

ANDREW PELLER

— LIMITED —



2025
ANNUAL REPORT

OPERATIONAL HIGHLIGHTS

FOR THE YEARS ENDED MARCH 31

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

	2025	2024
Net sales	389,607	385,856
EBITA	62,889	50,309
FINANCIAL POSITION		
Working capital	158,054	171,666
Total assets	543,440	553,199
Shareholders' equity	243,782	241,437
PER SHARE		
Net earnings (loss) per Class A Share - basic	0.26	(0.07)
Net earnings (loss) per Class B Share - basic	0.23	(0.06)
Net earnings (loss) per Class A Share - diluted	0.25	(0.07)
Net earnings (loss) per Class B Share - diluted	0.22	(0.06)
DIVIDENDS		
Class A Common Shares, non-voting	0.246	0.246
Class B Common Shares, voting	0.214	0.214
MARKET VALUE		
Class A - HIGH	5.28	4.95
Class A - LOW	3.67	3.66
Class B - HIGH	9.19	6.64
Class B - LOW	4.25	4.12
ANALYTICAL INFORMATION		
Return on average shareholders' equity	4.6%	(1.2%)
Return on average capital employed	8.8%	5.9%
Ratio of current assets to current liabilities	3.40:1	3.92:1

Letter to Shareholders

Fiscal 2025 was a transformative year for Andrew Peller Limited, one that demonstrated the strength of our brands, the resilience of our people, and our disciplined focus on operational and financial performance.

As I reflect on my first full year as Chief Executive Officer, I am proud to report meaningful progress across our strategic priorities. We delivered above-category revenue growth, expanded gross margins, and sustained EBITA growth, leading to increased free cash flow, and debt reduction, all while navigating a complex global economic environment and adapting to the most significant shift in alcohol retail distribution in our company's history.

Revenue reached a near all-time high of \$389.6 million, driven by the strong performance of our core portfolio and our successful expansion into big-box and grocery retail channels across Ontario. We continued to see strong momentum in our better-for-you offerings, led by *Honest Lot*, and consistent demand for our flagship domestic brands including *Trius*, *Gray Monk*, *Gretzky*, and *Peller Family Vineyards*. With a national footprint and a portfolio of over 50 brands, we are well positioned to meet evolving consumer expectations and compete effectively across all major channels.

We also achieved meaningful improvements in profitability. Gross margins increased to 42.8%, supported by our \$20 million cost savings program, which focused on driving efficiencies and reducing costs in bulk wine, concentrates, packaging, and other raw materials. Additionally, the introduction of the Ontario Grape Support Program provided further margin support by incentivizing greater use of Ontario-grown grapes in every bottle of wine sold in the province. Beyond the financial benefits, this program recognized the essential role our industry plays in driving economic development across Ontario's wine regions. Overall, we have strengthened our results and created additional capacity to invest in our future growth.

Throughout the year, our team effectively managed operational complexity across regions. In British Columbia, we responded to the impact of severe winter weather and significant crop damage by working closely with government and industry stakeholders to successfully maintain product availability and protect the long-term health of the domestic wine sector. In Ontario, our largest market, we adapted to the province's retail modernization initiative, which added over 6,000 distribution points. While still in the early stages, our response to this expansion has already driven strong market share gains – validating our approach and highlighting the strength of our platform, partnerships and consumer focus.

As we look to Fiscal 2026 and beyond, innovation remains a cornerstone of our strategy. We are committed to anticipating and meeting evolving consumer preferences through distinctive and high-growth product offerings. Over the past year, we continued to build leadership in the better-for-you segment with *Honest Lot*, our zero-sugar brand that is now the fastest-growing in our portfolio. We also gained momentum in other high-potential areas, including sparkling wines, convenient formats like our recyclable 200 ml bottles, and sustainable imports such as Rewild from Australia. In parallel, our spirits and cream liqueur brands - *Gretzky Ice Storm Vodka*, *Gretzky Creams*, and *PJ's Creams* continue to deliver strong performance. Innovation will remain a key driver of long-term value creation, and we are leveraging our scale, insights, and brand-building capabilities to introduce products that resonate with consumers across all retail environments.

We are optimistic and energized to build on our strong foundation. With Canadian consumers increasingly choosing high-quality, locally produced products, our diverse portfolio, spanning multiple price points and categories, positions us to lead the industry forward. At the same time, we see significant opportunities in the federal and provincial governments' renewed commitment to strengthening domestic wine policy in line with other world-class wine regions. These tailwinds create a compelling platform for long-term growth.

We enter fiscal 2026 with a clear strategic focus: expand market share, improve profitability, reduce debt, and create lasting value for shareholders.

On behalf of the Board of Directors and the leadership team, I want to thank our employees for their unwavering dedication, our customers and consumers for their continued loyalty, and our shareholders for their ongoing support.

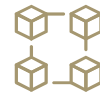
Sincerely,

A handwritten signature in blue ink, appearing to read 'Paul Dubkowski', with a stylized, cursive script.

Paul Dubkowski
Chief Executive Officer

CANADA'S LARGEST PUBLICLY TRADED WINE PRODUCER

(TSX:ADW)



~11,000
distribution points



10
channels



>\$500M
high value assets



\$390M
TTM sales



45 yrs
of dividends

50 award-winning brands across wine, spirits, cider categories



#1 VQA Brand in English Canada*



#2 BC VQA Brand*



All in the top 10 wineries
in Ontario‡



#2 Better For You
Brand in Canada*



#2 Wine Brand
in Canada*



Owned Imports growth
of +24% YOY F24

Sources: *ACD data. †LCBO data. ‡WineAlign National Wine Awards of Canada

Estate wineries in Ontario



#1 visited winery in North America with over 300,000 visitors annually



Niagara's finest boutique hotel



#2 visited winery in North America



World's best Cabernet Franc in prestigious Decanter World Wine Awards in 2018



Canada's largest sparkling wine cellar

10 LEADING ESTATE WINERIES

Estate wineries in BC



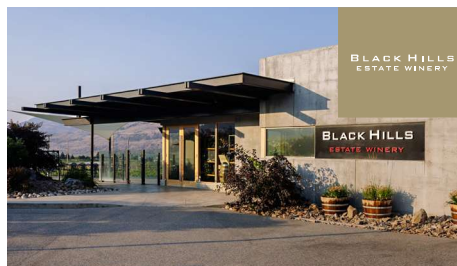
#1 BC Pinot Gris in Canada



Lieutenant Governor's Award 2015



Urban winery that is the birthplace of BC winemaking



Nota Bene - #1 Ultra Premium VQA red wine



Canada's first carbon neutral winery

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE THREE MONTHS AND YEAR ENDED MARCH 31, 2025

The following management's discussion and analysis ("MD&A") provides a review of corporate developments, results of operations, and financial position for the three months and year ended March 31, 2025, in comparison with those for the three months and year ended March 31, 2024, for Andrew Peller Limited (the "Company" or "APL"). This discussion is prepared as of June 11, 2025 and should be read in conjunction with the audited consolidated financial statements and accompanying notes contained therein for the year ended March 31, 2025 and 2024. Additional information relating to the Company, including the audited annual consolidated financial statements and Annual Information Form for the years ended March 31, 2025, and March 31, 2024, is available on www.sedarplus.ca. The financial years ending March 31, 2025 and March 31, 2024 are referred to as "fiscal 2025" and "fiscal 2024" respectively. All dollar amounts are expressed in Canadian dollars unless otherwise indicated.

FORWARD-LOOKING INFORMATION

Certain statements in this MD&A may contain "forward-looking statements" within the meaning of applicable securities laws including the "safe harbour provisions" of the Securities Act (Ontario) with respect to APL and its subsidiaries. Such statements include, but are not limited to, statements about the growth of the business; its launch of new premium wines and craft beverage alcohol products; sales trends in foreign markets; its supply of domestically grown grapes; and current economic conditions. These statements are subject to certain risks, assumptions, and uncertainties that could cause actual results to differ materially from those included in the forward-looking statements. The words "believe", "plan", "intend", "estimate", "expect", or "anticipate", and similar expressions, as well as future or conditional verbs such as "will", "should", "would", "could", and similar verbs often identify forward-looking statements. We have based these forward-looking statements on our current views with respect to future events and financial performance. With respect to forward-looking statements contained in this MD&A, the Company has made assumptions and applied certain factors regarding, among other things: future grape, glass bottle, and wine and spirit prices; its ability to obtain grapes, imported wine, glass, and other raw materials; fluctuations in foreign currency exchange rates; its ability to market products successfully to its anticipated customers; the trade balance within the domestic Canadian and international wine markets; market trends; reliance on key personnel; protection of its intellectual property rights; the economic environment; the regulatory requirements regarding producing, marketing, advertising, and labelling of its products; the regulation of liquor distribution and retailing in Ontario; the application of federal and provincial environmental laws; and the impact of increasing competition.

These forward-looking statements are also subject to the risks and uncertainties discussed in the "Risks and Uncertainties" section and elsewhere in this MD&A and other risks detailed from time to time in the publicly filed disclosure documents of the Company which are available at www.sedarplus.ca. Forward-looking statements are not guarantees of future performance and involve risks, uncertainties, and assumptions which could cause actual results to differ materially from the conclusions, forecasts, or projections anticipated in these forward-looking statements. Because of these risks, uncertainties, and assumptions, you should not place undue reliance on these forward-looking statements. The Company's forward-looking statements are made only as of the date of this MD&A, and except as required by applicable law, Andrew Peller Limited undertakes no obligation to update or revise these forward-looking statements to reflect new information, future events, or circumstances.

Overview

The Company is a leading producer and marketer of quality wines and craft beverage alcohol products in Canada. With wineries in British Columbia, Ontario, and Nova Scotia, the Company markets wines produced from grapes grown in Ontario's Niagara Peninsula, British Columbia's Okanagan and Similkameen Valleys, and from vineyards around the world. The Company's award-winning premium and ultra-premium Vintners' Quality Alliance ("VQA") brands include *Peller Estates*, *Trius*, *Thirty Bench*, *Wayne Gretzky*, *Sandhill*, *Red Rooster*, *Black Hills Estate Winery*, *Tinhorn Creek Vineyards*, *Gray Monk Estate Winery*, *Raven Conspiracy* and *Conviction*. Complementing these premium brands are a number of popularly priced varietal brands including *Peller Family Vineyards*, *Copper Moon*, *Black Cellar* and *XOXO*. *Hochtaler*, *Domaine D'Or*, *Schloss Laderheim*, *Royal*, and *Sommet* are the Company's key value priced brands.

The Company imports wines from major wine regions around the world to blend with domestic wine to craft these products. The Company also produces craft ciders under the *No Boats on Sunday* brand, and various spirits and cream whisky products under the *Wayne Gretzky No. 99* brand. With a focus on serving the needs of all wine consumers, the Company produces and markets premium personal winemaking products through its wholly-owned subsidiary, Global Vintners Inc. (“GVI”), the recognized leader in personal winemaking products. GVI distributes products through over 200 authorized retailers and more than 400 independent retailers across Canada, with additional distributors in the United States, the United Kingdom, New Zealand, Australia and China. GVI’s award winning premium and ultra-premium winemaking brands include *Winexpert*, *Vine Co.*, *Apres*, *Limited Edition*, *Passport Series*, *On the House*, *Wild Grapes*, *Island Mist* and *Niagara Mist*. The Company owns and operates 101 well positioned independent retail locations in Ontario under The Wine Shop, Wine Country Vintners, and Wine Country Merchants store names. The Company also operates Andrew Peller Import Agency and The Small Winemaker’s Collection Inc., importers and marketing agents for premium wines from around the world.

The Company’s vision is to *Pour Extraordinary into Everyday Life*. The Company achieves this objective by delivering to its customers and consumers the highest quality branded wines, spirits, and experiences. To meet this goal, the Company invests in improvements in the quality of grapes, wines, and other raw materials, its winemaking and distillation capabilities, sales and marketing initiatives, tourism and hospitality experiences, and its quality management programs.

The Company is focused on initiatives to drive production efficiencies and realize cost savings through a continual review of its operations and cost structure with a view to improving profitability. The Company continues to expand and strengthen its distribution to all customers and consumers through its extensive distribution network, which is supported by enhanced sales, marketing, and promotional programs. The Company will also make packaging design changes that are more appealing to its target markets and are consistent with its initiative to be more environmentally friendly. From time to time the Company also evaluates the potential for acquisitions and partnerships, both in Canada and internationally, to further complement its product portfolio and market presence.

Recent Events

On June 11, 2025, the Company’s Board of Directors approved a common share dividend of \$0.0615 per Class A Share and \$0.0535 per Class B Share, to be paid on July 11, 2025. The Company has consistently paid common share dividends since 1979. APL currently designates all dividends paid as “eligible dividends” for purposes of the Income Tax Act (Canada) unless indicated otherwise.

On June 2, 2025, the Company announced the appointment of Renee Cauchi as Chief Financial Officer. Ms. Cauchi, who was named Vice President, Finance and Interim Chief Financial Officer in September 2024, has been in progressively senior finance positions with the Company since 2015, overseeing the finance, treasury and risk functions.

On May 15, 2025, as part of the Province of Ontario’s 2025 budget, the government introduced the Ontario Grape Support Program (OGSP). The program will provide funding to eligible Ontario wineries for the production of Ontario non-VQA wine and International Domestic Blend wine. The intent of the program is to increase the percentage of Ontario grape content included in these products. Payments under the program are based on sales of these products to LCBO retail, grocery, convenience and on-site winery retails stores channels. For the year ended March 31, 2025, \$9.8 million has been recognized as a credit to cost of goods sold relating to the first year of this program.

Effective March 4, 2025, the United States government implemented new trade measures, including tariffs of 25% on goods imported from Canada. In response, throughout March 2025, the Canadian government announced retaliatory tariffs of 25%. In addition, U.S. alcohol products have been removed from shelves of provincial liquor boards and removed from restaurant, bar and retailer fulfilment catalogues. In April 2025, the Canadian government announced and implemented a six-month temporary tariff relief period for specific imported U.S goods such as those used in Canadian manufacturing, processing and food and beverage packaging. As of June 11, 2025, the Company has not experienced a material impact on its operating results or cash flows due to tariffs. Management continues to assess the exposure as part of its risk management practices and will recognize and disclose any material developments in future

periods as applicable. In addition, the Company is working with its customers to increase support in the market for Canadian made products.

