Andrew Peller Limited

Consolidated Financial Statements
March 31, 2016, March 31, 2015 and April 1, 2014
(in thousands of Canadian dollars)

June 15, 2016

Independent Auditor's Report

To the Shareholders of
Andrew Peller Limited

We have audited the accompanying consolidated financial statements of Andrew Peller Limited, which comprise the consolidated balance sheets as at March 31, 2016, March 31, 2015 and April 1, 2014 and the consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the years ended March 31, 2016 and March 31, 2015, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

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

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

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

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

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Andrew Peller Limited as at March 31, 2016, March 31, 2015 and April 1, 2014 and its financial performance and its cash flows for the years ended March 31, 2016 and March 31, 2015 in accordance with International Financial Reporting Standards.

Emphasis of matter
Without modifying our opinion, we draw attention to note 24 to the consolidated financial statements, which describes the early adoption of IAS 16 - Property, Plant and Equipment, and IAS 41, Agriculture, related to the accounting for biological assets.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Andrew Peller Limited
Consolidated Balance Sheets

(in thousands of Canadian dollars)

	March 31, 2016	March 31, 2015 (note 24 - as restated)	April 1, 2014 (note 24 - as restated)
Assets			
Current assets			
Accounts receivable (note 20)	$ 28,223	$ 25,616	$ 22,693
Inventories (note 4)	119,666	117,812	120,751
Biological assets (note 6)	1,196	1,129	1,062
Prepaid expenses and other assets	1,782	2,207	1,381
Income taxes recoverable (note 14)	-	-	240
	150,867	146,764	146,127
Property, plant and equipment (note 5)	108,929	104,951	104,945
Intangible assets (note 7)	11,040	12,331	13,209
Goodwill (note 8)	37,473	37,473	37,473
	$ 308,309	$ 301,519	$ 301,754
Liabilities			
Current liabilities			
Bank indebtedness (note 9)	$ 33,701	$ 32,522	$ 54,407
Accounts payable and accrued liabilities (note 10)	36,772	36,712	37,371
Dividends payable	1,553	1,460	1,391
Income taxes payable (note 14)	2,425	1,902	-
Current portion of derivative financial instruments (note 20)	645	992	1,002
Current portion of long-term debt (note 11)	4,106	4,194	7,392
	79,202	77,782	101,563
Long-term debt (note 11)	48,202	52,269	38,328
Long-term derivative financial instruments (note 20)	1,529	1,447	268
Post-employment benefit obligations (note 12)	5,947	6,165	6,132
Deferred income (note 13)	102	506	910
Deferred income taxes (note 14)	15,591	15,975	16,003
	150,573	154,144	163,204
Shareholders' Equity			
Capital stock (note 15)	6,967	7,026	7,026
Retained earnings	154,605	143,847	134,462
Accumulated other comprehensive loss	(3,836)	(3,498)	(2,938)
	157,736	147,375	138,550
	$ 308,309	$ 301,519	$ 301,754

Approved by

Director

Director

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

Andrew Peller Limited

Consolidated Statements of Earnings

For the years ended March 31, 2016 and March 31, 2015

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

	2016	2015 (note 24 - as restated)
Sales	$ 334,263	$ 315,697
Cost of goods sold, excluding amortization (note 16)	211,299	200,828
Amortization of plant and equipment used in production	6,069	5,859
Gross profit	116,895	109,010
Selling and administration (note 16)	82,048	79,685
Amortization of equipment and intangible assets used in selling and administration	3,639	3,435
Interest	3,575	4,847
Operating earnings	27,633	21,043
Net unrealized loss on derivative financial instruments (note 20)	1,558	572
Other income (note 16)	(40)	(301)
Earnings before income taxes	26,115	20,772
Provision for (recovery of) income taxes (note 14)		
Current	7,181	5,379
Deferred	(265)	169
	6,916	5,548
Net earnings for the year	$ 19,199	$ 15,224
Net earnings per share (note 17)		
Basic and diluted		
Class A shares	$ 1.38	$ 1.09
Class B shares	$ 1.20	$ 0.96

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

Andrew Peller Limited

Consolidated Statements of Comprehensive Income

For the years ended March 31, 2016 and March 31, 2015

(in thousands of Canadian dollars)

	2016	2015 (note 24 - as restated)
Net earnings for the year	$ 19,199	$ 15,224
Items that are never reclassified to net earnings		
Net actuarial losses on post-employment benefit plans (note 12)	(457)	(757)
Deferred income taxes (note 14)	119	197
Other comprehensive loss for the year	(338)	(560)
Net comprehensive income for the year	$ 18,861	$ 14,664

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

Andrew Peller Limited

Consolidated Statements of Changes in Equity

For the years ended March 31, 2016 and March 31, 2015

(in thousands of Canadian dollars)

	Capital stock	Retained earnings	Accumulated other comprehensive loss	Total shareholders' equity
Balance at April 1, 2014 - as reported	$ 7,026	$ 133,915	$ (2,938)	$ 138,003
Impact of IAS 16 and IAS 41 amendments (note 24)	-	547	-	547
Balance at April 1, 2014 - as restated	7,026	134,462	(2,938)	138,550
Net earnings for the year (note 24 - as restated)	-	15,224	-	15,224
Net actuarial losses (net of $197 deferred tax recovery) (note 12)	-	-	(560)	(560)
Net comprehensive income for the year	-	15,224	(560)	14,664
Dividends (Class A $0.420 per share, Class B $0.365 per share)	-	(5,839)	-	(5,839)
Balance at March 31, 2015	$ 7,026	$ 143,847	$ (3,498)	$ 147,375
Balance at April 1, 2015	$ 7,026	$ 143,847	$ (3,498)	$ 147,375
Net earnings for the year	-	19,199	-	19,199
Net actuarial losses (net of $119 deferred tax recovery) (note 12)	-	-	(338)	(338)
Net comprehensive income for the year	-	19,199	(338)	18,861
Issue price of repurchased shares (note 15)	(59)	-	-	(59)
Excess of repurchase price over average per share issue price (note 15)	-	(2,195)	-	(2,195)
Dividends (Class A $0.450 per share, Class B $0.391 per share)	-	(6,246)	-	(6,246)
Balance at March 31, 2016	$ 6,967	$ 154,605	$ (3,836)	$ 157,736

