

MANAGEMENT'S REPORT
& INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended June 30, 2011

The following management's discussion and analysis ('MD&A') provides a review of corporate developments, results of operations and financial position for the three months ended June 30, 2011 in comparison with those for the three months ended June 30, 2010. This discussion is prepared as of August 30, 2011 and should be read in conjunction with the audited consolidated financial statements for the year ended March 31, 2011 and 2010 and the accompanying notes contained therein. The financial years ending March 31, 2012, March 31, 2011 and March 31, 2010 are referred to as "fiscal 2012", "fiscal 2011" and "fiscal 2010" respectively. All dollar amounts are expressed in Canadian dollars unless otherwise indicated.

FORWARD-LOOKING INFORMATION

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

These forward-looking statements are also subject to the risks and uncertainties discussed in the "Risk Factors" section and elsewhere in this MD&A and other risks detailed from time to time in the publicly filed disclosure documents of the Company which are available at www.sedar.com. Forward-looking statements are not guarantees of future performance and involve risks, uncertainties and assumptions which could cause actual results to differ materially from 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

The Company is a leading producer and marketer of quality wines in Canada. With wineries in British Columbia, Ontario and Nova Scotia, the Company markets wines produced from grapes grown in Ontario's Niagara Peninsula, British Columbia's Okanagan, and Similkameen Valleys, and from vineyards around the world. The Company's award-winning premium and ultra-premium VQA brands include *Peller Estates*, *Trius*, *Hillebrand*, *Thirty Bench*, *Crush*, *Sandhill*, *Calona Vineyards Artist Series*, and *Red Rooster*. Complementing these premium brands are a number of popularly priced varietal wine brands including *Peller Estates French Cross* in the East, *Peller Estates Proprietors Reserve* in the West, *Copper Moon*, *XOXO*, and *Croc Crossing*. *Hochtaler*, *Domaine D'Or*, *Schloss Laderheim*, *Royal*, and *Sommet* are our key value priced wine blends. The Company imports wines from major wine regions around the world to blend with domestic wine to craft these popularly priced and value priced wine brands. With a focus on serving the needs of all wine consumers, the Company produces and markets premium personal winemaking products through its wholly-owned subsidiary, Global Vintners Inc. ("GVI"), the recognized leader in

personal winemaking products. Global Vintners distributes products through over 250 Winexpert and Wine Kitz authorized retailers and franchisees and more than 600 independent retailers across Canada, 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, sales and marketing initiatives, and in its quality management programs. Over the long term, the Company believes premium wine sales will continue to grow in Canada and these products generate higher sales and increased profitability compared to lower-priced table wines.

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

Recent Events

On June 8, 2011 the Company's Board of Directors announced a 9% increase in common share dividends for shareholders of record on June 30, 2011 payable on July 8, 2011. The annual dividend on Class A Shares was increased to \$0.360 per share from \$0.330 per share and the Class B Shares increased to \$0.0314 per share from \$0.288 per share.

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

Effective May 1, 2010 the Company completed the sale of its ownership interests in Granville Island Brewing Company Ltd. ("GIB") and Mainland Beverage Distribution Ltd. ("MD") to Creemore Springs Brewery Ltd. Of the total proceeds from the sale of approximately \$26.2 million, \$25.0 million was received during fiscal 2010 and \$0.2 million was received during the first quarter of fiscal 2011. Proceeds were used to reduce long-term debt and bank indebtedness. The balance of the sale proceeds is expected to be received on May 1, 2012. The Company recorded an after tax gain on the sale in fiscal 2010 of approximately \$11.9 million. The operating results of the beer business have been classified as net earnings from a discontinued operation.

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

Effective July 1, 2010 the Province of Ontario introduced, as part of the Harmonized Sales Tax ("HST"), a special wine levy on International and Canadian blended ("ICB") wines sold through the Company's retail store network. ICB is wine that is made through the blending of wine made from domestic grapes with wine purchased on international markets. Imported and domestic wines sold through the LCBO do not incur any additional taxation.

This discriminatory wine levy has put pressure on the Company's gross margin, as well as on domestic grape prices and purchases. The impact of the levy will amount to approximately \$3.0 million in fiscal 2012.

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

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

Results of Operations (unaudited)

The following table outlines key highlights for the three months ended June 30, 2011, 2010 and 2009. With the Company's sale of its ownership of GIB and MD effective October 1, 2009, the results for the Company's beer business have been classified as earnings from a discontinued operation. The sale was completed on May 1, 2010.

FOR THE THREE MONTHS ENDED JUNE 30, (in thousands of dollars except per share amounts)	2011	2010	2009 (1)
Sales	69,407	64,466	64,950
Gross margin	27,313	25,490	23,797
Gross margin (% of sales)	39.4%	39.5%	36.6%
Selling general and administrative expenses	17,831	16,846	15,849
Earnings before interest, taxes, amortization, derivative loss (gain), other expenses and net earnings from a discontinued operation	9,482	8,644	7,948
Unrealized loss (gain) on financial instruments	300	(646)	1,127
Other expenses (income)	164	(249)	-
Net earnings from continuing operations	3,911	4,003	3,338
Net (loss) from a discontinued operation	-	-	(87)
Other comprehensive income (loss)	(241)	(715)	-
Net comprehensive income	3,670	3,288	3,251
Earnings per share from continuing operations Class A	0.28	0.28	0.23
Earnings per share from continuing operations Class B	0.24	0.24	0.20
Earnings per share – basic and diluted - Class A	0.28	0.28	(0.01)
Earnings per share – basic and diluted - Class B	0.24	.024	(0.01)
Dividend per share – Class A (annual)	\$0.360	\$ 0.330	\$ 0.330
Dividend per share – Class B (annual)	\$0.314	\$ 0.288	\$ 0.288

(1) Amounts for the quarter ended June 30, 2009 have not been prepared in accordance with IFRS. They have been presented in accordance with Canadian GAAP and may not be comparable to subsequent periods.

Sales for the three months ended June 30, 2011 increased by approximately 7.7% primarily due to increased sales of major premium and blended varietal brands sold through provincial liquor boards across the country, and new product introductions, partially offset by the negative impact of the special levy introduced on July 1, 2010 by the Province of Ontario on sales of ICB wines in the Company's retail stores and lower sales of the Company's wine kits. Sales for the first quarter of fiscal 2012 were positively impacted by the timing of the key Easter selling season that was not recorded in last year's first quarter.

The Company defines gross margin as sales less cost of goods sold, excluding amortization.

Gross margin as a percentage of sales was 39.4% for the three months ended June 30, 2011 compared to 39.5% for the same quarter in the prior year. Gross margin percentage was positively affected by the strengthening of the Canadian dollar on world currency markets, increased sales of higher margin wines, and successful cost control initiatives to reduce operating and packaging expenses partially offsetting the negative impact of the above-mentioned additional taxation levied on ICB wines sold through the Company's retail stores and higher pricing on wine purchased on international markets. The special levy served to reduce sales and gross margin by approximately \$0.6 million in the first quarter of fiscal 2012. During the first quarter of fiscal 2012 the Company underwent a planned plant shutdown to install new packaging equipment. The Company had built up inventories during the fourth quarter of fiscal 2011 to ensure sufficient product was available to manage demand during the planned shutdown. During fiscal 2010, the Company's gross margin was negatively impacted by the increased cost of purchasing United States dollars, the increased use of higher-priced domestic grapes used to produce ICB wines, and an increase in the cost of domestic grapes and wine purchased on international markets. Management remains focused on efforts to enhance production efficiency and productivity to further improve overall profitability and to work with government to eliminate this discriminatory levy.

Selling and administrative expenses increased in the first quarter of fiscal 2012 due primarily to an increase in sales and marketing investments to grow sales volumes of its products through increased advertising and promotional initiatives across all trade channels, investments made to increase tourism at its estate wineries, and one-time promotional costs related to the Company's 50th Anniversary celebrations. As a percentage of sales, selling and administrative expenses improved to 25.7% in the first quarter of fiscal 2012 compared to 26.1% in the same quarter last year. The Company remains focused on ensuring selling and administrative expenses are tightly controlled, but expect that the current level of sales and administrative expenses will increase slightly through the year, due to one time costs associated with the Company's 50th Anniversary celebrations.

Earnings before interest, amortization, non-hedge derivative gains (losses), other expenses, income taxes and net earnings from a discontinued operation ("EBITA") were \$9.5 million for the three months ended June 30, 2011 compared to \$8.6 million in the prior fiscal year. The increase is primarily due to higher sales partially offset by the impact of the special levy on its retail stores in Ontario and higher advertising and promotional expenses.

Interest expense in the first quarter of fiscal 2012 declined to \$1.5 million from \$1.9 million last year due to a decrease in short and long-term interest rates as well as the reduction in debt from the proceeds of the sale of a portion of an Okanagan vineyard during the first quarter of fiscal 2011.

Amortization expenses were \$1.9 million for the quarter ended June 30, 2011, consistent with the comparable prior year period.

The Company incurred a non-cash loss in the first quarter of fiscal 2012 related to mark-to-market adjustments on an interest rate swap and foreign exchange contracts aggregating approximately \$0.3 million compared to a gain of \$0.6 million in the prior year. The Company has elected not to apply hedge accounting and these financial instruments are reflected in the Company's financial statements at fair value each reporting period. These instruments are considered to be effective economic hedges and have enabled management to mitigate the volatility of changing costs and interest rates during the year.

Other expenses incurred in the first quarter of fiscal 2012 relate to a \$0.1 million fair value adjustment to vines and \$0.1 million in carrying costs for the Company's Port Moody facility which was closed effective December 31, 2005. In fiscal 2011 other income related to a gain on the sale of a portion of an Okanagan vineyard partially offset by ongoing maintenance for the Port Moody facility.

Net earnings excluding gains (losses) on derivative financial instruments, other expenses, and the related income tax effect of these items for the three months ended June 30, 2011 were \$4.3 million compared to \$3.4 million in the prior year.

