiencies, increase capacity, support its ongoing commitment to producing the highest-quality wines and spirits, and improve productivity.

Risks and Uncertainties

The Company's sales of wine and craft beverage alcohol products are affected by general economic conditions and social trends such as changes in discretionary consumer spending and consumer confidence, future economic conditions, changes to inter-provincial trade laws, tax laws, the prices of its products and health trends. The Company is experiencing uncertainty with respect to raw materials and import wine costs due to inflation, and component shortages because of the global supply chain crisis. The Company is also monitoring the impact of the recently introduced guidelines regarding alcohol consumption and the associated health risks. The impact on the financial results of the Company will depend on management's continued ability to successfully mitigate against these risks.

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.

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 competitor'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.

VQA wines are a key driver of APL's growth strategy, and as a result, the Company 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 adverse weather variations, natural disasters, pestilence, or other severe environmental problems, 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. When environmental risks such as wildfires occur, the Company's viticultural teams have internal processes to ensure the Company's vineyards are protected. This may include the use of technology and fire suppression activities. The Company's winemaking teams are also able to monitor the quality of the grapes and use enhanced processing technology to minimize the risk of smoke taint. APL has also developed programs to maintain 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.

The Company is exposed to interest rate risk as a result of cash balances and floating rate debt. 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's interest rate swap expired in September 2022, and therefore, all borrowings are currently funded using a floating interest rate and as such, are sensitive to interest rate movements. As at March 31, 2023, with other variables unchanged, a 100 basis point change in interest rates would impact the Company's net earnings by approximately $1.6 million.

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 (see "Non-IFRS Measures" section of this MD&A), 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, 2023, the Company has no open forward foreign currency contracts. As such, 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 $0.5 million, $0.1 million or $0.1 million, respectively.

The Company purchases glass, bag in box, tetra paks, and other components used for bottling and packaging. The largest component of packaging 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. 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 (see "Non-IFRS Measures" section of this MD&A) 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 for consumer acceptance, loyalty, and shelf space. No assurance can be given that consumer demand for wine and premium wine products will continue at current levels in the future.

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 uses information technology and the internet, including online banking, to streamline business operations and to improve customer experience. The Company's information systems, and those of its third-party service providers, creditors, and vendors, are vulnerable to an increasing threat of continually evolving cybersecurity risks. These risks may take the form of malware, computer viruses, cyber threats, extortion, employee error, malfeasance, system errors or other types of risks, and may occur from inside or outside of the organization. Cybersecurity risk is increasingly difficult to identify and quantify and cannot be fully mitigated because of the rapidly evolving nature of the threats, targets, and consequences. Additionally, unauthorized parties may attempt to gain access to these systems or the Company's information through fraud or other means of deceiving the Company's third-party service providers, employees, creditors or vendors. As the threat landscape is ever-changing, the Company must make continuous mitigation efforts. The Company employs third-party information technology services and continually monitors and improves its internal controls to protect against known and emerging threats. However, there can be no assurance that the Company's ability to monitor for or mitigate cybersecurity risks will be fully effective, and it may fail to identify cybersecurity breaches or discover them in a timely manner.

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 on 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 fourth 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, gain on sale of assets held for sale, net unrealized gains and losses on derivative financial instruments, other (income) expenses, gain on debt modification net of

financing fees, and income taxes) to measure its financial performance. EBITA is not a recognized measure under IFRS; however, management believes that EBITA is a useful supplemental measure to net earnings as it provides readers with an indication of earnings available for investment prior to debt service, capital expenditures, and income taxes, as well as providing an indication of recurring earnings compared to prior periods.

The Company calculates EBITA as follows.

For the periods ended March 31, (in $000)	Three Months 2023	Three Months 2022	Year 2023	Year 2022
Net earnings (loss)	**$ (10,009)**	$ (7,019)	**$ (3,352)**	$ 12,468
Add: Interest	**2,663**	2,162	**16,565**	9,337
Income taxes	**(2,614)**	(1,773)	**(888)**	4,607
Amortization of plant and equipment used in production	**2,509**	2,223	**9,790**	9,116
Amortization of equipment and intangibles used in selling and administration	**3,174**	3,316	**12,730**	12,237
Net unrealized gain on derivative financial instruments	**-**	(485)	**(380)**	(2,269)
Gain on sale of land and property	**-**	-	**-**	(7,518)
Other expenses	**3,030**	946	**3,547**	1,210
EBITA	**$ (1,247)**	$ (630)	**$ 38,012**	$ 39,188

Readers are cautioned that 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 utilizes gross margin (defined as sales less cost of goods sold, excluding amortization) as calculated below.

For the periods ended March 31, (in $000)	Three Months 2023	Three Months 2022	Year 2023	Year 2022
Sales	**$ 77,712**	$ 78,838	**$ 382,140**	$ 373,944
Less: Cost of goods sold, excluding amortization	**55,653**	55,809	**240,248**	234,952
Gross margin	**$ 22,059**	$ 23,029	**$ 141,892**	$ 138,992
Gross margin (% of sales)	**28.4%**	29.2%	**37.1%**	37.2%

The Company's method of calculating EBITA and gross margin 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 61.3% 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 $000)	2023	2022
Compensation and short-term benefits	**$ 4,266**	$ 3,867
Termination benefits	**1,032**	-
Post-employment benefits	**339**	323

For the years ended March 31 (in $000)	2023	2022
Stock based compensation expense	**1,081**	1,132
	$ 6,718	$ 5,322

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 ("IFRS").

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 judgment in 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.

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.

Leases
Critical accounting estimates were made in determining the lease term and incremental borrowing rate. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs, which affects this assessment and that is within the control of the lessee.

In determining the carrying amount of right of use assets and lease liabilities, the Company is required to estimate the incremental borrowing rate specific to each leased asset or portfolio of leased assets if the interest rate implicit in the lease is not readily determined. Management determines the incremental borrowing rate of each leased asset or portfolio of leased assets by using the Company's specific risk portfolio, the security, term and value of the underlying leased asset and the economic environment in which the leased asset operates. The incremental borrowing rates are subject to change mainly due to macroeconomic changes in the environment.

Recently adopted accounting pronouncements
IAS 16, Property, Plant and Equipment
This standard has been amended to prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use, clarify that an entity is "testing whether the asset is functioning properly" when it assesses the technical and physical performance of the asset and require certain related disclosures. The amendments are effective for annual periods beginning on or after January 1, 2022. The adoption of the amendment did not have a significant impact on the consolidated financial statements.

IAS 37, Provisions
This standard has been amended to clarify that, before a separate provision for an onerous contract is established, an entity recognizes an impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract and to clarify the meaning of costs to fulfil a contract. The amendments are effective for annual periods beginning on or after January 1, 2022. The adoption of the amendment did not have a significant impact on the consolidated financial statements.

IFRS 9, Financial Instruments
This standard has been amended to address which fees should be included in the 10% test for derecognition of financial liabilities. This amendment is effective for annual periods beginning on or after January 1, 2022. The adoption of the amendment did not have a significant impact on the consolidated financial statements.

Recently issued accounting pronouncements
IAS 1, Presentation of Financial Statements
This standard has been amended to clarify the classification of liabilities as current or non-current depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendment also clarifies the meaning of settlement of a liability. This amendment is effective for annual periods beginning on or after January 1, 2024. The standard has also been amended to specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require a company to disclose information about these covenants in the notes to the financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early adoption permitted. The Company has not yet assessed the impact of the amendment on the consolidated financial statements.

IAS 12, Income Taxes
This standard has been amended to require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Company has not yet assessed the impact of the amendments 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's disclosures to the public.

The Company's management, under the supervision of, and with the participation of, the CEO and CFO, have designed and maintained the Company's disclosure controls and procedures as required in Canada by "National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings". As at June 14, 2023, 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 preparation. Designing, establishing and maintaining adequate internal controls over financial reporting is the responsibility of management. Internal controls over financial reporting is a process designed by, or under the supervision of, senior management and effected by the Board of Directors to provide reasonable assurance regarding the reliability of financial reporting and preparation of the Company's financial statements in accordance with IFRS. For the year ended March 31, 2023, 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 14, 2023, 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, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated balance sheets as at March 31, 2023 and 2022;
- the consolidated statements of (loss) earnings for the years then ended;
- the consolidated statements of comprehensive (loss) 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 significant accounting policies and other explanatory information.

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.

