ANDREW PELLER
— LIMITED —

MANAGEMENT'S DISCUSSION & ANALYSIS
For the three and nine months ended December 31, 2014

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, 2014 in comparison with those for the three and nine months ended December 31, 2013. This discussion is prepared as of February 11, 2015 and should be read in conjunction with the audited consolidated financial statements for the years ended March 31, 2014 and 2013, and the accompanying notes contained therein. The financial years ending March 31, 2015, March 31, 2014 and March 31, 2013 are referred to as "fiscal 2015", "fiscal 2014", and "fiscal 2013" 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 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", "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 prices; its ability to obtain grapes, imported wine, glass, and its ability to obtain other raw materials; fluctuations in the U.S./Canadian dollar, Euro/Canadian dollar, and Australian/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 brands including *Peller Estates French Cross* in Eastern Canada, *Peller Estates Proprietors Reserve* in Western Canada, *Copper Moon, XOXO, skinnygrape, Black Cellar,* and *Verano. Hochtaler, Domaine D'Or*, *Schloss Laderheim, Royal,* and *Sommet* are our key value priced brands. The Company

produces wine based liqueurs and cocktails under the brand *Panama Jack* and wine based spritzers under the *skinnygrape* brand. 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 170 Winexpert authorized retailers 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, and Cellar Craft*. The Company owns and operates over 100 well-positioned independent retail locations in Ontario under The Wine Shop, Wine Country Vintners, and Wine Country Merchants store names. The Company also owns Andrew Peller Import Agency and The Small Winemaker's Collection Inc. ("SWM"), importers and marketing agents for premium wines from around the world. 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 invests in improvements in the quality of grapes and wines, its winemaking capabilities, sales and marketing initiatives, and 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 prices and increased profitability compared to lower-priced table wines.

The Company is focused on initiatives to reduce costs and enhance its production efficiencies through an ongoing review of its operations and continually reviews its cost structure with a view to enhancing profitability. The Company continues to expand and strengthen its distribution through provincial liquor boards, the Ontario independent retail locations under The Wine Shop, Wine Country Vintners, and Wine Country Merchants 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

In June 2014, Peller Estates was awarded the prestigious honour of "Canadian Winery of the Year" at the 2014 WineAlign National Wine Awards held in Penticton, British Columbia. This year marked the 14th national competition judged by an extensive panel of the most respected wine writers, wine critics, retail buyers, Master Sommeliers, and Masters of Wines in Canada. With 1,335 wines being reviewed from 189 wineries across Canada, the "Canadian Winery of the Year" is the highest distinction awarded in the Canadian wine industry.

On June 4, 2014 the Company's Board of Directors announced a 5% increase in common share dividends for shareholders of record on June 30, 2014 payable on July 4, 2014. The annual amount of dividends on Class A Shares was increased to $0.420 per share from $0.400 per share and the dividends on Class B Shares was increased to $0.365 per share from $0.348 per share.

On June 5, 2013 the Company's Board of Directors announced an 11% increase in common share dividends for shareholders of record on June 28, 2013 payable on July 5, 2013. The annual amount of dividends on Class A Shares was increased to $0.400 per share from $0.360 per share and the dividends on Class B Shares was increased to $0.348 per share from $0.314 per share.

Results of Operations

For the nine months ended December 31, (in $000, except per share amounts)	**2014**	2013	2012[1]
Sales	**$ 246,906**	$ 231,798	$ 225,557
Gross margin	**90,555**	85,376	87,108
Gross margin (% of sales)	**36.7%**	36.8%	38.6%
Selling and administrative expenses	**59,023**	55,302	56,697
EBITA	**31,532**	30,074	30,411
Unrealized gains on derivative financial instruments	**(50)**	(519)	(1,079)
Other expenses (income)	**911**	242	(213)
Adjusted net earnings	**15,680**	14,655	14,498
Net earnings	**15,043**	14,599	15,454
Earnings per share – basic and diluted - Class A	**$1.08**	$1.05	$1.11
Earnings per share – basic and diluted - Class B	**$0.94**	$0.91	$0.97
Dividend per share – Class A (annual)	**$0.420**	$0.400	$0.360
Dividend per share – Class B (annual)	**$0.365**	$0.348	$0.314

(1) Amounts for the nine months ended December 31, 2012 were restated to reflect the adoption of the amendments to IAS 19.