Net comprehensive income for the three months ended June 30, 2011 were \$3.7 million compared to \$3.3 million for the comparable period in fiscal 2011.

The Company believes that sales will continue to grow in fiscal 2012 due to the strong positioning of key brands and the reduced impact of the year over year change in the special levy. The Company will continue to benefit from the

higher value of the Canadian dollar against the U.S. dollar and Euro in fiscal 2012 but will experience continued pressure on earnings due to the impact of the special levy and by higher levels of spending on advertising and promotion. The Company uses foreign exchange contracts to protect against changes in foreign currency rates and at June 30, 2011 had locked in \$15.3 million in U.S. dollar contracts at rates averaging \$1.00 Canadian for fiscal 2012. The Company has not booked any foreign exchange contracts for the Euro.

Quarterly Performance (unaudited)

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

(\$000) except per share amounts	Q1 12	Q4 11	Q3 11	Q2 11	Q1 11	Q4 10 ⁽¹⁾	Q3 10 ⁽¹⁾	Q2 10 ⁽¹⁾
	\$	\$	\$	\$	\$	\$	\$	\$
Sales	69,407	56,940	74,983	69,031	64,466	59,295	71,945	66,961
Gross margin	27,313	22,146	28,588	27,038	25,490	22,281	25,430	24,816
Gross margin (% of sales)	39.4%	38.9%	38.1%	39.2%	39.5%	37.6%	35.3%	37.1%
EBITA	9,482	3,945	10,173	8,782	8,644	4,129	8,527	6,750
Unrealized gain (loss) on financial instruments and other expenses	(464)	416	285	(2,270)	895	401	(144)	213
Net earnings from continuing operations	3,911	417	4,930	1,873	4,003	838	3,588	1,762
Net earnings (loss) from a discontinued operation	-	-	-	-	-	(200)	11,940	482
Other comprehensive income (loss)	(241)	278	782	(964)	(715)	-	-	-
Net comprehensive income	3,670	695	5,712	909	3,288	638	15,528	2,244
Earnings per share – Class A basic & diluted	\$0.28	\$0.03	\$0.34	\$0.13	\$0.28	\$0.04	\$1.07	\$0.16
Earnings per share – Class B basic & diluted	\$0.24	\$0.02	\$0.30	\$0.11	\$0.24	\$0.04	\$0.93	\$0.14

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

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

Sales in the first quarter of fiscal 2012 increased compared to the same quarter of fiscal 2011 due primarily to solid increases in sales in the majority of the Company's trade channels partially offset by the introduction of the special levy on ICB wines sold in the Ontario retail store system. Gross margin for the three months ended June 30, 2011 was 39.4% of sales compared to 39.5% in the comparable prior year period due primarily to the introduction of the special levy effective July 1, 2010 which served to reduce gross margin during the second, third and fourth quarters of fiscal 2011 and the first quarter of fiscal 2012 and higher costs for the purchase of wine on international markets partially offset by the higher value of the Canadian dollar and improved efficiencies at the Company's wineries. Selling and administrative expenses as a percentage of sales decreased to 25.7% in the first quarter of fiscal 2012 compared to 26.1% in the prior year period due primarily to the higher sales levels.

Liquidity and Capital Resources (unaudited)

As at (\$000)	June 30, 2011 \$	March 31, 2011 \$
Current Assets	121,902	119,659
Property, Plant & Equipment	84,049	84,744
Biological Assets	12,328	11,950
Goodwill	37,473	37,473
Intangibles and Other Assets	13,015	14,170
Total Assets	268,767	267,996
Current Liabilities	91,052	92,016
Long-term Debt	41,499	42,720
Long-term Derivative Financial Instruments	1,948	1,578
Employee Future Benefits	5,723	5,565
Deferred Income Tax	11,830	11,820
Shareholders' Equity	116,715	114,297
Total Liabilities & Shareholders' Equity	268,767	267,996

The changes to the Company's balance sheet at June 30, 2011 compared to March 31, 2011 are primarily due to a higher level of accounts receivable due to increased sales during the first quarter of fiscal 2012 partially offset by lower inventory levels that decreased during the quarter once the new packaging lines were installed. A reduction in accounts payable and accrued charges due to seasonal fluctuations served to increase bank indebtedness at the end of the quarter. In the second quarter of fiscal 2011, the Company recorded a net write-down to assets of \$1.1 million related to damage to vines at a BC vineyard. In addition, beginning April 1, 2011 the Company began disclosing its biological assets, primarily grapes and vines, as required under IFRS.

Total bank indebtedness increased during the first quarter of fiscal 2012 due primarily to higher levels of working capital, increased capital investments and investments in biological assets, partially offset by strong net earnings for the period and regularly scheduled long-term debt repayments.

Inventory at June 30, 2011 was lower compared to March 31, 2011 due primarily to the use of product inventories built up in the fourth quarter of fiscal 2011 in advance of the scheduled plant shut down in the first quarter of fiscal 2012 to install new packaging equipment. Inventory is dependent on the increased use of domestically grown grapes that are used in the sale of premium and ultra-premiums wines and are held for a longer period than imported wine. These grapes are typically aged for one to three years before they are sold. The cost of domestically grown grapes is also significantly higher than wine purchased on international markets.

Accounts receivable are predominantly with provincial liquor boards and to a lesser extent licensed establishments and independent retailers of consumer made wine kits. The Company has \$17.0 million dollars of accounts receivable with provincial liquor boards all of which is expected to be collectable. The balance of \$11.2 million represents amounts due from licensees, export customers and independent retailers of consumer made wine products. The Company is also due \$1.0 million from Creemore Springs Brewery Ltd. on May 1, 2012 on the sale of GIB and MD. The amount of accounts receivable that is beyond 60 days is \$2.5 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, 2011 (\$000) (unaudited)	Total	<1 Year	2-3 years	4-5 years	>5 years
	\$	\$	\$	\$	\$
Long-Term Bank Loan	46,945	5,333	10,666	30,946	
Swap Agreement and Loan Interest	9,840	3,098	5,074	1,668	
Operating Leases	18,350	3,318	4,702	2,339	7,991
Pension Obligations	3,228	454	745	617	1,412
Foreign Exchange Contracts	15,223	15,223			
Long-Term Grape Contracts	294,373	21,208	43,148	42,643	187,374
Total Long-Term Obligations	387,959	48,634	64,335	78,213	196,777

The ratio of debt to equity was 0.86:1 at June 30, 2011 compared to 0.85:1 at March 31, 2011. At June 30, 2011 the Company had unutilized debt capacity in the amount of \$14.2 million on its demand loan facility.

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

On January 26, 2010, the Company modified its existing term loan. The modified term loan will continue to be repayable in monthly principal payments of \$0.444 million plus interest and matures on April 30, 2015. The Company maintains an interest rate swap that effectively fixes the interest rate on the term loan at 5.64%. The Company currently pays additional interest of 0.50%, based on leverage and a funding premium of 0.80% that is re-negotiated annually. The additional interest based on leverage has decreased by 0.45% from 0.95% at March 31, 2010. The funding premium has decreased by 0.25% from 1.05% at March 31, 2010.

The Company is in the process of closing a refinancing package with its existing bank group on \$125 million syndicated loan facilities that would mature on April 30, 2015. The Company would pay interest at a rate of prime plus 0.75%. The term loan will continue to be repayable in monthly principal payments of \$0.444 million plus interest. The Company anticipates closing this transaction during September 2011.

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.

In the first quarter of fiscal 2012 the Company used cash from operating activities, after changes in non-cash working capital items, of \$1.3 million compared to generating cash of \$2.7 million in the prior year's first quarter. Cash flow from operating activities declined primarily due to an increase in working capital during the period partially offset by stronger earnings performance.

Investing activities of approximately \$1.6 million were made in the first quarter of fiscal 2012 compared to \$0.9 million in the prior year period. The increase is related to higher levels of capital spending during the period and the impact of the sale of a portion of a vineyard last year.

Working capital as at June 30, 2011 was \$30.9 million compared to \$27.6 million at March 31, 2011. The increase related to higher accounts receivable due to the strong sales growth in the first quarter and a decline in accounts payable and accrued charges due to seasonal fluctuations. These increases were partially offset by lower inventory as the Company completed the installation of its new packaging lines and inventory returned to more normal levels. Shareholders' equity as at June 30, 2011 was \$116.7 million or \$8.16 per common share compared to \$114.3 million or \$7.99 per common share as at March 31, 2011. The increase in shareholders' equity is primarily due to higher net

earnings for the period, partially offset by a decline in capital stock and retained earnings due to the cancellation of 594,412 Class A Shares arising from the Company's normal course issuer bid.

Common Shares Outstanding

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

Shares outstanding	August 30, 2011	March 31, 2011	June 30, 2010
Class A Shares	11,293,829	11,293,829	11,888,241
Class B Shares	3,004,041	3,004,041	3,004,041
Total	14,297,870	14,297,870	14,892,282

Strategic Outlook and Direction

Andrew Peller Limited is committed to a strategy of growth that focuses on the expansion of its core business as a producer and marketer of quality wines through the development of leading brands that meet the needs of our consumers and customers.

The market for wine in Canada continues to grow due to a movement toward the consumption of wine made by an aging population who favour the more sophisticated experience that wine offers and young consumers who have more recently adopted wine as their beverage of choice, as well as the widely reported health benefits of moderate wine consumption. The share of the market held by domestic producers decreased moderately in fiscal 2011. The Company recorded strong growth in its sales through provincial liquor boards, its estate wineries, export, and agencies but continued to experience slight weakness for its personal winemaking products due to weak consumer spending being experienced across North America. Sales declined through the Company's 102 retail stores in Ontario due to the introduction of a special levy on sales of ICB wines through winery retail stores in the province. The Company has focused its product development and sales and marketing initiatives aimed at capitalizing on the trend to increased wine consumption and expects to benefit over the long term. The Company will continue to closely monitor its costs and will react quickly to any further changes in the marketplace.

