ANDREW PELLER LIMITED

MANAGEMENT'S DISCUSSION & ANALYSIS
For the three months and year ended March 31, 2010

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, 2010 in comparison with those for the three months and year ended March 31, 2009. This discussion is prepared as of June 23, 2010 and should be read in conjunction with the consolidated financial statements for the year ended March 31, 2010 and 2009, 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 VQA brands include *Peller Estates, Trius, Hillebrand, Thirty Bench*, *Sandhill, Calona Vineyards Artist Series* and *Red Rooster*. Complementing these premium brands are a number of popularly priced varietal wine brands including *Peller Estates French Cross* in the East, *Peller Estates Proprietors Reserve* in the West, *Copper Moon, XOXO* and *Croc Crossing. Hochtaler, Domaine D'Or*, *Schloss Laderheim, Royal* and *Sommet* are our key value priced wine blends. The Company imports wines from major wine regions around the world to blend with domestic wine to craft these popularly priced and value priced wine brands. With a focus on serving the needs of all wine consumers, the Company produces and markets premium personal winemaking products through its wholly-owned subsidiary, Global Vintners Inc. ("GVI"), the recognized world leader in personal winemaking products. Global Vintners distributes products through over 250

Winexpert and Wine Kitz authorized retailers and franchisees and more than 600 independent retailers across Canada, United States, United Kingdom, New Zealand and Australia. GVI's award-winning premium and ultra-premium winemaking brands include *Selection, Vintners Reserve, Island Mist, Kenridge, Cheeky Monkey, Ultimate Estate Reserve, Traditional Vintage* and *Artful Winemaker*. The Company owns and operates more than 100 well-positioned independent retail locations in Ontario under the Vineyards Estate Wines, Aisle 43 and WineCountry Vintners store names. The Company also owns Grady Wine Marketing (GWM") based in Vancouver, and The Small Winemaker's Collection Inc. ("SWM")based in Ontario; both of these wine agencies are importers of premium wines from around the world and are marketing agents for these fine wines. The Company's products are sold predominantly in Canada with a focus on export sales for its icewine and personal winemaking products.

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, the Company believes 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. The Company continually reviews its cost structure with a view to enhancing profitability. In addition, the Company continues to expand and strengthen its distribution through provincial liquor boards, the Company's network of 102 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. From time to time the Company also evaluates the potential for acquisitions and partnerships, both in Canada and internationally, to further complement its product portfolio and market presence.

Recent Events

On May 25, 2010 the Company sold approximately 6 acres of vineyard in the Okanagan Valley to Burrowing Owl Vineyards Ltd for proceeds of approximately $0.8 million. Proceeds were used to reduce bank indebtedness.

Effective May 1, 2010 the Company completed the sale of its ownership interests in Granville Island Brewing Company Ltd. ("GIB") and Mainland Beverage Distribution Ltd. ("MD") to Creemore Springs Brewery Ltd. Of the total proceeds from the sale of approximately $26.2 million, $25.0 million was received during the fiscal year ended March 31, 2010 and $0.2 million was received during the first quarter of fiscal 2011. Proceeds were used to reduce long-term debt and bank indebtedness. The balance of the sale proceeds are expected to be received on May 1, 2012. The Company recorded an after tax gain on the sale of approximately $11.9 million. The operating results of the beer business have been classified as net earnings from a discontinued operation in current and prior periods.

On October 8, 2008 the Company acquired 100% of 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.

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.

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. The acquisition brought to the Company a dedicated network of 75 franchised wine-on-premise and retail outlets under the Wine Kitz brand name. WVI was acquired for consideration of $9.6 million, including acquisition costs. The Company has generated 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 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.

The Canadian Wine Market

The market for wine in Canada has continued to grow due to a movement toward the consumption of wine made by an aging population who favour the more sophisticated experience that wine offers and young consumers who have more recently adopted wine as their beverage of choice, as well as the widely reported health benefits of moderate wine consumption. Imports from major wine-producing countries, particularly Argentina and Chile continue to expand their share of the Canadian market, in many cases supported by extensive government subsidy programs that support lower prices 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, 2010, consumption of wine in Canada (excluding Quebec, where the Company does not participate, and excluding the refreshment wine category) rose by approximately 2.7% after increasing by 2.9% in 2009. Imported wines accounted for 64.3% of total volume in fiscal 2010. Canadian-made wines experienced a slight increase in market share to 35.7% from 35.3% in fiscal 2009. The Company's share of the total Canadian market in fiscal 2010 was 12.7% compared to 12.4% in fiscal 2009. The Company's share of the Canadian domestic market increased from 35.2% in fiscal 2009 to 35.5% in fiscal 2010 primarily due to strong sales of key brands such as Peller Estates and solid performance from recent product introductions.

