ANDREW PELLER
LIMITED

MANAGEMENT'S DISCUSSION & ANALYSIS

For the three and nine months ended December 31, 2011

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, 2011 in comparison with those for the three and nine months ended December 31, 2010. This discussion is prepared as of February 8, 2012 and should be read in conjunction with the audited consolidated financial statements for the year ended March 31, 2011 and 2010 and the accompanying notes contained therein. The financial years ending March 31, 2012, March 31, 2011 and March 31, 2010 are referred to as "fiscal 2012", "fiscal 2011" and "fiscal 2010" respectively. 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 the conclusions, forecasts or projections anticipated in these forward-looking statements. Because of these risks, uncertainties and assumptions, you should not place undue reliance on these forward-looking statements. The Company's forward-looking statements are made only as of the date of this MD&A, and except as required by applicable law, Andrew Peller Limited undertakes no obligation to update or revise these forward-looking statements to reflect new information, future events or circumstances.

Overview

The Company is a leading producer and marketer of quality wines in Canada. With wineries in British Columbia, Ontario and Nova Scotia, the Company markets wines produced from grapes grown in Ontario's Niagara Peninsula, British Columbia's Okanagan, and Similkameen Valleys, and from vineyards around the world. The Company's award-winning premium and ultra-premium VQA brands include *Peller Estates, Trius, Hillebrand, Thirty Bench, Crush, 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 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, the United States, the 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, Cellar Craft* 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 has entered into an agreement to produce and market the Wayne Gretzky Estate Winery brands in Canada. 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, sales and marketing initiatives, 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 November 8, 2011, the Company finalized a ten-year licensing agreement with Wayne Gretzky, which gives the Company the exclusive right to use certain Wayne Gretzky related brand names in the manufacturing and selling of wine products in Canada. Both parties have the option to terminate the agreement after three years upon providing two years notice. On the same date, the Company purchased $2.7 million of inventories from Wayne Gretzky Estate Winery Limited.

On October 28, 2011 the Company completed the purchase of the inventory and intangible assets of Cellar Craft International, a consumer made wine business located in Western Canada for approximately $2.7 million. Cellar Craft is a leader in the consumer-made wine business utilizing grape skins as well as juice.

On June 8, 2011 the Company's Board of Directors announced a 9% increase in common share dividends for shareholders of record on June 30, 2011 payable on July 8, 2011. The annual dividend on Class A Shares was increased to $0.360 per share from $0.330 per share and the Class B Shares increased to $0.314 per share from $0.288 per share.

On March 10, 2011 the Company announced that had it filed a Notice of Intention to make a normal course issuer bid to purchase for cancellation up to a maximum of 594,412 of its Class A Non-Voting Shares ("Class A Shares") through the facilities of the Toronto Stock Exchange which represents 5% of the Company's issued and outstanding Class A Shares. The normal course issuer bid was to remain in effect until the earlier of March 13, 2012 or the date on which the Company had purchased the maximum number of Class A Shares permitted. As of March 31, 2011, the Company had acquired 594,412 Class A Shares for total consideration of approximately $5.2 million at an average price of $8.75 per Class A Share.

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 fiscal 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 is expected to be received on May 1, 2012. The Company recorded an after tax gain on the sale in fiscal 2010 of approximately $11.9 million. The operating results of the beer business have been classified as net earnings from a discontinued operation.

On May 25, 2010 the Company sold approximately nine 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 July 1, 2010 the Province of Ontario introduced, as part of the Harmonized Sales Tax ("HST"), a special wine levy on International and Canadian blended ("ICB") wines sold through the Company's retail store network. ICB is wine that is made through the blending of wine made from domestic grapes with wine purchased on international markets. Imported and domestic wines sold through the LCBO do not incur any additional taxation. This discriminatory wine levy has put pressure on the Company's gross margin, as well as on domestic grape prices and purchases. The impact of the levy amounted to a reduction in sales of approximately $1.9 million for the nine months ending December 31, 2011 resulting in lower net earnings of $1.3 million.