As part of the transition to a new retail marketplace for beverage alcohol in Ontario that focuses on improving the convenience and choice offered to consumers, the Province of Ontario announced that, as of September 5, 2024, all licensed convenience stores and gas stations, and as of October 31, 2024, licensed big box stores and grocery stores can sell beer, cider, wine and ready-to-drink beverages. This has resulted in over 4,000 additional distribution points for beverage alcohol products. In addition to the convenience and choice provided to consumers, the Province of Ontario is also reviewing competitive pricing, transitional and time-limited support for local beverage alcohol producers. The Company is continuing to work with the provincial government and industry partners on wholesale pricing and taxes, mark-ups and fees with the goal of promoting a more competitive marketplace for Ontario-based producers and consumers.

On July 15, 2024, the Company announced its normal course issuer bid had been approved by the Toronto Stock Exchange. Under the issuer bid the Company can purchase for cancellation up to 1,000,000 of its outstanding Class A non-voting shares, representing 2.8% of the Class A shares outstanding at the time, over the ensuing 12 months. As of March 31, 2025 the Company has repurchased and cancelled 168,400 Class A non-voting common shares.

Results of Operations

For the three months and year ended March 31, (in \$000, except per share amounts)	Three months		Year	
	2025	2024	2025	2024
Revenue	\$ 75,519	\$ 85,008	\$ 389,607	\$ 385,856
Gross margin ⁽¹⁾	39,715	35,565	166,605	150,602
Gross margin (% of revenue)	52.6%	41.8%	42.8%	39.0%
Selling and administrative expenses ⁽²⁾	26,211	35,794	103,716	109,773
EBITA ⁽¹⁾	13,504	9,251	62,889	50,309
Interest expense	3,098	3,992	16,216	16,964
Net unrealized loss (gain) on derivative financial instruments	665	(1,003)	1,840	641
Loss on debt extinguishment and financing fees	-	-	-	2,172
Other expense (income), net	635	(16)	3,480	1,130
Net (loss) earnings	(747)	(6,943)	11,115	(2,852)
(Loss) earnings per share – Class A basic	\$(0.02)	\$(0.17)	\$0.26	\$(0.07)
(Loss) earnings per share – Class B basic	\$(0.01)	\$(0.14)	\$0.23	\$(0.06)
Dividend per share – Class A (annual)			\$0.246	\$0.246
Dividend per share – Class B (annual)			\$0.214	\$0.214

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

⁽²⁾ Selling and administrative expenses in fiscal 2024 include \$9.5 million relating to the former CEO retirement and transition costs. These amounts are added back to calculate the Company’s EBITA.

Revenue for the three months ended March 31, 2025 decreased 11.2% compared to the prior year’s fourth quarter primarily due to the \$5.8 million recognized as revenue at the end of fiscal 2024 which represents the full year’s benefit of the revised Ontario VQA Support Program. The revenue from the VQA support program for fiscal 2025 was recognized throughout the fiscal year as eligible sales were made. The remaining decrease can be attributed to the timing of the Easter holiday season when compared to fiscal 2024 and continual adjustment of channel and shipment timing in the evolving Ontario retail market.

Revenue for the year ended March 31, 2025 increased 1.0% over the prior year. The increase was attributable to sales to big box stores, partially offset by a decrease in the Company’s retail stores in the second half of the fiscal year as Ontario’s new beverage alcohol retail distribution guidelines took effect. The Company’s retail store sales also benefited from the July strike at the LCBO. Several of the Company’s other well-established trade channels performed well during the year, particularly sales to third party restaurants and hospitality locations. This strong performance is

offset by softness in sales from the estate wineries and wine clubs due to lower guest traffic and reduced consumer discretionary spending due to tightening economic conditions.

Gross margin as a percentage of revenue for the three months ended March 31, 2025 increased to 52.6% from 41.8% mainly due to the inclusion of \$9.8 million from the Ontario Grape Support Program (OGSP). As the OGSP program is intended to increase the content of domestic grapes in blended wines, the support is recognized as a reduction to cost of goods sold when eligible wine is sold. For the year ended March 31, 2025, gross margin as a percentage of revenue increased to 42.8% from 39.0%. The increase can be attributed to lower costs for glass bottles and inbound freight due to the cost savings programs implemented by the Company and the inclusion of the OGSP. Gross margin is also continuing to be impacted by channel mix and inflationary cost pressures in concentrate, packaging and other raw materials. In response to these margin pressures, the Company is continuing to execute cost savings programs and formulation changes relating to these inputs. For the year ended March 31, 2025, these programs have resulted in \$10.7 million of cost savings (2024 - \$9.3 million).

As a percentage of revenue, selling and administrative expenses decreased to 34.7% and 26.6% for the three months and year ended March 31, 2025, respectively, compared to 42.1% and 28.4% in the prior year. Selling and administrative expenses in the fourth quarter of fiscal 2024 included \$6.5 million relating to the retirement allowance and consulting agreements entered into as part of John Peller's retirement and transition and \$3.0 million in legal and advisory fees incurred by certain shareholders in connection with these agreements. Offsetting the non-recurring expenses from 2024, was higher compensation and higher selling costs as a result of the strong performance in fiscal 2025.

Earnings before interest, amortization, loss on debt extinguishment and financing fees, CEO retirement and transition costs, net unrealized gains and losses on derivative financial instruments, other (income) expenses, and income taxes ("EBITA") (see "Non-IFRS Measures" section of this MD&A) was \$13.5 million in the fourth quarter of fiscal 2025, compared to \$9.3 million in the fourth quarter of prior year. EBITA increased to \$62.9 million for the year ended March 31, 2025 compared to \$50.3 million in prior year period.

Interest expense for the three months and year ended March 31, 2025 has decreased by 22.4% and 4.4% respectively compared to the prior year due to lower average debt levels and lower interest rates in fiscal 2025 compared to prior year.

The Company recorded a net unrealized non-cash loss in fiscal 2025 of \$1.8 million related to mark-to-market adjustments on interest rate swaps and foreign exchange contracts compared to a loss of \$0.6 million in the prior year. The Company recorded a loss of \$0.7 million in the fourth quarter of fiscal 2025 compared to a gain of \$1.0 million in the same quarter in the prior year. The Company has elected not to apply hedge accounting and accordingly the change in fair value of these financial instruments is reflected in the Company's consolidated statement of earnings (loss) each reporting period. These instruments are considered to be effective economic hedges and are expected to mitigate the short-term volatility of changing foreign exchange and interest rates.

Other expenses (income), net were \$0.6 million and \$3.5 million for the three months and year ended March 31, 2025. The expense in fiscal 2025 related primarily to a restructuring initiative completed in fiscal year to align the Company's business structure with the changing retail landscape in Ontario.

During the year ended March 31, 2025, the Company undertook certain tax planning initiatives as it relates to capital gains with respect to the Port Moody lands. This included transferring the beneficial interest in the land to a newly registered partnership. All parties associated with the limited partner are within the consolidated APL group and there has been no legal ownership change. In March 2025, the Government of Canada announced the cancellation of the previously proposed legislation changes to the capital gains inclusion rate. Consequently, the beneficial interest in the Port Moody lands was transferred at cost rather than at fair value as originally contemplated. The transaction had no impact on the Company's operating results or cash flows.

The Company incurred a net loss of \$0.7 million (loss of \$0.02 per Class A share) for the fourth quarter of fiscal 2025 compared to a net loss of \$6.9 million (loss of \$0.17 per Class A share) in the fourth quarter of the prior year. For the

year ended March 31, 2025, the Company generated net earnings of \$11.1 million (\$0.26 per Class A share) compared to a net loss of \$2.9 million (loss of \$0.07 per Class A Share) in the prior year.

Quarterly Performance

The following table outlines key quarterly highlights.

(in \$000, except per share amounts)	Q4 25	Q3 25	Q2 25	Q1 25	Q4 24	Q3 24	Q2 24	Q1 24
Revenue	75,519	105,385	109,238	99,465	85,008	100,192	100,175	100,481
Gross margin ⁽¹⁾	39,715	42,384	46,327	38,179	35,565	34,742	41,267	39,028
Gross margin (% of revenue)	52.6%	40.2%	42.4%	38.4%	41.8%	34.7%	41.2%	38.8%
EBITA ⁽¹⁾	13,504	18,547	17,979	12,859	9,251	13,248	15,110	12,700
Interest	3,098	4,219	4,319	4,580	3,992	4,802	3,886	4,284
Net unrealized loss (gain) on financial instruments	665	(556)	1,513	218	(1,003)	2,840	(1,827)	631
Loss on debt extinguishment and financing fees	-	-	-	-	-	-	-	2,172
Other expense (income), net	635	1,637	912	296	(16)	31	(102)	1,217
Net (loss) earnings	(747)	7,677	4,560	(375)	(6,943)	(369)	5,391	(931)
E.P.S. – Class A basic	\$(0.02)	\$0.18	\$0.11	\$(0.01)	\$(0.17)	\$(0.01)	\$0.13	\$(0.02)
E.P.S. – Class B basic	\$(0.01)	\$0.15	\$0.10	\$(0.01)	\$(0.14)	\$(0.01)	\$0.11	\$(0.02)

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

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

Liquidity and Capital Resources

As at (in \$000)	March 31, 2025	March 31, 2024
Current assets	\$ 223,848	\$ 230,380
Property, plant, and equipment	207,630	210,132
Right-of-use assets	19,326	16,993
Intangible assets	37,406	40,459
Pension asset	1,592	1,597
Goodwill	53,638	53,638
Total assets	\$ 543,440	\$ 553,199
Current liabilities	\$ 65,794	\$ 58,714
Long-term debt	180,294	208,294
Long-term derivative financial instruments	1,426	998
Lease obligations	16,560	12,649
Post-employment benefit obligations	2,155	2,041
Deferred income taxes	33,429	29,066
Shareholders’ equity	243,782	241,437
Total liabilities and shareholders’ equity	\$ 543,440	\$ 553,199

The decrease in current assets as at March 31, 2025 compared to March 31, 2024 is due to a decrease in inventory, offset by an increase in accounts receivable. Inventory decreased due to increased sales, cost savings initiatives, as well as the Company’s efforts around ensuring inventory on hand is adequate for expected future sales. Inventory is dependent on domestically grown grapes that are used in the sale of premium and ultra-premium wines that are held for a longer period than imported wine. These wines are typically aged for one to three years before they are sold. The cost of producing wine from domestically grown grapes is also higher than wine purchased on international

markets. Accounts receivable increased by \$13.4 million, primarily due to the Ontario Grape Support Program receivable as discussed above.

Long-lived assets at March 31, 2025, which includes property, plant and equipment and right-of-use assets, decreased by \$0.2 million compared to March 31, 2024. Property, plant and equipment decreased by \$2.5 million primarily due to the disposal of vineyard assets in Western Canada as a result of the extreme winter event in BC. Additions to property, plant and equipment relate to investments made in the Company's production facilities and vineyard management programs. Right-of-use assets increased by \$2.3 million from the prior year primarily due to the renewal of several of the Company's retail store and equipment leases.

Intangible assets decreased \$3.1 million year over year due to amortization in excess of additions for fiscal 2025. Additions to intangible assets consist of enhancements made to the Company's various software assets.

Current liabilities were \$65.8 million at March 31, 2025 compared to \$58.7 million at March 31, 2024. The increase is primarily due to higher bank indebtedness as well as higher accounts payable and accrued liabilities due to the timing of invoices and payments.

Long-term debt decreased to \$180.3 million at March 31, 2025 from \$208.3 million at March 31, 2024. The Company's debt to equity ratio was 0.74:1 at March 31, 2025 compared to 0.86:1 at March 31, 2024. At March 31, 2025, the Company had available debt capacity in the amount of \$68.3 million on its credit facility.

Management expects to generate sufficient cash flow from operations to meet its debt servicing and working capital requirements over the short-term through strong management of working capital and prioritization of capital expenditures. The Company regularly reviews all of its assets to ensure appropriate returns on investment are being achieved and that they fit with the Company's long-term strategic objectives.

For the year ended March 31, 2025, the Company generated cash from operating activities, after changes in non-cash working capital items, of \$60.2 million compared to \$38.1 million in the prior year. The increase in cash from operating activities is primarily due to net earnings and improved working capital related to operations.

Cash used in investing activities for the year ended March 31, 2025 was \$17.6 million compared to \$14.8 million in the prior fiscal year due to increased investment in property plant and equipment and intangibles.

Cash used in financing activities for the year ended March 31, 2025 was \$42.6 million compared to \$23.3 million in the prior fiscal year. This included a increase in bank indebtedness of \$1.9 million, net repayment of debt obligations of \$28.0 million, payment of lease obligations of \$5.4 million, repurchases of Class A non-voting shares of \$0.7 million, and payment of dividends of \$10.4 million.

Working capital at March 31, 2025 was \$158.0 million compared to \$171.7 million at March 31, 2024. Shareholders' equity at March 31, 2025 was \$243.8 million or \$5.62 per share compared to \$241.4 million or \$5.56 per share at March 31, 2024.

The following table outlines the Company's contractual obligations as at March 31, 2025:

(in \$000)	< 1 Year	2 - 3 Years	4 - 5 Years	> 5 Years	Total
Long-term debt	-	180,294	-	-	180,294
Leases	7,896	9,506	3,457	5,349	26,208
Service and royalty agreements	6,175	1,723	1,100	10,450	19,448
Pension	140	105	-	-	245
Grape and bulk wine purchase contracts	59,013	36,321	11,289	14,021	120,644
Interest rate swap	2,896	3,618	-	-	6,514
Foreign exchange forwards	15,209	-	-	-	15,209
Total contractual obligations	91,329	231,567	15,846	29,820	368,562

Common Shares Outstanding

The Company is authorized to issue an unlimited number of Class A and Class B Shares. Class A Shares are non-voting and are entitled to a dividend in an amount equal to 115% of any dividend paid or declared on Class B Shares. Class B Shares are voting and convertible into Class A Shares on a one-for-one basis.

On July 15, 2024, the Company announced its normal course issuer bid ("NCIB") had been approved by the Toronto Stock Exchange. Under the issuer bid, the Company can purchase for cancellation up to 1,000,000 of its outstanding Class A non-voting common shares representing 2.8% of the Class A non-voting common shares outstanding at that time, over the ensuing twelve months. The total number of Class A non-voting common shares repurchased for cancellation under the NCIB during the year ended March 31, 2025 amounted to 168,400 common shares, at a weighted average price of \$4.04 per Class A non-voting common share, for a total cash consideration of \$0.7 million.