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended March 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Costing of bulk wine and spirits inventories *Refer to note 2 – Summary of significant accounting policies and note 4 – Inventories to the consolidated financial statements.* The total value of bulk wine and spirits inventories amounted to $84.8 million as at March 31, 2023. The Company carries bulk wine and spirits inventories on an average cost basis. The weighted average costs are determined separately for import bulk wine, domestic bulk wine and spirits for each varietal and vintage year. We considered this a key audit matter due to the magnitude of the bulk wine and spirits inventories balance and the high degree of audit effort in performing procedures related to evaluating management's calculation of average costs.	Our approach to addressing the matter involved the following procedures, amongst others: • Tested the operating effectiveness of controls relating to management's bulk wine and spirits inventories costing process, including controls over the review of the inputs in the calculation of average costing and approval of bulk wine and spirit inventories costs. • On a sample basis of bulk wine and spirits inventory items, tested the underlying inputs in the calculation of weighted average cost against supporting third party support, evidence of payment and the allocation of internal overhead costs. • Performed a reconciliation of total domestic bulk wine purchases made during the year to the carrying value of domestic bulk wine inventory and performed testing over any significant reconciling items. • On a sample basis of inventory items, tested the mathematical accuracy of the weighted average cost calculation. • Attended and performed inventory test counts for a sample of locations or obtained third party confirmations at certain locations to test the existence and accuracy of the quantity of bulk wine and spirits inventories as an input to the weighted average costs calculations.
Goodwill impairment assessment for the Western Canadian wine and Personal winemaking cash generating units (CGU) *Refer to note 2 – Summary of significant accounting policies, note 3 – Critical accounting estimates and judgments and note 8 – Goodwill to the consolidated financial statements.* The Company had goodwill of $53.6 million as at March 31, 2023, of which $26.7 million and $23.8 million related to the Western Canadian wine and Personal winemaking products CGUs, respectively. Management performs an impairment test on an annual basis, or more frequently if events or circumstances indicate that the carrying value may be impaired. An impairment loss is recognized if the carrying amount of a CGU to which the goodwill relates exceeds its recoverable amount. The recoverable amounts of the Western Canadian wine and Personal winemaking products CGUs were based on a value in use method using discounted cash flow models. Key assumptions used by management in the discounted cash flow model for the Western Canadian wine CGU included the average revenue growth rate during the period of projected cash flows, gross profit percentage, selling and administration margin, terminal growth rate, continuation of government assistance and the discount rate.	Our approach to addressing the matter included the following procedures, among others: • Tested how management determined the recoverable amounts of the Western Canadian wine and Personal winemaking products CGUs, which included the following: – Tested the appropriateness of the method used and the mathematical accuracy of the discounted cash flow models. – Tested the underlying data used in the discounted cash flow models. – Evaluated the reasonableness of the average revenue growth rates during the period of projected cash flows, gross profit percentages, selling and administration margins and continuation of government assistance, applied by management in the discounted cash flow models by comparing them to the budget, management's strategic plans approved by the Board of Directors, current and past performance of the CGUs, or available third party published industry and economic data, as applicable. – Professionals with specialized skill and knowledge in the field of valuation assisted in testing the appropriateness of the method and reasonableness

Key assumptions used by management in the discounted cash flow model for the Personal winemaking products CGU included the average revenue growth rate during the period of projected cash flows, gross profit percentage, selling and administration margin, terminal growth rate and the discount rate. No impairment was recognized as a result of the 2023 impairment tests.

We considered this a key audit matter due to the judgment by management in determining the recoverable amounts of the Western Canadian wine and Personal winemaking products CGUs, including key assumptions. This has resulted in a high degree of subjectivity and audit effort in performing procedures to test the key assumptions. Professionals with specialized skill and knowledge in the field of valuation assisted in performing our procedures.

of the discount rates and terminal growth rates.

- Tested the disclosures made in the consolidated financial statements, including the sensitivity of the key assumptions used by management.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Oakville, Ontario
June 14, 2023

Consolidated Balance Sheets
As at March 31, 2023 and 2022
(in thousands of Canadian dollars)

	2023 $	2022 $
Assets		
Current assets		
Cash	-	1,297
Accounts receivable (note 21)	25,297	27,376
Inventories (notes 4 and 17)	209,154	197,042
Biological assets (note 6)	2,920	2,045
Prepaid expenses and other assets	4,493	5,893
Income taxes receivable	4,304	2,560
	246,168	236,213
Property, plant and equipment (note 5)	210,265	209,015
Right-of-use assets (note 10)	13,612	15,215
Intangible assets (note 7)	43,065	43,990
Goodwill (note 8)	53,638	53,638
	566,748	558,071
Liabilities		
Current liabilities		
Bank indebtedness (note 11)	4,942	-
Accounts payable and accrued liabilities (note 9)	47,794	47,375
Dividends payable	2,591	2,587
Lease obligations (note 10)	4,523	4,070
Derivative financial instruments (note 21)	-	349
	59,850	54,381
Long-term debt (note 11)	208,089	192,065
Lease obligations (note 10)	10,205	12,193
Post-employment benefit obligations (note 12)	1,271	1,605
Deferred income taxes (note 13)	33,695	32,426
	313,110	292,670
Shareholders' Equity		
Capital stock (note 14)	28,033	27,290
Contributed surplus (note 15)	6,627	5,756
Retained earnings	219,999	233,710
Accumulated other comprehensive loss	(1,021)	(1,355)
	253,638	265,401
	566,748	558,071

Contingent liabilities and unrecognized contractual commitments (note 19)
Events after the reporting period (note 25)

Director

Director

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

Consolidated Statements of (Loss) Earnings
For the years ended March 31, 2023 and 2022
(in thousands of Canadian dollars, except per share amounts)

	2023 $	2022 $
Sales	382,140	373,944
Cost of goods sold, excluding amortization (notes 16 and 17)	240,248	234,952
Amortization of plant and equipment used in production	9,790	9,116
Gross profit	132,102	129,876
Selling and administration (note 16)	103,880	99,804
Amortization of equipment, right-of-use and intangible assets used in selling and administration	12,730	12,237
Interest	16,565	9,337
Gain on sale of assets held for sale (note 5)	-	(7,518)
Net unrealized gain on derivative financial instruments (note 21)	(380)	(2,269)
Other expense (note 16)	3,547	1,210
	136,342	112,801
(Loss) earnings before income tax	(4,240)	17,075
Income tax (recovery) expense (note 13)		
Current	(2,037)	2,458
Deferred	1,149	2,149
	(888)	4,607
Net (loss) earnings for the year	(3,352)	12,468
Net (loss) earnings per share (note 18)		
Basic and diluted		
Class A Common Shares	(0.08)	0.29
Class B Common Shares	(0.07)	0.26

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

Consolidated Statements of Comprehensive (Loss) Income
For the years ended March 31, 2023 2022
(in thousands of Canadian dollars)

	2023 $	2022 $
Net (loss) earnings for the year	(3,352)	12,468
Items that are never reclassified to net (loss) earnings		
Net actuarial gains on post-employment benefit plans (note 12)	454	1,938
Deferred income taxes (note 13)	(120)	(512)
Other comprehensive income for the year	334	1,426
Net comprehensive (loss) income for the year	(3,018)	13,894

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

Consolidated Statements of Changes in Equity
For the years ended March 31, 2023 and 2022
(in thousands of Canadian dollars)

	Capital stock $	Contributed surplus $	Retained earnings $	Accumulated other comprehensive loss $	Total shareholders' equity $
Balance at March 31, 2021	27,020	4,950	236,773	(3,169)	265,574
Net comprehensive income for the year	-	-	12,468	1,426	13,894
Repurchase and cancellation of Class A non-voting Common Shares (note 14)	(449)	-	(4,761)	-	(5,210)
Exercise of share awards and issuance of Class A non-voting shares (notes 14 and 15)	719	(719)	-	-	-
Share-based compensation (note 15)	-	1,525	-	-	1,525
Settlement of post-retirement benefit arrangement (note 12)	-	-	(388)	388	-
Dividends (Class A $0.246 per share, Class B $0.214 per share)	-	-	(10,382)	-	(10,382)
Balance at March 31, 2022	27,290	5,756	233,710	(1,355)	265,401
Net comprehensive (loss) income for the year	-	-	(3,352)	334	(3,018)
Exercise of share awards and issuance of Class A non-voting shares (notes 14 and 15)	743	(743)	-	-	-
Share-based compensation (note 15)	-	1,614	-	-	1,614
Dividends (Class A $0.246 per share, Class B $0.214 per share)	-	-	(10,359)	-	(10,359)
Balance at March 31, 2023	28,033	6,627	219,999	(1,021)	253,638

