ANDRÉS
WINES LTD.

MANAGEMENT'S REPORT AND INTERIM CONSOLIDATED FINANCIAL STATEMENT
For the Three and Six Months Ended September 30, 2005
Second Quarter Report 2006

MANAGEMENT'S DISCUSSION & ANALYSIS

The following management's discussion and analysis ("MD&A") provides a review of corporate and market developments, results of operations and financial position for the six months ended September 30, 2005 and September 30, 2004. This discussion should be read in conjunction with the financial statements and notes for the period as well as management's discussion and analysis for the years ended March 31, 2005 and 2004 contained in the Company's 2005 Annual Report. Certain statements in this discussion could be considered as forward-looking information. This information is subject to risks and uncertainties that could cause actual results to differ materially from comments made in this management's discussion and analysis. These risks and uncertainties are discussed elsewhere in this document and in other securities regulatory filings. Information contained in this management's discussion and analysis is based on information available to management as of November 3, 2005.

Overview

Andrés Wines Ltd. ('Andrés') 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 vineyards around the world. The Company's award-winning premium and ultra-premium brands include Peller Estates, Trius, Hillebrand Estates, Thirty Bench, Sandhill, Copper Moon and Calona Vineyards Artist Series VQA wines. Complementing these premium brands are a number of popular priced products including Hochtaler, Domaine D'Or, Schloss Laderheim, Royal and Sommet. With the acquisition of Cascadia Brands Inc., ("Cascadia Brands") on May 25, 2005 the Company also markets craft beer under the Granville Island brand and spirits under International Potters Distillers. With a focus on serving the needs of all wine consumers, the Company produces and markets consumer-made wine kit products through Winexpert Inc. and Vineco International Products Inc. In addition, the Company owns and operates Vineyards Estate Wines and WineCountry Vintners, an independent wine retailer in Ontario with more than 100 well-positioned retail locations. The Company's products are sold predominantly in Canada.

Over the past ten years, Andrés has taken decisive steps to increase its focus on premium and ultra-premium wines in the Canadian market. The Company believes premium wine sales are growing in Canada, and such products generate higher sales and increased profitability compared to lower-priced table wines.

Andrés' stated mission is to build sales volumes of its 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 continuing improvements in both its winemaking capabilities and in the quality of its grapes and wines.

The Company is focused on initiatives to reduce costs and enhance its production efficiencies. The Company continues to expand and strengthen its distribution through provincial liquor boards, the Company's network of more than 100 Vineyards Estate Wines retail locations, estate wineries, restaurants and other licensed establishments. This distribution network is supported by sophisticated sales, marketing and promotional programs. In addition, the Company from time to time evaluates the potential of acquisitions and partnerships, both in Canada and internationally, to further complement its product portfolio and market presence.

On May 2, 2005, the Company completed the acquisition of Thirty Bench Winery, ("Thirty Bench") an ultra-premium wine producer located in the heart of the Beamsville Bench in Ontario's Niagara wine producing region. The acquisition of the winery, its brands, and 70 acres of vineyards provides Andrés a solid presence in one of Canada's most sought after viticulture areas, and adds to the Company's premium estate wineries in near-by Niagara-on-the-Lake. On May 25, 2005, the Company completed the acquisition of Cascadia Brands Inc., one of Canada's largest producers of premium wines, craft beer and spirits with production facilities in Kelowna and Vancouver, British Columbia. The acquisition significantly enhances the Company's presence in the strong Western Canadian market, and provides the Company with opportunities to capture production and overhead synergies in its B.C. operations.

These acquisitions represent a significant investment by the Company. The results of operations of these acquired businesses have been included in operating performance from the respective dates of acquisitions. Given the complexity of the acquired operations, as well as the short time that has elapsed since these acquisitions were completed, the completed allocation of the cost to the fair market value of the acquired assets and liabilities is preliminary and based on managements' best estimates. Management is in the process of obtaining independent advice on the fair values of certain of the acquired assets and liabilities. The allocation of the purchase price is subject to change based on the final resolution of these estimates and such changes could be material. Costs related to the integration and closure of the Company's existing facility must be expensed as incurred and accordingly management has recorded an unusual charge to earnings in the second quarter to provide for costs incurred to date.

