ANDREW PELLER
LIMITED

MANAGEMENT'S DISCUSSION & ANALYSIS
For the Three Months and Year Ended March 31, 2008

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, 2008 in comparison with those for the three months and year ended March 31, 2007. This discussion is prepared as of June 23, 2008 and should be read in conjunction with the audited consolidated financial statements for the years ended March 31, 2008 and 2007 and the accompanying notes contained therein. All dollar amounts are expressed in Canadian dollars unless otherwise indicated.

FORWARD-LOOKING INFORMATION
Certain statements in this Management's Discussion & Analysis may contain "forward-looking statements" within the meaning of applicable securities laws, including the "safe harbour provisions" of the Securities Act (Ontario) with respect to Andrew Peller Limited ('APL' or the 'Company') and its subsidiaries. Such statements include, but are not limited to, statements about the growth of the business in light of the Company's recent acquisitions; its launch of new premium wines; sales trends in foreign markets; its supply of domestically grown grapes; and current economic conditions. These statements are subject to certain risks, assumptions and uncertainties that could cause actual results to differ materially from those included in the forward-looking statements. The words "believe", "plan", "intend", "estimate", "expect" or "anticipate" and similar expressions, as well as future or conditional verbs such as "will", "should", "would" and "could" often identify forward-looking statements. We have based these forward-looking statements on our current views with respect to future events and financial performance. With respect to forward-looking statements contained in this MD&A, the Company has made assumptions and applied certain factors regarding, among other things: future grape, glass bottle and wine prices; its ability to obtain grapes, imported wine, glass and its ability to obtain other raw materials; fluctuations in the U.S./Canadian dollar 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 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 "Risk Factors" 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 those 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
Andrew Peller Limited ('APL' or 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 brands include Peller Estates, Trius, Hillebrand, Thirty Bench, Croc Crossing, XOXO, Sandhill, Copper Moon, Calona Vineyards Artist Series VQA wines and Red Rooster. Complementing these premium brands are a number of popularly priced products including Hochtaler, Domaine D'Or, Schloss Laderheim, Royal and Sommet.

With a focus on serving the needs of all wine consumers, the Company produces and markets consumer-made wine kit products through Winexpert and Vineco International Products. The Company also owns and operates Vineyards Estate Wines and WineCountry Vintners, independent wine retailers in Ontario with more than 100 well-positioned retail locations. The Company also markets craft beer under the Granville Island brand. The Company's products are sold predominantly in Canada.

The Company has taken decisive steps to increase its focus on the premium and ultra-premium wines in the Canadian market. Premium wine sales continue to grow in Canada, and these products generate higher sales and increased profitability compared to lower-priced table wines. In line with this focused strategy, over the last three years the Company completed the acquisition of three premium and ultra-premium wine producers – Thirty Bench Winery, Cascadia Brands and Red Rooster Winery. With the acquisition of Cascadia, the Company decided to integrate its Port Moody facility into Cascadia's Kelowna facility. Costs related to the integration and the closure of the Company's Port Moody facility is being expensed as incurred.

The Company's stated mission is to build sales volumes of its premium and ultra-premium brands by delivering to its customers and consumers the highest quality wines at the best possible value. To meet this goal, the Company is investing in improvements in the quality of grapes and wines, its winemaking capabilities and in its quality management programs.

APL is focused on initiatives to reduce costs and enhance its production efficiencies through a continual review of the Company's operations. The Company continues to expand and strengthen its distribution through provincial liquor boards, the Company's network of more than 100 Vineyards Estate Wines and WineCountry Vintners retail locations, estate wineries, restaurants and other licensed establishments. This distribution network is supported by sophisticated sales, marketing and promotional programs. In addition, the Company from time to time evaluates the potential for acquisitions and partnerships, both in Canada and internationally, to further complement its product portfolio and market presence.

As a result of continued strong performance, the Company increased annual common share dividends on September 30, 2006 by 18% to $0.253 per share on Class A shares and to $0.220 per share on Class B shares. On June 8, 2007 the Company increased its annual common share dividends by a further 19% to $0.300 per Class A share and to $0.261 per Class B share. Subsequent to year end, on June 5, 2008 the Company increased its common share dividends by an additional 10%. See "Subsequent Events" for more details.

At the Company's Annual and Special Meeting of Shareholders held on September 20, 2006, Class B shareholders approved a three for one split of each of the Class A and Class B shares effective October 31, 2006. Accordingly, the Company has retroactively adjusted share capital and per share amounts to reflect the impact of the share split.

