ANDREW PELLER
LIMITED

MANAGEMENT'S DISCUSSION & ANALYSIS
For the three months and year ended March 31, 2018

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, 2018 in comparison with those for the three months and year ended March 31, 2017 for Andrew Peller Limited (the "Company" or "APL"). This discussion is prepared as of June 6, 2018 and should be read in conjunction with the audited consolidated financial statements and accompanying notes contained therein for the years ended March 31, 2018 and 2017. Additional information relating to the Company, including the audited annual consolidated financial statements, MD&A and Annual Information Form for the years ended March 31, 2018 and March 31, 2017, is available on www.sedar.com. The financial years ending March 31, 2019, March 31, 2018 and March 31, 2017 are referred to as "fiscal 2019", "fiscal 2018" and "fiscal 2017" respectively. All dollar amounts are expressed in Canadian dollars unless otherwise indicated.

FORWARD-LOOKING INFORMATION

Certain statements in this MD&A may contain "forward-looking statements" within the meaning of applicable securities laws including the "safe harbour provisions" of the Securities Act (Ontario) with respect to APL and its subsidiaries. Such statements include, but are not limited to, statements about the growth of the business in light of the Company's acquisitions; its launch of new premium wines and spirits; sales trends in foreign markets; its supply of domestically grown grapes; and current economic conditions. These statements are subject to certain risks, assumptions, and uncertainties that could cause actual results to differ materially from those included in the forward-looking statements. The words "believe", "plan", "intend", "estimate", "expect", or "anticipate", and similar expressions, as well as future or conditional verbs such as "will", "should", "would", "could", and similar verbs often identify forward-looking statements. We have based these forward-looking statements on our current views with respect to future events and financial performance. With respect to forward-looking statements contained in this MD&A, the Company has made assumptions and applied certain factors regarding, among other things: future grape, glass bottle, and wine and spirit prices; its ability to obtain grapes, imported wine, glass, and other raw materials; fluctuations in foreign currency exchange rates; its ability to market products successfully to its anticipated customers; the trade balance within the domestic Canadian and international wine markets; market trends; reliance on key personnel; protection of its intellectual property rights; the economic environment; the regulatory requirements regarding producing, marketing, advertising, and 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 Vintners' Quality Alliance ("VQA") brands include *Peller Estates, Trius, Thirty Bench*, *Wayne Gretzky, Sandhill, Red Rooster, Black Hills Estate, Tinhorn Creek, Gray Monk Estates, Raven Conspiracy* and *Conviction*. 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, Black Cellar* and *XOXO. Hochtaler, Domaine D'Or*, *Schloss Laderheim, Royal,* and *Sommet* are the Company's key value priced brands. The Company imports wines from major wine regions around the world to blend with domestic wine to craft these quality and value priced brands. The Company also produces wine based liqueurs and cocktails under the brand *Panama Jack* and craft cider under the brand *No Boats on Sunday*. In October 2016, the Company launched its new *Wayne Gretzky No. 99 Red Cask* Canadian Whisky in certain markets across Canada and in 2017 expanded the Spirits portfolio with *No. 99 Ice Cask*, *99 Proof,* and *No. 99 Canadian Whisky Cream* products. 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 500 independent retailers across Canada, with additional distributors in the United States, the United Kingdom, New Zealand, Australia, and China. GVI's award-winning premium and ultra-premium winemaking brands include *Selection, Vintners Reserve, Island Mist, KenRidge, Cheeky Monkey, 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 operates Andrew Peller Import Agency and The Small Winemaker's Collection Inc., importers and marketing agents for premium wines from around the world.

The Company's mission is to *Pour Extraordinary into Everyday Life*. The Company believes it achieves this objective by delivering to its customers and consumers the highest quality wines, spirits, refreshments, and experiences at the best possible value. To meet this goal, the Company invests in improvements in the quality of grapes, wines, and spirits raw materials, its winemaking and distillation capabilities, sales and marketing initiatives, tourism and hospitality experiences, and its quality management programs. Our achievement of this goal is evidenced in our award-winning products: VQA brands in Eastern Canada received a total of 184 awards in fiscal 2018 (up from 171 awards a year ago and 30% more awards than 2 years ago), including: 4 platinum, 47 gold, 78 silver, 41 bronze and 3 Lieutenant Governor Awards. VQA brands in Western Canada won a total of 96 awards this past fiscal. The Sandhill portfolio did exceptionally well with over 35 awards in total this year. Four of those awards were classified as "best in class" or double gold.