Financial Statements and Accounting Policies

The Company prepares its financial statements in Canadian dollars in accordance with Canadian generally accepted accounting principles ("GAAP"). The Company's significant accounting policies are summarized in Note 1 to the consolidated financial statements. The Company also utilizes EBITA (defined as earnings before interest, income taxes, depreciation, amortization and unusual items) and EBUI (defined as earnings before income taxes and unusual items) to measure its financial performance. EBITA and EBUI are not recognized measures under GAAP; however, management believes that they are useful supplemental measures to net earnings, as they provide readers with an indication of earnings available for investment prior to debt service, capital expenditures and income taxes.

Readers are cautioned that EBITA and EBUI should not be construed as alternatives 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.

Results of Operations

FOR THE SIX MONTHS ENDED SEPTEMBER 30,	2005	2004	2003
in thousands of dollars, except per share amounts	$	$	$
Sales	103,887	83,014	75,011
Gross profit	43,080	35,606	30,344
Gross margin (% of sales)	41.5%	42.9%	40.5%
Selling general and administrative expenses	30,829	26,242	21,970
Earnings before interest, taxes, amortization and unusual items	12,251	9,364	8,374
Unusual items	(635)	-	2,197
Net earnings	3,827	3,642	4,783
Earnings per share – basic & diluted- Class A	0.79	0.76	1.01
Earnings per share – basic & diluted - Class B	0.69	0.66	0.88
Dividend per share – Class A (annual)	0.644	0.644	0.644
Dividend per share – Class B (annual)	0.560	0.560	0.560
Class A shares outstanding (weighted average)	3,954,339	3,941,930	3,844,771
Class B shares outstanding (weighted average)	1,001,735	1,001,873	1,002,972

Due to increased volume sales of the Company's premium and ultra-premium wines through all of the Company's trade channels, and the contribution of Cascadia Brands and Thirty Bench, both acquired in May 2005, sales increased 25.1% for the six months ended September 30, 2005. The Company continued to invest in its sales and marketing efforts with the aim to grow sales volumes of its products, through new and increased advertising and promotional initiatives in all trade channels, increased sales staff focused on the licensee channel, investments in new upscale retail store concepts and layouts, training of retail staff, and investments to increase tourism at its estate wineries. The rationalization of the Company's lower-priced products offered in fiscal 2004, primarily at provincial liquor boards, also resulted in increased sales of higher-priced premium and ultra-premium wines through this channel. In addition, the Company's consumer-made wine business has generated solid growth over the last three years as efforts to build sales volumes of its existing and newly released premium-priced wine kits proved successful. The acquisitions of Thirty Bench and Cascadia Brands contributed approximately $16.0 million in sales through the first six months of fiscal 2006.

Gross margin as a percentage of sales decreased marginally in fiscal 2006 compared to the prior year due primarily to increases in the price of wine purchased on international markets. Gross margins have also been impacted by the fact that the Company earned less margin on inventory acquired from Cascadia Brands, as a result of the requirement to record the purchased inventory at fair market value. Once this inventory has been sold, we would expect margin related to these product lines to return to normal levels.

Selling and administrative expenses increased due to the acquisition of Thirty Bench and Cascadia Brands. Selling and administrative expenses reduced to 29.7% of sales for the six months ended September 30, 2005 compared to 31.6% of sales in the prior year.

As a result of the increase in sales and gross profit; generally due to the acquisition of Cascadia Brands, EBITA increased 30.8% compared to last year.

Amortization expenses rose for the six months ended September 30, 2005 compared to the prior year due to investments made in the Company's estate wineries, vineyards and winemaking equipment, as well as the acquisitions of Thirty Bench and Cascadia Brands in the first quarter of fiscal 2006. Interest expense increased in fiscal 2006 due to higher debt levels resulting from the acquisitions made during the period.

