ANDREW PELLER
LIMITED

MANAGEMENT'S DISCUSSION & ANALYSIS
For the three and nine months ended December 31, 2012

The following management's discussion and analysis ('MD&A') provides a review of corporate developments, results of operations and financial position for the three and nine months ended December 31, 2012 in comparison with those for the three and nine months ended December 31, 2011. This discussion is prepared as of February 11, 2013 and should be read in conjunction with the audited consolidated financial statements for the years ended March 31, 2012 and 2011, and the accompanying notes contained therein. The financial years ending March 31, 2013 and ended March 31, 2012 and March 31, 2011 are referred to as "fiscal 2013", "fiscal 2012", and "fiscal 2011" respectively. All dollar amounts are expressed in Canadian dollars unless otherwise indicated.

FORWARD-LOOKING INFORMATION

Certain statements in this Management's Discussion & Analysis 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 Andrew Peller Limited ('APL' or the 'Company') and its subsidiaries. Such statements include, but are not limited to, statements about the growth of the business in light of the Company's recent acquisitions; its launch of new premium wines; 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", and "could" 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 prices; its ability to obtain grapes, imported wine, glass, and its ability to obtain other raw materials; fluctuations in the U.S./Canadian dollar and Euro/Canadian dollar exchange rates; its ability to market products successfully to its anticipated customers; the trade balance within the domestic Canadian wine market; market trends; reliance on key personnel; protection of its intellectual property rights; the economic environment; the regulatory requirements regarding producing, marketing, advertising, and labeling of its products; the regulation of liquor distribution and retailing in Ontario; the application of federal and provincial environmental laws; and the impact of increasing competition.

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

Overview

The Company is a leading producer and marketer of quality wines in Canada. With wineries in British Columbia, Ontario, and Nova Scotia, the Company markets wines produced from grapes grown in Ontario's Niagara Peninsula, British Columbia's Okanagan and Similkameen Valleys, and from vineyards around the world. The Company's award-winning premium and ultra-premium VQA brands include *Peller Estates, Trius, Hillebrand, Thirty Bench, Crush, Wayne Gretzky, Sandhill, Calona Vineyards Artist Series,* and *Red Rooster*. Complementing these premium brands are a number of popularly priced varietal wine brands including *Peller Estates French Cross* in the East, *Peller Estates Proprietors Reserve* in the West, *Copper Moon, XOXO, skinnygrape,* and *Verano. Hochtaler, Domaine D'Or, Schloss Laderheim, Royal,* and *Sommet* are our key value priced wine brands. The Company imports wines from major wine regions around the world to blend with domestic wine to craft these popularly priced and value priced brands. 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 250 Winexpert and Wine Kitz authorized retailers and franchisees and more than 600 independent retailers across Canada, the United States, the United Kingdom, New Zealand, Australia, and China. GVI's award-winning premium and ultra-premium winemaking brands include *Selection, Vintners Reserve, Island Mist, Kenridge, Cheeky Monkey, Ultimate Estate Reserve, Traditional Vintage, Cellar Craft,* and *Artful Winemaker*. The Company owns and operates 102 well-positioned independent retail locations in Ontario under The Wine Shop, Aisle 43, and WineCountry Vintners store names. The Company also owns Grady Wine Marketing ("GWM") based in Vancouver and The Small Winemaker's Collection Inc. ("SWM") based in Ontario; both of these wine agencies are importers of premium wines from around the world and are marketing agents for these fine wines. The Company has entered into an agreement to produce and market the *Wayne Gretzky* Estate Winery brands in Canada. The Company's products are sold predominantly in Canada with a focus on export sales for its icewine and personal winemaking products.

The Company's stated mission is to build sales volumes of its blended, premium, and ultra-premium brands by delivering to its customers and consumers the highest quality wines at the best possible value. To meet this goal, the Company is investing in improvements in the quality of grapes and wines, its winemaking capabilities, sales and marketing initiatives, and in its quality management programs. Over the long term, the Company believes premium wine sales will continue to grow in Canada and these products generate higher sales and increased profitability compared to lower-priced table wines.

APL is focused on initiatives to reduce costs and enhance its production efficiencies through an ongoing review of the Company's operations. The Company continually reviews its cost structure with a view to enhancing profitability. In addition, the Company continues to expand and strengthen its distribution through provincial liquor boards, the Company's network of 102 The Wine Shop, Aisle 43, and WineCountry Vintners retail locations, estate wineries, restaurants, and other licensed establishments. This distribution network is supported by enhanced sales, marketing, and promotional programs. From time to time the Company also evaluates the potential for acquisitions and partnerships, both in Canada and internationally, to further complement its product portfolio and market presence.

