ANDREW PELLER
LIMITED

MANAGEMENT'S DISCUSSION & ANALYSIS
For the three and nine months ended December 31, 2008 and 2007

The following management's discussion and analysis ('MD&A') provides a review of corporate developments, results of operations and financial position for the three and nine months ended December 31, 2008 in comparison with those for the three and nine months ended December 31, 2007. This discussion is prepared as of February 5, 2009 and should be read in conjunction with the interim consolidated financial statements for the period ended December 31, 2008 and 2007, and 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 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. Premium wine sales 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. Most recently, the Company has completed a comprehensive review of its operations in Kelowna, British Columbia which resulted in a 25% increase in productivity, while reducing overall labour costs. 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.

On June 13, 2008 the Company acquired 50% of the shares of Rocky Ridge Vineyards Inc. ("Rocky Ridge") of Oliver, British Columbia for cash consideration of $4.0 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 sales for its most recently-completed financial year ended July 31, 2007 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 cash consideration of $11.0 million, including acquisition costs. The Company has achieved significant synergies in its wine kit operations as a result of this acquisition. Management is currently obtaining fair market values for the net assets and intangible assets acquired.

On October 8, 2008 the Company acquired 100% of 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. The Company imports wines from major wine regions around the world and sells primarily to on-premise accounts in key markets and through LCBO Vintages stores.

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.

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 interim 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. The Company determines cost on an 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". This pronouncement 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 the Company's fiscal year beginning on April 1, 2008. As required, this standard has been adopted prospectively and comparative amounts have not been restated. The change in carrying value predominately relates to changes in the application of overheads in 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 $1,552, reduce future income taxes by $485, and reduce opening retained earnings by $1,067.

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 December 31, 2008, 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.

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 as at March 31, 2008 were: discount rate 5%, expected long-term rate of return on plan assets 7% and rate of compensation increase 5%. The annual pension expense to provide those benefits is approximately $684. All actuarial losses are amortized over the expected remaining service life which is estimated to be 12 years.

Recently Adopted Accounting Pronouncements

On April 1, 2008 the Company adopted the following CICA Handbook Sections:

CICA Handbook Section 1535 “Capital Disclosures” required disclosures in the financial statements of qualitative and quantitative information that enables users to evaluate objectives, policies and processes for managing capital expenditures.

CICA Handbook Section 3862 “Financial Instruments – Disclosures” required 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 managed those risks.

CICA Handbook Section 3863 “Financial Instruments – Presentation” established standards for presentation of financial instruments and non-financial derivatives. This section complemented the existing CICA Handbook Section 3861 “Financial Instruments – Disclosure and Presentation”.

CICA Handbook Section 3031 “Inventories” 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.

Recently Issued Accounting Pronouncements

The CICA has issued the following accounting standards:

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.

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.

Results of Operations (unaudited)

FOR THE NINE MONTHS ENDED DECEMBER 31,	**2008**	2007	2006
(in thousands of dollars except per share amounts)	**$**	$	$
Sales	**201,866**	184,428	177,773
Gross profit	**84,121**	79,402	74,214
Gross profit (% of sales)	**41.7%**	43.1%	41.7%
Selling general and administrative expenses	**58,207**	54,383	50,798
Earnings before interest, taxes, amortization, unrealized loss on derivative financial instruments and unusual items	**25,914**	25,019	23,416
Net unrealized loss on derivative financial instruments and unusual items	**(10,704)**	(301)	(213)
Net and comprehensive earnings	**3,124**	10,579	9,074
Net earnings excluding other loss and unusual items	**10,574**	10,780	9,217
Earnings per share – basic and fully diluted - Class A	**$ 0.22**	$ 0.73	$ 0.63
Earnings per share – basic and fully diluted - Class B	**$ 0.19**	$ 0.63	$ 0.54
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 9.5% for the nine months ended December 31, 2008 compared to the comparable prior year period due to higher sales of the Company's premium wines sold through all of the Company's trade channels, the acquisition of WVI, and new product launches occurring during 2008 and 2007. The acquisition of WVI contributed sales of $5.8 million during nine months ended December 31, 2008.

During 2007 and 2008 the Company launched a number of new products through provincial liquor stores and the Company's network of retail stores. 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 41.7% in the first nine months of fiscal 2009 compared to 43.1% and 41.7% in the prior year periods, respectively. The decrease in gross profit in fiscal 2009 was due to increases in both domestic grape costs, wine purchased on international markets, the decrease in value of the Canadian dollar in the period and higher packaging costs.

Selling and administrative expenses have increased over the last three years due primarily to costs related to acquisitions, including WVI, and enhanced sales and marketing efforts in all of the Company's trade channels. As a percentage of sales on a comparable basis, selling and administrative expenses were the same as in fiscal 2008.