During the second quarter of fiscal 2006 management began the process of rationalizing and integrating the recently acquired Cascadia Brands. The Company announced the closure of its Port Moody B.C. winery effective December 31, 2005. Costs related to the integration and closure of the Company's existing facility are being expensed as incurred, and resulted in unusual charges to earnings of $635,000 in the second quarter. Management expects total costs related to this initiative to be approximately $2.0 million to $2.5 million, and this should be completed by March 31, 2007.

Including the impact of the closure and integration costs, net income for the three and six months ended September 30, 2005 were $1.8 million or $0.37 per Class A share and $3.8 million or $0.79 per Class A share respectively. Excluding these unusual items, net earnings would have increased in fiscal 2006 to $4.2 million or $0.87 per Class A share for the six months ended September 30, 2005. The weighted average number of shares outstanding increased by 0.2% for the six months ended September 30, 2005 compared to the prior year.

Quarterly Performance

($000) except per share amounts	Q1 06 $	Q2 06 $	Q1 05 $	Q2 05 $	Q3 05 $	Q4 05 $	Q1 04 $	Q2 04 $	Q3 04 $	Q4 04 $
Sales	46,831	57,056	40,256	42,758	47,725	36,895	35,764	39,247	45,067	35,832
Gross profit	19,535	23,545	17,184	18,422	20,658	14,710	14,237	16,107	20,330	14,531
Gross margin (% of sales)	41.7%	41.3%	42.7%	43.1%	43.3%	39.9%	39.8%	41.0%	45.1%	40.6%
EBITA	5,679	6,572	4,741	4,623	8,831	2,534	4,349	4,025	8,756	2,459
Unusual items	-	(635)	-	-	-	-	-	2,197	-	21
Net earnings	2,012	1,815	1,859	1,783	4,498	398	1,681	3,102	4,298	489
EPS – Class A basic & diluted	0.42	0.37	0.39	0.37	0.93	0.08	0.36	0.65	0.90	0.10
EPS – Class B basic & diluted	0.36	0.33	0.34	0.32	0.81	0.07	0.31	0.57	0.79	0.08

The Company has generated consistent year-over-year growth in sales and gross profit in each quarter over the last two years due primarily to the Company's successful initiatives to increase volume sales of its premium and ultra-premium wines. The first and second quarters of fiscal 2006 included contributions from Thirty Bench and Cascadia Brands, which were acquired on May 2, 2005 and May 25, 2005 respectively. Gross margin as a percentage of sales declined slightly in fiscal 2006 due to higher costs experienced for wines purchased on international markets and to the required adjustment to record purchased inventory from Cascadia Brands at fair market value. Sales and marketing expenses have increased on a year-over-year comparison due to the impact of the acquisitions. The unusual charges to income in the second quarter of fiscal 2006 relates to costs incurred to date in the rationalization of the Company's British Columbia operations.

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

Liquidity and Capital Resources

As at ($000)	September 30, 2005 $	March 31, 2005 $	September 30, 2004 $
Current Assets	102,344	79,401	71,429
Property Plant & Equipment	80,912	55,897	54,267
Goodwill	28,342	23,759	23,793
Other Assets	12,841	3,762	765
Total Assets	224,439	162,819	150,254
Current Liabilities	60,972	49,578	40,386
Long Term Debt	62,438	17,313	18,438
Future Income Taxes	11,588	8,760	7,604
Shareholders' Equity	89,441	87,168	83,826
Total Liabilities & Shareholders' Equity	224,439	162,819	150,254

The changes to the Company's balance sheet at September 30, 2005 compared to the prior year-end and the first quarter of fiscal 2005 are primarily due to the acquisitions of Thirty Bench and Cascadia Brands, acquired on May 2, 2005 and May 25, 2005 respectively.

