

ANDREW PELLER

— LIMITED —

MANAGEMENT'S DISCUSSION & ANALYSIS For the three months and year ended March 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 months and year ended March 31, 2014 in comparison with those for the three months and year ended March 31, 2013. This discussion is prepared as of June 18, 2014 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, 2014, March 31, 2013 and March 31, 2012 are referred to as "fiscal 2014", "fiscal 2013", and "fiscal 2012" 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

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 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 101 well-positioned independent retail locations in Ontario under The Wine Shop, Wine Country Vintners, and Wine Country Merchants 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’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 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 prices 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 its operations. The Company 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 101 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

On June 4, 2014 the Company’s Board of Directors announced a 5% increase in “eligible” common share dividends for shareholders of record on June 30, 2014 and will be 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 and was 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.

The Canadian Wine Market

The market for wine in Canada has continued to grow because of increased consumption by young consumers who have more recently adopted wine as their beverage of choice, the widely reported health benefits of moderate wine consumption, and a movement towards an increased consumption of wine made by an aging population who favour the more sophisticated experience that wine offers.

For the year ended March 31, 2014 consumption of wine in Canada (excluding Quebec, where the Company does not participate and excluding the refreshment wine category) rose by approximately 1.9% after increasing by 3.9% in fiscal 2013. Imported wines accounted for 64.7% of total volume in fiscal 2014 down from 65.4 % in fiscal 2013. Canadian-made wines experienced an increase in market share from 34.6% in fiscal 2013 to 35.3% in fiscal 2014. The Company’s share of the total Canadian market in fiscal 2014 was 13.4% compared to 13.2% in 2013. The Company’s share of the Canadian domestic market increased from 37.4% in fiscal 2013 to 37.9% in fiscal 2014 primarily due to the launches of Wayne Gretzky wines in Western Canada and of Black Cellar across the country.

The Vintners Quality Alliance (‘VQA’), established in 1989, has become recognized throughout the world as the appellation system for Canadian wines that meet strict standards of excellence. The Company’s sales of VQA

designated wines increased by 19.6% in fiscal 2014 compared to 7.7% in fiscal 2013 due to the launch of Wayne Gretzky wines and strong performance from Sandhill and Red Rooster in Western Canada. In the east the Company benefitted from a full year's sales from Wayne Gretzky and strong export sales of ice wine.

Red table wines continued to grow in popularity with total Canadian volume sales rising 2.5% in fiscal 2014 compared to 2.7% in 2013. Volume sales of the Company's red wine portfolio increased 4.9% in fiscal 2014 after declining by 0.2% in fiscal 2013. The increase was due to the strong performance of Wayne Gretzky wines and the launch of Black Cellar. Volume sales of white table wines in Canada rose 2.2% in fiscal 2014 and 5.3% in 2013 while the Company's sales of white table wines were up 2.5% in fiscal 2014 compared to 2.7% in fiscal 2013.

The Company believes that sales for personal winemaking products declined in Canada by approximately 3.0% in fiscal 2014 and 4.0% in fiscal 2013. Sales of the Company's personal winemaking products experienced a slight increase during the year in both Canada and the United States due to improved market share and a more stabilized retail environment.

Results of Operations

For the year ended March 31, (in \$000, except per share amounts)	2014	2013 ⁽¹⁾	2012 ⁽¹⁾
Sales	\$ 297,824	289,143	276,883
Gross margin	107,982	109,743	107,257
Gross margin (% of sales)	36.3%	38.0%	38.7%
Selling and administrative expenses	74,253	76,254	74,606
EBITA	33,729	33,489	32,651
Restructuring costs	1,409	1,118	-
Unrealized gain on derivative financial instruments	(750)	(1,295)	(257)
Other expenses (income)	145	(544)	1,163
Net earnings	14,021	14,519	13,001
Earnings per share – basic and diluted - Class A	\$1.01	\$1.04	\$0.93
Earnings per share – basic and diluted - Class B	\$0.88	\$0.91	\$0.81
Dividend per share – Class A (annual)	\$0.400	\$0.360	\$0.360
Dividend per share – Class B (annual)	\$0.348	\$0.314	\$0.314

(1) Amounts for the year ended March 31, 2013 were restated to reflect the adoption of the amendments to IAS 19. Amounts for the period ended March 31, 2012 were not restated.