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

Andrew Peller Limited

Consolidated Statements of Cash Flows

For the years ended March 31, 2016 and March 31, 2015

(in thousands of Canadian dollars)

	2016	2015 (note 24 - as restated)
Cash provided by (used in)		
Operating activities		
Net earnings for the year	$ 19,199	$ 15,224
Adjustments for		
Loss on disposal of property, plant and equipment	397	429
Amortization of plant, equipment and intangible assets	9,708	9,294
Interest expense	3,575	4,847
Provision for income taxes	6,916	5,548
Net unrealized loss on derivative financial instruments	1,558	572
Post-employment benefits	(675)	(724)
Deferred income	(404)	(404)
Interest paid	(3,524)	(4,476)
Income taxes paid	(6,658)	(3,237)
	30,092	27,073
Change in non-cash working capital items related to operations (note 19)	(8,299)	(1,236)
	21,793	25,837
Investing activities		
Proceeds from disposal of property, plant and equipment	20	10
Purchase of property, plant and equipment	(10,401)	(8,466)
Purchase of intangible assets	-	(369)
	(10,381)	(8,825)
Financing activities		
Increase (decrease) in bank indebtedness	1,179	(21,885)
Issuance of long-term debt	-	15,020
Repayment of long-term debt	(4,088)	(3,760)
Deferred financing costs	(96)	(617)
Dividends paid	(6,153)	(5,770)
Repurchase of Class A shares (note 15)	(2,254)	-
	(11,412)	(17,012)
Cash - Beginning and end of year	$ -	$ -
Supplementary information		
Property, plant and equipment acquired that was unpaid in cash and included in accounts payable and accrued liabilities	2,458	47

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

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

1 Nature of operations

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

2 Summary of significant accounting policies

Basis of presentation

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

The Company has adopted amendments to IAS 16, Property, Plant and Equipment (IAS 16), and IAS 41, Agriculture (IAS 41), effective April 1, 2015 and accordingly has updated the significant accounting policies with respect to property, plant and equipment and biological assets. Refer to note 24 for a summary of the impact of adopting the amendments to IAS 16 and IAS 41 on the consolidated financial statements

These consolidated financial statements were approved by the Board of Directors for issue on June 15, 2016.

Basis of measurement

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

Basis of consolidation

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

Foreign currency translation

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

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

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

Revenue

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

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

Cost of goods sold

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

Inventories

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

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

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

Property, plant and equipment

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

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

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

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

Biological assets

At March 31, 2016, the Company measures biological assets, consisting of grapes grown on vineyards controlled by the Company, at cost, which approximates fair value as there has been minimal biological transformation since the initial cost incurred. The initial costs incurred are comprised of direct expenditures required to enable the biological transformation of agricultural produce.

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

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

Intangible assets

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

	Amortization method	Useful life	Remaining useful life
Brands	n/a	indefinite	indefinite
Customers	straight-line	10 - 20 years	4 - 9 years
Contract packaging	straight-line	10 years	3 years
Software	straight-line	5 years	3 - 5 years
Other	straight-line	5 years	2 years

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 a cash generating unit's (CGU) value in use, determined based on expected future discounted cash flows, to its carrying value. If necessary, a CGU's fair value is also considered. An impairment charge is recorded to the extent the carrying value of a CGU exceeds the greater of the CGU's fair value and its value in use. Management has determined there was no impairment in intangible assets for the years ended March 31, 2016 and March 31, 2015.

Goodwill

Goodwill represents the cost of a business combination in excess of the fair values of the net tangible and identifiable intangible assets acquired. Goodwill is not amortized but is tested for impairment on an annual basis, or more frequently if circumstances indicate goodwill may be impaired. The Company assigns goodwill

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

combined with other assets to a CGU based on certain regions and product lines, which is the lowest level at which the combined assets generate independent cash inflows. To test for impairment the Company primarily compares a CGU's value in use, determined based on expected future discounted cash flows, to its carrying value. If necessary, a CGU's fair value is also considered. An impairment charge is recorded to the extent the carrying value of a CGU exceeds the greater of the CGU's fair value and its value in use. An impairment loss in respect of goodwill cannot be reversed. Management has determined there is no impairment in goodwill for the years ended March 31, 2016 and March 31, 2015.

Post-employment benefits

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

Deferred income

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

Financial instruments and hedge accounting

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

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

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

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

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

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

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

Leases

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

Impairment of non-financial assets

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

Net earnings per share

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

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

Dividends

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

Segmented information

The Company produces and markets wine 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, a substantial portion of the Company's sales are made in Canada. As a result, management has concluded the Company operates in one geographic segment.

Income taxes

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

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

Contingencies

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims. Management believes adequate provisions have been recorded in the accounts where required. Although it is not possible to accurately estimate the extent of potential claims, if any, management believes the ultimate resolution of such contingencies would not have a material adverse effect on the financial position of the Company.

Comprehensive income

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

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

defined benefit pension plans and other post-employment benefit plans in other comprehensive loss in the period incurred.

Equity

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

Recently adopted accounting pronouncements

In May 2014, the IASB issued amendments to IAS 16 and IAS 41, which require bearer plants to be classified as property, plant, and equipment and accounted for under IAS 16. The amended standards are effective for annual periods beginning on or after January 1, 2016. Early application of this standard is permitted.