As a result of the higher sales, partially offset by lower gross profit margins and higher costs, earnings before interest, taxes, amortization, other income (loss) and unusual items ("EBITA") rose 3.6% to $25.9 million in the first nine months of fiscal 2009 compared to $25.0 million and $23.4 million in the comparative periods in fiscal 2008 and 2007, respectively.

Amortization expenses increased 5.7% in the first nine months of fiscal 2009 compared with the same period in the prior year due primarily to acquisitions and the Hillebrand expansion which occurred in fiscal 2008 while interest expense increased slightly primarily due to higher debt levels used to finance acquisitions and higher inventory levels which were partially offset by lower rates of interest.

The Company incurred a non-cash loss in fiscal 2009 of approximately $10.1 million related to the unrealized loss on 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 the comparative period in fiscal 2008 a loss of approximately $0.1 million was recognized. In addition, unusual charges of $0.6 million were recorded in fiscal 2009 resulting from a $0.4 million write-off of deferred financing costs and $0.2 million related to carrying charges for the Company's Port Moody facility. In fiscal 2008, the carrying charges on the Port Moody facility were $0.2 million. The Company closed its Port Moody B.C. winery effective December 31, 2005 and is holding the facility for sale.

The Company's effective income tax rate was higher during fiscal 2009 compared to the prior year due to the reduction in future federal income tax rates which were recorded during the third quarter of fiscal 2008 and amounted to $0.75 million. Excluding the reduction in future income tax rates during fiscal 2008, the effective income tax rate is lower in fiscal 2009.

Net and comprehensive earnings, not including the impact of the other losses and unusual items and the impact of future federal income tax rate reductions, were $10.6 million for the first nine months of fiscal 2009 compared to $10.0 million in fiscal 2008 and $9.1 million in fiscal 2007. Including the impact of the other losses and unusual items, net earnings and comprehensive earnings for the nine months ended December 31, 2008 was $3.1 million or $0.22 per Class A share compared to $10.6 million or $0.73 per Class A share last year.

As a result of the current economic situation, the Company has experienced a decline in the rate of growth of sales which is expected to continue into fiscal 2010. The impact of this decline is not expected to be material. In addition, the decline in the value of the Canadian dollar has put pressure on gross profit. The Company uses foreign exchange contracts to protect against changes in foreign currency rates. The Company continuously reviews its selling and administrative expenses to reduce costs and improve efficiencies. With the decline in sales growth and increased costs due to higher priced domestic grapes and the decline in the value of the Canadian dollar, the Company will be aggressive in ensuring that selling and administrative costs are balanced with changes in gross profit. The general decline in interest rates in Canada is being offset by increases in credit spreads by Canadian banks.

Quarterly Performance (unaudited)

($000) except per share amounts	Q3 09	Q2 09	Q1 09	Q4 08	Q3 08	Q2 08	Q1 08	Q4 07	Q3 07
	$	$	$	$	$	$	$	$	$
Sales	**72,892**	**69,356**	59,618	52,702	66,052	61,236	57,140	50,419	63,225
Gross profit	**30,083**	**29,102**	24,936	23,325	28,740	26,196	24,466	20,894	26,340
Gross profit (% of sales)	**41.3%**	**42.0%**	41.8%	44.3%	43.5%	42.8%	42.8%	41.4%	41.7%
EBITA	**10,436**	**8,294**	7,184	4,689	9,823	7,765	7,431	4,249	9,286
Net unrealized loss on derivative financial instruments and unusual items	**(9,412)**	**(1,073)**	(219)	(417)	(221)	(394)	314	7	(15)
Net and comprehensive earnings	**(1,973)**	**2,444**	2,653	802	5,013	2,652	2,914	398	4,142
EPS – Class A basic & diluted	**($0.13)**	**$0.17**	$0.18	$0.05	$0.35	$0.18	$0.20	0.02	0.29
EPS – Class B basic & diluted	**($0.12)**	**$0.15**	$0.16	$0.05	$0.30	$0.16	$0.17	0.02	0.25

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 for the quarter increased by 10.4% to $72.9 million due to strong sales of blended varietal table wines and the impact of acquisitions. Gross profit declined to 43.1% due to the lower value of the Canadian dollar and increased costs for domestic grapes and wine purchased on international markets. Net and comprehensive earnings in the third quarter of fiscal 2009 were impacted by the $9.4 million non-cash loss recorded related to the net unrealized loss on mark-to-market adjustments on an interest rate swap and on foreign exchange contracts as discussed above. Net and comprehensive earnings, not including the impact of the other losses and unusual items and the impact of future federal income tax rate reductions, were $4.6 million for the third quarter of fiscal 2009 compared to $4.3 million in fiscal 2008.

