

Andrew Peller Limited

Consolidated Financial Statements
March 31, 2019 and 2018
(in thousands of Canadian dollars)



Independent auditor's report

To the Shareholders of Andrew Peller Limited

Our opinion

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

What we have audited

The Company's consolidated financial statements comprise:

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

Basis for opinion

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

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

Independence

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

Other information

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
June 12, 2019

Andrew Peller Limited

Consolidated Balance Sheets

As at March 31, 2019 and 2018

(in thousands of Canadian dollars)

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

Approved by

(signed) John E. Peller
Director

(signed) Francois Vimard
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, 2019 and 2018

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

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

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

Andrew Peller Limited

Consolidated Statements of Comprehensive Income For the years ended March 31, 2019 and 2018

(in thousands of Canadian dollars)

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

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, 2019 and 2018

(in thousands of Canadian dollars)

	Capital stock \$	Contributed surplus \$	Retained earnings \$	Accumulated other comprehensive loss \$	Total shareholders' equity \$
Balance at April 1, 2017	6,967	-	174,193	(3,843)	177,317
Net comprehensive income for the year	-	-	30,117	(394)	29,723
Issuance of Class A non-voting shares	19,130	-	-	-	19,130
Share based compensation (note 15)	-	1,673	-	-	1,673
Dividends (Class A \$0.180 per share, Class B \$0.156 per share)	-	-	(7,597)	-	(7,597)
Balance at March 31, 2018	26,097	1,673	196,713	(4,237)	220,246
Net comprehensive income for the year	-	-	21,958	96	22,054
Issuance of Class A non-voting shares (note 15)	233	(162)	-	-	71
Share based compensation (note 15)	-	1,226	-	-	1,226
Dividends (Class A \$0.205 per share, Class B \$0.178 per share)	-	-	(8,846)	-	(8,846)
Balance at March 31, 2019	26,330	2,737	209,825	(4,141)	234,751

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

Andrew Peller Limited
Consolidated Statements of Cash Flows
For the years ended March 31, 2019 and 2018

(in thousands of Canadian dollars)

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

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

Andrew Peller Limited

Notes to Consolidated Financial Statements

March 31, 2019 and 2018

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

1 Nature of operations

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

2 Summary of significant accounting policies

Basis of presentation

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

These consolidated financial statements were approved by the Board of Directors for issue on June 12, 2019.

Basis of measurement

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

Basis of consolidation

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

Business combinations

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

Andrew Peller Limited

Notes to Consolidated Financial Statements

March 31, 2019 and 2018

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

Foreign currency translation

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

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

Revenue

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

Excise taxes collected on behalf of the federal government, licensing fees, and levies paid on wine sold through the Company's independent retail stores in Ontario, product returns, breakage, promotional and advertising allowances, and discounts provided to customers are deducted from the selling price to determine the transaction price at which revenue is recognized. Expected product returns and breakage are estimated based on historical actuals as a percentage of sales.

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

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

Cost of goods sold

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

Andrew Peller Limited

Notes to Consolidated Financial Statements

March 31, 2019 and 2018

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

Inventories

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

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

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

Property, plant and equipment

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

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

Land is carried at cost and is not amortized.

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

Biological assets

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

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

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

Andrew Peller Limited

Notes to Consolidated Financial Statements

March 31, 2019 and 2018

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

Intangible assets

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

	Amortization method	Useful life	Remaining useful life
Brands – indefinite life	n/a	indefinite	indefinite
Brands – finite life	straight-line	2 years	2 years
Customers	straight-line	10 – 20 years	3 – 15 years
Contract packaging	straight-line	10 years	none
Software	straight-line	5 years	3 – 5 years

Certain of the Company's brands have been assessed as having an indefinite life because the expected usage, period of control and other factors do not limit the life of these assets. Intangible assets with an indefinite life are not amortized but are tested for impairment at least annually or more frequently if events or circumstances indicate the asset might be impaired. To test for impairment the Company primarily compares the amount of royalty the Company would have had to pay in an arm's length licensing arrangement to secure access to the same rights to its carrying value. If necessary, the fair value is also considered. An impairment charge is recorded to the extent the carrying value exceeds the fair value. Management has determined there was no impairment in intangible assets for the years ended March 31, 2019 and 2018.