Shares outstanding	March 31, 2025	March 31, 2024
Class A Shares	35,311,492	35,243,647
Class B Shares	8,036,183	8,144,183
Total	43,347,675	43,387,830

Strategic Outlook and Direction

APL is committed to a strategy of growth that focuses on the expansion of its core business as a producer and marketer of quality wines and wine related products through concentrating on and developing leading brands that meet the needs of consumers and customers. Over the long term, the Company believes higher-priced premium wine and spirits sales will continue to grow in Canada, generating higher margins and increased profitability compared to lower-priced products. The Company has focused its innovation and sales and marketing initiatives to capitalize on category trends, such as healthier-for-you, sparkling and sustainable offerings.

The Company will continue to expand product offerings outside the traditional table wine segment into other alcoholic beverages where it is able to leverage its detailed knowledge of growth opportunities and operational advantages in the Canadian market. New product launches and key brands through all of the Company's distribution channels will continue to receive increased marketing and sales support.

The Company has been acquisitive historically and, from time to time, the Company evaluates investment opportunities, including acquisitions, which support its strategic direction.

The Company believes that sales will grow over the long term due to strong positioning of key brands, the continued launch of new and innovative products in both its core wine business and in new product categories, potential strategic acquisitions, as well as overall growth in the Canadian beverage alcohol market. The Company expects to continue to invest in capital expenditures to improve efficiencies, increase capacity, support its ongoing commitment to producing the highest-quality wines and spirits, and improve productivity.

Risks and Uncertainties

The Company's sales of wine and craft beverage alcohol products are affected by general economic conditions and social trends such as changes in discretionary consumer spending and consumer confidence, future economic conditions, changes to inter-provincial trade laws, tax laws, the prices of its products and health trends. The Company is experiencing uncertainty with respect to raw materials costs due to inflation, foreign exchange, and freight surcharges and shipment delays associated with international conflicts. The impact on the financial results of the Company will depend on management's continued ability to successfully mitigate against these risks.

The Province of Ontario has modernized the rules for selling beverage alcohol in Ontario by expanding retail distribution in the province. As of the third quarter of fiscal 2025, licensed convenience stores, gas stations, grocery and big box stores in Ontario can sell beer, cider, wine and ready-to-drink alcoholic beverages. This represents a significant change to the retail landscape in Ontario with the goal of providing more convenience and choice to consumers. The Company has contracted with a third party to provide field sales support to reach the convenience and gas licensees and has restructured its commercial team to align with the changing retail landscape. The Company is working closely with its partners to manage any risks and opportunities that this transition may have on its financial results.

The Canadian wine market continues to be the target of low-priced imported wines from regions and countries that subsidize wine production and grape growing as well as providing sizeable export incentives on subsidies. Many of these countries and regions prohibit or restrict the sale of imported wine in their own domestic markets. The Company, along with other members of the Canadian wine industry, are working with the Canadian government to improve support for the domestic industry. No assurance can be given regarding the renewal or amendment of these programs, and any material change to the programs could result in a material impact on the financial statements.

The Company operates in a highly competitive industry and the dollar amount and unit volume of sales could be negatively impacted by its inability to maintain or increase prices, changes in geographic or product mix, a general decline in beverage alcohol consumption, or the decision of retailers or consumers to purchase competitor's products. Retailer and consumer purchasing decisions are influenced by, among other things, the perceived absolute or relative overall value of the Company's products including their quality or pricing compared to competitive products. Unit volume and dollar sales could also be affected by purchasing, financing, operational, advertising, or promotional decisions made by provincial agencies and retailers which could affect supply of or consumer demand for the Company's products. APL could also experience higher than expected selling and administrative expenses if it finds it necessary to increase the number of its personnel, advertising, or promotional expenditures to maintain its competitive position.

VQA wines are a key driver of APL's growth strategy, and as a result, the Company is dependent on the quality and supply of domestically grown premium quality grapes. If any of the Company's vineyards or the vineyards of our grape suppliers experience adverse weather variations, natural disasters, pestilence, or other severe environmental problems, APL may not be able to secure a sufficient supply of grapes, a situation which could result in a decrease in production of certain products from those regions and/or result in an increase in costs. The inability to secure premium quality grapes could impair the ability of the Company to supply certain wines to its customers. When environmental risks such as wildfires or extreme cold weather events occur, the Company's viticultural teams have internal processes to ensure the Company's vineyards are protected. This may include the use of technology and fire suppression activities. APL has also developed internal strategies to maintain access to a consistent supply of premium quality grapes and wine, such as, contracting additional supply from other regions. The price of grapes is determined through negotiations with the Ontario Grape Growers Marketing Board in Ontario and with independent growers in British Columbia.

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

for short-term borrowing. On June 30, 2023, the Company entered into an interest rate swap agreement with a notional amount of \$65 million. Until June 13, 2027, the interest rate is fixed at 4.46%. For the year ended March 31, 2025, the Company recorded a net unrealized non-cash loss of \$1.8 million related to mark-to-market adjustments on interest rate swaps. A 1% increase or decrease to the variable interest rate would result in a \$0.9 million change in net earnings (loss).

Foreign exchange risk exists on the purchases of bulk wine and concentrate that are primarily made in United States dollars, Euros, and Australian dollars. Fluctuating foreign currencies may have a positive or negative impact on gross margins (see “Non-IFRS Measures” section of this MD&A), however, the Company believes the impact on gross margin will be largely offset by its continued ability to leverage scale and successful cost control initiatives to reduce other cost of goods sold. The Company’s strategy is to hedge approximately 50% - 80% of its foreign exchange requirements throughout the fiscal year and to regularly review its on-going requirements. The Company does not enter into foreign exchange contracts for trading or speculative purposes and contracts are reviewed periodically. As at March 31, 2025, the Company had forward currency contracts to buy \$9.3 million US at rates averaging \$1.43 and \$2.2 million AUD at rates averaging \$0.90. The Company has no Euro forward currency contracts as at March 31, 2025. A 1% increase or decrease to the exchange rate of the US dollar would impact the Company’s net earnings (loss) by \$0.3 million. A 1% increase or decrease to the exchange rate of the Australian dollar or Euro would not have a material impact on the Company’s net earnings (loss).

The Company is exposed to risks and uncertainty associated with tariffs imposed under international trade policies, namely increased costs of direct materials. The Company’s is also exposed to a reduction in import agency revenue due to the removal of U.S products from provincial liquor stores, and bars and restaurants. As of June 11, 2025, the Company has not experienced a material impact on its operating results or cash flows due to tariffs. Management continues to assess the exposure as part of its risk management practices.

The Company purchases glass, bag in box, tetra paks, and other components used for bottling and packaging. The largest component of packaging is glass, of which there are few domestic or international suppliers and any interruption in supply could have an adverse impact on the Company’s ability to supply its markets. APL has taken steps to reduce its dependence on domestic suppliers through the development of relationships with several international producers of glass and through carrying increased inventory of selected bottles.

The Company operates in a highly regulated industry with requirements regarding the production, distribution, marketing, advertising, and labelling of wine and spirits. Certain federal and provincial regulations also require warning labels and signage. These regulatory requirements may inhibit or restrict the Company’s ability to maintain or increase strong consumer support for and recognition of its brands and may adversely affect APL’s business strategies and results of operations.

Federal and provincial governments impose excise, other taxes, and mark-ups on beverage alcohol products which have been subject to change. Significant increases in excise and other taxes on beverage alcohol products could materially and adversely affect the Company’s financial condition or results of operations. New or revised regulations, increased licensing fees, requirements, taxes, or mark-ups could also have a material adverse effect on the Company’s financial condition or results of operations.

The wine industry and the domestic and international markets in which the Company operates are consolidating. This has resulted in fewer, but larger, competitors who have increased their resources and scale. The increased competition from these larger market participants may affect the Company’s pricing strategies and create margin pressures. Competition also exerts pressure on existing customer relationships which may affect APL’s ability to retain existing customers and increase the number of new customers. The Company has worked to improve production efficiencies, selectively increase pricing to increase gross margin (see “Non-IFRS Measures” section of this MD&A) and implement a higher level of promotion and advertising activity to remain competitive. APL and other wine industry participants also generally compete with other alcoholic beverages for consumer acceptance, loyalty, and shelf space. No assurance can be given that consumer demand for wine and premium wine products will continue at current levels in the future.

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

The Company's future operating results also depend on the ability of its officers and other key employees to continue to implement and improve its operating and financial systems and manage the Company's significant relationships with its suppliers and customers. The Company is also dependent upon the performance of its key senior management personnel. The Company's success is linked to its ability to identify, hire, train, motivate, promote, and retain highly qualified management. Competition for such employees is intense and there can be no assurances that the Company will be able to retain current key employees or attract new key employees.

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

The competitive nature of the wine industry internationally has resulted in the discounting of retail prices of wine in key markets such as the United States and the United Kingdom. Although significant price discounting may occur in Canada beyond current levels, the Company believes that its product quality, advertising, and promotional support along with its competitive pricing strategies will effectively mitigate the impact on the Company.

The Company considers its trademarks, particularly certain brand names and product packaging, advertising and promotion design, and artwork to be of significant importance to its business and ascribes a significant value to these intangible assets. APL relies on trademark laws and other arrangements to protect its proprietary rights. There can be no assurance that the steps taken by APL to protect its intellectual property rights will preclude competitors from developing confusingly similar brand names or promotional materials. The Company believes that its proprietary rights do not infringe upon the proprietary rights of third parties, but there can be no assurance in this regard.

As an owner and lessee of property the Company is subject to various federal and provincial laws relating to environmental matters. Such laws provide that the Company could be held liable for the cost of removal and remediation of hazardous substances on its properties. The failure to remedy any situation that might arise could lead to claims against the Company. A perceived failure to maintain high ethical, social, and environmental standards could have an adverse effect on the Company's reputation.

The success of the Company's brands depends upon the positive image that consumers have of those brands. Contamination of APL's products, whether arising accidentally or through deliberate third-party action, or other events that harm the integrity or consumer support for those brands could adversely affect sales. Contaminants in raw materials purchased from third parties and used in the production of the Company's products or defects in the fermentation process could lead to low product quality as well as illness among, or injury to, consumers of the products and may result in reduced sales of the affected brand or all of the Company's brands.

Non-IFRS Measures

The Company utilizes EBITA (defined as “earnings before interest, amortization, loss on debt extinguishment and financing fees, CEO retirement and transition costs, net unrealized gains and losses on derivative financial instruments, other (income) expenses, and income taxes) to measure its financial performance. EBITA is not a recognized measure under IFRS; however, management believes that EBITA is a useful supplemental measure to net earnings (loss) as it provides readers with an indication of earnings available for investment prior to debt service, capital expenditures, and income taxes, as well as providing an indication of recurring earnings compared to prior periods.

The Company calculates EBITA as follows.

For the three months and year ended March 31, (in \$000)	Three Months		Year	
	2025	2024	2025	2024
Net (loss) earnings	\$ (747)	\$ (6,943)	\$ 11,115	\$ (2,852)
Add: Interest	3,098	3,992	16,216	16,964
Income taxes	3,800	(2,154)	6,512	(34)
Amortization of plant and equipment used in production	2,739	2,629	11,034	10,332
Amortization of equipment and intangibles used in selling and administration	3,314	3,266	12,692	12,476
Net unrealized loss (gain) on derivative financial instruments	665	(1,003)	1,840	641
Loss on debt extinguishment and financing fees	-	-	-	2,172
CEO retirement and transition costs	-	9,480	-	9,480
Other expense (income), net	635	(16)	3,480	1,130
EBITA	\$ 13,504	\$ 9,251	\$ 62,889	\$ 50,309

Readers are cautioned that EBITA should not be construed as an alternative to net earnings (loss) determined in accordance with IFRS as an indicator of the Company’s performance or to cash flows from operating, investing, and financing activities as a measure of liquidity and cash flows.

The Company utilizes gross margin (defined as revenue less cost of goods sold, excluding amortization) as calculated below.

For the three months and year ended March 31, (in \$000)	Three Months		Year	
	2025	2024	2025	2024
Revenue	\$ 75,519	\$ 85,008	\$	\$
Less: Cost of goods sold, excluding amortization	35,804	49,443	223,002	235,254
Gross margin	\$ 39,715	\$ 35,565	\$	\$
Gross margin (% of revenue)	52.6%	41.8%	42.8%	39.0%

The Company’s method of calculating EBITA and gross margin may differ from the methods used by other companies and accordingly may not be comparable to the corresponding measures used by other companies.

Transactions with Related Parties

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

For the year ended March 31 (in \$000)	2025	2024
Compensation and short-term benefits	\$ 5,626	\$ 4,172
Termination benefits ⁽¹⁾	549	4,480
Post-employment benefits	251	263
Stock based compensation expense	1,944	390
	\$ 8,370	\$ 9,305

⁽¹⁾ Includes \$4.5 million in retirement allowance payable to the former President and CEO in fiscal 2024

During fiscal 2024, the Company entered into agreements with its controlling shareholder, and others to formalize the retirement and transition of the former President and CEO. The Company also entered into a transition agreement with Peller Family Enterprises Inc. and the Peller family, which includes provisions relating to the composition of the Board of Directors for a 24-month period.

The transition agreement also requires Peller Family Enterprises Inc. and John E. Peller to vote in alignment for a period of 24 months. As such, the Company is jointly controlled by Peller Family Enterprises Inc., which owns 49.2% (2024 – 48.6%) of the Company's Class B voting shares and John E. Peller, who beneficially owns 24.8% (2024 – 24.5%) of the Company's Class B voting shares. No individual has sole voting power or control in respect of the shares of the Company owned by Peller Family Enterprises Inc.

During the fiscal year ended March 31, 2024, the Company paid \$3.0 million in legal and advisory fees incurred by certain shareholders in connection with these agreements, which were recorded within the other external charges as part of selling and administration expense in the consolidated statements of earnings (loss).

Per the agreements entered into in prior year, the Company agreed to pay \$4.5 million in a retirement allowance and \$2.0 million in consulting services to the former President and CEO, which were recorded in the consolidated statements of earnings (loss) for the year ended March 31, 2024. These payments began in the current fiscal year once the successor was appointed and were to be fully settled within a 24-month period. As of March 31, 2025, the entirety of the retiring allowance was paid and \$1.0 million of consulting fees is recorded in accounts payable and accrued liabilities as at March 31, 2025. In the current year, the Company also recorded \$0.5 million of consulting fees as part of selling and administration in the consolidated statement of earnings (loss) related to services provided by the former President and CEO during the transition period.