Effective April 1, 2011 the Company began reporting its current period and comparative period results under International Financial Reporting Standards ("IFRS"). A discussion of the effects of the transition to IFRS on the Company's financial statements is provided under the section titled International Financial Reporting Standards below.

During fiscal 2012 the Company has been celebrating its 50th Anniversary. A number of special events and promotions have been held to recognize this important milestone.

Results of Operations (unaudited)

The following table outlines key highlights for the nine months ended December 31, 2011, 2010 and 2009. With the Company's sale of its ownership of GIB and MD effective October 1, 2009, 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 NINE MONTHS ENDED DECEMBER 31, (in thousands of dollars except per share amounts)	**2011**	2010	2009 (1)
Sales	**215,992**	208,480	203,856
Gross margin	**85,304**	81,116	74,043
Gross margin (% of sales)	**39.5%**	38.9%	36.3%
Selling general and administrative expenses	**55,159**	53,517	50,818
Earnings before interest, taxes, amortization, derivative loss (gain), other expenses and net earnings from a discontinued operation	**30,145**	27,599	23,225
Unrealized loss (gain) on financial instruments	**296**	174	(2,443)
Other expenses	**700**	916	1,247
Net earnings from continuing operations	**13,605**	10,806	8,688
Net earnings from a discontinued operation	**-**	-	12,335
Net earnings	**13,605**	10,806	21,023
Other comprehensive income (loss)	**(1,698)**	(897)	-
Net comprehensive income	**11,907**	9,909	21,023
Earnings per share from continuing operations Class A	**$0.98**	$0.75	$0.60
Earnings per share from continuing operations Class B	**$0.85**	$0.65	$0.52
Earnings per share – basic and diluted - Class A	**$0.98**	$0.75	$1.45
Earnings per share – basic and diluted - Class B	**$0.85**	$0.65	$1.26
Dividend per share – Class A (annual)	**$0.360**	$ 0.330	$ 0.330
Dividend per share – Class B (annual)	**$0.314**	$ 0.288	$ 0.288

(1) Amounts for the period ended December 31, 2009 have not been prepared in accordance with IFRS. They have been presented in accordance with Canadian GAAP and may not be comparable to subsequent periods.

Sales for the nine months ended December 31, 2011 increased by approximately 3.6% due to increased sales of major premium and blended varietal brands sold through provincial liquor boards across the country, a solid increase in the Company's export sales, and new product introductions, partially offset by the negative impact of the special levy introduced on July 1, 2010 by the Province of Ontario on sales of ICB wines in the Company's retail stores and to lower sales of the Company's wine kits.

The Company defines gross margin as sales less cost of goods sold, excluding amortization. Gross margin as a percentage of sales was 39.5% for the nine months ended December 31, 2011 compared to 38.9% for the same period in the prior year. Gross margin percentage was positively affected by increased sales of higher margin products, the strengthening of the Canadian dollar on world currency markets, and successful cost control initiatives to reduce operating and packaging expenses. The Company realized favourable overhead absorption variances and increased production from company vineyards that increased gross margin in the third quarter by approximately $1.5 million. Gross margin was offset by the negative impact of the additional taxation levied on ICB wines sold through the Company's retail stores, higher costs for wine purchased on international markets and increased distribution costs. The special levy served to reduce sales and gross margin by approximately $1.9 million in the first nine months of fiscal 2012. During fiscal 2011, the Company's gross margin was negatively impacted by the increased use of higher-priced domestic grapes used to produce ICB wines and an increase in the cost of domestic grapes and of wine purchased on international markets. Management remains focused on efforts to enhance production efficiency and productivity to further improve overall profitability and to work with government to eliminate this discriminatory levy.