The Company expects to continue to launch new blended varietal and ultra-premium brands in the future and increase its use of unique package formats. The Company will also make packaging design changes that are consistent with its continued move to be more environmentally friendly. Increased focus will be made on expanding distribution through the Company's direct to home trade channels to provide consumers with more access to its broad brand portfolio. These product launches and directed spending to support key brands through all of the Company's distribution channels will receive increased marketing and sales support in fiscal 2012.

The Company expects to make additional investments in capital expenditures to support its ongoing commitment to producing the highest-quality wines and to improve productivity and efficiencies. Such investments made over the past few years are expected to continue to result in increased sales and improved profitability going forward.

From time to time the Company evaluates investment opportunities, including acquisitions, which could support its strategic direction.

The sale of the Company's interest in its ownership of GIB and MD completed on May 1, 2010 will allow the Company to more effectively focus on its key strengths and long-term strategies to build its leading portfolio of premium and ultra premium wines through all its trade channels. The proceeds from the sale were used to reduce bank indebtedness and long-term debt.

With the emergence from the economic slowdown in Canada experienced over the last two years, the Company expects it will generate increased sales while gross margin is expected to decline moderately. Higher pricing for imported and domestic wine and the Province of Ontario's introduction of a discriminatory wine levy on ICB wines sold through the Company's retail store network will reduce gross margin slightly in fiscal 2012. ICB is wine that is made through the blending of wine made from domestic grapes with wine purchased on international markets.

Imported and domestic wine sold through the LCBO does not incur any additional taxation. The discriminatory wine levy has put pressure on the Company's gross margin, as well as on domestic grape prices and purchases. The cost of the levy to the Company during fiscal 2011 amounted to approximately \$2.0 million and will reduce gross margin in fiscal 2012 by approximately \$3.0 million.

The Company's product portfolio covers the complete spectrum of price levels within the Canadian wine market. While there may be a modest reduction in purchases of ultra-premium wine, this is expected to be offset by an increase in sales of blended varietal wine. 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. The Company, along with other members of the Canadian wine industry, is working with the Canadian government to rectify these unfair trade practices.

The Company operates in a highly competitive industry and the dollar amount and unit volume of sales could be negatively impacted by its inability to maintain or increase prices, changes in geographic or product mix, a general decline in beverage alcohol consumption or the decision of retailers, or consumers to purchase competitive products instead of the Company's products. Retailer and consumer purchasing decisions are influenced by, among other things, the perceived absolute or relative overall value of the Company's products, including their quality or pricing, compared to competitive products. Unit volume and dollar sales could also be affected by purchasing, financing, operational, advertising, or promotional decisions made by provincial agencies and retailers which could affect supply of or consumer demand for, the Company's products. The Company could also experience higher than expected selling and administrative expenses if it finds it necessary to increase the number of its personnel, advertising, or promotional expenditures to maintain its competitive position.

The Company expects to increase its sales of the premium wines in Canada, principally through the sale of VQA wines, and as a result is dependent on the quality and supply of domestically grown premium quality grapes. If any of APL's vineyards or the vineyards of our grape suppliers experiences 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 that would enable the Company to continue to supply products to the market. The inability to secure premium quality grapes could impair the ability of the Company to supply certain wines to its customers. The Company has developed programs to ensure it has access to a consistent supply to premium quality grapes and wine. The price of grapes is determined through negotiations with the Ontario Grape Growers Marketing Board in Ontario and with independent growers in British Columbia.

Foreign exchange risk exists on the purchases by the Company of bulk wine and concentrate that are primarily made in United States dollars and Euros. The Company's strategy is to hedge approximately 50% - 80% of its foreign exchange requirements throughout the fiscal year and regularly reviews its ongoing requirements. The Company has entered into a series of foreign exchange contracts as a hedge against movements in U.S. dollar and Euro exchange rates. The Company does not enter into foreign exchange contracts for trading or speculative purposes. These contracts are reviewed periodically. Each one percent change in the value of the U.S. dollar has a \$0.2 million impact on the Company's net earnings. Each one percent change in the value of the Euro has a \$0.1 impact on the Company's net earnings.

The Company purchases glass, bag-in-the-box, tetra paks, kegs, and other components used in the bottling and packaging of wine. The largest component in the packaging of wine is glass, of which there are few domestic or international suppliers. There is currently only one commercial supplier of glass in Canada and any interruption in supply could have an adverse impact on the Company's ability to supply its markets. APL has taken steps to reduce its dependence on domestic suppliers through the development of relationships with several international producers of glass and through carrying increased inventories of selected bottles.

The Company operates in a highly regulated industry, with requirements regarding the production, distribution, marketing, advertising, and labelling of wine. These regulatory requirements may inhibit or restrict the Company's ability to maintain or increase strong consumer support for and recognition of its brands and may adversely affect APL's business strategies and results of operations. The Company is currently reviewing its labelling on ICB wines. Privatization of liquor distribution and retailing has been implemented in varying degrees across the country. The possibility of privatization in Ontario remains a risk to the Company through its impact on the Company's retail operations. The provincial government has stated that, should it consider privatization, it would engage in a consultation process and would acknowledge the special role of Ontario's wine industry.

The wine industry and the domestic and international market, in which the Company operates, are consolidating. This has resulted in fewer, but larger, competitors who increase their resources and scale. The increased competition from these larger market participants may affect the Company's pricing strategies and create margin pressures, resulting in potentially lower revenues. Competition also exerts pressure on existing customer relationships that may affect APL's ability to retain existing customers and increase the number of new customers. The Company has worked to improve production efficiencies, selectively increased pricing to increase gross margin, 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, increased licensing fees, or taxes could also have a material adverse effect on the Company's financial condition or results of operations.

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

The Company has defined benefit pension plans. The expense and cash contributions related to these plans depend on the discount rate used to measure the liability to pay future benefits and the market performance of the plan assets set aside to pay these benefits. A pension committee reviews the performance of plan assets on a regular basis and has a policy to hold diversified investments. Nevertheless, a decline in long-term interest rates or in asset values could increase the Company's costs related to funding the deficit in these plans.

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

international grape surplus could serve to continue the discounting of wine in international markets, including Canada. The Company has responded by increased promotional and advertising spending to strengthen the performance of its brands. The Company does not believe that significant price discounting will occur in Canada beyond current levels.

The Company considers its trademarks, particularly certain brand names and product packaging, advertising and promotion design, and artwork to be of significant importance to its business and ascribes a significant value to these intangible assets. The Company relies on trademark laws and other arrangements to protect its proprietary rights. There can be no assurance that the steps taken by APL to protect its intellectual property rights will preclude competitors from developing confusingly similar brand names or promotional materials. The Company believes that its proprietary rights do not infringe upon the proprietary rights of third parties, but there can be no assurance in this regard.

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

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

International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board (“AcSB”) confirmed that the use of International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board will be required effective for fiscal years beginning after January 1, 2011 (or April 1, 2011 for the Company) for publicly accountable profit oriented enterprises. Accordingly, the Company has begun preparing its current period and comparative period information under IFRS beginning for the first quarter of fiscal 2012.

The most significant impact of the resulting changes in accounting policies are summarized in the table below.

Area	Description of the Change	Impact on Financial Statements
IAS 41 - Agriculture	<ul style="list-style-type: none"> • Grape vines are measured at fair value less costs to sell. • Harvested grapes from vineyards controlled by the Company are required to be measured at fair value less costs to sell at the point of harvest. This becomes the cost used in measuring the Company’s inventories of internally grown grapes after harvest. • Prior to IFRS adoption, vineyards were measured at cost less accumulated amortization and inventories at the lower of cost and net realizable value. 	<ul style="list-style-type: none"> • Note 7 of the Notes to the Interim Consolidated Financial Statements illustrate the impact of this change in accounting policy for comparative periods. • The reconciliations below illustrate the impact on certain aspects of the operating performance of the Company for the year ended March 31, 2011.
IAS 19 - Employee Benefits	<ul style="list-style-type: none"> • The Company has chosen to recognize all cumulative actuarial gains and losses in the opening IFRS balance sheet. • On an ongoing basis, actuarial gains and losses will be recognized immediately in other comprehensive income. • The Company has recognized a liability for its policy to provide a wine allowance to retirees. 	<ul style="list-style-type: none"> • Note 7 of the Notes to the Interim Consolidated Financial Statements illustrate the impact of this change in accounting policy. • The Company’s comprehensive income will fluctuate from period to period under IFRS, as a result of recognizing actuarial gains and losses immediately in other comprehensive income.

IFRS Reconciliation of Selected Results of Operations (unaudited)
(in thousands of Canadian dollars, except per share amounts)

Year ended March 31, 2011

	Cdn GAAP	Adjustment for IAS 19 - Employee benefits	Adjustment for IAS 41 - Agriculture	IFRS
Mandatory or Elected		Elected	Mandatory	
Sales	265,420	-	-	265,420
Gross margin	103,662	(26)	(374)	103,262
Gross margin (% of sales)	39.1%	0.0%	(0.2%)	38.9%
Selling and administration	71,703	15	-	71,718
EBITA	31,959	(41)	(374)	31,544
Amortization of plant, equipment and intangible assets	8,202	-	(610)	7,592
Earnings before other items	17,084	(41)	236	17,279
Other expenses (income)	921	-	(130)	791
Earnings before income taxes	16,280	(41)	366	16,605
Net earnings for the period	10,989	(52)	286	11,223
Other comprehensive income (loss)	-	(619)	-	(619)
Net comprehensive income	10,989	(671)	286	10,604
Earnings per share - basic and diluted - Class A	0.76	0.00	0.02	0.78
Earnings per share - basic and diluted - Class B	0.66	0.00	0.01	0.67

IFRS Reconciliation of Earnings before Other Expenses (Unaudited)
(in thousands of Canadian dollars, except per share amounts)

Year ended March 31, 2011

	Cdn GAAP	Adjustment for IAS 19 - Employee benefits	Adjustment for IAS 41 - Agriculture	IFRS
Mandatory or Elected		Elected	Mandatory	
Net earnings	10,989	(52)	286	11,223
Unrealized loss (gain) on financial instruments	(117)	-	-	(117)
Other expenses (income)	921	-	(130)	791
Income taxes on the above	(249)	-	35	(214)
Earnings before other expenses	11,544	(52)	191	11,683

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

Financial Statements and Accounting Policies

These interim consolidated financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34 - Interim financial reporting, and International Financial Reporting Standards (“IFRS”) 1 - First-time adoption, as issued by the International Accounting Standards Board (“IASB”). The Company also utilizes EBITA (defined as earnings before interest, amortization, non-hedge

derivative gains (losses), other expenses, income taxes and net earnings from a discontinued operation) to measure its financial performance.

