ANDREW PELLER
LIMITED

MANAGEMENT'S DISCUSSION & ANALYSIS
For the three months and year ended March 31, 2017

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, 2017 in comparison with those for the three months and year ended March 31, 2016 for Andrew Peller Limited (the "Company" or "APL"). This discussion is prepared as of June 7, 2017 and should be read in conjunction with the audited annual consolidated financial statements and accompanying notes contained therein for the years ended March 31, 2017 and 2016. 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, 2017 and March 31, 2016, is available on www.sedar.com. The financial years ending March 31, 2018, March 31, 2017, March 31, 2016 and March 31, 2015 are referred to as "fiscal 2018", "fiscal 2017", "fiscal 2016" and "fiscal 2015", 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 its ability to obtain other raw materials; fluctuations in the U.S./Canadian dollar, Euro/Canadian dollar, and Australian/Canadian dollar exchange rates; its ability to market products successfully to its anticipated customers; the trade balance within the domestic Canadian wine market; market trends; reliance on key personnel; protection of its intellectual property rights; the economic environment; the regulatory requirements regarding producing, marketing, advertising, and labeling of its products; the regulation of liquor distribution and retailing in Ontario; the application of federal and provincial environmental laws; and the impact of increasing competition.

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

Overview

The Company is a leading producer and marketer of quality wines in Canada. With wineries in British Columbia, Ontario, and Nova Scotia, the Company markets wines produced from grapes grown in Ontario's Niagara Peninsula, British Columbia's Okanagan and Similkameen Valleys, and from vineyards around the world. The Company's award-winning premium and ultra-premium Vintners' Quality Alliance ("VQA") brands include *Peller Estates, Trius, Thirty Bench, Wayne Gretzky, Sandhill, Conviction* and *Red Rooster*. Complementing these premium brands are a number of popularly priced varietal brands including *Peller Estates French Cross* in Eastern Canada, *Peller Estates*

Proprietors Reserve in Western Canada, *Copper Moon, Black Cellar* and *XOXO. Hochtaler, Domaine D'Or, Schloss Laderheim, Royal,* and *Sommet* are our key value priced brands. The Company imports wines from major wine regions around the world to blend with domestic wine to craft these popularly priced and value priced brands. The Company also produces wine based liqueurs and cocktails under the brand *Panama Jack* and a new craft cider called *No Boats on Sunday*. In October 2016, the Company also launched its new *Wayne Gretzky No. 99 Red Cask* Canadian Whisky in certain markets across Canada and will be continuing to launch new offerings from the Wayne Gretzky Estate Winery and Craft Distillery in the coming year. With a focus on serving the needs of all wine consumers, the Company produces and markets premium personal winemaking products through its wholly-owned subsidiary, Global Vintners Inc. ("GVI"), the recognized leader in personal winemaking products. GVI distributes products through over 170 Winexpert authorized retailers and more than 600 independent retailers across Canada, the United States, the United Kingdom, New Zealand, Australia, and China. GVI's award-winning premium and ultra-premium winemaking brands include *Selection, Vintners Reserve, Island Mist, KenRidge, Cheeky Monkey, 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 build sales volumes of its blended, premium, and ultra-premium brands by delivering to its customers and consumers the highest quality wines and spirits 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, and its quality management programs. Furthermore, the Company's wine portfolio covers the complete spectrum of price levels within the Canadian wine market. Over the long term the Company believes premium wine sales will continue to grow in Canada and these products generate higher prices and increased profitability compared to lower-priced table wines.

The Company is focused on initiatives to reduce costs and enhance its production efficiencies through 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, the Ontario independent retail locations 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 7, 2017, the Company's Board of Directors approved a 10.3% increase in common share dividends for shareholders of record on June 30, 2017 payable on July 7, 2017. The annual dividend on Class A Shares was increased to $0.1800 per share from $0.1632 per share and the dividend on Class B Shares was increased to $0.1565 per share from $0.1420 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 June 7, 2017, the Company officially opened its new Wayne Gretzky Estate Winery and Craft Distillery in Niagara-on-the-Lake, Ontario. Located on land adjacent to the Company's Trius Winery, the 15,000 square foot facility includes a winery, craft distillery, barrel aging cellars, tasting rooms, retail and hospitality facilities, all surrounded by landscaping and vineyards. The Company established its strategic alliance with the Wayne Gretzky Estate Winery in 2011, and has generated significant growth in their brands to where their wines are now among the top-ten VQA best sellers across Canada.