The Company is focused on initiatives to reduce costs and enhance its production efficiencies through a continual review of its operations and cost structure with a view to enhancing profitability. The Company continues to expand and strengthen its distribution through provincial liquor boards, Ontario independent retail locations and grocery outlets under The Wine Shop, Wine Country Vintners, and Wine Country Merchants store names, 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 6, 2018, the Company's Board of Directors approved a 13.9% increase in common share dividends for shareholders of record on June 29, 2018 payable on July 6, 2018. The annual dividend on Class A Shares was increased to $0.2050 per share from $0.1800 per share and the dividend on Class B Shares was increased to $0.1783 per share from $0.1565 per share. The Company has consistently paid common share dividends since 1979 and has increased dividends every year for the past five years. APL currently designates all dividends paid as "eligible dividends" for purposes of the *Income Tax Act* (Canada) unless indicated otherwise.

On October 10, 2017, the Company acquired 100% of the operating assets of Black Hills Estate Winery (Black Hills) for cash consideration of approximately $31.3 million. Black Hills generates annual revenue of approximately $6.0 million and employs approximately 20 people. The results of operations from October 10, 2017 have been included in the audited annual consolidated financial statements for the period.

On October 1, 2017, the Company acquired 100% of the common shares of Gray Monk Cellars Ltd. (Gray Monk) and certain operating assets held by related parties for consideration of approximately $36.4 million, of which $17.3 million was funded in cash and $19.1 million was funded by the issuance of 1,579,670 Class A non-voting common shares. The consideration transferred increased by $1.9 million, from $34.5 million to $36.4 million due to the appreciation of the Company's Class A non-voting shares from September 8, 2017, the date the share purchase agreement was signed, to October 1, 2017, the date the acquisition closed. Gray Monk generates annual revenue of approximately $11.0 million and employs approximately 50 people. The results of operations from October 1, 2017 have been included in the audited annual consolidated financial statements for the period.

On October 1, 2017, the Company acquired 100% of the common and preferred shares of Tinhorn Creek Vineyards Ltd. (Tinhorn) for cash consideration of approximately $28.9 million. Tinhorn generates annual revenue of approximately $7.0 million and employs approximately 50 people. The results of operations from October 1, 2017 have been included in the audited annual consolidated financial statements for the period.

Results of Operations

For the years ended March 31, **(in $000, except per share amounts)**	**2018**	2017 [(1)]	2016 [(1)]
Sales	**$ 363,897**	$ 342,606	$ 334,263
Gross margin	**150,325**	131,155	122,964
Gross margin (% of sales)	**41.3%**	38.3%	36.8%
Selling and administrative expenses	**97,465**	86,018	82,048
EBITA	**52,860**	45,137	40,916
Adjusted EBITA	**57,225**	46,246	40,916
Interest	**5,345**	3,078	3,575
Net unrealized (gain) loss on derivative financial instruments	**(1,400)**	(2,232)	1,558
Other (income) expenses	**(3,842)**	120	(40)
Adjusted earnings	**29,303**	25,608	20,322
Net earnings	**30,117**	26,350	19,199
Earnings per share – basic and diluted - Class A	**$0.71**	$0.64	$0.46
Earnings per share – basic and diluted - Class B	**$0.62**	$0.55	$0.40
Adjusted earnings per share – basic and diluted – Class A	**$0.69**	$0.62	$0.46
Adjusted earnings per share – basic and diluted – Class B	**$0.60**	$0.54	$0.40
Dividend per share – Class A (annual)	**$0.1800**	$0.1632	$0.1500
Dividend per share – Class B (annual)	**$0.1565**	$0.1420	$0.1304

[1] Adjusted EBITA, Adjusted earnings and Adjusted earnings per share figures have been restated to conform to the current year's presentation

Sales in fiscal 2018 increased 6.2% compared to fiscal 2017 due to organic growth across the majority of the Company's products and trade channels, introduction of new products and new product categories, selective price increases in certain trade channels implemented during the year, and the contribution during the last half of the year from the acquisition of three estate wineries completed in early October 2017. Not including the contribution from the recent acquisitions, the Company generated organic growth in sales of 3.7% for the year ended March 31, 2018.

The Company defines gross margin as gross profit excluding amortization. Gross margin as a percentage of sales improved to 41.3% for the year ended March 31, 2018 compared to 38.3% in the prior year. Gross margin in fiscal 2018 benefited from the discontinuation of lower performing products, increased focus on higher margin products, selective pricing increases, and the positive impact of the Company's cost control initiatives. During fiscal 2018, the Company recorded a charge of $3.0 million to increase cost of goods sold to reflect the fair value of inventory acquired from the new wineries that had been sold since the acquisition dates. Management is continually focused on efforts to enhance production efficiency and productivity as well as developing synergies from the addition of the three new wineries acquired in October 2017.