Sales for the nine months ended December 31, 2014 increased 6.5% compared to the same prior year period driven by strong organic growth across all of the Company's trade channels and the launch of new products including *skinnygrape* spritzers and *Panama Jack* cocktails. The introduction in fiscal 2014 of *Wayne Gretzky* wines in Western Canada and the launch of Black Cellar wines also contributed to the strong performance. Sales growth was particularly strong through the Company's network of retail outlets in Ontario, export, agencies, and provincial liquor control boards across the country.

The Company defines gross margin as gross profit excluding amortization. Gross margin as a percentage of sales was 36.7% for the nine months ended December 31, 2014 compared to 36.8% in the prior year. Gross margin in fiscal 2015 has been positively impacted by the Company's continued success in implementing cost control initiatives to improve productivity and raw material cost savings partially offset by ongoing price competition in key markets. Management is focused on efforts to enhance production efficiency and productivity.

Selling and administrative expenses increased in fiscal 2015 due primarily to increased advertising and promotional activities related to new product launches and other sales and marketing initiatives. As a percentage of sales, selling and administrative expenses for the nine months ended December 31, 2014 were consistent at 23.9% compared to the same period last year. The Company is focused on ensuring selling and administrative expenses are tightly controlled.

Earnings before interest, amortization, restructuring costs, unrealized derivative gains, other expenses, and income taxes ("EBITA") were $31.5 million for the nine months ended December 31, 2014, up 4.8% compared to $30.1 million for the same period in fiscal 2014. The increase in sales in fiscal 2015 more than offset the increase in selling and administrative expenses.

Interest expense decreased marginally in fiscal 2015 compared to the prior year due to lower interest rates charged on bank debt.

The Company recorded an unrealized non-cash gain in fiscal 2015 related to mark-to-market adjustments on an interest rate swap and foreign exchange contracts aggregating approximately $0.1 million compared to a non-cash gain of $0.5 million 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 statement of earnings 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 expenses in fiscal 2015 related to a write-down of certain grapevines harmed by the extreme cold weather experienced over the last winter season and non-recurring post-retirement benefit costs partially offset by income from the temporary expropriation of the Company's Port Moody facility. In fiscal 2014 other expenses related primarily to non-recurring post-retirement benefit costs collectively bargained with the BC union partially offset by other income related to income from the temporary expropriation of the Port Moody facility. The property is temporarily being used as a staging area for the construction of a rapid transit project. Payments amounting to $2.0 million for the use of the property were received in advance and were recorded as deferred income and are being recognized as other income over the five-year term of the expropriation which began on July 1, 2012.

Adjusted net earnings, defined as net earnings not including restructuring charges, unrealized losses and gains on derivative financial instruments, and other expenses or income, rose 7.0% to $15.7 million for the nine months ended December 31, 2014 compared to $14.7 million in the prior year.

Net earnings for the nine months ended December 31, 2014 were $15.0 million or $1.08 per Class A Share compared to $14.6 million or $1.05 per Class A Share for the same period in fiscal 2014.

The Company believes that sales will continue to grow moderately through the balance of fiscal 2015 and in fiscal 2016 due to the strong positioning of key brands and the continued launch of new and innovative products into the Canadian wine market. In fiscal 2016, the higher cost of U.S. dollar currency purchases is expected to have a negative impact on gross margins which is expected to be partially offset by successful cost control initiatives to reduce distribution, operating and packaging expenses and further raw material cost savings.

The Company uses foreign exchange forward contracts to protect against changes in foreign currency rates and currently at February 11, 2015 has locked in $7.5 million in U.S. dollar contracts at rates averaging $1.13 Canadian, €3.0 million in Euro contracts at rates averaging $1.42 Canadian, and $4.0 million in Australian dollar contracts at rates averaging $0.95 Canadian. These contracts expire at various dates through November 30, 2015.