Sales for the year ended March 31, 2014 increased 3.0% compared to the prior year driven by strong performance in provincial liquor control boards, particularly in Western Canada, the retail store network, export, and agency trade channels. The Company benefitted from the introduction of Wayne Gretzky wines in Western Canada and from the launch Black Cellar. Sales declined in Atlantic Canada due to intense price competition in the key Nova Scotia market and to reduced sales in the Company's co-packing business. Management believes that aggressive promotional initiatives will continue to drive growth in sales going forward.

The Company defines gross margin as gross profit excluding amortization. Gross margin as a percentage of sales was 36.3% for the year ended March 31, 2014 compared to 38.0% in the prior year. Gross margin percentage was negatively affected by price competition in Western and Atlantic Canada markets, higher costs for wine, juice, and concentrate purchased on international markets, and increased costs to expedite production to meet higher than anticipated demand for certain products during the key holiday season. The decrease in gross margin was partially offset by successful cost control initiatives to reduce distribution, operating, and packaging expenses. Management is focused on efforts to enhance production efficiency and productivity to improve overall profitability.

Selling and administrative expenses declined by \$2.0 million in fiscal 2014 due to an ongoing restructuring that began in the fourth quarter of fiscal 2013 in the Company's personal winemaking division where it implemented a cost savings initiative to outsource all of its distribution and reduced certain marketing and administrative positions. This initiative served to reduced expenses by \$1.4 million during the year. As a percentage of sales, selling and administrative expenses for the year ended March 31, 2014 improved to 24.9% compared to 26.4% in the prior fiscal 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 \$33.7 million for the year ended March 31, 2014 compared to \$33.5 million in fiscal 2013. Lower gross margins were offset by cost savings in selling and administrative expenses.

Interest expense has declined marginally in fiscal 2014 due to lower debt levels resulting from improved management of working capital.

The Company incurred restructuring charges in fiscal 2014 of \$1.4 million in its personal winemaking division related to ongoing cost savings initiatives to outsource distribution and through reductions in operating, marketing, and administrative expenses. A restructuring charge of \$1.1 million was incurred in the fourth quarter of fiscal 2013 when this initiative at the Company's personal winemaking division was begun.

The Company recorded an unrealized non-cash gain in the year ended March 31, 2014 related to mark-to-market adjustments on an interest rate swap and foreign exchange contracts aggregating approximately \$0.8 million compared to a gain of \$1.3 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 2014 include pension liabilities incurred for prior service that were negotiated as part of the new collective agreement with the BC labour union signed in June 2013 which were in part offset by income from the expropriation of the Company's Port Moody facility which was closed effective December 31, 2005. In fiscal 2013 other income related to income from the 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 were \$14.6 million for the year ended March 31, 2014 compared to \$14.0 million in the prior year.

Net earnings for the year ended March 31, 2014 were \$14.0 million or \$1.01 per Class A Share compared to \$14.5 million or \$1.04 per Class A Share for fiscal 2013.

The Company believes that sales will continue to grow due to the strong positioning of key brands and the continued launch of new and innovative products into the Canadian wine market. However, the Company will experience continued pressure on earnings due to continued pricing pressure from major competitors, a weakening of the Canadian dollar against key currencies and higher spending on advertising and promotional activities. The Company uses foreign exchange forward contracts to protect against changes in foreign currency rates and currently at June 18, 2014 has locked in \$25.0 million in U.S. dollar contracts at rates averaging \$1.10 Canadian and €1.0 million in Euro contracts at rates averaging \$1.48 Canadian. These contracts expire at various dates through January 31, 2015.

Quarterly Performance

The following table outlines key quarterly highlights.

