ANDREW PELLER
LIMITED

MANAGEMENT'S DISCUSSION & ANALYSIS
For the three months and year ended March 31, 2021

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, 2021 in comparison with those for the three months and year ended March 31, 2020 for Andrew Peller Limited (the "Company" or "APL"). This discussion is prepared as of June 16, 2021 and should be read in conjunction with the audited annual consolidated financial statements and accompanying notes contained therein for the years ended March 31, 2021 and 2020. Additional information relating to the Company, including the audited annual consolidated financial statements and Annual Information Form for the years ended March 31, 2021 and March 31, 2020, is available on www.sedar.com. The financial years ending March 31, 2021 and March 31, 2020 are referred to as "fiscal 2021" and "fiscal 2020" respectively. All dollar amounts are expressed in Canadian dollars unless otherwise indicated.

FORWARD-LOOKING INFORMATION

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

These forward-looking statements are also subject to the risks and uncertainties discussed in the "Risks and Uncertainties" section and elsewhere in this MD&A and other risks detailed from time to time in the publicly filed disclosure documents of the Company which are available at www.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 and craft beverage alcohol products in Canada. With wineries in British Columbia, Ontario, and Nova Scotia, the Company markets wines produced from grapes grown in Ontario's Niagara Peninsula, British Columbia's Okanagan and Similkameen Valleys, and from vineyards around the world. The Company's award-winning premium and ultra-premium Vintners' Quality Alliance ("VQA") brands include *Peller Estates, Trius, Thirty Bench*, *Wayne Gretzky, Sandhill, Red Rooster, Black Hills Estate Winery, Tinhorn Creek Vineyards, Gray Monk Estate Winery, Raven Conspiracy* and *Conviction*. Complementing these premium brands are a number of popularly priced varietal brands including *Peller Family Vineyards*, *Copper Moon, Black Cellar* and *XOXO. Hochtaler, Domaine D'Or*, *Schloss Laderheim, Royal,* and *Sommet* are the Company's key value priced brands. The

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

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

The Company is focused on initiatives to 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, grocery outlets and e-commerce platform 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 16, 2021, the Company's Board of Directors approved a 10% increase in common share dividends. The annual dividend on Class A Shares was increased to $0.246 per share and the dividend on Class B Shares was increased to $0.214. The Company has consistently paid common share dividends since 1979. APL currently designates all dividends paid as "eligible dividends" for purposes of the Income Tax Act (Canada) unless indicated otherwise.

On March 4, 2021, the Company announced its notice of intention to make a normal course issuer bid had been approved by the Toronto Stock Exchange. Under the issuer bid the Company can purchase for cancellation up to 1,773,896 of its outstanding Class A non-voting shares, representing 5% of the Class A shares outstanding at the time, over the ensuing twelve months. As of June 16, 2021, the Company had not purchased any shares under the approved issuer bid.

On February 26, 2021, the Company announced it had acquired The Riverbend Inn and Vineyard in Niagara-on-the-Lake, Ontario. This historic and well-located property, containing 17 acres of prime vineyards and a 21-room hotel and restaurant, is situated directly adjacent to the Company's Peller Estates Winery. Located at the corner of John Street and Niagara River Parkway, the Georgian-style inn was opened in 2004 and has a successful and profitable track record as a destination of choice for visitors to the Niagara Region. The Company paid $10.0 million for 100% ownership of the assets and the property. Due to the COVID-19 pandemic, the Inn has been closed since 2020, and management expects it will reopen once the current lockdown in Ontario has been lifted.

On February 10, 2021, the Company's Board of Directors approved a 5% increase to the fourth quarter common share dividend. The quarterly dividend on Class A Shares of $0.0564 per share and the dividend on Class B Shares of $0.0491 will be payable to shareholders of record on March 31, 2021 and were paid on April 9, 2021. The Company has consistently paid common share dividends since 1979. APL currently designates all dividends paid as "eligible dividends" for purposes of the Income Tax Act (Canada) unless indicated otherwise.

On July 27, 2020, it was announced that the Government of Canada has agreed to repeal the federal excise duty exemption of 100% Canadian wine by June 30, 2022. This agreement was reached due to a World Trade Organization challenge put forward by Australia against Canadian wine measures. The federal Finance Minister has committed that the Canadian government is prepared to support the wine industry in managing the impacts of this agreement and are actively investigating options that align with Canada's international trade obligations, with a view to ensuring the long-term success of the industry. Should a permanent replacement program not be implemented, the loss of the federal excise duty exemption would have a material adverse impact on the Company's financial condition and results of operations. The Company, along with its industry partners, will continue to work with the federal government to mitigate the economic impacts of the negotiated settlement.