The Company controls bearer plants consisting of grape vines and has elected to apply these amendments effective April 1, 2015, which is prior to the mandatory effective date. The earliest comparative period presented in the consolidated financial statements after adopting the amended standards began on April 1, 2014. The Company has elected to measure bearer plants using their fair value on that date as their deemed cost in accordance with the transitional provisions. Refer to note 24 for details.

Recently issued accounting pronouncements

In December 2014, the IASB issued amendments to IAS 1, Presentation of Financial Statements, which clarify the concept of materiality as it applies to information disclose in the financial statements. The amendments also provide guidance on the presentation of subtotals, the structure of the notes to the financial statements, and the disclosure of significant accounting policies. These amendments are effective for first interim periods within annual periods beginning on or after January 1, 2016. The Company is currently evaluating the potential impact of this standard.

In July 2014, the IASB issued the complete version of IFRS 9, Financial Instruments - Classification and Measurement of Financial Assets and Financial Liabilities. IFRS 9 will replace IAS 39, Financial Instruments - Recognition and Measurement. In addition, IFRS 7, Financial Instruments - Disclosures, was amended to include additional disclosure requirements on transition to IFRS 9. The mandatory effective date of applying these standards is for annual periods beginning on or after January 1, 2018. The standard uses a single approach to determine whether a financial asset is measured at amortized cost or fair value. The approach is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used. The standard requires that for financial liabilities measured at fair value, any changes in an entity's own credit risk are generally to be presented in other comprehensive income instead of net earnings. A new hedge accounting model is included in the standard as well as increased disclosure requirements about risk management activities for entities that apply hedge accounting. The Company is currently evaluating the potential impact of this standard.

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers, which supersedes IAS 18, Revenue, and IAS 11, Construction Contracts. The standard details a revised model for the recognition of

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

revenue from contracts with customers. The standard is effective for first interim periods within annual periods beginning on or after January 1, 2018. The Company is currently evaluating the potential impact of adopting this amended standard.

In January 2016, the IASB issued IFRS 16, Leases, which will replace IAS 17, Leases and Related Interpretations. The new standard will be effective for fiscal years beginning on or after January 1, 2019, with early adoption permitted provided the Company has adopted IFRS 15, Revenue from Contracts with Customers. The new standard requires lessees to recognize a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts, and record it on the statement of financial position, except with respect to lease contracts that meet limited exception criteria. Given that the Company has significant contractual obligations in the form of operating leases (note 20) under IAS 17, there will be a material increase to both assets and liabilities on adoption of IFRS 16, and material changes to the timing of recognition of expenses associated with the lease arrangements. The Company is analyzing the new standard to determine its impact on the Company's consolidated balance sheets and consolidated statements of earnings.

3 Critical accounting estimates and judgments

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

Impairment of goodwill

Testing goodwill for impairment at least annually involves estimating the recoverable amount of the CGUs to which goodwill is allocated. This requires making assumptions about future cash flows, growth rates, market conditions and discount rates, which are inherently uncertain. Actual amounts may vary from these assumptions and cause significant adjustments. Management has concluded that a 10% change in any key assumption in the goodwill impairment test would not result in an impairment of goodwill as at March 31, 2016 and March 31, 2015.

Post-employment benefits

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

Fair value of grapes at the point of harvest

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

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

4 Inventories

		2016		2015
Packaging materials and supplies	$	9,307	$	8,726
Bulk wine		64,697		63,777
Finished goods		45,662		45,309
	$	119,666	$	117,812
Interest included in the cost of inventories	$	635	$	1,191

Inventory writedowns recognized as an expense amounted to $3,286 (2015 - $1,700).

The cost of inventories recognized as an expense and included in cost of goods sold, excluding amortization, was $208,013 (2015 - $198,794).

5 Property, plant and equipment

		Land		Vines, vineyard land and infrastructure (note 24 - as restated)		Buildings		Machinery and equipment		Total
At March 31, 2014										
Cost	$	4,777	$	40,446	$	43,033	$	101,688	$	189,944
Accumulated amortization		-		(5,474)		(15,793)		(63,732)		(84,999)
Net carrying amount		4,777		34,972		27,240		37,956		104,945
Year ended March 31, 2015										
Additions		39		349		447		7,606		8,441
Disposals		-		(334)		-		(105)		(439)
Amortization		-		(1,316)		(1,116)		(5,564)		(7,996)
Closing net carrying amount	$	4,816	$	33,671	$	26,571	$	39,893	$	104,951
At March 31, 2015										
Cost	$	4,816	$	40,461	$	43,480	$	107,632	$	196,389
Accumulated amortization		-		(6,790)		(16,909)		(67,739)		(91,438)
Net carrying amount		4,816		33,671		26,571		39,893		104,951
Year ended March 31, 2016										
Additions		-		359		1,882		10,571		12,812
Disposals		-		(377)		(3)		(37)		(417)
Amortization		-		(1,348)		(1,173)		(5,896)		(8,417)
Closing net carrying amount	$	4,816	$	32,305	$	27,277	$	44,531	$	108,929
At March 31, 2016										
Cost	$	4,816	$	40,374	$	45,343	$	116,585	$	207,118
Accumulated amortization		-		(8,069)		(18,066)		(72,054)		(98,189)
Net carrying amount	$	4,816	$	32,305	$	27,277	$	44,531	$	108,929

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

Included in machinery and equipment are assets amounting to $4,507 (2015 - $199) that are under development and are not being amortized.

Contractual commitments to purchase property, plant and equipment were $10,687 as at March 31, 2016 (2015 - $477).