On November 17, 2016, the Company's Board of Directors announced that Mr. Randy A. Powell had been appointed President of the Company effective November 28, 2016. With his appointment, Mr. Powell resigned from the Company's Board of Directors and its Committees. The Board of Directors also announced that, effective November 17, 2016, Mr. John Peller was appointed the new Board Chair and has retained his position as Chief Executive Officer of the Company.

At the Annual and Special Meeting of Shareholders held on September 9, 2016, the Company's Class B shareholders approved a three-for-one share split for both the Company's Class A and Class B common shares. The additional shares were issued on October 14, 2016 to shareholders of record on September 23, 2016. The Company recorded the effect of the share split retroactively to all disclosures of share capital and per share amounts in accordance with International Financial Reporting Standards ("IFRS").

On June 2, 2016, the Company's Board of Directors approved a Dividend Reinvestment Plan (DRIP) for Class A shares. The DRIP was effective as of September 9, 2016. Under the DRIP, registered Class A shareholders can elect to have 100% of their dividends reinvested to purchase additional Class A common shares. The Board of Directors believes the DRIP provides Class A shareholders with a cost-effective method to increase their investment in the Company.

In February 2016, the Government of Ontario's Premier Advisory Council completed its review of the wine retailing and distribution system in Ontario. The recommendations will result in issuance of 150 new wine licenses over the next ten years to allow for the sale of both imported and domestic wine in grocery stores. The Company has committed to move some of its 101 independent retail locations to inside the main aisles of the grocery store during 2017. In March 2017, the Company relocated its first independent retail location and several more stores will be relocated during fiscal 2018. These retail spaces will be co-located next to beer and will also feature other Ontario VQA wines. The Company is not required to move its remaining independent retail locations and wine licenses will not be granted to grocery stores where the Company already has a winery retail store. This project is still in its early stages and at this point the Company does not anticipate a material impact on earnings as the increase in sales due to being located in the stores is expected to compensate for potential lost sales due to providing shelf space to other wineries and higher tax rates imposed on these locations.

The Canadian Wine Market

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

For the year ended March 31, 2017 consumption of wine in Canada (excluding Quebec, where the Company does not participate, and excluding the refreshment wine category) rose by 1.8% after increasing by 4.8% in fiscal 2016. Imported wines accounted for 62.2% of total volume in fiscal 2017 down from 62.8% in fiscal 2016. Market share of Canadian-made wines remained flat in fiscal 2017 compared to fiscal 2016 at 37.8%. The Company's share of the total Canadian market in fiscal 2017 was 14.6% compared to 14.4% in 2016.

The VQA, established in 1989, has become recognized throughout the world as the appellation system for Canadian wines that meet strict standards of excellence. In fiscal 2017, the Company decreased its share of BC VQA wines from 11.6% to 10.5% but increased its share of Ontario VQA wines from 12.3% to 13.2%.

Red table wines continued to grow in popularity with total Canadian volume sales rising 1.1% in fiscal 2017 compared to 4.0% in 2016. Volume sales of the Company's red wine portfolio increased 3.1% in fiscal 2017 after increasing by 8.1% in fiscal 2016. Volume sales of white table wines in Canada rose 1.7% in fiscal 2017 versus 5.0% in fiscal 2016 while the Company's sales of white table wines were up 2.6% in fiscal 2017 compared to 6.2% in fiscal 2016.