Selling and administrative expenses for the year ended March 31, 2018 included $3.2 million of expenses due to the addition of the three new wineries, as well as increased costs related to the operations of the new Wayne Gretzky Estate Winery and Craft Distillery, which opened in June 2017 and increased marketing support for new launches across the Company's product portfolio. Included in selling and administrative expenses is $1.1 million in one-time professional and transition fees related to the acquisitions, which is comparable to the $1.1 million charged in fiscal 2017 for professional fees related to a strategic acquisition that was not completed. In fiscal 2018, selling and administrative expenses included $0.6 million in severance payments, compared to $1.3 million in post-retirement benefits for certain employees retiring during fiscal 2017. Selling and administrative expenses also increased by $0.8 million when compared to fiscal 2017 due to the increase in minimum wage in Ontario. The Company continues to increase its investment in its sales and marketing programs while remaining focused on ensuring a strong return on these investments.

Earnings before interest, amortization, net unrealized gains and losses on derivative financial instruments, other (income) expenses, and income taxes ("EBITA") was $52.9 million for the year ended March 31, 2018 compared to $45.1 million in the prior year. The increase in fiscal 2018 was due to the increase in sales across the Company's established distribution network and the improved gross margin, partially offset by the increase in selling and administrative expenses and the reduction in margin related to the three new wineries due to the inventory fair value adjustment charged to cost of sales. Adjusted EBITA, which excludes from EBITA one-time acquisition related charges, was $57.2 million for the year ended March 31, 2018 compared to $46.2 million in fiscal 2017.

Interest expense increased in fiscal 2018 compared to the prior year due primarily to long-term debt incurred to complete the three acquisitions in October 2017 and the write-off of $0.4 million in unamortized deferred financing fees related to the prior banking agreement that was amended on September 29, 2017.

Amortization expense increased in fiscal 2018 due primarily to the addition of the three recently acquired wineries and the completion of the Wayne Gretzky Estate Winery and Craft Distillery in June 2017.

The Company recorded net unrealized non-cash gains in fiscal 2018 and fiscal 2017 related to mark-to-market adjustments on interest rate swaps and foreign exchange contracts. The Company has elected not to apply hedge accounting and accordingly the change in fair value of these financial instruments is reflected in the Company's consolidated statement of earnings each reporting period. These instruments are considered to be effective economic hedges and have enabled management to mitigate the short-term volatility of changing foreign exchange and interest rates.

Other income in fiscal 2018 includes a one-time gain of $4.2 million on the acquisitions completed in October 2017.

Adjusted earnings, defined as net earnings not including net unrealized gains and losses on derivative financial instruments, other (income) expenses, non-recurring, non-operating (gains) and losses, and the related income tax effect were $29.3 million for the year ended March 31, 2018 compared to $25.6 million in the prior year. Net earnings for the year ended March 31, 2018 were $30.1 million or $0.71 per Class A Share compared to $26.4 million or $0.64 per Class A Share in the prior year.

The three acquired wineries contributed $8.6 million in sales, $1.1 million in EBITA and $0.4 million in net earnings in fiscal 2018 excluding acquisition related fees and margin adjustments as described below. The acquisitions contributed approximately $0.01 per Class A share in net earnings, which was offset by the dilution impact of the 1.6 million Class A shares issued to acquire one of the wineries. On acquisition the Company recorded an increase of $10.4 million to inventory to represent the fair value of the goods acquired. This increase will be expensed over time to the consolidated statement of earnings as finished goods are sold thus reducing gross margin. During fiscal 2018, the Company's gross margin was reduced by $3.0 million as a result of this adjustment. It is expected that most goods acquired will be sold within one year of the acquisitions, and as such, the remaining balance of the fair value adjustment of $7.4 million will continue to be dilutive into fiscal 2019. Furthermore, one-time transaction and transition costs and restructuring costs, of which $1.4 million was expensed in fiscal 2018, also had a dilutive impact on earnings per share in fiscal 2018. The impact of these items reduced earnings per share by approximately $0.10 per Class A Share for the year ended March 31, 2018. Additional interest expense on debt used to fund the acquisitions and higher amortization on acquired assets will also have a dilutive impact. The above items have resulted in an overall dilution of $0.06 per Class A share for the year ended March 31, 2018.

The Company believes that sales will continue to grow going forward due to strong positioning of key brands, the continued launch of new and innovative products in the Canadian wine, cider and spirits markets, continued growth in new wine-related markets, and the full year's contribution from the three estate wineries acquired in October 2017 in fiscal 2019.