Selling and administrative expenses increased in the first nine months of fiscal 2012 due to an increase in sales and marketing investments to grow sales volumes of its products through increased advertising and promotional initiatives across all trade channels, and investments made to increase tourism at its estate wineries. As a percentage of sales, selling and administrative expenses for the nine months ended December 31, 2011 declined to 25.5% from 25.7% for the same prior-year period. The Company remains focused on ensuring selling and administrative expenses are tightly controlled.

Earnings before interest, amortization, non-hedge derivative gains (losses), other expenses, income taxes and net earnings from a discontinued operation ("EBITA") were $30.1 million for the nine months ended December 31, 2011 compared to $27.6 million in the prior fiscal year. The increase is primarily due to the higher sales and increased gross margin partially offset by the impact of the special levy on its retail stores in Ontario and by higher advertising and promotional expenses.

Interest expense in the first nine months of fiscal 2012 declined to $4.2 million from $5.4 million last year due primarily to a decrease in short and long-term interest rates negotiated as a part of a refinancing partially offset by higher debt levels.

Amortization expenses were $5.8 million for the nine months ended December 31, 2011, consistent with the $5.7 million in the prior year period.

The Company incurred a non-cash loss in the first nine months of fiscal 2012 related to mark-to-market adjustments on an interest rate swap and foreign exchange contracts aggregating approximately $0.3 million compared to $0.2 million in the prior year. The Company has elected not to apply hedge accounting and accordingly these financial instruments are 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 incurred in the first nine months of fiscal 2012 relate to a $0.6 million fair value adjustment to vines and $0.1 million in carrying costs for the Company's Port Moody facility which was closed effective December 31, 2005. In fiscal 2011 other expenses included a fair value adjustment to vines of $1.1 million and $0.1 million in ongoing maintenance costs for the Port Moody facility partially offset by a $0.3 million gain on the sale of a portion of an Okanagan vineyard.

Net earnings excluding gains (losses) on derivative financial instruments, other expenses, and the related income tax effect of these items for the nine months ended December 31, 2011 were $14.3 million compared to $11.6 million in the prior year.

Net earnings for the nine months ended December 31, 2011 were $13.6 million or $0.98 per Class A Share compared to $10.8 million or $0.75 per Class A Share for the comparable period in fiscal 2011.

The Company believes that sales will continue to grow through the balance of fiscal 2012 due to the strong positioning of key brands and the reduced impact of the year-over-year change from the introduction of the special levy. The Company will continue to benefit from the higher value of the Canadian dollar against the U.S. dollar and Euro but will experience continued pressure on earnings due to increased costs for raw materials, the impact of the special levy and by higher levels of spending on advertising and promotion. The Company uses foreign exchange forward contracts to protect against changes in foreign currency rates and currently has locked in $14.0 million in U.S. dollar contracts at rates averaging $1.01 Canadian and $2.5 million in Euro contracts at rates averaging $1.31 Canadian for fiscal 2012 and fiscal 2013.

Quarterly Performance (unaudited)

The following table outlines key quarterly highlights. With the Company's sale of its ownership in GIB and MD, the results for the Company's beer business have been classified as net earnings from a discontinued operation. The sale was completed on May 1, 2010.

($000) except per share amounts	**Q3 12**	Q2 12	Q1 12	Q4 11	**Q3 11**	Q2 11	Q1 11	Q4 10 [(1)]	Q3 10 [(1)]
	$	$	$	$	**$**	$	$	$	$
Sales	**76,595**	69,990	69,407	56,940	**74,983**	69,031	64,466	59,295	71,945
Gross margin	**30,719**	27,272	27,313	22,146	**28,588**	27,038	25,490	22,281	25,430
Gross margin (% of sales)	**40.1%**	39.0%	39.4%	38.9%	**38.1%**	39.2%	39.5%	37.6%	35.3%
EBITA	**11,858**	8,805	9,482	3,945	**10,173**	8,782	8,644	4,129	8,527
Unrealized (gain) loss on financial instruments and other expenses	**(73)**	605	464	(416)	**(285)**	2,270	(895)	(401)	144
Other comprehensive loss (income)	**324**	1,133	241	(278)	**(782)**	964	715	-	-
Net earnings from continuing operations	**6,309**	3,385	3,911	417	**4,930**	1,873	4,003	838	3,588
Net earnings (loss) from a discontinued operation	**-**	-	-	-	**-**	-	-	(200)	11,940
Net earnings	**6,309**	3,385	3,911	417	**4,930**	1,873	4,003	638	15,528
Earnings per share – Class A basic & diluted	**$0.46**	$0.24	$0.28	$0.03	**$0.34**	$0.13	$0.28	$0.04	$1.07
Earnings per share – Class B basic & diluted	**$0.39**	$0.22	$0.24	$0.02	**$0.30**	$0.11	$0.24	$0.04	$0.93