The Canadian Wine Market

The market for wine in Canada continues to grow, driven primarily by an aging population favouring the more sophisticated experience that wine offers, as well as the widely reported health benefits of moderate wine consumption. However, imports from major wine-producing countries, particularly Italy and Australia, continue to expand their share of the Canadian market, in many cases supported by extensive government subsidy programs that are unmatched in Canada. Canada remains one of the world's largest importers of wine, resulting in significant growth in foreign wine sales in Canada over the past five years. To ensure that fair and open trade practices exist in the domestic Canadian wine market, the Company is working closely with other Canadian wine producers and the Canadian government to address this important issue.

For the year ended March 31, 2008, consumption of wine in Canada (excluding Quebec, where the Company does not participate, and excluding the refreshment wine category) rose at approximately 5.3% after increasing by 6.6% in 2007. Imported wines represented the majority of this growth, accounting for 65.0% of total volume in 2008. Canadian-made wines experienced a slight decline in market share, falling to 35.0% of total Canadian wine sales from 35.4% in 2007. The Company's share of the total Canadian market in 2008 was 12.0% compared to 12.1% in 2007. The Company's share of the Canadian domestic market increased from 33.6% in 2007 to 34.4% in 2008 primarily due to a return to more normal supply issues in both Eastern and Western Canada and strong performance from recent product introductions.

The Vintners Quality Alliance ('VQA'), established in 1989, has become recognized throughout the world as the appellation system for Canadian wines that meet strict standards of excellence. The Company's sales of VQA designated wines increased by 30.3% in 2008 compared to a 1.6% decrease in 2007. A strong 2006 vintage increased sales in fiscal 2008 as grape supply in the Ontario market returned to normal levels.

Red table wines continued to grow in popularity, with total Canadian volume sales rising 6.2% in 2008 compared to 8.8% in 2007. Volume sales of the Company's red wine portfolio increased 9.4% in 2008 after a 6.0% increase in 2007. Volume sales of white table wines in Canada rose 4.8% in 2008 and 5.8% in 2007, while the Company's sales of white table wines were up 3.4% in 2008 compared to 1.4% in 2007.

The Company believes that industry sales for wine kits in Canada were flat in 2008 after declining by 3.0% in 2007. Despite the soft consumer-made wine market in Canada, sales at Vineco International Products increased slightly in 2008 while those at Winexpert declined marginally.

Financial Statements and Accounting Policies

The Company prepared its financial statements in Canadian dollars in accordance with Canadian generally accepted accounting principles (GAAP). The Company's significant accounting policies are summarized in Note 1 to the consolidated financial statements. The Company also utilizes EBITA (defined as earnings before interest, income taxes, amortization, other income (losses) and unusual items) to measure its financial performance.

EBITA is not a recognized measure under GAAP; 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.

Readers are cautioned that EBITA should not be construed as an alternative to net earnings determined in accordance with GAAP 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's method of calculating EBITA may differ from the methods by which other companies calculate EBITA and, accordingly, EBITA may not be comparable to measures used by other companies.

Critical Accounting Estimates

During the year, management is required to make estimates or rely on assumptions that are inherently uncertain. These estimates can vary with respect to the level of judgment involved and ultimately the impact that these estimates may have on the Company's financial statements. Estimates are deemed to be critical when a different estimate could reasonably be used or where changes are reasonably likely to occur which would materially affect the Company's financial position, or results in operations. The Company's significant accounting policies are discussed in Note 1 of the Notes to the Consolidated Financial Statements; critical estimates inherent in these accounting policies are set out below.

Inventory Valuation

Inventories are valued at the lower of cost and net realizable value. Cost is determined on an average cost basis.

The Company utilizes a weighted average cost calculation to determine the value of ending inventory (bulk wine and finished goods). In 2008, management calculated the average cost for domestic and import wine separately. In previous years all domestic and imported wine purchases were aggregated to determine a consolidated average cost. The change in estimate in 2008 was necessitated by the fact that domestic grape production has returned to more normal levels which resulted in higher quality grapes, but also at higher costs. As a result, the Company's purchase and use of imported wines has been substantially reduced.

The Company has treated the change in estimate on a prospective basis and the impact in 2008 was to increase inventory and reduce cost of sales by $10.6 million. As a result, ending inventory values now reflect the average costs of the 2007 domestic vintage, which remains in ending inventory as at March 31, 2008 and which will be processed and available for sale in subsequent periods.

All inventories are counted as close as possible to year end without impacting the operations of the Company. Management has provided an allowance for slow moving and obsolete inventory which is considered to be sufficient for potential losses.

Goodwill

Goodwill on the purchase of Hillebrand in 1993, Vineco International Products in 1996, Brew King (now named Winexpert) in 1997, Distrivin and Winexpert in 2004, Wine Not in 2005 and Cascadia, Thirty Bench and Red Rooster in 2006 represents the excess of purchase price of acquired businesses over the fair value of the net assets acquired. An impairment test was conducted at year end and, based on the results of the test; the Company determined that Goodwill had not been impaired.