The Vintners Quality Alliance ('VQA'), established in 1989, has become recognized throughout the world as the appellation system for Canadian wines that meet strict standards of excellence. The Company's sales of VQA designated wines increased by 1.8% in fiscal 2010 compared to a 9.7% increase in fiscal 2009. VQA sales in fiscal 2010 were impacted by a move by provincial liquor boards to increase support to new VQA wine brands.

Red table wines continued to grow in popularity, with total Canadian volume sales rising 2.7% in fiscal 2010 compared to 4.4% in fiscal 2009. Volume sales of the Company's red wine portfolio increased 7.5% in fiscal 2010 after an 11.1% increase in fiscal 2009. Volume sales of white table wines in Canada rose 3.8% in fiscal 2010 and 1.8% in fiscal 2009, while the Company's sales of white table wines were up 5.0% in fiscal 2010 compared to 3.8% in fiscal 2009.

The Company believes that sales for personal winemaking products declined in Canada by approximately 3.0% in fiscal 2010 after declining approximately 4.0% during the prior year. Sales of the Company's personal winemaking products experienced a solid increase during the year driven primarily by a full year's contribution from acquisitions and a solid increase in export sales to the United States and the United Kingdom compared to fiscal 2009.

Financial Statements and Accounting Policies

The Company prepared its financial statements in Canadian dollars in accordance with Canadian generally accepted accounting principles (GAAP). The Company also utilizes EBITA (defined as earnings before interest, amortization, non-hedge derivative gains (losses), other income (expense), income taxes and net earnings before a discontinued operation) 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 March 31, 2010 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 details on the impact of the adoption of the standard, refer to the Consolidated Financial Statements for the year ended March 31, 2010.

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, Rocky Ridge, Camelot Cellars and SWM in 2009 represents the excess of purchase price of acquired businesses over the fair value of the net assets acquired. Goodwill relating to the intended disposition of GIB and MD is classified as part of discontinued operations – long-term assets in the accompanying consolidated financial statements. The Company determines an impairment of goodwill based on the ability to recover the balance from expected future discounted operating cash flows. Management has determined that there was no impairment in goodwill as at March 31, 2010 and 2009.

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 at least annually for impairment or when events or circumstances arise that indicates impairment may exist. Intangible assets relating to the disposition of GIB and MD have been classified as part of discontinued operation – long-term assets in the accompanying consolidated financial statements.

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 an interest rate swap.

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 fiscal quarter. The Company does not enter into foreign exchange contracts for trading or speculative purposes. Contracts are matched against forecasted purchases of inventory and other purchases in U.S. dollars and Euros.

All financial instruments are initially recorded at fair value which includes the Company's interest rate swap 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 a net unrealized gain (loss) 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 for expenses 7.0%, discount rate for obligations 5.5%, expected long-term rate of return on plan assets 7.0% and rate of compensation increase 4.0-5.0%. To measure the obligation for past employment medical benefits, it was assumed that the health care inflation rate is 10% in fiscal 2011 reducing by 1% each year for the next five years. The annual pension expense to provide those benefits is approximately $440. All actuarial losses are amortized over the expected remaining service life which is estimated to be 7-14 years. On March 31, 2010 the Company recognized an obligation to provide post employment medical benefits to certain employees which arose as the result of the Company's acquisition of Cascadia Brands Inc. The obligation to provide post employment medical benefits was not identified at the time of the Cascadia acquisition. The recognition of the post employment medical benefit obligation has resulted in an increase to the employee future benefit liability of $2.6 million, an increase to goodwill in the amount of $1.9 million and a reduction to future income tax liability in the amount of $0.7 million.

Recently Adopted Accounting Pronouncements

Effective for the year ended March 31, 2010, the Company adopted the amended version of CICA Section 3862 "Financial Instruments – Disclosures". The amended standard requires enhanced disclosures about the relative reliability of the data, or "inputs", that an entity uses to measure the fair values of its financial instruments.

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

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.

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.