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

Consolidated Statements of Cash Flows
For the years ended March 31, 2023 and 2022
(in thousands of Canadian dollars)

	2023 $	2022 $
Cash provided by (used in)		
Operating activities		
Net (loss) earnings for the year	(3,352)	12,468
Adjustments for non-cash items		
Gain on disposal of property, plant and equipment and intangible assets	(1)	(7,495)
Amortization of plant, equipment, right-of-use and intangible assets	22,520	21,353
Amortization of deferred financing fees	27	29
Interest expense	16,538	9,308
Income taxes	(888)	4,607
Net unrealized gain on derivative financial instruments	(380)	(2,269)
Share-based compensation expense	1,483	1,399
Post-employment benefits	120	227
Interest paid	(15,873)	(8,636)
Wine Sector Support Program grant received (note 17)	7,755	-
Income tax received	293	955
	28,242	31,946
Change in non-cash working capital items related to operations (note 20)	(14,488)	(16,354)
	13,754	15,592
Investing activities		
Proceeds from sale of land and property	-	8,793
Purchase of property, plant and equipment	(17,301)	(13,612)
Purchase of intangible assets	(3,033)	(9,289)
	(20,334)	(14,108)
Financing activities		
Increase in bank indebtedness	4,942	-
Repayment of lease obligations	(4,304)	(4,115)
Drawings on long-term debt	54,000	56,000
Repayment of long-term debt	(39,000)	(39,000)
Financing fees paid	-	(400)
Repurchase of Class A Common Shares	-	(5,210)
Dividends paid	(10,355)	(10,199)
	5,283	(2,924)
Decrease in cash during the year	(1,297)	(1,440)
Cash – Beginning of year	1,297	2,737
Cash – End of year	-	1,297
Supplementary information		
Property, plant and equipment and intangibles acquired that were unpaid in cash and included in accounts payable and accrued liabilities	226	2,088

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

1 Nature of operations

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

2 Summary of significant accounting policies

Basis of presentation

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

These consolidated financial statements were approved by the Board of Directors for issuance on June 14, 2023.

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, including Canrim Packaging Limited, Global Vintners Inc., Riverbend Inn & Winery Inc., Sandhill Vineyards Ltd. and Small Winemakers Collections Inc., all of which are wholly owned by Andrew Peller Limited. 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 (loss) 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 (loss) 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 spirits, packaging materials and supplies, and finished goods). Average cost is determined separately for import wine, domestic wine and spirits 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 and spirit inventories that require a substantial period of time to become ready for sale.

Government grants

Grants from the government are recognized at the amount of cash received or to be received when there is reasonable assurance that the grant will be received and the Company will comply with all conditions. Government grants are recognized in the consolidated statements of (loss) earnings as a reduction of the expense that the grant is intended to compensate. In the Company's judgment, based on the provisions of the program, the grant is intended to compensate for inventory production costs that the Company has incurred to produce bulk wine inventory in the prior fiscal year. The grant has been allocated pro rata to the eligible wine produced in the prior year and is recognized in the consolidated statements of (loss) earnings as a reduction in the cost of goods sold in the period the eligible wine is sold or is recognized as a reduction in the cost of inventory to the extent that the eligible wine is unsold and remains in inventory.

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 and vineyard 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 fair value, which approximates cost as there has been minimal biological transformation since the initial cost incurred. The initial costs incurred are comprised of direct expenditures required to enable the biological transformation of agricultural produce.

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

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

Intangible assets

Intangible assets include brands, customer contracts and lists, 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
Customer contracts and lists	straight-line	10 – 20 years	2 – 14 years
Software	straight-line	5 – 15 years	2 – 14 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.

Where the Company incurs costs to configure and customize cloud computing software, the costs incurred are capitalized and amortized over the useful life only if the expenditures meet the recognition criteria of International Accounting Standard (IAS) 38, Intangible Assets.

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 events or circumstances indicate that the carrying value 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. An impairment loss is recognized if the carrying amount of a CGU to which the goodwill relates exceeds its recoverable amount. The recoverable amount of a CGU is based on a value in use method using a discounted cash flow model. If necessary, a CGU's fair value is also considered. An impairment loss in respect of goodwill cannot be reversed.

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 and the interest cost net of the expected return on plan assets are recognized in (loss) earnings in the period they arise. Adjustments arising from actuarially determined gains or losses are recognized in other comprehensive (loss) income in the period in which they arise. The corresponding change in shareholders' equity is adjusted to retained earnings for the year.

Financial instruments and hedge accounting

Financial assets and liabilities are initially recorded at fair value including, where permitted by IFRS 9, Financial Instruments (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 consolidated 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.

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.

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 are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the repayment of the principal portion of lease liability and the interest portion. The interest expense is charged to the consolidated statements of (loss) earnings over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- Payment of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Payments associated with variable lease payments not based on an index or a rate, short-term leases and leases of low value assets are recognized on a straight-line basis as an expense in the consolidated statements of (loss) earnings.

Right-of-use assets are included in the consolidated balance sheets and are measured at cost comprising the following:

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date, less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

The right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Right-of-use assets are subject to impairment. Amortization of right-of-use vineyard land, buildings and machinery and equipment is as follows:

Vineyard land	2 – 29 years
Buildings	3 – 10 years
Machinery and equipment	2 – 6 years

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 recoverable amount. The recoverable amount is the greater of the CGU's fair value less costs to dispose and its value in use, determined by discounting expected cash flows. An impairment loss is reversed if there is a reversal in circumstances that led to the impairment and 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 (loss) earnings per share

Basic net (loss) earnings per share have been calculated using the weighted average number of Class A and Class B Common Shares outstanding during the year. Diluted net (loss) 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 Common 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, spirits, and wine related products in Canada. A significant portion of the Company's sales are made to the liquor control boards in each province in which the Company transacts business. Management has concluded that the chief operating decision maker allocates resources and assesses performance of the Company on a consolidated basis. Furthermore, based on the type of products sold and the fact that its customers are similar in nature, the Company operates in a single operating segment. In addition, substantially all of the Company's sales are made in Canada. As a result, management has concluded the Company operates in one geographic segment.

Income taxes

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

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

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

Equity

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

Share-based compensation

The Company grants stock options, performance share units (PSUs), restricted share units (RSUs) 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 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. RSUs vest ratably over the restriction period and accordingly, the expense is recognized over the restriction 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 (loss) earnings, with a corresponding adjustment to contributed surplus.

Recently adopted accounting pronouncements

IAS 16, Property, Plant and Equipment

This standard has been amended to prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use, clarify that an entity is "testing whether the asset is functioning properly" when it assesses the technical and physical performance of the asset and require certain related disclosures. The amendments are effective for annual periods beginning on or after January 1, 2022. The adoption of the amendment did not have a significant impact on the consolidated financial statements.

IAS 37, Provisions

This standard has been amended to clarify that, before a separate provision for an onerous contract is established, an entity recognizes an impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract and to clarify the meaning of costs to fulfil a contract. The amendments are effective for annual periods beginning on or after January 1, 2022. The adoption of the amendment did not have a significant impact on the consolidated financial statements.

IFRS 9, Financial Instruments

This standard has been amended to address which fees should be included in the 10% test for derecognition of financial liabilities. This amendment is effective for annual periods beginning on or after January 1, 2022. The adoption of the amendment did not have a significant impact on the consolidated financial statements.

Recently issued accounting pronouncements

IAS 1, Presentation of Financial Statements

This standard has been amended to clarify the classification of liabilities as current or non-current depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendment also clarifies the meaning of settlement of a liability. This amendment is effective for annual periods beginning on or after January 1, 2024. The standard has also been amended to specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require a company to disclose information about these covenants in the notes to the financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early adoption permitted. The Company has not yet assessed the impact of the amendment on the consolidated financial statements.

IAS 12, Income Taxes

This standard has been amended to require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Company has not yet assessed the impact of the amendments on the consolidated financial statements.

3 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 judgment in 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. Refer to note 8 for further information.

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.

Leases

Critical accounting estimates were made in determining the lease term and incremental borrowing rate. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs, which affects this assessment and that is within the control of the lessee.

In determining the carrying amount of right of use assets and lease liabilities, the Company is required to estimate the incremental borrowing rate specific to each leased asset or portfolio of leased assets if the interest rate implicit in the lease is not readily determined. Management determines the incremental borrowing rate of each leased asset or portfolio of leased assets by using the Company's specific risk portfolio, the security, term and value of the underlying leased asset and the economic environment in which the leased asset operates. The incremental borrowing rates are subject to change mainly due to macroeconomic changes in the environment.