Intangible assets
Intangible assets primarily relate to customer contracts, brands and customer based relationships that have been acquired through recent acquisitions. Management believed that its brands do not have a fixed or determinable life and consequently brands are not amortized but are subject to annual impairment tests based on a comparison of the carrying amount to the estimated fair market value of the brands. The amortization periods related to those intangible assets with finite lives are based on the expected duration of the contracts and relationships acquired. These intangible assets will be tested for impairment when events or circumstances arise that indicates impairment may exist.

Recently adopted accounting pronouncements
On April 1, 2007 the Company adopted the Canadian Institute of Chartered Accountants (CICA) handbook sections 1530 "Comprehensive Income," 3251 "Equity," 3855 "Financial Instruments – Recognition and Measurement" and 3865 "Hedges." As required, these standards have been adopted prospectively and comparative amounts for the periods have not been restated.

a) Comprehensive Income

Comprehensive income is comprised of net earnings or loss and other comprehensive income ("OCI"). OCI represents the change in equity for a period that arises from unrealized gains and losses on available-for-sale securities and changes in the fair market value of derivative instruments designated as hedges.

b) Equity

This section requires separate presentation of changes in equity for the period arising from net income, OCI, contributed surplus, retained earnings, share capital and reserves. Accumulated OCI is included in the consolidated balance sheet as a separate component of shareholders' equity. The Company does not currently have any accumulated OCI.

c) Financial Instruments

This new standard requires the Company to revalue certain of its financial assets and liabilities, including derivatives designated in qualifying hedging relationships and embedded derivatives in certain contracts, at fair value on the initial date of implementation and at each subsequent financial reporting date. This standard also requires the Company to classify financial assets and liabilities according to their characteristics and management's choices and intentions related thereto for the purposes of ongoing measurement.
Classification choices for financial assets include:

a) held for trading – measured at fair value with changes in fair value recorded in net earnings;

b) held to maturity – recorded at amortized cost with gains and losses recognized in net earnings in the period that the asset is derecognized or impaired;

c) available for sale – measured at fair value with changes in fair value recognized in other comprehensive earnings for the current period until realized through disposal or impairment; and

d) loans and receivables – recorded at amortized cost with gains and losses recognized in net earnings in the period that the asset is derecognized or impaired.

Classification choices for financial liabilities include:

a) held for trading – measured at fair value with changes in fair value recorded in net earnings; and

b) other – measured at amortized cost with gains and losses recognized in net earnings in the period that the liability is derecognized.Subsequent measurement for these assets and liabilities is based on either fair value or amortized cost using the effective interest method, depending upon their classification. Fair value is based upon quoted market pricing from active markets and are otherwise determined using a variety of valuation techniques and models. Any financial asset or liability can be classified as held for trading as long as its fair value is reliably determinable.

In accordance with the new standard, the Company's financial assets and liabilities are generally classified and measured as follows:

Assets/liability		Measurement
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable & accrued liabilities	Other liabilities	Amortized cost
Bank indebtedness – operating line	Other liabilities	Amortized cost
Dividend payable	Other liabilities	Amortized cost
Interest rate swaps	Other liabilities	Fair value
Foreign exchange forward contracts	Other liabilities	Fair value

The Company's interest rate swaps and foreign exchange contracts are derivatives and are recorded at fair value through other income/loss. As a result, on adoption of this standard, the Company recorded a net increase of $216 to prepaid and other assets, a net increase of $68 to future income taxes, a net increase of $20 to long-term debt and an opening retained earnings adjustment of $128.

Embedded derivatives (elements of contracts whose cash flows move independently from the host contract) are required to be separated and measured at fair values if certain criteria are met. Under an election permitted by the new standard, management reviewed its contracts and determined that the Company does not currently have any embedded derivatives in these contracts that require separate accounting and disclosure.

d) **Hedges**

Hedge accounting is optional. When hedge accounting is not applied, the change in the fair value of the hedging instrument is recorded directly into earnings. The Company has chosen not to designate any of its current hedging instruments as hedges for the purpose of this section and has recorded the fair value adjustments of these instruments through other income.

e) **Transaction Costs**

Transaction costs related to long-term debt are netted against the carrying value of the liability and are then amortized over the expected life of the instrument using the effective interest method. On adoption of this new standard the Company recorded an adjustment on April 1, 2007 to reduce other assets by $599 and long-term debt by $599.

