ANDRÉS
WINES LTD.

MANAGEMENT'S REPORT AND INTERIM CONSOLIDATED FINANCIAL STATEMENT

FOR THE THREE MONTHS ENDED JUNE 30, 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 three months ended June 30, 2006 and June 30, 2005. This discussion is prepared as of August 8, 2006 and should be read in conjunction with the consolidated financial statements for the years ended March 31, 2006 and 2005 and the accompanying notes contained therein. All dollar amounts are expressed in Canadian dollars unless otherwise indicated.

FORWARD-LOOKING INFORMATION

Certain statements in this Management's Discussion & Analysis may contain "forward-looking statements" within the meaning of applicable securities laws, including the "safe harbour provision" of the Securities Act (Ontario) with respect to Andrés Wines Ltd. ("Andrés" 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" and "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, Andrés 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 labelling 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 Andrés 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, except as required by applicable law, Andrés undertakes no obligation to update or revise these forward-looking statements to reflect new information, future events or circumstances.

Overview

Andrés Wines Ltd. ('Andrés' 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 vineyards around the world. The Company's award-winning premium and ultra-premium wine brands include *Peller Estates*, *Trius*, *Hillebrand Estates*, *Thirty Bench*, *Sandhill*, *Copper Moon*, *Calona Vineyards Artist Series VQA* and *Red Rooster*. Complementing these premium brands are a number of popular priced products including *Hochtaler*, *Domaine D'Or*, *Schloss Laderheim*, *Royal* and *Sommet*. With the acquisition of Cascadia Brands Inc. ("Cascadia"), the Company also markets craft beer under the Granville Island brand. With a focus on serving the needs of all wine consumers, the Company produces and markets consumer-made wine kits through Winexpert Inc. and Vineco International Products Ltd. In addition, the Company owns and operates Vineyards Estate Wines and WineCountry Vintners, independent wine retailers 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. Premium wine sales continue to grow in Canada, and these 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 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 and WineCountry Vintners 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 for 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 with a solid presence in one of Canada's most sought after viticulture areas, and adds to the Company's premium estate wineries in nearby Niagara-on-the-Lake.

On May 25, 2005, the Company completed the acquisition of Cascadia Brands Inc. ("Cascadia"), 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 as it combines its two B.C. operations into Cascadia's Kelowna facility.

On November 1, 2005, the Company 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.

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 acquisition. The allocation of the cost to the fair market value of the acquired assets and liabilities is based, in part, on independent advice received on the fair values of certain of the acquired assets and liabilities. Costs related to the integration and closure of the Company's Port Moody facility must be expensed as incurred.

On November 10, 2005, the Company sold the assets and brands related to the Cascadia spirits division for proceeds of $6.0 million.

On April 1, 2006, the Company amalgamated with Cascadia Brands Inc. and a number of subsidiary companies to simplify the corporate structure and reduce compliance costs.

On June 6, 2006, the Company announced it had filed a Notice of Action in the Superior Court of Ontario against a former non-executive employee for an alleged misappropriation of funds. The alleged misappropriation of funds is believed to have occurred over many years and is estimated to be in the range of $6.0 – $7.0 million.

The Company believes that its insurance policies will cover a limited portion of the loss incurred. An investigation conducted by independent forensic accountants has provided evidence that the alleged misappropriation of funds was a sophisticated and well-orchestrated series of events conducted solely by the former non-executive employee over several years. The Company has determined that the alleged misappropriation of funds did not have a material impact on the Company's financial position or results for the three months ended June 30, 2006 or for the year ended March 31, 2006. Payments from insurance policies and restitution, if any, will be included in net earnings when received.

On filing its fiscal 2006 financial statements, the Company restated its fiscal 2005 results. The overall impact on fiscal 2006 was not material and, as the information to determine the financial effect on a quarterly basis was not readily determinable, the restatement was accounted for during the fourth quarter of the year as a fourth quarter charge.