The Company has exposure to foreign currency risk as purchases of bulk wine and concentrate are made in U.S. dollars, Australian dollars, and Euros. Fluctuating foreign currencies may have a positive or negative impact on gross margins. Management believes the impact on gross margin will be largely offset by the Company's continued ability to leverage scale and successful cost control initiatives to reduce distribution, operating and packaging expenses, and raw material cost savings. The Company also uses foreign exchange forward contracts to protect against changes in foreign currency rates and, as at March 31, 2018, had locked in $4.7 million in U.S. dollar contracts at rates averaging $1.26 Canadian, €0.9 million in Euro contracts at rates averaging $1.55 Canadian and $1.4 million in Australian dollar contracts at rates averaging $1.00 Canadian. These contracts expire at various dates through June 30, 2018.

Quarterly Performance

The following table outlines key quarterly highlights.

(in $000, except per share amounts)	Q4 18	Q3 18	Q2 18	Q1 18	Q4 17 (1)	Q3 17 (1)	Q2 17 (1)	Q1 17
Sales	79,817	103,583	91,857	$88,640	$72,295	$94,048	$88,357	$87,906
Gross margin	32,811	43,217	38,693	35,604	28,326	35,042	33,644	34,143
Gross margin (% of sales)	41.1%	41.7%	42.1%	40.2%	39.2%	37.3%	38.1%	38.8%
EBITA	4,279	17,833	16,290	14,458	5,865	11,886	12,583	14,803
Interest	1,749	1,656	1,157	783	813	702	780	783
Adjusted EBITA	5,740	20,175	16,852	14,458	5,865	12,167	13,411	14,803
Net unrealized gain on financial instruments	(833)	(216)	(285)	(66)	(189)	(868)	(1,128)	(47)
Other expenses (income)	35	(4,092)	70	145	(15)	52	56	27
Adjusted earnings (loss)	(904)	12,402	9,556	8,249	1,859	7,741	7,450	8,558
Net earnings (loss)	(1,691)	14,391	9,226	8,191	2,010	8,137	7,630	8,573
E.P.S. – Class A basic & diluted	$(0.04)	$0.33	$0.22	$0.20	$0.05	$0.20	$0.18	$0.21
E.P.S. – Class B basic & diluted	$(0.03)	$0.29	$0.19	$0.18	$0.04	$0.17	$0.16	$0.18
Adjusted E.P.S – Class A basic & diluted	$(0.02)	$0.29	$0.23	$0.20	$0.05	$0.19	$0.18	$0.20
Adjusted E.P.S – Class B basic & diluted	$(0.02)	$0.25	$0.20	$0.17	$0.04	$0.16	$0.16	$0.18

[1] Adjusted EBITA, Adjusted earnings and Adjusted EPS figures have been restated to conform to the current year's presentation

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

Sales in the fourth quarter of fiscal 2018 increased 10.4% compared to the same quarter of fiscal 2017 due primarily to the contribution of the three new estate wineries acquired in early October 2017, selective price increases in certain trade channels, and strong organic growth across most of the Company's trade channels. The three acquisitions contributed $3.7 million in sales in the fourth quarter of fiscal 2018. Not including the contribution from the recent acquisitions, the Company generated organic revenue growth of approximately 5.4% through the three months ended March 31, 2018.

Gross margin for the three months ended March 31, 2018 was 41.1% of sales compared to 39.2% in the fourth quarter of fiscal 2017. The increase in gross margin is attributable to improved product mix, increased pricing, and raw material and packaging costs savings. During the fourth quarter of fiscal 2018, the Company recorded a charge of approximately $1.1 million to increase cost of goods sold to reflect the fair value of inventory acquired from the new wineries that had been sold since the acquisition dates.

Selling and administrative expenses increased in the fourth quarter of fiscal 2018 compared to the fourth quarter of fiscal 2017 due to the addition of three new wineries acquired in October 2017 as well as an increase in marketing activities and support for recent new product launches. Included in selling and administrative expenses in the fourth quarter of 2018 is $0.1 million in one-time professional services fees and transition costs related to the three acquisitions completed in October 2017 and $0.6 million in severance payments. During the fourth quarter of fiscal 2017, selling and administrative expenses included $0.6 million in one-time costs related to restructuring.

Interest expense increased in the fourth quarter of fiscal 2018 due primarily to long-term debt incurred to complete the three acquisitions in October 2017. Amortization expense also increased in the fourth quarter of fiscal 2018 due primarily to the addition of the three recently acquired wineries and the completion of the Wayne Gretzky Estate Winery and Craft Distillery in June 2017.

EBITA declined to $4.3 million for the three months ended March 31, 2018 compared to $5.9 million in the same quarter in fiscal 2017 primarily due to the fair value adjustment to cost of goods sold and the increase in selling and administration costs related to the recent acquisitions. Adjusted EBITA was $5.7 million for the three months ended March 31, 2018 compared to $5.9 million for the three months ended March 31, 2017.