On June 24, 2020, Randy Powell resigned as President of the Company to pursue other interests. John Peller, Chief Executive Officer has assumed his responsibilities.

Results of Operations

For the years ended March 31, **(in $000, except per share amounts)**	**2021**	2020	2019
Sales	**$ 393,036**	$ 382,306	$ 381,796
Gross margin	**156,518**	166,250	159,008
Gross margin (% of sales)	**39.8%**	43.5%	41.6%
Selling and administrative expenses	**93,472**	104,749	106,133
EBITA	**63,046**	61,501	52,875
Interest	**8,108**	8,107	6,872
Gain on debt modification and financing fees	**(2,312)**	-	-
Net unrealized (gain) loss on derivative financial instruments	**(135)**	1,406	1,679
Other expenses	**1,770**	1,769	1,063
Adjusted earnings	**26,986**	27,575	29,408
Net earnings	**27,786**	23,494	21,958
Earnings per share – basic and diluted - Class A	**$0.65**	$0.55	$0.51
Earnings per share – basic and diluted - Class B	**$0.57**	$0.48	$0.44
Dividend per share – Class A (annual)	**$0.218**	$ 0.215	$0.205
Dividend per share – Class B (annual)	**$0.190**	$ 0.187	$0.178

Sales for the year ended March 31, 2021 were $393.0 million, up 2.8% from the prior year. Due to the COVID-19 pandemic, consumer purchasing patterns changed resulting in an increase in sales from the Company's new e-commerce platform, at provincial liquor stores and other retail channels. Partially offsetting the increase was the reduction in hospitality and licensee sales due to COVID-19 closures and lower duty-free export sales due to restricted travel. Management believes the highly diversified nature of its well-established network of trade channels will continue to mitigate the impact on sales from the COVID-19 pandemic.

The Company defines gross margin as gross profit excluding amortization. Gross margin as a percentage of sales was 39.8% for the year ended March 31, 2021 compared to 43.5% in the prior year. Gross margin in fiscal 2021 has declined as a result of higher imported wine costs, an increase in consumption of lower margin products, revenue declines in high margin trade channels, increased distribution costs resulting from the new e-commerce platform, and increased co-packing costs related to the Company's new and growing refreshment beverage categories.

Selling and administrative expenses were lower in fiscal 2021 compared to the prior year due to a deliberate effort to conserve cash resources by temporarily reducing advertising and promotional spending and staffing levels during the COVID-19 pandemic. As a result, as a percentage of sales, selling and administrative expenses were reduced to 23.8% compared to 27.4% in the prior year. Going forward, as the pandemic eases and activity in the hospitality and licensee channels increases, and the Company invests in growth opportunities, selling and administrative expenses will increase as a percentage of sales compared to fiscal 2021.

Earnings before interest, amortization, net unrealized gains and losses on derivative financial instruments, gain on debt modification and deferred financing fees, other (income) expenses, and income taxes ("EBITA") were $63.0 million for the year ended March 31, 2021, up from $61.5 million in the prior year. EBITA strengthened due primarily to the lower selling and administrative costs.

Interest expense in fiscal 2021 was consistent compared to the prior year due to lower interest rates partially offset by higher debt levels resulting primarily from the acquisition of the Riverbend Inn and Vineyard discussed above.

The Company amended and restated its debt facilities on December 8, 2020 (discussed below). Management has assessed the above amendments and has determined that these amendments constitute a modification of long term debt, in accordance with IFRS 9, which resulted in a gain on modification of $2.9 million for the year ended March 31, 2021, offset by financing costs of $0.6 million.

The Company recorded a net unrealized non-cash gain in fiscal 2021 of $0.1 million related to mark-to-market adjustments on interest rate swaps and foreign exchange contracts compared to an unrealized net loss of $1.4 million in the prior year. The change in fiscal 2021 is primarily due to gains on interest rate swaps, partially offset by losses on 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 are expected to mitigate the short-term volatility of changing foreign exchange and interest rates.