Included in machinery and equipment are assets with a net carrying amount of $124 (2015 - $184) that were purchased under a finance lease.

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, 2016, the Company harvested grapes valued at $6,479 (2015 - $5,374).

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

	2016	2015 (note 24 - as restated)
Carrying amount - Beginning of year	$ 1,129	$ 1,062
Net increase in fair value less costs to sell due to biological transformation	6,546	5,441
Transferred to inventory on harvest	(6,479)	(5,374)
Net gain	67	67
Biological assets	$ 1,196	$ 1,129

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.

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

7 Intangible assets

	Brands - indefinite life	Customers	Contract packaging	Software	Other	Total
At March 31, 2014						
Cost	$ 4,175	$ 11,147	$ 1,100	$ 1,713	$ 1,917	$ 20,052
Accumulated amortization and impairment	(200)	(4,456)	(643)	(157)	(1,387)	(6,843)
Net carrying amount	3,975	6,691	457	1,556	530	13,209
Year ended March 31, 2015						
Additions	-	-	-	420	-	420
Amortization	-	(700)	(110)	(356)	(132)	(1,298)
Closing net carrying amount	$ 3,975	$ 5,991	$ 347	$ 1,620	$ 398	$ 12,331
At March 31, 2015						
Cost	$ 4,175	$ 11,147	$ 1,100	$ 2,133	$ 1,917	$ 20,472
Accumulated amortization and impairment	(200)	(5,156)	(753)	(513)	(1,519)	(8,141)
Net carrying amount	3,975	5,991	347	1,620	398	12,331
Year ended March 31, 2016						
Additions	-	-	-	-	-	-
Amortization	-	(665)	(110)	(384)	(132)	(1,291)
Closing net carrying amount	$ 3,975	$ 5,326	$ 237	$ 1,236	$ 266	$ 11,040
At March 31, 2016						
Cost	$ 4,175	$ 11,147	$ 1,100	$ 2,133	$ 1,917	$ 20,472
Accumulated amortization and impairment	(200)	(5,821)	(863)	(897)	(1,651)	(9,432)
Net carrying amount	$ 3,975	$ 5,326	$ 237	$ 1,236	$ 266	$ 11,040

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:

	2016	2015
Ontario and eastern Canadian wine	$ 3,134	$ 3,134
Western Canadian wine	10,530	10,530
Personal winemaking products	23,809	23,809
	$ 37,473	$ 37,473

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

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

	2016	2015
Pre-tax discount rate	11%	12%
Period of projected cash flows	5 years	5 years
Growth rate beyond period of projected cash flows	4%	4%

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

9 Bank indebtedness

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

	2016	2015
Bank indebtedness	$ 33,701	$ 32,522
Significant terms		
Committed until	July 31, 2020	April 28, 2019
Borrowing limit	$90,000	$90,000
Interest rate	CDOR + 1.25%	CDOR + 1.50%
Unused amount	$56,299	$55,400

10 Accounts payable and accrued liabilities

	2016	2015
Trade payables	$ 25,201	$ 26,248
Accrued liabilities	9,703	9,657
Deferred revenue	338	319
Foreign exchange forward contracts liability (note 20)	1,126	-
Restructuring provision	-	84
Deferred income (note 13)	404	404
	$ 36,772	$ 36,712

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

11 Long-term debt

	2016	2015
Term loan	$ 52,333	$ 56,333
Other	425	531
Finance lease obligation	-	88
	52,758	56,952
Less: Financing costs	450	489
	52,308	56,463
Less: Current portion	4,106	4,194
	$ 48,202	$ 52,269

On April 28, 2014, the Company amended its debt facilities including the term loan. The terms of the debt facilities require monthly principal repayments until maturity of $333. Interest is based on the one to six-month CDOR rates plus an applicable margin based on the Company's leverage. On August 7, 2015, the Company amended its debt facilities to extend the maturity date from April 28, 2019 to July 31, 2020 and reduce the applicable margin based on the Company's leverage, as defined by the amended credit agreement. As at March 31, 2016, the applicable margin was 1.25% (2015 - $1.50%).

On May 14, 2014, the Company entered into a new interest rate swap in order to fix the interest rate on the entire amount outstanding on the term loan at 2.16%, plus applicable margin from September 1, 2015 to April 26, 2019. The Company's previous interest rate swap that fixed the interest rate on the term loan at 3.18%, plus applicable margin matured on August 31, 2015.

On December 2, 2015, the Company entered into a new interest rate swap with an effective date of April 30, 2019 and a termination date of July 31, 2020 to fix the interest rate on the term loan at 1.65%, plus applicable margin.

The Company also has a $15,000 term facility, which is available until July 31, 2020 and can be drawn on for the purpose of making capital expenditures. No amounts were drawn on this facility at March 31, 2016.

The Company and its subsidiaries have provided their assets as security for this loan.

Interest expense on long-term debt during the year was $2,297 (2015 - $2,945).

12 Post-employment benefits

Defined contribution plans

The total expenses for the defined contribution savings plans were $1,432 (2015 - $1,388).