(1) Amounts for the quarters ended in fiscal 2010 have not been prepared in accordance with IFRS. They are presented in accordance with Canadian GAAP and may not be comparable to subsequent periods.

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

Sales in the third quarter of fiscal 2012 increased by 2.1% compared to the same quarter of fiscal 2011 due primarily to solid increases in sales through provincial liquor boards partially offset by weaker sales of the Company's wine kits. Gross margin for the three months ended December 31, 2011 was 40.1% of sales compared to 38.1% during the prior year period. The increase is due primarily to increased sales of higher margin products, the benefit of the strong Canadian dollar, favourable overhead absorption variances and increased production from company vineyards partially offset by the introduction of the special levy effective July 1, 2010 which has reduced gross margin during the second, third and fourth quarters of fiscal 2011 and in fiscal 2012 and by increased distribution expenses. Selling and administrative expenses as a percentage of sales were consistent at 24.6% in the third quarters of fiscal 2012 and 2011.

Liquidity and Capital Resources (unaudited)

As at ($000)	December 31, 2011 $	March 31, 2011 $
Current Assets	**139,039**	**119,659**
Property, Plant & Equipment	**83,973**	**84,744**
Biological Assets	**12,240**	**11,950**
Goodwill	**37,473**	**37,473**
Intangibles and Other Assets	**13,716**	**14,170**
Total Assets	**286,441**	**267,996**
Current Liabilities	**99,385**	**92,016**
Long-term Debt	**42,723**	**42,720**
Long-term Derivative Financial Instruments	**2,609**	**1,578**
Employee Future Benefits	**7,213**	**5,565**
Deferred Income Tax	**12,064**	**11,820**
Shareholders' Equity	**122,447**	**114,297**
Total Liabilities & Shareholders' Equity	**286,441**	**267,996**

The changes to the Company's balance sheet at December 31, 2011 compared to March 31, 2011 are primarily due to a higher level of accounts receivable due to the seasonality of sales over the holiday season, increased levels of inventories due to acquisitions and a larger grape crop offset by higher bank indebtedness. In the third quarter of fiscal 2011, the Company recorded a net write-down to assets of $1.1 million related to damage to vines at a BC vineyard. Beginning in April 1, 2011 the Company began disclosing its biological assets at fair value, primarily grapes and vines, as required under IFRS.

Total bank indebtedness increased during the first nine months of fiscal 2012 due primarily to the increase in inventory and higher levels of accounts receivable partially offset by strong net earnings for the period.

Inventory at December 31, 2011 was higher compared to March 31, 2011 due primarily to the development of a strategic alliance with Wayne Gretzky Estate Winery and the purchase of inventory from Cellar Craft International, a larger grape crop and the carrying of higher levels of finished goods to meet sales demand. Inventory is also dependent on the increased use of domestically grown grapes that are used in the sale of premium and ultra-premiums wines and 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. The Company has $18.2 million dollars of accounts receivable with provincial liquor boards all of which is expected to be collectable. The balance of $11.1 million represents amounts due from licensees, export customers and independent retailers of consumer made wine products. The Company is also due $1.0 million from Creemore Springs Brewery Ltd. on May 1, 2012 on the sale of GIB and MD. The amount of accounts receivable that is beyond 60 days is $1.1 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 U.S. dollar purchases.

