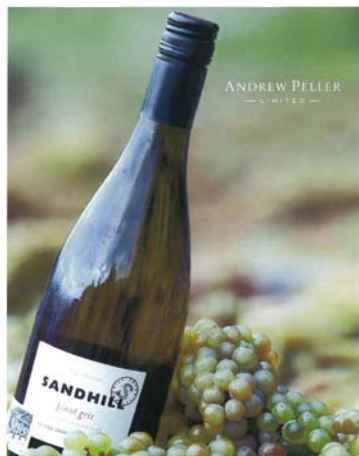


ANDREW PELLER

— LIMITED —



MANAGEMENT'S REPORT AND INTERIM CONSOLIDATED FINANCIAL STATEMENT FOR THE THREE MONTHS ENDED JUNE 30, 2010

The following management's discussion and analysis ('MD&A') provides a review of corporate developments, results of operations and financial position for the three months ended June 30, 2010 in comparison with those for the three months ended June 30, 2009. This discussion is prepared as of August 11, 2010 and should be read in conjunction with the unaudited consolidated financial statements for the three month period ended June 30, 2010 and 2009, the consolidated financial statements for the year ended March 31, 2010 and 2009, and the accompanying notes contained therein. All dollar amounts are expressed in Canadian dollars unless otherwise indicated.

FORWARD-LOOKING INFORMATION

Certain statements in this Management's Discussion & Analysis may contain "forward-looking statements" within the meaning of applicable securities laws, including the "safe harbour provisions" of the Securities Act (Ontario) with respect to Andrew Peller Limited ('APL' or the 'Company') and its subsidiaries. Such statements include, but are not limited to, statements about the growth of the business in light of the Company's recent acquisitions; its launch of new premium wines; sales trends in foreign markets; its supply of domestically grown grapes; and current economic conditions. These statements are subject to certain risks, assumptions and uncertainties that could cause actual results to differ materially from those included in the forward-looking statements. The words "believe", "plan", "intend", "estimate", "expect" or "anticipate" and similar expressions, as well as future or conditional verbs such as "will", "should", "would" and "could" often identify forward-looking statements. We have based these forward-looking statements on our current views with respect to future events and financial performance. With respect to forward-looking statements contained in this MD&A, the Company has made assumptions and applied certain factors regarding, among other things: future grape, glass bottle and wine prices; its ability to obtain grapes, imported wine, glass and its ability to obtain other raw materials; fluctuations in the U.S./Canadian dollar exchange rates; its ability to market products successfully to its anticipated customers; the trade balance within the domestic Canadian wine market; market trends; reliance on key personnel; protection of its intellectual property rights; the economic environment; the regulatory requirements regarding producing, marketing, advertising and labeling of its products; the regulation of liquor distribution and retailing in Ontario; the application of federal and provincial environmental laws; and the impact of increasing competition.

These forward-looking statements are also subject to the risks and uncertainties discussed in the "Risk Factors" section and elsewhere in this MD&A and other risks detailed from time to time in the publicly filed disclosure documents of the Company which are available at www.sedar.com. Forward-looking statements are not guarantees of future performance and involve risks, uncertainties and assumptions which could cause actual results to differ materially from those conclusions, forecasts or projections anticipated in these forward-looking statements. Because of these risks, uncertainties and assumptions, you should not place undue reliance on these forward-looking statements. The Company's forward-looking statements are made only as of the date of this MD&A, and except as required by applicable law, Andrew Peller Limited undertakes no obligation to update or revise these forward-looking statements to reflect new information, future events or circumstances.

Overview

Andrew Peller Limited ('APL' or the 'Company') is a leading producer and marketer of quality wines in Canada. With wineries in British Columbia, Ontario and Nova Scotia, the Company markets wines produced from grapes grown in Ontario's Niagara Peninsula, British Columbia's Okanagan and Similkameen Valleys and from vineyards around the world. The Company's award-winning premium and ultra-premium VQA brands include *Peller Estates*, *Trius*, *Hillebrand*, *Thirty Bench*, *Sandhill*, *Calona Vineyards Artist Series* and *Red Rooster*. Complementing these premium brands are a number of popularly priced varietal wine brands including *Peller Estates French Cross* in the East, *Peller Estates Proprietors Reserve* in the West, *Copper Moon*, *XOXO* and *Croc Crossing*. *Hochtaler*, *Domaine*

D'Or, Schloss Laderheim, Royal and Sommet are our key value priced wine blends. The Company imports wines from major wine regions around the world to blend with domestic wine to craft these popularly priced and value priced wine brands. With a focus on serving the needs of all wine consumers, the Company produces and markets premium personal winemaking products through its wholly-owned subsidiary, Global Vintners Inc. ("GVI"), the recognized world leader in personal winemaking products. Global Vintners distributes products through over 250 Winexpert and Wine Kitz authorized retailers and franchisees and more than 600 independent retailers across Canada, United States, United Kingdom, New Zealand and Australia. GVI's award-winning premium and ultra-premium winemaking brands include *Selection, Vintners Reserve, Island Mist, Kenridge, Cheeky Monkey, Ultimate Estate Reserve, Traditional Vintage* and *Artful Winemaker*. The Company owns and operates more than 100 well-positioned independent retail locations in Ontario under the Vineyards Estate Wines, Aisle 43 and WineCountry Vintners store names. The Company also owns Grady Wine Marketing (GWM") based in Vancouver, and The Small Winemaker's Collection Inc. ("SWM") based in Ontario; both of these wine agencies are importers of premium wines from around the world and are marketing agents for these fine wines. The Company's products are sold predominantly in Canada with a focus on export sales for its icewine and personal winemaking products.