4 Inventories

	2023 $	2022 $
Packaging materials and supplies	27,360	23,264
Bulk wine and spirits, net of government grant (note 17)	84,783	94,337
Finished goods	97,011	79,441
	209,154	197,042
Interest included in the cost of inventories	4,820	1,825

Inventory writedowns recognized as an expense amounted to $6,892 (2022 – $6,375).

The cost of inventories recognized as an expense and included in cost of goods sold, excluding amortization, was $233,356 (2022 – $228,577).

5 Property, plant and equipment

	Land $	Vines, vineyard land and infrastructure $	Buildings $	Machinery and equipment $	Total $
At March 2021					
Cost	39,956	49,782	99,070	161,219	350,027
Accumulated amortization	-	(18,876)	(27,372)	(96,859)	(143,107)
Net carrying amount	39,956	30,906	71,698	64,360	206,920
Year ended March 2022					
Additions	-	764	1,649	13,226	15,639
Disposals	-	-	-	(23)	(23)
Amortization	-	(1,505)	(2,733)	(9,283)	(13,521)
Closing net carrying amount	39,956	30,165	70,614	68,280	209,015
At March 2022					
Cost	39,956	50,546	100,719	174,385	365,606
Accumulated amortization	-	(20,381)	(30,105)	(106,105)	(156,591)
Net carrying amount	39,956	30,165	70,614	68,280	209,015
Year ended March 2023					
Additions	-	2,503	1,592	11,329	15,424
Amortization	-	(1,577)	(2,832)	(9,765)	(14,174)
Closing net carrying amount	39,956	31,091	69,374	69,844	210,265
At March 2023					
Cost	39,956	53,049	102,311	185,714	381,030
Accumulated amortization	-	(21,958)	(32,937)	(115,870)	(170,765)
Net carrying amount	39,956	31,091	69,374	69,844	210,265

Included in buildings and machinery and equipment are assets amounting to $nil (2022 – $1,419) that are under development and are not being amortized.

Contractual commitments to purchase property, plant and equipment were $1,405 as at March 31, 2023 (2022 – $1,268).

During 2020, the Company listed for sale plant assets in Port Coquitlam, British Columbia, as a result of the consolidation of production assets. The assets listed for sale had a net book value of $1,275. On September 28, 2021, the Company completed the sale of the assets for total consideration, net of selling costs, of $8,793 resulting in a realized gain on sale of $7,518.

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, 2023, the Company harvested grapes valued at $7,082 (2022 – $8,666).

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

	2023 **$**	**2022** **$**
Carrying amount – Beginning of year	2,045	2,815
Net increase in fair value less costs to sell due to biological transformation	7,957	7,896
Transferred to inventory on harvest	(7,082)	(8,666)
Biological assets	2,920	2,045

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 $	Customer contracts and lists $	Software $	Other $	Total $
At March 31, 2021					
Cost	10,239	12,827	29,928	1,917	54,911
Accumulated amortization and impairment	(200)	(9,467)	(3,778)	(1,816)	(15,261)
Net carrying amount	10,039	3,360	26,150	101	39,650
Year ended March 31, 2022					
Additions	-	-	7,811	-	7,811
Amortization	-	(574)	(2,897)	-	(3,471)
Closing net carrying amount	10,039	2,786	31,064	101	43,990
At March 31, 2022					
Cost	10,239	12,827	36,611	1,917	61,594
Accumulated amortization and impairment	(200)	(10,041)	(5,547)	(1,816)	(17,604)
Net carrying amount	10,039	2,786	31,064	101	43,990
Year ended March 31, 2023					
Additions	-	-	3,048	-	3,048
Amortization	-	(523)	(3,450)	-	(3,973)
Closing net carrying amount	10,039	2,263	30,662	101	43,065
At March 31, 2023					
Cost	10,239	12,827	39,659	1,917	64,642
Accumulated amortization and impairment	(200)	(10,564)	(8,997)	(1,816)	(21,577)
Net carrying amount	10,039	2,263	30,662	101	43,065

Contractual commitments to purchase software were $456 as at March 31, 2023 (2022 – $405).

Included in software are assets amounting to $nil (2022 – $2,430) that are under development and are not being amortized.

Management has determined there was no impairment in intangible assets for the years ended March 31, 2023 and 2022.

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:

	2023 $	2022 $
Ontario and Eastern Canadian wine	3,134	3,134
Western Canadian wine	26,695	26,695
Personal winemaking products	23,809	23,809
	53,638	53,638

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

	2023 %	2022 %
Discount rate	11.2	11.0
Average revenue growth rate during the period of projected cash flows	2.7	3.7
Gross profit percentage	41.5	41.2
Selling and administration margin	26.7	25.9
Terminal growth rate	3.5	3.4

As at March 31, 2023, the Company's book value of net assets exceeded its market capitalization, which was an indication of impairment and triggered an overall impairment assessment. 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. No impairment in goodwill for the years ended March 31, 2023 and 2022 was recognized as a result of the impairment test.

The recoverable amount of each CGU is sensitive to changes in market conditions and could result in changes in the carrying value of goodwill in the future. Sensitivity analysis was performed for each CGU by changing the following key assumptions: discount rate, gross profit percentage, selling and administration margin, average revenue growth rate during the period of projected cash flows and the terminal growth rate.

In relation to the Ontario and Eastern Canadian wine CGU, the Company determined the impact of what a reasonable change in each key assumption would be to the discounted cash flows. The discount rates were increased by 8.9% (a 100 basis point increase), the gross profit percentages were decreased by 2.0% (a 100 basis point decrease), average revenue growth rates during the period of projected cash flows were decreased by 43.5% (a 100 basis point decrease) and the terminal growth rate was decreased by 33.3% (a 100 basis point decrease). Each key assumption was changed independently while holding all other assumptions constant and does not contemplate management's ability to mitigate against any adverse effects that may arise in the future. The Ontario and Eastern Canadian wine CGU shows no signs of impairment in any of the sensitivities performed.

In relation to the Western Canadian wine CGU, the Company determined that the recoverable amount exceeds the carrying amount by $7,715, however, the recoverable amount is sensitive to changes to the key assumptions. Changing each assumption independently, an increase in the discount rate of 2.1% (a 23 basis point increase), a decrease in the gross profit percentage or an increase in the selling and administration margin of 1.4% (a 51 basis point decrease), a decrease in the average revenue growth rate of 3.9% (a 14 basis point decrease) or a decrease in the terminal growth rate of 6.2% (a 28 basis point decrease) would result in the recoverable amount being equal to the carrying amount. In addition, the Company has estimated that the Wine Sector Support Program (note 17) will continue to be received by the Company at the same level of funding received in the current year throughout its five-year cash flow projection. If the Wine Sector Support Program is discontinued or the funding were to significantly change it would have a material impact on the discounted cash flows of the Company and could result in an impairment of the Western Canadian wine CGU. As each key assumption was changed independently, the results of the sensitivity analyses do not contemplate management's ability to mitigate against any adverse effects that may arise in the future.

In relation to the personal winemaking products CGU, the Company determined that the recoverable amount exceeds the carrying amount by $2,802, however, the recoverable amount is sensitive to changes to the key assumptions. Changing each assumption independently, an increase in the discount rate of 3.4% (a 38 basis point increase), a decrease in the gross profit percentage or an increase in the selling and administration margin of 2.3% (a 70 basis point decrease), a decrease in the average revenue growth rate of 11.8% (a 22 basis point decrease) or a decrease in the terminal growth rate of 33.3% (50 basis points) would result in the recoverable amount being equal to the carrying amount. As each key assumption was changed independently, the results of the sensitivity analyses do not contemplate management's ability to mitigate against any adverse effects that may arise in the future.