Recent Events

On November 8, 2011, the Company finalized a ten-year agreement with Wayne Gretzky which gives the Company the exclusive right to use certain Wayne Gretzky related brand names in the manufacturing and selling of wine in Canada.

On October 28, 2011 the Company completed the purchase of the inventory and intangible assets of Cellar Craft International, a consumer made wine business located in Western Canada for $2.7 million. Cellar Craft is best known for their grape skin product which allows the consumer to ferment red wine on the skin pulling more of the natural tannins into the wine.

On June 8, 2011 the Company's Board of Directors announced a 9% increase in common share dividends for shareholders of record on June 30, 2011 payable on July 8, 2011. The annual dividend on Class A Shares was increased to $0.360 per share from $0.330 per share and the Class B Shares increased to $0.314 per share from $0.288 per share.

During fiscal 2012 the Company celebrated its 50th Anniversary. A number of special events and promotions were held to recognize this important milestone.

Effective July 1, 2010 the Province of Ontario introduced, as part of the Harmonized Sales Tax ("HST"), a special wine levy on International and Canadian blended ("ICB") wines sold through the Company's retail store network. ICB is wine that is made through the blending of wine made from domestic grapes with wine purchased on international markets. Imported and domestic wines sold through the LCBO do not incur any additional taxation. This discriminatory wine levy has put pressure on the Company's gross margin, as well as on domestic grape prices and purchases.

Results of Operations (Unaudited)

The following table outlines key highlights for the nine months ended December 31, 2012, 2011, and 2010.

FOR THE NINE MONTHS ENDED DECEMBER 31, (in thousands of dollars except per share amounts)	**2012**	2011	2010
Sales	**225,557**	215,992	208,480
Gross margin	**87,141**	85,304	81,116
Gross margin (% of sales)	**38.6%**	39.5%	38.9%
Selling and administrative expenses	**56,697**	55,159	53,517
EBITA	**30,444**	30,145	27,599
Unrealized loss (gain) on derivative financial instruments	**(1,079)**	296	174
Other expenses (income)	**(213)**	700	916
Net earnings	**15,634**	13,605	10,806
Earnings per share – basic and diluted - Class A	**$1.12**	$0.98	$0.75
Earnings per share – basic and diluted - Class B	**$0.98**	$0.85	$0.65
Dividend per share – Class A (annual)	**$0.360**	$ 0.360	$ 0.330
Dividend per share – Class B (annual)	**$0.314**	$ 0.314	$ 0.288

Sales for the nine months ended December 31, 2012 increased by approximately 4.4% compared to the prior year period due to the positive impact on sales from the licensing agreement with Wayne Gretzky effective November 8, 2011 and the acquisition of Cellar Craft effective October 28, 2011, the introduction of new products particularly *skinnygrape*, increased sales of premium blended and varietal brands sold through provincial liquor boards across the country, growth in revenues at the Company's retail store network in Ontario, and a solid increase in the Company's export sales.

The Company defines gross margin as gross profit excluding amortization. Gross margin as a percentage of sales was 38.6% for the nine months ended December 31, 2012 compared to 39.5% in the prior year. Gross margin percentage was negatively affected by higher costs for wine purchased on international markets as well as by increased price competition in certain of the Company's markets. The decrease in gross margin percentage was partially offset by sales of higher margin products and successful cost control initiatives to reduce distribution, operating, and packaging expenses. During fiscal 2013 the Company implemented programs to enhance a number of supply chain and distribution contracts that it expects will contribute to improved profitability in future years. The special levy implemented by the Ontario government discussed above served to reduce sales and gross margin by approximately $1.5 million in the first nine months of fiscal 2013 and approximately $1.9 million in fiscal 2012. Management is focused on efforts to enhance production efficiency and productivity to further improve overall profitability.

Selling and administrative expenses increased in fiscal 2013 due to an increase in advertising and promotional initiatives on new product launches and consulting expenses incurred to implement cost control and information technology initiatives. As a percentage of sales, selling and administrative expenses for the nine months ended December 31, 2012 decreased marginally to 25.1% compared to 25.5% in the prior fiscal year. The Company is focused on ensuring selling and administrative expenses are tightly controlled.

Earnings before interest, amortization, unrealized derivative gains (losses), other expenses, and income taxes ("EBITA") were $30.4 million for the nine months ended December 31, 2012 compared to $30.1 million in the prior year. The increase was due to the higher sales which were partially offset by a lower gross margin percentage in fiscal 2013 due to the higher costs for wine purchased on international markets and increased price competition in certain markets.