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

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

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

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

Critical Accounting Estimates

During the year, management is required to make estimates or rely on assumptions that are inherently uncertain. These estimates can vary with respect to the level of judgment involved and ultimately the impact that these estimates may have on the Company's financial statements. Estimates are deemed to be critical when a different estimate could reasonably be used or where changes are reasonably likely to occur which would materially affect the Company's financial position or financial performance. The Company's significant accounting policies are discussed in Notes to the March 31, 2011 and March 31, 2010 Consolidated Financial Statements, and the Notes to the June 30, 2011 Interim Consolidated Financial Statements. Critical estimates inherent in these accounting policies are set out below.

Accounts Receivable

The Company records an allowance for doubtful accounts to reflect management's best estimate of losses that may occur on accounts receivable during the year. This allowance was recorded through a charge to earnings and takes into consideration the financial condition and recent payment patterns of customers and the general state of the economy. Management believes that the allowance is sufficient to cover any risk of potential losses. Credit losses were within management's expectations.

Inventory Valuation

Inventories are valued at the lower of cost and net realizable value. Cost is determined on an average cost basis. The Company utilizes a weighted average cost calculation to determine the value of ending inventory (bulk wine and finished goods). Average cost is determined separately for import wine and domestic wine and is calculated by varietal and vintage year.

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

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

All inventories are counted as close as possible to year end without impacting the operations of the Company. Management has provided an allowance for slow moving and obsolete inventory which is considered to be sufficient for potential losses.

Biological Assets

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

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

Goodwill

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

Intangible assets

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

Fair value of financial instruments

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

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

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

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

Employee Future Benefits

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

Recently Issued Accounting Pronouncements

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

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

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

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

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

In November 2009 the IASB issued IFRS 9 – Financial instruments – Classification and measurement of financial assets and financial liabilities. In October 2010 it added requirements for financial liabilities. IFRS 9 will replace IAS 39 – Financial instruments: Recognition and measurement. The standard uses a single approach to determine whether a financial asset is measured at amortized cost or fair value. The approach is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used. For financial liabilities, the standard requires that for financial liabilities measured at fair value, any changes in an entity’s own credit risk are generally to be presented in OCI instead of net earnings. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the potential impact of this standard.

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

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

Disclosure Controls and Procedures

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

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

Internal Controls over Financial Reporting

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

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

The Company has made changes to its internal control systems related to the ongoing preparation and review of agriculture and post-employment benefits adjustments resulting from its transition to IFRS. For the three months ended June 30, 2011 there have been no other material changes in the Company's internal controls over financial reporting or changes to disclosure, procedures or controls that materially affected or were likely to affect, the Company's internal control systems.

ANDREW PELLER LIMITED

Consolidated Balance Sheets

Unaudited

These financial statements have not been reviewed by our auditors

	June 30	March 31	April 1
	2011	2011	2010
(in thousands of Canadian dollars)	\$	\$	\$
Assets			
Current Assets			
Accounts receivable	28,151	23,390	22,902
Inventories	90,180	94,692	88,818
Current portion of biological assets	1,751	759	615
Prepaid expenses and other assets	1,820	818	1,818
Income taxes recoverable	-	-	1,327
	<u>121,902</u>	<u>119,659</u>	<u>115,480</u>
Property, plant and equipment	84,049	84,744	85,133
Biological assets	12,328	11,950	12,395
Intangibles and other assets	13,015	14,170	14,775
Goodwill	37,473	37,473	37,473
	<u>268,767</u>	<u>267,996</u>	<u>265,256</u>
Liabilities			
Current Liabilities			
Bank indebtedness	54,121	48,758	48,877
Accounts payable and accrued liabilities	28,521	33,883	28,229
Dividends payable	1,252	1,148	1,197
Income taxes payable	1	1,000	-
Current portion of derivative financial instruments	1,824	1,894	1,922
Current portion of long-term debt	5,333	5,333	6,158
	<u>91,052</u>	<u>92,016</u>	<u>86,383</u>
Long-term debt	41,499	42,720	47,633
Long-term derivative financial instruments	1,948	1,578	1,667
Employee future benefits	5,723	5,565	5,414
Other long-term liabilities	-	-	600
Deferred income taxes	11,830	11,820	9,879
	<u>152,052</u>	<u>153,699</u>	<u>151,576</u>
Shareholders' Equity			
Capital stock	7,026	7,026	7,375
Retained earnings	109,689	107,271	106,305
	<u>116,715</u>	<u>114,297</u>	<u>113,680</u>
	<u>268,767</u>	<u>267,996</u>	<u>265,256</u>

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

ANDREW PELLER LIMITED
Consolidated Statements of Earnings

Unaudited

These financial statements have not been reviewed by our auditors

For the three
months ended

For the three
months ended

June 30, 2011

June 30, 2010

(in thousands of Canadian dollars)

\$

\$

Sales	69,407	64,466
Cost of goods sold, excluding amortization (note 4)	<u>42,094</u>	<u>38,976</u>
	27,313	25,490
Selling and administration (note 4)	<u>17,831</u>	<u>16,846</u>
Earnings before interest and amortization	9,482	8,644
Interest	1,549	1,942
Amortization of plant, equipment and intangible assets (note 4)	<u>1,947</u>	<u>1,882</u>
Earnings before other items	5,986	4,820
Net unrealized losses (gains) on derivative financial instruments	300	(646)
Other expenses (income) (note 4)	<u>164</u>	<u>(249)</u>
Earnings before income taxes	5,522	5,715
Provision for income taxes		
Current	1,516	1,553
Deferred	<u>95</u>	<u>159</u>
	1,611	1,712
Net earnings for the period	3,911	4,003
Net earnings per share		
Basic and diluted		
Class A shares	<u>0.28</u>	<u>0.28</u>
Class B shares	<u>0.24</u>	<u>0.24</u>

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

ANDREW PELLER LIMITED
Consolidated Statements of Comprehensive Income

Unaudited

These financial statements have not been reviewed by our auditors

For the three
months ended

For the three
months ended

June 30, 2011

June 30, 2010

(in thousands of Canadian dollars)

\$

\$

Net earnings for the period

3,911

4,003

Other comprehensive income (loss)

Net actuarial losses on employee future benefits

(326)

(966)

Deferred income taxes

85

251

(241)

(715)

Net comprehensive income

3,670

3,288

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

ANDREW PELLER LIMITED

Consolidated Statements of Changes in Equity

For the three months ended June 30, 2011 and 2010 and the year ended March 31, 2011

Unaudited

These financial statements have not been reviewed by our auditors

(in thousands of Canadian dollars)

	Capital stock	Retained earnings	Total shareholders' equity
	\$	\$	\$
Balance at April 1, 2010	7,375	106,305	113,680
Net earnings for the period	-	4,003	4,003
Net actuarial gains (losses) (net of \$251 deferred tax recovery)	-	(715)	(715)
Net comprehensive income for the year	-	3,288	3,288
Dividends (Class A \$0.083 per share, Class B \$0.072 per share)	-	(1,197)	(1,197)
Balance at June 30, 2010	7,375	108,396	115,771
Balance at April 1, 2011	7,026	107,271	114,297
Net earnings for the period	-	3,911	3,911
Net actuarial gains (losses) (net of \$85 deferred tax recovery)	-	(241)	(241)
Net comprehensive income for the year	-	3,670	3,670
Dividends (Class A \$0.090 per share, Class B \$0.079 per share)	-	(1,252)	(1,252)
Balance at June 30, 2011	7,026	109,689	116,715
Balance at April 1, 2010	7,375	106,305	113,680
Net earnings for the period	-	11,223	11,223
Net actuarial gains (losses) (net of \$218 deferred tax recovery)	-	(619)	(619)
Net comprehensive income for the year	-	10,604	10,604
Issue price of repurchased shares	(349)	-	(349)
Excess of repurchase price over average per-share issue price	-	(4,900)	(4,900)
Dividends (Class A \$0.330 per share, Class B \$0.288 per share)	-	(4,738)	(4,738)
Balance at March 31, 2011	7,026	107,271	114,297

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

ANDREW PELLER LIMITED
Consolidated Statements of Cash Flows

Unaudited

These financial statements have not been reviewed by our auditors

For the three
months ended

For the three
months ended

June 30, 2011

June 30, 2010

(in thousands of Canadian dollars)

\$

\$

Cash provided by (used in)

Operating activities

Net earnings for the period	3,911	4,003
Items not affecting cash:		
Gain on disposal of property, plant and equipment	-	(304)
Amortization of plant, equipment and intangibles	1,947	1,882
Revaluation of vine biological assets	113	6
Employee future benefits	(168)	(143)
Net unrealized (gain) loss on derivative financial instruments	300	(646)
Deferred income taxes	95	159
Amortization of deferred financing costs	112	185
	<u>6,310</u>	<u>5,142</u>
Changes in non-cash working capital items related to operations (note 5)	<u>(7,604)</u>	<u>(2,477)</u>
	<u>(1,294)</u>	<u>2,665</u>

Investing activities

Proceeds of disposal of property, plant, equipment and vine biological assets	-	766
Purchase of property, equipment and vine biological assets	(1,582)	(811)
Purchases of other assets	(6)	(42)
Acquisition of businesses	-	(825)
	<u>(1,588)</u>	<u>(912)</u>

Financing activities

Increase in bank indebtedness	5,363	777
Repayment of long-term debt	(1,333)	(1,333)
Dividends paid	(1,148)	(1,197)
	<u>2,882</u>	<u>(1,753)</u>

Increase (decrease) in cash during the period

-

-

Cash, beginning of period

-

-

Cash, end of period

-

-

Supplemental disclosure of cash flow information

Cash paid during the period for		
Interest	1,426	1,869
Income taxes	2,515	590

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
ANDREW PELLER LIMITED
UNAUDITED
JUNE 30, 2011 AND JUNE 30, 2010
(in thousands of Canadian dollars, except per share amounts)

1 Nature of operations

Andrew Peller Limited (the “Company”) produces and markets wine and wine related products. The Company’s products are produced and sold predominately in Canada. The Company is incorporated under the Canada Business Corporations Act and is domiciled in Canada. The address of its head office is 697 South Service Road, Grimsby, Ontario, L3M 4E8.