During the first six months of fiscal 2006 the Company generated $7.6 million in cash flow from operating activities after changes in non-cash working capital items compared to $8.4 million in fiscal 2005. The change was due to the higher earnings in the period offset by increased working capital requirements.

Investments of approximately $40.3 million were made in fiscal 2006 compared to $2.9 million in fiscal 2005. The increase is due primarily to the acquisitions of Thirty Bench and Cascadia Brands in the period, offset by a small reduction in the purchases of capital assets compared to the prior year. Approximately $4.0 million of the estimated purchase cost related to the acquisition of Cascadia Brands have yet to be paid and are included in accounts payable and accrued liabilities.

Total bank indebtedness has increased in fiscal 2006 compared to the end of fiscal 2005 due to the acquisition of Thirty Bench and Cascadia Brands in the period.

On May 25, 2005, the Company obtained additional financing from Bank of Montreal in the amount of $50.0 million. The additional financing consisted of two separate credit facitities:

i) A seven-year term bank loan of $35.0 million, which requires regular monthly payments of $250,000 plus interest and matures on May 31, 2012. The Company entered into an interest rate swap which effectively fixed the interest rate on this term bank loan at 5.3%.

ii) A bank loan in the amount of $15.0 million, which is fully due and payable on May 31, 2007. This facility will incur interest, payable each month, at a Banker's Acceptance rate plus 1.5% for the first year ending May 31, 2006.

The ratio of debt to equity increased to 1.1:1 as at September 30, 2005 compared to 0.59:1 as at March 31, 2005. At September 30, 2005, the Company had unused debt available in the amount of $12.6 million on its demand loan facility. Management is confident it can generate sufficient cash flow from operations to meet its debt servicing and principal payment requirements over both the short and the long term.

Annual dividends paid over the last three years have remained at $0.644 per Class A share and $0.560 per Class B share. The higher amount of aggregate dividends paid in fiscal 2006 and 2005 relates to the increase in shares outstanding resulting from the exercise of 179,000 stock options in the first quarter of fiscal 2004.

Working capital increased due to the acquisition of Cascadia and Thirty Bench and as at September 30, 2005 was $41.4 million compared to $29.8 million at March 31, 2005 and $31.0 million as at September 30, 2004. Shareholders' equity as at September 30, 2005 rose to $89.4 million or $18.05 per share compared to $87.2 million or $17.59 per share as at March 31, 2005 and $83.8 million or $16.91 per share as at September 30, 2004. The increase is due primarily to the strong earnings performance in the first six months.

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 as at	November 3, 2005	September 30, 2004
Class A shares	3,954,527	3,954,302
Class B shares	1,001,547	1,001,772
Total	4,956,074	4,956,074

Strategic Outlook and Direction

The Canadian wine market has grown over the past three years due primarily to positive demographic trends and the shift in consumer preference to premium table wines. However, the share of the market held by domestic producers has declined moderately. Imports of premium and ultra-premium wines have increased as consumers favoured higher-priced varietal wines over lower-priced blended table wines. Andrés has increased its product development and sales and marketing initiatives aimed at capitalizing on this growing trend.

Andrés will continue to launch new premium and ultra-premium wines in 2006. The acquisitions of Thirty Bench and Cascadia Brands will also contribute to increased sales in 2006 as well as an enhanced presence in the sale of ultra-premium wines in Canada. Marketing and sales support will be focused on key brands sold across the country, and management expects sales and marketing expenses for 2006 will rise moderately. The Company will continue to increase its capital expenditure programs to support its ongoing commitment to producing the highest-quality wines. The Company believes that the investments made over the past few years will continue to result in increased sales and continuing improvement in profitability going forward. In addition, recent initiatives have led to an increase in export sales of the Company's premium and ultra-premium wines, particularly icewine.

The Company expects imported wine and concentrate prices to continue to increase in 2006; however, increased retail prices and higher sales of premium wines should contribute to relatively stable profit margins compared to the last quarter of 2005.

