

MANAGEMENT'S DISCUSSION & ANALYSIS For the three months and year ended March 31, 2009

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, 2009 in comparison with those for the three months and year ended March 31, 2008. This discussion is prepared as of June 25, 2009 and should be read in conjunction with the consolidated financial statements for the period ended March 31, 2009 and 2008 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 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 "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 popular 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, Vineco International Products, Wine Kitz and Heron Bay. The Company owns and operates Vineyards Estate Wines, Aisle 43 and WineCountry Vintners, independent wine retailers in Ontario with more than 100 well-positioned retail locations. The Company markets craft beer under the Granville Island brand. The Company's products are sold predominantly in Canada.

The Company's stated mission is to build sales volumes of its blended, premium and ultra-premium brands by delivering to its customers and consumers the highest quality wines at the best possible value. To meet this goal, the Company is investing in improvements in the quality of grapes and wines, its winemaking capabilities and in its quality management programs. Over the long term, we believe premium wine sales will continue to grow in Canada and these products generate higher sales and increased profitability compared to lower-priced table wines.

APL is focused on initiatives to reduce costs and enhance its production efficiencies through a continual review of the Company's operations. In particular, the Kelowna, British Columbia winery review resulted in a 25% increase in productivity, while reducing overall labour costs. The Company has recently completed a cost reduction plan which has resulted in significant cost savings throughout the organization. The Company expects to see these savings during the fiscal year ending March 31, 2010. The Company continues to expand and strengthen its distribution through provincial liquor boards, the Company's network of more than 100 Vineyards Estate Wines, Aisle 43 and WineCountry Vintners retail locations, estate wineries, restaurants and other licensed establishments. This distribution network is supported by enhanced 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.

Recent Events

On June 13, 2008 the Company acquired 50% of the shares of Rocky Ridge Vineyards Inc. ("Rocky Ridge") of Cawston, British Columbia for consideration of \$3.9 million, including acquisition costs. The Company previously owned 50% of the shares of Rocky Ridge and as a result of this transaction Rocky Ridge became a wholly-owned subsidiary of the Company.

On June 30, 2008 the Company acquired 100% of the common shares of World Vintners Inc. ("WVI"), a producer and seller of high quality consumer-made wine kits. WVI's annual sales were approximately \$12.0 million. The acquisition brings to the Company a dedicated network of 75 franchised wine-on-premise and retail outlets under the Wine Kitz brand name. WVI also produces the popular Heron Bay brand sold through independent wine-on-premise and retail outlets across Canada. WVI was acquired for consideration of \$9.6 million, including acquisition costs. The Company expects to generate significant synergies in its wine kit operations as a result of this acquisition through the closure of its plant in Markham, Ontario and its Quebec distribution facility.

On October 8, 2008 the Company acquired 100% of The Small Winemakers Collection Inc. ("SWM") for consideration of approximately \$1.6 million. SWM is a premium wine importer and marketing agent for fine wines in the Province of Ontario and imports wines from major wine regions around the world and sells primarily to on-premise accounts in key markets and through LCBO Vintages stores.

Effective June 30, 2008 the Company increased its annual common share dividends. The dividend on Class A shares increased 10% from \$0.300 per share to \$0.330 per share, while 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.

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, Australia and more recently Argentina, 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, 2009, consumption of wine in Canada (excluding Quebec, where the Company does not participate, and excluding the refreshment wine category) rose by approximately 2.9% after increasing by 5.3% in 2008. Imported wines represented a slight majority of this growth, accounting for 64.7% of total volume in 2009. Canadian-made wines experienced a slight increase in market share to 35.3% of total Canadian wine sales from 35.0% in 2008. The Company's share of the total Canadian market in fiscal 2009 was 12.4% compared to 12.0% in 2008. The Company's share of the Canadian domestic market increased from 34.4% in 2008 to 35.2% in fiscal 2009 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'), 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 9.7% in 2009 compared to a 30.3% increase in 2008. A shortage in grape supply from prior years resulted in significantly increased sales of VQA wines in 2008. Sales in 2009 returned to a more normal increase.

Red table wines continued to grow in popularity, with total Canadian volume sales rising 4.4% in 2009 compared to 6.2% in 2008. Volume sales of the Company's red wine portfolio increased 11.1% in 2009 after a 9.4% increase in 2008. Volume sales of white table wines in Canada rose 1.8% in 2009 and 4.8% in 2008, while the Company's sales of white table wines were up 3.8% in 2009 compared to 3.4% in 2008.