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

Goodwill

Goodwill represents the cost of a business combination in excess of the fair values of the net tangible and identifiable intangible assets acquired. Goodwill is not amortized but is tested for impairment on an annual basis, or more frequently if circumstances indicate goodwill may be impaired. The Company assigns goodwill combined with other assets to a cash generating unit (CGU) based on certain regions and product lines, which is the lowest level at which the combined assets generate independent cash inflows. To test for impairment the Company primarily compares a CGU's value in use, determined based on expected future discounted cash flows, to its carrying value. If necessary, a CGU's fair value is also considered. An impairment charge is recorded to the extent the carrying value of a CGU exceeds the greater of the CGU's fair value and its value in use. An impairment loss in respect of goodwill cannot be reversed. Management has determined there is no impairment in goodwill for the years ended March 31, 2019 and 2018.

Andrew Peller Limited

Notes to Consolidated Financial Statements

March 31, 2019 and 2018

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

Post-employment benefits

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

Financial instruments and hedge accounting

For the year ended March 31, 2018, the Company recorded and classified its financial instruments under IAS 39, Financial Instruments – Recognition and Measurement. The Company classifies its financial instruments into the following categories: loans and receivables, liabilities at amortized cost and financial assets and liabilities at fair value through profit or loss.

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

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

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

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

Andrew Peller Limited

Notes to Consolidated Financial Statements

March 31, 2019 and 2018

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

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

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

The Company recognizes financial instruments when it becomes a party to the terms of the instrument and has elected to use trade date accounting for regular way purchases and sales of financial assets.

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

Leases

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

Impairment of non-financial assets

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

Andrew Peller Limited

Notes to Consolidated Financial Statements

March 31, 2019 and 2018

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

Net earnings per share

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

Dividends

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

Segmented information

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

Income taxes

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

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

Contingencies

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

Andrew Peller Limited

Notes to Consolidated Financial Statements

March 31, 2019 and 2018

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

Comprehensive income

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

Equity

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

Share based compensation

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

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

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

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

Andrew Peller Limited

Notes to Consolidated Financial Statements

March 31, 2019 and 2018

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

Recently adopted accounting pronouncements

The IASB issued an amended IFRS 9, Financial Instruments – Classification and Measurement of Financial Assets and Financial Liabilities. IFRS 9 replaces IAS 39, Financial Instruments – Recognition and Measurement. In addition, IFRS 7, Financial Instruments – Disclosures is amended to include additional disclosure requirements on transition to IFRS 9. The amendments were effective for annual periods beginning on or after January 1, 2018. The standard uses a single approach based on how an entity manages its financial instruments to determine whether a financial asset is measured at amortized cost or fair value and requires a single impairment method to be used. The standard requires that for financial liabilities measured at fair value, any changes in an entity's own credit risk are generally to be presented in other comprehensive income (loss) instead of net earnings. A new hedge accounting model is included in the standard, as well as increased disclosure requirements about risk management activities for entities that apply hedge accounting. The new requirements were adopted effective April 1, 2018, using the modified retrospective method. The adoption of these amendments did not have a significant impact on the consolidated financial statements.

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

Recently issued accounting pronouncements

The IASB issued IFRS 16, Leases, which will replace IAS 17, Leases and Related Interpretations. The new standard will be effective for fiscal years beginning on or after January 1, 2019, with early adoption permitted provided the Company has adopted IFRS 15, Revenue from Contracts with Customers. The new standard requires lessees to recognize a lease liability reflecting future lease payments and a right-of-use asset for virtually all lease contracts, and record it on the statement of financial position, except with respect to lease contracts that meet limited exception criteria. Given that the Company has significant contractual obligations in the form of operating leases under IAS 17, there will be a material increase to both assets and liabilities on adoption of IFRS 16, and material changes to the timing of recognition of expenses associated with the lease arrangements. The Company expects to use the modified retrospective method on adoption and currently expects to apply the practical expedients relating to recognition exemptions for short-term leases and low-value items as described under IFRS 16. The Company is finalizing the impact of the amendment on the consolidated financial statements and will adopt the new standard effective April 1, 2019.