Recently issued accounting pronouncements

The CICA has issued the following accounting standards:

a) CICA Handbook Section 1535 "Capital Disclosures" establishes standards for disclosing information about a Company's capital and how it is managed to enable users of the financial statements to evaluate the Company's objectives, policies and procedures for managing capital. This section is effective for fiscal years beginning on or after October 1, 2007.

b) CICA Handbook Section 3862 "Financial Instruments – Disclosures" requires disclosures in the financial statements that will enable users to evaluate: the significance of financial instruments for the Company's financial position and performance; and the nature and extent of risks arising from financial instruments to which the Company is exposed during the period and at the balance sheet date, and how the Company manages those risks. This accounting standard is effective for fiscal years beginning on or after October 1, 2007.

c) CICA Handbook Section 3863 "Financial Instruments – Presentation" establishes standards for presentation of financial instruments and non-financial derivatives. This section complements the existing CICA Handbook Section 3861 "Financial Instruments – Disclosure and Presentation" and is effective for fiscal years beginning on or after October 1, 2007.

d) CICA Handbook Section 3031 "Inventories" provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories and is effective for fiscal years beginning on or after January 1, 2008.

e) In February 2008, the CICA issued Section 3064, "Goodwill and Intangible Assets," which replaces Section 3062, "Goodwill and Other Intangible Assets." This new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. This accounting standard is effective for annual and interim periods beginning on or after October 1, 2008.

f) International Financial Reporting Standards ("IFRS"). In February 2008, the Canadian Accounting Standards Board confirmed that the use of IFRS will be required for Canadian publicly accountable enterprises for years beginning on or after January 1, 2011. The Company will be required to report under IFRS beginning April 1, 2011.

The Company is currently evaluating the impact of adopting the above accounting and reporting standards.

Changes in borrowing and foreign exchange rates can have a significant impact on the Company's overall profitability. Accordingly, management has utilized interest rate swaps and foreign exchange forward contracts to mitigate these risks. Management has not chosen to apply hedge accounting to these instruments and as a result, changes in the fair market value of these contracts are recorded through other income each period. While this accounting policy decision may result in some future variability in net earnings as a result of mark-to-market adjustments, management is satisfied that the contracts sufficiently reduce the interest rate and foreign currency risk in the Company's operations. In addition, transaction costs related to all financial instruments are netted against the carrying value of the financial instrument and are amortized over the expected life of the instrument using the effective interest method.

Results of Operations

FOR THE YEARS ENDED MARCH 31,	**2008**	2007	2006
(in thousands of dollars except per share amounts)	**$**	$	$
Sales	237,130	228,192	211,775
Gross profit	102,727	95,108	85,584
Gross profit (% of sales)	43.3%	41.7%	40.4%
Selling general and administrative expenses	73,019	67,443	62,682
Earnings before interest, taxes, amortization, other loss and unusual items	29,708	27,665	$22,902
Other loss and unusual items	(718)	(206)	(1,960)
Net and comprehensive earnings	11,381	9,472	6,054
Net earnings excluding other income (loss) and unusual items	11,862	9,610	7,352
Earnings per share – basic and fully diluted - Class A	$ 0.78	$ 0.65	$ 0.42
Earnings per share – basic and fully diluted - Class B	$ 0.68	$ 0.57	$ 0.36
Dividend per share – Class A (annual)	$0.300	$0.253	$0.215
Dividend per share – Class B (annual)	$0.261	$0.220	$0.186

Sales increased 3.9% for the fiscal year ended March 31, 2008 due to higher sales of the Company's premium wines sold through all of the Company's trade channels and the impact of new product launches during 2008 and 2007. The increase is also the result of higher sales of premium wines due to the return to normal grape supply conditions in Ontario, and improved supply of wine and beer in Western Canadian markets. During 2007 and 2008 the Company launched a number of new products through provincial liquor stores and the Company's network of retail stores, including four distinct varietal blends under the new XOXO brand, Croc Crossing which is a blend of Australian and domestic varietal wines, and Peller Estates' French Cross, which became Canada's first domestic wine available in the popular tetra pak format. Sales of VQA wine in fiscal 2007 were negatively impacted by the short crop in Ontario. In 2008, the Company continued to invest in its sales and marketing efforts with the aim to grow sales volumes of its products through new and increased advertising and promotional initiatives in all trade channels, increased sales staff focused on the licensee channel, investments in new upscale retail store concepts and layouts, training of retail staff, and investments to increase tourism at its estate wineries.

Gross profit as a percentage of sales improved to 43.3% in fiscal 2008 compared to 41.7% and 40.4% respectively in prior fiscal years. The increases are primarily due to higher sales volume of premium and ultra-premium wines and the increased value of the Canadian dollar which reduced the cost of wine purchased on international markets. Gross profit in fiscal 2006 was impacted by accounting adjustments required to value purchased inventory from Cascadia at fair market value.