The Company believes that sales for wine kits in Canada declined approximately 4.0% in 2009 after relatively flat sales during the prior year. Excluding the impact of acquisitions, sales of the Company's wine kits experienced a more moderate decline in sales for the year compared to 2008.

Financial Statements and Accounting Policies

The Company prepared its financial statements in Canadian dollars in accordance with Canadian generally accepted accounting principles (GAAP). Changes to 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.

Accounts Receivable

The Company records an allowance for doubtful accounts to reflect management's best estimate of losses that may occur on accounts receivable during the year. This allowance was recorded through a charge to the earnings and takes into consideration the financial condition and recent payment patterns of customers and the general state of the economy. Management believes that the allowance is sufficient to cover any risk of potential losses. Credit losses were within management's expectations.

Inventory Valuation

Inventories are valued at the lower of cost and net realizable value. The Company determines cost on a weighted average cost basis using separate pools for domestic and imported wines.

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.

On April 1, 2008 the Company adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3031 "Inventories". For further information on this standard, including the impact on the Company's financial statements for the year ended March 31, 2009, see "recently adopted accounting pronouncements".

Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated amortization. Amortization is calculated on a straight line basis in amounts that are sufficient to amortize the cost over the estimated useful life of the asset. Details of the amounts classified as property, plant and equipment are set out in the Notes to the Consolidated Financial Statements.

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 and WVI, SWM, Rocky Ridge and Camelot Cellars in 2009 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 believes that brands do not have a fixed or determinable life and consequently brands are not amortized but are subject to annual impairment tests based on a comparison of the carrying amount to the estimated fair market value of the brands. The amortization periods related to those intangible assets with finite lives are based on the expected duration of the contracts and relationships acquired. These intangible assets will be tested for impairment when events or circumstances arise that indicates impairment may exist. Based on the Company's review as at March 31, 2009 management believes that there has been no long-term impairment in the value of intangible assets.

Fair Value of Financial Instruments

Accounts receivable, accounts payable and accrued liabilities and bank indebtedness are reflected in the consolidated financial statements at carrying values, which approximate fair value due to the short-term maturity of these instruments.

Long-term debt has a floating interest rate and its carrying value, as reflected in the consolidated financial statements, approximates fair value. Interest on long-term debt has been fixed through the use of interest rate swaps.

The Company purchases wine and other inventory items throughout the year. These purchases are made in United States dollars and Euros. The Company uses foreign exchange contracts as a hedge against changes in currency values. The Company's strategy is to hedge approximately 50% - 80% of its foreign exchange requirements prior to the beginning of each year. The Company does not enter into foreign exchange contracts for trading or speculative purposes. Contracts are matched against forecasted purchases of inventory which will be valued at the rate of the foreign exchange contract.

All financial instruments are initially recorded at fair value which includes the Company's interest rate swaps and foreign exchange contracts. The Company has not designated any of its financial instruments as hedges and accordingly, changes to the fair value of these instruments are recorded through earnings each period as net unrealized losses on derivative financial instruments.

Employee Future Benefits

The Company provides a defined benefit pension plan to certain of its employees. The assumptions used to measure the accrued benefit obligations and benefit costs are: discount rate 5%, expected long-term rate of return on plan assets 7% and rate of compensation increase 4-5%. The annual pension expense to provide those benefits is approximately \$642. All actuarial losses are amortized over the expected remaining service life which is estimated to be 7-14 years.

Recently Adopted Accounting Pronouncements

Effective April 1, 2008 the Company adopted the following new accounting standards that were issued by the CICA:

CICA Handbook Section 1400, "General Standards on Financial Statement Presentation" required the Company to assess and disclose its ability to continue as a going concern. The Company's adoption of this standard did not have a material impact on disclosure in the Company's consolidated financial statements.

CICA Handbook Section 1535, “Capital Disclosures” required that an entity disclose information that enables users of its financial statements to evaluate an entity’s objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences of non-compliance. The Company’s adoption of this standard did not have a material impact on disclosure in the Company’s consolidated financial statements.