As a result of continued strong performance, the Company has announced an increase in the annual dividend effective to shareholders of record on September 30, 2006. The annual dividend on Class A shares will increase 18% from $0.644 per share to $0.759 per share. The annual dividend on Class B shares will also increase 18% from $0.56 per share to $0.66 per share.

Subject to the approval of Class B shareholders at the Annual and Special Meeting of Shareholders to be held on September 20, 2006, The Board of Directors of the Company is recommending a three for one split of each of the Class A and Class B shares effective October 31, 2006. The Toronto Stock Exchange has given conditional approval to the split, subject to the receipt of certain documentation from the Company. The split will not change the rights of holders of the Class A and Class B shares. For more information on the share split, please see the Notice of Annual and Special meeting of Shareholders that will be released on August 14, 2006.

At the Annual and Special Meeting of Shareholders, Class B shareholders will be asked to consider a change in the Company's name to Andrew Peller Limited/Andrew Peller Limitée. The Board of Directors are recommending the change in the Company's name as a method of launching a new brand identity following the acquisitions of Cascadia Brands, Thirty Bench and Red Rooster. The name change will help to integrate the employees and trade channels of the Company. For more information on the name change, please see the Notice of Annual and Special meeting of Shareholders that will be released on August 14, 2006.

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, incomes taxes, amortization and unusual items) to measure its financial performance.

EBITA is not a recognized measure under GAAP; however, management believes that EBITA is a useful supplemental measure to net earnings, as it provides readers with an indication of earnings available for investment prior to debt service, capital expenditures and income taxes.

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

The Company's method of calculating EBITA may differ from the methods by which other companies calculate EBITA and, accordingly, EBITA may not be comparable to measures used by other companies.

Critical Accounting Estimates

During the year, management is required to make estimates or rely on assumptions that are inherently uncertain. These estimates can vary with respect to the level of judgment involved and ultimately the impact that they 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, changes in financial position or results of operations. The Company's significant accounting policies are discussed in note 1 of the notes to the consolidated financial statements; critical estimates inherent in these accounting policies are set out below.

Accounts Receivable

The Company records an allowance for doubtful accounts to reflect management's best estimate of losses that may occur on sales during the year. This allowance is 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

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.

Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated amortization. Amortization is calculated on a straight-line basis in amounts that are sufficient to amortize the cost over the estimated useful life of the asset. Details of the amounts classified as property, plant and equipment are set out in the notes to the consolidated financial statements.

Goodwill

Goodwill on the purchase of Hillebrand in 1993, Vineco International Products in 1996, Brew King (now named Winexpert) in 1997, Distrivin and Winexpert in 2004, Wine Not in 2005 and Cascadia, Thirty Bench and Red Rooster in 2006 represents the excess of the purchase price of acquired businesses over the fair value of the net assets acquired. An impairment test was conducted at March 31, 2006 and, based on the results of the test, the Company determined that goodwill had not been impaired.

Intangible assets

Intangible assets primarily relate to customer contracts, brands and customer based relationships that have been acquired through recent acquisitions. Management believes that the Company's brands do not have a fixed or determinable life and consequently brands are not amortized, but are subjected to an annual impairment test based on a comparison of the carrying amount to the estimated fair market value of the brands. The amortization periods related to intangible assets with finite lives are based on the expected duration of the contracts and relationships acquired. These intangible assets will be tested for impairment when events or circumstances arise that indicate an impairment may exist.

Fair Value of Financial Instruments

Accounts receivable, accounts payable and accrued liabilities and short-term bank indebtedness are reflected in the 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 interest rate swaps. The interest rate swaps qualify for the use of hedge accounting and as a result changes to the fair value of the swap debt are not recorded in the income statement.

The Company purchases wine and other inventory items throughout the year. These purchases are made in U.S. dollars and the Company uses foreign exchange contracts as a hedge against changes in currency values. The Company's strategy is to hedge approximately 70% of its foreign exchange requirements prior to the beginning of each fiscal year. The Company does not enter into foreign exchange contracts for trading or speculative purposes. These contracts are matched against forecast purchases of inventory which are valued at the rate of the foreign exchange contract. These contracts are designed as hedges against future inventory purchases and accordingly, unrealized gains and losses on foreign exchange contracts outstanding at year end are deferred until the purchase of inventory occurs.

