ANDREW PELLER
LIMITED

MANAGEMENT'S DISCUSSION & ANALYSIS
For the three and nine months ended December 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 and nine months ended December 31, 2010 in comparison with those for the three and nine months ended December 31, 2009. This discussion is prepared as of February 9th, 2011 and should be read in conjunction with the unaudited consolidated financial statements for the three and nine month periods ended December 31, 2010 and 2009, the consolidated financial statements for the year ended March 31, 2010 and 2009, and the accompanying notes contained therein. The financial years ending March 31, 2011, March 31, 2010 and March 31, 2009 are referred to as "fiscal 2011", "fiscal 2010" and "fiscal 2009" 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 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 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 are 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 in prior periods.

Results of Operations (unaudited)

The following table outlines key highlights for the nine months ended December 31, 2010, 2009 and 2008. 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)	**2010** **$**	2009 $	2008 $
Sales	**208,480**	203,856	194,387
Gross profit	**81,497**	74,043	77,093
Gross profit (% of sales)	**39.1%**	36.3%	39.7%
Selling general and administrative expenses	**53,507**	50,818	53,686
Earnings before interest, taxes, amortization, derivative loss (gain), other expenses and net earnings from a discontinued operation	**27,990**	23,225	23,407
Unrealized loss (gain) on financial instruments	**174**	(2,443)	10,147
Other expenses	**1,076**	1,247	557
Net and comprehensive earnings from continuing operations	**10,650**	8,688	1,643
Net and comprehensive earnings from a discontinued operation	**-**	12,335	1,481
Net and comprehensive earnings	**10,650**	21,023	3,124
Earnings per share from continuing operations Class A	**$ 0.73**	$ 0.60	$ 0.12
Earnings per share from continuing operations Class B	**$ 0.64**	$ 0.52	$ 0.10
Earnings per share – basic and diluted - Class A	**$ 0.73**	$ 1.45	$ 0.22
Earnings per share – basic and diluted - Class B	**$ 0.64**	$ 1.26	$ 0.19
Dividend per share – Class A (annual)	**$ 0.330**	$ 0.330	$ 0.330
Dividend per share – Class B (annual)	**$ 0.288**	$ 0.288	$ 0.288

Sales for the nine months ended December 31, 2010 rose 2.3% compared to the prior year period 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, and improved performance at the Company's estate wineries. The income and sales were partially offset by the additional taxation levied by the Province of Ontario on sales of Cellared in Canada ("CIC") wine in the Company's retail stores (See "Strategic Outlook and Direction" below) and lower than anticipated sales of the Company's personal winemaking products. Sales in the third quarter of fiscal 2011 were up 4.2% compared to the prior year. The Company has increased its sales and marketing investments 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 improved to 39.1% during the nine months ended December 31, 2010 compared to 36.3% in the prior year period. Gross profit increased as the Canadian dollar strengthened on world currency markets, higher sales of higher margin products, and the benefit of the Company's successful cost control initiatives to reduce operating and packaging expenses. Gross profit was negatively impacted during fiscal 2011 by the additional taxation levied on CIC wines sold through the Company's retail stores. During the first nine months of fiscal 2010, the Company's gross profit margin was negatively impacted by the increased cost of purchasing United States dollars, the increased use of higher-priced domestic grapes used to produce CIC wine, and an increase in the cost of domestic grapes and wine purchased on international markets. Management remains focused on efforts to enhance production efficiency and productivity to further improve overall profitability.

Selling and administrative expenses increased in the first nine months of fiscal 2011, and as a percentage of sales were 25.7% compared to 24.9% in the same period last year. The increase is primarily the result of higher sales and marketing investments in the current fiscal year compared with the prior year. During the third quarter of fiscal 2011 selling and administrative expenses as a percentage of sales increased to 24.6% compared to 23.5% in the prior year. 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 $28.0 million for the nine months ended December 31, 2010 compared to $23.2 million for the same period in fiscal 2010. The increase is primarily due to improved gross profit margins, partially offset by higher selling and administrative expenses.

Interest expense in the first nine months of fiscal 2011 declined to $5.4 million from $5.9 million for the same period last year primarily due to the reduction in debt from the proceeds of sale of the Company's beer business, and from the sale of a portion of an Okanagan vineyard during the first quarter of fiscal 2011, and lower interest rates on short and long-term debt.

Amortization expenses were $6.1 million for the nine months ended December 31, 2010 compared to $6.2 million in the same nine month period in fiscal 2010.