Selling and administrative expenses have increased over the last three years due primarily to the acquisitions of Thirty Bench, Cascadia and Red Rooster and as a result of increased costs associated with the product launches of French Cross Tetra Pak, Croc Crossing and XOXO. As a percentage of sales, selling and administrative expenses increased to 30.8% for the year ended March 31, 2008 compared to 29.6% in fiscal 2007 and fiscal 2006. The Company expects to realize more economies of scale and cost synergies related to these acquisitions in fiscal 2009.

Primarily as a result of the sales growth, earnings before interest, taxes, amortization, other loss and unusual items ("EBITA") increased 7.4% to $29.7 million in fiscal 2008 compared to $27.7 million in fiscal 2007 and $22.9 million in fiscal 2006.

Amortization expenses declined 2.3% in fiscal 2008 compared with the last fiscal year while interest expense has increased primarily due to higher levels of debt resulting from increased investments in inventory as the grape crop in Ontario returned to normal levels.

In fiscal 2008, the Company recognized a net loss of $0.4 million related to the mark-to-market adjustments on interest rate swaps and foreign exchange contracts (see Critical Accounting Estimates). In addition, an unusual charge to earnings of $0.3 million was recorded primarily due to the integration of the Company's Port Moody operations into Cascadia's Kelowna facility. The Company closed its Port Moody B.C. winery effective December 31, 2005 and expects to sell the facility during 2010.

The Company's provision for future income taxes were reduced by $1.3 million during the year due to changes in future income tax rates that were part of the most recent Federal Budget partially offset by an increase in the provision for income taxes.

Net and comprehensive earnings increased over the last three years primarily due to higher sales levels and improved gross profit, the impact of reductions in the rates of corporate income taxes partially offset by increases in selling and administrative expenses. Including the impact of the other losses and unusual items and changes in future income tax rates, net earnings and comprehensive earnings for the year ended March 31, 2008 was $11.4 million or $0.78 per Class A share compared to $9.5 million or $0.65 per Class A share last year.

Quarterly Performance (unaudited)

($000) except per share amounts	Q1 08 $	Q2 08 $	Q3 08 $	Q4 08 $	Q1 07 $	Q2 07 $	Q3 07 $	Q4 07 $
Sales	57,140	61,236	66,052	52,702	55,135	59,413	63,225	50,419
Gross profit	24,466	26,196	28,740	23,325	22,830	25,044	26,340	20,894
Gross profit (% of sales)	42.8%	42.8%	43.5%	44.3%	41.4%	42.2%	41.7%	41.4%
EBITA	7,431	7,765	9,823	4,689	6,802	7,328	9,286	4,249
Other income (loss) and unusual items	314	(394)	(221)	(417)	(34)	(164)	(15)	7
Net and comprehensive earnings	2,914	2,652	5,013	802	2,376	2,556	4,142	398
EPS – Class A basic & diluted	$0.20	$0.18	$0.35	$0.05	0.16	0.18	0.29	0.02
EPS – Class B basic & diluted	$0.17	$0.16	$0.30	$0.05	0.14	0.16	0.25	0.02

Sales increased 4.5% during the three months ended March 31, 2008 due to the strength of premium wines sales caused by the return to normal grape supply conditions in the Ontario market. Gross profit as a percentage of sales increased to 44.3% of sales during the quarter compared to 41.4% last year due primarily to the higher sales volumes of premium and ultra-premium wines and the increased value of the Canadian dollar which partially offset higher grape and raw material costs. Sales and marketing expenses have increased in the quarter due to sales and marketing costs associated with the development of new brands and in response to increased competitive activity. Other loss for the three months ended March 31, 2008 related to mark-to-market adjustments on the Company's interest rate swaps and outstanding forward foreign currency contracts. Under the new CICA accounting standards, these financial instruments must be reflected in the Company's financial statements at fair value each period.

Unusual charges in the current and prior year primarily relate to costs incurred in the rationalization of the Company's British Columbia operations. During the quarter, the Company's future income tax expense was reduced by $0.50 million due to changes in future income tax rates that were contained in the last Federal Budget.

The third quarter of each year is historically the strongest in terms of sales, gross profit and net and comprehensive earnings due to increased consumer purchasing of the Company's products during the holiday season.

Liquidity and Capital Resources

As at ($000)	March 31, 2008 $	March 31, 2007 $
Current Assets	121,954	107,657
Property Plant & Equipment	94,480	87,143
Goodwill	36,171	36,171
Other Assets	7,139	7,985
Total Assets	259,744	238,956
Current Liabilities	95,345	82,341
Long-Term Debt	46,946	44,423
Employee Future Benefits	3,167	4,007
Future Income Taxes	11,606	12,663
Shareholders' Equity	102,680	95,522
Total Liabilities & Shareholders' Equity	259,744	238,956

The changes to the Company's balance sheet at March 31, 2008 compared to the prior year-end are primarily due to an increase in inventories as a result of the return of normal crop conditions in Ontario and in higher levels of accounts payable and accrued liabilities due to the timing of payments to suppliers. In addition, the Company had higher levels of capital investments in property, plant and equipment during fiscal 2008 due to the upgrading of the restaurant, tasting room, and retail store at Hillebrand and the planting of a vineyard in British Columbia also affected the balance sheet during the year.