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

Defined benefit plans

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

Nature

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

Regulatory information

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

Risks

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

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

Amounts pertaining to defined benefit plans are as follows:

			2016
	Pension benefits	**Other post-employment benefits**	**Total**
Plan assets			
Fair value - Beginning of year	$ 21,030	$ -	$ 21,030
Return on plan assets excluding amounts in interest income	(1,044)	-	(1,044)
Interest income	761	-	761
Company's contributions	1,471	111	1,582
Benefits paid	(1,252)	(111)	(1,363)
Fair value - End of year	$ 20,966	$ -	$ 20,966
Plan obligations			
Accrued benefit obligations - Beginning of year	$ 24,341	$ 2,854	$ 27,195
Total current service cost	600	89	689
Interest cost	875	104	979
Benefits paid	(1,252)	(111)	(1,363)
Remeasurements			
Experience gain	(496)	-	(496)
Loss (gain) from change in financial assumptions	16	(107)	(91)
Accrued benefit obligations - End of year	$ 24,084	$ 2,829	$ 26,913
Post-employment benefit obligations	$ 3,118	$ 2,829	$ 5,947

			2016
	Pension benefits	**Other post-employment benefits**	**Total**
Benefit plan expense			
Current service cost	$ 600	$ 89	$ 689
Net interest cost on defined benefit liability	114	104	218
Net benefit plan expense	$ 714	$ 193	$ 907
Amount recognized in other comprehensive loss			
Net actuarial (loss) gain	$ (564)	$ 107	$ (457)
Expected contributions for the year ending March 31, 2017	$ 1,443	$ 122	$ 1,565
Weighted average duration of the defined benefit obligations in years	12.8	12.2	12.7

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

				2015
		Pension benefits	Other post-employment benefits	Total
Plan assets				
Fair value - Beginning of year	$	19,010	$ -	$ 19,010
Return on plan assets excluding amounts in interest income		763	-	763
Interest income		846	-	846
Company's contributions		1,521	111	1,632
Employees' contributions		3	-	3
Benefits paid		(1,113)	(111)	(1,224)
Fair value - End of year	$	21,030	$ -	$ 21,030
Plan obligations				
Accrued benefit obligations - Beginning of year	$	22,620	$ 2,522	$ 25,142
Employees' contributions		3	-	3
Total current service cost		570	75	645
Interest cost		997	112	1,109
Benefits paid		(1,113)	(111)	(1,224)
Remeasurements				
Experience gain		(79)	-	(79)
Loss from change in financial assumptions		1,343	256	1,599
Accrued benefit obligations - End of year	$	24,341	$ 2,854	$ 27,195
Post-employment benefit obligations	$	3,311	$ 2,854	$ 6,165

				2015
		Pension benefits	Other post-employment benefits	Total
Benefit plan expense				
Current service cost	$	570	$ 75	$ 645
Net interest cost on defined benefit liability		151	112	263
Net benefit plan expense	$	721	$ 187	$ 908
Amount recognized in other comprehensive loss				
Net actuarial loss	$	(501)	$ (256)	$ (757)
Expected contributions for the year ending March 31, 2016	$	1,463	$ 127	$ 1,590
Weighted average duration of the defined benefit obligations in years		13.5	12.6	13.4

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

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

	2016	2015
Discount rate for expenses	3.6%	4.4%
Discount rate for obligations	3.8%	3.6%
Rate of compensation increase	2.5%	3.0%
Rate of medical cost increases	5%	5%
Retirement age	60 - 65 years	60 - 65 years
Inflation rate	2.0%	2.0%
Mortality tables	CPM-B 2014 Private table	CPM-B 2014 Private table

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

	2016		2015	
	Pension benefits	Other post-employment benefits	Pension benefits	Other post-employment benefits
Increase (decrease) in the post-employment benefit obligations				
1% increase in the discount rate	$ (2,721)	$ (277)	$ (2,915)	$ (275)
1% decrease in the discount rate	3,440	414	3,670	444
1% increase in the rate of compensation increase	832	12	1,200	12
1% decrease in the rate of compensation increase	(717)	(11)	(1,048)	(11)
1% increase in the inflation rate	372	-	434	-
1% decrease in the inflation rate	(335)	-	(393)	-

At March 31, 2016, the accumulated actuarial losses recognized in other comprehensive loss were $5,183 (2015 - $4,726).

Plan assets

The plan assets consist of the following:

	2016		2015	
Mutual funds				
Fixed income	$ 15,127	72%	$ 15,192	72%
Equity	5,839	28	5,838	28
	$ 20,966	100%	$ 21,030	100%

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

13 Deferred income

During the year ended March 31, 2013, the Company received an expropriation notice that its idle facility in Port Moody, British Columbia will be used, on a temporary basis, while construction of a rapid transit project takes place. Advance payments amounting to $2,021 were received for the temporary use of the property. The amount received was initially recorded in deferred income and is being reported as other income over the five-year term of the expropriation.

	2016	2015
Deferred income	$ 506	$ 910
Less: Current portion	404	404
	$ 102	$ 506

14 Income taxes

	2016	2015 (note 24 - as restated)
Current tax on earnings for the year	$ 7,210	$ 5,425
Adjustments in respect of prior years	(29)	(46)
Provision for current income taxes	7,181	5,379
Change in temporary differences	(243)	195
Impact of change in tax rate	(22)	(26)
Provision for (recovery of) deferred income taxes	(265)	169
Total provision for income taxes	$ 6,916	$ 5,548

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

	2016	2015 (note 24 - as restated)
Provision for income taxes at blended statutory rate of 25.90% (2015 - 25.95%)	$ 6,764	$ 5,390
Permanent differences and non-deductible items	222	228
Future income tax rate changes	(22)	(26)
Other	(48)	(44)
	$ 6,916	$ 5,548

The decrease in the blended statutory rate applicable to the Company is primarily a result of higher income being taxed at the rates of lower tax jurisdictions.