The Company's stated mission is to build sales volumes of its blended, premium and ultra-premium brands by delivering to its customers and consumers the highest quality wines at the best possible value. To meet this goal, the Company is investing in improvements in the quality of grapes and wines, its winemaking capabilities and in its quality management programs. Over the long term, the Company believes premium wine sales will continue to grow in Canada and these products generate higher sales and increased profitability compared to lower-priced table wines.

APL is focused on initiatives to reduce costs and enhance its production efficiencies through a continual review of the Company's operations. The Company continually reviews its cost structure with a view to enhancing profitability. In addition, the Company continues to expand and strengthen its distribution through provincial liquor boards, the Company's network of 102 Vineyards Estate Wines, Aisle 43 and WineCountry Vintners retail locations, estate wineries, restaurants and other licensed establishments. This distribution network is supported by enhanced sales, marketing and promotional programs. From time to time the Company also evaluates the potential for acquisitions and partnerships, both in Canada and internationally, to further complement its product portfolio and market presence.

Recent Events

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

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

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, unrealized derivative gains (losses), other income (expense), 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.

On April 1, 2008 the Company adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3031 "Inventories". For details on the impact of the adoption of the standard, refer to the Consolidated Financial Statements for the year ended March 31, 2010.

Goodwill

Goodwill on the purchase of Hillebrand in 1993, Vineco International Products in 1996, Brew King (now named Winexpert) in 1997, Distrivin and Winexpert in 2004, Wine Not in 2005 and Cascadia, Thirty Bench and Red Rooster in 2006 and WVI, Rocky Ridge, Camelot Cellars and SWM in 2009 represents the excess of purchase price of acquired businesses over the fair value of the net assets acquired. Goodwill relating to the disposition of GIB and MD is classified as part of discontinued operations – long-term assets in the accompanying consolidated financial statements. The Company determines an impairment of goodwill based on the ability to recover the balance from expected future discounted operating cash flows.

Intangible assets

Intangible assets primarily relate to customer contracts, brands and customer based relationships that have been acquired through recent acquisitions. Management believes that brands do not have a fixed or determinable life and consequently brands are not amortized but are subject to annual impairment tests based on a comparison of the carrying amount to the estimated fair market value of the brands. The amortization periods related to those intangible assets with finite lives are based on the expected duration of the contracts and relationships acquired. These intangible assets will be tested at least annually for impairment or when events or circumstances arise that indicates impairment may exist. Intangible assets relating to the disposition of GIB and MD have been classified as part of discontinued operation – long-term assets in the accompanying consolidated financial statements.

Fair value of financial instruments

Accounts receivable, accounts payable and accrued liabilities and bank indebtedness are reflected in the consolidated financial statements at carrying values, which approximate fair value due to the short-term maturity of these instruments.

Long-term debt has a floating interest rate and its carrying value, as reflected in the consolidated financial statements, approximates fair value. Interest on long-term debt has been fixed through the use of an interest rate swap.

The Company purchases wine and other inventory items throughout the year. These purchases are made in United States dollars and Euros. The Company uses foreign exchange contracts as a hedge against changes in currency values. The Company's strategy is to hedge approximately 50% - 80% of its foreign exchange requirements prior to the beginning of each fiscal quarter. The Company does not enter into foreign exchange contracts for trading or speculative purposes. Contracts are matched against forecasted purchases of inventory and other purchases in U.S. dollars and Euros.

All financial instruments are initially recorded at fair value which includes the Company's interest rate swap and foreign exchange contracts. The Company has not designated any of its financial instruments as hedges and accordingly, changes to the fair value of these instruments are recorded through earnings each period as a net unrealized gain (loss) on derivative financial instruments.

Employee Future Benefits

The Company provides a defined benefit pension plan to certain of its employees. The assumptions used to measure the accrued benefit obligations and benefit costs are: discount rate for expenses 7.0%, discount rate for obligations 5.5%, expected long-term rate of return on plan assets 7.0% and rate of compensation increase 4.0-5.0%. To measure the obligation for 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 \$440. All actuarial losses are amortized over the expected remaining service life which is estimated to be 7-14 years. On March 31, 2010 the Company recognized an obligation to provide post employment medical benefits to certain employees which arose as the result of the Company's acquisition of Cascadia Brands Inc. The obligation to provide post employment medical benefits was not identified at the time of the Cascadia acquisition. The recognition of the post employment medical benefit obligation 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 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.

During fiscal 2010, the Company finalized a diagnostic study and began to evaluate numerous components of the transition to IFRS. Based on evaluations that are currently in progress, the Company’s preliminary expectation is that the following components will have the most impact on its quarterly and annual consolidated financial statements beginning in the year ending March 31, 2012:

- **IFRS 1 – First-time Adoption of IFRS:** During the year ended March 31, 2012, the Company will be required to disclose certain additional comparative financial information related to its quarterly and annual reporting periods. These additional disclosures will provide information that will allow the user to reconcile amounts that were previously presented under Canadian GAAP to IFRS for the interim and annual periods occurring during the year ending March 31, 2011. IFRS 1 also provides numerous exemptions to the general requirement to retrospectively apply IFRS accounting policies. The Company is currently evaluating the exemptions that it will utilize.
- **IAS 41 – Agriculture:** IAS 41 will require the Company to measure its grape vines at their fair value less costs to sell. Costs to sell are the incremental costs that would be required to dispose of an asset if it were sold to a third party. Harvested grapes will be measured at their fair value less costs to sell at the point of harvest. This measurement will then become the cost used in measuring the value of Company’s inventories. Prior to the adoption of IFRS, the Company recorded its vineyards at cost less accumulated amortization and its inventories at the lower of cost and net realizable value. As a result of the application of IAS 41, the balances related to the Company’s vineyards and inventories are expected to change.