CICA Handbook Section 3031 “Inventories” replaced CICA Handbook Section 3030, “Inventories” which provided guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. It also provided guidance on the cost formulas that are used to assign costs to inventories and is effective for the Company’s fiscal years beginning on April 1, 2008. As required, this standard has been adopted prospectively and comparative amounts have not been restated. This change predominately related to changes in the application of overhead cost allocations to bulk and finished goods inventory. As a result, on adoption of this standard, the Company recorded an adjustment on April 1, 2008 to reduce inventories by \$2,725, to reduce future income taxes by \$850 and to reduce opening retained earnings by \$1,875.

CICA Handbook Section 3862 and 3863, “Financial Instruments – Disclosures” and “Financial Instruments - Presentation” which replaced CICA Section 3861, “Financial Instruments – Disclosure and Presentation”. These sections increased the emphasis on disclosure about the nature and extent of risks arising from financial instruments and how an entity manages those risks.

The Company adopted CICA Emerging Issues Committee 173, “Credit Risk and the Fair Value of Financial Assets and Financial Liabilities” that required an entity’s own credit risk and the risk of counterparty to be taken into account when determining the fair value of financial assets and financial liabilities including derivative amounts. As a result, on adoption, the company recorded an adjustment on January 1, 2009 to increase the fair value of derivative financial instruments by \$1,307, increase future income taxes by \$409 and increase opening retained earnings by \$898.

CICA Handbook Section 3064, “Goodwill and Intangible Assets” which replaced Section 3062, “Goodwill and Other Intangible Assets”, and Section 3450, “Research and Development Costs”, established standards for recognition, measurement and disclosure of goodwill and intangible assets. The provisions related to the definition and initial recognition of intangible assets which are equivalent to the corresponding provisions of International Financial Reporting Standards (“IFRS”) IAS 38, “Intangible Assets”. The new standard also provided guidance for the recognition of internally developed intangible assets, including assets developed from research and development activities, ensuring consistent treatment of all intangible assets, whether separately acquired or internally developed. The section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008 with earlier adoption encouraged. The Company adopted CICA 3064 effective April 1, 2008 and there was no impact of the adoption of this standard.

Recently Issued Accounting Pronouncements

CICA Handbook Section 1582, “Business Combinations”, CICA Handbook Section 1601, “Consolidated financial statements”, and CICA Handbook Section 1602, “Non-controlling interests” replace the former CICA Handbook Section 1581, “Business Combinations” and CICA Handbook Section 1600, “Consolidated Financial Statements” and establishes a new section for accounting for a non-controlling interest in a subsidiary. These sections provide the Canadian equivalent to IFRS 3, “Business Combinations” and International Accounting Standard 27, “Consolidated and Separate Financial Statements”. CICA Handbook Section 1582 is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Section 1601 and Section 1602 apply to interim and annual consolidated financial statements relating to years beginning on or after January 1, 2011. The Company is currently evaluating the impact of adoption of these standards.

International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board (“AcSB”) confirmed that the use of IFRS as issued by the International Accounting Standards Board will be required effective January 1, 2011 for publicly accountable profit-oriented enterprises. The transition date will require the Company to restate, for comparative purposes, amounts reported for the year ending March 31, 2011. IFRS will require increased financial statement disclosure.

Although IFRS uses a conceptual framework similar to Canadian GAAP, differences in accounting policies will need to be addressed. During fiscal 2009, the Company undertook an IFRS diagnostic study with a view to assess the impact of the transition on the Company's accounting policies and to establish a project plan to implement IFRS. A number of key accounting areas where IFRS differs from current policy and accounting alternatives were reviewed. During fiscal 2010 the Company will continue to evaluate accounting alternatives and analyze their impact on the implementation of IFRS.

The Company will also assess the impact of the conversion on internal controls over financial reporting and disclosure controls and procedures and will provide sufficient resources and training to ensure an orderly transition.

The Company will be working with its auditors and other service providers in developing a conversion plan as we move closer to March 31, 2011. IFRS accounting standards are continuing to evolve and therefore are subject to change throughout the conversion process. The Company will continue to monitor any IFRS accounting developments and update the conversion plan as necessary.