Quarterly Performance

The following table outlines key quarterly highlights.

(in $000, except per share amounts)	Q3 15	Q2 15	Q1 15	Q4 14	Q3 14	Q2 14	Q1 14	Q4 13[(1)]
Sales	$84,630	$82,759	$79,517	$66,026	$81,854	$77,226	$72,718	$63,586
Gross margin	31,267	29,990	29,298	22,606	29,475	28,091	27,810	22,635
Gross margin (% of sales)	36.9%	36.2%	36.8%	34.2%	36.0%	36.4%	38.2%	35.6%
EBITA	11,625	9,742	10,165	3,655	11,378	9,021	9,675	3,078
Restructuring costs	-	-	-	1,056	254	99	-	1,118
Unrealized losses (gains) on financial instruments	50	(1,225)	1,125	(231)	(252)	464	(731)	(216)
Other expenses (income)	567	202	142	(97)	(22)	296	(32)	(331)
Adjusted earnings (loss)	6,247	4,392	5,042	(39)	5,952	4,176	4,527	(512)
Net earnings (loss)	5,790	5,149	4,104	(578)	5,967	3,540	5,092	(935)
E.P.S. – Class A basic & diluted	$0.41	$0.37	$0.30	$(0.04)	$0.43	$0.25	$0.37	$(0.07)
E.P.S. – Class B basic & diluted	$0.36	$0.32	$0.26	$(0.03)	$0.37	$0.22	$0.32	$(0.06)

(1) Restated to reflect the adoption of the amendments to IAS 19.

The third quarter is historically the strongest in each fiscal year due to increased consumer purchasing of the Company's products during the holiday season.

Sales in the third quarter of fiscal 2015 increased 3.4% compared to the same quarter of fiscal 2014 due primarily to strong organic growth across all of the Company's trade channels and strong VQA sales in Western Canada. Sales growth was particularly strong at the Company's network of retail outlets in Ontario, export, agencies, and provincial

liquor boards across the country. Gross margin for the three months ended December 31, 2014 was 36.9% of sales, an improvement from 36.0% in the prior year's third quarter. The increase was due primarily to the positive impact of the Company's productivity improvement initiatives and raw material cost savings partially offset by continued price competition in key markets. Selling and administrative expenses increased in the third quarter of fiscal 2015 due to increased advertising and promotional activities related to new product launches and other sales and marketing initiatives. EBITA was $11.6 million for the three months ended December 31, 2014, up 2.2% from the $11.4 million for the same quarter in fiscal 2014 due primarily to the increase in sales and gross margins in fiscal 2015. Adjusted net earnings were $6.2 million for the three months ended December 31, 2014, up 5.0% compared to $6.0 million in the same prior year period.

Liquidity and Capital Resources

As at (in $000)		**December 31, 2014**		March 31, 2014
Current assets	**$**	**148,207**	$	146,127
Property, plant, and equipment		**89,169**		90,152
Biological assets		**13,917**		14,054
Intangibles		**12,689**		13,209
Goodwill		**37,473**		37,473
Total assets	**$**	**301,455**	$	301,015
Current liabilities	**$**	**76,421**	$	101,563
Long-term debt		**53,344**		38,328
Long-term derivative financial instruments		**448**		268
Post-employment benefit obligations		**6,563**		6,132
Deferred income		**606**		910
Deferred income tax		**16,172**		15,811
Shareholders' equity		**147,901**		138,003
Total liabilities and shareholders' equity	**$**	**301,455**	$	301,015