Effect on financial statements: The Company’s IFRS balance sheets will present biological assets, which consists of vines and grapes on a vine, separately from property, plant and equipment. This will result in a reduction of property, plant and equipment and a new balance for biological assets. Net earnings may fluctuate to a greater extent from period to period under the new policy as a result of the requirement to present certain changes in the fair value of grape vines in the consolidated statement of earnings (loss). The Company is currently evaluating the magnitude of these changes.

- **IAS 16 – Property, Plant, and Equipment:** IAS 16 provides options to record property, plant, and equipment using a cost or a revaluation model. There are also exemptions under IFRS 1 that provide an additional option for the Company to use fair value as deemed cost at transition for an item of property, plant and equipment. IAS 16 also contains detailed guidance on the componentization of property, plant and equipment. Currently, the Company records property, plant, and equipment at historical cost less accumulated amortization. The Company is currently evaluating its options and requirements under IAS 16 in combination with its options under IFRS 1.
- **IAS 19 – Employee Benefits:** There are currently different options available to the Company under IFRS 1 and IAS 19 to record actuarial gains and losses upon transition to IFRS. In the Company’s opening IFRS balance sheet, the Company may elect to leave a portion of actuarial gains and losses unrecognized or it may elect to recognize all cumulative actuarial gains and losses. After the Company’s transition date of April 1, 2010, actuarial gains and losses may be amortized over a period of time similar to the Company’s current treatment under Canadian GAAP, recognized immediately in profit or loss, or recognized immediately in other comprehensive income. The Company has currently decided to recognize all cumulative actuarial gains and losses in its opening IFRS balance sheet and to immediately recognize actuarial gains and losses in other comprehensive income in its IFRS consolidated financial statements. The Company is monitoring potential future changes in this area, which may impact these preliminary decisions. The differences in recognition criteria for post-employment benefit liabilities compared to those under Canadian GAAP may also impact the Company.

Effect on financial statements: Recognizing cumulative actuarial gains and losses in the Company’s opening IFRS balance sheet will eliminate unamortized actuarial gains and losses and the unamortized plan amendment asset in measuring this liability. The amount of the impact is dependent on the discount rate used in measuring the projected benefit obligation and the Company is currently determining whether a change in this discount rate is necessary as a result of IFRS. 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.

- **IAS 36 – Impairment of Assets:** Under Canadian GAAP, impairment testing of property, plant, and equipment and intangible assets with finite lives involves an initial step of comparing the carrying value of an asset to its undiscounted cash flows when an indication of impairment exists. If the undiscounted cash flows expected to be generated from the asset are greater than the carrying value, no impairment is recorded. This initial step is not part of IFRS. Under IFRS, property, plant, and equipment and intangible assets with finite lives will be assigned to cash generating units (“CGUs”). When there is an indication of impairment, the carrying value of a CGU is compared to the greater of the CGUs fair value and its value in use using discounted cash flows to determine whether or not an impairment charge should be

recorded. Under Canadian GAAP, the carrying value of an intangible asset with an indefinite life is compared to its fair value to determine whether impairment expense should be recorded. Under IFRS, intangible assets with an indefinite life may be allocated to CGUs for impairment testing. Under Canadian GAAP, goodwill is grouped with other assets to form a reporting unit and the carrying value of a reporting unit is compared to its fair value to determine whether an impairment charge should be recorded for goodwill. Under IFRS, goodwill will be allocated to CGUs for impairment testing purposes. The grouping of assets and liabilities used to form a reporting unit to test goodwill for impairment under Canadian GAAP will be different from the grouping of assets and liabilities used to form a CGU to test goodwill for impairment under IFRS. IFRS also requires impairment charges to be reversed in certain circumstances, except for impairment of goodwill and intangible assets with an indefinite life. Reversal of an impairment charge is not permitted under Canadian GAAP. Management is currently evaluating the impact of the applicable IFRS accounting standards.

- IAS 12 – Income Taxes: Future income tax balances will change as a result of the other adjustments required to transition from Canadian GAAP to IFRS. The Company is currently evaluating the extent of other changes and disclosures resulting from IAS 12.

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

The Company has made progress in other aspects of its transition to IFRS, as described below.

- Maintenance of financial reporting expertise: An information session was held for the board of directors and senior management to facilitate the development and maintenance of an appropriate level of financial reporting expertise. Management provides, at least quarterly, updates to the Finance, Audit, and Risk Committee regarding its transition progress and specific business and accounting policy choices. During fiscal 2010, the Company hired a dedicated resource to lead the IFRS implementation team and engaged an external service provider to provide additional assistance. The accounting management team has engaged in self-study and discussion, often with external advisors, on a regular basis during fiscal 2011 and on an ongoing basis to monitor changes in IFRS affecting the Company. In addition, specific roles in the accounting management team attend external training sessions related to IFRS on a regular basis during fiscal 2010 and will continue to attend such sessions during fiscal 2011. Direction and training, lead by the accounting management team, 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: With regard to changes to the Company's information systems, a plan has been developed to leverage existing accounting information system capabilities to meet the dual reporting requirements for the year ended March 31, 2011. Under the plan, the current accounting information systems will be able to produce reconciliations from Canadian GAAP to IFRS balances throughout fiscal 2011 by using a separate chart of accounts to make IFRS adjustments. Changes to the Company's chart of accounts to implement this plan will begin in the second quarter of fiscal 2011. The Company plans 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): The Company is also assessing the impact of the conversion on ICFR and DC&P. The Company has designed additional control processes related to the new accounting standards and their information requirements. 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. Additions to ICFR and DC&P are currently being reviewed. Necessary updates to the Company's design on controls are planned for the first and second quarter of fiscal 2011 and will be tested through the Company's ongoing ICFR and DC&P evaluation process in fiscal 2011 and fiscal 2012.
- Business activities: The Company expects the transition to impact other business activities. Specifically, management is currently evaluating the potential impact on its budgeting and planning processes and its borrowing arrangements. Management expects to address any necessary changes throughout fiscal 2011 as the impacts of new accounting policies are 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.