The Company incurred a non-cash loss in the first nine months of fiscal 2011 related to the mark-to-market adjustments on an interest rate swap and foreign exchange contracts aggregating approximately $0.2 million compared to a gain of $2.4 million in the prior year period. Under CICA accounting standards, 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 incurred in the first nine months of fiscal 2011 relate to a net $1.3 million write-down, after proceeds from an insurance claim in the third quarter of the year in the value of a BC vineyard where vines were damaged by an early and severe frost in the fall of 2009, as well as carrying costs in the amount of $0.1 million related to the Company's Port Moody facility which was closed effective December 31, 2005. These costs were partially offset by other income of $0.3 million related to a gain on the sale of a portion of an Okanagan vineyard. The damage to the BC vineyard was realized when the vines were not able to support the growth of grapes during hot weather that occurred during August 2010.

Net and comprehensive earnings from continuing operations, excluding gains (losses) on derivative financial instruments and other expenses for the nine months ended December 31, 2010, were $11.6 million compared to $7.8 million for the prior year period. Net and comprehensive earnings were $10.7 million or $0.73 per Class A share in the first nine months of fiscal 2011 compared to $21.0 million or $1.45 per Class A share for the same period in fiscal 2010. The results for fiscal 2010 included an after-tax gain of approximately $11.9 million related to the sale of the Company's beer business.

In spite of reduced consumer spending during most of fiscal 2010 and early fiscal 2011 due to a challenging economic environment, the Company experienced increases in sales through the majority of its trade channels during the third quarter of fiscal 2011. 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 margins due to the introduction of the "special levy" by the Ontario government on CIC wines sold through its retail store network (see "Strategic Outlook and Direction" below). The Company uses foreign exchange contracts to protect against changes in foreign currency rates and at February 9, 2011 has locked in $20.8 million in U.S. dollar contracts at rates averaging $1.01 Canadian for the balance of fiscal 2011 and for fiscal 2012.

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 11**	Q2 11	Q1 11	Q4 10	**Q3 10**	Q2 10	Q1 10	Q4 09
	$	$	$	$	**$**	$	$	$
Sales	**74,983**	69,031	64,466	59,295	**71,945**	66,961	64,950	56,749
Gross profit	**28,690**	27,183	25,624	22,281	**25,430**	24,816	23,797	16,598
Gross profit (% of sales)	**38.3%**	39.4%	39.7%	37.6%	**35.3%**	37.1%	36.6%	29.2%
EBITA	**10,278**	8,930	8,782	4,129	**8,527**	6,750	7,948	(48)
Unrealized gain (loss) on financial instruments and other expenses	**304**	(2,492)	938	401	**(144)**	213	1,127	(67)
Net & comprehensive earnings (loss) from continuing operations	**4,908**	1,702	4,040	838	**3,588**	1,762	3,338	(3,087)
Net & comprehensive earnings (loss) from a discontinued operation	**-**	-	-	(200)	**11,940**	482	(87)	(162)
Net & comprehensive earnings (loss)	**4,908**	1,702	4,040	638	**15,528**	2,244	3,251	(3,249)
Earnings (loss) per share – Class A basic & diluted	**$0.33**	$0.12	$0.28	$0.04	**$1.07**	$0.16	$0.22	($0.23)
Earnings (loss) per share – Class B basic & diluted	**$0.30**	$0.10	$0.24	$0.04	**$0.93**	$0.14	$0.19	($0.20)

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 third quarter of fiscal 2011 increased 4.2% compared to the third quarter of fiscal 2010 due to increased sales through provincial liquor boards and improved performance at its estate wineries partially offset by lower wine kit sales and the impact of the special levy introduced during the third quarter on sales of CIC wines sold through the Company's retail stores (See "Strategic Outlook and Direction" below). Gross profit for the three months ended December 31, 2010 increased to 38.3% of sales from 35.3% in the comparable prior year period due primarily to the decreased cost to the Company of purchasing United States dollars and Euros, successful initiatives to control operating and packaging costs, and to increased sales of higher margin products. The introduction of the special levy effective July 1, 2010 also served to reduce gross profit during the third quarter. In the first quarter of fiscal 2011 the Company incurred a net $1.3 million write down the value of its investment in a BC vineyard due to extensive damage to some of its vines. Net and comprehensive earnings from continuing operations, excluding the gains on derivative financial instruments and other expenses for the three months ended December 31, 2010, were $4.7 million compared to $3.7 million for the comparable quarter in the prior year. Net and comprehensive earnings for the third quarter of fiscal 2011 were $4.9 million compared to $15.5 million for the same quarter in fiscal 2010, which included an after-tax gain of approximately $11.9 million on the sale of the Company's beer business.