Net earnings for the year ended March 31, 2021 were $27.8 million or $0.65 per Class A Share compared to $23.5 million or $0.55 per Class A Share in the prior year. Adjusted earnings, defined as net earnings not including gain on debt modification and financing fees, net unrealized gains and losses on derivative financial instruments, other (income) expenses, and the related income tax effect were $27.0 million for the year ended March 31, 2021 compared to $27.6 million in the prior year.

COVID-19 Pandemic
After the announcement of the COVID-19 pandemic, Canadian businesses selling beer, wine and other alcohol products were deemed essential services, as well as those businesses that supply them. Under this provision, all of the Company's production facilities, retail locations and retail estate locations remained open throughout fiscal 2021 with enhanced protocols relating to cleanliness and physical distancing. As a result, the pandemic has not negatively impacted the Company's operations or demand for its products and as a result, has also not negatively impacted the Company's liquidity position. However, uncertainty resulting from the on-going pandemic could result in an unforeseen disruption to the supply chain or continued government-mandated closures of restaurant and hospitality businesses that could impact the Company's operations and results.

Quarterly Performance

The following table outlines key quarterly highlights.

(in $000, except per share amounts)	Q4 21	Q3 21	Q2 21	Q1 21	Q4 20	Q3 20	Q2 20	Q1 20
Sales	79,126	111,060	104,410	98,440	82,118	101,597	103,375	95,216
Gross margin	28,089	41,537	44,165	42,727	35,550	41,968	46,311	42,421
Gross margin (% of sales)	35.5%	37.4%	42.3%	43.4%	43.3%	41.3%	44.8%	44.6%
EBITA	1,815	16,223	22,438	22,570	9,668	16,148	17,335	18,350
Interest	2,619	1,637	1,813	2,039	1,839	1,818	2,222	2,228
Gain on debt modification and financing fees	-	(2,312)	-	-	-	-	-	-
Net unrealized (gain) loss on financial instruments	(495)	170	(540)	730	1,984	(646)	(497)	565
Other expenses (income)	742	148	195	685	634	(57)	1,106	86
Adjusted earnings (loss)	(6,145)	8,159	12,419	12,553	1,196	7,815	8,716	9,848
Net earnings (loss)	(6,328)	10,236	12,674	11,204	(996)	8,056	7,643	8,791
E.P.S. – Class A basic & diluted	$(0.15)	$0.24	$0.30	$0.26	$(0.02)	$0.19	$0.18	$0.20
E.P.S. – Class B basic & diluted	$(0.13)	$0.21	$0.26	$0.23	$(0.02)	$0.16	$0.15	$0.18

The second and third quarters of the Company's fiscal year are historically the largest due to increased activity at the Company's estate properties and increased consumer purchasing of the Company's products during the holiday season. However, the COVID-19 pandemic has, and may continue to cause unusual fluctuations in the Company's results and consequently, quarterly results may not follow historical trends.

Sales in the fourth quarter of fiscal 2021 declined to $79.1 million from $82.1 million in the prior year's fourth quarter. When the pandemic was announced in March 2020, the Company saw an increase in sales as a result of higher consumer purchases due to uncertainty around trade channels for alcoholic beverages remaining open. Furthermore, given the pandemic was not announced until March 2020, it had minimal impact on the Company's sales channels during fiscal 2020. In the fourth quarter of fiscal 2021, sales in hospitality and licensee channels decreased, due to COVID-19 closures and duty-free export sales decreased due to restricted travel when compared to the fourth quarter of fiscal 2020. These decreases were partially offset by an increase in sales from the Company's new e-commerce platform, at provincial liquor stores and other retail channels.

Gross margin for the three months ended March 31, 2021 reduced to 35.5% of sales compared to 43.3% in the fourth quarter of fiscal 2020 largely due to a change in product and channel mix due to COVID-19 as described above. Furthermore, gross margin in the fourth quarter of fiscal 2021 has declined as a result of increased distribution costs resulting from the new e-commerce platform and increased co-packing costs related to the Company's new and growing refreshment beverage categories. The Company expects margin to improve in post COVID-19 periods.

Selling and administrative expenses were higher in the fourth quarter of fiscal 2021 compared to the prior year as the Company began to increase staffing and marketing expenses in preparation for more normal markets returning as the impact of the COVID-19 pandemic eases. As these expenses were incurred before the majority of government-mandated closures were lifted, the Company is expecting selling and administrative expenses as a percentage of sales to decrease in future quarters when compared to the fourth quarter of 2021.