Following the acquisition of Cascadia Brands, management began the process of rationalizing and integrating its two British Columbia facilities to capture production and overhead synergies. Management expects to record an unusual charge to income of between $2.0 million and $2.5 million to complete the initiative. The integration should be completed by March 31, 2007.

The Company will also continue to evaluate investment opportunities, including acquisitions, which support its strategic direction.

Subsequent Events

Subsequent to the end of the second quarter, Andres announced that it had acquired the Red Rooster winery ("Red Rooster") located on the Naramata Bench near Penticton, British Columbia. Red Rooster is a well-recognized producer of premium VQA wines situated in the heart of Canada's Okanagan Valley, a region well known for its niche premium brands. The acquisition enhances the Company's presence in the growing British Columbia wine industry, and will add to its sales of premium and ultra-premium wines across the country.

Risks and Uncertainties

The sale of wine is affected by current economic conditions and, accordingly, any changes in the economy could affect Company sales. The reduction in travel resulting from external factors outside the Company's control could have an impact on 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 to a much larger extent than they are subsidized in Canada. 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 the unfair trade balance that exists within the domestic Canadian wine market.

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 due in part to an international grape surplus. However, as international wine pricing has been strengthening due to the improved balancing of supply and demand, the Company does not believe that significant price discounting will occur in Canada.

The Company purchases glass 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. Andrés 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.

Andrés has identified that a foreign exchange risk exists on the purchases of bulk wine and concentrate which are made in United States dollars. The Company does not engage in the hedging of foreign exchange contracts for trading or speculative purposes. The Company has entered into a series of foreign exchange contracts as a hedge against movements in U.S. dollar exchange rates. These contracts are reviewed periodically. Each one cent change in the value of the U.S. dollar has a $70,000 impact on the Company's net earnings.

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 Company relies on both the domestic production of grapes and imports of wine from countries around the world to produce and sell its wines. Although the supply of grapes and wine may be impacted by weather and other conditions, as well as by general economic conditions, the Company has developed plans to ensure that an adequate supply of grapes and wine is available to meet demand. The pricing of wine and grapes is impacted by their supply and demand. As a result of extremely cold temperatures in February 2005, grape supply has been significantly reduced. The Government of Ontario, in conjunction with the Wine Council of Ontario and the Ontario Grape Growers Marketing Board have agreed to temporarily increase the blending of imported wines; which would enable the Company to continue to provide wine to its customers, but could temporarily reduce sales of VQA wines.

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 extremely limited.

ANDRÉS WINES LTD.

Consolidated Statements of Earnings and Retained Earnings

(IN $,000 EXCEPT PER SHARE AMOUNTS)

These financial statements have not been reviewed by our auditors

	For the Three Months Ended September 30		For the Six Months Ended September 30	
	2005	2004	2005	2004
	$	$	$	$
Sales	**57,056**	42,758	**103,887**	83,014
Cost of goods sold, excluding amortization	**33,511**	24,336	**60,807**	47,408
Gross profit	**23,545**	18,422	**43,080**	35,606
Selling and administration	**16,973**	13,799	**30,829**	26,242
Earnings before interest and amortization	**6,572**	4,623	**12,251**	9,364
Interest	**1,184**	462	**2,048**	967
Amortization of plant, equipment and intangibles	**1,837**	1,300	**3,406**	2,572
Earnings before unusual items	**3,551**	2,861	**6,797**	5,825
Unusual items	**(635)**	-	**(635)**	0
Earnings before income taxes	**2,916**	2,861	**6,162**	5,825
Provision for income taxes				
Current	**1,029**	1,023	**2,195**	2,070
Future	**72**	55	**140**	113
	1,101	1,078	**2,335**	2,183
Net earnings for the period	**1,815**	1,783	**3,827**	3,642
Retained earnings- Beginning of period	**81,159**	75,576	**79,924**	74,494
Dividends:				
Class A and Class B	**777**	777	**1,554**	1,554
Retained earnings- End of period	**82,197**	76,582	**82,197**	76,582
Net earnings per share				
Basic and Diluted				
Class A shares	**0.37**	0.37	**0.79**	0.76
Class B shares	**0.33**	0.32	**0.69**	0.66

ANDRÉS WINES LTD.