2 Significant accounting policies

(A) Basis of presentation and adoption of IFRS

These interim consolidated financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34 - Interim financial reporting, and International Financial Reporting Standards (“IFRS”) 1 - First-time adoption, as issued by the International Accounting Standards Board (“IASB”). The note disclosures 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, 2011 and 2010. These interim consolidated financial statements were approved by the Board of Directors on August 30, 2011.

Prior to April 1, 2011, the Company prepared its consolidated financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants (“CICA Handbook”). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards (“IFRS”) and requires publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in these interim consolidated financial statements. In these interim consolidated financial statements, the term “Canadian GAAP” refers to Canadian GAAP before the adoption of IFRS.

A summary of the impact of the transition to IFRS on these interim consolidated financial statements is included in note 7. Other than certain transition elections applied as described in note 7, the Company has applied the same accounting policies for all periods presented as if these accounting policies had always been in effect. The accounting policies applied are based on IFRS issued and effective as of August 30, 2011. If any changes in accounting policies are made by the Company in its annual consolidated financial statements for the year ending March 31, 2012, this could result in the new accounting policies being retrospectively applied and restatement of these interim consolidated financial statements.

These interim consolidated financial statements should be read in conjunction with the Company’s Canadian GAAP annual financial statements for the years ended March 31, 2011 and 2010. Certain additional information for the year ended March 31, 2011 is provided in note 8 as a result of the disclosure requirements of IFRS.

These interim consolidated financial statements are presented in Canadian dollars, which is the Company’s functional currency and dollar amounts have been rounded to the nearest thousand, except per share amounts. Certain of the prior year balances have been reclassified to conform with the current year’s presentation.

(B) Basis of consolidation

These interim consolidated financial statements include the accounts of the Company and all subsidiary companies. The acquisition method has been used to account for all acquisitions. The assets and liabilities of subsidiary companies acquired are included at their fair value on acquisition and the results of operation are included from the date of acquisition.

(C) Accounts receivable

Accounts receivable are primarily amounts due from customers from the sale of goods or the rendering of services. The Company maintains an allowance for doubtful accounts to record an estimate of credit losses. When no recovery of an amount owing is possible, the account receivable is reduced directly.

(D) Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined on an average cost basis. The Company utilizes a weighted average cost calculation to determine the value of ending inventory (bulk wine and finished goods). Average cost is determined separately for import wine and domestic wine and is calculated by varietal and vintage year.

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

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

(E) Biological assets

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

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

(F) Goodwill

Goodwill represents the cost of investments in subsidiaries in excess of the fair values of the net tangible and identifiable intangible assets acquired. Goodwill is not amortized but is tested for impairment on an annual basis, or more frequently if circumstances indicate that goodwill may be impaired. The Company assigns goodwill combined with other assets to a cash generating unit (“CGU”) based on certain regions and product lines, which is the lowest level at which the combined assets generate independent cash inflows. To test for impairment the Company primarily compares a CGU’s value in use, determined based on expected future discounted cash flows, to its carrying value. If necessary, a CGU’s fair value is also considered. An impairment charge is recorded to the extent that the carrying value of a CGU exceeds the greater of the CGU’s fair value and its value in use. An impairment loss in respect of goodwill is not reversed.

The Company has elected not to restate business combinations that occurred prior to its transition to IFRS. As a result, goodwill in respect of acquisitions prior to April 1, 2010 is measured at the amount recorded under Canadian GAAP other than as described in note 7.

(G) Employee future benefits

The Company sponsors defined contribution pension plans, defined benefit pension plans, post-employment medical benefits plans, and other post-employment benefit plans for certain employees. Contributions to the defined contribution pension plans are recognized as an expense as services are rendered by employees. The costs of the defined benefit plans, the post-employment medical benefit plans and other post-employment benefit plans are actuarially determined and include management's best estimate of expected plan investment performance, the interest rate on the plan obligation, salary escalation, expected retirement ages, and medical cost escalation. The liability recognized in the balance sheet in respect of these plans is the present value of the defined benefit obligation at the end of the reporting period as determined by the Company's actuary less the fair value of plan assets adjusted for the unamortized portion of past service credits. The current service cost, amortization of past service credits and the interest cost net of the expected return on plan assets are recognized in earnings in the period they arise. Adjustments arising from actuarially determined gains or losses are recognized in other comprehensive income in the period in which they arise. The corresponding change in shareholders' equity is adjusted to retained earnings for the period.

(H) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of earnings on a straight-line basis over the period the asset is used under the lease. Leases under which the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Payments on finance leases are allocated to the liability and expense so as to recognize a constant rate of interest on the remaining balance of the liability. Assets acquired under finance leases are depreciated over the shorter of their useful life and the lease term.

(I) Impairment of long-lived assets and definite life intangible assets

The Company reviews long-lived assets and definite life intangible assets for impairment when events or circumstances indicate that an asset may be impaired. Assets are assigned to a CGU based on the lowest level at which they generate independent cash inflows. When there is an indication of impairment, an impairment charge is recorded to the extent that the carrying value of a CGU exceeds the greater of the CGU's fair value less costs to sell and its value in use ("recoverable amount"). An impairment loss is reversed if a CGU's recoverable amount increases to the extent that the related assets' carrying amounts are no larger than the amount that would have been determined, net of amortization, had no impairment loss been recorded.

(J) Net earnings per share

Basic net earnings per share has been calculated using the weighted average number of Class A and Class B Shares outstanding during the year. Diluted net earnings per share has been calculated by considering the impact of any potential ordinary shares that are dilutive on the two classes of shares when considered together.

(K) Measurement uncertainty

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, the reported amounts of revenues and expenses during the reporting period and the extent of and the reported amounts in disclosures. Actual results may vary from current estimates. These estimates are reviewed periodically and, as adjustments become necessary, are recorded in the period in which they change. Specific areas of uncertainty include but are not limited to:

Impairment of goodwill

Testing goodwill for impairment at least annually involves estimating the recoverable amount of the CGUs to which goodwill is allocated. This requires making assumptions about future cash flows, growth rates, market conditions and discount rates, which are inherently uncertain.

Employee future benefits

Measuring the liability for employee future benefits uses assumptions for the discount rates, increases in compensation, increases in medical costs and the timing of the payment of benefits. Actual amounts could vary significantly from these assumptions.

Fair value of vine biological assets

Determining the fair value of grape vines involves making assumptions about how market participants assign the value of a vineyard between vines, land and other assets. The fair value of vineyards at April 1, 2010 was determined by an accredited appraiser and a portion of this fair value was in respect of vines. Changes in the fair value of vines may occur as a result of changes in numerous factors, including, vine health and expected future yields.

To estimate the fair value of controlled vines planted on leased land, discounted cash flows over the estimated remaining life of vines or the remaining lease term, whichever is shorter, were used. The fair value of vines on leased land reduces to \$nil as the lease nears its expiration date. Assumptions used include the discount rate, expected yields, grape price trends and annual growing cost trends.

To estimate the fair value of vines in the middle and later stages of development, the estimated fair value of mature vines was reduced by the net discounted cash outflows necessary to bring the vines to a fully developed state.

Fair value of grapes at the point of harvest

Where possible, the fair value of grapes at the point of harvest is determined by reference to local market prices for grapes of a similar quality and the same varietal. For grapes for which local market prices are not readily available, the average price of similar grapes is used. Otherwise, costs to produce are used as an estimate of fair value.

(L) Income taxes

Current income tax is the expected amount of tax payable or recoverable on taxable income or loss during the period. Current income tax may also include adjustments to taxes payable or recoverable in respect of previous periods.

The Company accounts for deferred income taxes based on temporary differences, which are the differences between the carrying amount of an asset or liability and its tax base. Deferred income taxes are provided for all temporary differences between the carrying amount and tax bases of assets and liabilities except for those arising from the initial recognition of goodwill or for those arising from the initial recognition of an asset or liability in a transaction that is not a business combination and has no impact on earnings or taxable income or loss. Deferred income tax assets and liabilities are measured using the enacted or substantially enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The total deferred income tax provision (recovery) recorded in net earnings and other comprehensive income represents the change during the year in deferred income tax assets and deferred income tax liabilities.

(M) Comprehensive income

Comprehensive income is comprised of net earnings and other comprehensive income (loss) (“OCI”). OCI represents the change in equity for a period that arises from transactions that are required to be or elected to be recognized outside of net earnings. The Company has elected to record actuarial gains and losses on defined benefit pension plans and other post-employment benefit plans in OCI in the period incurred.

(N) Equity

The Company separately presents changes in equity related to capital stock, retained earnings, and accumulated OCI in the consolidated statements of changes in equity.

(O) Recently issued accounting pronouncements

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

In June 2011, the IASB issued amendments to IAS 19 – Employee benefits, which require changes to the recognition and disclosure of defined benefit plans, including eliminating the deferral of actuarial gains and losses, requiring that actuarial gains and losses are included in OCI and increasing disclosures on the characteristics and risks of defined benefit plans. The new requirements are effective for annual periods

beginning on or after January 1, 2013. The Company is currently evaluating the potential impact of this standard.