Results of Operations (unaudited)

The following table outlines key highlights for the three months ended June 30, 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 THREE MONTHS ENDED JUNE 30, (in thousands of dollars except per share amounts)	2010 \$	2009 \$	2008 \$
Sales	64,466	64,950	57,237
Gross profit	25,624	23,797	22,820
Gross profit (% of sales)	39.7%	36.6%	39.9%
Selling general and administrative expenses	16,842	15,849	16,316
Earnings before interest, taxes, amortization, derivative gain (loss), and other income (expense)	8,782	7,948	6,504
Unrealized gain (loss) on financial instruments and other expenses	938	1,127	(219)
Net and comprehensive earnings from continuing operations	4,040	3,338	2,272
Net and comprehensive earnings (loss) from a discontinued operation	-	(87)	381
Net and comprehensive earnings	4,040	3,251	2,653
Earnings per share from continuing operations Class A	\$ 0.28	\$ 0.23	\$0.16
Earnings per share from continuing operations Class B	\$ 0.24	\$ 0.20	\$0.14
Earnings per share – basic and diluted - Class A	\$ 0.28	\$ 0.22	\$ 0.18
Earnings per share – basic and diluted - Class B	\$ 0.24	\$ 0.19	\$ 0.16
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 three months ended June 30, 2010 were consistent with the comparable 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, partially offset by the negative impact of the global economic slowdown on export sales and lower than anticipated sales of the Company's personal winemaking products. Sales in the first quarter of the previous fiscal year were positively impacted by the loading of sales in Ontario in June 2009 at the province's LCBO locations in anticipation of a potential strike during July. In addition, sales were unusually higher in March 2010 as Provincial Liquor Boards and other customers increased their purchases in anticipation of the Easter Holiday period which occurred very early in April; this sales increase in March 2010 resulted in lower sales through the first month of fiscal 2011.

During the first three months of fiscal 2011 and in fiscal 2010, the Company launched a number of new products through provincial liquor stores and the Company's network of retail stores. The Company 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 39.7% during the three months ended June 30, 2010 compared to 37.6% in the fourth quarter of fiscal 2010 and 36.6% in last year's first quarter. Through the first three quarters 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 Cellared in Canada ("CIC") wine, and an increase in the cost of domestic grapes and wine purchased on international markets. Through the fourth quarter of fiscal 2010 and the first quarter of fiscal 2011 these trends began to reverse themselves as the cost of purchasing U.S. dollars improved and the Company's cost control initiatives served to reduce operating and packaging expenses for the period. Management remains focused on efforts to enhance production efficiency and productivity to further improve overall profitability.

Selling and administrative expenses increased in the first quarter of fiscal 2011, and as a percentage of sales were 26.1% compared to 24.4% 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. The Company remains focused on ensuring selling and administrative expenses are tightly controlled.

Earnings before interest, amortization, unrealized derivative gains (losses), other income (expense), income taxes and net earnings from a discontinued operation (“EBITA”) were \$8.8 million for the three months ended June 30, 2010 compared to \$7.9 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 in the current year period.

Interest expense in the first quarter of fiscal 2011 declined to \$1.9 million from \$2.2 million in last year’s first quarter due primarily to the reduction in debt from the proceeds of sale of the Company’s beer business and proceeds from the sale of a portion of an Okanagan vineyard during the first quarter of fiscal 2011. The Company expects to continue to benefit from lower interest costs going forward.

Amortization expenses were \$2.0 million for the three months ended June 30, 2010 and 2009.

The Company incurred a non-cash loss in the first quarter of fiscal 2011 of approximately \$0.4 million related to the mark-to-market adjustments on an interest rate swap, a gain on foreign exchange contracts of \$1.0 million, as well as other income of \$0.3 million primarily related to the gain on the sale of a portion of an Okanagan vineyard partially offset by carrying costs on the Port Moody facility. The Company closed this facility effective December 31, 2005. 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.

Net and comprehensive earnings from continuing operations, excluding the unrealized gains on derivative financial instruments and other income for the quarter ended June 30, 2010 were \$3.4 million compared to \$2.6 million for the prior period. Net and comprehensive earnings were \$4.0 million or \$0.28 per Class A share in the first quarter of fiscal 2011 compared to \$3.3 million or \$0.22 per Class A share for the same period in fiscal 2010. Operating results for the Company’s beer business have been classified as a discontinued item.

In spite of reduced consumer spending during most of fiscal 2010 and into fiscal 2011 due to a challenging economic environment, the Company has experienced modest increases in sales through the majority of its trade channels which is expected to continue through the remainder of the year. The Company expects to continue to benefit from the higher value of the Canadian dollar against the U.S. dollar and Euro but will experience pressure on margins due to the introduction of the “special levy” introduced 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 accordingly has locked in \$18.8 million in U.S. dollar contracts at rates averaging \$1.02 Canadian and \$1.0 million in Euros at rates averaging \$1.42 Canadian for fiscal 2011.