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

Financial Statements and Accounting Policies

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

Critical Accounting Estimates

The preparation of consolidated financial statements in accordance with IFRS Accounting Standards 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 revenue and expenses during the reporting periods and the extent of and the reported amounts in disclosures. Actual results may vary from current estimates. These estimates are reviewed periodically and as adjustments become necessary, they are recorded in the period in which they change. Specific areas of uncertainty include but are not limited to:

Impairment of goodwill and indefinite life intangible assets

Testing goodwill for impairment at least annually involves judgment in estimating the recoverable amount of the CGUs to which goodwill is allocated. This requires making assumptions about future cash flows, growth rates and discount rates. Testing indefinite life intangible assets for impairment at least annually involves estimating the fair value using the relief of royalty method. This requires making assumptions about royalty rates, growth rates and discount rates. These assumptions are inherently uncertain and as such, actual amounts may vary from these assumptions and cause significant adjustments.

Post-employment benefits

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

Leases

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

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

Recently adopted accounting pronouncements

IAS 1, Presentation of Financial Statements

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

Recently issued accounting pronouncements

Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments

In May 2024, amendments to IFRS 9 and IFRS 7 were issued to:

- a) Clarify the date of recognition and derecognition of some financial assets and liabilities, with the exception of some financial liabilities settled through an electronic cash transfer system;
- b) Clarify and add further guidance for assessing whether a financial asset meets the “solely payments of principal and interest” criterion;
- c) Add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and
- d) Update the disclosures for equity instruments designated at fair value through other comprehensive (loss) income (FVOCI).

The amendments are effective for annual reporting periods beginning on or after January 1, 2026 with earlier adoption permitted. The Company has not yet assessed the impact of the new standard on the consolidated financial statements.

IFRS 18, Presentation and Disclosure in Financial Statements

In April 2024, IFRS 18 was issued to achieve comparability of the financial performance of similar entities. The standard, which replaces IAS 1, impacts the presentation of primary financial statements and notes, including the statement of earnings where companies will be required to present separate categories of income and expense for operating, investing, and financing activities with prescribed subtotals for each new category. The standard will also require management-defined performance measures to be explained and included in a separate note within the consolidated financial statements. The standard is effective for annual reporting periods beginning on or after January 1, 2027, including interim financial statements, and requires retrospective application. The Company has not yet assessed the impact of the new standard on the consolidated financial statements.

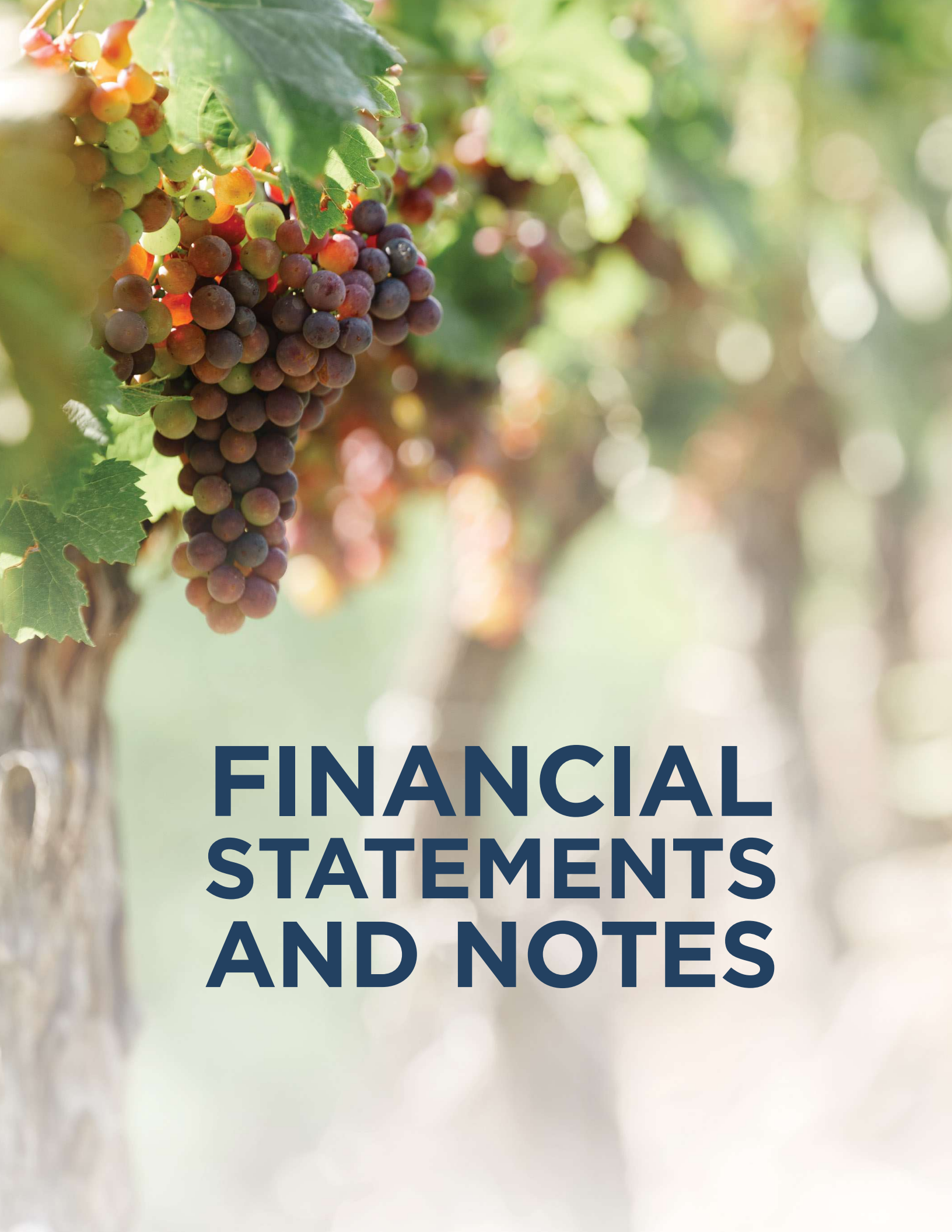
Evaluation of Disclosure Controls and Procedures and Internal Control over Financial Reporting

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information required to be disclosed by the Company in reports filed with or submitted to various securities regulators are recorded, processed, summarized and reported within the time periods specified. This information is gathered and reported to the Company's management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") on a timely basis so that decisions can be made regarding the Company's disclosures to the public.

The Company's management, under the supervision of, and with the participation of, the CEO and CFO, have designed and maintained the Company's disclosure controls and procedures as required in Canada by "National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings". As at June 11, 2025, the CEO and CFO of the Company have evaluated the effectiveness of the disclosure controls and procedures. Based on these evaluations, the CEO and CFO have concluded that the controls and procedures were operating effectively.

Internal Controls over Financial Reporting

Internal controls over financial reporting are procedures designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to reliability of financial reporting and financial statement preparation. Designing, establishing, and maintaining adequate internal controls over financial reporting is the responsibility of management. Internal controls over financial reporting is a process designed by, or under the supervision of, senior management and effected by the Board of Directors to provide reasonable assurance regarding the reliability of financial reporting and preparation of the Company's financial statements in accordance with IFRS. For the year ended March 31, 2025, there have been no material changes in the Company's internal controls over financial reporting or changes to disclosure controls and procedures that materially affected or were likely to affect, the Company's internal control systems. As at June 11, 2025, the CEO and CFO of the Company have evaluated the effectiveness of the Company's internal controls over financial reporting. Based on these evaluations, the CEO and CFO have concluded that the controls and procedures were operating effectively.



FINANCIAL STATEMENTS AND NOTES

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, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated balance sheets as at March 31, 2025 and 2024;
- the consolidated statements of earnings (loss) for the years then ended;
- the consolidated statements of comprehensive income (loss) 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, comprising material accounting policy information and other explanatory information.

Basis for opinion

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

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

Independence

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended March 31, 2025. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Costing of bulk wine and spirits inventories <i>Refer to note 2 – Summary of material accounting policies and note 4 – Inventories to the consolidated financial statements.</i> The total value of bulk wine and spirits inventories amounted to \$77.4 million as at March 31, 2025. The Company carries bulk wine and spirits inventories on an average cost basis. The weighted average costs are determined separately for import bulk wine, domestic bulk wine and spirits for each varietal and vintage year. We considered this a key audit matter due to the magnitude of the bulk wine and spirits inventories balance and the high degree of audit effort in performing procedures related to evaluating management’s calculation of average costs.	Our approach to addressing the matter involved the following procedures, among others: • Tested the operating effectiveness of controls relating to management’s bulk wine and spirits inventories costing process, including controls over the review of the inputs in the calculation of average costing and approval of bulk wine and spirit inventories costs. • On a sample basis of bulk wine and spirits inventory items, tested the underlying inputs in the calculation of weighted average cost against supporting third party support, evidence of payment and the allocation of internal overhead costs. • Performed a reconciliation of total domestic bulk wine purchases made during the year to the carrying value of domestic bulk wine inventory and performed testing over any significant reconciling items. • On a sample basis of inventory items, tested the mathematical accuracy of the weighted average cost calculation. • Attended and performed inventory test counts for a sample of locations or obtained third party confirmations at certain locations to test the existence and accuracy of the quantity of bulk wine and spirits inventories as an input to the weighted average costs calculations.

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 express any form of assurance conclusion thereon.

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

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

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

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

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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario

June 11, 2025

Consolidated Balance Sheets
As at March 31, 2025 and 2024
(in thousands of Canadian dollars)

	2025 \$	2024 \$
Assets		
Current assets		
Accounts receivable (note 21)	46,774	33,382
Inventories (notes 4 and 17)	170,170	192,469
Biological assets (note 6)	1,560	522
Prepaid expenses and other assets	5,281	3,650
Current portion of derivative financial instruments (note 21)	63	357
	223,848	230,380
Property, plant and equipment (note 5)	207,630	210,132
Right-of-use assets (note 10)	19,326	16,993
Intangible assets (note 7)	37,406	40,459
Pension asset (note 12)	1,592	1,597
Goodwill (note 8)	53,638	53,638
	543,440	553,199
Liabilities		
Current liabilities		
Bank indebtedness (note 11)	2,132	199
Accounts payable and accrued liabilities (note 9)	53,435	48,306
Dividends payable	2,602	2,603
Lease obligations (note 10)	4,190	5,370
Current portion of derivative financial instruments (note 21)	1,118	-
Income taxes payable	2,317	2,236
	65,794	58,714
Long-term debt (note 11)	180,294	208,294
Long-term derivative financial instruments (note 21)	1,426	998
Lease obligations (note 10)	16,560	12,649
Post-employment benefit obligations (note 12)	2,155	2,041
Deferred income taxes (note 13)	33,429	29,066
	299,658	311,762
Shareholders' Equity		
Capital stock (note 14)	29,471	28,835
Contributed surplus (note 15)	8,443	6,567
Retained earnings	206,918	206,753
Accumulated other comprehensive loss	(1,050)	(718)
	243,782	241,437
	543,440	553,199
Contingent liabilities and unrecognized contractual commitments (note 19)		
Events after the reporting period (note 25)		

R. Bruce McDonald
Director

Chris Tsiofas
Director

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

Consolidated Statements of Earnings (Loss)
For the years ended March 31, 2025 and 2024
(in thousands of Canadian dollars, except per share amounts)

	2025	2024
	\$	\$
Revenue (note 17)	389,607	385,856
Cost of goods sold, excluding amortization (notes 16 and 17)	223,002	235,254
Amortization of plant and equipment used in production	11,034	10,332
Gross profit	155,571	140,270
Selling and administration (notes 16 and 23)	103,716	109,773
Amortization of equipment, right-of-use and intangible assets used in selling and administration	12,692	12,476
Interest expense	16,216	16,964
Net unrealized loss on derivative financial instruments (note 21)	1,840	641
Loss on debt extinguishment and financing fees (note 11)	-	2,172
Other expenses, net (note 16)	3,480	1,130
	137,944	143,156
Earnings (loss) before income tax	17,627	(2,886)
Income tax expense (recovery) (note 13)		
Current	2,032	4,703
Deferred	4,480	(4,737)
	6,512	(34)
Net earnings (loss) for the year	11,115	(2,852)
Net earnings (loss) per share (note 18)		
Basic		
Class A Common Shares	0.26	(0.07)
Class B Common Shares	0.23	(0.06)
Diluted		
Class A Common Shares	0.25	(0.07)
Class B Common Shares	0.22	(0.06)

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

Consolidated Statements of Comprehensive Income (Loss)
For the years ended March 31, 2025 and 2024
(in thousands of Canadian dollars)

	2025 \$	2024 \$
Net earnings (loss) for the year	11,115	(2,852)
Items that are never reclassified to net earnings (loss)		
Net actuarial (losses) gains on post-employment benefit plans (note 12)	(449)	411
Deferred income tax recovery (expense) (note 13)	117	(108)
Other comprehensive (loss) income for the year	(332)	303
Net comprehensive income (loss) for the year	10,783	(2,549)

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

Consolidated Statements of Changes in Equity
For the years ended March 31, 2025 and 2024
(in thousands of Canadian dollars)

	Capital stock \$	Contributed surplus \$	Retained earnings \$	Accumulated other comprehensive loss \$	Total shareholders' equity \$
Balance at March 31, 2023	28,033	6,627	219,999	(1,021)	253,638
Net comprehensive (loss) income for the year	-	-	(2,852)	303	(2,549)
Exercise of share awards and issuance of Class A non-voting Common Shares (notes 14 and 15)	802	(802)	-	-	-
Share-based compensation (note 15)	-	742	-	-	742
Dividends (Class A Common Shares \$0.246 per share, Class B Common Shares \$0.214 per share)	-	-	(10,394)	-	(10,394)
Balance at March 31, 2024	28,835	6,567	206,753	(718)	241,437
Net comprehensive (loss) income for the year	-	-	11,115	(332)	10,783
Repurchase and cancellation of Class A non-voting Common Shares (notes 14 and 15)	(138)	-	(543)	-	(681)
Exercise of share awards and issuance of Class A non-voting Common Shares (notes 14 and 15)	774	(774)	-	-	-
Share-based compensation (note 15)	-	2,650	-	-	2,650
Dividends (Class A Common Shares \$0.246 per share, Class B Common Shares \$0.214 per share)	-	-	(10,407)	-	(10,407)
Balance at March 31, 2025	29,471	8,443	206,918	(1,050)	243,782