Results of Operations

FOR THE THREE MONTHS ENDED JUNE 30,	**2006**	2005	2004
(unaudited)	**$**	$	$
in thousands of dollars except per share amounts			
Sales	55,135	46,831	40,256
Gross profit	22,830	19,535	17,184
Gross profit (% of sales)	41.4%	41.7%	42.7%
Selling general and administrative expenses	16,028	13,856	12,443
Net earnings	2,376	2,012	1,859
Earnings per share – basic and fully diluted - Class A	$0.49	$0.42	$0.39
Earnings per share – basic and fully diluted - Class B	$0.43	$0.36	$0.34
Dividend per share – Class A	$0.644	$0.644	$0.644
Dividend per share – Class B	$0.560	$0.560	$0.560

Due to increased sales of the Company's premium and ultra-premium wines through all of the Company's trade channels, and the contribution of Cascadia, Thirty Bench and Red Rooster, sales increased 17.7% for the three months ended June 30, 2006 compared to the prior year. The acquisitions contributed approximately $9.4 million in sales in the first quarter of fiscal 2007 and $4.6 million in the comparable quarter last year. Excluding the impact of acquisitions, sales increased approximately 8.3% for the three months ended June 30, 2006 compared to the same period last year. Sales increased through virtually every trade channel during the quarter. Sales were negatively impacted by the short crop in Ontario which served to limit sales of VQA wines and by production inefficiencies due to the amalgamation of production in Western Canada. 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.

Gross profit as a percentage of sales decreased slightly in the first quarter of fiscal 2007 compared to the prior year due primarily to slower sales of higher priced VQA wines, due to supply constraints caused by severe winter weather, production inefficiencies due to the start-up of the British Columbia winery, and increases in the cost of grapes and raw materials.

Selling and administrative expenses increased primarily due to the acquisition of Thirty Bench, Cascadia and Red Rooster. However, selling and administrative expenses declined to 29.1% of sales for the quarter ended June 30, 2006 compared to 29.6% of sales last year and 30.9% in 2004. The Company continues to incur many of the costs related to the acquired businesses when they were stand alone businesses. The Company expects to begin recognizing operations synergies related to acquisitions later in fiscal 2007.

As a result of the increase in sales and selling and administrative synergies related to the acquisitions EBITA increased 19.8% to $6.8 million for the three months ended June 30, 2006 compared to $5.7 million in the prior year.

Amortization expenses rose in the first quarter of fiscal 2007 compared to the prior year due to investments made in the Company's estate wineries, vineyards winemaking equipment, and the impact of acquisitions made during fiscal 2006. Interest expense increased due to higher debt levels resulting from the acquisitions and the impact of higher interest rates on short term borrowings.

During the second quarter of fiscal 2006, management began the process of rationalizing and integrating the recently acquired businesses. The Company announced the closure of its Port Moody B.C. winery effective December 31, 2005. The Port Moody property is being held for resale and management expects to dispose of the land and buildings during fiscal 2008. Costs related to the integration and the closure of the Company's existing facility, are being expensed, as incurred.

Net earnings increased by 18.1% to $2.4 million in the first quarter of fiscal 2007 compared to $2.0 million during the first quarter in the prior year due to the increased sales, stable gross margins and reduced sales and administrative expenses as a percentage of sales, partially offset by the increase in interest and amortization expenses arising from the acquisitions completed over the prior twelve months. The weighted average number of shares outstanding for the quarter ended June 30, 2006 increased by approximately 0.2% compared to June 30, 2005.