(in \$000, except per share amounts)	Q4 14	Q3 14	Q2 14	Q1 14	Q4 13 ⁽¹⁾	Q3 13 ⁽¹⁾	Q2 13 ⁽¹⁾	Q1 13 ⁽¹⁾
Sales	\$66,026	\$81,854	\$77,226	\$72,718	\$63,586	\$79,813	\$73,082	\$72,662
Gross margin	22,606	29,475	28,091	27,810	22,635	30,801	28,091	28,216
Gross margin (% of sales)	34.2%	36.0%	36.4%	38.2%	35.6%	38.6%	38.4%	38.8%
EBITA	3,655	11,378	9,021	9,675	3,078	11,859	8,886	9,666
Restructuring costs	1,056	254	99	-	1,118	-	-	-
Unrealized (gains) losses on financial instruments	(231)	(252)	464	(731)	(216)	(683)	(198)	(198)
Other (income) expenses	(97)	(22)	296	(32)	(331)	214	(513)	86
Net earnings	(578)	5,967	3,540	5,092	(935)	6,572	4,280	4,602
E.P.S. – Class A basic & diluted	\$(0.04)	\$0.43	\$0.25	\$0.37	\$(0.07)	\$0.47	\$0.31	\$0.33
E.P.S. – Class B basic & diluted	\$(0.03)	\$0.37	\$0.22	\$0.32	\$(0.06)	\$0.41	\$0.27	\$0.29

(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 fourth quarter of fiscal 2014 increased by 3.8% compared to the same quarter of fiscal 2013 due primarily to solid performance in provincial liquor control boards, the retail store network, export, and agency trade channels. The Company experienced reduced sales in the third and fourth quarters of fiscal 2014 in its co-packing business. Gross margin for the three months ended March 31, 2014 was 34.2% of sales compared to 35.6% in the prior year's fourth quarter. The change was due primarily to increased price competition in certain Western and Atlantic Canadian markets and higher costs for wine, juice, and concentrate purchased on international markets. Selling and administrative expenses as a percentage of sales decreased to 28.7% in the fourth quarter of fiscal 2014 compared to 30.8% in the fourth quarter of fiscal 2013. The decline was due to a restructuring that began in the fourth quarter of fiscal 2013 and continued through fiscal 2014 in the Company's personal winemaking division related to cost savings initiatives to outsource distribution and reductions in operating, marketing, and administrative expenses. The adjusted loss defined as net earnings not including restructuring charges, unrealized gains on derivative financial instruments, and other expenses or income was \$nil for the three months ended March 31, 2014 compared to an adjusted loss of \$0.5 million in the same prior year period.

Liquidity and Capital Resources

As at (in \$000)	March 31, 2014	March 31, 2013 ⁽¹⁾
Current assets	\$ 146,127	\$ 144,194
Property, plant, and equipment	90,152	88,841
Biological assets	14,054	13,405
Intangibles	13,209	12,606
Goodwill	37,473	37,473
Total assets	\$ 301,015	\$ 296,519
Current liabilities	\$ 101,563	\$ 102,524
Long-term debt	38,328	41,473
Long-term derivative financial instruments	268	1,215
Post-employment benefit obligations	6,132	6,411
Deferred income	910	1,314
Deferred income tax	15,811	13,881
Shareholders' equity	138,003	129,701
Total liabilities and shareholders' equity	\$ 301,015	\$ 296,519

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

Bank indebtedness at March 31, 2014 decreased compared to March 31, 2013 due to solid net earnings for the year less the payments for common share dividends and tight management of working capital.

Inventory increased at March 31, 2014 compared to March 31, 2013 due to an increase in domestic bulk wine as the vintage 2013 grape crop was the largest in the Company's history and an increase in finished goods inventory due to the launch of new and innovative wines across the country. The Company continues to generate benefits from improved information technology systems introduced to monitor and control the Company's supply chain. 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 are predominantly with provincial liquor boards and to a lesser extent licensed establishments and independent retailers of consumer made wine kits. The Company had \$12.5 million of accounts receivable with provincial liquor boards at March 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 \$0.7 million at March 31, 2014. Against these amounts an allowance for doubtful accounts of \$0.1 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 March 31, 2014 (in \$000)	Total	<1 Year	2-3 years	4-5 years	>5 years
Long-term debt	45,837	7,392	38,127	212	106
Swap agreement and loan interest	2,935	2,259	676	-	-
Operating leases and royalties	24,792	4,799	7,117	3,278	9,598
Pension obligations	5,846	1,005	1,882	860	2,099
Foreign exchange contracts	22,088	22,088	-	-	-
Long-term grape contracts	271,690	34,060	64,292	47,306	126,032
Total long-term obligations	373,188	71,603	112,094	51,656	137,835

The ratio of debt to equity was 0.73:1 at March 31, 2014 compared to 0.83:1 at March 31, 2013. At March 31, 2014 the Company had unutilized debt capacity in the amount of \$28.6 million on its operating loan facility.