Results of Operations

For the years ended March 31, (in $000, except per share amounts)	2017	2016	2015 [1]
Sales	**$ 342,606**	$ 334,263	$ 315,697
Gross margin	**131,155**	122,964	114,869
Gross margin (% of sales)	**38.3%**	36.8%	36.4%
Selling and administrative expenses	**86,018**	82,048	79,685
EBITA	**45,137**	40,916	35,184
Net unrealized (gain) loss on derivative financial instruments	**(2,232)**	1,558	572
Other expenses (income)	**120**	(40)	(301)
Adjusted earnings	**23,599**	20,322	15,425
Net earnings	**26,350**	19,199	15,224
Earnings per share – basic and diluted - Class A	**$0.64**	$0.46	$0.36
Earnings per share – basic and diluted - Class B	**$0.55**	$0.40	$0.32
Dividend per share – Class A (annual)	**$0.1632**	$0.1500	$0.1400
Dividend per share – Class B (annual)	**$0.1420**	$0.1304	$0.1217

1. Restated to reflect the early adoption of the amendments to IAS 16 and IAS 41.

Sales in fiscal 2017 increased 2.5% compared to fiscal 2016 due to strong organic growth as well as the introduction of new products and categories. Sales growth was broad based across the majority of the Company's products and trade channels, including its network of retail outlets in Ontario, its two wine import and marketing agencies, provincial liquor control boards across the country, and in its personal winemaking business. Sales in fiscal 2016 included approximately $1.5 million relating to a co-packing agreement that was discontinued in fiscal 2017.

The Company defines gross margin as gross profit excluding amortization. Gross margin as a percentage of sales improved to 38.3% for the year ended March 31, 2017 compared to 36.8% in the prior year. Gross margin in fiscal 2017 benefited from the positive impact of the Company's cost control initiatives to improve productivity and raw material cost savings, which offset the negative impact of the weak Canadian dollar compared to the prior year. Furthermore, in fiscal 2016, the Company's gross margin was reduced as a result of a one-time $1.7 million charge to cost of sales relating to quality issues in certain imported wines. Management is focused on efforts to further enhance production efficiency and productivity.

Selling and administrative expenses for the year ended March 31, 2017 were higher than the prior year. Included in selling and administrative expenses in fiscal 2017 was approximately $1.1 million in one-time professional services fees related to a strategic acquisition that was not completed as well as approximately $2.0 million in one-time costs relating to post-retirement benefits for certain retiring executive employees and restructuring costs. The Company is focused on ensuring selling and administrative expenses are tightly controlled.

Earnings before interest, amortization, net unrealized gains and losses on derivative financial instruments, other (income) expenses, and income taxes ("EBITA") were $45.1 million for the year ended March 31, 2017, an increase of 10.3% compared to $40.9 million last year. The increase in EBITA is primarily the result of the higher sales and improved gross margin in fiscal 2017, partially offset by the one-time costs outlined above.

Interest expense decreased for the year ended fiscal 2017 compared to the prior year due to lower interest rates charged on short-term bank indebtedness and lower average long-term debt levels.

The Company recorded a net unrealized non-cash gain in fiscal 2017 and a net unrealized loss in fiscal 2016 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 expenses in fiscal 2017 relate to the costs of maintaining the idle Port Moody Property, partially offset by income from the temporary expropriation of the property. The property is temporarily being used as a staging area for the construction of a rapid transit project. Payments amounting to $2.0 million for the use of the property were received in advance and were recorded as deferred income and are being recognized as other income over the five-year term of the expropriation which began on July 1, 2012.

Adjusted 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 $23.6 million for the year ended March 31, 2017 compared to $20.3 million in the prior year. Net earnings for fiscal 2017 were $26.4 million or $0.64 per Class A Share compared to $19.2 million or $0.46 per Class A Share in the prior year. During the third quarter of fiscal 2017 the Company received a tax refund of approximately $1.2 million relating to the acceptance of a prior-year's tax filing by the Canada Revenue Agency. This has resulted in a lower effective tax rate than noted for prior years.

The Company believes that sales will continue to grow going forward due to the strong positioning of key brands, the continued launch of new and innovative products in the Canadian wine, cider and spirits markets, and continued growth in new wine-related markets. The continuing higher average cost of U.S. dollar currency purchases may have a negative impact on gross margins over the near term, although management believes this 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 uses foreign exchange forward contracts to protect against changes in foreign currency rates and, as at March 31, 2017, had locked in $18.2 million in U.S. dollar contracts at rates averaging $1.33 Canadian, €1.2 million in Euro contracts at rates averaging $1.44 Canadian and $4.2 million in Australian dollar contracts at rates averaging $0.99 Canadian. These contracts expire at various dates through December 31, 2017.