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

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

	2016	2015 (note 24 - as restated)
At beginning of year	$ 15,975	$ 16,003
Provision for (recovery of) deferred income taxes in net earnings	(265)	169
Recovery of deferred income taxes in other comprehensive loss	(119)	(197)
At end of year	$ 15,591	$ 15,975

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, 2014 (note 24 - as restated)	$ 12,431	$ 2,788	$ 3,112	$ 18,331
(Recovery) provision in net earnings	372	(218)	(19)	135
March 31, 2015 (note 24 - as restated)	12,803	2,570	3,093	18,466
(Recovery) provision in net earnings	(122)	(283)	78	(327)
March 31, 2016	$ 12,681	$ 2,287	$ 3,171	$ 18,139

Deferred income tax asset

	Fair value change on derivatives	Post-employment benefits	Other	Total
March 31, 2014 (note 24 - as restated)	$ (306)	$ (1,602)	$ (420)	$ (2,328)
(Recovery) provision in net earnings	(149)	189	(6)	34
Recovery in other comprehensive loss	-	(197)	-	(197)
March 31, 2015 (note 24 - as restated)	(455)	(1,610)	(426)	(2,491)
(Recovery) provision in net earnings	(407)	175	294	62
Recovery in other comprehensive loss	-	(119)	-	(119)
March 31, 2016	$ (862)	$ (1,554)	$ (132)	$ (2,548)

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

15 Capital stock

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

Issued

	2016			2015		
	Number of shares		Amount	Number of shares		Amount
Class A shares, non-voting	11,193,829	$	6,567	11,293,829	$	6,626
Class B shares, voting	3,004,041		400	3,004,041		400
	14,197,870	$	6,967	14,297,870	$	7,026

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

Class A shares are non-voting and are entitled to a dividend in an amount equal to 115% of any dividend paid or declared on Class B shares. Class B shares are voting and convertible into Class A shares on a one-for-one basis.

During 2016, the Company repurchased and cancelled 100,000 Class A non-voting shares from Jalger Limited, a related party. This transaction was approved by the Company's Board of Directors. The repurchase price was calculated by reference to the average closing market price of the Class A shares for a period of 20 business days preceding the repurchase date. The repurchase price was first allocated to capital stock based on the average per share carrying amount of the Class A shares. The remaining amount was allocated to retained earnings. A summary of the transaction in Class A shares is as follows:

	Number of shares		Amount
Shares outstanding at the beginning of the year	11,293,829	$	6,626
Repurchase	(100,000)		(2,254)
Excess of repurchase price over average per share issue price	-		2,195
	11,193,829	$	6,567

Quarterly dividends of $0.1125 (previously $0.1050) per Class A share and $0.0978 (previously $0.0913) per Class B share were approved by the Board of Directors on June 3, 2015 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, 2016 and March 31, 2015, there were no preference shares issued or outstanding.

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

Stock purchase plan

The Company's full-time salaried, certain hourly employees and directors participate in a Company sponsored stock purchase plan. Under the terms of the plan, employees can purchase a certain number of Class A shares on an annual basis. Employees are required to pay 67% of the market price per Class A share. Directors can purchase 750 Class A shares and are required to pay 50% of the cost. The Company is responsible for the remainder of the cost and, during 2016, expensed $227 (2015 - $259) related to the employee program and $43 (2015 - $35) relating to the directors program. Officers of the Company also participate in an Equity Incentive Program, where Class A shares of the Company are purchased on their behalf from the open market. During 2016, the Company expensed $366 (2015 - $223) under this incentive program.

16 Nature of expenses

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

	2016	2015
Raw materials and consumables	$ 171,168	$ 162,670
Employee compensation and benefits	58,548	57,114
Advertising, promotion and distribution	28,013	28,518
Occupancy	10,913	10,723
Repairs and maintenance	6,575	5,740
Other external charges	18,130	15,748
	$ 293,347	$ 280,513

Other (income) expenses are as follows:

	2016	2015
Ongoing maintenance costs related to Port Moody winery facility (a)	$ 364	$ 141
Income related to Port Moody winery facility (b)	(404)	(442)
	$ (40)	$ (301)

a) During fiscal 2006, the Company closed its Port Moody winery facility and transferred production to its winery operations in Kelowna, British Columbia. Effective July 1, 2012, the property was expropriated for a five-year period. The cost of maintaining this idle facility and costs associated with its expropriation amounted to $364 in 2016 (2015 - $153).

b) Income amounting to $404 (2015 - $442) was recorded related to the Company's idle Port Moody property related to expropriation notices received by the Company.

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

17 Net earnings per share

			2016
	Class A	Class B	Total
Net earnings attributed for the year - basic and diluted	$ 15,590	$ 3,609	$ 19,199
Weighted average number of shares outstanding - basic and diluted	11,283,692	3,004,041	
Net earnings per share - basic and diluted	$ 1.38	$ 1.20	

			2015
	Class A	Class B	Total
Net earnings attributed for the year - basic and diluted	$ 12,364	$ 2,860	$ 15,224
Weighted average number of shares outstanding - basic and diluted	11,293,829	3,004,041	
Net earnings per share - basic and diluted	$ 1.09	$ 0.96	

18 Commitments

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

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

The Company's minimum lease payments as at March 31, 2016 under long-term non-cancellable leases are outlined in note 20 along with its other contractual obligations.

In 2016, minimum lease payments of $5,149 (2015 - $4,799) were recognized as an expense.