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

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

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

In November 2009, the IASB issued IFRS 9 – Financial instruments – Classification and measurement of financial assets and financial liabilities. In October 2010 it added requirements for financial liabilities. IFRS 9 will replace IAS 39 – Financial instruments: Recognition and measurement. The standard uses a single approach to determine whether a financial asset is measured at amortised cost or fair value. The approach is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used. For financial liabilities, the standard requires that for financial liabilities measured at fair value, any changes in an entity’s own credit risk are generally to be presented in OCI instead of net earnings. IFRS 9 is currently effective for annual periods beginning on or after January 1, 2013 but the IASB has published an exposure draft to extend this date until January 1, 2015. The Company is currently evaluating the potential impact of this standard.

3 Seasonality

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

4 Expenses

The nature of the expenses included in selling and administration and cost of goods sold, excluding amortization are as follows:

	For the three months ended June 30, 2011	For the three months ended June 30, 2010
Raw materials and consumables	\$ 33,694	\$ 30,712
Employee compensation and benefits	13,272	12,641
Advertising, promotion and distribution	6,153	5,875
Occupancy	2,289	2,209
Repairs and maintenance	1,264	1,055
Other external charges	3,253	3,330
	<u>\$ 59,925</u>	<u>\$ 55,822</u>

Amortization of plant, equipment and intangible assets consists of:

	For the three months ended June 30, 2011	For the three months ended June 30, 2010
Amortization of property, plant and equipment used in production	\$ 1,233	\$ 1,160
Amortization of property, plant and equipment used in selling and administrative activities	553	561
Amortization of intangible assets used in selling and administrative activities	161	161
	<u>\$ 1,947</u>	<u>\$ 1,882</u>

Other expenses (income) are as follows:

	For the three months ended June 30, 2011	For the three months ended June 30, 2010
Write-down for damaged vines	\$ 106	\$ -
Ongoing maintenance costs related to Port Moody winery facility	51	48
Fair value change of vines planted on leased land	7	6
Gain on sale of vineyard	-	(303)
	<u>\$ 164</u>	<u>\$ (249)</u>

5 Non-cash working capital items

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

	For the three months ended June 30, 2011	For the three months ended June 30, 2010
Accounts receivable	\$ (3,761)	\$ (985)
Inventories	4,512	4,343
Current portion of biological assets	(992)	(804)
Prepaid expenses and other assets	(1,002)	(24)
Income taxes recoverable	(999)	962
Accounts payable and accrued liabilities	(5,362)	(5,969)
	<u>\$ (7,604)</u>	<u>\$ (2,477)</u>

6 Related parties and management compensation

The compensation expense recorded for directors and members of the Executive Management Team of the Company was \$1,050 (2010 - \$1,046) for the three months ended June 30, 2011. The compensation expense consists of amounts that will primarily be settled within twelve months of being earned.

7 Transition to IFRS

The Company has adopted IFRS for the first time in accordance with IFRS 1 – First-time Adoption of IFRS. The first date at which the Company applied IFRS was April 1, 2010 (“its Transition Date” or “the Company’s Transition Date”).

IFRS 1 provides certain exemptions and exceptions from the general requirement to retrospectively apply IFRS. The Company has elected to use the following applicable IFRS 1 exemptions at its Transition Date:

Business combinations – The Company has elected not to apply IFRS 3 retrospectively to business combinations prior to its Transition Date.

Share-based payment transactions – The Company has elected to forego the retrospective application of IFRS 2 to its share-based payment transactions that occurred before certain dates. As a result, the Company has maintained its previous accounting policies for equity instruments that vested before the Company’s Transition Date or that were granted on or before November 7, 2002. The Company also maintained its previous accounting policies for liabilities arising from share-based payment transactions that were settled before its Transition date.

Leases – The Company has elected to apply the transitional provisions in IFRIC 4 – Determining whether an Arrangement contains a Lease, which allows the Company to consider whether an arrangement existing at its Transition Date contains a lease based on the circumstances existing at that date.

Employee future benefits – The Company has elected to recognize all cumulative actuarial gains and losses in opening retained earnings at its Transition Date for all of its defined benefit pensions and other post-employment benefit plans.

Borrowing costs – The Company has elected to apply IAS 23 – Borrowing Costs effective the Company’s Transition Date. Prior to transition, the Company had a policy of capitalizing interest on inventory taking a substantial period of time to become ready to sell. As a result of this election, the Company will be required to capitalize certain borrowing costs on all qualifying assets beginning on its Transition Date.

Cumulative translation differences – The Company has elected to deem cumulative translation differences to be zero at its Transition Date. Also, the Company will only include translation differences that arose after its Transition Date in the gain or loss on a disposal of a foreign operation occurring after its Transition Date.

In the reconciliations below, Canadian GAAP information refers to Canadian GAAP prior to the Company’s transition to IFRS and is not prepared in accordance with IFRS. A summary of how the transition from Canadian GAAP to IFRS has impacted the Company’s balance sheets, statements of earnings, statements of comprehensive income and statements of cash flows is included below:

Reconciliation of shareholders' equity	March 31	June 30	April 1
(in thousands of Canadian dollars)	2011	2010	2010
	\$	\$	\$
Shareholders' equity as reported under Canadian GAAP	114,667	116,508	113,665
Increase (decrease) as a result of an IFRS adjustment			
Change in measurement of internally supplied grapes (a, b)	(634)	(388)	(260)
Change in measurement of vines (b, c)	2,540	1,902	1,800
Goodwill - recognition of contingent consideration (d)	(600)	(600)	(600)
Employee future benefits - recognition of post-employment obligation (e)	(781)	(731)	(717)
Employee future benefits - elected to record actuarial gains and losses immediately (e)	(981)	(1,129)	(167)
Deferred income taxes on the above items (f)	86	209	(41)
Shareholders' equity as reported under IFRS	114,297	115,771	113,680

Reconciliation of net comprehensive income	Year ended	Three months
(in thousands of Canadian dollars)	March 31,	ended June
	2011	30, 2010
Net comprehensive income as reported under Canadian GAAP	<u>10,989</u>	<u>4,040</u>
Increase (decrease) in net earnings as a result of an IFRS adjustment:		
Cost of goods sold - fair value adjustments to grape inventories (a, b)	(374)	(127)
Cost of goods sold - increase in post-employment pension and benefit expenses (e)	(26)	(7)
Selling and administration - increase in post-employment pension and benefit expenses (e)	(15)	(4)
Amortization - vines are biological assets and are not amortized under IFRS (b, c)	610	145
Other expenses - fair value adjustments to vines (b, c)	130	(43)
Deferred income tax impact of the above (f)	(91)	(1)
	<u>234</u>	<u>(37)</u>
Increase (decrease) in other comprehensive income as a result of an IFRS adjustment:		
Employee future benefits - actuarial gains and losses (e)	(837)	(966)
Deferred income tax (f)	218	251
	<u>(619)</u>	<u>(715)</u>
Net comprehensive income as reported under IFRS	<u>10,604</u>	<u>3,288</u>

Reconciliation of balance sheets
(in thousands of Canadian dollars)

		March 31, 2011			June 30, 2010			April 1, 2010		
	Note	Cdn GAAP	Adj	IFRS	Cdn GAAP	Adj	IFRS	Cdn GAAP	Adj	IFRS
Assets										
Current Assets										
Accounts receivable		23,390		23,390	23,887	-	23,887	22,902	-	22,902
Inventories	(a)	96,085	(1,393)	94,692	86,282	(1,807)	84,475	89,693	(875)	88,818
Current portion of biological assets	(a,b)	-	759	759	-	1,419	1,419	-	615	615
Prepaid expenses and other assets		818	-	818	2,442	-	2,442	1,818	-	1,818
Income taxes recoverable		-	-	-	365	-	365	1,327	-	1,327
		120,293	(634)	119,659	112,976	(388)	112,588	115,740	(260)	115,480
Property, plant and equipment	(b,c)	94,154	(9,410)	84,744	94,438	(10,657)	83,781	95,728	(10,595)	85,133
Biological assets	(b,c)	-	11,950	11,950	-	12,559	12,559	-	12,395	12,395
Intangibles and other assets		14,170	-	14,170	14,656	-	14,656	14,775	-	14,775
Goodwill	(d)	38,073	(600)	37,473	37,473	-	37,473	37,473	-	37,473
		266,690	1,306	267,996	259,543	1,514	261,057	263,716	1,540	265,256
Liabilities										
Current Liabilities										
Bank indebtedness		48,758	-	48,758	49,654	-	49,654	48,877	-	48,877
Accounts payable and accrued liabilities	(d)	33,883	-	33,883	22,450	600	23,050	28,229	-	28,229
Dividends payable		1,148	-	1,148	1,197	-	1,197	1,197	-	1,197
Income taxes payable		1,000	-	1,000	-	-	-	-	-	-
Current portion of derivative financial instruments		1,894	-	1,894	1,666	-	1,666	1,922	-	1,922
Current portion of long-term debt		5,333	-	5,333	5,333	-	5,333	6,158	-	6,158
		92,016	-	92,016	80,300	600	80,900	86,383	-	86,383
Long-term debt		42,720	-	42,720	46,485	-	46,485	47,633	-	47,633
Long-term derivative financial instruments		1,578	-	1,578	1,878	-	1,878	1,667	-	1,667
Employee future benefits	(e)	3,803	1,762	5,565	4,376	1,860	6,236	4,530	884	5,414
Other long-term liabilities	(d)	-	-	-	-	-	-	-	600	600
Deferred income taxes	(f)	11,906	(86)	11,820	9,996	(209)	9,787	9,838	41	9,879
		152,023	1,676	153,699	143,035	2,251	145,286	150,051	1,525	151,576
Shareholders' Equity										
Capital stock		7,026	-	7,026	7,375	-	7,375	7,375	-	7,375
Retained earnings	(g)	107,641	(370)	107,271	109,133	(737)	108,396	106,290	15	106,305
		114,667	(370)	114,297	116,508	(737)	115,771	113,665	15	113,680
		266,690	1,306	267,996	259,543	1,514	261,057	263,716	1,540	265,256