Results of Operations

FOR THE YEAR ENDED MARCH 31, (in thousands of dollars except per share amounts)	2009 \$	2008 \$	2007 \$
Sales	268,212	244,274	228,192
Gross profit	101,711	102,727	95,108
Gross profit (% of sales)	37.9%	42.0%	41.7%
Selling and administrative expenses	75,876	73,019	67,443
Earnings before interest, taxes, amortization, other income (loss) and unusual items	25,378	29,708	27,665
Other loss and unusual items	(10,771)	(718)	(206)
Net and comprehensive earnings	(125)	11,381	9,472
Net earnings excluding other loss and unusual items and impact of future income tax reductions	7,150	10,612	9,610
Earnings per share – basic and fully diluted – Class A	(\$0.01)	\$ 0.78	\$ 0.65
Earnings per share – basic and fully diluted – Class B	(\$0.01)	\$ 0.68	\$ 0.57
Dividend per share – Class A (annual)	\$0.330	\$0.300	\$0.253
Dividend per share – Class B (annual)	\$0.288	\$0.261	\$0.220

Sales increased 9.8% for the year ended March 31, 2009 compared to the prior year primarily due to higher sales of the Company's wines sold through provincial liquor control boards and the Company's chain of retail stores in Ontario, the acquisitions of WVI and SWM, and new product launches occurring during fiscal 2009 and fiscal 2008. The acquisitions of WVI and SWM contributed \$9.4 million in sales during the year. Excluding the impact of acquisitions, sales increased 5.9% during the year.

During fiscal 2009 and fiscal 2008 the Company launched a number of new products through provincial liquor stores and the Company's network of retail stores. Sales of VQA wines in fiscal 2007 were negatively impacted by the short crop of VQA grapes in Ontario, which returned to more normal supply in fiscal 2008 and fiscal 2009. The Company has 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, investment in the new Aisle 43 retail stores, training of retail staff, and additional investments to increase tourism at its estate wineries.

Gross profit as a percentage of sales was 37.9% in fiscal 2009 compared to 42.0% and 41.7% in the prior year periods, respectively. The decrease in gross profit in fiscal 2009 was due to higher costs for both domestic grapes and wine purchased on international markets, the increased use of higher priced domestic grapes used to produce cellared

in Canada wine, the decrease in value of the Canadian dollar, an increase in the sales mix of lower margin wines and higher packaging costs. During the fourth quarter these issues had a more significant impact on gross profit as the increased use of higher priced domestic wine in cellared in Canada wines and the decline in value of the Canadian dollar were more pronounced. Management believes the Company's gross profit margin has been stabilized as cost pressures mitigate and efforts to enhance production efficiency and productivity improve.

Selling and administrative expenses have increased over the last three years due primarily to costs related to acquisitions, including WVI and SWM, expenses related to the execution of the Company's cost reduction efforts and enhanced sales and marketing programs in all of the Company's trade channels. The Company incurred one-time costs in the amount of \$1.4 million related to its cost reduction program during the year and expects to realize annual savings of approximately \$2.6 million as a result of this initiative. Selling and administrative expenses decreased to 28.3% of sales in fiscal 2009 compared to 29.9% in fiscal 2008.

Earnings before interest, taxes, amortization, other income (loss) and unusual items ("EBITA") was \$25.8 million in fiscal 2009 compared to \$29.7 million and \$27.7 million in fiscal 2008 and 2007, respectively. The decrease in fiscal 2009 is primarily due to the reduced gross profit margins experienced during the year, partially offset by increased sales.

Amortization expenses increased 7.4% in fiscal 2009 compared with the prior year due primarily to the impact of acquisitions, while interest expense increased primarily due to higher debt levels used to finance acquisitions and higher inventory levels partially offset by increased levels of accounts payable.

The Company incurred a non-cash loss in fiscal 2009 of approximately \$9.5 million related to the mark-to-market adjustments on an interest rate swap and foreign exchange contracts. Under CICA accounting standards, these financial instruments must be reflected in the Company's financial statements at fair value each reporting period. In fiscal 2008 a loss of approximately \$0.4 million was recognized. In addition, unusual charges of \$1.3 million were recorded in fiscal 2009 resulting from a \$0.4 million write-off of deferred financing costs, \$0.2 million related to carrying charges for the Company's Port Moody facility, \$0.4 million related to the closure of the Company's Quebec wine kit distribution centre and \$0.2 million in the write-down of an investment. In fiscal 2008, the carrying charges on the Port Moody facility were \$0.3 million. The Company closed its Port Moody B.C. winery effective December 31, 2005 and expects to sell the facility within the next two years.

The Company's effective income tax rate was lower during fiscal 2008 due to a reduction in future federal income tax rates substantively enacted through a federal budget which was recorded during the third quarter of fiscal 2008. The budget served to reduce income taxes during fiscal 2008 in the amount of \$1.3 million. Excluding the reduction in future income tax rates during fiscal 2008; the effective income tax rate was lower in fiscal 2009.