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

19 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:

	2016	2015
Accounts receivable	$ (2,607)	$ (2,923)
Inventories and current portion of biological assets	(1,921)	2,872
Prepaid expenses and other assets	(272)	(229)
Accounts payable and accrued liabilities	(3,499)	(956)
	$ (8,299)	$ (1,236)

20 Financial instruments

Classification of financial instruments

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

			2016	
Assets/liabilities	**Category**	**Measurement**	**Carrying amount**	**Fair value**
Accounts receivable	Loans and receivables	Amortized cost	$ 28,223	$ 28,223
Bank indebtedness	Other liabilities	Amortized cost	33,701	33,701
Accounts payable and accrued liabilities	Other liabilities	Amortized cost	35,646	35,646
Dividends payable	Other liabilities	Amortized cost	1,553	1,553
Long-term debt	Other liabilities	Amortized cost	52,308	52,308
Interest rate swap liability	Derivatives	Fair value	2,174	2,174
Foreign exchange forward contracts liability	Derivatives	Fair value	1,126	1,126

			2015	
Assets/liabilities	**Category**	**Measurement**	**Carrying amount**	**Fair value**
Accounts receivable	Loans and receivables	Amortized cost	$ 25,616	$ 25,616
Bank indebtedness	Other liabilities	Amortized cost	32,522	32,522
Accounts payable and accrued liabilities	Other liabilities	Amortized cost	36,712	36,712
Dividends payable	Other liabilities	Amortized cost	1,460	1,460
Long-term debt	Other liabilities	Amortized cost	56,463	56,463
Interest rate swap liability	Derivatives	Fair value	2,439	2,439
Foreign exchange forward contracts asset	Derivatives	Fair value	697	697

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

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

Fair value

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

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

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

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

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

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

	2016	2015
Unrealized (losses) gains on foreign exchange forward contracts	$ (1,823)	$ 597
Unrealized gains (losses) on the interest rate swaps	265	(1,169)
	$ (1,558)	$ (572)

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.

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

			2016
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	$ -	$ 2,174	$ -
Foreign exchange forward contracts liability	-	1,126	-

			2015
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	$ -	$ 2,439	$ -
Foreign exchange forward contracts asset	-	697	-

Objectives and policy relating to financial risk management

Interest rate risk

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

The Company has effectively fixed its interest rate on its long-term debt until July 2020 by entering into interest rate swaps. The interest rate swaps are measured at fair value. An unrealized gain of $265 (2015 – unrealized loss of $1,169) was recognized on the interest rate swaps, which is classified as a component of the net unrealized loss on derivative financial instruments in the consolidated statements of earnings.

The Company's short-term borrowings are funded using a floating interest rate and as such are sensitive to interest rate movements. As at March 31, 2016, with other variables unchanged, a 100 basis point change in interest rates would impact the Company's net earnings by approximately $249 (2015 - $237), exclusive of the mark-to-market adjustments on the interest rate swaps.

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

Credit risk

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

Credit risk for trade receivables is monitored through established credit monitoring activities. Over 50% of the Company's accounts receivable balance relates to amounts owing from Canadian provincial liquor boards. Excluding accounts receivable from Canadian provincial liquor boards, the Company does not have a significant concentration of credit risk with any single counterparty or group of counterparties. Amounts owing from Canadian provincial liquor boards represent $14,896 (2015 - $13,504) of the total accounts receivable for which no allowance has been provided. Of the remaining non-provincial liquor board balances, $1,413 (2015 - $755) was over thirty days past due as at March 31, 2016. An allowance for doubtful accounts of $124 (2015 - $99) has been provided against these accounts receivable amounts, which the Company has determined represents a reasonable estimate of amounts that may be uncollectible.

Sales to its largest customer, a provincial Crown corporation, were $56,340 (2015 - $49,068) during the year ended March 31, 2016. Sales to its second largest customer, a branch of a provincial government, were $41,770 (2015 - $34,387) during the year.

An analysis of accounts receivable is as follows:

		2016		2015
Liquor boards	$	14,896	$	13,504
Non-liquor boards				
Current		10,114		9,380
Past due 0 - 30 days, due on delivery accounts		603		620
Past due 0 - 30 days		1,321		1,456
Past due 31 - 60 days		605		249
Past due > 60 days		808		506
Allowance for doubtful accounts		(124)		(99)
	$	28,223	$	25,616

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

		2016		2015
Balance - Beginning of year	$	99	$	102
Provision for current year		89		54
Bad debts		(64)		(57)
Balance - End of year	$	124	$	99

Liquidity risk

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

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

The Company manages liquidity risk by maintaining adequate cash and cash equivalent balances and by appropriately utilizing its operating line of credit. Company management continuously monitors and reviews both actual and forecasted cash flows and matches the maturity profile of financial assets and financial liabilities. Accounts payable and accrued liabilities are generally due within 30 days.

The following table outlines the Company's contractual undiscounted obligations. The Company analyzes contractual obligations for financial liabilities in conjunction with other commitments in managing liquidity risk. Contractual obligations include long-term debt, the expected payments under swap agreements that fix the Company's interest rate on long-term debt, operating leases and commitments on short-term forward foreign exchange contracts used to mitigate the currency risk on purchases denominated in foreign currencies as at March 31, 2016:

	< 1 year	2 - 3 years	4 - 5 years	> 5 years	Total
Long-term debt	$ 4,106	$ 8,212	$ 40,440	$ -	$ 52,758
Leases and royalties	5,001	5,793	3,113	7,991	21,898
Pension obligations	841	1,034	734	1,463	4,072
Grape and bulk wine purchase contracts	102,955	85,648	49,404	114,736	352,743
Bulk whiskey purchase contracts	624	605	80	-	1,309
	113,527	101,292	93,771	124,190	432,780
Interest rate swap	1,722	3,027	1,487	-	6,236
Foreign exchange forwards	35,011	-	-	-	35,011
Total contractual obligations	$ 150,260	$ 104,319	$ 95,258	$ 124,190	$ 474,027

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

Foreign exchange risk

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

The Company's foreign exchange risk arises on the purchase of bulk wine and concentrate, which are priced in US dollars, euro and Australian dollars. The Company's strategy is to hedge approximately 50% to 80% of its annual foreign exchange requirements prior to or during the beginning of each fiscal quarter. As at March 31, 2016, the Company has forward foreign currency contracts to buy US$19,525 at rates ranging between $1.31 and $1.38, EUR3,020 at rates ranging between $1.48 and $1.55 and AU$4,115 at rates ranging between $0.92 and $0.98. These contracts mature at various dates to December 2016. After considering the offsetting impact of these forward contracts, a 1% increase or decrease to the exchange rate of the US dollar, the euro or the Australian dollar would impact the Company's net earnings by approximately $87 (2015 - $108), $23 (2015 - $16) or $109 (2015 - $69), respectively. The Company has elected to not use hedge accounting and as a result, has recognized unrealized foreign exchange losses of $1,823 (2015 – unrealized foreign exchange gains of $597)

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

in the consolidated statements of earnings as a component of the net unrealized loss on derivative financial instruments and has recorded the fair value of $1,126 in accounts payable and accrued liabilities (2015 - $697 recorded in prepaid expenses and other assets) in the consolidated balance sheets.