Quarterly Performance
(unaudited)

(in thousands of dollars except per share amounts)	**Q1 07 $**	Q1 06 $	Q2 06 $	Q3 06 $	Q4 06 $	Q1 05 $	Q2 05 $	Q3 05 $	Q4 05 $ (Restated)
Sales	**55,135**	46,831	57,056	59,453	48,435	40,256	42,758	47,725	36,895
Gross profit	**22,830**	19,535	23,545	24,799	17,705	17,184	18,422	20,658	15,768
Gross profit (% of sales)	**41.4%**	41.7%	41.3%	41.7%	36.6%	42.7%	43.1%	43.3%	42.7%
EBITA	**6,802**	5,679	6,572	9,001	1,650	4,741	4,623	8,831	3,592
Unusual items	**(34)**	-	(635)	(355)	(970)	-	-	-	(1,173)
Net earnings (loss)	**2,376**	2,012	1,815	3,453	(1,226)	1,859	1,783	4,498	327
Earnings (loss) per share basic & diluted – Class A	**$0.49**	$0.42	$0.37	$0.72	($0.26)	$0.39	$0.37	$0.93	$0.07
Earnings (loss) per share basic & diluted – Class B	**$0.43**	$0.36	$0.33	$0.62	($0.22)	$0.34	$0.32	$0.81	$0.06

The Company has generated consistent year-over-year growth in sales and gross profit primarily due to the Company's successful initiatives to increase sales of its premium and ultra-premium wines. The 2006 fiscal years and the first quarter of fiscal 2007 include contributions from the acquisition of Thirty Bench on May 2, 2005, Cascadia on May 25, 2005, and Red Rooster on November 1, 2005. On November 10, 2005, the Company sold the assets and brands related to Cascadia's spirits division for approximately $6.0 million. There was no gain or loss recorded on the transaction. Gross profit as a percentage of sales declined in fiscal 2007 and fiscal 2006 due to slower sale of higher priced VQA wine, caused by severe winter weather in Ontario, production inefficiencies in the Kelowna plant and higher costs for grapes and raw materials partially offset by the strengthening of the Canadian dollar.

Sales and administrative expenses have increased on a year-over-year basis primarily due to the impact of the acquisitions. The unusual charges to earnings in fiscal 2006 and 2007 relate to costs incurred in the rationalization of the Company's British Columbia operations. Included in the unusual charges to earnings in the fourth quarter of 2005 is the impact of an alleged misappropriation of funds by a former non-executive employee.

The third quarter of each 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.

The acquisition of the Company's largest domestic competitor, Vincor International Inc. by Constellation Brands, the largest wine company in the world, was completed on June 6, 2006. The impact of the acquisition on the Company's operations is unclear at this time.

The Company continued to grow its market share in the premium and ultra-premium wine category although growth was negatively impacted in the first quarter of fiscal 2007 and fiscal 2006 by the lack of supply of Ontario grown grapes. Significant investments were made to improve production efficiencies and to improve wine quality that should benefit the Company as grape supply becomes more balanced.

The Company successfully completed three acquisitions during fiscal 2006, consistent with its objectives of growing its market share in the premium wine category.

The closure of the Port Moody winery should result in improved operating efficiencies late in fiscal 2007. The closure will not have an impact on production capacity once the integration of the facilities is completed. Included in property, plant and equipment are the land and building in Port Moody, which are being held for resale. These assets have a net book value of approximately $1.7 million.

Liquidity and Capital Resources

As at (in thousands of dollars)	**June 30, 2006** **$** **(Unaudited)**	March 31, 2006 $	June 30, 2005 $ (Unaudited & Restated)
Current assets	**95,131**	92,330	100,489
Property plant & equipment	**85,001**	85,597	78,896
Goodwill	**36,171**	35,862	30,657
Other assets	**8,219**	8,298	14,239
Total assets	**224,522**	222,087	224,281
Current liabilities	**67,901**	65,574	58,802
Long term debt	**48,868**	50,328	63,750
Employee future benefits	**4,130**	4,224	2,474
Future income taxes	**12,445**	12,381	11,516
Shareholders' equity	**91,178**	89,580	87,739
Total liabilities & shareholders' equity	**224,522**	222,087	224,281

The Company's balance sheet at June 30, 2006 and 2005 reflect the acquisitions of Thirty Bench on May 2, 2005 and Cascadia on May 25, 2005. Red Rooster was acquired on November 1, 2005. On November 10, 2005, the Company sold the assets and brands related to Cascadia's spirits division for approximately $6.0 million.