During fiscal 2008 the Company generated cash from operating activities, after changes in non-cash working capital items, of $8.8 million compared to $4.5 million last year. Cash flow from operating activities increased due to higher net earnings and a reduction of the increase of non-cash working capital items, principally due to inventory partially offset by increased accounts payable and accrued charges.

The Company's purchases of domestically grown grapes increased to $22.6 million for the year, up from $18.5 million last year. The increase in inventory of wine made from domestically grown grapes and corresponding reduction in the use of imported wine resulted in the change in the estimate of value of inventory at March 31, 2008. The cost of domestically grown grapes is significantly higher than wine purchased on international markets. Inventory levels are also dependent on increased use of domestically grown grapes that are used in premium and ultra-premium wines which are aged for a much longer period than imported wine. Typically these wines are aged between one to three years before they are sold. This aging process is reflected in the amount of inventory held by the Company.

Investments of $14.3 million in property, plant and equipment were made in fiscal 2008 compared to $9.3 million in the prior year. The increase in fiscal 2008 is primarily related to a $5.1 million investment in the development of a vineyard in the Okanagan Valley in British Columbia and a $3.5 million investment made in upgrading the restaurant, tasting room, and retail store at Hillebrand. Excluding these items, capital spending was $5.7 million for the year ended March 31, 2008.

As at March 31, 2008 total bank indebtedness increased to $111.5 million compared to $101.8 million at the end of fiscal 2007. The increase was due primarily to increases in the inventory of bulk wine related to the 2007 vintage and by increased investments in vineyard development and enhancements to the Hillebrand winery during fiscal 2008.

On April 12, 2007 the Company obtained additional financing from the Bank of Montreal in the form of a seven year term bank loan in the amount of $10.0 million. The term loan is for the purpose of developing a vineyard on 300 acres of land in the Okanagan Valley in British Columbia. The land has been leased for a 30 year period which expires on October 31, 2036. As at March 31, 2008, $9.3 million has been drawn on this facility.

On October 2, 2007 the Company obtained additional financing from the Royal Bank of Canada in the form of a bulge demand facility to finance additional working capital requirements. The facility is in the amount of $10 million and is available during the months of November to January each year and increases the Company's borrowing limit to $70 million during this period. On January 28, 2008 the availability of this facility was extended to April 30, 2008. As at March 31, 2008, $57.7 million was drawn on this facility.

On May 15, 2008 the Company refinanced its borrowings from the Bank of Montreal. The Company's term credit facilities were combined into a seven year term bank loan in the amount of $80 million. The facility requires monthly principal payments of $0.4 million plus interest and matures on April 30, 2015.

The ratio of debt to equity increased to 1.09:1 at March 31, 2008 compared to 1.07:1 at March 31, 2007 and 1.04:1 at March 31, 2006. At March 31, 2008, the Company had unused debt available in the amount of $12.3 million on its demand loan facility. Management is confident it can generate sufficient cash flow from operations to meet its debt servicing and principal payment requirements over both the short and the long term.

Common share dividends were increased 18% effective September 30, 2006 and a further 19% effective June 30, 2007. The dividend on Class A shares increased 19% from $0.253 per share to $0.300 per share. The dividend on Class B shares rose 19% from $0.220 per share to $0.261 per share. Subsequent to the end of the year, on June 5, 2008, the Company increased annual common share dividends by a further 10%. See "Subsequent Events" for more details.

Working capital as at March 31, 2008 was $26.6 million compared to $25.3 million as at March 31, 2007. Shareholders' equity as at March 31, 2008 rose to $102.7 million or $6.90 per common share from $95.5 million or $6.41 per share as at March 31, 2007. The increase is due primarily to the strong earnings performance in fiscal 2008.

Contractual Obligations

The Company's major contractual obligations as at March 31, 2008 were as follows:

($000)	**Total**	2009	2010	2011	2012	2013	Thereafter
Long-Term Bank Loan	**53,722**	6,829	15,079	4,516	4,516	18,482	4,300
Operating Leases	**8,409**	3,630	2,862	1,255	389	191	82
Pension Obligations	**4,547**	847	847	847	847	847	312
Long-Term Grape Contracts	**357,461**	25,845	25,587	26,050	26,642	24,537	228,800
Total Contractual Obligations	**424,139**	37,151	44,375	32,668	32,394	44,057	233,494

Included in operating leases are payments for leases on the Company's Vineyards Estate Wines stores in Ontario.