Quarterly Performance

The following table outlines key quarterly highlights.

(in $000, except per share amounts)	Q4 17	Q3 17	Q2 17	Q1 17	Q4 16	Q3 16	Q2 16	Q1 16
Sales	$72,295	$94,048	$88,357	$87,906	$74,170	$91,775	$85,200	$83,118
Gross margin	28,326	35,042	33,644	34,143	25,160	33,277	32,716	31,811
Gross margin (% of sales)	39.2%	37.3%	38.1%	38.8%	33.9%	36.3%	38.4%	38.3%
EBITA	5,865	11,886	12,583	14,803	3,614	12,445	12,011	12,846
Net unrealized (gain) loss on financial instruments	(189)	(868)	(1,128)	(47)	2,479	(525)	(711)	315
Other expenses (income)	(15)	52	56	27	21	68	(68)	(61)
Adjusted earnings	1,859	6,345	6,837	8,558	191	6,807	6,447	6,877
Net earnings (loss)	2,010	8,137	7,630	8,573	(1,659)	7,146	7,023	6,689
E.P.S. – Class A basic & diluted	$0.05	$0.20	$0.18	$0.21	$(0.04)	$0.17	$0.17	$0.16
E.P.S. – Class B basic & diluted	$0.04	$0.17	$0.16	$0.18	$(0.04)	$0.15	$0.15	$0.14

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

Sales in the fourth quarter of fiscal 2017 declined 2.5% compared to the same quarter of fiscal 2016 due primarily to seasonal factors such as the timing of the Easter holiday and reduced inventory in key customers. In addition, sales in the fourth quarter of fiscal 2016 included approximately $0.3 million related to a co-packing agreement that was discontinued in fiscal 2017. Gross margin for the three months ended March 31, 2017 improved to 39.2% of sales from 33.9% in the fourth quarter of fiscal 2016 due primarily to the one-time charge to cost of sales in prior year due to quality issues in certain imported wines. Selling and administrative expenses increased in the fourth quarter of fiscal 2017 due primarily to approximately $0.6 million in one-time costs related to restructuring costs. EBITA was $5.9 million for the three months ended March 31, 2017, an increase from $3.6 million in the same quarter in fiscal 2016 due to primarily the one-time charges described above. The Company generated adjusted earnings for the three months ended March 31, 2017 of $1.9 million compared to adjusted earnings of $0.2 million in the same prior year period. Net earnings were $2.0 million for the three months ended March 31, 2017 compared to a net loss of $1.7 million in the fourth quarter of fiscal 2016. During the third quarter of fiscal 2017 the Company received a tax refund of approximately $1.2 million relating to the acceptance of a prior-year's tax filing by the Canada Revenue Agency. This has resulted in a lower effective tax rate than noted for prior periods.

Liquidity and Capital Resources

As at (in $000)	**March 31, 2017**	March 31, 2016	March 31, 2015 [1]
Current assets	**$ 160,567**	$ 150,867	$ 146,764
Property, plant, and equipment	**118,838**	108,929	104,951
Intangibles	**10,600**	11,040	12,331
Goodwill	**37,473**	37,473	37,473
Total assets	**$ 327,478**	$ 308,309	$ 301,519
Current liabilities	**$ 81,742**	$ 79,202	$ 77,782
Long-term debt	**46,678**	48,202	52,269
Long-term derivative financial instruments	**642**	1,529	1,447
Post-employment benefit obligations	**5,279**	5,947	6,165
Deferred income	**-**	102	506
Deferred income tax	**15,820**	15,591	15,975
Shareholders' equity	**177,317**	157,736	147,375
Total liabilities and shareholders' equity	**$ 327,478**	$ 308,309	$ 301,519

1. Restated to reflect the early adoption of the amendments to IAS 16 and IAS 41.

Inventory increased at March 31, 2017 compared to March 31, 2016 due primarily to the launch of the new *Wayne Gretzky No. 99 Red Cask* Canadian Whisky beginning in October 2016 and a larger grape harvest in fiscal 2017 than in the prior year. The Company continues 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 was lower at March 31, 2017 compared to March 31, 2016 due to the softer fourth quarter. 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 $14.1 million of accounts receivable with provincial liquor boards at March 31, 2017, 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 $0.9 million at March 31, 2017, compared to $1.4 million at March 31, 2016. Against these amounts an allowance for doubtful accounts of $0.1 million has been provided which the Company has determined represents a reasonable estimate of amounts that may not be collectible.