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

Consolidated Statements of Cash Flows
For the years ended March 31, 2025 and 2024
(in thousands of Canadian dollars)

	2025 \$	2024 \$
Cash provided by (used in)		
Operating activities		
Net earnings (loss) for the year	11,115	(2,852)
Adjustments for non-cash items		
Loss (gain) on disposal of property, plant and equipment and intangible assets	2,503	(473)
Amortization of plant, equipment, right-of-use assets and intangible assets	23,726	22,808
Impairment of intangible assets	750	-
Amortization of deferred financing fees	-	4
Interest expense	16,216	16,960
Income taxes	6,512	(34)
Loss on debt extinguishment and financing fees	-	2,172
Net unrealized loss on derivative financial instruments	1,840	641
Share-based compensation expense	2,593	554
Post-employment benefits	(349)	(209)
Curtailment gain on terminated other post-employment benefit plan	-	(207)
Interest paid	(15,146)	(14,927)
Wine Sector Support Program, net (note 17)	(920)	1,306
Income tax (paid) received	(1,951)	1,837
	46,889	27,580
Change in non-cash working capital items related to operations (note 20)	13,295	10,535
	60,184	38,115
Investing activities		
Proceeds from sale of property, plant and equipment	34	938
Purchase of property, plant and equipment	(15,831)	(14,421)
Purchase of intangible assets	(1,795)	(1,352)
	(17,592)	(14,835)
Financing activities		
Net increase (decrease) in bank indebtedness	1,933	(4,743)
Repayment of lease obligations	(5,436)	(4,935)
Drawings on long-term debt	38,000	21,000
Repayment of long-term debt	(66,000)	(23,043)
Financing fees paid	-	(1,177)
Repurchase and cancellation of class A non-voting shares	(681)	-
Dividends paid	(10,408)	(10,382)
	(42,592)	(23,280)
Change in cash during the year	-	-
Cash – Beginning of year	-	-
Cash – End of year	-	-
Supplementary information		
Property, plant and equipment and intangibles acquired that were unpaid in cash and included in accounts payable and accrued liabilities	76	142
Proceeds from sale of property, plant and equipment that were not yet collected and included in accounts receivable	1,936	-

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2025 and 2024

(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 material accounting policies

Basis of presentation

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

These consolidated financial statements were approved by the Board of Directors for issuance on June 11, 2025.

Basis of measurement

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

Basis of consolidation

These consolidated financial statements include the accounts of the Company and all subsidiary companies, including Canrim Packaging Limited, Global Vintners Inc., Riverbend Inn & Winery Inc., Sandhill Vineyards Ltd., Small Winemakers Collections Inc., 1488504 B.C LTD., and APL (Port Moody) Limited Partnership, all of which are wholly owned by Andrew Peller Limited. Subsidiaries are those entities the Company controls by having the power to govern their financial and operating policies. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are de-consolidated from the date control ceases. Intercompany transactions, balances, income and expenses and profits and losses are eliminated.

Business combinations

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

Foreign currency translation

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

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

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 sales of wine, product returns, breakage, promotional and advertising allowances and discounts provided to customers are deducted from the selling price to determine the transaction price at which revenue is recognized. Expected product returns and breakage are estimated based on historical actuals as a percentage of sales.

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

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

Cost of goods sold

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

Inventories

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

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

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

Government support programs

Support programs from the government are recognized at the amount of cash received or to be received when there is reasonable assurance that the support will be received and the Company will comply with all conditions. Government support programs are recognized in the consolidated statements of earnings (loss) as a reduction of the expense that the support is intended to compensate or as other revenue if the support is intended to compensate for lost revenue or meets the broader definition of revenue and arises in the course of ordinary business.

Property, plant and equipment

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

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

Land and vineyard land is carried at cost and is not amortized.

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

Biological assets

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

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

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

Intangible assets

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

	Amortization method	Useful life	Remaining useful life
Brands	n/a	indefinite	indefinite
Customer contracts and lists	straight-line	10 – 20 years	2 – 3 years
Software	straight-line	5 – 15 years	5 – 15 years

Certain of the Company's brands have been assessed as having an indefinite life because the expected usage, period of control and other factors do not limit the life of these assets. Intangible assets with an indefinite life are not amortized but are tested for impairment at least annually or more frequently if events or circumstances indicate the asset might be impaired. To test for impairment, the Company primarily compares the amount of royalty the Company would have had to pay in an arm's length licensing arrangement to secure access to the same rights to its carrying value. If necessary, the fair value is also considered. An impairment charge is recorded to the extent the carrying value exceeds the fair value.

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

Goodwill

Goodwill represents the cost of a business combination in excess of the fair values of the net tangible and identifiable intangible assets acquired. Goodwill is not amortized but is tested for impairment on an annual basis, or more frequently if events or circumstances indicate that the carrying value may be impaired. The Company assigns assets to cash generating units (CGUs) at the lowest level at which the combined assets generate independent cashflows – based on certain product and distribution channels. The Company allocates goodwill to CGUs based on the lowest level that goodwill is monitored for internal management purposes. An impairment loss is recognized if the carrying amount of a CGU to which the goodwill relates exceeds its recoverable amount. The recoverable amount of a CGU is based on a value in use method using a discounted cash flow model. If necessary, a CGU's fair value is also considered. An impairment loss in respect of goodwill cannot be reversed.

Post-employment benefits

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

Financial instruments and hedge accounting

Financial assets and liabilities are initially recorded at fair value including, where permitted by IFRS 9, Financial Instruments, any directly attributable transaction costs. For those financial assets that are not subsequently held at fair value, the Company assesses whether there is evidence of impairment at each consolidated balance sheet date.

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

Expected credit losses on financial assets carried at amortized cost are assessed on a forward-looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and selecting the inputs to the impairment calculation,

based on past history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

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

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

Leases

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

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

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

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

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

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

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

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

Impairment of non-financial assets

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

Net earnings (loss) per share

Basic net earnings (loss) per share has been calculated using the weighted average number of Class A and Class B Common Shares outstanding during the year. Diluted net earnings (loss) 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.

Segmented information

The Company produces and markets wine, spirits and wine related products in Canada. 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 (loss) 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 or loss in the years in which temporary differences are expected to be recovered or settled. The deferred income tax provision recorded in net earnings (loss) and other comprehensive (loss) income represents the change during the year in deferred income tax assets and deferred income tax liabilities.

Equity

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

Share-based compensation

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

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

The grant date fair value of equity-settled share-based awards is recognized as compensation expense with a corresponding increase in equity reserves over the related service period provided to the Company. The total amount of expense recognized in earnings 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 either in full at the end of the third fiscal year after the date of grant or in three tranches with one-third vesting at each fiscal year end following the date of grant and, accordingly, the expense is recognized over the vesting period. RSUs vest rateably over the restriction period and accordingly, the expense is recognized over the restriction period. DSUs vest immediately and, accordingly, the expense is recognized in full at the date of grant.

Compensation expense is recognized over the applicable vesting period by increasing contributed surplus based on the number of awards expected to vest. At the end of each reporting period, the Company revises its estimates of the number of awards that are expected to vest and be delivered 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 (loss), with a corresponding adjustment to contributed surplus.

Recently adopted accounting pronouncements

IAS 1, Presentation of Financial Statements

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

Recently issued accounting pronouncements

Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments

In May 2024, amendments to IFRS 9 and IFRS 7 were issued to:

- (a) Clarify the date of recognition and derecognition of some financial assets and liabilities, with the exception of some financial liabilities settled through an electronic cash transfer system;
- (b) Clarify and add further guidance for assessing whether a financial asset meets the “solely payments of principal and interest” criterion;
- (c) Add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and
- (d) Update the disclosures for equity instruments designated at fair value through other comprehensive (loss) income (FVOCI).

The amendments are effective for annual reporting periods beginning on or after January 1, 2026 with earlier adoption permitted. The Company has not yet assessed the impact of the new standard on the consolidated financial statements.

IFRS 18, Presentation and Disclosure in Financial Statements

In April 2024, IFRS 18 was issued to achieve comparability of the financial performance of similar entities. The standard, which replaces IAS 1, impacts the presentation of primary financial statements and notes, including the statement of earnings (loss) where companies will be required to present separate categories of income and expense for operating, investing, and financing activities with prescribed subtotals for each new category. The standard will also require management-defined performance measures to be explained and included in a separate note within the consolidated financial statements. The standard is effective for annual reporting periods beginning on or after January 1, 2027, including interim financial statements, and requires retrospective application. The Company has not yet assessed the impact of the new standard on the consolidated financial statements.

3 Critical accounting estimates

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

Impairment of goodwill and indefinite life intangible assets

Testing goodwill for impairment at least annually involves judgment in estimating the recoverable amount of the CGUs to which goodwill is allocated. This requires making assumptions about future cash flows, growth rates and discount rates. Testing indefinite life intangible assets for impairment at least annually involves estimating the fair value using the relief of royalty method. This requires making assumptions about royalty rates, growth rates and discount rates. These assumptions are inherently uncertain and as such, actual amounts may vary from these assumptions and cause significant adjustments. Refer to notes 7 and 8 for further information.

Post-employment benefits

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

Leases

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

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

4 Inventories

	2025 \$	2024 \$
Packaging materials and supplies	17,528	23,713
Bulk wine and spirits, net of wine sector support program (note 17)	77,418	86,867
Finished goods	75,224	81,889
	<u>170,170</u>	<u>192,469</u>
Interest included in the cost of inventories (2025 – 6.97%, 2024 – 8.02%)	<u>3,880</u>	<u>5,083</u>

Inventory write-downs recognized as an expense amounted to \$4,489 (2024 – \$6,270).

The cost of inventories recognized as an expense and included in cost of goods sold, excluding amortization, was \$228,264 (2024 – \$228,984).

5 Property, plant and equipment

	Land \$	Vines, vineyard land and infrastructure \$	Buildings \$	Machinery and equipment \$	Total \$
At March 2023					
Cost	39,956	53,049	102,311	185,714	381,030
Accumulated amortization	-	(21,958)	(32,937)	(115,870)	(170,765)
Net carrying amount	39,956	31,091	69,374	69,844	210,265
Year ended March 2024					
Additions	1,885	4,808	1,413	6,231	14,337
Disposals	-	(722)	-	(21)	(743)
Amortization	-	(1,768)	(2,778)	(9,181)	(13,727)
Closing net carrying amount	41,841	33,409	68,009	66,873	210,132
At March 2024					
Cost	41,841	56,833	103,724	191,793	394,191
Accumulated amortization	-	(23,424)	(35,715)	(124,920)	(184,059)
Net carrying amount	41,841	33,409	68,009	66,873	210,132
Year ended March 2025					
Additions	2,571	3,734	2,521	6,939	15,765
Disposals	-	(4,414)	-	(59)	(4,473)
Amortization	-	(1,819)	(2,841)	(9,134)	(13,794)
Closing net carrying amount	44,412	30,910	67,689	64,619	207,630
At March 2025					
Cost	44,412	49,409	106,245	192,815	392,881
Accumulated amortization	-	(18,499)	(38,556)	(128,196)	(185,251)
Net carrying amount	44,412	30,910	67,689	64,619	207,630

Contractual commitments to purchase property, plant and equipment were \$3,047 as at March 31, 2025 (2024 – \$599).

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, 2025, the Company harvested grapes valued at \$2,718 (2024 – \$6,129).

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

	2025 \$	2024 \$
Carrying amount – Beginning of year	522	2,920
Net increase in fair value less costs to sell due to biological transformation	3,756	3,731
Transferred to inventory on harvest	(2,718)	(6,129)
Biological assets	1,560	522

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

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

7 Intangible assets

	Brands \$	Customer contracts and lists \$	Software \$	Other \$	Total \$
At March 31, 2023					
Cost	10,239	12,827	39,659	1,917	64,642
Accumulated amortization and impairment	(200)	(10,564)	(8,997)	(1,816)	(21,577)
Net carrying amount	10,039	2,263	30,662	101	43,065
Year ended March 31, 2024					
Additions	-	-	1,352	-	1,352
Amortization	-	(493)	(3,465)	-	(3,958)
Closing net carrying amount	10,039	1,770	28,549	101	40,459
At March 31, 2024					
Cost	10,239	12,827	41,011	1,917	65,994
Accumulated amortization and impairment	(200)	(11,057)	(12,462)	(1,816)	(25,535)
Net carrying amount	10,039	1,770	28,549	101	40,459
Year ended March 31, 2025					
Additions	-	-	1,795	-	1,795
Impairment	(750)	-	-	-	(750)
Amortization	-	(465)	(3,633)	-	(4,098)
Closing net carrying amount	9,289	1,305	26,711	101	37,406
At March 31, 2025					
Cost	10,239	12,827	42,806	1,917	67,789
Accumulated amortization and impairment	(950)	(11,522)	(16,095)	(1,816)	(30,383)
Net carrying amount	9,289	1,305	26,711	101	37,406

Contractual commitments to purchase software were \$313 as at March 31, 2025 (2024 – \$2,189).

The Company recorded an impairment loss of \$750 (2024 - \$nil) on intangible assets for the year ended March 31, 2025.

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. Due to the change in executive management during the fiscal year and consequently the change in the chief operating decision maker, the Company re-assessed its CGUs and operating segments. For the year ended March 31, 2025, the Company allocated goodwill to one CGU and operating segment.

The aggregate carrying amount of goodwill is allocated as follows:

	2025 \$	2024 \$
Wine Products	53,638	-
Ontario and Eastern Canadian wine	-	3,134
Western Canadian wine	-	26,695
Personal winemaking products	-	23,809
	<u>53,638</u>	<u>53,638</u>

The Company determined the recoverable amount of the related CGU by estimating its value in use. The key assumptions used are:

	2025	2024
Discount rate	9.23%	10.1%
Average revenue growth rate during the period of projected cash flows	1.4%	2.1%
Gross profit percentage	42.2%	41.1%
Terminal growth rate	2.7%	3.0%

As at March 31, 2025, the Company's book value of net assets exceeded its market capitalization, which was an indication of impairment and triggered an overall impairment assessment. The Company uses past experience and current expectations about future performance in projecting cash flows, which are based on financial budgets projected over a period of five years. For the period after the initial projection, 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.

Changes in market conditions could result in changes in the carrying value of goodwill in the future. Sensitivity analysis was performed by changing the following key assumptions: discount rate, gross profit percentage, average revenue growth rate during the period of projected cash flows, and the terminal growth rate.