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 has the option to collectively adopt Section 1582, Section 1601, and Section 1602 beginning on April 1, 2010. Electing to adopt these standards in fiscal 2011 would minimize the impact of transitioning to International Financial Reporting Standards for any business combinations occurring during the year. The Company is currently evaluating the impact of adoption of these standards.

CICA Emerging Issues Committee 175, “Multiple Deliverable Revenue Arrangements” was released and requires a vendor to allocate arrangement consideration at the inception of an arrangement to all deliverables using the relative selling price method. The new requirements are effective for fiscal years beginning on or after January 1, 2011 with early adoption permitted. The Company is currently evaluating the impact of the adoption of this standard.

International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board (“AcSB”) confirmed that the use of International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board will be required effective for fiscal years beginning after 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 as if the Company had always reported under IFRS.

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 identified. It was also determined that the implementation of IFRS will require increased financial statement disclosure.

During fiscal 2010, the Company has finalized its diagnostic study, hired a dedicated resource to lead the IFRS implementation team and engaged an external service provider to provide additional assistance. Based on evaluations that are currently in progress, the Company’s preliminary expectation is that the following components will have the most impact on its quarterly and annual consolidated financial statements beginning in the year ending March 31, 2012:

- IFRS 1 – First-time Adoption of IFRS: During the year ended March 31, 2012, the Company will be required to disclose certain additional comparative financial information related to its quarterly and annual reporting periods. These additional disclosures will provide information that will allow the user to reconcile amounts that were previously presented under Canadian GAAP to IFRS for the interim and annual periods occurring during the year ending March 31, 2011. IFRS 1 also provides numerous exemptions to the general requirement to retrospectively apply IFRS accounting policies. The Company is currently evaluating the exemptions that it will utilize.
- IAS 41 – Agriculture: IAS 41 will require the Company to measure its grape vines at their fair value less costs to sell. Costs to sell are the incremental costs that would be required to dispose of an asset if it were sold to a third party. Harvested grapes will be measured at their fair value less costs to sell at the point of harvest. This measurement will then become the cost used in measuring the value of Company’s inventories. Prior to the adoption of IFRS, the Company recorded its vineyards at cost less accumulated amortization and its inventories at the lower of cost and net realizable value. As a result of the application of IAS 41, the balances related to the Company’s vineyards and inventories are expected to change. The Company is currently evaluating the direction and magnitude of this change.
- IAS 16 – Property, Plant, and Equipment: IAS 16 provides options to record property, plant, and equipment using a cost or a revaluation model. There are also exemptions under IFRS 1 that provide an additional option for the Company to use fair value as deemed cost at transition for an item of property, plant and equipment. IAS 16 also contains detailed guidance on the componentization of property, plant and equipment. Currently, the Company records property, plant, and equipment at historical cost less accumulated amortization. The Company is currently evaluating its options and requirements under IAS 16 in combination with its options under IFRS 1.
- IAS 19 – Employee Benefits: There are currently different options available to the Company under IFRS 1 and IAS 19 to record actuarial gains and losses upon transition to IFRS. In the Company’s opening IFRS balance sheet, the Company may elect to leave a portion of actuarial gains and losses unrecognized or it may

elect to recognize all cumulative actuarial gains and losses. After the Company's transition date of April 1, 2010, actuarial gains and losses may be amortized over a period of time similar to the Company's current treatment under Canadian GAAP, recognized immediately in profit or loss, or recognized immediately in other comprehensive income. The Company has currently decided to recognize all cumulative actuarial gains and losses in its opening IFRS balance sheet and immediately recognize actuarial gains and losses in other comprehensive income in its IFRS consolidated financial statements. The Company is monitoring potential future changes in this area, which may impact these preliminary decisions. The differences in recognition criteria for post-employment benefit liabilities compared to those under Canadian GAAP may also impact the Company. An evaluation of the amount of the impact is underway.