Consolidated Statements of Cash Flows

(IN $,000 EXCEPT PER SHARE AMOUNTS)
These financial statements have not been reviewed by our auditors

	For the Three Months Ended September 30		For the Six Months Ended September 30	
	2005	2004	2005	2004
	$	$	$	$
Cash provided by (used in)				
Operating activities				
Net earnings for the period	**1,815**	1,783	**3,827**	3,642
Items not affecting cash:				
Amortization of plant, equipment and intangibles	**1,837**	1,300	**3,406**	2,572
Future income taxes	**72**	55	**140**	113
Amortization of deferred financing costs	**32**	17	**49**	34
	3,756	3,155	**7,422**	6,361
Changes in non-cash working capital items related to operations, net of acquisitions:	**1,598**	2,436	**162**	1,998
	5,354	5,591	**7,584**	8,359
Investing activities				
Acquisition of Thirty Bench	**-**	-	**(4,510)**	-
Acquisition of Cascadia, net of cash acquired	**188**	-	**(33,360)**	-
Purchase of property and equipment	**(1,172)**	(1,629)	**(2,400)**	(2,950)
	(984)	(1,629)	**(40,270)**	(2,950)
Financing activities				
Increase in deferred financing costs	**(312)**	-	**(312)**	-
Increase in other assets	**(71)**	-	**(71)**	-
Repayment of long-term debt	**(1,312)**	(607)	**(14,051)**	(1,215)
Increase in long-term debt	**-**	-	**50,000**	-
Increase in (repayment of) bank indebtedness	**(1,898)**	(2,578)	**(1,326)**	(3,075)
Issue of Class A shares	**-**	-	**-**	430
Dividends paid	**(777)**	(777)	**(1,554)**	(1,549)
	(4,370)	(3,962)	**32,686**	(5,409)
Cash at beginning and end of period	**-**	-	**-**	-

ANDRÉS WINES LTD.

CONSOLIDATED BALANCE SHEETS
(IN $,000 EXCEPT PER SHARE AMOUNTS)

	Unaudited Sept. 30 2005 $	Audited March 31 2005 $
Assets		
Current Assets		
Accounts receivable	**19,595**	14,132
Inventories	**78,801**	62,045
Prepaid expenses	**3,948**	2,531
Income taxes recoverable	**-**	693
	102,344	79,401
Property, plant and equipment	**80,912**	55,897
Goodwill	**28,342**	23,759
Other assets	**12,841**	3,762
	224,439	162,819
Liabilities		
Current Liabilities		
Bank indebtedness	**30,430**	31,756
Accounts payable and accrued liabilities	**24,493**	14,795
Dividends payable	**777**	777
Income taxes payable	**22**	-
Current portion of long - term debt	**5,250**	2,250
	60,972	49,578
Long-term debt	**62,438**	17,313
Future income taxes	**11,588**	8,760
	134,998	75,651
Shareholders' Equity		
Capital Stock	**7,244**	7,244
Retained Earnings	**82,197**	79,924
	89,441	87,168
	224,439	162,819

Notes to the Interim Consolidated Financial Statements (000 s)

(in thousands of dollars, except per share amounts)

UNAUDITED

1. Summary of Significant Accounting Policies

The interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada. The note disclosure for these interim statements only presents material changes to the disclosure found in the Company's annual consolidated financial statements for the year ended March 31, 2005. These interim statements should be read in conjunction with those statements. The interim statements follow the same accounting policies as the annual audited financial statements.

2. Capital Stock and Stock Option Plan

The Company has a stock option plan and a stock appreciation rights plan for executives and directors. All options under this plan are for Class A shares only and are for a term of five years from the date of the grant. These options become exercisable with respect to 25% of the total number of shares subject to the option immediately and 25% on each of the three successive anniversaries of the grant. Options are subject to certain conditions of service. For the six months ending September 30, 2005, no options were exercised.