Net and comprehensive earnings, not including the impact of other losses and unusual items and the impact of future federal income tax rate reductions, were \$7.2 million in fiscal 2009 compared to \$10.6 million in fiscal 2008 and \$9.6 million in fiscal 2007. Including the impact of the other losses and unusual items, net and comprehensive earnings (loss) for the year ended March 31, 2009 was (\$0.1) million or (\$0.01) per Class A share compared to \$11.4 million or \$0.78 per Class A share in the prior year.

In spite of reduced consumer spending due to the challenging economic environment, the Company has experienced an increase in the organic growth of its sales which is expected to continue in fiscal 2010. However, higher costs for the purchase of domestic grapes and imported wine, the increased use of domestic grapes blended into cellared in Canada wine and the impact of decline in the value of the Canadian dollar will put continued pressure on gross profit. The Company uses foreign exchange contracts to protect against changes in foreign currency rates and accordingly has locked in US dollar contracts for fiscal 2010 at rates averaging \$1.23 Canadian. The Company conducted a review of its selling and administrative expenses in an effort to reduce costs and improve efficiencies during the year which is expected to reduce selling and administrative costs by \$2.6 million in fiscal 2010. Interest expense is expected to increase during the upcoming year as Canadian banks are continuing to increase their credit spreads.

Quarterly Performance

(\$000) except per share amounts (unaudited)	Q4 09	Q3 09	Q2 09	Q1 09	Q4 08	Q3 08	Q2 08	Q1 08
	\$	\$	\$	\$	\$	\$	\$	\$
Sales	60,112	75,295	71,161	61,644	54,726	67,991	62,897	58,660
Gross profit	17,590	30,083	29,102	24,936	23,325	28,740	26,196	24,466
Gross profit (% of sales)	26.5%	41.3%	42.0%	41.8%	39.0%	43.5%	42.8%	42.8%
EBITA	(79)	10,436	8,294	7,184	4,689	9,823	7,765	7,431
Net unrealized loss on financial instruments and unusual items	(67)	(9,412)	(1,073)	(219)	(417)	(221)	(394)	314
Net and comprehensive earnings	(3,249)	(1,973)	2,444	2,653	802	5,013	2,652	2,914
EPS – Class A basic & diluted	(\$0.13)	(\$0.13)	\$0.17	\$0.18	\$0.05	\$0.35	\$0.18	\$0.20
EPS – Class B basic & diluted	(\$0.20)	(\$0.12)	\$0.15	\$0.16	\$0.05	\$0.30	\$0.16	\$0.17

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. Sales in the fourth quarter of fiscal 2009 increased by 9.8% over fiscal 2008 due to the contribution made by the acquisitions of WVI and SWM and strong sales of blended varietal table wines, primarily through provincial liquor boards. During the fourth quarter, the Company began to record sales of its wine agency in British Columbia as gross sales. Previously only commission income was recorded on those sales. As a result of this change, sales in the fourth quarter increased by \$2.0 million in fiscal 2009 and \$1.5 million in fiscal 2008. Gross profit declined to 26.5% of sales due primarily to the increased blending of higher costs domestic wine into cellared in Canada wines, higher cost of domestic grapes and wine purchased on international markets and the declining value of the Canadian dollar. Net and comprehensive earnings in the fourth quarter of fiscal 2009 were impacted by the \$0.7 million non-cash gain recorded related to the mark-to-market adjustments on interest rate swaps and foreign exchange contracts as discussed above. In addition, a \$0.6 million charge was incurred in the quarter related to the closure of its consumer-made wine distribution outlet in Quebec and the write-off of an investment. A net and comprehensive loss of \$3.2 million was recorded for the fourth quarter of fiscal 2009 compared to net and comprehensive earnings of \$0.8 million in fiscal 2008.