The Company determined the impact of what a reasonable change in each key assumption would be to the discounted cash flows. No reasonable changes in key assumptions would result in an impairment of the CGU. No impairment in goodwill for the years ended March 31, 2025 and 2024 was recognized as a result of the impairment test.

9 Accounts payable and accrued liabilities

	2025 \$	2024 \$
Trade payables	26,151	22,615
Accrued liabilities	25,115	23,967
Deferred revenue	2,169	1,724
	<u>53,435</u>	<u>48,306</u>

10 Right-of-use assets and lease obligations

	Vineyard land \$	Buildings \$	Machinery and equipment \$	Total \$
Closing net carrying amount as at March 31, 2023	6,014	4,913	2,685	13,612
Year ended March 31, 2024				
Additions	691	8,272	2,066	11,029
Terminations	(556)	(1,597)	(372)	(2,525)
Amortization	(487)	(3,601)	(1,035)	(5,123)
Closing net carrying amount as at March 31, 2024	5,662	7,987	3,344	16,993
Year ended March 31, 2025				
Additions	-	6,855	1,896	8,751
Terminations	-	(287)	(297)	(584)
Amortization	(503)	(3,981)	(1,350)	(5,834)
Closing net carrying amount as at March 31, 2025	5,159	10,574	3,593	19,326

The lease obligations transactions during the year were as follows:

Lease obligations	2025 \$	2024 \$
Balance – Beginning of year	18,019	14,728
Additions	8,751	11,029
Terminations	(584)	(2,803)
Repayments	(6,597)	(5,812)
Interest	1,161	877
Balance – End of year	20,750	18,019
Less: Current portion of lease obligations	4,190	5,370
Lease obligations	16,560	12,649

Expenses related to leases with variable consideration amounting to \$1,171 (2024 – \$995) and short-term leases and low value leases amounting to \$1,631 (2024 – \$1,508) were recorded within selling and administration expenses. The total cash outflows relating to leases during the year were \$9,399 (2024 – \$8,315).

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

11 Bank indebtedness and Long-term debt

	2025 \$	2024 \$
Bank indebtedness	2,132	199
Long-term debt	180,294	208,294

On June 13, 2023, the Company amended and restated its credit facility, which is now comprised of an asset backed revolving facility maturing on June 13, 2027. The overall facility size was reduced from \$350,000 to \$275,000, and the borrowing limit is based on certain percentages of the fair value of accounts receivable, inventory and real property. The facility is an interest-only facility with principal repayment due upon maturity, unless the borrowing limit is reduced below the amount borrowed, at which time, the excess amount borrowed must be repaid immediately. The facility is to be used to fund day-to-day operations, distributions, capital expenditures and acquisitions.

On June 30, 2023, the Company entered into an interest rate swap agreement with a notional amount of \$65,000. Until June 13, 2027, the interest rate on this portion of the facility is fixed at 4.46%, plus the applicable margin. The interest rate on the balance of the facility had a variable interest rate of CDOR, plus the applicable margin. In response to the cessation of CDOR on June 28, 2024, and the benchmark being replaced by the Canadian Overnight Repo Rate Average ("CORRA"), the Company amended its credit facility and associated interest rate swap agreements on June 21, 2024 in which the interest rate on the balance of the facility has been updated to a variable interest rate of CORRA, plus the applicable margin. As at March 31, 2025 and 2024, the applicable margin was 2.50%.

Management performed an assessment, which included reviewing qualitative factors, and determined that these amendments constituted an extinguishment of long-term debt, which resulted in the derecognition of the carrying amount of the original credit facility and the recognition of the restated facility and fair market value in the fiscal year ended March 31, 2024. As a result, for the year ended March 31, 2024, the Company recorded a loss on extinguishment of \$995 and financing fees of \$1,177 were expensed immediately.

Interest expense of \$13,745 (2024 - \$15,299) was recorded in the consolidated statements of earnings (loss). As at March 31, 2025, \$1,033 (2024 - \$1,273) of unpaid interest related to the Company's bank indebtedness and long-term debt is recorded in accounts payable and accrued liabilities.

The Company and its subsidiaries have provided their assets as security for these loans. The amended credit facility is subject to a minimum fixed charge coverage ratio covenant when excess availability as a percentage of the facility limit is below 12.5%. As at March 31, 2025, the borrowing limit, which is calculated based on certain percentages of the fair value of accounts receivable, inventory, and real property was \$248,552, which is less than the facility limit of \$275,000. Excess availability as at March 31, 2025 was 25% and therefore the minimum fixed charge coverage ratio was not applicable at March 31, 2025.

As at March 31, 2025 and 2024, the Company was in compliance with the excess availability covenant.

The following table summarizes the change in the Company's long-term debt arising from financing activities for the year ended March 31, 2025:

	\$
Balance – Beginning of year	208,294
Drawings	38,000
Repayments	<u>(66,000)</u>
Balance – End of year	<u>180,294</u>

12 Post-employment benefits

Defined contribution plans

The total expenses for the defined contribution savings plans were \$2,479 (2024 – \$2,739).

Defined benefit plans

The Company has funded defined benefit pension plans. The Company also has an unfunded post-retirement medical benefits plan for certain employees and provides a monthly wine allowance to retired employees, which are collectively referred to as other post-employment benefits. In June 2023, as part of the new collective bargaining agreement, the Company's other post-employment benefit plan for retiring bonuses was terminated and there are no future funding requirements for the Company under this plan. In connection with this transaction, the Company recognized a curtailment gain of \$207, which was recorded as part of the net benefit plan expense in the consolidated statement of loss for the year ended March 31, 2024.

Nature

The Company's defined benefit pension plans pay benefits based on a percentage of final average salary. There is one defined benefit pension plan 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 management is responsible for overseeing the Company's defined benefit pension plans and reports to a committee of the Company's Board of Directors.

Regulatory information

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

Risks

The defined benefit plans assets are invested in mutual funds. The investment mix for each plan is chosen with the objective that sufficient assets will be available to pay benefits as they come due and to achieve a reasonable return at an acceptable level of risk to stakeholders. The defined benefit plans subject the Company to market,

interest rate, currency, price, credit, liquidity and longevity risks, which are typical of such plans. The most significant of these risks is that the expense and cash contributions related to these plans depend on the discount rate used to measure the liability to pay future benefits and the market performance of the plan's assets set aside to pay these benefits. A decline in long-term interest rates or in asset values could increase the Company's costs related to funding the deficit in these plans.

Amounts pertaining to defined benefit plans are as follows:

	2025		
	Pension benefits \$	Other post- employment benefits \$	Total \$
Plan assets			
Fair value – Beginning of year	21,006	-	21,006
Return on plan assets excluding amounts in interest income	414	-	414
Interest income	993	-	993
Company's contributions	522	85	607
Benefits paid	(1,182)	(85)	(1,267)
Fair value – End of year	21,753	-	21,753
Plan obligations			
Accrued benefit obligations – Beginning of year	19,775	1,675	21,450
Total current service cost	220	38	258
Interest cost	932	80	1,012
Benefits paid	(1,182)	(85)	(1,267)
Remeasurements			
Experience loss	109	-	109
Past service cost	702	52	754
Accrued benefit obligations – End of year	20,556	1,760	22,316
Post-employment benefit (asset) obligation	(1,197)	1,760	563
Benefit plan expense			
Current service cost	220	38	258
Net interest (income) cost on defined benefit liability	(61)	80	19
Net benefit plan expense	159	118	277
Amount recognized in other comprehensive (loss) income			
Net actuarial loss	(397)	(52)	(449)
Expected contributions for the year ending March 31, 2026	309	86	395
Weighted average duration of the defined benefit obligations in years	10.0	10.6	10.0

	2024		
	Pension benefits \$	Other post- employment benefits \$	Total \$
Plan assets			
Fair value – Beginning of year	20,611	-	20,611
Return on plan assets excluding amounts in interest income	96	-	96
Interest income	973	-	973
Company's contributions	515	88	603
Benefits paid	(1,189)	(88)	(1,277)
Fair value – End of year	21,006	-	21,006
Plan obligations			
Accrued benefit obligations – Beginning of year	19,732	2,150	21,882
Total current service cost	210	56	266
Interest cost	928	98	1,026
Benefits paid	(1,189)	(88)	(1,277)
Curtailment gain	-	(207)	(207)
Remeasurements			
Experience gain	94	(409)	(315)
Gain from change in financial assumptions	-	75	75
Accrued benefit obligations – End of year	19,775	1,675	21,450
Post-employment benefit (asset) obligation	(1,231)	1,675	444
Benefit plan expense			
Current service cost	210	56	266
Net interest (income) cost on defined benefit liability	(45)	98	53
Curtailment gain	-	(207)	(207)
Past service cost	-	75	75
Net benefit plan expense	165	22	187
Amount recognized in other comprehensive income			
Net actuarial gain	2	409	411
Expected contributions for the year ending March 31, 2025	522	90	612
Weighted average duration of the defined benefit obligations in years	9.6	10.2	9.7

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

	2025 %	2024 %
Discount rate for expenses	4.8	4.8
Discount rate for obligations	4.5	4.8
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.

	2025		2024	
	Pension benefits \$	Other post- employment benefits \$	Pension benefits \$	Other post- employment benefits \$
Increase (decrease) in the post-employment benefit obligations				
1% increase in the discount rate	(1,709)	(170)	(1,714)	(149)
1% decrease in the discount rate	2,403	202	2,101	195
1% increase in the rate of compensation increase	440	-	173	-
1% decrease in the rate of compensation increase	(50)	-	(133)	-
1% increase in the inflation rate	224	-	224	-
1% decrease in the inflation rate	(207)	-	(207)	-

As at March 31, 2025, the accumulated actuarial losses, net of deferred taxes, recognized in other comprehensive (loss) income were \$1,050 (2024 – \$718).

Plan assets

The plan assets consist of the following:

	2025		2024	
	\$	%	\$	%
Mutual funds				
Fixed income	15,541	71	14,952	71
Equity	6,212	29	6,054	29
	21,753	100	21,006	100

13 Income taxes

	2025 \$	2024 \$
Current income tax expense	4,750	2,636
Prior period current tax adjustment	(2,718)	2,067
Current income tax expense	2,032	4,703
Change in temporary differences	1,734	(2,605)
Prior period deferred tax adjustment	2,769	(2,131)
Impact of change in tax rate	(23)	(1)
Deferred income tax expense (recovery)	4,480	(4,737)
Total income tax expense (recovery)	6,512	(34)

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

	2025 \$	2024 \$
Income taxes at blended statutory rate of 26.39% (2024 – 26.41%)	4,652	(762)
Permanent differences and non-deductible items	869	212
Future income tax rate changes	(23)	(1)
Effect of temporary differences not recognized	659	358
Prior period current tax adjustment	(2,718)	2,067
Prior period deferred tax adjustment	2,769	(2,131)
Other	304	223
	<u>6,512</u>	<u>(34)</u>

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

	2025 \$	2024 \$
Beginning of year	29,066	33,695
Deferred income taxes in net earnings (loss)	4,480	(4,737)
Deferred income taxes in other comprehensive (loss) income	(117)	108
End of year	<u>33,429</u>	<u>29,066</u>

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

Deferred income tax liability

	Accelerated tax depreciation and deductions on property, plant and equipment \$	Accelerated tax deductions on intangible assets \$	Tax deductions on goodwill \$	Other \$	Total \$
March 31, 2023	23,548	14,608	740	-	38,896
(Income) expense in net loss	528	(493)	9	-	44
March 31, 2024	24,076	14,115	749	-	38,940
(Income) expense in net earnings	(394)	(433)	8	928	109
March 31, 2025	<u>23,682</u>	<u>13,682</u>	<u>757</u>	<u>928</u>	<u>39,049</u>

Deferred income tax asset

	Lease obligations \$	Post- employment benefits \$	Other \$	Total \$
March 31, 2023	(3,884)	(335)	(982)	(5,201)
(Income) expense in net loss	(865)	111	(4,027)	(4,781)
Expense in other comprehensive income	-	108	-	108
March 31, 2024	(4,749)	(116)	(5,009)	(9,874)
(Income) expense in net earnings	(725)	87	5,009	4,371
Income in other comprehensive loss	-	(117)	-	(117)
March 31, 2025	(5,474)	(146)	-	(5,620)

The tax effects of temporary differences and loss carry forwards that give rise to significant portions of the deferred tax asset, which have not been recognized, are approximately as follows:

	2025 \$	2024 \$
Property, plant and equipment	2,924	1,556
Restricted interest carryforward	1,303	-
Non-capital losses	2,748	2,948
	6,975	4,504

The Company has the following non-capital losses available to reduce future years' federal and provincial taxable income, which have not been recognized and expire as follows:

	\$
2042	1,975
2043	773
	2,748

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

	2025			2024		
	Before income tax amount \$	Deferred tax expense \$	Net of income tax expense \$	Before income tax amount \$	Deferred tax expense \$	Net of income tax expense \$
Accumulated actuarial losses	1,400	350	1,050	951	233	718

14 Capital stock

Authorized

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

Issued

	2025		2024	
	Number of shares	Amount \$	Number of shares	Amount \$
Class A Common Shares, non-voting	35,311,492	29,112	35,243,647	28,471
Class B Common Shares, voting	8,036,183	359	8,144,183	364
	43,347,675	29,471	43,387,830	28,835

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

Class A Common Shares are non-voting and are entitled to a dividend in an amount equal to 115% of any dividend paid or declared on Class B Common Shares. Class B Common Shares are voting and convertible into Class A Common Shares on a one-for-one basis. During the year ended March 31, 2025, 108,000 Class B Common Shares were converted into Class A Common Shares.

As described in note 15, 118,351 Class A Common Shares were issued as a result of the exercise of share-based awards during the year ended March 31, 2025. In addition to the shares issued due to the exercise, the holders of DSUs, RSUs and PSUs earn dividends in the form of additional units and as a result, the Company issued an additional 9,894 Class A Common Shares.

On July 15, 2024, the Company announced its normal course issuer bid had been approved by the Toronto Stock Exchange. Under the issuer bid, the Company can purchase for cancellation up to 1,000,000 of its outstanding Class A non-voting common shares representing 2.8% of the Class A non-voting common shares outstanding at that time, over the ensuing twelve months.