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

IFRS 9, Financial Instruments, has been amended to enable companies to measure at amortized cost some prepayable financial assets with negative compensation. The amendment to IFRS 9 also clarifies how to account for the modification of a financial liability. Most modifications of financial liabilities will result in immediate recognition of a gain or loss. The amendment is effective for annual periods beginning on or after January 1,

Andrew Peller Limited

Notes to Consolidated Financial Statements

March 31, 2019 and 2018

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

2019. The Company has not yet assessed the impact of the amendment on the consolidated financial statements.

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

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

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

3 Critical accounting estimates and judgments

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

Impairment of goodwill and indefinite life intangible assets

Testing goodwill for impairment at least annually involves estimating the recoverable amount of the CGUs to which goodwill is allocated. This requires making assumptions about future cash flows, growth rates and discount rates. Testing indefinite life intangible assets for impairment at least annually involves estimating the fair value using the relief of royalty method. This requires making assumptions about royalty rates, growth rates and discount rates. These assumptions are inherently uncertain and as such, actual amounts may vary from these assumptions and cause significant adjustments. Management has concluded that a 10% change in any key assumption in the impairment tests would not result in an impairment of goodwill or indefinite life intangible assets as at March 31, 2019 and 2018.

Andrew Peller Limited

Notes to Consolidated Financial Statements

March 31, 2019 and 2018

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

Post-employment benefits

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

Fair value of grapes at the point of harvest

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

4 Inventories

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

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

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

Andrew Peller Limited

Notes to Consolidated Financial Statements

March 31, 2019 and 2018

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

5 Property, plant and equipment

	Land \$	Vines, vineyard land and infrastructure \$	Buildings \$	Machinery and equipment \$	Total \$
At March 31, 2017					
Cost	4,816	40,947	55,120	122,325	223,208
Accumulated amortization	-	(9,398)	(19,293)	(75,679)	(104,370)
Net carrying amount	4,816	31,549	35,827	46,646	118,838
Year ended March 31, 2018					
Additions	-	395	2,771	16,012	19,178
Additions from acquisition	30,988	6,119	21,705	2,039	60,851
Disposals	-	(72)	-	(109)	(181)
Amortization	-	(1,814)	(1,838)	(6,843)	(10,495)
Closing net carrying amount	35,804	36,177	58,465	57,745	188,191
At March 31, 2018					
Cost	35,804	47,373	79,596	139,285	302,058
Accumulated amortization	-	(11,196)	(21,131)	(81,540)	(113,867)
Net carrying amount	35,804	36,177	58,465	57,745	188,191
Year ended March 31, 2019					
Additions	-	674	9,189	12,823	22,686
Disposals	(3)	-	-	(8)	(11)
Amortization	-	(1,719)	(2,073)	(7,325)	(11,117)
Closing net carrying amount	35,801	35,132	65,581	63,235	199,749
At March 31, 2019					
Cost	35,801	48,047	88,785	151,289	323,922
Accumulated amortization	-	(12,915)	(23,204)	(88,054)	(124,173)
Net carrying amount	35,801	35,132	65,581	63,235	199,749

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

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

Andrew Peller Limited

Notes to Consolidated Financial Statements

March 31, 2019 and 2018

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

6 Biological assets

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

During the year ended March 31, 2019, the Company harvested grapes valued at \$9,087 (2018 – \$7,150).

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

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

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

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

Andrew Peller Limited

Notes to Consolidated Financial Statements

March 31, 2019 and 2018

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

7 Intangible assets

	Brands – indefinite life \$	Brands – finite life \$	Customers \$	Contract packaging \$	Software \$	Other \$	Total \$
At March 31, 2017							
Cost	4,175	-	11,147	1,100	2,966	1,917	21,305
Accumulated amortization and impairment	(200)	-	(6,468)	(973)	(1,281)	(1,783)	(10,705)
Net carrying amount	3,975	-	4,679	127	1,685	134	10,600
Year ended March 31, 2018							
Additions	-	-	-	-	384	-	384
Additions from acquisitions	6,439	-	1,680	-	-	-	8,119
Amortization	-	-	(734)	(110)	(493)	(33)	(1,370)
Closing net carrying amount	10,414	-	5,625	17	1,576	101	17,733
At March 31, 2018							
Cost	10,614	-	12,827	1,100	3,350	1,917	29,808
Accumulated amortization and impairment	(200)	-	(7,202)	(1,083)	(1,774)	(1,816)	(12,075)
Net carrying amount	10,414	-	5,625	17	1,576	101	17,733
Year ended March 31, 2019							
Additions	-	-	-	-	852	-	852
Transfer	(375)	375	-	-	-	-	-
Amortization	-	(125)	(834)	(17)	(677)	-	(1,653)
Closing net carrying amount	10,039	250	4,791	-	1,751	101	16,932
At March 31, 2019							
Cost	10,239	375	12,827	1,100	4,202	1,917	30,660
Accumulated amortization and impairment	(200)	(125)	(8,036)	(1,100)	(2,451)	(1,816)	(13,728)
Net carrying amount	10,039	250	4,791	-	1,751	101	16,932