Inventory declined at December 31, 2014 compared to March 31, 2014. Bulk wine declined as a result of lower than usual domestic wine harvested in Ontario and finished goods were higher at December 31, 2014 as a result of the introduction of new products. The extreme cold weather experienced in Ontario over the last winter season resulted in a smaller domestic grape crop for vintage 2014 in the province. Certain vintage 2014 varietals will be in short supply but this is not expected to have a material impact on the Company's profitability during fiscal 2016 which is when the majority of its vintage 2014 wines will be sold. The Company continues to generate benefits from improved information technology systems introduced to monitor and control the Company's supply chain. These systems include improvements to the Company's ability to manage supply shortages and excesses. Inventory is dependent on the increased use of 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 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 were higher at December 31 2014 due to the increase in sales through the first nine months of fiscal 2015 which are predominantly with provincial liquor boards and to a lesser extent licensed establishments and independent retailers of consumer made wine kits. The Company had $15.5 million of accounts receivable with provincial liquor boards at December 31, 2014, 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 was beyond 60 days was $1.1 million at December 31, 2014. Against these amounts an allowance for doubtful accounts of $0.2 million has been provided which the Company has determined to represent a reasonable estimate of amounts that may not be collectible.

The changes in bank indebtedness, the current portion of long-term debt, and long-term debt at December 31, 2014 compared to March 31, 2014 were due to a refinancing completed on April 28, 2014 which is described below. Overall bank debt declined to $91.8 million as at December 31, 2014 compared to $100.1 million at March 31, 2014 as a result of strong earnings and lower capital expenditures compared to prior years

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, 2014 (in $000)	Total	<1 Year	2-3 years	4-5 years	>5 years
Long-term debt	$ 58,087	$ 4,218	$ 8,217	$ 45,546	$ 106
Swap agreement and loan interest	8,175	2,245	3,860	2,070	-
Operating leases and royalties	25,065	4,632	6,364	4,097	9,972
Pension obligations	5,451	962	1,496	853	2,140
Foreign exchange contracts	18,129	18,129	-	-	-
Long-term raw materials and packaging contracts	280,056	59,418	69,618	45,505	105,515
Total long-term obligations	$ 394,963	$ 89,604	$ 89,555	$ 98,071	$ 117,733

The ratio of debt to equity was 0.62:1 at December 31, 2014 compared to 0.73:1 at March 31, 2014. At December 31, 2014 the Company had unutilized debt capacity in the amount of $53.7 million on its operating loan facility.

On April 28, 2014 the Company completed a refinancing with its existing bank group by entering into a $165.0 million syndicated loan facility. The operating loan facility in the amount of $90.0 million matures on April 28, 2019 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, 2014 was 1.75%. The term facility in the amount of $60.0 million matures on April 28, 2019. The Company also added a $15.0 million facility to fund future capital expenditures that also matures on April 28, 2019. The Company put in place an interest rate swap that complements the current swap that effectively fixes the interest rate on the term facility at 4.93% through August 31, 2015 and at 3.91% for the period from September 1, 2015 to April 28, 2019. The loan will be repayable in monthly principal payments of $0.333 million until it matures on April 28, 2019.

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 that they fit with the Company's long-term strategic objectives.

In the first nine months of fiscal 2015 the Company generated cash from operating activities, after changes in non-cash working capital items, of $17.6 million compared to $19.1 million in the same prior-year period. The change resulted from an increase in accounts receivable due to the strong sales performance and the timing of receipts, a decrease in accounts payable, and an increase in income tax instalments.

Investing activities of $4.8 million were made in fiscal 2015 compared to $7.7 million in the prior year. Capital expenditures in fiscal 2015 consisted of normal expenditures to sustain operations, the construction of a Sandhill winery retail store in Kelowna, and the replanting of certain of the Company's vineyards.

Working capital as at December 31, 2014 increased to $71.8 million compared to $44.6 million at March 31, 2014. The conversion of $15.0 million of the outstanding amount of the Company's operating facility into the term facility and the lower amortization of term debt in the new credit agreement served to increase working capital. There was an increase in accounts receivable due to the sales growth in fiscal 2015 and there were decreases in accounts payable, bank indebtedness, and the current portion of long-term debt. Shareholders' equity as at December 31, 2014 was $147.9 million or $10.34 per common share compared to $138.0 million or $9.65 per common share as at March 31, 2014. The increase in shareholders' equity is due to the net earnings in fiscal 2015, 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	February 11, 2015	March 31, 2014	March 31, 2013
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 concentrating on and developing 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 has recorded strong growth in sales through provincial liquor boards and export and agency trade channels. The Company expects that the performance of its personal winemaking division will continue to strengthen. The Company has focused its product development and sales and marketing initiatives 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 changes to risks and opportunities in the marketplace.