Interest expense in the first nine months of fiscal 2013 declined to $3.9 million from $4.2 million last year due to a decrease in short and long-term interest rates negotiated through the refinancing of the Company's credit facilities that occurred on September 16, 2011. The decrease in interest expense was partially offset by higher debt levels.

Amortization expenses were $6.0 million for the nine months ended December 31, 2012, compared to $5.8 million in the same period last year.

The Company recorded a non-cash gain in the nine months ended December 31, 2012 related to mark-to-market adjustments on an interest rate swap and foreign exchange contracts aggregating approximately $1.1 million compared to a loss of $0.3 million in the prior year. The Company has elected not to apply hedge accounting and accordingly these financial instruments are reflected in the Company's financial statements at fair value each reporting period. These instruments are considered to be effective economic hedges and have enabled management to mitigate the volatility of changing costs and interest rates during the year.

Other income in fiscal 2013 related primarily to $0.5 million recorded upon expropriation of a small part of the property that surrounds the Company's Port Moody facility. The entire property is also being used, on a temporary basis, while construction of a rapid transit project takes place. Payments amounting to $2.0 million for the use of the property were received in advance and were recorded as deferred income. The amount received is being reported as other (income) expenses over the five-year term of the expropriation, which began on July 1, 2012. Other expenses in fiscal 2013 include a $0.3 million fair value adjustment to vines. Other expenses in fiscal 2012 included a $0.6 million fair value adjustment to vines and $0.1 million in maintenance costs for the Company's Port Moody facility.

Net earnings excluding gains (losses) on derivative financial instruments, other expenses, and the related income tax effect of these items for the nine months ended December 31, 2012 were $14.7 million compared to $14.3 million in the prior year.

Net earnings for the nine months ended December 31, 2012 were $15.6 million or $1.12 per Class A Share compared to $13.6 million or $0.98 per Class A Share in fiscal 2012.

The Company believes that sales will continue to grow due to the strong positioning of key brands and continued growth in the Canadian wine market. The Company will continue to benefit to the extent that the higher value of the Canadian dollar relative to the U.S. dollar or the Euro continues but will experience continued pressure on earnings due to increased costs for raw materials, continued pricing pressure from major competitors, the impact of the special levy, and by higher levels of spending on advertising and promotion related to new product launches. The Company uses foreign exchange forward contracts to protect against changes in foreign currency rates and currently has locked in $13.0 million U.S. in U.S. dollar contracts at rates averaging $1.00 Canadian and €4.0 million in Euro contracts at rates averaging $1.25 Canadian. These contracts expire at various dates through September 2013.

Quarterly Performance (Unaudited)

The following table outlines key quarterly highlights.

($000 except per share amounts)	**Q3 13**	Q2 13	Q1 13	Q4 12	Q3 12	Q2 12	Q1 12	Q4 11
	$	$	$	$	$	$	$	$
Sales	**79,813**	73,082	72,662	60,891	76,595	69,990	69,407	56,940
Gross margin	**30,812**	28,102	28,227	21,953	30,719	27,272	27,313	22,146
Gross margin (% of sales)	**38.6%**	38.5%	38.8%	36.1%	40.1%	39.0%	39.4%	38.9%
EBITA	**11,870**	8,897	9,677	2,506	11,858	8,805	9,482	3,945
Unrealized (gain) loss on financial instruments	**(683)**	(198)	(198)	(553)	(117)	113	300	(291)
Other (income) expense	**214**	(513)	86	463	44	492	164	(125)
Net earnings	**6,632**	4,340	4,662	(604)	6,309	3,385	3,911	417
Earnings per share – Class A basic & diluted	**$0.47**	$0.31	$0.34	$(0.05)	$0.46	$0.24	$0.28	$0.03
Earnings per share – Class B basic & diluted	**$0.42**	$0.27	$0.29	$(0.04)	$0.39	$0.22	$0.24	$0.02

The third quarter of each year is historically the strongest in terms of sales, gross margin, and net earnings due to increased consumer purchasing of the Company's products during the holiday season.

Sales in the third quarter of fiscal 2013 increased by 4.2 % compared to the same quarter of fiscal 2012 due to the benefits from new product introductions principally *skinnygrape*, increases in sales through provincial liquor boards, strong export sales, the positive impact on sales from our partnership with Wayne Gretzky effective November 8, 2011 and the acquisition of Cellar Craft effective October 28, 2011. Gross margin for the three months ended December 31, 2012 was 38.6% of sales compared to 40.1% during the prior year. The change was due primarily to higher costs for wine purchased on international markets and increased price competition in certain markets offset by sales of higher margin products and successful cost control initiatives to reduce distribution, operating, and packaging expenses. Selling and administrative expenses as a percentage of sales decreased to 23.7% in the third quarter of fiscal 2013 compared to 24.6% in the third quarter of fiscal 2012.