As at December 31, 2011 ($000) (unaudited)	Total	<1 Year	2-3 years	4-5 years	>5 years
	$	$	$	$	$
Long-Term Bank Loan and Other Long-Term Debt	48,929	5,366	10,732	32,733	98
Swap Agreement and Loan Interest	8,055	2,629	4,321	1,105	-
Operating Leases and Royalties	18,428	3,462	4,723	2,585	7,658
Pension Obligations	4,244	582	967	832	1,863
Foreign Exchange Contracts	17,420	17,420	-	-	-
Long-Term Grape Contracts	287,648	21,934	44,009	44,423	177,282
Total Long-Term Obligations	384,724	51,393	64,752	81,678	186,901

The ratio of debt to equity was 0.87:1 at December 31, 2011 compared to 0.85:1 at March 31, 2011. At December 31, 2011 the Company had unutilized debt capacity in the amount of $28.0 million on its operating loan facility.

On September 16, 2011 the Company completed a refinancing package with its existing bank group and entered into a new $130.0 million syndicated loan facility maturing on September 16, 2015. The operating loan facility in the amount of $80.0 million matures on September 16, 2015 and bears interest at the one to six-month Canadian Dealer Offered Rate ("CDOR") plus 1.75%. The term facility in the amount of $50.0 million matures on September 16, 2015. The Company maintains an interest rate swap on the term facility that effectively fixes the interest rate at 5.73% until August 31, 2015. This loan is repayable in monthly principal payments of $0.444 million.

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

In the first nine months of fiscal 2012 the Company generated cash from operating activities, after changes in non-cash working capital items, of $0.7 million compared to $10.9 million in the prior year period. Cash flow from operating activities declined primarily due to the seasonal increase in accounts receivable and higher levels of inventories during the period partially offset by stronger earnings performance.

Investing activities of approximately $6.7 million were made in the first nine months of fiscal 2012 compared to $4.8 million in the prior year period. The increase is primarily related to higher levels of capital spending during the period and the payment of $0.6 million in contingent consideration for an acquisition completed in 2009.

Working capital as at December 31, 2011 was $39.7 million compared to $27.6 million at March 31, 2011. The increase related to seasonally adjusted accounts receivable, higher inventories due to acquisitions and anticipated future sales growth, partially offset by an increase in bank indebtedness. Shareholders' equity as at December 31, 2011 was $122.4 million or $8.56 per common share compared to $114.3 million or $7.99 per common share as at March 31, 2011. The increase in shareholders' equity is primarily due to higher net earnings for the period, partially offset by a decline in capital stock and retained earnings due to the cancellation of 594,412 Class A Shares arising from the Company's normal course issuer bid.

Common Shares Outstanding

The Company is authorized to issue an unlimited number of Class A and Class B Shares. Class A Shares are non-voting and are entitled to a dividend in an amount equal to 115% of any dividend paid or declared on Class B Shares. Class B Shares are voting and convertible into Class A Shares on a one-for-one basis. During the fourth quarter of fiscal 2011, the Company purchased and cancelled 594,412 Class A Shares under its normal course issuer bid.

Shares outstanding	February 8, 2012	March 31, 2011	December 31, 2010
Class A Shares	11,293,829	11,293,829	11,888,241
Class B Shares	3,004,041	3,004,041	3,004,041
Total	14,297,870	14,297,870	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 continues 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 has decreased moderately during fiscal 2012. The Company recorded strong growth in its sales through provincial liquor boards, its estate wineries, export, and agencies but continued to experience slight weakness for its personal winemaking products due to weak consumer spending being experienced across North America. Sales increased slightly through the Company’s 102 retail stores in Ontario in spite of the introduction of a special levy on sales of ICB wines through winery retail stores in the province. The Company has focused its product development and sales and marketing initiatives aimed at capitalizing on the trend to increased wine consumption and expects to benefit over the long term. The Company will continue to closely monitor its costs and will react quickly to any further changes in the marketplace.