Liquidity and Capital Resources

As at (\$000)	March 31, 2009	March 31, 2008
	\$	\$
Current Assets	134,818	120,758
Property, Plant & Equipment	102,367	94,819
Goodwill	39,384	36,171
Other Assets	16,938	7,996
Total Assets	293,507	259,744
Current Liabilities	105,615	95,345
Long-Term Debt	71,549	46,412
Long-term derivative financial instruments	5,963	534
Employee Future Benefits	2,824	3,167
Future Income Taxes	10,765	11,606
Shareholders' Equity	96,791	102,679
Total Liabilities & Shareholders' Equity	293,507	259,744

The changes to the Company's balance sheet at March 31, 2009 compared to March 31, 2008 are primarily due to the acquisitions of Rocky Ridge, WVI and SWM, the adoption of CICA Handbook Section 3031 "Inventories", and a refinancing of the Company's debt. The Company invested approximately \$9.6 million in the acquisition of WVI, \$3.9 million in the acquisition of the remaining 50% interest in Rocky Ridge, \$1.6 million in the acquisition of SWM during fiscal 2009 and \$0.2 million in the purchase of Camelot Cellars Ltd.

As at March 31, 2009 total bank indebtedness increased to \$129.9 million compared to \$111.0 million at the end of fiscal 2008. The increase was due to the acquisitions of WVI, Rocky Ridge and SWM, increased working capital requirements during the year and investments in property, plant and equipment.

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 \$80.0 million. The facility requires monthly principal payments of \$0.4 million plus interest and matures on April 30, 2015. The proceeds of the loan were used to repay operating facilities and provide additional capital for acquisitions.

Inventory increased by \$10.3 million principally due to the harvest of the 2008 grape crop which increased inventory by \$26.1 million and higher purchases of wine on international markets, partially offset by increased sales. The acquisition of WVI increased inventory by \$1.3 million. Inventory is dependent on the increased use of domestically grown grapes which are used in the sale of premium and ultra-premiums wines which are aged for a longer period than imported wine. These grapes are typically aged for one to three years before they are sold. The cost of domestically grown grapes is also significantly higher than wine purchased on international markets. In addition, during fiscal 2009 the Company experienced significant increases in both the costs of domestic grapes and wine purchased on international markets.

Accounts receivable are predominantly with provincial liquor boards and to a lesser extent licensed establishments and independent retailers of consumer made wine kits. Accounts receivable increased during the year by \$1.8 million due to the acquisition of WVI and SWM. The Company has \$12.4 million dollars of accounts receivable with provincial liquor boards all of which is all deemed to be collectable. The balance of \$10.0 million represents amounts due from licensees, export customers and independent retailers of consumer made wine kits. The amount of the accounts receivable that is beyond 60 days is \$1.0 million. Against these amounts, an allowance for doubtful accounts of \$0.2 million has been provided which the Company has determined to represent a reasonable estimate of amounts that may not be collectible.

The following table outlines the Company's contractual obligations, including long-term debt, operating leases, and commitments on short-term forward foreign exchange contracts used to hedge the currency risk on US dollar purchases.

As at March 31, 2009 (\$,000)	Total	<1 year	2-3 years	4-5 years	>5 years
Long-Term Bank Loan	78,011	6,158	11,491	10,666	49,696
Operating Leases	22,968	5,678	5,660	2,505	9,125
Pension Obligations	4,924	818	1,105	818	2,183
Foreign Exchange Contracts	18,615	18,615			
Long-Term Grape Contracts	309,402	20,073	42,495	43,786	203,048
Total Long-Term Obligations	433,920	51,342	60,751	57,775	264,052

The ratio of debt to equity, excluding the impact of the interest rate swap and foreign exchange contracts, increased to 1.34:1 at March 31, 2009 compared to 1.08:1 at March 31, 2008. At March 31, 2009, the Company had unused debt available in the amount of \$12.8 million on its demand loan facility.

During fiscal 2009 the Company successfully refinanced its long-term debt with the Bank of Montreal to April 30, 2015. The Company's operating facility is on a demand basis with the Royal Bank of Canada. The Bank has indicated that it is prepared to make the operating facility a one-year committed facility. The Company expects to complete this transaction in June 2009.

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. In addition, as stated above, the Company closed its Port Moody B.C. winery effective December 31, 2005 and is holding the facility for sale. The proceeds from the sale will be used to reduce bank indebtedness. The Company continually reviews all of its assets to ensure appropriate returns on investment are being achieved and fit with the Company's long-term strategic objectives.

During fiscal 2009, the Company generated cash from operating activities, after changes in non-cash working capital items, of \$13.7 million compared to \$10.0 million in the same period last year. Cash flow from operating activities increased due to positive changes in non-cash working capital items, specifically related to increases in accounts payable and accrued liabilities partially offset by increases in inventory.