Liquidity and Capital Resources (unaudited)

As at ($000)	**December 31,, 2008 $**	March 31, 2008 $
Current Assets	**145,090**	121,954
Property, Plant & Equipment	**101,860**	94,480
Goodwill	**45,684**	36,171
Other Assets	**7,121**	7,139
Total Assets	**299,755**	259,744
Current Liabilities	**108,789**	95,345
Long-Term Debt	**72,911**	46,412
Long term Derivative Financial Instruments	**5,857**	534
Employee Future Benefits	**2,950**	3,167
Future Income Taxes	**8,102**	11,606
Shareholders' Equity	**101,146**	102,680
Total Liabilities & Shareholders' Equity	**299,755**	259,744

The changes to the Company's balance sheet at December 31, 2008 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 $11.0 million in the acquisition of WVI, $4.0 million in the purchase of the remaining 50% interest in Rocky Ridge, and $1.6 million in the acquisition of SWM during the first nine months of fiscal 2009.

As at December 31, 2008 total bank indebtedness increased to $137.9 million compared to $111.9 million at the end of fiscal 2008. The increase was due primarily to the acquisitions of WVI, Rocky Ridge and SWM during 2009, an increase in levels of inventories and by investments in property, plant and equipment during the period.

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 $14.3 million principally due to the harvest of the 2008 grape crop which increased inventories by $25.5 million, purchases of wine on international markets and partially offset by increased sales. Inventory also increased by $1.3 million as at December 31, 2008 due to the impact of the acquisition of WVI. 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.

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 period by $6.2 million due to the acquisition of WVI and SWM and higher sales through all trade channels. The Company has $14.7 million dollars of accounts receivable with provincial liquor boards for which no allowance is required. The balance of $14.6 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 $2.7 million. Against these amounts, an allowance for doubtful accounts of $0.5 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 December 31, 2008 ($,000)	**Total**	**<1 year**	**2-3 years**	**4-5 years**	**>5 years**
Long-Term Bank Loan	79,345	6,158	11,492	10,667	51,028
Operating Leases	19,061	4,439	5,728	1,749	7,145
Pension Obligations	5,707	847	2,541	1,694	625
Long-Term Grape Contracts	357,461	25,845	51,637	51,179	228,800
Total Long-Term Obligations	461,574	37,289	71,398	65,289	287,598

The ratio of debt to equity excluding the impact of the interest rate swap and foreign exchange contracts increased to 1.36:1 at December 31, 2008 compared to 1.07:1 at December 31, 2007 and 1.09:1 at March 31, 2008. At December 31, 2008, the Company had unused debt available in the amount of $11.2 million on its demand loan facility.

While credit markets continue to tighten in recent months, management has successfully refinanced its long-term debt with the Bank of Montreal on May 15, 2008. The long-term debt matures on April 30, 2015. The Company's operating facility is on a demand basis with the Royal Bank of Canada. The Royal Bank of Canada has indicated that it is prepared to make the operating facility a one year committed facility at a higher interest rate. The Company is currently reviewing its options.

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.

During the first nine months of fiscal 2009, the Company generated cash from operating activities, after changes in non-cash working capital items, of $1.0 million compared to $5.6 million in the same period last year. Cash flow from operating activities decreased due to negative changes in non-cash working capital items, specifically to increases in accounts receivable and inventories partially offset by an increase in accounts payable and accrued liabilities.

Investing activities of approximately $24.3 million were made in the first nine months of fiscal 2009 compared to $11.7 million in the prior year. The increase during the first nine months of fiscal 2009 is primarily related to the $11.0 million acquisition of WVI, a $4.0 million investment in acquiring the remaining 50% of Rocky Ridge, and $1.6 million invested in the acquisition of SWM. Excluding these items, capital spending was $7.7 million for the nine months ended December 31, 2008 compared to $11.7 million last year. There were no investments in completing acquisitions through the nine months ended December 31, 2007.

Working capital as at December 31, 2008 was $36.3 million compared to $24.4 million as at December 31, 2007 and $26.6 million at March 31, 2008. Shareholders' equity as at December 31, 2008 was $101.1 million or $6.79 per common share compared to $102.7 million or $6.89 per common share at March 31, 2008 and $103.0 million or $6.91 per share as at December 31, 2007. Excluding the after-tax impact of the mark-to market adjustments on interest rate swaps and foreign exchange contracts, shareholders' equity at December 31, 2008 would amount to $108.2 million or $7.27 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.

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	**Feb 5, 2008**	Dec 31, 2008	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 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.

During the third quarter 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 the recent economic challenges being experienced across North America and its impact on consumer spending. In addition, the Company is experiencing revenue growth in increased sales of blended varietal table wines which produce lower margins than ultra-premium wines. The Company will continue to closely monitor its costs and will react if there is any further significant deterioration in its trade channels.

Marketing and sales support will be focused on key brands sold across the country, and management expects sales and marketing expenses for 2010 to be similar to those in 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.

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 by April 30, 2009.

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 maintain or modestly grow its sales while gross profits are expected to remain stable 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 non-VQA 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 is subject to a number of risks and uncertainties outlined in the Company's 2008 Annual Report and other securities filings.

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 February 5, 2009, 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 December 31, 2008.

During the nine months ended December 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.