The Company expects to continue to launch new blended varietal and ultra-premium brands in the future 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 its broad brand portfolio. These product launches and directed spending to support key brands through all of the Company’s distribution channels will receive increased marketing and sales support in fiscal 2012.

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. Such investments made over the past few years are expected to continue to result in increased sales and improved 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.

With the emergence from the economic slowdown in Canada experienced over the last two years, the Company expects it will generate increased sales while gross margin is expected to increase moderately. Higher pricing for imported and domestic wine and the Province of Ontario’s introduction of a discriminatory wine levy on ICB wines sold through the Company’s retail store network will moderate the increase in fiscal 2012. ICB is wine that is made through the blending of wine made from domestic grapes with wine purchased on international markets. Imported and domestic wine sold through the LCBO does not incur any additional taxation. The discriminatory wine levy has put pressure on the Company’s gross margin, as well as on domestic grape prices and purchases. The cost of the levy to the Company during fiscal 2011 amounted to approximately $2.0 million and will reduce gross margin in fiscal 2012 by approximately $2.5 million.

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

Risks and Uncertainties

The Company's sales of wine 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. 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 its premium wines in Canada, principally through the sale of VQA wines, and as a result is dependent on the quality and supply of domestically grown premium quality grapes. If any of APL's vineyards or the vineyards of our grape suppliers experience certain weather variations, natural disasters, pestilence, other severe environmental problems, or other occurrences, APL may not be able to secure a sufficient supply of grapes, which could result in a decrease in 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 that would enable the Company to continue to supply products to the market. The inability to secure premium quality grapes could impair the ability of the Company to supply certain wines to its customers. 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 primarily made in United States dollars and Euros. 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 percent change in the value of the U.S. dollar has a $0.2 million impact on the Company's net earnings. Each one percent change in the value of the Euro has a $0.1 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 ICB 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 that may affect APL's ability to retain existing customers and increase the number of new customers. The Company has worked to improve production efficiencies, selectively increase pricing to increase gross margin, and implement a higher level of promotion and advertising activity to 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 could 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, increased licensing fees, 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 Company has defined benefit pension plans. The expense and cash contributions related to these plans depend on the discount rate used to measure the liability to pay future benefits and the market performance of the plan assets set aside to pay these benefits. A pension committee reviews the performance of plan assets on a regular basis and has a policy to hold diversified investments. Nevertheless, a decline in long-term interest rates or in asset values could increase the Company's costs related to funding the deficit in these plans.

The competitive nature of the wine industry internationally has resulted in the discounting of retail prices of wine in key markets such as the United States and the United Kingdom, in part due to an international grape surplus. This international grape surplus could serve to continue the discounting of wine in international markets, including Canada. 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.

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 (or April 1, 2011 for the Company) for publicly accountable profit oriented enterprises. Accordingly, the Company began preparing its current period and comparative period information under IFRS beginning in the first quarter of fiscal 2012.

The most significant impact of the resulting changes in accounting policies are summarized in the table below. For details of the impact on certain aspects of the operating performance of the Company for the year ended March 31, 2011 please refer to the Company's Management's Discussion and Analysis for the three months ended June 30, 2011.

Area	Description of the Change	Impact on Financial Statements
IAS 41 - Agriculture	• Grape vines are measured at fair value less costs to sell. • Harvested grapes from vineyards controlled by the Company are required to be measured at fair value less costs to sell at the point of harvest. This becomes the cost used in measuring the Company's inventories of internally grown grapes after harvest. • Prior to IFRS adoption, vineyards were measured at cost less accumulated amortization and inventories at the lower of cost and net realizable value.	• Note 10 of the Notes to the Interim Consolidated Financial Statements illustrates the impact of this change in accounting policy for comparative periods. • The Company's Management's Discussion and Analysis for the three months ended June 30, 2011 illustrates the impact on certain aspects of the operating performance of the Company for the year ended March 31, 2011.
IAS 19 - Employee Benefits	• The Company has chosen to recognize all cumulative actuarial gains and losses in the opening IFRS balance sheet. • On an ongoing basis, actuarial gains and losses will be recognized immediately in other comprehensive income. • The Company has recognized a liability for its policy to provide a wine allowance to retirees.	• Note 10 of the Notes to the Interim Consolidated Financial Statements illustrates the impact of this change in accounting policy. • The Company's comprehensive income will fluctuate from period to period under IFRS, as a result of recognizing actuarial gains and losses immediately in other comprehensive income.