During the first quarter of fiscal 2007, the Company experienced a decline to $0.9 million in cash flow from operating activities after changes in non-cash working capital items compared to $2.2 million in the prior year. The change was primarily due to an increase in accounts receivable in fiscal 2007 compared to the prior year due to higher sales revenues and a decline in accounts payable and accrued charges.

Investments of approximately $1.6 million were made in the first quarter of fiscal 2007 compared to $39.3 million in the prior year, which included the acquisitions of Thirty Bench and Cascadia. The purchase of capital assets was made to increase the capacity of the Kelowna winery. Approximately $0.9 million of the estimated purchase cost related to the acquisition of Cascadia is yet to be paid and is included in accounts payable and accrued liabilities.

Total bank indebtedness increased in the first quarter of fiscal 2007 compared to the prior year due primarily to the acquisitions completed over the last twelve months, offset by scheduled debt repayments of $1.5 million in the first quarter of fiscal 2007.

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 facilities:

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 was repaid during the year by using proceeds in the amount of $6.0 million from the sale of assets and brands related to Cascadia's spirits business and an increase in short-term bank indebtedness in the amount of $9.0 million.

On November 1, 2005, the Company obtained additional financing from the Bank of Montreal in the form of a seven year term bank loan in the amount of $6.0 million. The term loan requires monthly payments of $43,000 plus interest and matures on September 28, 2012. The Company has entered into an interest rate swap which effectively fixed the interest rate on this term bank loan at 5.61%.

The ratio of debt to equity increased to 1.06:1 as at June 30, 2006 compared to 1.04:1 as at March 31, 2006 and 1.15:1 as at June 30, 2005. At June 30, 2006, the Company had unused debt available in the amount of $18.0 million on its demand loan facility. On April 1, 2006, the Company increased the debt available on its demand loan facility to $60.0 million, which incurs interest at the Royal Bank of Canada prime rate. 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 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.

Working capital as at June 30, 2006 was $27.2 million compared to $26.8 million at March 31, 2006 and $41.7 million at June 30, 2005. Shareholders' equity as at June 30, 2006 rose to $91.2 million or $18.37 per share compared to $89.6 million or $18.05 per share at March 31, 2006 and $87.7 million or $17.70 per share as at June 30, 2005. The increase is due to the earnings performance for 2006, partially offset by the payment of dividends.

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.

	August 8, 2006	June 30, 2006	March 31, 2006
Class A shares	3,962,547	3,962,547	3,962,547
Class B shares	1,001,547	1,001,547	1,001,547
Total	4,964,094	4,964,094	4,964,094

Related Party Transactions

In the normal course of operations, Andrés enters into transactions with various related parties. As of June 30, 2006, the Company has guaranteed debt of up to $1,750,000 for Rocky Ridge Vineyards Inc., a joint venture in which the Company has a 50% equity interest. The joint venture grows grapes on a vineyard in the Similkameen Valley in British Columbia.

Strategic Outlook and Direction

Andrés is committed to a strategy of growth that focuses on the expansion of its core business as a producer and marketer of quality wines and craft beer through the development of leading brands that meet the needs of our consumers and customers. The acquisitions that were completed over the past year have strengthened our product portfolio and expanded our selling and distribution capabilities in Canada.

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 favour 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 throughout 2007. The acquisitions of Thirty Bench, Cascadia and Red Rooster are also expected to contribute to increased sales in 2007 as well as an enhanced presence in the ultra-premium wine market in Canada. Marketing and sales support will be focused on key brands sold across the country, and management expects that sales and marketing expenses will rise moderately for 2007. 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.

Following the acquisition of Cascadia, management began the process of rationalizing and integrating its two British Columbia facilities to capture production and overhead synergies. Management expects the integration to be completed by March 31, 2007.

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

Risks and Uncertainties

The Company is subject to a number of risks and uncertainties outlined in the Company's 2006 Annual Report and other securities filings.