Overall bank debt increased to $87.7 million as at March 31, 2017 compared to $86.0 million at March 31, 2016. In December 2016, the Company borrowed $3.0 million under its capital facility due to the timing of capital investments in the development of the new Wayne Gretzky Estate Winery and Craft Distillery and operational improvements at the Company's two major production facilities. The increase in bank debt was partially offset by the strong earnings in fiscal 2017, the positive impact of working capital management, and regularly scheduled debt repayments. Despite the increase in overall bank debt in the third quarter, the Company's debt to equity ratio strengthened to 0.49:1 at March 31, 2017 compared to 0.55:1 at March 31, 2016. At March 31, 2017, the Company had unutilized debt capacity in the amount of approximately $53.4 million on its operating loan facility.

On December 30, 2016, the Company amended its debt facilities to extend the maturity date to July 31, 2021, revise certain financial covenants and update the applicable margin based on the Company's leverage, as defined by the amended credit agreement. As at March 31, 2017 and 2016, the applicable margin was 1.25%. The Company believes these amendments will provide the ability to accelerate production efficiencies and continued investment in expansion of its core business.

The following table outlines the Company's contractual obligations:

As at March 31, 2017 (in $000)	**< 1 year**	**2 - 3 years**	**4 - 5 years**	**> 5 years**	**Total**
Long-term debt	$ 4,406	$ 8,812	$ 38,359	$ -	$ 51,577
Leases and royalties	5,050	6,112	3,273	6,462	20,897
Pension obligations	520	958	581	1,173	3,232
Grape and bulk wine purchase contracts	73,758	77,726	54,082	203,155	408,721
Packaging purchase contracts	34,827	3,338	-	-	38,165
Bulk whiskey purchase contracts	1,007	390	-	-	1,397
	119,568	97,336	96,295	210,790	523,989
Interest rate swap	1,585	2,639	361	-	4,585
Foreign exchange forwards	30,183	-	-	-	30,183
Total contractual obligations	$ 151,336	$ 99,975	$ 96,656	$ 210,790	$ 558,757

The Company has entered into grape purchase contracts with certain suppliers to purchase their crops at the time of harvest for prices set by the market. The amount of the commitment will change based on the total tonnes harvested or the prices set by the market for specific grapes. The amounts included in the table above represent our best estimate of the Company's commitment over the periods noted.

The Company also has contractual commitments of $2.9 million to purchase property, plant and equipment and expects to fund these commitments primarily through its cash flows from operations.

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

For the year ended March 31, 2017, the Company generated cash from operating activities, after changes in non-cash working capital items, of $25.6 million compared to $21.8 million in the prior year. Investing activities of $20.5 million were made in fiscal 2017 compared to $10.4 million in the prior year. Capital expenditures in fiscal 2017 consist of normal expenditures to sustain operations and the replanting of certain of the Company's vineyards, as well as costs incurred related to the development of the new Wayne Gretzky Estate Winery and Craft Distillery, which officially opened on June 7, 2017.

Working capital as at March 31, 2017 increased to $78.8 million compared to $71.7 million at March 31, 2016. Accounts receivable were lower due to the softer fourth quarter while inventory increased due to the launch of the new *Wayne Gretzky No. 99 Red Cask* Canadian Whisky and a larger grape harvest than the prior year. Accounts payable and accrued liabilities decreased by $0.5 million compared to prior year due to the timing of inventory receipts and payments compared to March 31, 2016. Shareholders' equity as at March 31, 2017 was $177.3 million or $4.16 per common share compared to $157.7 million or $3.70 per common share as at March 31, 2016. The increase in shareholders' equity is due to the increase in 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.