IFRS accounting standards are continuing to evolve and are therefore subject to change throughout the remainder of the year ending March 31, 2012. The Company will continue to monitor any IFRS accounting developments and update its accounting policies as necessary. If any changes in accounting policies are made by the Company in its annual consolidated financial statements for the year ending March 31, 2012, this could result in the new accounting policies being retrospectively applied and restatement of these interim consolidated financial statements.

Financial Statements and Accounting Policies

These interim consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 - Interim Financial Reporting, and International Financial Reporting Standards ("IFRS") 1 - First-Time Adoption, as issued by the International Accounting Standards Board ("IASB").

Non-IFRS Measures

The Company utilizes EBITA (defined as earnings before interest, amortization, non-hedge derivative gains (losses), other expenses, income taxes and net earnings from a discontinued operation) to measure its financial performance. EBITA is not a recognized measure under IFRS; however, management believes that EBITA is a useful supplemental measure to net earnings, as it provides readers with an indication of earnings available for investment prior to debt service, capital expenditures and income taxes.

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

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

The Company's method of calculating EBITA and gross margin may differ from the methods used by other companies and, accordingly, may not be comparable to the corresponding 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 financial performance. The Company's significant accounting policies are discussed in Notes to the March 31, 2011 and March 31, 2010 Consolidated Financial Statements, and the Notes to the June 30, 2011 Interim Consolidated Financial Statements. These accounting policies have been consistently applied in preparing the interim consolidated financial statements for the three months and nine months ended December 31, 2011 and 2010. 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 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. Cost is determined on an average cost basis. The Company utilizes a weighted average cost calculation to determine the value of ending inventory (bulk wine and finished goods). Average cost is determined separately for import wine and domestic wine and is calculated by varietal and vintage year.

Grapes produced from vineyards controlled by the Company that are part of inventories are measured at their fair value less costs to sell at the point of harvest.

The Company includes borrowing costs in the cost of certain wine inventories that require a substantial period of time to become ready for sale.

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.

Biological Assets

The Company measures biological assets, consisting of grape vines, at fair value less costs to sell. Agricultural produce, consisting of grapes grown on vineyards controlled by the Company, is measured at fair value less cost to sell at the point of harvest and becomes the basis for the cost of inventories after harvest.

Gains or losses arising from a change in fair value less costs to sell are included in consolidated statement of earnings in the period in which they arise.

Goodwill

Goodwill on the purchase of Hillebrand in 1993, Vineco International Products in 1996, Brew King in 1997, Distrivin and Winexpert in 2004, Wine Not in 2005 and Cascadia, Thirty Bench and Red Rooster in 2006 and World Vintners Inc., Rocky Ridge and SWM in 2009 represents the excess of purchase price of acquired businesses over the fair value of the net assets acquired. The Company determines an impairment of goodwill based on the ability to recover the balance from expected future discounted operating cash flows or the fair value of certain asset groups if necessary.

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.

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 defined benefit pension plans and other post-employment benefit plans to certain of its employees. The assumptions used to measure the accrued benefit obligations and benefit costs are: discount rate for measuring expenses 5.0%, discount rate for measuring liability 4.75%, expected long-term rate of return on plan assets 4.8-6.3% and rate of compensation increase 4.0-5.0%. To measure the obligation for post employment medical benefits, it was assumed that the health care inflation rate is 9% in fiscal 2012 reducing by 1% each year for the next four years. The annual pension expense to provide the above described benefits is approximately $0.5 million. All actuarial gains and losses are recognized immediately in other comprehensive income ("OCI"). The corresponding change in shareholders' equity is adjusted to retained earnings for the period. The liability recorded represents the estimated deficit position of the plans adjusted for certain unamortized past service credits.