Liquidity and Capital Resources (Unaudited)

As at ($000)	Dec. 31, 2012 $	March 31, 2012 $
Current assets	**144,649**	**137,412**
Property, plant, and equipment	**89,013**	**84,490**
Biological assets	**12,924**	**12,556**
Goodwill	**37,473**	**37,473**
Intangibles	**12,801**	**13,621**
Total assets	**296,860**	**285,552**
Current liabilities	**99,649**	**102,543**
Long-term debt	**42,791**	**41,456**
Long-term derivative financial instruments	**1,297**	**1,943**
Post-employment benefit obligations	**8,119**	**7,151**
Deferred income	**1,415**	**-**
Deferred income tax	**12,597**	**11,907**
Shareholders' equity	**130,992**	**120,552**
Total liabilities and shareholders' equity	**296,860**	**285,552**

Bank indebtedness has increased at December 31, 2012 compared to March 31, 2012 due to increased capital expenditures to expand capacity at the Grimsby winery, a larger harvest of grapes due to warmer summer temperatures, higher accounts receivable due to the seasonality of sales, and a reduction in accounts payable. These amounts were partially offset by strong net earnings for the period and the advanced payments received for the use of the property in Port Moody.

Inventory increased at December 31, 2012 compared to March 31, 2012 due primarily to a larger harvest of grapes than in the prior year. Inventory is also dependent on the increased use of domestically grown grapes that are used in the sale of premium and ultra-premiums wines that are held for a longer period than imported wine. These grapes are typically aged for one to three years before they are sold. The cost of domestically grown grapes is also significantly higher than wine purchased on international markets.

Accounts receivable are predominantly with provincial liquor boards and to a lesser extent licensed establishments and independent retailers of consumer made wine kits. The Company had $17.2 million dollars of accounts receivable with provincial liquor boards at December 31, 2012, all of which is expected to be collectible. The balance represents amounts due from licensees, export customers, and independent retailers of consumer made wine products. The amount of accounts receivable that is beyond 60 days is $1.0 million at December 31, 2012. Against these amounts, an allowance for doubtful accounts of $0.3 million has been provided which the Company has determined to represent a reasonable estimate of amounts that may not be collectible. During fiscal 2013 the Company received the $1.0 million holdback from Creemore Springs Brewery Ltd. due on May 1, 2012 related to the sale of Granville Island Brewing Company Ltd. and Mainland Beverage Distribution Ltd.

The following table outlines the Company's contractual obligations, including long-term debt, operating leases, and commitments on short-term forward foreign exchange contracts used to hedge the currency risk on U.S. dollar purchases.

As at December 31, 2012 ($000) (Unaudited)	**Total** **$**	**<1 Year** **$**	**2-3 years** **$**	**4-5 years** **$**	**>5 years** **$**
Long-term bank loan and other long-term debt	49,816	6,313	43,339	66	98
Swap agreement and loan interest	6,004	2,602	3,402	-	-
Operating leases and royalties	20,941	4,727	6,056	2,413	7,745
Pension obligations	7,062	1,060	2,010	1,421	2,571
Foreign exchange contracts	17,930	17,930	-	-	-
Long-term grape contracts	297,510	25,280	51,242	49,224	171,764
Total long-term obligations	399,263	57,912	106,049	53,124	182,178

The ratio of debt to equity was 0.85:1 at December 31, 2012 compared to 0.87:1 at March 31, 2012. At December 31, 2012 the Company had unutilized debt capacity in the amount of $20.5 million on its operating loan facility.

On September 16, 2011 the Company completed a refinancing package with its existing bank group and entered into a $130.0 million syndicated loan facility maturing on September 16, 2015. The operating loan facility in the amount of $80.0 million matures on September 16, 2015 and bears interest at the one to nine-month Canadian Dealer Offered Rate (“CDOR”) plus a rate that is dependent on leverage. The rate that is dependent on leverage for the period ended December 31, 2012 was 2.00%. The term facility in the amount of $50.0 million matures on September 16, 2015. The Company maintains an interest rate swap on the term facility that effectively fixes the interest rate at 5.98%. During the nine months ended December 31, 2012 the Company drew an additional $6.5 million on its term loan facility. As a result of these increases, the loan will be repayable in monthly principal payments of $0.523 million until it matures on September 16, 2015. The current portion of long-term debt has increased to $6.3 million at December 31, 2012 from $5.4 million at March 31, 2012 as a result of these changes.