Andrew Peller Limited

Notes to Consolidated Financial Statements

March 31, 2019 and 2018

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

8 Goodwill

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

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

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

	2019	2018
Pre-tax discount rate	12%	12%
Period of projected cash flows	5 years	5 years
Growth rate beyond period of projected cash flows	4%	3%

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

9 Bank indebtedness

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

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

Andrew Peller Limited

Notes to Consolidated Financial Statements

March 31, 2019 and 2018

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

10 Accounts payable and accrued liabilities

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

11 Long-term debt

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

The Company's credit agreement matures on September 29, 2022 and has a total borrowing limit of \$310,000, separated into two facilities: a revolving, non-amortizing facility with a borrowing limit of \$90,000 to be used for day-to-day operations, distributions and capital expenditures and a revolving, amortizing investment facility with a borrowing limit of \$220,000 to be used for acquisitions or capital expenditures. Each draw on the investment facility is subject to a new amortization schedule and required annual repayments increase over the term of the loan. Monthly principal repayments of \$803 are required on the revolving, amortizing facility until September 30, 2020. Thereafter, monthly principal repayments will increase to \$1,071. As at March 31, 2019 and 2018, the applicable margin was 1.90%.

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

The Company has entered into interest rate swap agreements to fix the interest rate on the balance outstanding on the investment facility. Until September 29, 2022, the interest rate is fixed at 2.25%, plus the applicable margin.

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

Interest expense on long-term debt during the year was \$4,828 (2018 – \$3,227).

Andrew Peller Limited

Notes to Consolidated Financial Statements

March 31, 2019 and 2018

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

12 Post-employment benefits

Defined contribution plans

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

Defined benefit plans

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

Nature

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

Regulatory information

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

Risks

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

Andrew Peller Limited
Notes to Consolidated Financial Statements
March 31, 2019 and 2018

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

Amounts pertaining to defined benefit plans are as follows:

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

Andrew Peller Limited

Notes to Consolidated Financial Statements

March 31, 2019 and 2018

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

	2018		
	Pension benefits \$	Other post- employment benefits \$	Total \$
Plan assets			
Fair value – Beginning of year	22,320	-	22,320
Return on plan assets excluding amounts in interest income	(650)	-	(650)
Interest income	805	-	805
Company's contributions	1,398	91	1,489
Benefits paid	(1,346)	(91)	(1,437)
Fair value – End of year	<u>22,527</u>	<u>-</u>	<u>22,527</u>
Plan obligations			
Accrued benefit obligations – Beginning of year	24,889	2,710	27,599
Total current service cost	559	72	631
Interest cost	892	99	991
Benefits paid	(1,346)	(91)	(1,437)
Remeasurements			
Experience gain	(566)	(33)	(599)
Loss from change in demographic assumptions	147	9	156
Loss (gain) from change in financial assumptions	358	(32)	326
Accrued benefit obligations – End of year	<u>24,933</u>	<u>2,734</u>	<u>27,667</u>
Post-employment benefit obligations	<u>2,406</u>	<u>2,734</u>	<u>5,140</u>
			2018
	Pension benefits \$	Other post- employment benefits \$	Total \$
Benefit plan expense			
Current service cost	559	72	631
Net interest cost on defined benefit liability	87	99	186
Net benefit plan expense	<u>646</u>	<u>171</u>	<u>817</u>
Amount recognized in other comprehensive income (loss)			
Net actuarial (loss) gain	<u>(589)</u>	<u>56</u>	<u>(533)</u>
Expected contributions for the year ending March 31, 2019	1,362	128	1,490
Weighted average duration of the defined benefit obligations in years	13.1	10.4	12.8

Andrew Peller Limited

Notes to Consolidated Financial Statements

March 31, 2019 and 2018

(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:

	2019	2018
Discount rate for expenses	3.5%	3.6%
Discount rate for obligations	3.3%	3.5%
Rate of compensation increase	2.5%	2.5%
Rate of medical cost increases	5.0%	5.0%
Retirement age	60 – 65 years	60 – 65 years
Inflation rate	2.0%	2.0%
Mortality tables	MI-2017	MI-2017