Investing activities of approximately \$24.1 million were made in fiscal 2009 compared to \$15.4 million in the prior year. The increase during fiscal 2009 is primarily related to the \$9.6 million acquisition of WVI, a \$2.3 million investment in acquiring the remaining 50% equity interest in Rocky Ridge, and \$1.6 million invested in the acquisition of SWM. Excluding these items, capital spending was \$10.3 million for the year ended March 31, 2009 compared to \$14.7 million last year. There were no acquisitions completed during the year ended March 31, 2008.

Working capital as at March 31, 2009 was \$29.2 million compared to \$25.4 million as at March 31, 2008. Shareholders' equity as at March 31, 2009 was \$96.8 million or \$6.50 per common share compared to \$102.7 million or \$6.89 per common share at March 31, 2008. Excluding the after-tax impact of the mark-to market adjustments on the interest rate swap and foreign exchange contracts, shareholders' equity at March 31, 2009 was \$103.2 million or \$6.93 per common share.

The dividend on Class A shares increased 10% from \$0.300 per share to \$0.330 per share effective June 30, 2008. 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 in three years.

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 25 2009	March 31, 2009	March 31, 2008
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

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, wine kits 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. The share of the market held by domestic producers has increased moderately in fiscal 2009 after minor declines over the preceding two years. During the third and fourth quarters of fiscal 2009 the Company began to experience slight weakness in certain trade channels, specifically its consumer made wine business, estate winery and restaurant sales due to weaker consumer spending being experienced across North America. Growth was strong, however, in sales to liquor boards across the country and through the Company's 102 retail stores in Ontario through increased sales of blended varietal table wines which produce lower margins than ultra-premium wines. Andrew Peller Limited has focused its product development and sales and marketing initiatives aimed at capitalizing on this trend. The Company will continue to closely monitor its costs and will react quickly if there is any further significant change in gross profit margin.

The Company expects to continue to launch new blended varietal and ultra-premium brands in fiscal 2010. The acquisitions of Thirty Bench, Cascadia and Red Rooster and more recently WVI and SWM are expected to continue to contribute to increased sales in fiscal 2010 as well as to an enhanced presence in the sale of 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 2010 to be similar to those in fiscal 2009. 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.

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

Despite the recent economic slowdown in Canada, the Company expects it will continue to grow sales in fiscal 2010 while the gross profit percentage is expected to remain at current levels. The Company's product portfolio covers the complete spectrum of price levels within the Canadian wine market and expects that while there may be a modest reduction in purchases of ultra-premium wine; this is expected to be mitigated by an increase in sales of blended varietal wines. In addition, the Company will be accelerating its efforts to generate production efficiencies and reducing overhead costs to enhance its overall profitability.

Risks and Uncertainties

The Company's sales of wine are affected by general economic conditions such as changes in discretionary consumer spending and consumer confidence 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 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. The Company 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.

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 a decrease in our production of certain products from those regions and/or an increase in costs. In the past, where there was a significant reduction in domestically sourced grapes, the Government of Ontario, in conjunction with the Wine Council of Ontario and the Ontario Grape Growers Marketing Board, has agreed to temporarily increase the blending of imported wines, which would enable the Company to continue to supply wines to the market. 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.

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 \$250,000 impact on the Company's net earnings.

The Company purchases glass, bag-in-the-box, 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 ongoing increases in the cost of energy would result in higher transportation, freight and other operating costs. The Company's future operating expenses and margins are dependent on its ability to manage the impact of cost increases. The Company cannot guarantee that it will be able to pass along increased energy costs to its customers through increased prices.

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.

Compliance with National Instrument 52-109 ("NI 52-109") provided the Company with a review and documentation of the processes and internal controls that were in place within the organization. As a result of the review, the Company found no material weaknesses and will continue to update the review and documentation of processes and internal controls on an on-going basis.

Disclosure Controls and Procedures

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

As at June 25, 2009, the Company's management, under the supervision of, and with the participation of the CEO and CFO, have designed and evaluated 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". Based on this evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures were effective.

Internal Controls over Financial Reporting

Internal controls over financial reporting are procedures designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to reliability of financial reporting and financial statement preparation.

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

As at June 25, 2009, the CEO and CFO of the Company have evaluated the effectiveness of the Company's internal controls over financial reporting. Based on those evaluations, the CEO and CFO have concluded that the controls and procedures were operating effectively.

During the year ended March 31, 2009, 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.