Liquidity and Capital Resources (unaudited)

As at ($000)	**Dec. 31, 2010 $**	**March 31, 2010 $**	Dec 31, 2009 $
Current Assets	**122,938**	**116,351**	**127,163**
Property, Plant & Equipment	**92,651**	**95,728**	**96,680**
Goodwill	**37,473**	**37,473**	**35,549**
Intangibles and Other Assets	**13,679**	**14,164**	**14,514**
Total Assets	**266,741**	**263,716**	**273,906**
Current Liabilities	**86,378**	**86,383**	**96,130**
Long-term Debt	**44,037**	**47,633**	**48,474**
Long-term Derivative Financial Instruments	**2,189**	**1,667**	**2,083**
Employee Future Benefits	**3,992**	**4,530**	**2,258**
Future Income Tax	**9,421**	**9,838**	**10,738**
Shareholders' Equity	**120,724**	**113,665**	**114,223**
Total Liabilities & Shareholders' Equity	**266,741**	**263,716**	**273,906**

The changes to the Company's balance sheet at December 31, 2010 compared to March 31, 2010 and December 31, 2009 are primarily due to the sale of vineyard properties in the Okanagan Valley on May 25, 2010 and lower levels of bank indebtedeness. The Company recognized additional post employment medical benefit liabilities in the fourth quarter of fiscal 2010 related to commitments acquired through the previously completed Cascadia acquisition. In the second quarter of fiscal 2011, the Company recorded a net write down to assets of $1.3 million related to damage to vines at a BC vineyard.

As at December 31, 2010 bank indebtedness and long-term debt decreased compared to March 31, 2010 due primarily due to strong net earnings for the period and from proceeds from the sale of vineyard properties in the Okanagan Valley. Bank indebtedness declined compared to December 31, 2009 due primarily to increased cash flow from operating activities due to higher net earnings and lower levels of inventory.

Inventory at December 31, 2010 was up marginally compared to March 31, 2010 due to a much larger grape crop partially offset by the Company's continued efforts to reduce working capital primarily through a reduction in finished goods and bulk wine inventory. Inventory of 2010 vintage wine was approximately $21.7 million as at December 31, 2010 compared to inventory of 2009 vintage wine of approximately $18.3 million at the same time last year. Inventory is dependent on the increased use of domestically grown grapes which 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 $19.3 million dollars of accounts receivable with provincial liquor boards all of which is expected to be collectable. The balance of $9.5 million represents amounts due from licensees, export customers and independent retailers of consumer made wine products. The amount of accounts receivable that is beyond 60 days is $1.4 million. Against these amounts, an allowance for doubtful accounts of $0.2 million has been provided which the Company has determined to represent a reasonable estimate of amounts that may not be collectible.

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

As at December 31, 2010 ($000)	**Total**	**<1 Year**	**2-3 years**	**4-5 years**	**>5 years**
	$	$	$	$	$
Long-Term Bank Loan	49,611	5,333	10,666	10,666	22,946
Swap Agreement and Loan Interest	11,519	3,274	5,452	2,793	0
Operating Leases	17,914	2,936	4,662	2,287	8,029
Pension Obligations	3,455	454	818	617	1,566
Foreign Exchange Contracts	10,968	10,968			
Long-Term Grape Contracts	249,428	20,748	41,548	41,756	145,376
Total Long-Term Obligations	342,895	43,713	63,146	58,119	177,917

The ratio of debt to equity decreased to 0.83:1 at December 31, 2010 compared to 0.90:1 at March 31, 2010 due primarily to strong net earnings for the period, and proceeds from the sale of the vineyard. At December 31, 2010 the Company had unutilized debt capacity in the amount of $25.8 million on its demand loan facility.

On August 27, 2010, the Company modified the terms of its operating loan facility. The loan is a one year committed facility in the amount of $75.0 million incurring interest at the Royal Bank of Canada prime lending rate plus 2.00%.

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%. The Company currently pays additional interest of 0.50%, based on leverage and a funding premium of 0.80% which is re-negotiated annually. The additional interest based on leverage has decreased by 0.45% from 0.95% at March 31, 2010. The funding premium has decreased by 0.25% from 1.05% at March 31, 2010.