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 (loss) from a discontinued operation. The sale was completed on May 1, 2010.

(\$000) except per share amounts	Q1 11	Q4 10	Q3 10	Q2 10	Q1 10	Q4 09	Q3 09	Q2 09
	\$	\$	\$	\$	\$	\$	\$	\$
Sales	64,466	59,295	71,945	66,961	64,950	56,749	71,342	65,808
Gross profit	25,624	22,281	25,430	24,816	23,797	16,598	27,617	26,656
Gross profit (% of sales)	39.7%	37.6%	35.3%	37.1%	36.6%	29.2%	38.7%	40.5%
EBITA	8,782	4,129	8,527	6,750	7,948	(48)	9,261	7,642
Unrealized gain (loss) on financial instruments and other income	938	401	(144)	213	1,127	(67)	(9,412)	(1,073)
Net & comprehensive earnings (loss) from continuing operations	4,040	838	3,588	1,762	3,338	(3,087)	(2,713)	2,084
Net & comprehensive earnings (loss) from a discontinued operation	-	(200)	11,940	482	(87)	(162)	740	360
Net & comprehensive earnings (loss)	4,040	638	15,528	2,244	3,251	(3,249)	(1,973)	2,444
Earnings (loss) per share – Class A basic & diluted	\$0.28	\$0.04	\$1.07	\$0.16	\$0.22	(\$0.23)	(\$0.13)	\$0.17
Earnings (loss) per share – Class B basic & diluted	\$0.24	\$0.04	\$0.93	\$0.14	\$0.19	(\$0.20)	(\$0.12)	\$0.15

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 first quarter of fiscal 2011 were consistent with the comparable period in fiscal 2010 due to stable sales through provincial liquor boards and at its retail stores, and improved performance at its estate wineries, partially offset by lower wine kit and export sales. Sales in the first quarter of the prior fiscal year were positively impacted by higher purchases from the LCBO in June 2009 in anticipation of a potential strike which negatively affected second quarter fiscal 2010 results. Sales in the fourth quarter of the prior fiscal year were also positively impacted by strong purchases by provincial liquor boards due to the Easter holiday occurring very early in April. Gross profit for the three months ended June 30, 2010 increased to 39.7% of sales due primarily to the decreased cost to the Company of purchasing United States dollars. Net and comprehensive earnings from continuing operations, not including the unrealized gains or losses on derivative financial instruments, other income and income from a discontinued operation, were \$3.4 million for the first quarter of fiscal 2011 compared to \$2.7 million in the first quarter of fiscal 2010.

Liquidity and Capital Resources (unaudited)

As at (\$000)	June 30, 2010 \$	March 31, 2010 \$	June 30, 2009 \$
Current Assets	113,629	116,351	133,491
Property, Plant & Equipment	94,438	95,728	97,884
Goodwill	37,473	37,473	35,683
Intangibles and Other Assets	14,003	14,164	14,667
Discontinued Operation	-	-	9,826
Total Assets	259,543	263,716	291,551
Current Liabilities	80,300	86,383	106,359
Long-term Debt	46,485	47,633	69,403
Long-term Derivative Financial Instruments	1,878	1,667	3,211
Employee Future Benefits	4,376	4,530	2,557
Future Income Tax	9,996	9,838	10,907
Discontinued Operation	-	-	269
Shareholders' Equity	116,508	113,665	98,845
Total Liabilities & Shareholders' Equity	259,543	263,716	291,551

The changes to the Company's balance sheet at June 30, 2010 compared to March 31, 2010 and June 30, 2009 are primarily due to the sale of GIB and MD on October 1, 2009 and the sale of vineyard properties in the Okanagan Valley on May 25, 2010. The resulting reduction in bank indebtedness and long-term debt, a lower investment in inventory, a reduction in accounts payable and accrued charges impacted working capital during the period. The Company's beer business has been classified as a discontinued operation in current and prior periods. The Company recognized additional post employment medical benefit liabilities in the fourth quarter of fiscal 2010 related to commitments acquired through the previously completed Cascadia acquisition.

As at June 30, 2010 bank indebtedness and long-term debt decreased to \$101.5 million compared to \$102.7 million at March 31, 2010 due primarily to the reduction in bank indebtedness due to strong net earnings for the period and from proceeds from the sale of vineyard properties in the Okanagan Valley. Bank indebtedness declined from \$136.4 million at June 30, 2009 due primarily to proceeds from the sale of GIB and MD, increased cash flow from operating activities due to higher net earnings and lower levels of inventory partially offset by lower levels of accounts payable and accrued charges.

Inventory at June 30, 2010 was down \$3.4 compared to March 31, 2010 as the Company continued its efforts to reduce working capital primarily through a reduction in bulk wine inventory partially offset by an increase in finished goods inventory due to strong sales at the end of the prior fiscal 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 \$13.7 million dollars of accounts receivable with provincial liquor boards all of which is expected to be collectable. The balance of \$10.2 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 \$1.7 million. Against these amounts, an allowance for doubtful accounts of \$0.3 million has been provided which the Company has determined to represent a reasonable estimate of amounts that may not be collectible.