Recently Issued Accounting Pronouncements

In December 2011, the IASB issued amendments to IFRS 7 – Financial Instruments: Disclosures, which increase the disclosure requirements related to offsetting of financial assets and financial liabilities. The new requirements are effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the potential impact of this standard.

In June 2011 the IASB issued amendments to IAS 1 – Financial Statement Presentation, which requires changes in the presentation of OCI, including grouping together certain items of OCI that may be reclassified to net earnings. The new requirements are effective for annual periods beginning on or after July 1, 2012. The Company is currently evaluating the potential impact of this standard.

In June 2011 the IASB issued amendments to IAS 19 – Employee Benefits, which requires changes to the recognition and disclosure of defined benefit plans, including eliminating the deferral of actuarial gains and losses, requiring that actuarial gains and losses are included in OCI and increasing disclosures on the characteristics and risks of defined benefit plans. The new requirements are effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the potential impact of this standard.

In May 2011 the IASB issued IFRS 13 – Fair Value Measurements, which defines fair value, sets out a framework for measuring fair value and requires disclosures about fair value measurements. The standard applies when another standard requires or permits a fair value measurement. The new requirements are effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the potential impact of this standard.

In May 2011 the IASB issued IFRS 10 – Consolidated Financial Statements, IFRS 11 – Joint Arrangements and IFRS 12 – Disclosure of Interests in Other Entities. IFRS 10 provides a single consolidation model that identifies control as the basis for consolidation for all types of entities. IFRS 10 replaces IAS 27 - Consolidated and Separate Financial Statements and SIC-12 – Consolidation - Special Purpose Entities. IFRS 11- Joint Arrangements establishes principles for the financial reporting by parties to a joint arrangement. IFRS 11 supersedes IAS 31 - Interests in Joint Ventures and SIC-13 - Jointly Controlled Entities - Non-Monetary Contributions by Venturers. IFRS 12 changes the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. As a consequence of these new standards, the IASB also issued amended and retitled versions of IAS 27 - Separate Financial Statements and IAS 28 - Investments in Associates and Joint Ventures. The new requirements are effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Company is currently evaluating the potential impact of these standards.

In October 2010 the IASB issued amendments to IFRS 7 – Financial Instruments: Disclosures, which increases the disclosure requirements in relation to transferred financial assets. The standard is effective for annual periods beginning on or after July 1, 2011, with earlier adoption permitted. The Company is currently evaluating the potential impact of this standard.

In November 2009 the IASB issued IFRS 9 – Financial Instruments: Classification and Measurement of Financial Assets and Financial Liabilities. In October 2010 it added requirements for financial liabilities. IFRS 9 will replace IAS 39 – Financial Instruments: Recognition and Measurement. The standard uses a single approach to determine whether a financial asset is measured at amortized cost or fair value. The approach is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used. For financial liabilities, the standard requires that for financial liabilities measured at fair value, any changes in an entity's own credit risk are generally to be presented in OCI instead of net earnings. IFRS 9 is currently effective for annual periods beginning on or after January 1, 2015. The Company is currently evaluating the potential impact of this standard.

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.

The Company's management, under the supervision of, and with the participation of the CEO and CFO, have designed and maintain the Company's disclosure controls and procedures as required in Canada by "National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings".

Internal Controls over Financial Reporting

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

The Company has made changes to its internal control systems related to the ongoing preparation and review of agriculture and post-employment benefits adjustments resulting from its transition to IFRS. For the nine months ended December 31, 2011 there have been no other material changes in the Company's internal controls over financial reporting or changes to disclosure controls and procedures that materially affected or were likely to affect, the Company's internal control systems.