The Company will continue to launch wine brands in the future and increase its use of differentiated package formats. The Company will also expand product offerings outside the traditional table wine segment, such as wine-based cocktails and spritzers, where it is able to leverage its detailed knowledge of growth opportunities in the Canadian market. The Company will also make packaging design changes that are more appealing to its target markets and are consistent with its initiative to be more environmentally friendly. Increased focus will be made on coordination between the Company's business-to-consumer trade channels to provide customers with a more intimate awareness of its broad product portfolio. New product launches and directed spending to support key brands through all of the Company's distribution channels will continue to receive increased marketing and sales support in fiscal 2016.

The Company expects to maximize the efficiency of its existing assets while also making additional investments in capital expenditures to increase capacity, to support its ongoing commitment to producing the highest-quality wines, and to improve productivity. Improvements to enhance the coordination throughout its supply chain have been implemented recently and benefits have begun to accrue. Investments made over the past few years are expected to continue to result in increased sales and improved profitability.

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

The Company plans to dedicate further resources towards rectifying unfair trade practices and taxes by continuing to work closely with other members of the Canadian wine industry and the Canadian and provincial governments.

The Company anticipates it will generate increased sales in fiscal 2016 while gross margin dollars are expected to remain stable or decrease moderately. The higher costs of U.S. dollar currency purchases are expected to have a negative impact on gross margin percentage in fiscal 2016 which is expected to be partially offset by further raw material cost savings and production efficiencies.

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, 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. 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 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 the 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 experience 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, a situation which could result in a decrease in production of certain products from those regions and/or result in 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, have agreed to temporarily increase the blending of imported wines which 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 of premium quality grapes and wine. The price of grapes is determined through negotiations with the Ontario Grape Growers Marketing Board in Ontario and with independent growers in British Columbia.

Foreign exchange risk exists on the purchases of bulk wine and concentrate that are primarily made in United States dollars, Euros, and Australian dollars. 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. 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. During fiscal 2016, based on the Company's forecasts for foreign currency purchases and the amount of foreign exchange forward contracts outstanding at February 11, 2015, each one percent change in the value of the U.S. dollar will have a $0.3 million impact on the Company's net earnings. Each one percent change in the value of the Euro will have a $0.1 million impact on the Company's net earnings and a one percent change in the value of the Australian dollar will have a $0.1 million impact on the Company's net earnings.

The Company purchases glass, bag in 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. 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 Government of Ontario has set up a special government advisory panel to look at methods to extract more value from its assets which includes the LCBO. Issues under consideration are LCBO Express stores, additional domestic VQA wine stores, and increases in taxes and fees levied which could have a material adverse impact on the Company.

The Province of British Columbia has recently announced that it will allow the sale of wine in grocery stores amongst other changes in liquor policies. The impact of these changes will remain uncertain until details are known and they are implemented.

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 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 resulting in potentially lower revenues. 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, 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.

Federal and provincial governments impose excise and other taxes on beverage alcohol products which have been subject to change. Significant increases in excise and other taxes on beverage alcohol products could materially and adversely affect the Company's financial condition or results of operations. Federal and provincial governmental agencies extensively regulate the beverage alcohol products industry concerning such matters as licensing, trade practices, permitted and required labelling, advertising, and relations with consumers and retailers. Certain federal and provincial regulations also require warning labels and signage. New or revised regulations, increased licensing fees, requirements, 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. A 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 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 third 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. A perceived failure to maintain high ethical, social, and environmental standards could have an adverse effect on the Company's reputation.