9 Accounts payable and accrued liabilities

	2023 $	2022 $
Trade payables	26,964	29,667
Accrued liabilities	19,214	16,294
Deferred revenue	1,616	1,414
	47,794	47,375

10 Right-of-use assets and lease obligations

	Vineyard land $	Buildings $	Machinery and equipment $	Total $
Closing net carrying amount as at March 31, 2021	6,578	8,196	2,237	17,011
Additions	-	336	1,451	1,787
Modifications	-	778	-	778
Amortization	(493)	(2,915)	(953)	(4,361)
Closing net carrying amount as at March 31, 2022	6,085	6,395	2,735	15,215
Year ended March 31, 2023				
Additions	395	1,231	1,205	2,831
Terminations	-	(11)	(50)	(61)
Amortization	(466)	(2,702)	(1,205)	(4,373)
Closing net carrying amount as at March 31, 2023	6,014	4,913	2,685	13,612

The lease obligations transactions during the year were as follows:

Lease obligations	**2023** **$**	**2022** **$**
Balance – Beginning of year	16,263	17,813
Additions	2,831	2,565
Terminations	(62)	-
Repayments	(4,991)	(4,900)
Interest	687	785
Balance – End of year	14,728	16,263
Less: Current portion of lease obligations	4,523	4,070
Lease obligations	10,205	12,193

Expenses related to leases with variable consideration amounting to $1,015 (2022 – $1,118) and short term leases and low value leases amounting to $1,651 (2022 – $1,322) were recorded within selling and administration expenses. The total cash outflows relating to leases during the year were $7,657 (2022 – $7,340).

Some property leases contain variable payment terms that are linked to sales generated from a store. For individual stores, up to 100% of lease payments are on the basis of variable payment terms. Variable lease payments are recognized in the consolidated statements of (loss) earnings in the period in which the condition that triggers those payments occurs. A 5% increase in sales across all stores with such variable lease contracts would not result in a material change to the total lease payments.

11 Bank indebtedness and Long-term debt

	2023 **$**	**2022** **$**
Bank indebtedness	4,942	-
Revolving, amortizing loan – investment facility	208,129	192,132
Less: Financing costs	40	67
Long-term debt	208,089	192,065

The Company's debt facility consists of a $350,000 revolving, interest only facility to be used for acquisitions and day-to-day operations, distributions and capital expenditures. The facility matures on December 8, 2024 and repayment of the facility is due on maturity. Financing costs of $106 are being amortized over the term of the loan. On November 10, 2021, February 9, 2022 and June 15, 2022, the Company amended its debt facilities. Amendments include revised financial covenants for the period of March 31, 2022 to December 31, 2023. Management has assessed and determined that these amendments did not constitute a modification of long term debt. Financing costs of $400 were incurred during the year ended March 31, 2022 and expensed immediately as part of interest expense.

The Company had entered into interest rate swap agreements to fix the interest rate on a portion of the balance outstanding on the facility until September 29, 2022. The interest rate was fixed at 2.25%, plus the applicable margin. From October 1, 2022 to March 31, 2023, the Company had a variable interest rate of CDOR plus the applicable margin. As at March 31, 2023, the applicable margin was 4.50% (2022 – 4.00%). Interest expense on long-term debt during the year was $16,650 (2022 – $7,750).

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

The following table summarizes the change in the Company's long term debt arising from financing activities for the year ended March 31, 2023:

	$
Balance – Beginning of year	192,065
Drawings	54,000
Repayments	(39,000)
Amortization of deferred financing fees	27
Amortization of gain on modification of debt	997
Balance – End of year	208,089

12 Post-employment benefits

Defined contribution plans

The total expenses for the defined contribution savings plans were $2,669 (2022 – $2,599).

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. In November 2021, the Company entered into an agreement to purchase an irrevocable group annuity contract to fund the accrued benefit obligation associated with one of the Company's defined benefit pension plans. In connection with this transaction, the Company recognized a settlement loss of $110, which was recorded as part of the net benefit plan expense in the consolidated statements of (loss) earnings. The Company also transferred the accumulated other comprehensive loss, net of deferred income taxes, associated with this plan to retained earnings in the amount of $388. The transaction has no impact on the amount, timing, or form of the monthly retirement benefit payments to the affected retirees and beneficiaries.

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 require 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:

			2023
	Pension benefits $	**Other post-employment benefits $**	**Total $**
Plan assets			
Fair value – Beginning of year	22,733	-	22,733
Return on plan assets excluding amounts in interest income	(1,965)	-	(1,965)
Interest income	888	-	888
Company's contributions	193	86	279
Benefits paid	(1,238)	(86)	(1,324)
Fair value – End of year	20,611	-	20,611
Plan obligations			
Accrued benefit obligations – Beginning of year	22,064	2,274	24,338
Total current service cost	261	66	327
Interest cost	868	92	960
Benefits paid	(1,238)	(86)	(1,324)
Remeasurements			
Experience gain	(517)	(84)	(601)
Gain from change in financial assumptions	(1,706)	(112)	(1,818)
Accrued benefit obligations – End of year	19,732	2,150	21,882
Post-employment benefit (asset) obligation	(879)	2,150	1,271
Benefit plan expense			
Current service cost	261	66	327
Net interest (income) cost on defined benefit liability	(20)	92	72
Net benefit plan expense	241	158	399
Amount recognized in other comprehensive income			
Net actuarial gain	258	196	454
Expected contributions for the year ending March 31, 2024	193	88	281
Weighted average duration of the defined benefit obligations in years	10.0	9.7	10.0

	2022		
	Pension benefits $	**Other post-employment benefits $**	**Total $**
Plan assets			
Fair value – Beginning of year	25,158	-	25,158
Return on plan assets excluding amounts in interest income	(566)	-	(566)
Interest income	752	-	752
Company's contributions	302	77	379
Benefits paid	(1,325)	(77)	(1,402)
Settlement	(1,588)	-	(1,588)
Fair value – End of year	22,733	-	22,733
Plan obligations			
Accrued benefit obligations – Beginning of year	26,069	2,405	28,474
Total current service cost	310	76	386
Interest cost	786	76	862
Benefits paid	(1,325)	(77)	(1,402)
Settlement paid	(1,588)	-	(1,588)
Settlement loss	110	-	110
Remeasurements			
Experience loss	155	-	155
Gain from change in financial assumptions	(2,453)	(206)	(2,659)
Accrued benefit obligations – End of year	22,064	2,274	24,338
Post-employment benefit (asset) obligation	(669)	2,274	1,605
Benefit plan expense			
Current service cost	310	76	386
Settlement loss	110	-	110
Net interest cost on defined benefit liability	34	76	110
Net benefit plan expense	454	152	606
Amount recognized in other comprehensive income			
Net actuarial gain	1,732	206	1,938
Expected contributions for the year ending March 31, 2023	203	71	274
Weighted average duration of the defined benefit obligations in years	11.8	10.6	11.7

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

	2023 %	2022 %
Discount rate for expenses	4.0	3.1
Discount rate for obligations	4.8	4.0
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.

	2023		2022	
	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	(1,772)	(189)	(2,344)	(227)
1% decrease in the discount rate	2,167	230	2,854	255
1% increase in the rate of compensation increase	158	-	580	-
1% decrease in the rate of compensation increase	(95)	-	(527)	-
1% increase in the inflation rate	13	-	35	-
1% decrease in the inflation rate	(12)	-	(35)	-

As at March 31, 2023, the accumulated actuarial losses, net of deferred taxes, recognized in other comprehensive (loss) income were $1,021 (2022 – $1,355).

Plan assets

The plan assets consist of the following:

	2023		2022	
	$	%	$	%
Mutual funds				
Fixed income	14,581	71	15,778	69
Equity	6,030	29	6,955	31
	20,611	100	22,733	100

13 Income taxes

	2023 $	2022 $
Current income tax (recovery) expense	(2,037)	2,458
Change in temporary differences	1,192	2,135
Impact of change in tax rate	(43)	14
Deferred income tax expense	1,149	2,149
Total income tax (recovery) expense	(888)	4,607

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

	2023 $	2022 $
Income taxes at blended statutory rate of 26.40% (2022 – 26.43%)	(1,119)	4,513
Permanent differences and non-deductible items	504	(68)
Future income tax rate changes	(43)	14
Other	(230)	148
	(888)	4,607

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

	2023 $	2022 $
Beginning of year	32,426	29,765
Deferred income taxes in net (loss) earnings	1,149	2,149
Deferred income taxes in other comprehensive (loss) income	120	512
End of year	33,695	32,426

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

Deferred income tax liability

	Accelerated tax depreciation and deductions on property, plant and equipment $	Accelerated tax deductions on intangible assets $	Tax deductions on goodwill $	Total $
March 31, 2021	16,486	13,291	720	30,497
Expense in net earnings	1,277	1,372	11	2,660
March 31, 2022	17,763	14,663	731	33,157
(Income) expense in net (loss) earnings	1,901	(55)	9	1,855
March 31, 2023	19,664	14,608	740	35,012

Deferred income tax asset

	Post-employment benefits $	Other $	Total $
March 31, 2021	(876)	144	(732)
Income in net earnings	(60)	(451)	(511)
Expense in other comprehensive income	512	-	512
March 31, 2022	(424)	(307)	(731)
Income in net (loss) earnings	(31)	(675)	(706)
Expense in other comprehensive (loss) income	120	-	120
March 31, 2023	(335)	(982)	(1,317)

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

	2023			2022		
	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	1,362	341	1,021	1,816	461	1,355

14 Capital stock

Authorized

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

Issued

	2023		2022	
	Number of shares	Amount $	Number of shares	Amount $
Class A Common Shares, non-voting	35,040,656	27,669	34,978,011	26,926
Class B Common Shares, voting	8,144,183	364	8,144,183	364
	43,184,839	28,033	43,122,194	27,290

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

Class A Common 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 Common Shares. Class B Common Shares are voting and convertible into Class A Common Shares on a one for one basis. During the year ended March 31, 2023, no Class B Common Shares were converted into Class A Common Shares.