EBITA was $1.8 million for the three months ended March 31, 2021 compared to $9.7 million in the same quarter in fiscal 2020. EBITA was impacted in the fourth quarter of fiscal 2021 by the reduced gross margin and increased selling and administrative expenses in the period.

The Company incurred a net loss of $6.3 million or a loss of $0.15 per Class A share for the three months ended March 31, 2021 compared to a net loss of $1.0 million or $0.02 per Class A share in the prior year.

Liquidity and Capital Resources

As at (in $000)	**March 31, 2021**	**March 31, 2020**	March 31, 2019
Current assets	**$ 225,302**	$ 214,114	$ 196,700
Property, plant, and equipment	**223,931**	221,100	199,749
Intangible assets	**39,650**	25,067	16,932
Goodwill	**53,638**	53,638	53,638
Total assets	**$ 542,521**	$ 513,919	$ 467,019
Current liabilities	**$ 54,618**	$ 130,460	$ 99,395
Long-term debt	**174,544**	95,515	106,879
Long-term derivative financial instruments	**717**	1,932	1,008
Lease obligations	**13,987**	14,802	-
Post-employment benefit obligations	**3,316**	3,649	4,657
Deferred income taxes	**29,765**	22,038	20,329
Shareholders' equity	**265,574**	245,523	234,751
Total liabilities and shareholders' equity	**$ 542,521**	$ 513,919	$ 467,019

The change in current assets as at March 31, 2021 compared to March 31, 2020 reflects an increase in cash of $2.7 million, an increase in inventory due to a change in sales mix and an increase in income taxes receivable, partially offset by a decrease in trade receivables due to reduced sales in the fourth quarter. Inventory is dependent on domestically grown grapes that are used in the sale of premium and ultra-premium wines that are held for a longer period than imported wine. These wines are typically aged for one to three years before they are sold. The cost of producing wine from domestically grown grapes is also significantly higher than wine purchased on international markets. Included in current assets as at March 31, 2021 was $1.3 million reflecting the carrying value of the Company's production facility in Port Coquitlam British Columbia which is being held for sale.

Accounts receivable are predominantly with provincial liquor boards and, to a lesser extent, licensed establishments and independent retailers of personal winemaking products. The Company had $16.0 million of accounts receivable with provincial liquor boards at March 31, 2021, all of which is expected to be collectible. The balance represents amounts due from licensees, export customers, and independent retailers of personal winemaking products. The amount of accounts receivable that was 30 days past due was $0.7 million at March 31, 2021. Against these amounts an expected credit loss of $0.3 million has been provided which the Company has determined based on a reasonable estimate of lifetime expected credit losses for trade receivable.

Property, plant and equipment increased during the year due to additions of $20.7 million, which includes additions to land, vineyards and building as a result of the acquisition of the Riverbend Inn & Vineyard assets, partially offset by amortization.

Intangible assets increased at March 31, 2021 compared to the prior year-end due primarily to the investment in the Company's new Enterprise Resource Planning (ERP) solution. The new ERP system successfully went live on February 2, 2021 and management expects further investments in the new system to reduce going forward.

The change in current liabilities as at March 31, 2021 compared to March 31, 2020 is due primarily to a refinancing of the Company's long-term debt, discussed below, and a reduction in accounts payable.

On December 8, 2020 the Company amended and restated its debt facilities. Amendments include a revised maturity date of December 8, 2024, revised financial covenants and additional tiers to the applicable margins based on the Company's leverage. Additionally, the total borrowing limit was increased to $350 million and combined into one revolving, interest only facility to be used for acquisitions, day-to-day operations, distributions, and capital expenditures. The bank indebtedness was transferred to this facility and repayment of the facility is due on maturity. As at March 31, 2021, the applicable margin was 1.90% (2020 - 1.90%). Management assessed the above amendments and determined these amendments constitute a modification of long term debt, which has resulted in the debt being valued at present values of future cash flows. As a result, the Company has recorded a gain on debt modification of $2.9 million offset by financing costs of $0.6 million during the third quarter of fiscal 2021. Overall bank debt increased to $174.5 million at March 31, 2021 from $165.2 million at March 31, 2020, due primarily to the acquisition of the assets and properties of The Riverbend Inn and Vineyard as discussed above. The Company's debt to equity ratio was 0.66:1 at March 31, 2021 compared to 0.67:1 at March 31, 2020. At March 31, 2021, the Company had unutilized debt capacity in the amount of $175.5 million on its operating facility.