At the Annual and Special Meeting of Shareholders held on September 9, 2016, the Company's Class B shareholders approved a three-for-one share split for both the Company's Class A and Class B common shares. The additional shares were issued on October 14, 2016 to shareholders of record on September 23, 2016. The Company recorded the effect of the share split retroactively to all disclosures of share capital and per share amounts in accordance with IFRS. As a result, as at March 31, 2017, the following shares were issued and outstanding:

Shares outstanding	**March 31, 2017**	March 31, 2016	March 31, 2015
Class A Shares	**33,581,487**	33,581,487	33,881,487
Class B Shares	**9,012,123**	9,012,123	9,012,123
Total	**42,593,610**	42,593,610	42,893,610

In February 2016, the Company repurchased and cancelled 300,000 Class A Shares from Jalger Limited, a related party. The repurchase price was calculated by reference to the average closing market price of the Class A Shares for a period of 20 business days preceding the repurchase date. The repurchase price of $2.3 million was first allocated to capital stock based on the average per share carrying amount of the Class A Shares. The remaining amount was allocated to retained earnings.

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. The Company has also recently entered the spirits category, through its strategic alliance with Wayne Gretzky, and has introduced cider 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 recorded strong growth in sales through provincial liquor boards and export and agency trade channels. 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 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 in fiscal 2018.

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

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

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

The Company anticipates it will continue to generate increased sales going forward while gross margin dollars are expected to remain stable. The higher costs of U.S. dollar currency purchases may have a continued negative impact on gross margin percentage which is expected to be largely offset by product pricing as well as raw material cost savings and production efficiencies.

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

Risks and Uncertainties

The Company's sales of wine and spirits are affected by general economic conditions such as changes in discretionary consumer spending and consumer confidence, future economic conditions, tax laws, and the prices of its products. A steep and sustained decline in economic growth may cause a lower demand for the Company's products. Such general economic conditions could impact the Company's sales through the Company's estate wineries and restaurants, direct sales through licensed establishments, and export sales through duty free shops. 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 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. In the past where there has been a significant reduction in domestically sourced grapes, the Government of Ontario, in conjunction with the Ontario Grape Growers Marketing Board, have agreed to temporarily increase the blending of imported wines which would enable the Company to continue to supply products to the market. The inability to secure premium quality grapes could impair the ability of the Company to supply certain wines to its customers. APL has developed programs to ensure it has access to a consistent supply of premium quality grapes and wine. The price of grapes is determined through negotiations with the Ontario Grape Growers Marketing Board in Ontario and with independent growers in British Columbia.

Foreign exchange risk exists on the purchases of bulk wine and concentrate that are primarily made in United States dollars, Euros, and Australian dollars. The Company's strategy is to hedge approximately 50% - 80% of its foreign exchange requirements throughout the fiscal year and to regularly review its on-going requirements. APL has entered into a series of foreign exchange contracts as a hedge against movements in U.S. dollar, 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, 2017, each one percent change in the value of the U.S. dollar or Australian dollar would impact the Company's net earnings by an estimated $0.2 million and $0.1 million respectively. Each one percent change in the exchange rate of the Euro would not have a material impact on the Company's net earnings.

The Company purchases glass, bag in box, tetra paks, and other components used in the bottling and packaging of wine 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 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. 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. A pension committee reviews the performance of plan assets on a regular basis and has a policy to hold diversified investments. Nevertheless, a decline in long-term interest rates or in asset values could increase the Company's costs related to funding the deficit in these plans.

The competitive nature of the wine industry internationally has resulted in the discounting of retail prices of wine in key markets such as the United States and the United Kingdom. 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 APL.

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) to measure its financial performance. EBITA is not a recognized measure under IFRS; however, management believes that EBITA is a useful supplemental measure to net earnings as it provides readers with an indication of earnings available for investment prior to debt service, capital expenditures, and income taxes.