- IAS 36 – Impairment of Assets: Under Canadian GAAP, impairment testing of property, plant, and equipment and intangible assets with finite lives involves an initial step of comparing the carrying value of an asset to its undiscounted cash flows when an indication of impairment exists. If the undiscounted cash flows expected to be generated from the asset are greater than the carrying value, no impairment is recorded. This initial step is not part of IFRS. Under IFRS, property, plant, and equipment and intangible assets with finite lives will be assigned to cash generating units ("CGUs"). When there is an indication of impairment, the carrying value of a CGU is compared to the greater of the CGUs fair value and its value in use using discounted cash flows to determine whether or not an impairment charge should be recorded. Under Canadian GAAP, the carrying value of an intangible asset with an indefinite life is compared to its fair value to determine whether impairment expense should be recorded. Under IFRS, intangible assets with an indefinite life may be allocated to CGUs for impairment testing. Under Canadian GAAP, goodwill is grouped with other assets to form a reporting unit and the carrying value of a reporting unit is compared to its fair value to determine whether an impairment charge should be recorded for goodwill. Under IFRS, goodwill will be allocated to CGUs for impairment testing purposes. The grouping of assets and liabilities used to form a reporting unit to test goodwill for impairment under Canadian GAAP will be different from the grouping of assets and liabilities used to form a CGU to test goodwill for impairment under IFRS. IFRS also requires impairment charges to be reversed in certain circumstances, except for impairment of goodwill and intangible assets with an indefinite life. Reversal of an impairment charge is not permitted under Canadian GAAP. Management is currently evaluating the impact of the applicable IFRS accounting standards.
- IAS 12 – Income Taxes: Future income tax balances will change as a result of the other adjustments required to transition from Canadian GAAP to IFRS. The Company is currently evaluating the extent of other changes and disclosures resulting from IAS 12.

This is not an exhaustive list as there are other less significant areas that are expected to affect the Company's consolidated financial statements and disclosures. In addition, other areas that will change as a result of IFRS may be identified as the Company progresses through its transition.

During fiscal 2010 the Company made progress in other aspects of its transition to IFRS. An information session was held for the board of directors and senior management to facilitate the development and maintenance of an appropriate level of financial reporting expertise. Management has also provided regular updates to the Finance, Audit, and Risk Committee regarding its transition progress and specific business and accounting policy choices. With regard to changes to the Company's information systems, a plan has been developed to leverage existing accounting information system capabilities to meet the dual reporting requirements for the year ended March 31, 2011. Under the plan, the current accounting information systems will be able to produce reconciliations from Canadian GAAP to IFRS balances. The Company is also assessing 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 has developed and continues to monitor its conversion plan for the transition that was effective April 1, 2010. IFRS accounting standards are continuing to evolve and are therefore subject to change throughout the remainder of the conversion process. The Company will continue to monitor any IFRS accounting developments and update the conversion plan as necessary.

Results of Operations

The following table outlines key highlights for the year ended March 31, 2010, 2009 and 2008. With the Company's entering into an agreement effective October 1, 2009 to sell its ownership of GIB and MD, the results for the Company's beer business have been classified as earnings from a discontinued operation. The sale was completed on May 1, 2010.

FOR THE YEAR ENDED MARCH 31, (in thousands of dollars except per share amounts)	**2010** **$**	2009 $	2008 $
Sales	**263,151**	251,136	228,056
Gross profit	**96,324**	93,691	95,983
Gross profit (% of sales)	**36.6%**	37.3%	42.1%
Selling general and administrative expenses	**68,970**	70,332	67,874
Earnings before interest, taxes, amortization, other income (loss) and unusual items	**27,354**	23,359	28,109
Unrealized gain (loss) on financial instruments and other expenses	**1,597**	(10,771)	718
Net and comprehensive earnings (loss) from continuing operations	**9,526**	(1,444)	10,563
Net and comprehensive earnings from a discontinued operation	**12,135**	1,319	818
Net and comprehensive earnings (loss)	**21,661**	(125)	11,381
Earnings (loss) per share from continuing operations Class A	**$0.66**	($0.10)	$0.73
Earnings (loss) per share from continuing operations Class B	**$0.57**	($0.09)	$0.63
Earnings (loss) per share – basic and diluted - Class A	**$1.49**	($0.01)	$ 0.78
Earnings (loss) per share – basic and diluted - Class B	**$1.30**	($0.01)	$ 0.68
Dividend per share – Class A (annual)	**$0.330**	$0.330	$0.300
Dividend per share – Class B (annual)	**$0.288**	$0.288	$0.261

Sales increased 4.5% and 4.8% for the three months and year ended March 31, 2010 respectively compared to the prior year periods primarily due to ongoing initiatives to grow sales of the Company's premium and blended varietal wines sold through provincial liquor control boards, new product launches that occurred during fiscal 2010 and to the full years earnings impact from the acquisitions of WVI and SWM. Sales in fiscal 2010 have been negatively affected by the impact of the global economic slowdown on export and estate winery sales.