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

For the year ended March 31, 2021, the Company generated cash from operating activities, after changes in non-cash working capital items, of $41.1 million compared to $31.5 million in the prior year. Investing activities include the acquisition of The Riverbend Inn and Vineyard for $10.0 million and $18.9 million related to capital expenditures to implement the new ERP system that successfully went live on February 2, 2021.

Financing activities for the year ended March 31, 2021 primarily reflect the refinancing of the Company's long-term debt as discussed above, the payment of dividends, and principal repayment of lease obligations.

Working capital at March 31, 2021 was $170.7 million compared to $83.7 million at March 31, 2020. The increase is primarily attributed to the refinancing of the Company's long-term debt as discussed above. Shareholders' equity at March 31, 2021 was $265.6 million or $6.08 per common share compared to $245.5 million or $5.63 per common share at March 31, 2020. The increase in shareholders' equity was due to the increased net earnings in the period partially offset by the payment of dividends.

The following table outlines the Company's contractual obligations as at March 31, 2021:

(in $000)	**< 1 Year**	**2 - 3 Years**	**4 - 5 Years**	**> 5 Years**	**Total**
Long-term debt	-	-	174,640	-	174,640
Leases and royalties	5,893	9,285	4,904	15,880	35,962
Service agreements	2,448	4,063	763	-	7,274
Grape and bulk wine purchase contracts	93,344	91,611	58,668	95,347	338,970
Packaging purchase contracts	39,702	45,472	-	-	85,174
	141,387	150,431	238,975	111,227	642,020
Interest rate swap	2,030	904	-	-	2,934
Foreign exchange forwards	37,038	-	-	-	37,038
Total contractual obligations	180,455	151,335	238,975	111,227	681,992

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

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, 2021**	March 31, 2020	March 31, 2019
Class A Shares	**35,525,639**	35,403,767	35,988,148
Class B Shares	**8,144,183**	8,191,883	8,198,994
Total	**43,669,822**	43,595,650	44,187,142

As discussed above, on March 4, 2021 the Company announced its notice of intention to make a normal course issuer bid had been approved by the Toronto Stock Exchange. Under the bid the Company can purchase for cancellation up to 1,773,896 of its outstanding Class A non-voting shares, representing 5% of the Class A shares outstanding, over the ensuing twelve months. As of June 16, 2021 the Company had not purchased any shares under the approved issuer bid.

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 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 and craft beer categories, through its strategic alliance with Wayne Gretzky, and has introduced ciders and seltzers through its own brand labels.

The Company has focused its product development and sales and marketing initiatives by capitalizing on alcohol consumption trends 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 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 key brands through all of the Company's distribution channels will continue to receive increased marketing and sales support.

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

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

Risks and Uncertainties

The Company's sales of wine and craft beverage alcohol products are affected by general economic conditions and social trends such as changes in discretionary consumer spending and consumer confidence, future economic conditions, changes to inter-provincial trade laws, tax laws, the prices of its products and health trends. During the year ended March 31, 2021, the COVID-19 pandemic has not materially impacted the Company's operations or demand for its products, and as a result, has also not negatively impacted the Company's liquidity position. The impact of the outbreak on the financial results of the Company will continue to depend on future developments, including the duration and spread of the outbreak and its impact on the overall economy and related advisories and restrictions. It is not possible to reliably estimate the length and severity of these developments and conclusively quantify the impact on the financial results and condition of the Company in future periods. Such general economic conditions have, and may continue to, impact the Company's sales through duty-free export, restaurant and estate property channels.

The outbreak may also have an effect on the future collectability of certain receivables, recoverability of property plant and equipment, goodwill and intangible assets, as well as fair value of derivatives. As the duration and impact of the COVID-19 outbreak or the efficacy of the Government and Bank of Canada interventions is not known at this time, it is not possible to reliably estimate the length and severity of these developments or quantify the impact this pandemic may have on the financial results and condition of the Company in future periods. In response to COVID-19, the Company has implemented working practices to address potential impacts to its operations, employees and customers and will take further measures in the future, if required. At present, the Company has not identified any material continuity-risks specifically associated with COVID-19.

The Government of Ontario has announced its intention to modernize the rules for selling beverage alcohol in Ontario by expanding retail distribution in the province. This could represent a significant change to the retail landscape in

Ontario with the goal of providing more convenience and choice to consumers. While there has not been a proposal by the Government of Ontario regarding implementation, the Company is working closely with its industry partners to mitigate the risks that this transition may have on its financial results.