As described in note 15, 58,851 Class A Common Shares were issued as a result of the exercise of share-based awards during the year ended March 31, 2023. In addition to the shares issued due to the exercise, the holders of DSUs, RSUs and PSUs earn dividends in the form of additional units and as a result, the Company issued an additional 3,794 Class A Common Shares.

On September 13, 2022, the Company announced a normal course issuer bid (NCIB) to repurchase for cancellation up to 1,000,000 Class A non-voting Common Shares, representing 2.86% of Class A non-voting Common Shares issued and outstanding as at the close of markets on August 31, 2022, during the 12-month period from September 16, 2022 to September 15, 2023. During the fiscal year ended March 31, 2023, no Class A non-voting Common Shares were repurchased for cancellation under the NCIB.

Annual dividends of $0.246 (2022 – $0.246) per Class A Common Share and $0.214 (2022 – $0.214) per Class B Common Share were approved by the Board of Directors on June 15, 2022 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, 2023 and 2022, 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 Common Shares on an annual basis. Employees are required to pay 67% of the market price per Class A Common Share. The Company is responsible for the remainder of the cost and, during 2023, expensed $251 (2022 – $276) related to the employee program.

15 Share based compensation

The Company has a share based compensation plan comprised of stock options, PSUs, RSUs and DSUs. The impact of the share based compensation expense is summarized as follows:

	2023 $	2022 $
1,641,335 stock options (2022 – 1,303,367) (a)	575	789
402,781 performance share units (2022 – 292,731) (b)	481	422
143,486 restricted share units (2022 – 62,750) (c)	427	188
71,529 deferred share units (2022 – 57,799) (d)	-	-
	1,483	1,399

The stock options, PSUs, RSUs 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 (loss) earnings and comprehensive (loss) 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, the RSU 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, 2023, the Company had 3,159,067 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:

	2023		2022	
	Number of options	Weighted average exercise price per share $	Number of options	Weighted average exercise price per share $
Balance – Beginning of year	1,303,367	11.19	1,041,800	11.89
Granted	447,133	5.70	290,700	8.75
Forfeited	(109,165)	(7.28)	(29,133)	10.97
Balance – End of year	1,641,335	9.95	1,303,367	11.19
Exercisable	950,535	12.02	619,986	12.95

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:

	2023	2022
Weighted average fair value per share option	1.38	1.89
Expected volatility (1)	25.50%	24.68%
Dividend yield	2.85%	2.19%
Risk-free interest rate	3.14%	1.19%
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, 2023 is as follows:

	Share options outstanding			Share options exercisable		
Range of exercise prices	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 $
5.01 to 10.00	101	1,098,035	7.91	92	409,135	9.16
10.01 to 15.00	68	406,700	13.15	68	404,800	13.17
15.01 to 20.00	65	136,600	17.21	68	136,600	17.21
	90	1,641,335	9.95	78	950,535	12.02

(b) PSU plan

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

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

	2023		2022	
	Number of units	Grant date fair value per unit $	Number of units	Grant date fair value per unit $
Balance – Beginning of year	292,731	10.13	218,562	12.44
Granted	213,020	5.70	125,320	8.75
Exercised	(32,165)	(14.14)	(28,416)	(17.16)
Forfeited	(70,805)	(10.52)	(22,735)	(15.97)
Balance – End of year	402,781	7.40	292,731	10.13
Exercisable	46,555	9.31	32,165	14.09

Awards granted in September 2020 vested March 31, 2023 and, based on the achievement of the performance condition, 46,555 shares vested.

(c) RSU plan

The Company has established an RSU plan for employees and officers of the Company. RSUs 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. RSUs will vest ratably over the Restriction Period, as to one-third of the RSUs on each anniversary of the grant date, commencing on the first anniversary of the grant date.

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

	2023		2022	
	Number of units	**Grant date fair value per unit $**	**Number of units**	**Grant date fair value per unit $**
Balance – Beginning of year	62,750	8.75	-	-
Granted	115,180	5.70	62,750	8.75
Exercised	(20,916)	(8.75)	-	-
Forfeited	(13,528)	(6.58)	-	-
Balance – End of year	143,486	6.51	62,750	8.75

(d) 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. DSUs may be offered to directors of the Company subsequent to the year in which fees are earned. As a result, the issuance of DSUs is reflected as an increase to contributed surplus in the year the offer is made, which may not correspond to when the expense is recognized.

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

	2023		2022	
	Number of units	**Grant date fair value per unit $**	**Number of units**	**Grant date fair value per unit $**
Balance – Beginning of year	57,799	14.43	65,669	14.40
Issued	19,500	6.77	12,770	9.35
Exercised	(5,770)	(18.22)	(20,640)	(11.19)
Balance – End of year	71,529	12.03	57,799	14.43

16 Nature of expenses

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

	2023 $	2022 $
Raw materials and consumables	186,340	172,296
Employee compensation and benefits	89,751	85,121
Advertising, promotion and distribution	33,903	33,025
Occupancy	11,230	9,739
Repairs and maintenance	8,910	7,989
Other external charges	24,289	26,586
Wine Sector Support Program grant (note 17)	(10,295)	-
	344,128	334,756

Other expenses are as follows:

	2023 $	2022 $
Ongoing costs related to Port Moody winery facility (a)	678	606
Restructuring (b)	2,795	858
Other	74	(254)
	3,547	1,210

(a) During fiscal 2006, the Company closed its Port Moody winery facility and transferred production to its winery operations in Kelowna, British Columbia. The costs of this idle facility are recorded in other expenses.

(b) Restructuring costs of $2,795 (2022 – $858) were recorded during the year ended March 31, 2023. These costs relate to severance and other restructuring costs of certain departments within the Company.

17 Wine Sector Support Program grant

During the year, Agriculture Canada announced the Wine Sector Support Program (WSSP), a two-year support program to provide non-repayable grants to licensed Canadian wineries based on the production of bulk wine fermented in Canada from domestic and/or imported grapes. The amount of grant received is dependent on the Company's inventory production compared to total inventory production of the industry and varies with the amount of inventory produced in a specific year.

These conditions were met when the details of the amount to be received were provided by Agriculture Canada. As a result, during the year, the Company recorded $18,050 under WSSP. As at March 31, 2023, all amounts have been received and there are no unfulfilled conditions attached to the government grant received under the WSSP.

For the year ended March 31, 2023, $10,295 was recorded in the consolidated statement of (loss) earnings as a reduction in cost of goods sold. As at March 31, 2023, $7,755 of the grant has been recognized as a reduction to the cost of inventory.

18 Net (loss) earnings per share

	2023		
	Class A $	Class B $	Total $
Net loss attributed for the year – basic and diluted	(2,788)	(564)	(3,352)
Weighted average number of shares outstanding – basic and diluted	35,019,457	8,144,183	
Net loss per share – basic and diluted	(0.08)	(0.07)	

	2022		
	Class A $	Class B $	Total $
Net earnings attributed for the year – basic and diluted	10,380	2,088	12,468
Weighted average number of shares outstanding – basic and diluted	35,200,969	8,144,183	
Net earnings per share – basic and diluted	0.29	0.26	

19 Contingent liabilities and unrecognized contractual commitments

The Company is subject to various claims by third parties arising out of the normal course and conduct of its business, including, but not limited to, labour and employment and regulatory and environmental claims. In addition, the Company is potentially subject to regular audits from federal and provincial tax authorities relating to income, commodity and capital taxes and as a result of these audits, may receive assessments and reassessments. Although such matters cannot be predicted with certainty, management currently considers the Company's exposure to such claims and litigation, to the extent not covered by the Company's insurance policies or otherwise provided for, not to be material to these consolidated financial statements.