ANDRÉS WINES LTD.
CONSOLIDATED BALANCE SHEETS

These financial statements have not been reviewed by our auditors

	Unaudited June 30, 2006 $	Audited March 31, 2006 $
Assets		
Current Assets		
Accounts receivable	**21,682**	18,444
Inventories	**70,131**	70,528
Prepaid expenses	**3,318**	2,447
Income taxes recoverable	**-**	911
	95,131	92,330
Property, plant and equipment	**85,001**	85,597
Goodwill	**36,171**	35,862
Other assets	**8,219**	8,298
	224,522	222,087
Liabilities		
Current Liabilities		
Bank indebtedness	**41,982**	37,295
Accounts payable and accrued liabilities	**18,779**	21,613
Dividends payable	**778**	778
Income taxes payable	**470**	-
Current portion of long - term debt	**5,892**	5,888
	67,901	65,574
Long-term debt	**48,868**	50,328
Employee future benefits	**4,130**	4,224
Future income taxes	**12,445**	12,381
	133,344	132,507
Shareholders’ Equity		
Capital Stock	**7,375**	7,375
Retained Earnings	**83,803**	82,205
	91,178	89,580
	224,522	222,087

ANDRÉS WINES LTD.

Consolidated Statements of Earnings and Retained Earnings

For the three months ended June 30, 2006 and 2005 (Unaudited)

These financial statements have not been reviewed by our auditors	2006 $	2005 $
Sales	**55,135**	46,831
Cost of goods sold, excluding amortization	**32,305**	27,296
Gross profit	**22,830**	19,535
Selling and administration	**16,028**	13,856
Earnings before interest and amortization	**6,802**	5,679
Interest	**1,275**	864
Amortization	**1,893**	1,569
Earnings before unusual items	**3,634**	3,246
Unusual items	**34**	-
Earnings before income taxes	**3,600**	3,246
Provision for income taxes		
Current	**1,160**	1,166
Future	**64**	68
	1,224	1,234
Net earnings for the period	**2,376**	2,012
Retained earnings- Beginning of period	**82,205**	79,260
Dividends:		
Class A and Class B	**778**	777
Retained earnings- End of period	**83,803**	80,495
Net earnings per share		
Basic and Diluted		
Class A shares	**0.49**	0.42
Class B shares	**0.43**	0.36

ANDRÉS WINES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three months ending June 30, 2006 and 2005 (Unaudited)

These financial statements have not been reviewed by our auditors

	2006 $	2005 $
Cash provided by (used in)		
Operating activities		
Net earnings for the period	**2,376**	2,012
Items not affecting cash:		
Amortization of plant, equipment and intangible assets	**1,893**	1,569
Employee future benefits	**(94)**	50
Future income taxes	**64**	68
Amortization of deferred financing costs	**34**	17
	4,273	3,716
Changes in non-cash working capital items related to operations	**(5,165)**	(1,486)
	(892)	2,230
Investing activities		
Acquisition of businesses	**(309)**	(38,058)
Purchase of property and equipment	**(1,252)**	(1,228)
	(1,561)	(39,286)
Financing activities		
Repayment of long-term debt	**(1,456)**	(12,739)
Increase in long-term debt	**-**	50,000
Increase in (repayment of) bank indebtedness	**4,687**	572
Dividends paid	**(778)**	(777)
	2,453	37,056
Cash at beginning and end of period	**-**	-

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, 2006. 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. Stock options are subject to certain conditions of service. As at June 30, 2006 there were no stock options outstanding.

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 have been granted since April 2003.

As at June 30, 2006 there were 3,962,547 Class A shares issued (March 31, 2006 – 3,962,547) and 1,001,547 Class B shares issued (March 31, 2006 – 1,001,547). There were 3,962,547 weighted average Class A shares outstanding (2005 – 3,954,302) and 1,001,547 weighted average Class B shares outstanding (2005 – 1,001,772) for the three months ended June 30, 2006.

ANDRÉS

" Joseph A. Peller"

Joseph A. Peller
Chairman
August 8, 2006

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
Vice-President Human Resources
Tel: 905-643-4131 Ext. 2210