The total number of Class A non-voting common shares repurchased for cancellation under the NCIB during the year ended March 31, 2025 amounted to 168,400 common shares, at a weighted average price of \$4.04 per Class A non-voting common share, for a total cash consideration of \$681. For the year ended March 31, 2025, the Company's share capital was reduced by \$138 and the remaining \$543 was accounted for as a decrease to retained earnings.

Annual dividends of \$0.246 (2024 – \$0.246) per Class A Common Share and \$0.214 (2024 – \$0.214) per Class B Common Share were approved by the Board of Directors on June 18, 2024 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, 2025 and 2024, there were no preference shares issued or outstanding.

Stock purchase plan

The Company's full-time salaried and certain hourly employees participate in a Company sponsored stock purchase plan. Under the terms of the plan, employees can purchase a certain number of Class A Common Shares on an annual basis. Employees are required to pay 67% of the market price per Class A Common Shares. The Company is responsible for the remainder of the cost and, during 2025, expensed \$225 (2024 – \$244) related to the employee program.

15 Share-based compensation

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

	2025 \$	2024 \$
1,634,833 stock options (2024 – 1,966,500) (a)	135	322
490,383 performance share units (2024 – 462,114) (b)	766	(130)
787,644 restricted share units (2024 – 246,038) (c)	1,568	362
53,019 deferred share units (2024 – 29,559) (d)	124	-
	<u>2,593</u>	<u>554</u>

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

The maximum number of shares that may be issued under all share-based compensation arrangements implemented by the Company, including the stock option plan, the PSU plan, the RSU plan and the DSU plan, may not exceed 10% of the total number of Class A non-voting Common Shares issued and outstanding from time to time. As at March 31, 2025, the Company had 4,857,470 Class A non-voting Common Shares reserved for issuance under the share-based compensation arrangements.

(a) Stock options

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

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

	2025		2024	
	Number of options	Weighted average exercise price per share \$	Number of options	Weighted average exercise price per share \$
Balance – Beginning of year	1,966,500	8.31	1,641,335	9.95
Granted	-	-	543,100	4.40
Forfeited	(331,667)	(6.65)	(217,935)	(10.93)
Balance – End of year	1,634,833	8.65	1,966,500	8.31
Exercisable	1,289,131	9.76	1,109,564	10.80

No options were granted during the fiscal year ended March 31, 2025. For options granted during the year ended March 31, 2024, the fair value was estimated on the grant date using the Black-Scholes fair value option pricing model using the following weighted average assumptions:

	2024
Weighted average fair value per share option	\$0.74
Expected volatility ⁽¹⁾	26.64%
Dividend yield	4.91%
Risk-free interest rate	3.38%
Weighted average expected life in years	10

⁽¹⁾ Expected volatility was determined using historical volatility.

Information relating to stock options outstanding and exercisable as at March 31, 2025 is as follows:

	Share options outstanding			Share options exercisable		
Range of exercise prices	Weighted average remaining life (in months)	Number of share options	Weighted average exercise price \$	Weighted average remaining life (in months)	Number of share options	Weighted average exercise price \$
0.01 to 5.00	107	425,200	4.40	107	141,734	4.40
5.01 to 10.00	76	785,333	8.10	74	723,097	8.31
10.01 to 15.00	43	326,000	13.06	43	326,000	13.06
15.01 to 20.00	41	98,300	17.21	41	98,300	17.21
	75	1,634,833	8.65	68	1,289,131	9.76

(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 granted during the fiscal year ended March 31, 2025 vest in three tranches with one-third vesting at each fiscal year end following the grant date. PSUs granted in prior years, vest in full at the end of the third fiscal year after the grant date. The number of units that will vest is determined based on the achievement of certain performance conditions (i.e., financial targets) established by the Board of Directors and are adjusted by a factor, which ranges from 0.5 to 2.0, depending on the achievement of the targets established. Therefore, the number of units that will vest and are exchanged for Class A non-voting Common Shares may be higher or lower than the number of units originally granted to a participant.

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

	2025		2024	
	Number of units	Grant date fair value per unit \$	Number of units	Grant date fair value per unit \$
Balance – Beginning of year	462,114	5.87	402,781	7.40
Granted	239,270	3.96	183,090	4.40
Exercised	-	-	(46,555)	(9.31)
Forfeited	(211,001)	(7.06)	(77,202)	(8.30)
Balance – End of year	490,383	4.42	462,114	5.87
Exercisable	188,383	4.78	-	-

Awards granted in September 2022 and the first tranche of awards granted in September 2024 vested March 31, 2025 and, based on the achievement of the performance conditions, 48,654 shares were forfeited and 188,383 shares will be delivered to participants.

(c) RSU plan

The Company has established an RSU plan for employees and officers of the Company. RSUs represent the right to receive Class A non-voting Common Shares settled by the issuance of treasury shares or shares purchased on the open market. RSUs will vest ratably over the restriction period, as to one-third of the RSUs on each anniversary of the grant date, commencing on the first anniversary of the grant date.

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

	2025		2024	
	Number of units	Grant date fair value per unit \$	Number of units	Grant date fair value per unit \$
Balance – Beginning of year	246,038	5.04	143,486	6.51
Granted	663,720	3.92	165,320	4.40
Exercised	(96,111)	(5.50)	(48,921)	(6.77)
Forfeited	(26,003)	(5.06)	(13,847)	(6.52)
Balance – End of year	787,644	4.04	246,038	5.04

(d) DSU plan

The Company has established a DSU plan for employees, officers and directors of the Company. DSUs represent the right to receive Class A non-voting Common Shares settled by the issuance of treasury shares or shares purchased on the open market. DSUs vest immediately, but are only exercisable when the participant's employment with the Company ceases, or when the participant is no longer a director of the Company. DSUs may be offered to directors of the Company subsequent to the year in which fees are earned. As a result, the issuance of DSUs is reflected as an increase to contributed surplus in the year the offer is made, which may not correspond to when the expense is recognized.

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

	2025		2024	
	Number of units	Grant date fair value per unit \$	Number of units	Grant date fair value per unit \$
Balance – Beginning of year	29,559	12.82	71,529	12.03
Issued	45,700	3.96	45,800	4.13
Exercised	(22,240)	(11.05)	(87,770)	(8.16)
Balance – End of year	53,019	5.91	29,559	12.82

16 Nature of expenses

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

	2025 \$	2024 \$
Raw materials and consumables	187,878	189,381
Employee compensation and benefits (note 23)	90,244	93,333
Advertising, promotion and distribution	30,026	29,442
Occupancy	11,363	11,861
Repairs and maintenance	7,303	8,050
Other external charges (note 23)	23,855	27,869
Government support programs (note 17)	(23,951)	(14,909)
	326,718	345,027

Other expenses, net are as follows:

	2025 \$	2024 \$
Ongoing costs related to Port Moody winery facility, net of rental income (a)	(23)	(400)
Restructuring (b)	2,701	805
Winter Vine Damage (c)	788	-
Other	14	725
	3,480	1,130

- During fiscal 2006, the Company closed its Port Moody winery facility and transferred production to its winery operations in Kelowna, British Columbia. The costs of maintaining this idle facility are recorded in other expenses, net and are offset by rental income earned.
- Restructuring costs of \$2,701 (2024 – \$805) were recorded during the year ended March 31, 2025. These costs relate to severance and other restructuring costs of certain departments within the Company.
- During the winter of 2024, British Columbia experienced an extreme weather event. The Company performed an assessment to identify the vines that were no longer viable. The carrying value of these vines, net of insurance proceeds receivable, was written of to other expenses, net.

17 Government programs

Wine Sector Support Program

In June 2022, Agriculture Canada announced the Wine Sector Support Program (WSSP) to provide non-repayable support to licensed Canadian wineries based on the production of bulk wine fermented in Canada from domestic and/or imported grapes.

During the year, the Company received \$13,281 (2024 – \$16,215) under this program, with the offset recorded as a reduction to the cost of inventory. In the Company's judgment, based on the provisions of the program, the support is intended to compensate for inventory production costs that the Company incurred to produce bulk wine, and will be recognized in the consolidated statements of earnings (loss) as a reduction in the cost of goods sold in the period the eligible wine is sold or is recognized as a reduction in the cost of inventory to the extent that the eligible wine is unsold and remains in inventory.

For the year ended March 31, 2025, \$14,201 of the support has been recognized as a credit to cost of goods sold (2024 – \$14,909) and \$8,141 remains recorded as a reduction to the cost of inventory (2024 – \$9,061) which will be released to cost of goods sold as the inventory is sold.

Ontario Grape Support Program

In May 2025, the government introduced the Ontario Grape Support Program (OGSP) to provide non-repayable support to eligible Ontario wineries for the production of Ontario non-VQA wine and International Domestic Blend wine. The intent of the program is to increase the percentage of Ontario grape content included in these products. Payments under the program are based on sales of these products to LCBO retail, grocery, convenience and on-site winery retails stores channels from the period of April 1, 2024 to March 31, 2025.

In the Company's judgement, as the intent of the program is to increase the percentage of Ontario grape content included in the production of Ontario non-VQA wine and International Domestic Blend wine, it is recognized in the consolidated statements of earnings (loss) as a reduction in the cost of goods sold in the period the eligible wine is sold. For the year ended March 31, 2025, \$9,750 (2024 - \$nil) has been recognized as a credit to cost of goods sold and is included in accounts receivable.

Vintners Quality Alliance (VQA) and other domestic support programs

Included within revenue is product revenue of \$375,548 (2024 – \$375,940) and other revenue associated with various provincial wine support programs of \$14,059 (2024 – \$9,916). The stated objectives of the programs are to provide support to help wineries invest in growing their VQA wine business and promote investment in growing the VQA and the domestic wine industry in Canada. Funds received under these programs are earned in the ordinary course of business and are estimated based on program documentation and the Company's determination of product eligibility. The amounts are subject to change as the programs are administered.

18 Net earnings (loss) per share

	2025		
	Class A	Class B	Total
	\$	\$	\$
Net earnings attributed for the year – basic	9,268	1,847	11,115
Weighted average number of shares outstanding – basic	35,269,238	8,081,454	
Net earnings per share – basic	0.26	0.23	
	2025		
	Class A	Class B	Total
	\$	\$	\$
Net earnings attributed for the year – diluted	9,343	1,772	11,115
Weighted average number of shares outstanding – diluted	37,043,826	8,081,454	
Net earnings per share – diluted	0.25	0.22	
	2024		
	Class A	Class B	Total
	\$	\$	\$
Net loss attributed for the year – basic and diluted	(2,374)	(478)	(2,852)
Weighted average number of shares outstanding – basic and diluted	35,137,593	8,144,183	
Net loss per share – basic and diluted	(0.07)	(0.06)	

19 Contingent liabilities and unrecognized contractual commitments

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

20 Non-cash working capital items

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

	2025 \$	2024 \$
Accounts receivable	(11,456)	(8,085)
Inventories and current portion of biological assets	20,978	18,040
Prepaid expenses and other assets	(1,631)	843
Accounts payable and accrued liabilities	5,404	(263)
	<u>13,295</u>	<u>10,535</u>

21 Financial instruments

Classification of financial instruments

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

			<u>2025</u>	
Assets/liabilities	Category	Measurement	Carrying amount \$	Fair value \$
Accounts receivable	Financial assets	Amortized cost	46,774	46,774
Bank indebtedness	Financial liabilities	Amortized cost	2,132	2,132
Accounts payable and accrued liabilities	Financial liabilities	Amortized cost	53,435	53,435
Dividends payable	Financial liabilities	Amortized cost	2,602	2,602
Long-term debt	Financial liabilities	Amortized cost	180,294	180,294
			<u>2024</u>	
Assets/liabilities	Category	Measurement	Carrying amount \$	Fair value \$
Accounts receivable	Financial assets	Amortized cost	33,382	33,382
Bank indebtedness	Financial liabilities	Amortized cost	199	199
Accounts payable and accrued liabilities	Financial liabilities	Amortized cost	48,306	48,306
Dividends payable	Financial liabilities	Amortized cost	2,603	2,603
Long-term debt	Financial liabilities	Amortized cost	208,294	208,294

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

Fair value

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

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

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

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

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

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

	2025 \$	2024 \$
Unrealized loss on interest rate swaps	1,805	739
Unrealized loss (gain) on foreign exchange forward contracts	35	(98)
	<u>1,840</u>	<u>641</u>

The fair value measurements of the Company's financial instruments are classified in the hierarchy below according to the significance of the inputs used in making the fair value measurements.

	2025		
Asset/liability	Quoted prices in active markets for identical assets (Level 1) \$	Significant observable inputs other than quoted prices (Level 2) \$	Significant unobservable inputs (Level 3) \$
Interest rate swap liability	-	(2,544)	-
Foreign exchange forward contracts asset	-	63	-

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	-	(739)	-
Foreign exchange forward contracts asset	-	98	-

Objectives and policy relating to financial risk management

• Interest rate risk

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

The Company has effectively fixed its interest rate on \$65,000 of its long-term debt until June 13, 2027 by entering into interest rate swaps. The interest rate swaps are measured at fair value. For the year ended March 31, 2025, the Company recorded a net unrealized non-cash loss of \$1,805 (2024 – \$739) related to mark-to-market adjustments on interest rate swaps, which are classified as a component of the net unrealized loss on derivative financial instruments in the consolidated statements of earnings (loss).

The remaining portion of the Company's borrowings are funded using a floating interest rate and as such, are sensitive to interest rate movements. As at March 31, 2025, with other variables unchanged, a 100 basis point change in interest rates would impact the Company's net earnings (loss) by approximately \$869 (2024 – \$1,062), 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 27% 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 \$13,068 (2024 – \$14,311) of the total accounts receivable against which an expected credit loss of \$154 (2024 – \$46) has been provided. Of the remaining non-provincial liquor board balances, \$1,077 (2024 – \$1,924) was over thirty days past due as at March 31, 2025. An expected credit loss of \$298 (2024 – \$222) has been provided against these accounts receivable amounts, which the Company has determined represents a reasonable estimate of the lifetime expected credit losses for trade receivables.

Sales to its largest customer, a provincial Crown corporation, were \$80,065 (2024 – \$74,185) during the year ended March 31, 2025. No other customers accounted for over 10% of sales during the years ended March 31, 2025 and 2024.