On April 28, 2014 the Company completed a refinancing with its existing bank group by entering into a \$150.0 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 March 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 fiscal 2014 the Company generated cash from operating activities, after changes in non-cash working capital items, of \$25.0 million compared to \$13.3 million in the prior year. Cash flow from operating activities has increased due to a \$1.6 million decrease in non-cash working capital compared to a \$10.1 million increase in the prior year.

Investing activities of \$11.2 million were made in fiscal 2014 compared to \$11.4 million in the prior year. Capital spending in fiscal 2014 related to the installation of new bottling lines to optimize production efficiencies in the Kelowna and Grimsby wineries, the construction of a Sandhill winery retail store in Kelowna, and the replanting of certain of the Company's vineyards. In fiscal 2013 capital spending related primarily to the expansion of processing and cooperage capacity at the Grimsby winery.

Working capital as at March 31, 2014 increased to \$44.6 million compared to \$41.7 million at March 31, 2013. An increase in inventory and a decrease in bank indebtedness more than offset an increase in accounts payable and accrued charges and a decrease in accounts receivable. Shareholders' equity as at March 31, 2014 was \$138.0 million or \$9.65 per common share compared to \$129.7 million or \$9.07 per common share as at March 31, 2013. The increase in shareholders' equity is due to solid net earnings for the year partially offset by the payment of dividends.

The Company adopted the amendments to accounting standard IAS 19 – Employee benefits and recorded adjustments to post-employment benefit obligations and the related impact of this adjustment on deferred income taxes retrospectively for the year beginning April 1, 2012.

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	June 18, 2014	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 unique 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 receive increased marketing and sales support in fiscal 2015.

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 2015 while gross margin dollars are expected to remain stable or increase moderately. The increased use of domestic grapes, higher costs of foreign exchange, and pricing pressure in key markets could have a modest negative impact on gross margin percentage in fiscal 2015.

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. 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 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.

In December 2012 the Government of Ontario announced that the LCBO would be opening ten LCBO Express outlets within supermarkets across Ontario beginning in 2014. This pilot is not expected to have a material impact on the Company. However, if the LCBO decides to open additional outlets, there could be a material adverse impact on the Company's retail operations.

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 they are implemented and details are known.

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.

The Company has experienced increases in energy costs and further increases in the cost of energy would 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 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 months and year ended March 31, 2014 and 2013 (in \$000)	Three months		Year	
	2014	2013 ⁽¹⁾	2014	2013 ⁽¹⁾
Net earnings (loss)	\$ (578)	\$ (935)	\$ 14,021	\$ 14,519
Add: Interest	1,552	1,348	5,386	5,427
Provision for income taxes	(375)	(81)	5,223	6,136
Amortization of plant and equipment used in production	1,379	1,571	4,979	5,098
Amortization of equipment and intangibles used in selling and administration	949	604	3,316	3,030
Restructuring costs	1,056	1,118	1,409	1,118
Net unrealized gains on derivatives	(231)	(216)	(750)	(1,295)
Other expenses (income)	(97)	(331)	145	(544)
EBITA	\$ 3,655	\$ 3,078	\$ 33,729	\$ 33,489

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

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 and year ended March 31, 2014 and 2013 (in \$000)	Three Months		Year	
	2014	2013 ⁽¹⁾	2014	2013 ⁽¹⁾
Gross profit	\$ 21,227	\$ 21,064	\$ 103,003	\$ 104,645
Add: Amortization of plant and equipment used in production	1,379	1,571	4,979	5,098
Gross margin	\$ 22,606	\$ 22,635	\$ 107,982	\$ 109,743
Gross margin (% of sales)	34.2%	35.6%	36.3%	38.0%

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

The Company calculates adjusted earnings as follows.