Management expects to generate sufficient cash flow from operations to meet its debt servicing, principal payment, and working capital requirements over both the short and the long-term through increased profitability and strong management of working capital and capital expenditures. The Company continually reviews all of its assets to ensure appropriate returns on investment are being achieved and fit with the Company’s long-term strategic objectives.

In the first nine months of fiscal 2013 the Company generated cash from operating activities, after changes in non-cash working capital items, of $6.7 million compared to $0.7 million in the prior year. Cash flow from operating activities has increased in fiscal 2013 due to strong earnings performance, the advance payments received for the use of the Port Moody property, lower income tax installments, and a smaller increase in working capital than in the prior year.

Investing activities of $9.8 million were made in the first nine months of fiscal 2013 compared to $6.7 million in the prior year. The additional capital spending was incurred to expand the processing and cooperage capacity at the Grimsby winery, which is now complete.

Working capital as at December 31, 2012 increased to $45.0 million compared to $34.9 million at March 31, 2012. The change related to a larger harvest of grapes due to warmer summer temperatures, higher accounts receivable due to the seasonality of sales, and a reduction in accounts payable and accrued charges. These amounts were partially offset by an increase in bank indebtedness. Shareholders’ equity as at December 31, 2012 was $131.0 million or $9.16 per common share compared to $120.6 million or $8.43 per common share as at March 31, 2012. The increase in shareholders’ equity is due to higher net earnings for the year partially offset by the payment of dividends.

Common Shares Outstanding

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

Shares outstanding (Unaudited)	February 11, 2013	March 31, 2012	March 31, 2011
Class A Shares	11,293,829	11,293,829	11,293,829
Class B Shares	3,004,041	3,004,041	3,004,041
Total	14,297,870	14,297,870	14,297,870

Strategic Outlook and Direction

Andrew Peller Limited is committed to a strategy of growth that focuses on the expansion of its core business as a producer and marketer of quality wines through the development of leading brands that meet the needs of our consumers and customers.

The market for wine in Canada continues to grow due to a movement toward the consumption of wine made by young consumers who have adopted wine as their beverage of choice, an aging population that favours the more sophisticated experience that wine offers, and the widely reported health benefits of moderate wine consumption. The Company recorded growth in its sales through provincial liquor boards, its retail store network, and through export sales but continued to see weakness for its personal winemaking products. The Company has focused its product development and sales and marketing initiatives aimed at capitalizing on the trend of increased wine consumption and expects to see continued sales growth. The Company will continue to closely monitor its costs and will react quickly to any further changes in the marketplace. Net earnings are forecasted to increase again in fiscal 2013 due to tight controls over spending and investments to improve productivity and efficiency.

The Company will continue to launch new blended varietal and ultra-premium brands in the future and increase its use of unique package formats. The Company will also make packaging design changes that are consistent with its continued move to be more environmentally friendly. Increased focus will be made on expanding distribution through the Company's direct to home trade channels to provide consumers with more access to its broad brand portfolio. These product launches and directed spending to support key brands through all of the Company's distribution channels will receive increased marketing and sales support in fiscal 2013.

The Company expects to make additional investments in capital expenditures to increase capacity, to support its ongoing commitment to producing the highest-quality wines, and to improve productivity and efficiencies. Such investments made over the past few years are expected to continue to result in increased sales and improved profitability going forward.

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

The Company expects it will generate increased sales in fiscal 2013 while gross margin dollars are expected to increase moderately. The higher cost of imported and domestic wine and pricing pressure in certain markets will have a modest negative impact on gross margin percentage in fiscal 2013.

The Company's product portfolio covers the complete spectrum of price levels within the Canadian wine market. While there may be an increase in purchases of ultra-premium wine, this is expected to be offset by a slight decrease in sales of blended varietal wine. In addition, the Company will be accelerating its efforts to generate production efficiencies and reduce overhead costs to enhance its overall profitability.

Risks and Uncertainties
The Company's sales of wine are affected by general economic conditions such as changes in discretionary consumer spending and consumer confidence, in future economic conditions, tax laws, and the prices of its products. A steep and sustained decline in economic growth may cause a lower demand for the Company's products. Such general economic conditions could impact the Company's sales through the Company's estate wineries and restaurants, direct sales through licensed establishments, and export sales through Duty Free shops. APL believes that these effects would likely be temporary and would not have a significant impact on financial performance.

The Canadian wine market continues to be the target of low-priced imported wines from regions and countries that subsidize wine production and grape growing as well as providing sizeable export subsidies. The Company, along with other members of the Canadian wine industry, is working with the Canadian government to rectify these unfair trade practices.