During fiscal 2010 and in fiscal 2009 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 the current year were impacted by a move by provincial liquor boards to increase support to new VQA wine brands and by the consumer trading down to lower priced wines through the economic recession. The Company continued to invest in its sales and marketing efforts with the aim to grow sales volumes of its products through new and increased advertising and promotional initiatives in all trade channels, increased sales staff focused on the licensee channel, 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 37.6% and 36.6% during the three months and year ended March 31, 2010 compared to 29.2% and 37.3% in the prior year periods. The decrease in gross profit percentage for the year was due to the increased cost to the Company of purchasing United States dollars, an increase in the sales mix of lower margin wines, the increased use of higher priced domestic grapes used to produce cellared in Canada wine and an increase in the cost of domestic grapes and wine purchased on international markets. Gross profit improved in the fourth quarter of 2010 as these factors began to reverse themselves as the cost to the Company of purchasing United States dollars improved and the price of wine purchased on international markets began to decline. Management believes the Company's gross profit margins have stabilized and will continue to grow as cost pressures ease and the value of the Canadian dollar improves. Management remains focused on efforts to enhance production efficiency and productivity to further improve overall profitability.

Selling and administrative expenses as a percentage of sales in fiscal 2010 were 30.6% and 26.2% during the fourth quarter and for the fiscal year compared to 29.3% and 28.0% respectively in the same periods last year. During the fourth quarter of the year, losses on foreign exchange contracts for the fiscal year in the amount of $2.3 million were recorded. Excluding the impact of this adjustment, selling and administrative expenses as a percentage of sales were 26.8% and 25.3% during the fourth quarter and fiscal year. The decrease in selling and administrative expenses during fiscal 2010 is the result of the Company's ongoing focus on reducing costs and the realization of synergies on acquisitions.

Earnings before interest, amortization, non-hedge derivative gains (losses), other expenses, income taxes and net earnings from a discontinued operation ("EBITA") were $4.1 million and $27.4 million for the three months and year ended March 31, 2010 respectively compared to a loss of $0.1 and profit of $23.4 million in the same periods in fiscal 2009. The increase is primarily due to improved sales and reduced selling and administrative expenses, partially offset by a lower gross margin percentage in the current year.

Interest expense in the fourth quarter of fiscal 2010 declined to $1.9 million from $2.1 million in last year's fourth quarter due primarily to the reduction in debt from the proceeds of sale of the Company's beer business and certain one-time adjustments related to changes in the Company's lending agreements on its operating debt partially offset by higher interest rates. Interest expense was higher in fiscal 2010 due to high debt levels and higher interest rates on the Company's long-term debt. The Company expects to benefit from lower interest costs going forward.

Amortization expenses were $1.8 million and $8.0 million for the three months and year ended March 31, 2010 compared to $2.2 million and $7.8 million in the prior year periods. The changes are due primarily to the impact of acquisitions and the sale of the beer business in fiscal 2010.

The Company incurred a non-cash gain in fiscal 2010 of approximately $3.9 million related to the mark-to-market adjustments on an interest rate swap and a loss on foreign exchange contracts of $0.7 million partially offset by other expenses of $1.6 million primarily related to impairment charges on certain investments made by the Company. Under CICA accounting standards, these financial instruments must be reflected in the Company's financial statements at fair value each reporting period. These instruments are considered to be effective economic hedges and have enabled management to mitigate the volatility of changing costs and interest rates during the year. Other expenses in fiscal 2009 included carrying charges for the Company's Port Moody facility. The Company closed this facility effective December 31, 2005.

Net and comprehensive earnings from continuing operations, excluding the gains or losses on derivative financial instruments and the impact of other expenses, were $0.6 million and $8.4 in the fourth quarter and fiscal year compared to a loss of $3.0 million and a profit of $6.1 million respectively for the same periods in fiscal 2009. Operating results for the Company's beer business have been classified as a discontinued item. Net and comprehensive earnings include an after-tax gain on the sale of the beer business of approximately $11.9 million. Net and comprehensive earnings for the three months and year ended March 31, 2010 were $0.6 million or $0.04 per Class A share and $21.7 million or $1.49 per Class A share respectively compared to net losses of $3.2 million or $0.23 per Class A share and $0.1 million or $0.01 per Class A share respectively for the same periods in the prior year.