The Canadian wine market continues to be the target of low-priced imported wines from regions and countries that subsidize wine production and grape growing as well as providing sizeable export incentives on subsidies. Many of these countries and regions prohibit or restrict the sale of imported wine in their own domestic markets. The Company, along with other members of the Canadian wine industry, are working with the Canadian government to improve support for the domestic industry.

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 sales 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. Fluctuating foreign currencies may have a positive or negative impact on gross margins, however, the Company believes the impact on gross margin will be largely offset by its continued ability to leverage scale and successful cost control initiatives to reduce other cost of goods sold. The Company's strategy is to hedge approximately 50% - 80% of its foreign exchange requirements throughout the fiscal year and to regularly review its on-going requirements. The Company does not enter into foreign exchange contracts for trading or speculative purposes and contracts are reviewed periodically. As at March 31, 2021, the Company has forward foreign currency contracts to buy $24.0 million US at rates ranging between $1.24 and $1.29; $1.5 million Euro at rates ranging between $1.52 and $1.53 and $4.5 million AUD at a rate of $1.00. These contracts mature at various dates to February 2022. Based on the Company's forecasts for foreign currency purchases and the amount of foreign exchange forward contracts outstanding at March 31, 2021, each one percent change in the respective foreign currency exchange rates would not result in a material impact on the Company's net earnings.

The Company purchases glass, bag in box, tetra paks, and other components used for bottling and packaging. The largest component of packaging is glass, of which there are few domestic or international suppliers. 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 markets in which the Company operates are consolidating. This has resulted in fewer, but larger, competitors who have increased their resources and scale. The increased competition from these larger market participants may affect the Company's pricing strategies and create margin pressures 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 for consumer acceptance, loyalty, and shelf space. No assurance can be given that consumer demand for wine and premium wine products will continue at current levels in the future.

Federal and provincial governments impose excise, 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.

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 fourth 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 fourth-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 fourth 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, gain on debt modification and deferred financing fees, other (income) expenses, and income taxes) to measure its financial performance. EBITA is not recognized measures 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, as well as providing an indication of recurring earnings compared to prior periods.

The Company calculates EBITA as follows.

For the three months and year ended March 31,	Three Months		Year	
(in $000)	**2021**	2020	**2021**	2020
Net earnings (loss)	**$ (6,328)**	$ (996)	**$ 27,786**	$ 23,494
Add: Interest	**2,619**	1,839	**8,108**	8,107
Income taxes	**153**	621	**9,667**	8,971
Gain on debt modification and financing fees	**-**	-	**(2,312)**	-
Amortization of plant and equipment used in production	**2,265**	2,882	**10,138**	10,057
Amortization of equipment and intangibles used in selling and administration	**2,859**	2,704	**8,024**	7,697
Net unrealized (gain) loss on derivative financial instruments	**(495)**	1,984	**(135)**	1,406
Other expenses	**742**	634	**1,770**	1,769
EBITA	**$ 1,815**	$ 9,668	**$ 63,046**	$ 61,501

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

For the three months and year ended March 31,	Three Months		Year	
(in $000)	**2021**	2020	**2021**	2020
Sales	**$ 79,126**	$ 82,118	**$ 393,036**	$ 382,306
Less: Cost of goods sold, excluding amortization	**51,037**	46,568	**236,518**	216,056
Gross margin	**$ 28,089**	$ 35,550	**$ 156,518**	$ 166,250
Gross margin (% of sales)	**35.5%**	43.3%	**39.8%**	43.5%

The Company calculates adjusted earnings (loss) as follows:

For the three months and year ended March 31, (in $000)	Three Months 2021	Three Months 2020	Year 2021	Year 2020
Net earnings (loss)	**$ (6,328)**	$ (996)	**$ 27,786**	$ 23,494
Net unrealized (gain) loss on derivative financial instruments	**(495)**	1,984	**(135)**	1,406
Other expenses	**742**	634	**1,770**	1,769
Fair value adjustment for acquired inventory sold during the period	**-**	256	**302**	1,732
Income tax effect of the above	**(64)**	(682)	**(425)**	(826)
Gain on debt modification and financing fees	**-**	-	**(2,312)**	-
Adjusted earnings (loss)	**$ (6,145)**	$ 1,196	**$ 26,986**	$ 27,575

The Company's method of calculating EBITA, gross margin, and Adjusted earnings (loss) 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 Peller Family Enterprises Inc. (formerly, Jalger Limited), which owns 61.3% of the Company's Class B voting shares. No individual has sole voting power or control in respect of the shares of the Company owned by Peller Family Enterprises Inc.