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. 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 the first nine months of fiscal 2011, the Company generated cash flow from operating activities, after changes in non-cash working capital items, of $10.8 million compared to $7.2 million in the same period last year. Cash flow from operating activities increased primarily due to stronger earnings performance.

Investing activities of approximately $4.7 million were made in the first nine months of fiscal 2011 compared to $5.3 million in the prior year period. The decrease in fiscal 2011 is primarily related to the $0.8 million in net proceeds received from the sale of the Okanagan vineyards on May 25, 2010. Investments in the purchase of property and equipment were approximately $4.7 million in fiscal 2011, compared to $4.4 million in the same period in fiscal 2010.

Working capital as at December 31, 2010 was $36.6 million compared to $30.0 million at March 31, 2010 and $31.0 million as at December 31, 2009. Shareholders' equity as at December 31, 2010 was $120.7 million or $8.11 per common share compared to $113.7 million or $7.63 per common share as at March 31, 2010 and $114.2 million or $7.67 per common share at December 31, 2009. The increase in shareholders' equity is due to higher net earnings from continuing operations for the period.

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	February 9, 2011	December 31, 2010	March 31, 2010
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 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 increased moderately in the first nine months of fiscal 2011. The Company recorded strong growth in its sales through provincial liquor boards and through its estate wineries and agencies but continued to experience slight weakness its export sales and personal winemaking products due to weak consumer spending being experienced across North America. Sales declined through the Company’s 102 retail stores in Ontario due to the introduction of a special levy on sales of CIC 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 during the remainder of fiscal 2011.

The Company expects to make additional investments in capital 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 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.

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 profit is expected to also increase moderately. However, the positive impacts of lower pricing on domestic grapes and imported wine and the higher value of the Canadian dollar will be partially offset by the Province of Ontario’s introduction of what the Company believes is a discriminatory tax, as part of the Harmonized Sales Tax (“HST”), in the form of a special wine levy on CIC wines sold through the Company’s retail store network that was effective July 1, 2010. 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 sold through the LCBO will not incur any additional taxation. The special wine levy will put pressure on the Company’s gross profit, as well as on domestic grape prices and purchases. The Company estimates that the cost of the levy, on an annual basis, will amount to approximately $3.2 million or approximately $2.2 million during fiscal 2011.

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 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 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 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, 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.

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 expenses, income taxes and net earnings from 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 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.

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. The Company determines an impairment of goodwill based on the ability to recover the balance from expected future discounted operating cash flows.

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 a defined benefit pension plan to certain of its employees. The assumptions used to measure the accrued benefit obligations and benefit costs are: discount rate 5.5%, 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 post 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 $0.4 million. 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 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.

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. No transactions have occurred in fiscal 2011 that are within the scope of these pronouncements. The Company continues to evaluate the impact of adoption and the option to early adopt 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 (or April 1, 2011 for the Company) 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.

Accounting policy choices:
During fiscal 2010 and fiscal 2011, the Company has been evaluating numerous components of the transition to IFRS. The Company's preliminary expectation is that the following components will have the most impact on its quarterly and annual consolidated financial statements beginning the quarter ending June 30, 2011 and the year ending March 31, 2012.

Component	Description of the Change	Impact on Financial Statements

First-time Adoption of IFRS	• IFRS 1 contains exemptions and exceptions to the requirement to retrospectively apply IFRS accounting policies:
	  • Preliminary decision is to not restate any previous business combinations.
	  • Exemptions for property, plant, and equipment and employee benefits are discussed below.
	• Requires reconciliations to IFRS of amounts that were previously presented under Canadian GAAP for the year ending March 31, 2011.
		• Currently evaluating the other exemptions that will be utilized.
		• Increased disclosure of certain comparative information during the year ending March 31, 2012.

Agriculture	• Grape vines are required to be measured at fair value less costs to sell. • Harvested grapes are required to be measured at fair value less costs to sell at the point of harvest. This will become the cost used in measuring the Company's inventories of internally grown grapes. • Costs to sell are the incremental costs that would be required to sell an asset to a third party. • Prior to IFRS adoption, vineyards are measured at cost less	• Vineyard and inventories balances will change. • Under IFRS, biological assets, which consist of vines and grapes on a vine, will be presented separately from property, plant and equipment. • Reduction of property, plant and equipment and a new balance for biological assets.