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

APL expects to increase its sales of its premium wines in Canada principally through the sale of VQA wines, and as a result, is dependent on the quality and supply of domestically grown premium quality grapes. If any of the Company's vineyards or the vineyards of our grape suppliers experiences certain weather variations, natural disasters, pestilence, other severe environmental problems, or other occurrences, APL may not be able to secure a sufficient supply of grapes which could result in a decrease in production of certain products from those regions and/or an increase in costs. In the past, where there has been a significant reduction in domestically sourced grapes, the Government of Ontario, in conjunction with the Ontario Grape Growers Marketing Board, has agreed to temporarily increase the blending of imported wines that would enable the Company to continue to supply products to the market. The inability to secure premium quality grapes could impair the ability of the Company to supply certain wines to its customers. APL has developed programs to ensure it has access to a consistent supply to premium quality grapes and wine. The price of grapes is determined through negotiations with the Ontario Grape Growers Marketing Board in Ontario and with independent growers in British Columbia.

Foreign exchange risk exists on the purchases by the Company of bulk wine and concentrate that are primarily made in United States dollars and Euros. The Company's strategy is to hedge approximately 50% - 80% of its foreign exchange requirements prior to the beginning of each fiscal quarter and to regularly review its ongoing requirements. APL has entered into a series of foreign exchange contracts as a hedge against movements in U.S. dollar and Euro exchange rates. The Company does not enter into foreign exchange contracts for trading or speculative purposes. These contracts are reviewed periodically. Each one percent change in the value of the U.S. dollar has a $0.2 million impact on the Company's net earnings. Each one percent change in the value of the Euro has a $0.1 million impact on the Company's net earnings.

The Company purchases glass, bag-in-the-box, tetra paks, and other components used in the bottling and packaging of wine. The largest component in the packaging of wine is glass, of which there are few domestic or international suppliers. There is currently only one commercial supplier of glass in Canada 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. 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. The Company is currently reviewing its labelling on International Canadian Blended wines. Privatization of liquor distribution and retailing has been implemented in varying degrees across the country. The possibility of privatization in Ontario remains a risk to the Company through its impact on the Company's retail operations. The provincial government has stated that, should it consider privatization, it would engage in a consultation process and would acknowledge the special role of Ontario's wine industry.

The wine industry and the domestic and international market, in which the Company operates, are consolidating. This has resulted in fewer, but larger, competitors who increase their resources and scale. The increased competition from these larger market participants may affect the Company's pricing strategies and create margin pressures, resulting in potentially lower revenues. Competition also exerts pressure on existing customer relationships that may affect APL's ability to retain existing customers and increase the number of new customers. The Company has worked to improve production efficiencies, selectively increase pricing to increase gross margin, and implement a higher level of promotion and advertising activity to combat these initiatives. APL and other wine industry participants also generally compete with other alcoholic beverages like beer and spirits 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 has experienced increases in energy costs and further increases could result in higher transportation, freight, and other operating costs. The Company's future operating expenses and margins are dependent on its ability to manage the impact of cost increases. The Company cannot guarantee that it will be able to pass along increased energy costs to its customers through increased prices.

Federal and provincial governments impose excise and other taxes on beverage alcohol products in varying amounts 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. In addition, federal and provincial governmental agencies extensively regulate the beverage alcohol products industry concerning such matters as licensing, trade practices, permitted and required labelling, advertising, and relations with consumers and retailers. Certain federal and provincial regulations also require warning labels and signage. New or revised regulations, increased licensing fees, or taxes could also have a material adverse effect on the Company's financial condition or results of operations.

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

The Company has 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 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. The discounting could expand to other international markets, including Canada. The Company does not believe that significant price discounting will occur in Canada beyond current levels.

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

As an owner and lessor 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. These risks are believed to be limited.

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

Financial Statements and Accounting Policies

These interim consolidated financial statements have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34 – Interim Financial Reporting.

Non-IFRS Measures

The Company utilizes EBITA (defined as earnings before interest, amortization, unrealized derivative gains (losses), other 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, as it provides readers with an indication of earnings available for investment prior to debt service, capital expenditures, and income taxes.

	For the three months ended December 31,		For the nine months ended December 31,	
(in thousands of $)	**2012**	2011	**2012**	2011
Net earnings	**6,632**	6,309	**15,634**	13,605
Add: Interest	**1,288**	1,170	**3,866**	4,201
Provision for income taxes	**2,593**	2,531	**6,283**	5,547
Amortization of plant and equipment used in production	**1,180**	1,233	**3,527**	3,677
Amortization of equipment and intangibles used in selling and administration	**646**	688	**2,426**	2,119
Net unrealized losses (gains) on derivatives	**(683)**	**(117)**	**(1,079)**	296
Other (income) expenses	**214**	44	**(213)**	700
EBITA	**11,870**	11,858	**30,444**	30,145

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

The Company also utilizes gross margin (defined as gross profit excluding amortization) as calculated below.