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

	2019		2018	
	Pension Benefits \$	Other post- employment benefits \$	Pension benefits \$	Other post- employment benefits \$
Increase (decrease) in the post-employment benefit obligations				
1% increase in the discount rate	(3,014)	(302)	(2,928)	(267)
1% decrease in the discount rate	3,688	341	3,583	301
1% increase in the rate of compensation increase	761	5	667	5
1% decrease in the rate of compensation increase	(687)	(5)	(604)	(5)
1% increase in the inflation rate	359	-	360	-
1% decrease in the inflation rate	(325)	-	(326)	-

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

Plan assets

The plan assets consist of the following:

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

Andrew Peller Limited

Notes to Consolidated Financial Statements

March 31, 2019 and 2018

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

13 Income taxes

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

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

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

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

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

Andrew Peller Limited

Notes to Consolidated Financial Statements

March 31, 2019 and 2018

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

The significant temporary differences giving rise to the deferred income tax liability comprise the following:

Deferred income tax liability

	Accelerated tax depreciation and deductions on property, plant and equipment \$	Accelerated tax deductions on intangible assets \$	Tax deductions on inventory \$	Tax deductions on goodwill \$	Total \$
March 31, 2017	12,654	1,912	-	3,171	17,737
Deferred tax liability recognized on acquisition of assets	1,826	2,054	3,891	(52)	7,719
Provision (recovery) in net earnings	1,884	(2,019)	(1,872)	659	(1,348)
March 31, 2018	16,364	1,947	2,019	3,778	24,108
Provision (recovery) in net earnings	1,459	(1,481)	(1,503)	(66)	(1,591)
March 31, 2019	17,823	466	516	3,712	22,517

Deferred income tax asset

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

Andrew Peller Limited
Notes to Consolidated Financial Statements
March 31, 2019 and 2018

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

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

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

14 Capital stock

Authorized

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

Issued

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

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

Class A shares are non-voting and are entitled to a dividend in an amount equal to 115% of any dividend paid or declared on Class B shares. Class B shares are voting and convertible into Class A shares on a one-for-one basis. During the year ended March 31, 2019, 503,101 Class B shares were converted into Class A shares on a one-for-one basis. The Company also issued 56 Class A shares upon the exercise of deferred share units as described in note 15, Share based compensation, as the holders of deferred share units earn dividends in the form of additional units.

Annual dividends of \$0.205 (2018 – \$0.180) per Class A share and \$0.178 (2018 – \$0.156) per Class B share were approved by the Board of Directors on June 6, 2018 and are formally declared in each quarter.

The authorized share capital of the Company also consists of an unlimited number of preference shares, issuable in one or more series, of which 33,315 are designated as preference shares, Series A. As at March 31, 2019 and 2018, there were no preference shares issued or outstanding.

Andrew Peller Limited

Notes to Consolidated Financial Statements

March 31, 2019 and 2018

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

Stock purchase plan

The Company's full-time salaried and certain hourly employees participate in a Company sponsored stock purchase plan. Under the terms of the plan, employees can purchase a certain number of Class A shares on an annual basis. Employees are required to pay 67% of the market price per Class A share. The Company is responsible for the remainder of the cost and, during 2019, expensed \$325 (2018 – \$197) related to the employee program.

15 Share based compensation

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

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

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

The maximum number of shares that may be issued under all share based compensation arrangements implemented by the Company, including the stock option plan, the PSU plan and the DSU plan, may not exceed 10% of the total number of Class A non-voting common shares issued and outstanding from time to time. As at March 31, 2019, the Company had 3,344,343 Class A non-voting common shares reserved for issuance under the share based compensation arrangements.

a) Stock options

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

Andrew Peller Limited

Notes to Consolidated Financial Statements

March 31, 2019 and 2018

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

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

	Number of options	Weighted average exercise price per share
Balance – March 31, 2018	241,600	11.74
Granted	205,600	17.09
Exercised	(6,066)	(11.66)
Forfeited	(4,667)	(13.44)
	436,467	14.25
Exercisable	73,897	11.75

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

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

(1) Expected volatility was determined using historical volatility.