For the three months and year ended March 31, 2014 and 2013 (in \$000)	Three Months		Year	
	2014	2013 ⁽¹⁾	2014	2013 ⁽¹⁾
Net earnings (loss)	\$ (578)	\$ (935)	\$ 14,021	\$ 14,519
Restructuring costs	1,056	1,118	1,409	1,118
Net unrealized losses (gains) on derivatives	(231)	(216)	(750)	(1,295)
Other expenses (income)	(97)	(331)	145	(544)
Income tax effect of the above	(204)	(148)	(209)	187
Adjusted earnings (loss)	\$ (39)	\$ (512)	\$ 14,616	\$ 13,985

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

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

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 Notes to the March 31, 2014 Consolidated 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 requires a substantial period of time to become ready for sale. 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 based on the ability to recover the balance of goodwill from expected future discounted operating cash flows or the fair value of certain asset groups. This assessment 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 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 indicate an 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, Euros, and Australian dollars. 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 throughout the fiscal year. 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, Euros, and Australian dollars.

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 4.2% (2013 – 4.5%), discount rate for measuring liability 4.4% (2013 – 4.2%) 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 would be 6% in fiscal 2014 and 5% thereafter. 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.

Recently adopted accounting pronouncements

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 new standard also requires that the net interest cost on defined benefit pension plans is recorded based on the net plan deficits rather than interest on the liabilities net of the expected return on plan assets. Past service costs are recognized immediately in net earnings under the amended standard. The new requirements were applied retrospectively.

The following tables summarize the impact of adopting amended IAS 19 – Employee benefits.

Impact on the statement of earnings and comprehensive income (in thousands of Canadian dollars)	For the three months ended March 31, 2013			For the year ended March 31, 2013		
	As reported	Impact of IAS 19 amendment	As restated	As reported	Impact of IAS 19 amendment	As restated
Net earnings (loss) for the period	(875)	(60)	(935)	14,759	(240)	14,519
Net earnings (loss) per share						
Basic and diluted						
Class A Shares	(0.06)	(0.01)	(0.07)	1.06	(0.02)	1.04
Class B Shares	(0.06)	0.00	(0.06)	0.92	(0.01)	0.91
Net comprehensive income (loss) for the period	(335)	(15)	(350)	13,862	(59)	13,803

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 were adopted effective April 1, 2013. The adoption of these amendments did not have a significant impact on these consolidated financial statements.

In June 2011 the IASB issued amendments to IAS 1 – Financial Statement Presentation which requires changes in the presentation of OCI including grouping together certain items of OCI that may be reclassified to net earnings. The new requirements were adopted effective April 1, 2013 and are reflected in these consolidated financial statements.

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 were adopted effective April 1, 2013. The adoption of the new standard did not have a significant impact on these consolidated financial statements.

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 were adopted effective April 1, 2013. The adoption of the new standards did not have a significant impact on these consolidated financial statements.

Recently Issued Accounting Pronouncements

In November 2009 the IASB issued 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 November 2013 the mandatory effective date of applying the standard for annual periods beginning on or after January 1, 2015 was removed. A revised effective date has not yet been issued. 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 OCI instead of net earnings. The standard was updated to include requirements for financial liabilities and derecognition of financial instruments. A new hedge accounting model was added to the standard as well as increased disclosure requirements about risk management activities for entities that apply hedge accounting. The Company is currently evaluating the potential impact of this standard.

In May 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 interpretation is effective for annual periods beginning on or after January 1, 2014. 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 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.

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 maintained the Company’s disclosure controls and procedures as required in Canada by “National Instrument 52-109 – Certification of Disclosure in Issuers’ Annual and Interim Filings”.

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 are the responsibility of management. Internal controls over financial reporting is a process designed by, or under the supervision of senior management and effected by the Board of Directors to provide reasonable assurance regarding the reliability of financial reporting and preparation of the Company's financial statements in accordance with IFRS.

For the year ended March 31, 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.

As at June 18, 2014, the CEO and CFO of the Company have evaluated the effectiveness of the Company's internal controls over financial reporting. Based on these evaluations the CEO and CFO have concluded that the controls and procedures were operating effectively.