20 Non-cash working capital items

The change in non-cash working capital items related to operations is comprised of the change in the following items:

	2023 $	2022 $
Accounts receivable	2,079	1,520
Inventories and current portion of biological assets	(20,742)	(17,545)
Prepaid expenses and other assets	1,400	(1,014)
Accounts payable and accrued liabilities	2,775	685
	(14,488)	(16,354)

21 Financial instruments

Classification of financial instruments

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

			2023	
Assets/liabilities	**Category**	**Measurement**	**Carrying amount $**	**Fair value $**
Accounts receivable	Financial assets	Amortized cost	25,297	25,297
Bank indebtedness	Financial liabilities	Amortized cost	4,942	4,942
Accounts payable and accrued liabilities	Financial liabilities	Amortized cost	47,794	47,794
Dividends payable	Financial liabilities	Amortized cost	2,591	2,591
Long-term debt	Financial liabilities	Amortized cost	208,089	208,129

			2022	
Assets/liabilities	**Category**	**Measurement**	**Carrying amount $**	**Fair value $**
Accounts receivable	Financial assets	Amortized cost	27,376	27,376
Accounts payable and accrued liabilities	Financial liabilities	Amortized cost	47,375	47,375
Dividends payable	Financial liabilities	Amortized cost	2,587	2,587
Long-term debt	Financial liabilities	Amortized cost	192,065	192,132
Interest rate swap liability	Derivatives	Fair value through profit or loss	263	263
Foreign exchange forward contracts liability	Derivatives	Fair value through profit or loss	86	86

The Company's interest rate swaps and foreign exchange contracts are derivatives and are recorded at fair value. As a result, unrealized gains and losses are included each period through (loss) 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 values of foreign exchange forward contracts and the interest rate swaps are adjusted to reflect any changes in the Company's or the counterparty's credit risk.

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

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

	2023 **$**	**2022** **$**
Unrealized gain on interest rate swaps	(340)	(2,051)
Unrealized gain on foreign exchange forward contracts	(40)	(218)
	(380)	(2,269)

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.

			2023
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	-	-	-
Foreign exchange forward contracts liability	-	-	-

			2022
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	-	263	-
Foreign exchange forward contracts liability	-	86	-

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 and floating rate debt. 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.

As of March 31, 2023, the Company had no open swap agreements outstanding, and as such, all of the Company's borrowings are subject to interest rate movements. As at March 31, 2023, with other variables unchanged, a 100 basis point change in interest rates would impact the Company's net (loss) earnings by approximately $1,576 (2022 – $795).

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 63% 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 $14,091 (2022 – $15,327) of the total accounts receivable against which an expected credit loss of $22 has been provided. Of the remaining nonprovincial liquor board balances, $1,246 (2022 – $1,391) was over thirty days past due as at March 31, 2023. An expected credit loss of $207 (2022 – $316) has been provided against these accounts receivable amounts, which the Company has determined represents a reasonable estimate of the lifetime expected credit losses for trade receivables.

Sales to its largest customer, a provincial Crown corporation, were $66,855 (2022 – $67,587) during the year ended March 31, 2023. Sales to its second largest customer, a branch of a provincial government, were $25,590 (2022 – $29,031) during the year. No other customers accounted for over 10% of sales during the years ended March 31, 2023 and 2022.

An analysis of accounts receivable is as follows:

	2023 **$**	**2022** **$**
Liquor boards	14,091	15,327
Non-liquor boards		
Current	9,475	9,820
Past due 0 – 30 days	714	1,154
Past due 31 – 60 days	160	699
Past due > 60 days	1,086	692
Expected credit loss	(229)	(316)
	25,297	27,376

The change in the expected credit loss was as follows:

	2023 **$**	**2022** **$**
Balance – Beginning of year	316	257
Provision for expected credit losses	52	172
Writeoffs	(139)	(113)
Balance – End of year	229	316

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 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, leases, and service agreements as at March 31, 2023.

	< 1 year $	2 – 3 years $	4 – 5 years $	> 5 years $	Total $
Long-term debt	-	208,129	-	-	208,129
Leases and royalties	5,774	7,042	4,365	18,154	35,335
Service agreements	1,779	763	-	-	2,542
Grape, bulk wine and whisky purchase contracts	58,023	83,588	77,635	51,334	270,580
Packaging purchase contracts	15,485	25,421	-	-	40,906
Total contractual obligations	81,061	324,943	82,000	69,488	557,492

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 will enter 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, 2023, the Company has no open forward foreign currency contracts. As such, 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 (loss) earnings by approximately $484 (2022 – $238), $96 (2022 – $30) or $58 (2022 – $35), respectively. The Company has elected to not use hedge accounting and as a result, has recognized unrealized foreign exchange gains of $340 (2022 – $218) in the consolidated statements of (loss) earnings as a component of the net unrealized gain on derivative financial instruments and has recorded the fair value of $nil (2022 – $86) in the current portion of derivative financial instruments in the consolidated balance sheets.

22 Capital disclosures

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

The Company's capital consists of cash, bank indebtedness, long-term debt and shareholders' equity. The primary uses of capital are to 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:

- Minimum EBITA measured on a rolling twelve-month basis for the periods ending March 31, 2022 to September 30, 2023. Minimum EBITA is defined as consolidated (loss) earnings before interest, amortization and taxes excluding unusual and non-recurring items that are agreed to by the Company and the lender;

- Funded debt to a rolling twelve-month EBITA for the periods ending December 31, 2023 to the end of the term of the credit facility;

- Interest charge coverage ratio for the periods ending December 31, 2023 to the end of the term of the credit facility;

- Capital expenditures not to exceed a specified amount on an annualized basis; and

- Liquidity shall be maintained at or above a specified amount as defined in the credit agreement at the end of each fiscal quarter.

Compliance with these covenants is monitored by management on a quarterly basis. As at March 31, 2023 and 2022, the Company was in compliance with these covenants.

23 Related parties and management compensation

The Company is controlled by Peller Family Enterprises Inc., which owns 61.3% (2022 – 61.3%) 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:

	2023 **$**	**2022** **$**
Compensation and short-term benefits	4,266	3,867
Termination benefits	1,032	-
Post-employment benefits	339	323
Share-based compensation expense	1,081	1,132
	6,718	5,322

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

24 Entity wide disclosures

During the year, export sales were $10,593 (2022 – $13,352), primarily in the United States. The remainder of sales occurred in Canada. All of the Company's assets are located in Canada.

25 Events after the reporting period

On June 14, 2023, the Company's Board of Directors approved the annual dividend for holders of its Class A and Class B Common Shares in the amount of $0.246 per Class A Common Share and $0.214 per Class B Common Share to be paid quarterly to shareholders, subject to management's review of projected cash flows and compliance with financial covenants.

On June 13, 2023, the Company amended and restated its credit facility. The borrowing limit was reduced to $275 million, which is comprised of an asset-backed revolving facility maturing on June 13, 2027 and is subject to a minimum fixed charge coverage ratio covenant when excess availability is below a certain level.

TEN-YEAR SUMMARY
(in thousands, except per share amounts)

	2023	2022	2021	2020	2019
Sales and earnings					
Net sales	**$382,140**	$ 373,944	$ 393,036	$ 382,306	$ 381,796
EBITA	**38,012**	39,188	63,046	61,501	52,875
Net (loss) earnings	**(3,352)**	12,468	27,786	23,494	21,958
Financial position					
Working capital	**186,318**	181,832	170,684	83,654	97,305
Total assets	**566,748**	558,071	542,521	513,919	467,019
Shareholders' equity	**253,638**	265,401	265,574	245,523	234,751
Per share (3)					
Net (loss) earnings (3)					
Basic & diluted Class A	**(0.08)**	0.29	0.65	0.55	0.51
Basic & diluted Class B	**(0.07)**	0.26	0.57	0.48	0.44
Dividends (3)					
Class A Common Shares, non-voting	**0.246**	0.246	0.218	0.215	0.205
Class B Common Shares, voting	**0.214**	0.214	0.190	0.187	0.178
Number of shares outstanding (3)					
Class A Common Shares, non-voting	**35,041**	34,978	35,526	35,404	35,988
Class B Common Shares, voting	**8,144**	8,144	8,144	8,192	8,199
	43,185	43,122	43,670	43,596	44,187
Other information					
Return on average shareholders' equity (1)	**(1.3%)**	4.7%	10.9%	9.8%	9.7%
Return on average capital employed (2)	**3.2%**	3.8%	10.1%	10.7%	11.5%

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

(2) 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.