The Company generated an adjusted loss for the three months ended March 31, 2018 of $0.9 million compared to adjusted earnings of $1.9 million in the same prior year period. The net loss was $1.7 million or $0.04 per Class A Share for the three months ended March 31, 2018 compared to net earnings of $2.0 million or $0.05 per Class A Share in the fourth quarter of fiscal 2017.

Liquidity and Capital Resources

As at (in $000)	**March 31, 2018**	March 31, 2017	March 31, 2016
Current assets	**$ 198,014**	$ 160,567	$ 150,867
Property, plant, and equipment	**188,191**	118,838	108,929
Intangibles	**17,733**	10,600	11,040
Goodwill	**53,638**	37,473	37,473
Derivative financial instruments	**204**	-	-
Total assets	**$ 457,780**	$ 327,478	$ 308,309
Current liabilities	**$ 93,597**	$ 81,742	$ 79,202
Long-term debt	**116,257**	46,678	48,202
Long-term derivative financial instruments	**-**	642	1,529
Post-employment benefit obligations	**5,140**	5,279	5,947
Deferred income	**-**	-	102
Deferred income tax	**22,540**	15,820	15,591
Shareholders' equity	**220,246**	177,317	157,736
Total liabilities and shareholders' equity	**$ 457,780**	$ 327,478	$ 308,309

The changes to the Company's balance sheet as at March 31, 2018 compared to March 31, 2017 related primarily to the acquisition of three estate wineries completed in early October 2017.

Of the overall increase in inventory at March 31, 2018 compared to March 31, 2017, approximately $21.7 million related to inventory from the three wineries acquired in October 2017. The remaining increase in inventory is due to an increase in inventory volumes on hand as the harvest was larger compared to prior year, as well as an increase in spirits due to new market and product launches. The Company continued to benefit 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 increase 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 producing wine from 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 products. The Company had $16.5 million of accounts receivable with provincial liquor boards at March 31, 2018, 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 30 days past due was $1.5 million at March 31, 2018. Against these amounts an allowance for doubtful accounts of $0.2 million has been provided which the Company has determined represents a reasonable estimate of amounts that may not be collectible.

Property, plant, and equipment increased at March 31, 2018 compared to the prior year end due to investments in the three estate wineries acquired in October 2017. Other capital expenditures during fiscal 2018 related to completion of the new Wayne Gretzky Estate Winery and Craft Distillery which opened on June 7, 2017 and other operational investments at the Company's Ontario production facilities.

As part of the acquisitions of the three estate wineries, the Company recorded intangible assets of $8.1 million, relating to brands and customer lists, and goodwill of $16.2 million.

On September 29, 2017, the Company amended and restated its debt facilities. Amendments included a revised maturity date of September 29, 2022, revised financial covenants and updated applicable margins based on the Company's leverage. Additionally, the total borrowing limit was increased to $310.0 million and separated into two facilities: a revolving, non-amortizing facility with a borrowing limit of $90.0 million to be used for day-to-day operations, distributions and capital expenditures and a revolving, amortizing investment facility with a borrowing limit of $220.0 million to be used for acquisitions or capital expenditures. Each draw on the investment facility is subject to a new amortization schedule and annual repayments increase over the term. The initial draw on the investment facility was used to refinance the previous operating and capital term loans and fund the acquisitions of the three British Columbia premium estate wineries in early October 2017. Up to September 30, 2018, monthly principal repayments of $0.5 million are required on the revolving, amortizing investment facility based on the initial draw. Thereafter, monthly principal repayments of $0.8 million are required. At March 31, 2018, the applicable margin was 1.90% (March 31, 2017 – 1.25%).

Overall bank debt increased to $171.7 million at March 31, 2018 compared to $87.7 million at March 31, 2017. The increase in bank debt is due primarily to $79.0 million drawn on the Company's credit facility related to the above-mentioned estate winery acquisitions. The increase in bank debt has been partially offset by the strong earnings in fiscal 2018, the positive impact of working capital management, and regularly scheduled debt repayments. With the increase in debt, the Company's debt to equity ratio increased to 0.78:1 at March 31, 2018 compared to 0.49:1 at March 31, 2017. At March 31, 2018, the Company had unutilized debt capacity in the amount of $42.7 million on its operating facility and $94.7 million on its investment facility.