Reconciliation of statements of earnings and statements of other comprehensive earnings
(in thousands of Canadian dollars)

	Note	Year ended March 31, 2011			Three months ended June 30, 2010		
		Cdn GAAP	Adj	IFRS	Cdn GAAP	Adj	IFRS
Sales		265,420	-	265,420	64,466	-	64,466
Cost of goods sold, excluding amortization	(a,e)	161,758	400	162,158	38,842	134	38,976
		103,662	(400)	103,262	25,624	(134)	25,490
Selling and administration	(e)	71,703	15	71,718	16,842	4	16,846
Earnings before interest and amortization		31,959	(415)	31,544	8,782	(138)	8,644
Interest		6,673	-	6,673	1,942	-	1,942
Amortization of plant, equipment and intangible assets	(b,c)	8,202	(610)	7,592	2,027	(145)	1,882
Earnings before other items		17,084	195	17,279	4,813	7	4,820
Net unrealized losses (gains) on derivative financial instruments		(117)	-	(117)	(646)	-	(646)
Other expenses (income)	(b,c)	921	(130)	791	(292)	43	(249)
Earnings before income taxes		16,280	325	16,605	5,751	(36)	5,715
Provision for income taxes							
Current		3,223	-	3,223	1,553	-	1,553
Deferred	(f)	2,068	91	2,159	158	1	159
		5,291	91	5,382	1,711	1	1,712
Net earnings for the period		10,989	234	11,223	4,040	(37)	4,003
Other comprehensive income (loss)							
Net actuarial losses on employee future benefits	(e)	-	(837)	(837)	-	(966)	(966)
Deferred income taxes	(f)	-	218	218	-	251	251
		-	(619)	(619)	-	(715)	(715)
Net comprehensive income		10,989	(385)	10,604	4,040	(752)	3,288

- (a) Grapes sourced from vineyards controlled by the Company are measured at fair value less costs to sell at the point of harvest under IFRS. These grapes are transferred to inventories from biological assets when they are harvested. Under Canadian GAAP, such grape inventories were recorded at the lower of cost and net realizable value and were included in inventories at an earlier date, that is when costs to produce the grapes begun.

	March 31, 2011	June 30, 2010	April 1, 2010
Resulting increase (decrease) in:			
Inventories	\$ (1,393)	\$ (1,807)	\$ (875)
Current portion of biological assets	759	1,419	615
Net decrease in shareholders' equity	<u>\$ (634)</u>	<u>\$ (388)</u>	<u>\$ (260)</u>
	For the year ended March 31, 2011	For the three months ended June 30, 2010	
Resulting increase (decrease) in:			
Cost of goods sold	\$ 374	\$	127

- (b) Biological assets include the Company's grape vines and grapes while growing on a vine. They are measured at fair value less costs to sell. The current portion of biological assets includes the value of grapes that are to be harvested in the current vintage year. Under Canadian GAAP, vines controlled by the Company were included in property, plant and equipment and were recorded at historical cost less accumulated amortization.

	March 31, 2011	June 30, 2010	April 1, 2010
Resulting increase (decrease) in:			
Property, plant and equipment	\$ (9,410)	\$ (10,657)	\$ (10,595)
Biological assets	11,950	12,559	12,395
Net increase in shareholders' equity	<u>\$ 2,540</u>	<u>\$ 1,902</u>	<u>\$ 1,800</u>
	For the year ended March 31, 2011	For the three months ended June 30, 2010	
Resulting increase (decrease) in:			
Amortization	\$ (610)	\$	(145)
Other expenses	\$ (130)	\$	43

- (c) Costs related to purchasing and developing grape vines have been reclassified to biological assets on the balance sheet and in turn recorded at fair value less costs to sell. Tangible vineyard infrastructure assets, such as land, irrigation, and wind machines remain in the balance of property, plant and equipment.
- (d) The Company recorded a liability of \$600 for contingent consideration that was a liability under IFRS at April 1, 2010 related to the acquisition of Small Winemakers Collection Inc. The consideration was paid in June 2011. Under the Company's previous accounting policy for this business combination in accordance with Canadian GAAP, contingent consideration that was dependent upon future performance was not recognized until it was issuable if there was reasonable doubt as to the outcome of the contingency. This was the case at April 1, 2010 and June 30, 2010 and the liability was not recognized under Canadian GAAP until during the quarter ended March 31, 2011.

The Company elected under IFRS 1 not to restate its previous business combinations. As a result the liability was recorded as an adjustment to retained earnings at April 1, 2010. Under Canadian GAAP, the contingent consideration was recorded as an increase to goodwill during the quarter ended March 31, 2011. This leads to a \$600 decrease in goodwill at March 31, 2011 under IFRS compared to Canadian GAAP.

- (e) The Company has elected under IFRS 1 to recognize its cumulative actuarial gains and losses at April 1, 2010. In addition, beyond April 1, 2010, the Company has adopted a policy to record actuarial gains and losses immediately in other comprehensive income under IFRS. Previously, experience gains and losses were deferred and amortized, generally over the remaining service life of employees. The amortization of actuarial gains and losses was included in earnings as part of cost of goods sold and selling and administration expenses. In addition, the Company considers its retiree wine allowance a liability under IFRS. The cost of this policy will now be accrued during an employee's service period rather than expensed during retirement as the wine allowance is provided.

	March 31, 2011	June 30, 2010	April 1, 2010
Employee future benefits liability under Canadian GAAP	\$ 3,803	\$ 4,376	\$ 4,530
Change in timing of recording actuarial gains and losses	981	1,129	167
Recognition of retiree wine allowance	781	731	717
Employee future benefits liability under IFRS	<u>\$ 5,565</u>	<u>6,236</u>	<u>\$ 5,414</u>
	For the year ended March 31, 2011	For the three months ended June 30, 2010	
Resulting increase (decrease) in:			
Cost of goods sold	\$	26	\$ 7
Selling and administration	\$	15	\$ 4

- (f) The change in the deferred tax liabilities is primarily a result of the IFRS transition adjustments previously described. The adjustments have changed the carrying amounts used to calculate the temporary difference associated with these balances and the corresponding deferred tax balances, as follows:

	March 31, 2011	June 30, 2010	April 1, 2010
Increase (decrease) in deferred income taxes payable resulting from adjustments to			
Inventories	\$ (171)	\$ (107)	\$ (245)
Property, plant and equipment and biological assets	543	382	512
Employee future benefits	(458)	(484)	(226)
	<u>\$ (86)</u>	<u>\$ (209)</u>	<u>\$ 41</u>

- (g) The adjustments to retained earnings are the residual of all of the adjustments previously described.

Changes to the consolidated statements of cash flows

Certain items within operating activities have been classified differently under IFRS when compared to Canadian GAAP. The change in presentation results from the changes in net earnings, as described in the reconciliations of the consolidated statements of earnings, which has a corresponding change in items not affecting cash and changes in non-cash working capital items related to operations. Other than presentation, there was no impact on the cash flow statements as a result of the transition to IFRS.

8 Additional annual disclosures under IFRS for the year ended March 31, 2011

The following are additional disclosures required under IFRS that were not previously included in the comparative period ended June 30, 2010 or year ended March 31, 2011 under Canadian GAAP.

(A) Property, plant and equipment

	Land	Vineyard land and infrastructure	Buildings	Machinery and equipment	Total
At April 1, 2010					
Cost	\$ 4,807	\$ 25,742	\$ 39,193	\$ 76,032	\$ 145,774
Accumulated amortization	-	3,257	11,326	46,058	60,641
Net carrying amount	\$ 4,807	\$ 22,485	\$ 27,867	\$ 29,974	\$ 85,133
Year ended March 31, 2011					
Additions	\$ -	\$ 127	\$ 680	\$ 6,258	\$ 7,065
Disposals	-	458	-	110	568
Amortization	-	531	1,166	5,189	6,886
Closing net carrying amount	\$ 4,807	\$ 21,623	\$ 27,381	\$ 30,933	\$ 84,744
At March 31, 2011					
Cost	\$ 4,807	\$ 25,390	\$ 39,872	\$ 81,634	\$ 151,703
Accumulated amortization	-	3,767	12,491	50,701	66,959
Net carrying amount	\$ 4,807	\$ 21,623	\$ 27,381	\$ 30,933	\$ 84,744

At March 31, 2011, there are assets included in vineyard infrastructure amounting to \$Nil (April 1, 2010 - \$5,661) that are under development and are not being amortized.

(B) Biological assets

Biological assets consist of grape vines and grapes prior to harvest that are controlled by the Company. The Company owns and leases land in Ontario and British Columbia to grow grapes in order to secure a supply of quality grapes for the making of wine.

At March 31, 2011, the Company held grape vines planted on 762 acres of land (April 1, 2010 – 768 acres of land). During the year ended March 31, 2011, the Company harvested 1,029 tonnes of grapes valued at \$ 3,098.

The changes in the carrying amount of biological assets are as follows:

	For the year ended March 31, 2011
Carrying amount – Beginning of year	\$ <u>13,010</u>
Net increase in fair value less costs of sale due to biological transformation, prices and other changes	1,723
Decrease in fair value less costs to sell of vines on leased land	(26)
Transferred to inventory upon harvest	<u>(3,098)</u>
Net gains (losses) from changes in fair value less costs of sales	<u>(1,401)</u>
	11,609
Purchases of vines	1,210
Disposal of vines	<u>(110)</u>
Carrying amount – End of year	12,709
Current portion of biological assets	<u>(759)</u>
Biological assets	<u>\$ 11,950</u>

The significant assumptions used to determine the fair value of vines planted on leased land are as follows:

	March 31, 2011	April 1, 2010
Yield	3-5 tonnes per acre	3-5 tonnes per acre
Pre-tax discount rate	10 - 12%	10 - 12%
Revenue and cost inflation rate	2.0%	2.0%
Annual pre-tax vineyard operating costs	\$5 to \$7	\$5 to \$7

The Company is exposed to financial risk because of the long period of time between the cash outflow required to plant grape vines, cultivate vineyards, and harvest grapes and the cash inflow from selling wine and related products from the harvested grapes. To ensure the Company has access to sufficient cash to meet its obligations, the Company has negotiated sufficient credit facilities. In addition, the Company regularly monitors working capital requirements and cash budgets.