In spite of reduced consumer spending during most of fiscal 2010 due to a challenging economic environment, the Company has experienced modest increases in sales through the majority of its trade channels which is expected to continue into the upcoming year. The Company expects to benefit in fiscal 2011 from the higher value of the Canadian dollar and moderating prices for the purchase of imported wine. The Company uses foreign exchange contracts to protect against changes in foreign currency rates and accordingly has locked in $21.0 million in U.S. dollar contracts at rates averaging $1.0267 Canadian and $2.6 million in Euros at rates averaging $1.433 Canadian for fiscal 2011.

Quarterly Performance (unaudited)

The following table outlines key quarterly highlights. With the Company's entering into an agreement effective October 1, 2009 to sell its ownership in GIB and MD, the results for the Company's beer business have been classified as net earnings (loss) from a discontinued operation. The sale was completed on May 1, 2010.

($000) except per share amounts	**Q4 10**	Q3 10	Q2 10	Q1 10	**Q4 09**	Q3 09	Q2 09	Q1 09
	$	$	$	$	**$**	$	$	$
Sales	**59,295**	71,945	66,961	64,950	**56,749**	71,342	65,808	57,237
Gross profit	**22,281**	25,430	24,816	23,797	**16,598**	27,617	26,656	22,820
Gross profit (% of sales)	**37.6%**	35.3%	37.1%	36.6%	**29.2%**	38.7%	40.5%	39.9%
EBITA	**4,129**	8,527	6,750	7,948	**(48)**	9,261	7,642	6,504
Unrealized gain (loss) on financial instruments and other expenses	**401**	(144)	213	1,127	**(67)**	(9,412)	(1,073)	(219)
Net & comprehensive earnings from continuing operations	**838**	3,588	1,762	3,338	**(3,087)**	(2,713)	2,084	2,272
Net & comprehensive earnings from a discontinued operation	**(200)**	11,940	482	(87)	**(162)**	740	360	381
Net & comprehensive earnings	**638**	15,528	2,244	3,251	**(3,249)**	(1,973)	2,444	2,653
EPS – Class A basic & diluted	**$0.04**	$1.07	$0.16	$0.22	**($0.23)**	($0.13)	$0.17	$0.18
EPS – Class B basic & diluted	**$0.04**	$0.93	$0.14	$0.19	**($0.20)**	($0.12)	$0.15	$0.16

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 2010 increased by 4.5% over the comparable period in fiscal 2009 due to increased sales through provincial liquor boards and stable revenues at its retail stores partially offset by lower estate wine and export sales. Sales in the first quarter of fiscal 2010 were impacted by higher purchases from the LCBO in June in anticipation of a potential strike which negatively affected second quarter results. Sales in the fourth quarter were positively impacted by strong purchases by provincial liquor boards due to the Easter holiday occurring very early in April. Gross profit for the three months ended March 31, 2010 increased to 37.6% of sales due primarily to the decreased cost to the Company of purchasing United States dollars and a decrease in the price of wine purchased on international markets. Net and comprehensive earnings from continuing operations, not including the gains or losses on derivative financial instruments, other expenses and income from a discontinued operation, were $0.6 million for the fourth quarter of fiscal 2010 compared to a loss of $3.0 million in the fourth quarter of fiscal 2009. Results for fiscal 2010 included an after tax gain on the sale of the beer business of approximately $11.9 million in the third quarter of fiscal 2010.

Liquidity and Capital Resources

As at ($000)	**March 31, 2010 $**	March 31, 2009 $
Current Assets	**116,351**	134,818
Property, Plant & Equipment	**95,728**	98,234
Goodwill	**37,473**	35,684
Intangibles and Other Assets	**14,164**	14,838
Discontinued Operation	**-**	9,933
Total Assets	**263,716**	293,507

Current Liabilities	**86,383**	105,615
Long-term Debt	**47,633**	71,549
Long-term Derivative Financial Instruments	**1,667**	5,963
Employee Future Benefits	**4,530**	2,824
Future Income Tax	**9,838**	10,428
Discontinued Operation	**-**	337
Shareholders' Equity	**113,665**	96,791
Total Liabilities & Shareholders' Equity	**263,716**	293,507

The changes to the Company's balance sheet at March 31, 2010 compared to March 31, 2009 are primarily due to the sale of GIB and MD on October 1, 2009. The resulting reduction in bank indebtedness and long-term debt, a lower investment in inventory partially offset a reduction in accounts payable and accrued charges also impacted working capital during the period. The Company's beer business has been classified as a discontinued operation in current and prior periods. The Company recognized additional post employment medical benefit liabilities in the fourth quarter of the fiscal year related to commitments acquired through the previously completed Cascadia acquisition.