The impact of compensation costs for options granted subsequent to April 1, 2002 and before April 1, 2003 is insignificant. Effective April 1, 2003 the Company commenced accounting for all stock options granted on or after April 1, 2003 using a fair value based method that recognizes the compensation cost as an expense in the period. No options were granted for the six months ending September 30, 2005 and as such no expense was recognized.

As at September 30, 2005 and 2004 there were 3,954,527 Class A shares issued (2004 – 3,954,302) and 1,001,547 Class B shares issued (2004 – 1,001,772). During the three months ending September 30, 2005, 225 Class B shares were converted into Class A shares (2004 – nil). There were 3,954,339 weighted average Class A shares outstanding (2004 – 3,941,930) and 1,001,735 weighted average Class B shares outstanding (2004 – 1,001,873) for the six months ending September 30, 2005.

3. Acquisitions

On May 2, 2005 the Company acquired certain assets of Thirty Bench Wines of Beamsville, Ontario for cash consideration of $4,510, including acquisition costs. Details of net assets acquired are as follows: vineyards - $2,455; property, plant and equipment - $887; inventory - $786; goodwill - $382. This transaction was accounted for using the purchase method. The results of operations from May 3, 2005 have been included in these financial statements.

On May 25, 2005 the Company acquired 100% of the common shares of Cascadia Brands Inc. of Vancouver, British Columbia for cash consideration of $35,353, including acquisition costs and net of cash acquired. The allocation of purchase price is preliminary and is based on management's estimates of the fair value of the assets acquired and liabilities assumed. Management is currently working towards attaining fair market values for the net assets and intangible assets acquired. Details of net assets acquired based on preliminary allocations are as follows: - accounts receivable - $4,623; inventory - $19,071; prepaid expenses - $485; property, plant and equipment - $22,552; intangible assets - $8,402; goodwill - $4,201; other assets - $470; debt – ($12,176); accounts payable and accrued liabilities – ($5,931); income taxes payable – ($1,483); pension liability – ($2,173); future income tax liability – ($2,688). This transaction was accounted for using the purchase method. The results of operations from May 26, 2005 have been included in these financial statements.

4. Long-term debt

On May 25, 2005, the Company obtained additional financing from Bank of Montreal in the amount of $50,000. The additional financing consisted of two separate credit facilities:

iii) A seven-year term bank loan of $35,000, which requires regular monthly payments of $250 plus interest and matures on May 31, 2012. The Company entered into an interest rate swap which effectively fixed the interest rate on this term bank loan at 5.3%.
iv) A bank loan in the amount of $15,000, which is fully due and payable on May 31, 2007. This facility will incur interest, payable each month, at a Banker's Acceptance rate plus 1.5% for the first year ending May 31, 2006.

5. Unusual Items

During the second quarter the Company began the process of rationalizing and integrating the recently acquired Cascadia Brands. The Company announced the closure of its Port Moody, British Columbia winery effective December 31, 2005. Costs related to integration and closure of the Company's existing facility are being expensed as incurred, and resulted in unusual charges to earnings of $635 in the second quarter. The Company expects total costs related to this initiative to be approximately $2,000 to $2,500, and this should be completed by March 31, 2007.

6. Subsequent Events

On October 19, 2005, the Company announced it would acquire certain assets of the Red Rooster Winery located on Naramata Bench near Penticton, British Columbia. The transaction closed on November 1, 2005.