	For the three months ended December 31,		For the nine months ended December 31,	
(in thousands of $)	**2012**	2011	**2012**	2011
Gross profit	**29,632**	29,486	**83,614**	81,627
Add: Amortization of plant and equipment used in production	**1,180**	1,233	**3,527**	3,677
Gross margin	**30,812**	30,719	**87,141**	85,304
Gross margin (% of sales)	**38.6%**	40.1%	**38.6%**	39.5%

The Company calculates net earnings excluding gains (losses) on derivative financial instruments, other expenses, and the related income tax effect as follows.

	For the three months ended December 31,		For the nine months ended December 31,	
(in thousands of $)	**2012**	2011	**2012**	2011
Net earnings	**6,632**	6,309	**15,634**	13,605
Net unrealized losses (gains) on derivatives	**(683)**	**(117)**	**(1,079)**	296
Other expenses (income)	**214**	44	**(213)**	700
Income tax effect of the above	**127**	20	349	(269)
Net earnings excluding gains (losses) on derivative financial instruments, other expenses, and the related income tax effect	**6,290**	6,256	**14,691**	14,332

The Company's method of calculating EBITA, gross margin, and net earnings excluding gains (losses) on derivative financial instruments, other expenses, and the related income tax effect may differ from the methods used by other companies and, accordingly, may not be comparable to the corresponding measures used by other companies.

Critical Accounting Estimates

During the year, management is required to make estimates or rely on assumptions that are inherently uncertain. These estimates can vary with respect to the level of judgment involved and ultimately the impact that these estimates may have on the Company's financial statements. Estimates are deemed to be critical when a different estimate could reasonably be used or where changes are reasonably likely to occur which would materially affect the Company's financial position or financial performance. The Company's significant accounting policies are discussed in the Consolidated Notes to the March 31, 2012 Financial Statements. Critical estimates inherent in these accounting policies are set out below.

Inventory Valuation

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

Grapes produced from vineyards controlled by the Company that are part of inventory 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 inventory that require a substantial period of time to become ready for sale.

Inventory is counted as close as possible to year end without impacting the operations of the Company. Management has provided an allowance for slow moving and obsolete inventory which is considered to be sufficient for potential losses.

Biological Assets

The Company measures biological assets, consisting of grape vines, at fair value less costs to sell. Agricultural produce, consisting of grapes grown on vineyards controlled by the Company, is measured at fair value less costs to sell at the point of harvest and becomes the basis for the cost of inventory after harvest.

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

Goodwill

The Company determines an impairment of goodwill based on the ability to recover the balance from expected future discounted operating cash flows or the fair value of certain asset groups if necessary. This requires making estimates and assumptions about the future cash flows, growth rates, market conditions, and discount rates which are inherently uncertain.

Intangible assets

Intangible assets primarily relate to customer contracts, brands, and customer based relationships that have been acquired through recent acquisitions. Management believes that brands do not have a fixed or determinable life and consequently brands are not amortized but are subject to annual impairment tests based on a comparison of the carrying amount to the estimated fair market value of the brands. The amortization periods related to those intangible assets with finite lives are based on the expected duration of the contracts and relationships acquired. These intangible assets will be tested for impairment when events or circumstances arise that indicates impairment may exist.

Fair value of financial instruments

Accounts receivable, accounts payable and accrued liabilities, and bank indebtedness are reflected in the consolidated financial statements at carrying values, which approximate fair value due to the short-term maturity of these instruments.

Long-term debt has a floating interest rate and its carrying value, as reflected in the consolidated financial statements, approximates fair value. Interest on long-term debt has been fixed through the use of an interest rate swap.

The Company purchases wine and other inventory items throughout the year. These purchases are made in United States dollars and Euros. The Company uses foreign exchange contracts as a hedge against changes in currency values. The Company's strategy is to hedge approximately 50% - 80% of its foreign exchange requirements prior to the beginning of each fiscal quarter. The Company does not enter into foreign exchange contracts for trading or speculative purposes. Contracts are matched against forecasted purchases of inventory and other purchases in U.S. dollars and Euros.

All financial instruments are initially recorded at fair value which includes the Company's interest rate swap and foreign exchange contracts. The Company has not designated any of its derivative financial instruments as hedges and accordingly, changes to the fair value of these instruments are recorded through earnings each period as a net unrealized gain or loss on derivative financial instruments.