	accumulated amortization and inventories at the lower of cost and net realizable value.	• Net earnings will fluctuate for changes in the fair value of grape vines recorded in the consolidated statement of earnings. • Currently evaluating the magnitude of these changes.
Property, Plant, and Equipment ("PP&E")	• Preliminary decision to use a cost model rather than a revaluation model and not to take exemption to record any item(s) of PP&E at fair value at transition.	• Increased disclosure of the changes in PP&E balances during a period. • Based on preliminary decision, there will be little or no impact.
Employee Benefits	• Under IFRS 1 and IAS 19, the Company can 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 its current policy under Canadian GAAP, recognized immediately in profit or loss, or recognized immediately in other comprehensive income. • Preliminary decision to recognize all cumulative actuarial gains and losses in the opening IFRS balance sheet and immediately recognize actuarial gains and losses in other comprehensive income for future IFRS consolidated financial statements. • Potential future changes in accounting standards could impact this decision. • The Company expects to recognize a liability for its policy to provide a wine allowance to retirees.	• Recognizing cumulative actuarial gains and losses in the Company's opening IFRS balance sheet eliminates unamortized actuarial gains and losses in measuring this liability. • 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.
Impairment of Assets	• For impairment testing of PP&E and intangible assets with finite lives, the initial step under Canadian GAAP of comparing the carrying value of an asset to its undiscounted cash flows when an indication of impairment exists is not part of IFRS. • Under IFRS, PP&E and intangible assets with finite lives will be assigned to cash generating units ("CGUs"). When there is an indication of impairment, an impairment charge is recorded to the extent that the carrying value of a CGU exceeds the greater of the CGU's fair value and its value in use using discounted cash flows ("its recoverable amount"). • Indefinite life intangibles and goodwill may be allocated to CGUs for impairment testing under IFRS. As such, the grouping of these assets for impairment testing will be different than under Canadian GAAP. An impairment charge is recorded to the extent that the carrying value of a CGU exceeds it recoverable amount. • IFRS also requires impairment to be reversed in certain circumstances, except for impairment of goodwill. Reversal was not permitted under Canadian GAAP.	• Management is currently evaluating the impact of the applicable IFRS accounting standards.
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.
Contingent Consideration	• The Company expects to record a liability for contingent consideration from its purchase of The Small Winemakers Collection Inc. at its fair value as an adjustment to retained earnings at April 1, 2010. • Under the Company's current policy, the consideration is recorded as goodwill when the outcome is determinable.	• Liabilities will increase at April 1, 2010. • The contingent payment will be resolved based on sales levels in the year ending March 31, 2011.

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.

Maintenance of financial reporting expertise:

- Held IFRS information session for the board of directors and senior management.
- Quarterly updates are being provided to the Finance, Audit, and Risk Committee.
- Hired a dedicated resource to lead the IFRS implementation team.
- Engaged an external service provider to provide additional assistance.
- Accounting management team is engaging in self-study, discussion, and training, often with external advisors, on a regular basis during fiscal 2011 and on an ongoing basis to monitor changes in IFRS.
- Direction and training for specific roles in the accounting group related to IFRS changes will occur during fiscal 2011 and on an ongoing basis as future IFRS developments arise.

Information systems:

- Leveraging existing accounting information system capabilities to meet the dual reporting requirements for the year ended March 31, 2011.
- Using a separate chart of accounts to make IFRS adjustments throughout fiscal 2011.
- Ability to produce reconciliations from Canadian GAAP to IFRS balances throughout fiscal 2011 using existing accounting information systems.
- Plan to integrate IFRS adjustments into a single IFRS consolidated chart of accounts in the first and second quarter of fiscal 2012.

Internal controls over financial reporting (ICFR) and disclosure controls and procedures (DC&P):

- Existing DC&P, including review of public filings at various levels in the Company, will be utilized to ensure that public filings are complete and accurate throughout the Company's IFRS transition.
- Updating controls and documentation for specific areas of change through the fourth quarter of fiscal 2011.
- Making changes for the ongoing preparation and review of agriculture and employee benefits adjustments.
- Testing through the Company's existing ICFR and DC&P evaluation process in fiscal 2011 and fiscal 2012.

Business activities:

- Evaluating the potential impact on its budgeting and planning processes, performance-based compensation and its borrowing arrangements. The Company will address changes in the fourth quarter of fiscal 2011 as the impacts of new accounting policies are fully quantified.

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.

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 February 9, 2011, 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.

Other than the changes related to the adoption of IFRS that were previously described, for the three and nine months ended December 31, 2010, there have been no material changes in the Company's internal controls over financial reporting or changes to disclosure, procedures or controls that materially affected or were likely to affect, the Company's internal control systems.