21 Capital disclosures

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

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

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

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

Unfunded capital expenditures are limited to $15,000 on an annual basis, with the exception of 2017, where unfunded capital expenditures are limited to $17,000. The unspent portion may be carried over to the next fiscal year.

Compliance with these covenants and the capital expenditure limit is monitored by management on a quarterly basis. As at March 31, 2016 and March 31, 2015, the Company was in compliance with these covenants and the capital expenditure limit.

22 Related parties and management compensation

The Company is controlled by Jalger Limited, which owns 66.5% of the Company's Class B voting shares. No individual has sole voting power or control in respect of the shares of the Company owned by Jalger Limited.

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

Compensation of directors and executives

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

		2016		2015
Compensation and short-term benefits	$	4,939	$	5,017
Post-employment benefits		248		246
Payments to a share purchase plan		409		258
	$	5,596	$	5,521

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

23 Segmented information

During the year, export sales were $13,873 (2015 - $13,853), primarily in the United States. The remainder of sales occurred in Canada. All of the Company's assets are located in Canada.

24 Amendments to IAS 16 and IAS 41

The following tables summarize the impact of adopting the amendments to IAS 16, Property, Plant, and Equipment, and IAS 41, Agriculture:

Impact on the consolidated balance sheets		March 31, 2015 - as reported	Impact of IAS 16 and IAS 41 changes	March 31, 2015 - as restated		April 1, 2014 - as reported	Impact of IAS 16 and IAS 41 changes	April 1, 2014 - as restated
Property, plant and equipment	(1)	$ 90,955	$ 13,996	$ 104,951	(1)	$ 90,152	$ 14,793	$ 104,945
Biological assets	(1)	13,982	(13,982)	-	(1)	14,054	(14,054)	-
Total assets		301,505	14	301,519		301,015	739	301,754
Deferred income taxes	(2)	15,971	4	15,975	(2)	15,811	192	16,003
Total liabilities		154,140	4	154,144		163,012	192	163,204
Retained earnings		143,837	10	143,847		133,915	547	134,462
Total shareholders' equity		147,365	10	147,375		138,003	547	138,550

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

Impact on the consolidated statements of earnings and comprehensive income		**For the year ended March 31, 2015 - as reported**	**Impact of IAS 16 and IAS 41 changes**	**For the year ended March 31, 2015 - as restated**
Cost of goods sold, excluding amortization	(1)	$ 200,494	$ 334	$ 200,828
Amortization of plant and equipment used in production	(1)	5,116	743	5,859
Gross profit		110,087	(1,077)	109,010
Operating earnings		22,120	(1,077)	21,043
Other expenses (income)	(1)	51	(352)	(301)
Earnings before income taxes		21,497	(725)	20,772
Provision for income taxes - deferred	(2)	357	(188)	169
Net earnings for the year		15,761	(537)	15,224
Net earnings per share				
Basic and diluted				
Class A shares		1.13	(0.04)	1.09
Class B shares		0.99	(0.03)	0.96
Net comprehensive income for the year		15,201	(537)	14,664

Impact on the consolidated statements of cash flows [(3)]	**For the year ended March 31, 2015 - as reported**	**Impact of IAS 16 and IAS 41 changes**	**For the year ended March 31, 2015 - as restated**
Net earnings for the year	$ 15,761	$ (537)	$ 15,224
Loss on disposal of property, plant and equipment	95	334	429
Amortization of plant, equipment and intangible assets	8,551	743	9,294
Provision for income taxes	5,736	(188)	5,548
Revaluation of biological assets	352	(352)	-
Cash flow from operating activities	25,837	-	25,837

1) Under the amended standards, grape vines are within the scope of property, plant, and equipment rather than biological assets. The Company elected to measure the grape vines at fair value at April 1, 2014 and to use this measurement basis as the deemed cost when applying IAS 16 after this date. In applying IAS 16, the Company amortizes grape vines on owned property over a 20-year period and over the remaining lease period for grape vines controlled by the Company that were planted on leased property. Vine disposals and writedowns were measured using this revised measurement basis and are recorded in cost of goods sold. Prior to adoption of the amended standards, the grape vines were measured at fair value less cost to sell at each reporting period and revaluation adjustments were recorded in other income in the consolidated statements of earnings.

2) Deferred income taxes were adjusted to reflect the income tax effect of the adjustment described in 1.

3) Certain items within operating activities in the consolidated statements of cash flows have been reclassified as a result of adopting the IAS 16 and IAS 41 amendments as illustrated above. Other than presentation,

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

there was no impact on the consolidated statements of cash flows as a result of the adoption of the amendments to IAS 16 and IAS 41.

25 Events after the reporting period

On June 2, 2016, the Company's Board of Directors approved a 9% increase of the quarterly dividend for holders of its Class A and Class B shares, from $0.1125 per Class A share and $0.0978 per Class B share to $0.1225 per Class A share and $0.1065 per Class B share. This increased quarterly dividend will be paid on July 8, 2016 to shareholders of record at the close of business on June 30, 2016.