As at March 31, 2010 bank indebtedness and long-term debt decreased to $102.7 million compared to $129.9 million at March 31, 2009. The change was due primarily to proceeds from the sale of GIB and MD, increased cash flow from operating activities due to higher net earnings and lower levels of inventory partially offset by lower levels of accounts payable and accrued charges.

Inventory at March 31, 2010 decreased by approximately $11.2 million compared to the end of fiscal 2009 as the Company increased its efforts to reduce working capital during the year primarily through a reduction in finished goods inventory. 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 held for a longer period than imported wine. These grapes are typically aged for one to three years before they are sold. The cost of 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 slightly during fiscal 2010 due primarily to strong sales during the month of March. The Company has $12.6 million dollars of accounts receivable with provincial liquor boards all of which is expected to be collectable. The balance of $10.3 million represents amounts due from licensees, export customers and independent retailers of consumer made wine kits. The amount of accounts receivable that is beyond 60 days is $0.9 million. Against these amounts, an allowance for doubtful accounts of $0.3 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, 2010 ($000)	**Total**	**<1 year**	**2-3 years**	**4-5 years**	**>5 years**
	$	$	$	$	$
Long-Term Bank Loan	54,436	6,158	10,666	10,666	26,946
Swap Agreement	15,665	3,911	6,609	5,145	-
Operating Leases	20,655	3,878	5,455	2,820	8,502
Pension Obligations	3,841	575	886	658	1,722
Foreign Exchange Contracts	20,655	20,655	-	-	-
Long-Term Grape Contracts	269,919	20,190	42,141	41,342	166,246
Total Long-Term Obligations	385,171	55,367	65,757	60,631	203,416

The ratio of debt to equity decreased to 0.90:1 at March 31, 2010 compared to 1.34:1 at March 31, 2009 due primarily to the use of proceeds from the sale of GIB and MD to reduce bank indebtedness and long-term debt. At March 31, 2010 the Company had unutilized debt capacity in the amount of $19.4 million on its demand loan facility.

On November 10, 2009, the Company modified the terms of its operating loan facility to increase the borrowing limit to $75.0 million. The loan is a one year committed facility incurring interest at the Royal Bank of Canada prime lending rate plus 2.75%.

On January 26, 2010, the Company modified its existing term loan. The modified term loan will continue to be repayable in monthly principal payments of $0.444 million plus interest and matures on April 30, 2015. The Company maintains an interest rate swap which effectively fixes the interest rate on the term loan at 5.64%. Under terms of the modified loan, the Company currently pays additional interest of 0.95% based on leverage and a funding premium of 1.05% which is renegotiated annually. Effective May 1, 2010, the funding premium was reduced by 0.25%.

Management expects to generate sufficient cash flow from operations to meet its debt servicing, principal payment and working capital requirements over both the short and the long term through increased profitability and strong management of working capital and capital expenditures. The Company closed its Port Moody B.C. winery effective December 31, 2005 and is holding the facility for development. 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 2010, the Company generated cash from operating activities, after changes in non-cash working capital items, of $17.5 million compared to $8.2 million in the same period last year. Cash flow from operating activities increased due to stronger earnings performance and improved management of working capital, principally a reduction in inventories partially offset by a decrease in accounts payable and accrued liabilities.

Investing activities of approximately $5.8 million were made in fiscal 2010 compared to $23.8 million in the prior year. The decrease in fiscal 2010 is primarily related to the $9.6 million acquisition of WVI and a $3.9 million investment in acquiring the remaining 50% equity interest in Rocky Ridge through fiscal 2009. Excluding acquisitions, capital spending was $5.0 million for the year ended March 31, 2010 compared to $10.0 million in the prior year.

Working capital as at March 31, 2010 was $30.0 million compared to $29.2 million as at March 31, 2009. Shareholders' equity as at March 31, 2010 was $113.7 million or $7.63 per common share compared to $96.8 million or $6.50 per common share as at March 31, 2009. The increase in shareholders' equity is due to the gain on the Company's sale of GIB and MD, higher net earnings from continuing operations for the period and the impact of unrealized gains (losses) on derivative financial instruments.