The following table outlines the Company's contractual obligations as at March 31, 2018:

(in $000)	**< 1 year**	**2 - 3 years**	**4 - 5 years**	**> 5 years**	**Total**
Long-term debt	$ 8,135	$ 20,982	$ 96,350	-	$ 125,467
Leases and royalties	5,092	6,419	4,373	8,176	24,060
Pension obligations	514	734	576	888	2,712
Grape and bulk wine purchase contracts	79,100	77,282	56,850	144,276	357,508
Packaging purchase contracts	30,392	1,457	-	-	31,849
Bulk whiskey purchase contracts	525	80	-	-	605
	123,758	106,954	158,149	153,340	542,201
Interest rate swap	2,740	4,828	2,934	-	10,502
Foreign exchange forwards	8,720	-	-	-	8,720
Total contractual obligations	$ 135,218	$ 111,782	$ 161,083	$ 153,340	$ 561,423

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 long-term through increased profitability and strong management of working capital and capital expenditures. The Company regularly reviews all of its assets to ensure appropriate returns on investment are being achieved and that they fit with the Company's long-term strategic objectives.

For the year ended March 31, 2018, the Company generated cash from operating activities, after changes in non-cash working capital items, of $21.7 million compared to $25.6 million in the prior year. Investing activities were $97.8 million in fiscal 2018 compared to $20.5 million in the prior year. The increase in fiscal 2018 includes $77.4 million related to the acquisition of the three estate wineries in October 2017. The remaining investing activities related to capital expenditures to improve operations, as well as costs incurred related to the completion of the new Wayne Gretzky Estate Winery and Craft Distillery which officially opened on June 7, 2017.

Financing activities for the year ended March 31, 2018 included a $79.0 million increase in long-term debt related to the acquisition of the three estate wineries in October 2017.

Working capital as at March 31, 2018 increased to $104.4 million compared to $78.8 million at March 31, 2017. The increase in working capital was due to increases in inventory and accounts receivable due primarily to the acquisitions completed in October 2017, partially offset by increases in current debt. Shareholders' equity as at March 31, 2018 was $220.2 million or $4.99 per common share compared to $177.3 million or $4.16 per common share as at March 31, 2017. The increase in shareholders' equity was due to the issuance of Class A Shares to fund a portion of the purchase price for one of the acquired wineries and strong net earnings, partially offset by the payment of dividends and net actuarial losses on post-employment benefit plans.

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	**March 31, 2018**	March 31, 2017	March 31, 2016
Class A Shares	**35,471,185**	33,581,487	33,581,487
Class B Shares	**8,702,095**	9,012,123	9,012,123
Total	**44,173,280**	42,593,610	42,593,610

On October 2, 2017, the Company issued approximately 1.6 million Class A Shares to fund a portion of the purchase price for one of the acquisitions. In March 2018, approximately 0.3 million Class B Shares were converted into Class A shares on a one-for-one basis.

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 and wine related products through concentrating on and developing leading brands that meet the needs of our consumers and customers. Over the long term the Company believes higher-priced premium wine and spirits sales will continue to grow in Canada, generating higher margins and increased profitability compared to its lower-priced products. The Company has also entered the spirits category, through its strategic alliance with Wayne Gretzky, and has introduced sangrias and ciders through its own brand labels.

The market for wine in Canada continues to grow due to a movement toward the consumption of wine 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 reported health benefits of moderate wine consumption. The Company has focused its product development and sales and marketing initiatives by 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 and other craft alcohol 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 into other alcoholic beverages 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 focus to support key brands through all of the Company's distribution channels will continue to receive increased marketing and sales support.

The Company expects to increase its investments in capital expenditures over the next five years to increase capacity, support its ongoing commitment to producing the highest-quality wines and spirits, and improve productivity. The Company also expects to invest additional funds in the next five years in vineyards and operations in Western Canada to support the three recent acquisitions. 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.

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

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

Risks and Uncertainties

The Company's sales of wine and spirits are affected by general economic conditions such as changes in discretionary consumer spending and consumer confidence, future economic conditions, changes to Inter-Provincial trade laws, 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, distillery and restaurants, direct sales through licensed establishments, and export sales through duty free shops. The Company 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 incentives on subsidies. Many of these countries and regions prohibit or restrict the sale of imported wine in their own domestic markets. The Company, along with other members of the Canadian wine industry, are working with the Canadian government to improve support for the domestic industry.

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. 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 enters into a series of foreign exchange contracts as a hedge against movements in U.S. dollar, Euro, and Australian dollar exchange rates. The Company does not enter into foreign exchange contracts for trading or speculative purposes. These contracts are reviewed periodically. Based on the Company's forecasts for foreign currency purchases and the amount of foreign exchange forward contracts outstanding at March 31, 2018, each one percent change in the value of the U.S. dollar, Euro or the Australian dollar would impact the Company's net earnings by an estimated $0.2 million, $0.1 million and $0.1 million respectively.