Substantially all of the grapes from owned and leased vineyards are used in the Company's winemaking processes. These vineyards in combination with numerous supply contracts with other grape growers are used to secure a supply of domestically grown premium quality grapes. These strategies also reduce the financial risks associated with changes in grape prices.

(C) Goodwill

	March 31, 2011	April 1, 2010
Gross amount	\$ 37,473	\$ 37,608
Accumulated impairment losses	-	135
	<u>\$ 37,473</u>	<u>\$ 37,473</u>

The decrease in the gross amount of goodwill during the year ended March 31, 2011 is as a result of the disposal of a subsidiary with goodwill that was fully impaired.

(D) Employee future benefits

The Company has defined benefit pension plans and defined contribution savings plans for its employees. The Company also has a post-retirement medical benefits plan for certain employees and provides a monthly wine allowance to retired employees, which are collectively referred to as other post-employment benefits.

Information about the funded defined benefit pension plans and the unfunded other post-employment benefits plans is as follows:

	For the year ended March 31, 2011		
	Pension benefits	Other post- employment benefits	Total
Plan assets			
Fair value - Beginning of year	\$ 14,983	\$ -	\$ 14,983
Expected return on plan assets	1,050	-	1,050
Actuarial gains (losses)	119	-	119
Company's contributions	1,072	72	1,144
Employees' contributions	3	-	3
Benefits paid	(1,049)	(72)	(1,121)
Fair value - End of year	<u>\$ 16,178</u>	<u>\$ -</u>	<u>\$ 16,178</u>
Plan obligations			
Accrued benefit obligations - Beginning of year	\$ 18,001	\$ 1,748	\$ 19,749
Employee contributions	3	-	3
Total current service cost	448	57	505
Interest cost	986	97	1,083
Benefits paid	(1,049)	(71)	(1,120)
Actuarial losses (gains)	977	(21)	956
Accrued benefit obligations - End of year	<u>\$ 19,366</u>	<u>\$ 1,810</u>	<u>\$ 21,176</u>
Funded status			
Plan deficits	\$ 3,188	\$ 1,810	\$ 4,998
Unamortized past service credits from amendment to post-employment medical benefits plan	-	567	567
Accrued benefit liability	<u>\$ 3,188</u>	<u>\$ 2,377</u>	<u>\$ 5,565</u>

For the year ended March 31, 2011

	Pension benefits	Other post- employment benefits	Total
Benefit plan expense recognized in earnings			
Current service cost	\$ 452	\$ 57	\$ 509
Interest cost	986	97	1,083
Expected return on plan assets	(1,050)	-	(1,050)
Employee contributions	(3)	-	(3)
Amortization of past service credits	-	(81)	(81)
Net benefit plan expense	\$ 385	\$ 73	\$ 458
Amount recognized in other comprehensive income			
Net actuarial loss (gain)	\$ 858	\$ (21)	\$ 837
Actual return on plan assets	\$ 1,169	\$ -	\$ 1169
Experience adjustments			
Plan assets	\$ 119	\$ -	\$ 119
Plan liabilities	(977)	21	(956)
	\$ (858)	\$ 21	\$ (837)

At April 1, 2010

	Pension benefits	Other post- employment benefits	Total
Accrued benefit obligations	\$ 18,001	\$ 1,748	\$ 19,749
Plan assets at fair value	14,983	-	14,983
Unamortized negative past service costs	-	648	648
Accrued benefit liability	\$ 3,018	\$ 2,396	\$ 5,414

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations and benefits costs are as follows:

	March 31, 2011	April 1, 2010
Discount rate for expenses	5.5%	N/A
Discount rate for obligations	5.0%	5.5%
Expected long-term rate of return on plan assets	7.0%	7.0%
Rate of compensation increase	4-5%	4-5%
Rate of medical cost increases	9% decreasing to 5% after 4 years	10% decreasing to 5% after 5 years
Retirement age	60 – 65 years	60 – 65 year
Expected average remaining service life	6 – 13 years	7 – 14 years

To determine the expected long-term rate of return on plan assets, a weighted average of the expected returns of each asset category is used. The calculation is weighted based on the proportion of assets held by the plans in each asset category.

At March 31, 2011, an increase of one percent in the assumed rate of medical cost increases would lead to an increase in the aggregate of the current service cost and interest cost component of the benefit plan expense of \$3 and an increase in the accrued benefit obligation of \$56. A decrease of one percent in the assumed rate of medical cost increases would lead to a decrease in the aggregate of the current service cost and interest cost component of the benefit plan expense of \$ 3 and a decrease in the accrued benefit obligation of \$50.

Estimated contributions

The Company expects to make contributions of \$1,079 to its defined benefit pensions and other post-employment plans in the year ending March 31, 2012.

(E) Income taxes

The Company's income tax expense (recovery) recorded in net earnings consists of the following:

	For the year ended March 31, 2011
Provision for income taxes at blended statutory rate of 28.8%	\$ 4,782
Permanent differences and non-deductible items	269
Future income tax rate changes	7
Other	324
	<u>\$ 5,382</u>

The significant temporary differences giving rise to the deferred income tax liability are comprised of the following:

	Deferred income tax liability (asset)		Deferred income tax provision (recovery)
	March 31, 2011	April 1, 2010	For the year ended March 31, 2011
Items recognized in net earnings			
Property, plant and equipment and biological assets	\$ 9,199	\$ 9,273	\$ (74)
Intangible assets	2,801	2,975	(174)
Goodwill	2,613	2,443	170
Loss carry forward balances	(143)	(2,308)	2,165
Derivative financial instruments	(889)	(949)	60
Employee future benefits	(1,207)	(1,381)	174
Other	(336)	(174)	(162)
	<u>12,038</u>	<u>9,879</u>	<u>2,159</u>
Items recognized in other comprehensive income (loss)			
Employee future benefits	(218)	-	(218)
Deferred income tax liability	<u>\$ 11,820</u>	<u>\$ 9,879</u>	
Total deferred income taxes			<u>\$ 1,941</u>

(F) Capital stock

Quarterly dividends of \$0.0825 per Class A Share and \$0.072 per Class B Share were approved by the Board of Directors on June 3, 2009. On June 8, 2011, the quarterly dividend was increased to \$0.090 per Class A Share and \$0.079 per Class B Share for shareholders of record on June 30, 2011. Dividend payments are reviewed at least annually by the Board of Directors. All of the issued Class A and Class B Shares are fully paid and have no par value.

(G) Commitments and contingencies

In certain instances, the Company leases land for the purpose of operating vineyards. The terms of the land leases are 30 and 32 years, which expire in 2036 and 2029 respectively. Under the terms of one land lease, the Company has the option to agree in advance to purchase any grapes grown on the property at market value for five or more years after the termination of the lease. The Company also has a right of first refusal to purchase the land under both land leases, which gives the Company the option to buy the land only if the lessor is planning to sell the land. The terms of such a purchase would be negotiated based on conditions existing at the time of the purchase.

The Company leases various storage facilities, offices, and retail locations. The terms of these leases range between 1 and 10 years. The Company also leases various equipment and vehicles with lease terms between 1 and 6 years. In many cases, the Company has renewal options for fair market rental prices at the time of renewal.

For the year ended March 31, 2011, minimum lease payments of approximately \$3,878 were recognized as expense.

(H) Expenses

The nature of the expenses included in selling and administration and cost of goods sold, excluding amortization are as follows:

	<u>2011</u>
Raw materials and consumables	\$ 128,495
Employee compensation and benefits	51,222
Advertising, promotion and distribution	26,581
Occupancy	9,214
Repairs and maintenance	5,762
Other external charges	<u>12,602</u>
	<u>\$ 233,876</u>

Amortization of plant, equipment and intangible assets consists of:

	<u>2011</u>
Amortization of property, plant and equipment used in production	\$ 4,667
Amortization of property, plant and equipment used in selling and administrative activities	2,219
Amortization of intangible assets used in selling and administrative activities	<u>706</u>
Amortization of plant, equipment and intangible assets	<u>\$ 7,592</u>

Other expenses (income) are as follows:

	<u>2011</u>
Write-down for damaged vines	\$ 1,145
Ongoing maintenance costs related to Port Moody winery facility	189
Decrease in fair value less costs to sell of vines due to depreciation of vines planted on leased property over the term of the lease	26
Change in estimated disposal costs to complete the sale of Granville Island Brewing Company Ltd. and Mainland Beverage Distribution Ltd.	(260)
Gain on sale of vineyard	<u>(309)</u>
	<u>\$ 791</u>

(I) Related parties and management compensation

The Company is controlled by Jalger Limited, which owns 66.6% of the Company’s Class B voting shares. The ultimate controlling party of the Company is Dr. Joseph A. Peller.

Compensation of Directors and Executives

The compensation expense recorded for directors and members of the Executive Management Team of the Company is shown below:

	<u>2011</u>
Compensation and benefits	\$ 4,089
Payments to a share purchase plan	<u>436</u>
	<u>\$ 4,525</u>

The compensation and benefits expense consists of amounts that will primarily be settled within twelve months of being earned.

Corporate Office: Andrew Peller Limited
697 South Service Road
Grimsby, ON L3M 4E8
Tel: (905) 643-4131 Fax: (905) 643-4944

“Joseph A. Peller”

Joseph A. Peller
Chairman
August 30, 2011

For Further information, contact:
Peter B. Patchet
Chief Financial Officer and
Executive Vice-President Human Resources
Tel: (905) 643-4131 Ext. 2210