Common Shares Outstanding

The Company is authorized to issue an unlimited number of Class A and Class B common shares. Class A shares are non-voting and are entitled to a dividend in an amount equal to 115% of any dividend paid or declared on Class B shares. Class B shares are voting and convertible into Class A shares on a one-for-one basis.

Shares outstanding	June 23, 2008	March 31, 2008	March 31, 2007
Class A shares	11,888,241	11,888,241	11,888,241
Class B shares	3,004,041	3,004,041	3,004,041
Total	14,892,282	14,892,282	14,892,282

Related Party Transactions

As at March 31, 2008 the Company has guaranteed debt of up to $1.6 million for Rocky Ridge Vineyards Inc., a joint venture in which the Company has a 50% interest. The joint venture grows grapes on a vineyard in the Similkameen Valley in British Columbia.

Subsequent Events

As a result of continued strong performance, on June 5, 2008, the Company announced that it would increase annual common share dividends for shareholders of record on June 30, 2008. The dividend on Class A shares increased 10% from $0.300 per share to $0.330 per share. The dividend on Class B shares increased 10% from $0.261 per share to $0.288 per share. This was the third consecutive annual increase in dividends.

On May 15, 2008, the Company obtained additional financing from the Bank of Montreal. The four existing term facilities were replaced with a seven year term facility in the amount of $80 million and will be amortized over a fifteen year period. The term loan will require monthly payments of $0.4 million plus interest and matures on April 30, 2015. The proceeds of the loan will be used to repay operating facilities and provide additional capital for potential acquisition opportunities.

Subsequent to the repayment of the existing term loans, the Company unwound the current interest rate swaps related to the term loans. The Company has entered into a new interest rate swap which effectively fixes the interest rate on the $80 million term loan at 5.64% for the term of the debt starting July 2, 2008.

On June 13, 2008, the Company acquired the remaining 50% interest in Rocky Ridge Vineyards Inc. which was financed with the new term loan. Concurrent with the acquisition, the Company assumed the Rocky Ridge vineyard mortgage in the amount of $0.8 million, repayable at $50,000 per annum plus interest at prime plus 0.25% and a $0.8 million working capital facility that bears interest at the Bank of Montreal prime rate of interest.

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 craft beer through the development of leading brands that meet the needs of our consumers and customers.

The Canadian wine market has grown over the past three years due primarily to positive demographic trends and the shift in consumer preference to premium wines. However, the share of the market held by domestic producers has declined moderately. Imports of premium and ultra-premium wines have increased as consumers favoured higher-priced varietal wines over lower-priced blended table wines. Andrew Peller Limited has increased its product development and sales and marketing initiatives aimed at capitalizing on this growing trend.

The Company expects to continue to launch new premium and ultra-premium brands in fiscal 2009. The acquisitions of Thirty Bench, Cascadia and Red Rooster are expected to continue to contribute to increase sales and to enhance the Company's presence in the sale of ultra-premium wines in Canada. Marketing and sales support will be focused on key brands sold across the country, and management expects sales and marketing expenses for fiscal 2009 to rise moderately. The Company expects to invest in capital expenditures to support its ongoing commitment to producing the highest-quality wines.

Investments made over the past few years are expected to continue to result in increased sales and improved profitability going forward. In addition, recent initiatives have led to an increase in export sales of the Company's premium and ultra-premium wines, particularly icewine.

Following the acquisition of Cascadia, management began the process of rationalizing and integrating its two British Columbia facilities to capture production and overhead synergies. Management expects the integration to be completed during fiscal 2009.

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

Risks and Uncertainties

The Company's sales of wine are affected by general economic conditions such as changes in discretionary consumer spending and consumer confidence in 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. In addition, 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, is working with the Canadian government to rectify these unfair trade balances.

The Company operates in a highly competitive industry and the dollar amount and unit volume of its sales could be negatively affected 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. The Company could also experience higher than expected selling, general and administrative expenses if it finds it necessary to increase the number of its personnel, advertising or promotional expenditures to maintain its competitive position.

The Company expects to increase its share of the premium wine business in Canada, principally through the sale of VQA wines, and as a result is more dependent on the quality and supply of domestically grown premium quality grapes. If any of APL's vineyards 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 and there could be decrease in our production of certain products from those regions and/or an increase in costs. The inability to secure premium quality grapes could impair the ability of the Company to supply wines to our customers. The Company has initiated programs to ensure a consistent access to domestically grown premium quality grapes through the development of additional vineyards, the contracting of additional sources of supply and the holding of additional levels of inventory. APL's arrangements with independent growers are based on long-term contracts up to thirty years. The price of grapes is determined through negotiations with the Ontario Grape Growers Marketing Board in Ontario and with independent growers in British Columbia.