The Company purchases glass, bag in box, tetra paks, and other components used in the bottling and packaging of wine and spirits. The largest component in the packaging of wine and spirits is glass, of which there are few domestic or international suppliers. There is currently only one commercial supplier of glass in Canada that is able to supply glass to APL's specifications. Any interruption in supply could have an adverse impact on the Company's ability to supply its markets. APL has taken steps to reduce its dependence on domestic suppliers through the development of relationships with several international producers of glass and through carrying increased inventory of selected bottles.

The Company operates in a highly regulated industry with requirements regarding the production, distribution, marketing, advertising, and labelling of wine and spirits. 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 recent regulatory changes relating to privatization in Ontario and sales through grocery outlets remains a risk to the Company through its impact on the Company's retail operations.

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 remain competitive. APL and other wine industry participants also generally compete with other alcoholic beverages like beer and spirits for consumer acceptance, loyalty, and shelf space. Any legalization of recreational cannabis may also have an impact on consumption of wine and other beverage alcohol products. 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, other taxes, and mark-ups on beverage alcohol products which have been subject to change. Significant increases in excise and other taxes on beverage alcohol products could materially and adversely affect the Company's financial condition or results of operations. 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, taxes, or mark-ups 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.

Increases in the minimum wage across Canada will also continue to negatively affect the profitability of the Company. It is estimated that increases in Ontario will increase selling and administrative expenses by approximately $3 million in the coming year.

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

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

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

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

The success of the Company's brands depends upon the positive image that consumers have of those brands. Contamination of APL's products, whether arising accidentally or through deliberate third-party action, or other events that harm the integrity or consumer support for those brands could adversely affect 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, net unrealized gains and losses on derivative financial instruments, other (income) expenses, and income taxes) and Adjusted EBITA (EBITA before non-recurring expenses such as acquisition transaction and transition costs) to measure its financial performance. EBITA and Adjusted EBITA are not recognized measures under IFRS; however, management believes that EBITA and Adjusted EBITA are useful supplemental measures to net earnings as these measures provide readers with an indication of earnings available for investment prior to debt service, capital expenditures, and income taxes, as well as provide an indication of recurring earnings compared to prior periods.

The Company calculates EBITA and Adjusted EBITA as follows.

For the three months and years ended March 31,	Three Months		Year	
(in $000)	**2018**	2017 (1)	**2018**	2017 (1)
Net earnings (loss)	**$ (1,691)**	$ 2,010	**$ 30,117**	$ 26,350
Add: Interest	**1,749**	813	**5,345**	3,078
Provision for income taxes	**1,411**	597	**10,937**	7,895
Amortization of plant and equipment used in production	**1,782**	1,763	**6,891**	6,549
Amortization of equipment and intangibles used in selling and administration	**1,826**	886	**4,812**	3,377
Net unrealized gains on derivative financial instruments	**(833)**	(189)	**(1,400)**	(2,232)
Other (income) expenses	**35**	(15)	**(3,842)**	120
EBITA	**$ 4,279**	$ 5,865	**$ 52,860**	$ 45,137
Acquisition transaction and transition costs	**363**	-	**1,393**	1,109
Fair value adjustment for acquired inventory sold during the period	**1,098**	-	**2,972**	-
Adjusted EBITA	**$ 5,740**	$ 5,865	**$ 57,225**	$ 46,246

1 Adjusted EBITA figures have been restated to conform to the current year's presentation

Readers are cautioned that EBITA and Adjusted 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, excluding amortization) as calculated below.

For the three months and years ended March 31,	Three Months		Year	
(in $000)	**2018**	2017	**2018**	2017
Sales	**$ 79,817**	$ 72,295	**$ 363,897**	$ 342,606
Less: Cost of goods sold, excluding amortization	**47,006**	43,969	**213,572**	211,451
Gross margin	**$ 32,811**	$ 28,326	**$ 150,325**	$ 131,155
Gross margin (% of sales)	**41.1%**	39.2%	**41.3%**	38.3%

The Company calculates adjusted earnings and adjusted earnings per share as follows.

For the three months and years ended March 31,	Three Months		Year	
(in $000)	**2018**	2017 (1)	**2018**	2017 (1)
Net earnings (loss)	**$ (1,691)**	$ 2,010	**$ 30,117**	$ 26,350
Net unrealized gains on derivative financial instruments	**(833)**	(189)	**(1,400)**	(2,232)
Other expenses (income)	**35**	(15)	**(3,842)**	120
Acquisition transaction and transition costs	**363**	-	**1,393**	1,109
Fair value adjustment for acquired inventory sold during the period	**1,098**	-	**2,972**	-
Income tax effect of the above	**124**	53	**63**	261
Adjusted earnings (loss)	**$ (904)**	$ 1,859	**$ 29,303**	$ 25,608
Adjusted earnings (loss) per share – Class A	**$(0.02)**	$0.05	**$0.69**	$0.62
Adjusted earnings (loss) per share – Class B	**$(0.02)**	$0.04	**$0.60**	$0.54

1 Adjusted earnings and Adjusted earnings per share figures have been restated to conform to the current year's presentation

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

Transactions with Related Parties

The Company is controlled by Jalger Limited, which owns 57.4% of the Company's Class B voting shares. No individual has sole voting power or control in respect of the shares of the Company owned by Jalger Limited.