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

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

	2018	2017	2016	2015 Restated (4)	2014
	$ 363,897	$ 342,606	$ 334,263	$ 315,697	$ 297,824
	52,860	45,137	40,916	35,184 (4)	33,729
	30,117	26,350	19,199	15,224 (4)	14,021
	104,417	78,825	71,665	68,982	44,564
	457,780	327,478	308,309	301,519 (4)	301,015
	220,246	177,317	157,736	147,375 (4)	138,003
	0.71	0.64	0.46	0.36 (4)	0.34
	0.62	0.55	0.40	0.32 (4)	0.29
	0.180	0.163	0.150	0.140	0.133
	0.156	0.142	0.130	0.122	0.116
	35,471	33,581	33,581	33,882	33,882
	8,702	9,012	9,012	9,012	9,012
	44,173	42,593	42,593	42,894	42,894
	15.2%	15.7%	12.6%	10.6% (4)	10.5%
	14.0%	14.1%	13.2%	11.0% (4)	10.8%

DIRECTORS & OFFICERS

Directors

JOHN E. PELLER, O.C.
Burlington, Ontario
President & Chief Executive Officer
Andrew Peller Limited

SHAUNEEN BRUDER
Toronto, Ontario
Corporate Director

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

A. ANGUS PELLER M.D.
Toronto, Ontario
Senior Medical Consultant
RBC Insurance

FRACOIS VIMARD
Toronto, Ontario
Corporate Director

DAVID MONGEAU
Monte Carlo, Monaco
Chairman and Founder
The Avington Group

Honorary Directors

RICHARD D. HOSSACK
Toronto, Ontario

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

BRIAN J. SHORT
Hamilton, Ontario

Officers

JOHN E. PELLER, O.C.
President & Chief Executive Officer

PAUL DUBKOWSKI
Chief Financial Officer and Executive Vice-President, IT

PATRICK R. O'BRIEN
Chief Commercial Officer

CRAIG D. MCDONALD
Executive Vice-President, Operations

SARA E. PRESUTTO
Executive Vice-President, People & Culture

JOSÉ SALGADO
Executive Vice-President, Corporate Planning and Development (VQA & DTC)

GREGORY J. BERTI
Vice-President, Industry Relations & Business Development

RAMIT BORDIA
Vice-President, Integrated Customer Solutions and Global Vintners Inc.

MARK TORRANCE
Vice-President, Estate Wine Group Operations

SHAREHOLDER INFORMATION

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TORONTO
Symbols: ADW.A/ADW.B

Registrar and Transfer Agent
COMPUTERSHARE INVESTOR SERVICES INC.

Auditors
PRICEWATERHOUSECOOPERS LLP

Bankers
BANK OF MONTREAL
ROYAL BANK OF CANADA
FARM CREDIT CANADA
NATIONAL BANK
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.

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(International 514-982-7555)

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

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Toronto, Ontario M5J 2Y1

Investor Relations
For additional information regarding the Company's activities, please contact:
Paul Dubkowski
Chief Financial Officer and Executive Vice President, Information Technology at the Head Office address or by email at: info@andrewpeller.com

2023 Annual Shareholders' Meeting
The 2023 Annual Meeting of Shareholders' will be held at Trius Winery and Restaurant on Thursday, September 28, 2023 at 1:00 p.m.

ANDREW PELLER
— LIMITED —

Exclusive 2023 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 on 6 and 12 bottle collections. Complimentary delivery** will be extended to orders of 12+ bottles. Combining two (2)x 6 bottle collections for complimentary delivery is only applicable to the eastern wineries and to those in the west marked with an asterisk*.

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).

To place an order for the 2023 Shareholder Collections, see instructions on the pages to follow.

This special offer ends Saturday, October 14th, 2023.

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

Ontario VQA Wine Collections:

To place an online order for our Ontario Collections please contact the Ontario Direct to Consumer Team at 1.866.440.4383 or by email at wineorders@peller.com

PELLER ESTATES Niagara-on-the-Lake	Signature Series Ice Cuvee Rosé Family Reserve Chardonnay Private Reserve Gamay Noir Signature Series Sauvignon Blanc Signature Series Cabernet Franc Signature Series Vidal Icewine 200ml	6 bottle Collection $188.61 (Reg $221.70) ~ 12 bottle Collection $377.22 (Reg $443.40)
Trius WINERY	Trius Brut Trius Divine White Trius Pinot Grigio Trius Merlot Trius Red Showcase Late Harvest Vidal	6 bottle Collection $129.96 (Reg $152.70) ~ 12 bottle Collection $259.92 (Reg $305.40)
GRETZKY Nº 99 WAYNE ESTATES	Gretzky Riesling Gretzky Signature Series Pinot Grigio Gretzky Whisky Oak Aged Chardonnay Gretzky Baco Noir Signature Series Cabernet Merlot Gretzky Whisky Oak Aged Red	6 bottle Collection $111.28 (Reg $130.70) ~ 12 bottle Collection $222.55 (Reg $261.40)
THIRTY BENCH WINE MAKERS	Winemakers Riesling Small Lot Pinot Gris Small Lot Rosé Winemakers Red Small Lot Cabernet Sauvignon Small Lot Merlot	6 bottle Collection $195.60 (Reg $229.90) ~ 12 bottle Collection $391.19 (Reg $459.80)

ANDREW PELLER LIMITED	Peller Family Reserve Riesling Peller Private Reserve Pinot Noir Trius Sauvignon Blanc Trius Cabernet Franc Thirty Bench Winemakers Riesling Wayne Gretzky Estate Series Shiraz Cabernet	6 bottle Collection $114.68 (Reg $134.70) ~ 12 bottle Collection $229.35 (Reg $269.40)

British Columbia VQA Wine Collections:

To place an online order for our <u>Red Rooster, Sandhill & Grey Monk Collections</u> please contact the BC Direct to Consumer Team at 1.289.797.7559 or by email at ordersbc@andrewpeller.com

Order the <u>Black Hills Collection</u> by emailing us at myorder@blackhillswinery.com

Order the <u>Tinhorn Creek Vineyards Collection</u> by emailing us at crushclub@tinhorn.com.

A representative will be sure to contact you.

RED ROOSTER WINERY	Red Rooster Sur Lie Chardonnay * Red Rooster Rosé Red Rooster Gewürztraminer Red Rooster Reserve Merlot Red Rooster Carbonic Malbec Merlot Red Rooster Golden Egg **Prices shown do not include applicable BC Taxes*	6 bottle Collection $166.60 (Reg $196.00) ~ 12 bottle Collection $333.20 (Reg $392.00)
SANDHILL	Sandhill Pinot Gris * Sandhill Estate Chardonnay Sandhill Estate Rosé Sandhill Small Lot Sangiovese Sandhill Small Lot Barbera Sandhill Estate Merlot **Prices shown do not include applicable BC Taxes*	6 bottle Collection $142.80 (Reg $168.00) ~ 12 bottle Collection $285.60 (Reg $336.00)
GRAY MONK ESTATE WINERY	Gray Monk Rotberger Rosé * Gray Monk Reflection White Gray Monk Odyssey Chardonnay Gray Monk Merlot Gray Monk Cabernet Merlot Gray Monk Odyssey Meritage **Prices shown do not include applicable BC Taxes*	6 bottle Collection $135.96 (Reg $159.95) ~ 12 bottle Collection $271.92 (Reg $319.90)

BLACK HILLS ESTATE WINERY	Black Hills Nota Bene Black Hills Per Se Black Hills Alibi Black Hills Roussanne Black Hills Rosé Black Hills Ipso Facto **Prices shown do not include applicable BC Taxes*	6 bottle Collection $246.50 (Reg $290.00) ~ 12 bottle Collection $493.00 (Reg $580.00)
TINHORN CREEK NATURALLY SOUTH OKANAGAN	Tinhorn Creek Blanc de Blanc Tinhorn Creek Reserve Rosé Tinhorn Creek Reserve Cabernet Franc Tinhorn Creek Reserve Merlot Tinhorn Creek Reserve Syrah Tinhorn Creek Reserve Roussanne **Prices shown do not include applicable BC Taxes*	6 bottle Collection $187.00 (Reg $220.00) ~ 12 bottle Collection $374.00 (Reg $440.00)

~

Offer Ends Saturday, October 14th, 2023.

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.

ANDREW PELLER
LIMITED