Employee Future Benefits
The Company provides defined benefit pension plans and other post-employment benefit plans to certain of its employees. The assumptions used to measure the accrued benefit obligations and benefit costs are: discount rate for measuring expenses 4.5% (2012 – 5.0%), discount rate for measuring liability 4.0% (2012 – 4.5%), expected long-term rate of return on plan assets 4.8-6.3% and rate of compensation increase 4.0%. To measure the obligation for post-employment medical benefits, it was assumed that the health care inflation rate will be 8% in fiscal 2013 reducing by 1% each year for the next three years. The annual pension expense to provide the above described benefits is approximately $0.6 million. All actuarial gains and losses are recognized immediately in other comprehensive income ("OCI"). The corresponding change in shareholders' equity is adjusted to retained earnings for the period. The liability recorded represents the estimated deficit position of the plans adjusted for unamortized past service credits.

Recently Issued Accounting Pronouncements

In December 2011, the IASB issued amendments to IFRS 7 – Financial Instruments: Disclosures, which increase the disclosure requirements related to the offsetting of financial assets and financial liabilities. The new requirements are effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the potential impact of this standard.

In June 2011, the IASB issued amendments to IAS 1 – Financial Statement Presentation, which require changes in the presentation of other comprehensive income ("OCI") including grouping together certain items of OCI that may be reclassified to net earnings. The new requirements are effective for annual periods beginning on or after July 1, 2012. The Company is currently evaluating the potential impact of this standard.

In June 2011, the IASB issued amendments to IAS 19 – Employee Benefits, which require changes to the recognition and disclosure of defined benefit plans, including eliminating the deferral of actuarial gains and losses, requiring that actuarial gains and losses are included in OCI and increasing disclosures on the characteristics and risks of defined benefit plans. The amendments also include significant changes to recognition and measurement of defined benefit pension expense and termination benefits. The new requirements are effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the potential impact of this standard.

In May 2011, the IASB issued IFRS 13 – Fair Value Measurements, which defines fair value, sets out a framework for measuring fair value and requires disclosures about fair value measurements. The standard applies when another standard requires or permits a fair value measurement. The new requirements are effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the potential impact of this standard.

In May 2011, the IASB issued IFRS 10 – Consolidated Financial Statements, IFRS 11 – Joint Arrangements and IFRS 12 – Disclosure of Interests in Other Entities. IFRS 10 provides a single consolidation model that identifies control as the basis for consolidation for all types of entities. IFRS 10 replaces IAS 27 - Consolidated and Separate Financial Statements and SIC-12 – Consolidation - Special Purpose Entities. IFRS 11- Joint Arrangements establishes principles for the financial reporting by parties to a joint arrangement. IFRS 11 supersedes IAS 31 - Interests in Joint Ventures and SIC-13 - Jointly Controlled Entities - Non-Monetary Contributions by Venturers. IFRS 12 changes the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. As a consequence of these new standards, the IASB also issued amended and retitled versions of IAS 27 - Separate Financial Statements and IAS 28 - Investments in Associates and Joint Ventures. The new requirements are effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Company is currently evaluating the potential impact of these standards.

In October 2010, the IASB issued amendments to IFRS 7 – Financial Instruments: Disclosures, which increases disclosure requirements in relation to transferred financial assets. The standard is effective for annual periods beginning on or after July 1, 2011, with earlier adoption permitted. The Company is currently evaluating the potential impact of this standard and will include any necessary disclosures in its 2013 annual financial statements.

In November 2009, the IASB issued IFRS 9 – Financial Instruments: Classification and Measurement of Financial Assets and Financial Liabilities. In October 2010 it added requirements for financial liabilities. IFRS 9 will replace IAS 39 – Financial Instruments: Recognition and Measurement. The IASB also issued additional disclosure requirements on transition to IFRS 9 in IFRS 7 – Financial Instruments: Disclosures. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value. The approach is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used. For financial liabilities, the standard requires that for financial liabilities measured at fair value, any changes in an entity's own credit risk are generally to be presented in OCI instead of net earnings. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Company is currently evaluating the potential impact of this standard.

Evaluation of Disclosure Controls and Procedures and Internal Control over Financial Reporting.
Compliance with National Instrument 52-109 ("NI 52-109") provided the Company with a review and documentation of the processes and internal controls that were in place within the organization. As a result of the review, the Company found no material weaknesses and will continue to update the review and documentation of processes and internal controls on an ongoing basis.

Disclosure Controls and Procedures

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 President and Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), on a timely basis so that decisions can be made regarding the Company's disclosure to the public.

The Company's management, under the supervision of, and with the participation of the CEO and CFO, have designed and maintain 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".

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 nine months ended December 31, 2012 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.