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

As at June 30, 2010 (\$000)	Total	<1 Year	2-3 years	4-5 years	>5 years
	\$	\$	\$	\$	\$
Long-Term Bank Loan	52,278	5,333	10,666	10,666	25,613
Swap Agreement	14,641	3,808	6,419	4,414	-
Operating Leases	19,555	3,457	5,221	2,772	8,105
Pension Obligations	3,760	532	863	645	1,720
Foreign Exchange Contracts	20,633	20,633	-	-	-
Long-Term Grape Contracts	269,919	20,190	42,141	41,342	166,246
Total Long-Term Obligations	380,786	53,953	65,310	59,839	201,684

The ratio of debt to equity decreased to 0.87:1 at June 30, 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 June 30, 2010 the Company had unutilized debt capacity in the amount of \$20.5 million on its demand loan facility.

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

On January 26, 2010, the Company modified its existing term loan. The modified term loan will continue to be repayable in monthly principal payments of \$0.444 million plus interest and matures on April 30, 2015. The Company maintains an interest rate swap which effectively fixes the interest rate on the term loan at 5.64%. Under terms of the modified loan, the Company currently pays additional interest of 0.95% based on leverage and a funding premium of 0.80% which is renegotiated annually. Effective July 1, 2010, the interest rate based on leverage was reduced by 0.25%.

Management expects to generate sufficient cash flow from operations to meet its debt servicing, principal payment and working capital requirements over both the short and the long term through increased profitability and strong management of working capital and capital expenditures. The Company closed its Port Moody B.C. winery effective December 31, 2005. 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 quarter of fiscal 2011, the Company generated cash from operating activities, after changes in non-cash working capital items, of \$2.6 million compared to a use of \$1.8 million in the same period last year. Cash flow from operating activities increased due to stronger earnings performance and improved management of working capital, principally a reduction in inventories partially offset by a decrease in accounts payable and accrued liabilities.

Investing activities of approximately \$0.9 million were made in the first quarter compared to \$2.2 million in the prior year period. The decrease in the first quarter of fiscal 2011 is primarily related to proceeds received from the sale of the Okanagan vineyards on May 25, 2010. Capital spending on property and equipment was lower at \$0.8 million for the quarter ended June 30, 2010 compared to \$1.4 million in the prior year period.

Working capital as at June 30, 2010 was \$33.3 million compared to \$30.0 million at March 31, 2010 and \$27.1 million as at June 30, 2009. Shareholders' equity as at June 30, 2010 was \$116.5 million or \$7.82 per common share compared to \$113.7 million or \$7.63 per common share as at March 31, 2010 and \$98.8 million or \$6.63 per common share at June 30, 2009. The increase in shareholders' equity is due to the gain on the Company's sale of GIB and MD and higher net earnings from continuing operations for the periods.

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	August 11, 2010	June 30, 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 quarter of fiscal 2011. During the first three months of fiscal 2011, the Company continued to experience slight weakness in certain trade channels, specifically its export sales and personal winemaking products, due to weak consumer spending being experienced across North America. Sales to liquor boards across the country and through the Company's 102 retail stores in Ontario increased slightly. Andrew Peller Limited has focused its product development and sales and marketing initiatives aimed at capitalizing on the trend to increased wine consumption and expect 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 fiscal 2011 and increase its use of unique package formats. The Company will also make packaging design changes that are consistent with its continued move to be more environmentally friendly. Increased focus will be made on expanding distribution through the Company's direct to home trade channels to provide consumers with more access to 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 fiscal 2011.

The Company expects to make additional investments in capital expenditures to support its ongoing commitment to producing the highest-quality wines and to improve productivity and efficiencies. Such investments made over the past few years are expected to continue to result in increased sales and 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 also 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 mostly 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 effective July 1, 2010. CIC is wine produced 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 \$4.3 million, or approximately \$3.0 million through the balance of 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 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 celled in Canada wines. Privatization of liquor distribution and retailing has been implemented in varying degrees across the country. The possibility of privatization in Ontario remains a risk to the Company through its impact on the Company's retail operations. The provincial government has stated that, should it consider privatization, it would engage in a consultation process and would acknowledge the special role of Ontario's wine industry.

The wine industry and the domestic and international market, in which the Company operates, are consolidating. This has resulted in fewer, but larger, competitors who increase their resources and scale. The increased competition from these larger market participants may affect the Company's pricing strategies and create margin pressures, resulting in potentially lower revenues. Competition also exerts pressure on existing customer relationships, which may affect APL's ability to retain existing customers and increase the number of new customers. The Company has worked to improve production efficiencies, selectively increased pricing to increase gross profit and implemented a higher level of promotion and advertising activity to combat these initiatives. APL and other wine industry participants also generally compete with other alcoholic beverages like beer and spirits for consumer acceptance, loyalty and shelf space. No assurance can be given that consumer demand for wine, and premium wine products, will continue at current levels in the future.

The Company has experienced increases in energy costs, and further increases in the cost of energy would result in higher transportation, freight and other operating costs. The Company's future operating expenses and margins are dependent on its ability to manage the impact of cost increases. The Company cannot guarantee that it will be able to pass along increased energy costs to its customers through increased prices.

Federal and provincial governments impose excise and other taxes on beverage alcohol products in varying amounts which have been subject to change. Significant increases in excise and other taxes on beverage alcohol products could materially and adversely affect the Company's financial condition or results of operations. In addition, federal and provincial governmental agencies extensively regulate the beverage alcohol products industry concerning such matters as licensing, trade practices, permitted and required labelling, advertising and relations with consumers and retailers. Certain federal and provincial regulations also require warning labels and signage. New or revised regulations or increased licensing fees, requirements or taxes could also have a material adverse effect on the Company's financial condition or results of operations.