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

Non-IFRS Measures

The Company utilizes EBITA (defined as earnings before interest, amortization, restructuring costs, unrealized derivative gains, 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 and nine months ended December 31,	Three Months		Nine months	
(in $000)	**2014**	2013	**2014**	2013
Net earnings	**$ 5,790**	$ 5,967	**$ 15,043**	$ 14,599
Add: Interest	**1,166**	1,241	**3,722**	3,834
Provision for income taxes	**1,954**	2,253	**5,664**	5,598
Amortization of plant and equipment used in production	**1,283**	1,205	**3,800**	3,600
Amortization of equipment and intangibles used in selling and administration	**815**	732	**2,442**	2,367
Restructuring costs	**-**	254	**-**	353
Net unrealized losses (gains) on derivatives	**50**	(252)	**(50)**	(519)
Other expenses	**567**	(22)	**911**	242
EBITA	**$ 11,625**	$ 11,378	**$ 31,532**	$ 30,074

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 sales less cost of goods sold) as calculated below.

For the three and nine months ended December 31,	Three Months		Nine months	
(in $000)	**2014**	2013	**2014**	2013
Sales	**$ 84,630**	$ 81,854	**$ 246,906**	$ 231,798
Less: Cost of goods sold	**53,363**	52,379	**156,351**	146,422
Gross margin	**$ 31,267**	$ 29,475	**$ 90,555**	$ 85,376
Gross margin (% of sales)	**36.9%**	36.0%	**36.7%**	36.8%

The Company calculates adjusted earnings as follows.

For the three and nine months ended December 31,	Three Months		Nine months	
(in $000)	**2014**	2013	**2014**	2013
Net earnings	**$ 5,790**	$ 5,967	**$ 15,043**	$ 14,599
Restructuring costs	**-**	254	**-**	353
Net unrealized losses (gains) on derivatives	**50**	(252)	**(50)**	(519)
Other expenses	**567**	(22)	**911**	242
Income tax effect of the above	**(160)**	5	**(224)**	(20)
Adjusted earnings	**$ 6,247**	$ 5,952	**$ 15,680**	$ 14,655

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

Financial Statements and Accounting Policies
The Company's 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.

Critical Accounting Estimates
During the year management is required to make estimates and 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 critical accounting estimates remain unchanged from those discussed in the Notes to the March 31, 2014 Consolidated Financial Statements.

Recently Adopted Accounting Pronouncements
In May 2013 the IASB issued IFRIC 21 – Levies. The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The Company was required to apply this interpretation retrospectively effective April 1, 2014. The standard did not have a significant impact on the Company.

Recently Issued Accounting Pronouncements
During December 2014, the IASB issued amendments to IAS 1 – Presentation of Financial Statements which clarify the concept of materiality as it applies to information disclosed in the financial statements. The amendments also provide guidance on the presentation of subtotals, the structure of the notes to the financial statements, and the disclosure of significant accounting policies. The Company is currently evaluating the potential impact of this standard.

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

During May 2014 the IASB issued amendments to IAS 16 – Property, Plant, and Equipment and IAS 41 – Agriculture which requires bearer plants to be classified as property, plant, and equipment and accounted for under IAS 16. The amended standards are effective for annual periods beginning on or after January 1, 2016. Early application of this standard is permitted. The Company is currently evaluating the impact of these amended standards. It is expected that grape vines controlled by the Company will be within the scope of IAS 16 – Property, plant, and equipment after the adoption of these amended standards.

During May 2014, the IASB issued amendments to IFRS 11 – Joint Arrangements which requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that meets the definition of a business. The amended standard is effective for annual periods beginning on or after January 1, 2016. The Company is currently evaluating the potential impact of adopting this amended standard.

During May 2014, the IASB issued IFRS 15 – Revenue from contracts with customers which supersedes IAS 18 – Revenue and IAS 11 – Construction Contracts. The standard details a revised model for the recognition of revenue from contracts with customers. The standard is effective for first interim periods within annual periods beginning on or after January 1, 2017. The Company is currently evaluating the potential impact of adopting this amended 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 are in place within the organization. As a result of the review, the Company found no material weaknesses and continues to update the review and documentation of processes and internal controls on an ongoing basis.

For the year nine months ended December 31, 2014 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.