An analysis of accounts receivable is as follows:

	2025 \$	2024 \$
Liquor boards	13,068	14,311
Non-liquor boards		
Current	31,785	15,698
Past due 0 – 30 days	1,296	1,717
Past due 31 – 60 days	404	468
Past due > 60 days	673	1,456
Expected credit loss	(452)	(268)
	<u>46,774</u>	<u>33,382</u>

The change in the expected credit loss was as follows:

	2025 \$	2024 \$
Balance – Beginning of year	268	229
Provision for expected credit losses	194	97
Write offs	(10)	(58)
	<u>452</u>	<u>268</u>
Balance – End of year		

- **Liquidity risk**

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

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

The following table outlines the Company's contractual undiscounted obligations. The Company analyzes contractual obligations for financial liabilities in conjunction with other commitments in managing liquidity risk. Contractual obligations include long-term debt, leases and service agreements as at March 31, 2025.

	< 1 year \$	2 – 3 years \$	4 – 5 years \$	> 5 years \$	Total \$
Long-term debt	-	180,294	-	-	180,294
Leases	7,896	9,506	3,457	5,349	26,208
Service and royalty agreements	6,175	1,723	1,100	10,450	19,448
Pension	140	105	-	-	245
Grape and bulk wine purchase contracts	59,013	36,321	11,289	14,021	120,644
	73,224	227,949	15,846	29,820	346,839
Interest rate swap	2,896	3,618	-	-	6,514
Foreign exchange forwards	15,209	-	-	-	15,209
Total contractual obligations	91,329	231,567	15,846	29,820	368,562

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

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

As of March 31, 2025, the Company has not experienced a direct or material financial impact due to tariffs. Management continues to assess the exposure as part of its risk management practices and will recognize and disclose any material developments in future periods as applicable.

- **Foreign exchange risk**

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

The Company's foreign exchange risk arises on the purchase of bulk wine and concentrate, which are priced in US dollars, euro and Australian dollars. As at March 31, 2025, the Company has forward foreign currency contracts to buy US\$9,250 at rates averaging \$1.43 and AU\$2,200 at rates averaging \$0.90. 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 (loss) by approximately \$306 (2024 – \$357), \$29 (2024 – \$37) or \$72 (2024 – \$58), respectively. The Company has elected to not use hedge accounting and as a result, has recognized unrealized foreign exchange losses of \$35 (2024 – unrealized foreign exchange gains of \$98) in the consolidated statements of earnings (loss) as a component of the net unrealized loss on derivative financial instruments and has recorded the fair value of \$63 (2024 – \$98) in the current portion of derivative financial instruments in the consolidated balance sheets.

22 Capital disclosures

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

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

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

- Excess availability must exceed 12.5% of the lesser of the facility size or the borrowing limit, which is calculated based on certain percentages of the fair value of accounts receivable, inventory and real property; and
- At any time that the excess availability is below 12.5%, the Company must maintain a minimum fixed charge coverage ratio.

Compliance with these covenants is monitored by management on a quarterly basis.

23 Related parties and management compensation

Compensation of directors and executives

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

	2025 \$	2024 \$
Compensation and short-term benefits	5,626	4,172
Termination and retirement benefits	549	4,480
Post-employment benefits	251	263
Share-based compensation expense	1,944	390
	8,370	9,305

During fiscal 2024, the Company entered into agreements with its controlling shareholder, and others to formalize the retirement and transition of the former President and CEO. The Company also entered into a transition agreement with Peller Family Enterprises Inc. and the Peller family, which included provisions relating to the composition of the Board of Directors for a 24-month period.

The transition agreement also required Peller Family Enterprises Inc. and John E. Peller to vote in alignment for a period of 24 months. As such, the Company is jointly controlled by Peller Family Enterprises Inc., which owns 49.2% (2024 – 48.6%) and John E. Peller, who beneficially owns 24.8% (2024 – 24.5%) of the Company's Class B voting Common Shares. No individual has sole voting power or control in respect of the shares of the Company owned by Peller Family Enterprises Inc.

During the fiscal year ended March 31, 2024, the Company paid \$3,000 in legal and advisory fees incurred by certain shareholders in connection with these agreements, which were recorded within other external charges as part of selling and administration expense in the consolidated statements of earning (loss).

Per the agreements entered into in the prior year, the Company agreed to pay \$4,480 in a retirement allowance and \$2,000 in consulting services to the former President and CEO, which were recorded in the consolidated statements of loss for the year ended March 31, 2024. These payments began in the current fiscal year once the successor was appointed on July 9, 2024 and were to be fully settled within a 24-month period. As of March 31, 2025, the entirety of the retiring allowance was paid and \$1,000 of consulting fees is recorded in accounts payable and accrued liabilities as at March 31, 2025. In the current year, the Company recorded \$480 of consulting fees as part of selling and administration in the consolidated statement of earnings (loss) related to services provided by the former President and CEO during the transition period.

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

24 Entity wide disclosures

During the year, export sales were \$10,727 (2024 – \$12,148), primarily in the United States. The remainder of sales occurred in Canada. All of the Company's assets are located in Canada.

25 Events after the reporting period

On June 11, 2025, the Company's Board of Directors approved a common share dividend of \$0.0615 per Class A share and \$0.0535 per Class B share, to be paid on July 11, 2025.

TEN-YEAR SUMMARY

(in thousands, except per share amounts)

	2025	2024	2023	2022	2021
Sales and earnings					
Net sales	\$ 389,607	\$ 385,856	\$ 382,140	\$ 373,944	\$ 393,036
EBITA	62,889	50,309	38,012	39,188	63,046
Net earnings (loss)	11,115	(2,852)	(3,352)	12,468	27,786
Financial position					
Working capital	158,054	171,666	186,318	181,832	170,684
Total assets	543,440	553,199	567,867	558,071	542,521
Shareholders' equity	243,782	241,437	253,638	265,401	265,574
Per share ⁽³⁾					
Net earnings (loss) ⁽³⁾					
Basic Class A	0.26	(0.07)	(0.08)	0.29	0.65
Basic Class B	0.23	(0.06)	(0.07)	0.26	0.57
Diluted Class A	0.25	(0.07)	(0.08)	0.29	0.65
Diluted Class B	0.22	(0.06)	(0.07)	0.26	0.57
Dividends ⁽³⁾					
Class A Common Shares, non-voting	0.246	0.246	0.246	0.246	0.218
Class B Common Shares, voting	0.214	0.214	0.214	0.214	0.190
Number of shares outstanding ⁽³⁾					
Class A Common Shares, non-voting	35,311	35,244	35,041	34,978	35,526
Class B Common Shares, voting	8,036	8,144	8,144	8,144	8,144
	43,347	43,388	43,185	43,122	43,670
Other information					
Return on average shareholders' equity ⁽¹⁾	4.6%	(1.2%)	(1.3%)	4.7%	10.9%
Return on average capital employed ⁽²⁾	8.8%	5.9%	3.2%	3.8%	10.1%

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

(2) To determine return on average capital employed, return is calculated as EBITA less amortization. Capital employed is calculated as total assets less non-interest bearing liabilities.

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

2020	2019	2018	2017	2016
\$ 382,306	\$ 381,796	\$ 363,897	\$ 342,606	\$ 334,263
61,501	52,875	52,860	45,137	40,916
23,494	21,958	30,117	26,350	19,199
83,654	97,305	104,417	78,825	71,665
513,919	467,019	457,780	327,478	308,309
245,523	234,751	220,246	177,317	157,736
0.55	0.51	0.71	0.64	0.46
0.48	0.44	0.62	0.55	0.40
0.55	0.51	0.71	0.64	0.46
0.48	0.44	0.62	0.55	0.40
0.215	0.205	0.180	0.163	0.150
0.187	0.178	0.156	0.142	0.130
35,404	35,988	35,471	33,581	33,581
8,192	8,199	8,702	9,012	9,012
43,596	44,187	44,173	42,593	42,593
9.8%	9.7%	15.2%	15.7%	12.6%
10.7%	11.5%	14.0%	14.1%	13.2%

DIRECTORS & OFFICERS

Directors

R. BRUCE MCDONALD
Florida, USA
Chairman and CEO of Dana Incorporated

BRIAN J. BIDULKA
Ontario, Canada
Corporate Director

DANIEL J. CICERCHI
New York, USA
General Manager and VP, Transportation Management
Solutions
Descartes Systems Group Inc.

PAUL DUBKOWSKI
Ontario, Canada
Chief Executive Officer
Andrew Peller Limited

CHRIS TSIOFAS
Ontario, Canada
President
MTN Chartered Professional Accountant Corporation

W. JAMES WESTLAKE
Ontario, Canada
Corporate Director

Officers

PAUL DUBKOWSKI
Chief Executive Officer

PATRICK R. O'BRIEN
President & Chief Commercial Officer

RENEE CAUCHI
Chief Financial Officer

RAMIT BORDIA
Senior Vice-President, Sales

CRAIG MCDONALD
Executive Vice-President, Operations

SHAREHOLDER INFORMATION

Head Office

ANDREW PELLER LIMITED
697 South Service Road
Grimsby, Ontario L3M 4E8
Tel: (905) 643-4131
Fax: (905) 643-4944

Stock Exchange

TORONTO
Symbols: ADW.A/ADW.B

Registrar and Transfer Agent

COMPUTERSHARE INVESTOR SERVICES INC.

Auditors

PRICEWATERHOUSECOOPERS LLP

Bankers

BANK OF MONTREAL
ROYAL BANK OF CANADA
NATIONAL BANK
TORONTO DOMINION BANK
FARM CREDIT CANADA

Shareholder Inquiries

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

Phone: 1-800-564-6253 toll free North America
(International 514-982-7555)

Fax: 1-866-249-7775 toll free North America
(International 416-263-9524)

Internet: www.computershare.com

The Investors section offers enrolment for self-service account management for registered shareholders through Investor Centre.

Mail: Computershare Investor Services
320 Bay St., 14th Floor
Toronto, Ontario M5H 4A6

Investor Relations

For additional information regarding the Company's activities, please contact:

Craig Armitage and Jennifer Smith by email at:
ir@andrewpeller.com

2025 Annual Shareholders' Meeting

The 2025 Annual Meeting of Shareholders' will be held virtually on Wednesday, September 17, 2025 at 3:00 p.m.

ANDREW PELLER

— LIMITED —

Exclusive 2025 Wine Offer for Shareholders

We are pleased to offer exceptional VQA wines from our wineries in both the East & West. Enjoy **15% savings on 6 and 12 bottle collections. Complimentary delivery** is available on all orders of 12 bottles or more, including when you combine two 6-bottle collections. Please note: if you are ordering from Tinhorn Creek, the 12-bottle minimum for complimentary delivery must be met with Tinhorn wines only. If you are ordering from Black Hills the 12-bottle minimum for complimentary delivery must be met with Black Hills wines only.

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

To place an order for the 2025 Shareholder Collections please see instructions on the pages to follow. This special offer ends **Friday, October 31, 2025**.

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



Ontario VQA Wine Collections:

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

	Signature Series Ice Cuvee Rosé Peller Family Reserve Chardonnay Private Reserve Gamay Noir Signature Series Sauvignon Blanc Signature Series Cabernet Franc Signature Series Vidal Icewine 200ml	6 Bottle Collection \$175.24* (Reg \$206.17*) 12 Bottle Collection \$350.49* (Reg \$412.28*)
	Trius Brut Showcase Ghost Creek Riesling Trius Pinot Grigio Trius Merlot Trius Red Showcase Late Harvest Vidal	6 Bottle Collection \$126.63* (Reg \$148.98*) 12 Bottle Collection \$253.27* (Reg \$297.96*)
	Wayne Gretzky Sauvignon Blanc Signature Series Pinot Grigio Wayne Gretzky Baco Noir Signature Series Cabernet Merlot Whisky Oak Aged Chardonnay Whisky Oak Aged Red	6 Bottle Collection \$109.62* (Reg \$128.96*) 12 Bottle Collection \$219.23* (Reg \$257.92*)
	Winemakers Riesling Small Lot 'Triangle' Riesling Small Lot 'Wood Post' Riesling Winemakers Red Small Lot Cabernet Sauvignon Small Lot Merlot	6 Bottle Collection \$177.65* (Reg \$209*) 12 Bottle Collection \$355.30* (Reg \$418*)
	Peller Family Reserve Chardonnay Peller Private Reserve Baco Noir Trius Sauvignon Blanc Trius Cabernet Franc Thirty Bench Winemakers Riesling Wayne Gretzky Signature Series Shiraz Cabernet	6 Bottle Collection \$105.53* (Reg \$124.15*) 12 Bottle Collection \$211.06* (Reg \$248.30*)

*Prices shown do not include bottle deposit and taxes

British Columbia VQA Wine Collections:

To place an online order for any of our **Red Rooster, Sandhill & Gray Monk Collections**, please contact the **BC Direct to Consumer Team** at ordersbc@andrewpeller.com. To order the **Black Hills Collection** email us at myorder@blackhillswinery.com. To order the **Tinhorn Creek Collection** call us at **1.778.763.4486** or email crushclub@tinhorn.com. A representative will be sure to assist you.

	Red Rooster Viognier Red Rooster Gewurztraminer Red Rooster Pinot 3 Red Rooster Carbonic Malbec Merlot Red Rooster Pinot Noir Red Rooster Reserve Malbec	6 Bottle Collection \$139.40* (Reg \$164*) 12 Bottle Collection \$278.80* (Reg \$328*)
	Sandhill Sauvignon Blanc Sandhill Pinot Gris Small Lot Blanc de Blancs Sparkling Sandhill Cabernet Franc Small Lot Two Small Lot Petit Verdot	6 Bottle Collection \$179.35* (Reg \$211*) 12 Bottle Collection \$358.70* (Reg \$422*)
	Odyssey Pinot Gris Gray Monk Rosé Odyssey Sparkling White Brut Gray Monk Pinot Noir Odyssey Meritage Odyssey Cabernet Sauvignon	6 Bottle Collection \$157.59* (Reg \$185.40*) 12 Bottle Collection \$315.40* (Reg \$370.80*)
	Black Hills Nota Bene Black Hills Per Se Black Hills Sauvignon Blanc Black Hills Roussanne Black Hills Chardonnay Black Hills Ipso Facto	6 Bottle Collection \$255.60* (Reg \$300.00*) 12 Bottle Collection \$511.20* (Reg \$600.00*)
	Reserve Merlot Tinhorn Creek Pinot Gris Tinhorn Creek Blanc de Blanc The Creek Tinhorn Creek Reserve Rose Edition 94	6 Bottle Collection \$217.70* (Reg \$255.90*) 12 Bottle Collection \$435.23* (Reg \$511.80*)

***Prices shown do not include taxes and bottle deposit**



POUR
extraordinary
INTO EVERYDAY LIFE