The Company's future operating results also depend on the ability of its officers and other key employees to continue to implement and improve its operating and financial systems and manage the Company's significant relationships with its suppliers and customers. The Company is also dependent upon the performance of its key senior management personnel. The Company's success is linked to its ability to identify, hire, train, motivate, promote and retain highly qualified management. Competition for such employees is intense and there can be no assurances that the Company will be able to retain current key employees or attract new key employees.

The competitive nature of the wine industry internationally has resulted in the discounting of retail prices of wine in key markets such as the United States and the United Kingdom, in part due to an international grape surplus. This international grape surplus, principally in Australia, Chile and Argentina and high inventories of French wine, could serve to continue the discounting of wine in international markets. The Company has responded by increased promotional and advertising spending to strengthen the performance of its brands. The Company does not believe that significant price discounting will occur in Canada beyond current levels.

The Company considers its trademarks, particularly certain brand names and product packaging, advertising and promotion design and artwork to be of significant importance to its business and ascribes a significant value to these intangible assets. The Company relies on trademark laws and other arrangements to protect its proprietary rights.

There can be no assurance that the steps taken by APL to protect its intellectual property rights will preclude competitors from developing confusingly similar brand names or promotional materials. The Company believes that its proprietary rights do not infringe upon the proprietary rights of third parties, but there can be no assurance in this regard.

As an owner and lessor of property, the Company is subject to various federal and provincial laws relating to environmental matters. Such laws provide that the Company could be held liable for the cost of removal and remediation of hazardous substances on its properties. The failure to remedy any situation that might arise could lead to claims against the Company. These risks are believed to be limited.

The success of the Company's brands depends upon the positive image that consumers have of those brands. Contamination of APL's products, whether arising accidentally or through deliberate third-party action, or other events that harm the integrity or consumer support for those brands, could adversely affect their sales. Contaminants in raw materials purchased from third parties and used in the production of the Company's products or defects in the fermentation process could lead to low product quality as well as illness among, or injury to, consumers of the products and may result in reduced sales of the affected brand or all of the Company's brands.

Evaluation of Disclosure Controls and Procedures and Internal Control over Financial Reporting.

Compliance with National Instrument 52-109 ("NI 52-109") provided the Company with a review and documentation of the processes and internal controls that were in place within the organization. As a result of the review, the Company found no material weaknesses and will continue to update the review and documentation of processes and internal controls on an on-going basis.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information required to be disclosed by the Company in reports filed with or submitted to various securities regulators is recorded, processed, summarized and reported within the time periods specified. This information is gathered and reported to the Company's management, including the President and Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), on a timely basis so that decisions can be made regarding the Company's disclosure to the public.

As at August 11, 2010, the Company's management, under the supervision of, and with the participation of the CEO and CFO, have designed and evaluated the Company's disclosure controls and procedures as required in Canada by "National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings". Based on this evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures were effective.

Internal Controls over Financial Reporting

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

Designing, establishing and maintaining adequate internal controls over financial reporting is the responsibility of management. Internal controls over financial reporting is a process designed by, or under the supervision of senior management and effected by the Board of Directors to provide reasonable assurance regarding the reliability of financial reporting and preparation of the Company's financial statements in accordance with Canadian GAAP.

For the three months ended June 30, 2010, there have been no material changes in the Company's internal control over financial reporting or changes to disclosure, procedures or controls that materially affected or were likely to affect, the Company's internal control systems.

ANDREW PELLER LIMITED
CONSOLIDATED BALANCE SHEETS

These financial statements have not been reviewed by our auditors

	June 30	March 31
	2010	2010
	\$	\$
Assets		
Current Assets		
Accounts receivable	23,887	22,902
Inventories	86,282	89,693
Prepaid expenses and other assets	3,095	2,429
Income taxes recoverable	365	1,327
	<u>113,629</u>	<u>116,351</u>
Property, plant and equipment	94,438	95,728
Goodwill	37,473	37,473
Intangibles and other assets	14,003	14,164
	<u><u>259,543</u></u>	<u><u>263,716</u></u>
Liabilities		
Current Liabilities		
Bank indebtedness	49,654	48,877
Accounts payable and accrued liabilities	22,450	28,229
Dividends payable	1,197	1,197
Current derivative financial instruments	1,666	1,922
Current portion of long-term debt	5,333	6,158
	<u>80,300</u>	<u>86,383</u>
Long-term debt	46,485	47,633
Long-term derivative financial instruments	1,878	1,667
Employee future benefits	4,376	4,530
Future income taxes	9,996	9,838
	<u>143,035</u>	<u>150,051</u>
Shareholders' Equity		
Capital Stock	7,375	7,375
Retained Earnings	109,133	106,290
	<u>116,508</u>	<u>113,665</u>
	<u><u>259,543</u></u>	<u><u>263,716</u></u>

The accompanying notes are an integral part of these interim consolidated financial statements

ANDREW PELLER LIMITED

Consolidated Statements of Earnings, Comprehensive Earnings and Retained Earnings