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

	2018	2017
Compensation and short-term benefits	$ 3,848	$ 6,951
Post-employment benefits	296	302
Stock based compensation expense	1,422	-
Payments to a share purchase plan	-	381
	$ 5,566	$ 7,634

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

Financial Statements and Accounting Policies

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

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 could materially affect the Company's financial position or financial performance. The Company's significant accounting policies are discussed in the notes to the consolidated financial statements for the years ended March 31, 2018 and March 31, 2017. Critical estimates inherent in these accounting policies are set out below:

Business combinations

For each business combination, the Company measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values. The determination of fair value requires the Company to make assumptions, estimates, and judgments regarding future events. The allocation process is inherently subjective and impacts the amounts assigned to individual identifiable assets and liabilities, including the fair value of finished goods inventory, long-lived assets, the recognition and measurement of any identified intangible assets, and the final determination of the amount of goodwill or gain on acquisition. The inputs to the exercise of judgments include legal, contractual, business and economic factors. As a result, the purchase price allocation impacts the Company's reported assets and liabilities and future net earnings due to the impact on future cost of goods sold, amortization, and impairment tests.

Impairment of goodwill and indefinite life intangible assets

Testing goodwill for impairment at least annually involves estimating the recoverable amount of the cash generating units to which goodwill is allocated. This requires making assumptions about future cash flows, growth rates, and discount rates. Testing indefinite life intangible assets for impairment at least annually involves estimating the fair value using the relief of royalty method. This requires making assumptions about royalty rates, growth rates, and discount rates. These assumptions are inherently uncertain and as such, actual amounts may vary from these assumptions and cause significant adjustments. Management has concluded that a 10% change in any key assumption in the impairment tests would not result in an impairment of goodwill or indefinite life intangible assets as at March 31, 2018 and March 31, 2017.

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

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

Recently Adopted Accounting Policies

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

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

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

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

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

Statement of cash flows
In January 2016, the IASB issued an amendment to IAS 7, Statement of Cash Flows, introducing additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments were effective for annual periods beginning on or after January 1, 2017. The new requirements were adopted effective April 1, 2017. The adoption of these amendments did not have a material impact on the consolidated financial statements.

Income taxes
In January 2016, the IASB issued amendments to IAS 12, Income Taxes to clarify the requirements for recognizing deferred tax assets on unrealized losses. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. They also clarify certain other aspects of accounting for deferred tax assets. The amendments were effective for annual periods beginning on or after January 1, 2017. The new requirements were adopted effective April 1, 2017. The adoption of these amendments did not have a material impact on the consolidated financial statements.

Recently Issued Accounting Pronouncements
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 on 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 adoption of these amendments is not expected to have a material impact on the consolidated financial statements.

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. In April 2016, the IASB has amended IFRS 15 to clarify the guidance on identifying performance obligations, licenses of intellectual property, and principal versus agent. The amendments also provide additional practical expedients on transition. The standard is effective for first interim periods within annual periods beginning on or after January 1, 2018. During the year the Company carried out a detailed review of the current recognition criteria for revenue against the requirements of IFRS 15. This review closely examined its agency wine businesses, presentation of certain customer related trade spending and timing of recognition of certain promotional discounts. Based on preliminary work completed, the adoption of this standard is not expected to have a material impact on the consolidated financial statements.

In January 2016, the IASB issued IFRS 16, Leases, which will replace IAS 17, Leases and related Interpretations. The new standard will be effective for fiscal years beginning on or after January 1, 2019, with early adoption permitted provided the Company has adopted IFRS 15, Revenue from Contracts with Customers. The new standard requires lessees to recognize a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all leases contracts, and record it on the statement of financial position, except with respect to lease contracts that meet limited exception criteria. Given that the Company has significant contractual obligations in the form of operating leases under IAS 17, there will be a material increase to both assets and liabilities on adoption of IFRS 16, and material changes to the timing of recognition of expenses associated with the lease arrangements. The Company is analyzing the new standard to determine the impact of adopting this standard.

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

The Company's management, under the supervision of, and with the participation of the CEO and CFO, have designed and maintained the Company's disclosure controls and procedures as required in Canada by "National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings".

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 presentation.

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

For the year ended March 31, 2018, 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 6, 2018, 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.