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

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

Andrew Peller Limited

Notes to Consolidated Financial Statements

March 31, 2019 and 2018

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

b) PSU plan

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

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

	Number of units	Grant date fair value per unit
Balance – March 31, 2018	72,750	11.74
Granted	65,970	17.10
Forfeited	(1,174)	(13.46)
	<u>137,546</u>	<u>14.29</u>

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

c) DSU plan

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

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

	Number of units	Grant date fair value per unit
Balance – March 31, 2018	69,559	18.25
Exercised	(7,740)	(18.31)
	<u>61,819</u>	<u>18.26</u>

Andrew Peller Limited

Notes to Consolidated Financial Statements

March 31, 2019 and 2018

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

16 Nature of expenses

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

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

Other expenses (income) are as follows:

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

- a) During fiscal 2006, the Company closed its Port Moody winery facility and transferred production to its winery operations in Kelowna, British Columbia. Effective July 1, 2012, the property was expropriated for a five-year period. The cost of maintaining this idle facility and costs associated with its expropriation amounted to \$625 in 2019 (2018 – \$572) and income amounting to \$nil (2018 – \$101) was recorded related to expropriation notices received by the Company.
- b) Restructuring costs of \$727 (2018 – \$nil) were recorded during the year ended March 31, 2019. These costs relate to termination payments and benefits for restructuring of certain sales and production functions within the Company's retail and personal winemaking product division.

Andrew Peller Limited

Notes to Consolidated Financial Statements

March 31, 2019 and 2018

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

17 Net earnings per share

	2019		
	Class A \$	Class B \$	Total \$
Net earnings attributed for the year – basic and diluted	18,326	3,632	21,958
Weighted average number of shares outstanding – basic and diluted	35,979,473	8,200,864	
Net earnings per share – basic and diluted	0.51	0.44	
	2018		
	Class A \$	Class B \$	Total \$
Net earnings attributed for the year – basic and diluted	24,545	5,572	30,117
Weighted average number of shares outstanding – basic and diluted	34,539,843	8,986,571	
Net earnings per share – basic and diluted	0.71	0.62	

18 Commitments

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

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

The Company's minimum lease payments as at March 31, 2019 under long-term non-cancellable leases are outlined in note 20 along with its other contractual obligations.

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

Andrew Peller Limited

Notes to Consolidated Financial Statements

March 31, 2019 and 2018

(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 comprises the change in the following items:

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

20 Financial instruments

Classification of financial instruments

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

Assets/liabilities	Category	Measurement	2019 (IFRS 9)	
			Carrying amount \$	Fair value \$
Accounts receivable	Financial assets	Amortized cost	29,801	29,801
Bank indebtedness	Financial liabilities	Amortized cost	38,175	38,175
Accounts payable and accrued liabilities	Financial liabilities	Amortized cost	47,451	47,451
Dividends payable	Financial liabilities	Amortized cost	2,212	2,212
Long-term debt	Financial liabilities	Amortized cost	116,620	116,620
Interest rate swap liability	Derivatives	Fair value through profit or loss	1,351	1,351
Foreign exchange forward contracts asset	Derivatives	Fair value through profit or loss	4	4

Andrew Peller Limited

Notes to Consolidated Financial Statements

March 31, 2019 and 2018

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

Assets/liabilities	Category	Measurement	2018 (IAS 39)	
			Carrying amount \$	Fair value \$
Accounts receivable	Loans and receivables	Amortized cost	31,406	31,406
Bank indebtedness	Financial liabilities	Amortized cost	47,324	47,324
Accounts payable and accrued liabilities	Financial liabilities	Amortized cost	33,404	33,404
Dividends payable	Financial liabilities	Amortized cost	1,935	1,935
Long-term debt	Financial liabilities	Amortized cost	124,392	124,392
Interest rate swap asset	Derivatives	Fair value through profit or loss	180	180
Foreign exchange forward contracts asset	Derivatives	Fair value through profit or loss	152	152

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

Fair value

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

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

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

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

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

Andrew Peller Limited

Notes to Consolidated Financial Statements

March 31, 2019 and 2018

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

The net unrealized loss (gain) on derivative financial instruments comprises:

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

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.

	2019		
Asset/liability	Quoted prices in active markets for identical assets (Level 1) \$	Significant observable inputs other than quoted prices (Level 2) \$	Significant unobservable inputs (Level 3) \$
Interest rate swap liability	-	1,351	-
Foreign exchange forward contracts asset	-	4	-

	2018		
Asset/liability	Quoted prices in active markets for identical assets (Level 1) \$	Significant observable inputs other than quoted prices (Level 2) \$	Significant unobservable inputs (Level 3) \$
Interest rate swap asset	-	180	-
Foreign exchange forward contracts asset	-	152	-

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.