For the three months ended June 30, 2010 and 2009

These financial statements have not been reviewed by our auditors

	2010	2009
	\$	\$
Sales	64,466	64,950
Cost of goods sold, excluding amortization	<u>38,842</u>	<u>41,153</u>
Gross profit	25,624	23,797
Selling and administration	<u>16,842</u>	<u>15,849</u>
Earnings before interest and amortization	8,782	7,948
Interest	1,942	2,183
Amortization of plant, equipment and intangible assets	<u>2,027</u>	<u>1,993</u>
Earnings before other items	4,813	3,772
Unrealized gains on derivative financial instruments	(646)	(1,127)
Other income (Note 4)	<u>(292)</u>	<u>-</u>
Earnings before income taxes	5,751	4,899
Provision for income taxes		
Current	1,553	1,082
Future	<u>158</u>	<u>479</u>
	<u>1,711</u>	<u>1,561</u>
Net and comprehensive earnings for the period from continuing operations	4,040	3,338
Net and comprehensive loss for the period from a discontinued operation (Note 3)	<u>-</u>	<u>(87)</u>
Net and comprehensive earnings for the period	4,040	3,251
Retained earnings- Beginning of period	106,290	89,416
Dividends:		
Class A and Class B	<u>(1,197)</u>	<u>(1,197)</u>
Retained earnings - End of period	<u>109,133</u>	<u>91,470</u>
Net earnings per share from continuing operations		
Basic and diluted		
Class A shares	<u>0.28</u>	<u>0.23</u>
Class B shares	<u>0.24</u>	<u>0.20</u>
Net earnings (loss) per share from discontinued operation		
Basic and diluted		
Class A shares	<u>0.00</u>	<u>(0.01)</u>
Class B shares	<u>0.00</u>	<u>(0.01)</u>
Net earnings per share		
Basic and diluted		
Class A shares	<u>0.28</u>	<u>0.22</u>
Class B shares	<u>0.24</u>	<u>0.19</u>

The accompanying notes are an integral part of these interim consolidated financial statements

ANDREW PELLER LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three months ending June 30, 2010 and 2009
These financial statements have not been reviewed by our auditors

	2010	2009
	\$	\$
Cash provided by (used in)		
Operating activities		
Net earnings (loss) for the year	4,040	3,338
Items not affecting cash:		
(Gain) on disposal of property and equipment	(340)	-
Amortization of plant, equipment and intangible assets	2,027	1,993
Employee future benefits	(154)	(267)
Net unrealized (gain) on derivative financial instruments	(646)	(1,127)
Future income taxes	158	479
Amortization of deferred financing costs	185	12
	<u>5,270</u>	<u>4,428</u>
Changes in non-cash working capital items related to operations (Note 5):	<u>(2,647)</u>	<u>(6,224)</u>
	<u>2,623</u>	<u>(1,796)</u>
Investing activities		
Acquisition of businesses	(825)	(825)
Net proceeds from disposal of property and equipment	766	-
Purchase of property and equipment	(811)	(1,368)
	<u>(870)</u>	<u>(2,193)</u>
Financing activities		
Increase in bank indebtedness	777	8,619
Repayment of long-term debt	(1,333)	(1,333)
Dividends paid	(1,197)	(1,197)
	<u>(1,753)</u>	<u>6,089</u>
Cash provided from continuing operations	-	2,100
Cash (used in) discontinued operation	-	(2,100)
Cash at beginning and end of period	-	-
Supplemental disclosure of cash flow information		
Cash paid during the period from continuing operations for		
Interest	1,869	1,896
Income taxes	590	135
Cash paid during the period from discontinued operation for		
Income taxes	-	202
Cash paid during the period for		
Interest	1,869	1,896
Income taxes	590	337

The accompanying notes are an integral part of these interim consolidated financial statements

Notes to the Interim Consolidated Financial Statements

June 30, 2010 and 2009

(in thousands of dollars)

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 consolidated financial statements only presents material changes to the disclosure found in the Company's audited consolidated financial statements for the years ended March 31, 2010 and 2009. These interim consolidated financial statements should be read in conjunction with those consolidated financial statements and follow the same accounting policies as the audited consolidated financial statements. In the opinion of management, the accompanying unaudited interim consolidated financial statements contain all adjustments necessary to present fairly, in all material respects the financial position of the Company as at June 30, 2010 and for the three-month period then ended.

2. Seasonality

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.

3. Discontinued operations

During fiscal 2010, the Company entered into an agreement to dispose of its ownership interests in Granville Island Brewing Company Ltd. and Mainland Beverage Distribution Ltd. (collectively referred to as "GIBCO") effective October 1, 2009.

Financial information relating to the discontinued operation is as follows:

Condensed statement of net earnings from discontinued operation

	For the three months ended June 30 2009 \$
Sales	5,213
Cost of goods sold	2,705
Gross profit	2,508
Selling and administration	2,529
Amortization	106
Earnings before income taxes	(127)
Recovery of income taxes	40
Net earnings from discontinued operations	(87)

Included in cost of goods sold is \$2,055 for the three months ended June 30, 2009 for costs relating to manufacturing services provided by a related company. The costs incurred by the Company for these activities are not expected to continue upon completion of the eventual disposition.

Condensed statement of cash flows from discontinued operation

	For the three months ended June 30 2009 \$
Cash used in operating activities	(2,100)
Cash provided by (used in) investing activities	-
Cash provided by (used in) financing activities	-
	(2,100)

4. Other income

Included in other (income) expenses is a gain in the amount of \$340 pre-tax related to the sale of a portion of a vineyard on May 25, 2010. The net proceeds from the sale were \$766.

5. Changes in non-cash working capital items

The change in non-cash working capital items is comprised of the change in the following items:

	For the Three Months Ended June 30,	
	<u>2010</u>	<u>2009</u>
	\$	\$
Accounts receivable	(985)	(921)
Inventories	3,411	2,502
Prepaid expenses and other assets	(65)	(854)
Accounts payable and accrued liabilities	(5,970)	(7,898)
Income taxes recoverable	962	947
	<u>(2,647)</u>	<u>(6,224)</u>

6. Comparative Figures

Certain of the prior year balances have been restated to conform with the current year's presentation.

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Joseph A. Peller
Chairman
August 11, 2010