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

For the years ended March 31 (in $000)	2021	2020
Compensation and short-term benefits	**$ 4,421**	$ 4,374
Post-employment benefits	**265**	266
Stock based compensation expense	**823**	1,613
	$ 5,509	$ 6,253

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

Financial Statements and Accounting Policies

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

Critical Accounting Estimates

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

Impairment of goodwill and indefinite life intangible assets

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

Post-employment benefits

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

Leases

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

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

Recently adopted accounting pronouncements

IAS 1, Presentation of Financial Statements; IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors

These standards have been amended to use a consistent definition of materiality throughout all accounting standards, clarify the explanation of the definition of material and incorporate some of the guidance in IAS 1 about immaterial information. The amendments are effective for annual periods beginning on or after January 1, 2020. The adoption of these amendments did not have a significant impact on the consolidated financial statements.

IFRS 3, Business Combinations

This standard has been amended to improve the definition of a business. The amendments will help companies determine whether an acquisition made is of a business or a group of assets. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments are effective for annual periods beginning on or after January 1, 2020. The adoption of these amendments did not have a significant impact on the consolidated financial statements.

Recently issued accounting pronouncements

IFRS 16, Leases

This standard has been amended to provide lessees with an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. This amendment is effective for annual periods beginning on or after June 1, 2020. At this time, the Company has not received rent concessions related to COVID-19 and therefore, this amendment is not expected to have a significant impact on the consolidated financial statements.

London Inter-bank Offered Rate (LIBOR) Reform with Amendments to IFRS 9, Financial Instruments, IFRS 7, Financial Instruments: Disclosures and IFRS 16

In August 2020, the IASB issued Interest Rate Benchmark Reform Phase 2 (the "Reform Phase 2"), which complemented the Reform Phase 1 and amended various standards requiring interest rates or interest rate calculations. The Reform Phase 2 provides guidance on the impacts on the financial statements after the LIBOR reform and its replacement with alternative benchmark rates. The amendments are effective for annual periods beginning on or after January 1, 2021. The Company has not yet assessed the impact of the amendments on the consolidated financial statements.

IAS 16, Property, Plant and Equipment
This standard has been amended to prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use, clarify that an entity is "testing whether the asset is functioning properly" when it assesses the technical and physical performance of the asset and require certain related disclosures. The amendments are effective for annual periods beginning on or after January 1, 2022. The Company has not yet assessed the impact of the amendments on the consolidated financial statements.

IAS 37, Provisions
This standard has been amended to clarify that, before a separate provision for an onerous contract is established, an entity recognizes an impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract and to clarify the meaning of costs to fulfill a contract. The amendments are effective for annual periods beginning on or after January 1, 2022. The Company has not yet assessed the impact of the amendments on the consolidated financial statements.

IFRS 9, Financial Instruments
This standard has been amended to address which fees should be included in the 10% test for derecognition of financial liabilities. This amendment is effective for annual periods beginning on or after January 1, 2022. The Company has not yet assessed the impact of the amendment on the consolidated financial statements.

IAS 1, Presentation of Financial Statements

This standard has been amended to clarify that liabilities are classified as either current or non-current depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendment also clarifies the meaning of settlement of a liability. This amendment is effective for annual periods beginning on or after January 1, 2023. The Company has not yet assessed the impact of the amendment on the consolidated financial statements.

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

The Company's management, under the supervision of, and with the participation of, the CEO and CFO, have designed and maintained the Company's disclosure controls and procedures as required in Canada by "National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings". As at June 16, 2021, the CEO and CFO of the Company have evaluated the effectiveness of the disclosure controls and procedures. Based on these evaluations, the CEO and CFO have concluded that the controls and procedures were operating effectively.

Internal Controls over Financial Reporting
Internal controls over financial reporting are procedures designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to reliability of financial reporting and financial statement preparation. Designing, establishing and maintaining adequate internal controls over financial reporting is the responsibility of management. Internal controls over financial reporting is a process designed by, or under the supervision of, senior management and effected by the Board of Directors to provide reasonable assurance regarding the reliability of financial reporting and preparation of the Company's financial statements in accordance with IFRS. For the year ended March 31, 2021, 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 16, 2021, 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.