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	June 23, 2010	March 31, 2010	March 31, 2009
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 through the development of leading brands that meet the needs of our consumers and customers.

The market for wine in Canada has continued to grow due to a movement toward the consumption of wine made by an aging population who favour the more sophisticated experience that wine offers and young consumers who have more recently adopted wine as their beverage of choice, as well as the widely reported health benefits of moderate wine consumption. The share of the market held by domestic producers increased moderately in fiscal 2010. During fiscal 2010, the Company began to experience slight weakness in certain trade channels, specifically its estate winery and export sales, due to weak consumer spending being experienced across North America. Growth was moderate 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 a lower percentage margin 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 2011 and increase its use of unique package formats. The Company will also make packaging design changes that are consistent with its continued move to be more environmentally friendly. Increased focus will be made on expanding distribution through the Company's direct to home trade channels to provide consumers with more access to our broad brand portfolio.

These product launches and directed spending behind key brands through all of the Company's distribution channels will receive increased marketing and sales support during the year.

The Company expects to make additional investments in capital expenditures to support its ongoing commitment to producing the highest-quality wines and to improve productivity and efficiencies.

Investments made over the past few years are expected to continue to result in increased sales and improving profitability going forward.

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

The sale of the Company's interest in its ownership of GIB and MD completed on May 1, 2010 will allow the Company to more effectively focus on its key strengths and long-term strategies to build its leading portfolio of premium and ultra premium wines through all its trade channels. The proceeds from the sale were used to reduce bank indebtedness and long-term debt.

Despite the economic slowdown in Canada over the last year, the Company expects it will continue to grow sales while gross profit is expected to increase moderately. Lower pricing on domestic grapes and imported wine and the higher value of the Canadian dollar will be mostly offset by the Province of Ontario's introduction of a special wine levy on Cellared in Canada ("CIC") wines sold through the Company's retail store network. The Province of Ontario introduced, as part of the harmonized sales tax, a discriminatory tax in the form of a special levy, effective July 1, 2010, on CIC wine that is sold through private retail stores in Ontario. CIC is wine that is made through the blending of wine made from domestic grapes with wine purchased on international markets. Imported and domestic wine that is sold through the LCBO will not incur any additional taxation. The special levy will put pressure on gross profit, on domestic grape prices and will negatively impact future domestic grape purchases. The Company estimates that the cost of the levy, on an annual basis, will amount to approximately $4.3 million.

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 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 practices.

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 sales of the premium wines in Canada, principally through the sale of VQA wines, and as a result is dependent on the quality and supply of domestically grown premium quality grapes. If any of 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 has been a significant reduction in domestically sourced grapes, the Government of Ontario, in conjunction with 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 products to the market. The inability to secure premium quality grapes could impair the ability of the Company to supply certain wines to our customers. The Company has developed programs to ensure it has access to a consistent supply to premium quality grapes and wine. The price of grapes is determined through negotiations with the Ontario Grape Growers Marketing Board in Ontario and with independent growers in British Columbia.

Foreign exchange risk exists on the purchases by the Company of bulk wine and concentrate that are made in United States dollars. The Company's strategy is to hedge approximately 50% - 80% of its foreign exchange requirements throughout the fiscal year and regularly reviews its ongoing requirements. The Company has entered into a series of foreign exchange contracts as a hedge against movements in U.S. dollar and Euro exchange rates. The Company does not enter into foreign exchange contracts for trading or speculative purposes. These contracts are reviewed periodically. Each one cent change in the value of the U.S. dollar has a $0.2 million 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 its markets. APL has taken steps to reduce its dependence on domestic suppliers through the development of relationships with several international producers of glass and through carrying increased inventories of selected bottles.

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. The Company is currently reviewing its labelling on cellared in Canada wines. 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 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 has experienced increases in energy costs, and further 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.

Federal and provincial governments impose 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 23, 2010, 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 23, 2010, the CEO and CFO of the Company have evaluated the effectiveness of the Company's internal controls over financial reporting. Based on these evaluations, the CEO and CFO have concluded that the controls and procedures were operating effectively.

For the year ended March 31, 2010, there have been no material changes in the Company's internal control over financial reporting or changes to disclosure, procedures or controls that materially affected or were likely to affect, the Company's internal control systems.