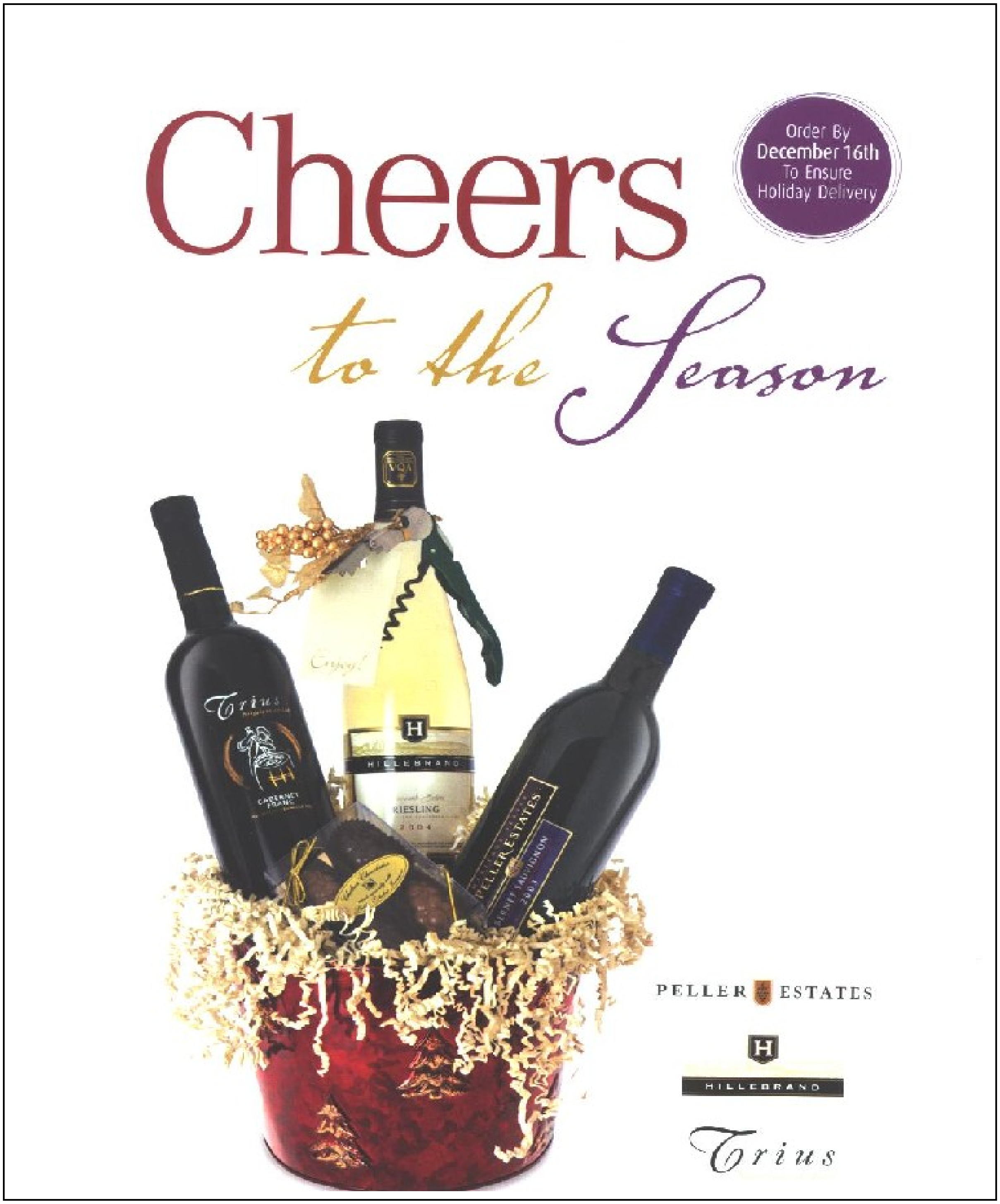
ANDRÉS

" Joseph A. Peller"

Joseph A. Peller
Chairman
November 3, 2005

Corporate Office:
Andrés Wines Ltd.
697 South Service Road
Grimsby, Ontario L3M 4E8
Tel: (905) 643-4131 Fax: (905) 643-4944

For further information, contact:
Peter B. Patchet
Chief Financial Officer and Executive VP
Human Resources
Tel: 905-643-4131 Ext. 2210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