Andrew Peller Limited

Notes to Consolidated Financial Statements

March 31, 2019 and 2018

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

The Company has effectively fixed its interest rate on its long-term debt until September 2022 by entering into interest rate swaps. The interest rate swaps are measured at fair value. An unrealized loss of \$1,531 (2018 – unrealized gain of \$1,240) was recognized on the interest rate swaps, which are classified as a component of the net unrealized loss (gain) on derivative financial instruments in the consolidated statements of earnings.

The Company's short-term borrowings are funded using a floating interest rate and as such are sensitive to interest rate movements. As at March 31, 2019, with other variables unchanged, a 100 basis point change in interest rates would impact the Company's net earnings by approximately \$283 (2018 – \$350), exclusive of the mark-to-market adjustments on the interest rate swaps.

Credit risk

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

Credit risk for trade receivables is monitored through established credit monitoring activities. Over 50% of the Company's accounts receivable balance relates to amounts owing from Canadian provincial liquor boards. Excluding accounts receivable from Canadian provincial liquor boards, the Company does not have a significant concentration of credit risk with any single counterparty or group of counterparties. Amounts owing from Canadian provincial liquor boards represent \$14,869 (2018 – \$16,509) of the total accounts receivable for which no allowance has been provided. Of the remaining non-provincial liquor board balances, \$1,618 (2018 – \$1,483) was over thirty days past due as at March 31, 2019. An allowance for doubtful accounts of \$128 (2018 – \$162) has been provided against these accounts receivable amounts, which the Company has determined represents a reasonable estimate of amounts that may be uncollectible.

Sales to its largest customer, a provincial Crown corporation, were \$64,155 (2018 – \$64,215) during the year ended March 31, 2019. Sales to its second largest customer, a branch of a provincial government, were \$45,091 (2018 – \$42,622) during the year.

An analysis of accounts receivable is as follows:

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

Andrew Peller Limited
Notes to Consolidated Financial Statements
March 31, 2019 and 2018

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

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

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

Liquidity risk

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

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

The following table outlines the Company's contractual undiscounted obligations. The Company analyzes contractual obligations for financial liabilities in conjunction with other commitments in managing liquidity risk. Contractual obligations include long-term debt, the expected payments under swap agreements that fix the Company's interest rate on long-term debt, operating leases and commitments on short-term forward foreign exchange contracts used to mitigate the currency risk on purchases denominated in foreign currencies as at March 31, 2019.

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

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

Andrew Peller Limited

Notes to Consolidated Financial Statements

March 31, 2019 and 2018

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

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

Foreign exchange risk

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

The Company's foreign exchange risk arises on the purchase of bulk wine and concentrate, which are priced in US dollars, euro and Australian dollars. The Company's strategy is to hedge approximately 50% to 80% of its annual foreign exchange requirements prior to or during the beginning of each fiscal quarter. As at March 31, 2019, the Company has forward foreign currency contracts to buy US\$4,950 at rates ranging between \$1.31 and \$1.32 and AU\$8,000 at rates ranging from \$0.95 to \$0.97. These contracts mature at various dates to November 2019. After considering the offsetting impact of these forward contracts, a 1% increase or decrease to the exchange rate of the US dollar, the euro or the Australian dollar would impact the Company's net earnings by approximately \$240 (2018 – \$197), \$86 (2018 – \$68) or \$45 (2018 – \$111), respectively. The Company has elected to not use hedge accounting and as a result, has recognized unrealized foreign exchange losses of \$148 (2018 – unrealized foreign exchange gains of \$160) in the consolidated statements of earnings as a component of the net unrealized loss (gain) on derivative financial instruments and has recorded the fair value of \$4 (2018 – \$152) in the current portion of derivative financial instruments in the consolidated balance sheets.

21 Capital disclosures

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

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

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

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

Andrew Peller Limited

Notes to Consolidated Financial Statements

March 31, 2019 and 2018

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

Compliance with these covenants is monitored by management on a quarterly basis. As at March 31, 2019 and 2018, the Company was in compliance with these covenants.

22 Related parties and management compensation

The Company is controlled by Peller Family Enterprises Inc. (formerly, Jalger Limited), which owns 60.9% (2018 – 57.4%) of the Company's Class B voting shares. No individual has sole voting power or control in respect of the shares of the Company owned by Peller Family Enterprises Inc.

Compensation of directors and executives

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

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

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

23 Segmented information

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

24 Events after the reporting period

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