The Company purchases glass, bag-in-the-box, barrels, tetra paks, kegs, and other components used in the bottling and packaging of wine. The largest component in the packaging of wine is glass, of which there are few domestic or international suppliers. There is currently only one commercial supplier of glass in Canada and any interruption in supply could have an adverse impact on the Company's ability to supply the 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 inventories of selected bottles.

The Company has worked to improve production efficiencies, selectively increased pricing to increase gross profit and implemented a higher level of promotion and advertising activity to combat these initiatives. APL and other wine industry participants also generally compete with other alcoholic beverages like beer and spirits for consumer acceptance, loyalty and shelf space. No assurance can be given that consumer demand for wine, and premium wine products, will continue at current levels in the future.

The Company operates in a highly regulated industry, with requirements regarding the production, distribution, marketing, advertising and labelling of wine. These regulatory requirements may inhibit or restrict the Company's ability to maintain or increase strong consumer support for and recognition of its brands and may adversely affect APL's business strategies and results of operations. Privatization of liquor distribution and retailing has been implemented in varying degrees across the country. The possibility of privatization in Ontario remains a risk to the Company through its impact on the Company's retail operations. The provincial government has stated that, should it consider privatization, it would engage in a consultation process and would acknowledge the special role of Ontario's wine industry.

The wine industry and the domestic and international market, in which the Company operates, are consolidating. This has resulted in fewer, but larger, competitors who increase 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 experienced significant increases in energy costs, and energy costs may continue to rise, which would result in higher transportation, freight and other operating costs. The Company's future operating expenses and margins are dependent on its ability to manage the impact of cost increases. The Company cannot guarantee that it will be able to pass along increased energy costs to its customers through increased prices.

Foreign exchange risk exists on the purchases by the Company of bulk wine and concentrate that are made in United States dollars. The Company does not enter into foreign exchange contracts for trading or speculative purposes. The Company's strategy is to hedge approximately 50% - 80% of its foreign exchange requirements prior to the beginning of each fiscal year. The Company has entered into a series of foreign exchange contracts as a hedge against movements in U.S. dollar exchange rates. These contracts are reviewed periodically. Each one cent change in the value of the U.S. dollar has a $100,000 impact on the Company's net earnings.

Canada imposes excise and other taxes on beverage alcohol products in varying amounts 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. In addition, 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 or increased licensing fees, requirements or taxes could also have a material adverse effect on the Company's financial condition or results of operations.

The Company's future operating results also depend on the ability of its officers and other key employees to continue to implement and improve its operating and financial systems and manage the Company's significant relationships with its suppliers and customers. The Company is also dependent upon the performance of its key senior management personnel. The Company's success is linked to its ability to identify, hire, train, motivate, promote and retain highly qualified management. Competition for such employees is intense and there can be no assurances that the Company will be able to retain current key employees or attract new key employees.

The 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, in part due to an international grape surplus. This international grape surplus, principally in Australia, Chile and Argentina and high inventories of French wine, could serve to continue the discounting of wine in international markets. The Company has responded by increased promotional and advertising spending to strengthen the performance of its brands. The Company does not believe that significant price discounting will occur in Canada beyond current levels.

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

As an owner and lessor of property, the Company is subject to various federal and provincial laws relating to environmental matters. Such laws provide that the Company could be held liable for the cost of removal and remediation of hazardous substances on its properties. The failure to remedy any situation that might arise could lead to claims against the Company. These risks are believed to be limited.

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.

Evaluation of Disclosure Controls and Procedures and Internal Control over Financial Reporting.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information relating to the operation of the Company and its consolidated subsidiaries is gathered and provided to senior management, including the President and Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), on a timely basis so that decisions can be made regarding the Company's disclosure to the public. As at June 23, 2008, the CEO and the CFO of the Company have evaluated the system of disclosure controls and procedures in the Company and its consolidated subsidiaries as set out by Canadian Securities Laws. Based on that evaluation, the CEO and CFO have concluded that the disclosure controls and procedures were effective in providing reasonable assurance that information required to be disclosed in the Company's annual and interim filings and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time frames specified by those laws and that material information is accumulated and communicated to management of the Company, including the CEO and CFO, as appropriate to ensure the timely disclosure of that information.

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.

The Company's CEO and CFO have concluded that internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements in accordance with Canadian generally accepted accounting principles as of March 31, 2008.

During the year ended March 31, 2008, there have been no material changes in the Company's internal control over financial reporting that materially affected or were likely to affect, the Company's internal control systems.