For the three months and years ended March 31,	Three months		Year	
(in $000)	**2017**	2016	**2017**	2016
Net earnings (loss)	**$ 2,010**	$ (1,659)	**$ 26,350**	$ 19,199
Add: Interest	**813**	786	**3,078**	3,575
Provision for (recovery of) income taxes	**597**	(569)	**7,895**	6,916
Amortization of plant and equipment used in production	**1,763**	1,544	**6,549**	6,069
Amortization of equipment and intangibles used in selling and administration	**886**	1,012	**3,377**	3,639
Net unrealized (gain) loss on derivative financial instruments	**(189)**	2,479	**(2,232)**	1,558
Other expenses (income)	**(15)**	21	**120**	(40)
EBITA	**$ 5,865**	$ 3,614	**$ 45,137**	$ 40,916

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

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

For the three months and years ended March 31,	Three months		Year	
(in $000)	**2017**	2016	**2017**	2016
Sales	**$ 72,295**	$ 74,170	**$ 342,606**	$ 334,263
Less: Cost of goods sold, excluding amortization	**43,969**	49,010	**211,451**	211,299
Gross margin	**$ 28,326**	$ 25,160	**$ 131,155**	$ 122,964
Gross margin (% of sales)	**39.2%**	33.9%	**38.3%**	36.8%

The Company calculates adjusted earnings as follows.

For the three months and years ended March 31,	Three months		Year	
(in $000)	**2017**	2016	**2017**	2016
Net earnings (loss)	**$ 2,010**	$ (1,659)	**$ 26,350**	$ 19,199
Net unrealized (gain) loss on derivative financial instruments	**(189)**	2,479	**(2,232)**	1,558
Other expenses (income)	**(15)**	21	**120**	(40)
Income tax effect of the above	**53**	(650)	**549**	(395)
Tax refund relating to acceptance of a prior year's tax filing	**-**	-	**(1,188)**	-
Adjusted earnings	**$ 1,859**	$ 191	**$ 23,599**	$ 20,322

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

Transactions with related parties

The Company is controlled by Jalger Limited, which owns 66.5% 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. In February 2016, the Company repurchased and cancelled 300,000 Class A Shares from Jalger Limited, a related party. This transaction was approved by the Company's Board of Directors.

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

	2017	**2016**
Compensation and short-term benefits	$ 6,951	$ 4,939
Post-employment benefits	302	248
Payments to a share purchase plan	381	409
	$ 7,634	$ 5,596

The compensation and 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, 2017 and March 31, 2016. Critical estimates inherent in these accounting policies are set out below:

Impairment of goodwill

Testing goodwill for impairment at least annually involves estimating the recoverable amount of the CGUs to which goodwill is allocated. This requires making assumptions about future cash flows, growth rates, market conditions and discount rates, which are inherently uncertain. Actual amounts may vary from these assumptions and cause significant adjustments. Management has concluded that a 10% change in any key assumption in the goodwill impairment test would not result in an impairment of goodwill as at March 31, 2017 and March 31, 2016.

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 Pronouncements

During December 2014, the IASB issued amendments to IAS 1 – Presentation of Financial Statements which clarifies the concept of materiality as it applies to information disclosed in the financial statements. The amendments also provide guidance on the presentation of subtotals, the structure of the notes to the financial statements, and the disclosure of significant accounting policies. The new requirements were adopted effective April 1, 2016. The adoption of these amendments did not have a significant impact on the consolidated financial statements.

Recently Issued Accounting Pronouncements

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 are effective for annual periods beginning on or after January 1, 2017. The adoption of these amendments is not expected to have a significant impact on the consolidated financial statements.

In January 2016, the IASB issued amendments to IAS 12 – Income Taxes to clarify the requirements for recognising deferred tax assets on unrealised 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 are effective for annual periods beginning on or after January 1, 2017. The adoption of these amendments is not expected to have a significant impact on the consolidated financial statements.

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 Company is currently evaluating the potential impact of this standard, however, it is not expected to have a significant 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. We are currently in the process of evaluating the potential impact this new guidance will have on the Company’s financial statements. We have not completed this evaluation and therefore, cannot conclude whether the guidance will have a significant impact on our financial statements at this time. However, based on preliminary work completed, we are considering the implications that the new standard may have on our agency wine businesses, presentation of certain customer related trade spending, as well as the timing of recognition of certain promotional discounts, which are areas that could potentially be impacted by the adoption of the new guidance.

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 upon 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, 2017, 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 7, 2017, 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.