

**ANDREW PELLER LIMITED**  
**ANNOUNCES CONTINUING STRONG SECOND QUARTER FISCAL 2011 RESULTS**

*This news release contains forward-looking information that is based upon assumptions and is subject to risks and uncertainties as indicated in the cautionary note contained elsewhere in this news release.*

**GRIMSBY, Ontario** – November 10, 2010 – Andrew Peller Limited ADW.A/ADW.B (the “Company”) announced today strong results for the three and six months ended September 30, 2010.

**SECOND QUARTER HIGHLIGHTS:**

- Sales up 3.1% on solid performance through majority of trade channels
- Increased sales, improved margins and cost control initiatives result in improved profitability
- Gross profit margin improves to 39.4% of sales from 37.1% last year
- EBITA up 32.3% to \$8.9 million
- Balance sheet continues to strengthen on reduced debt levels
- Cash flow from operating activities increases to \$13.6 million
- Working capital rises to \$34.6 million

Sales for the second quarter of fiscal 2011 rose 3.1% to \$69.0 million from \$67.0 million in the prior year period. For the first six months of fiscal 2011 sales were \$133.5 million, up from \$131.9 million in fiscal 2010. Ongoing initiatives to grow sales of the Company’s blended varietal table and premium wines through provincial liquor boards, the introduction of new products and improved performance at the Company’s estate wineries were partially offset by additional taxation levied by the Province of Ontario on sales of cellared in Canada wine sold through the Company’s retail stores, the negative impact of the global economic slowdown on export sales and lower than anticipated sales of personal winemaking products.

Gross profit as a percentage of sales improved to 39.4% for the three months ended September 30, 2010 from 37.1% in the same period last year. For the first six months of fiscal 2011 gross margin rose to 39.6% compared to 36.9% for the same period in the prior fiscal year. The increase in gross margin in fiscal 2011 is due to the decreased cost to the Company of purchasing United States dollars and Euros and the Company’s successful cost control initiatives which served to reduce operating and packaging expenses during the current period. Management remains focused on efforts to enhance production efficiency and productivity to further improve overall profitability.

“The Canadian wine market continues to strengthen as the economy recovers and consumers return to the positive experience offered by our high quality wines,” commented John Peller, President and CEO. “We are also pleased to see our profitability continue to grow due to increased sales of our higher margin wines and the positive impact of our cost control initiatives.”

Selling and administrative expenses were stable in the second quarter of fiscal 2011, and as a percentage of sales were 26.4%, down from 27.0% in the same quarter last year. For the six months ended September 30, 2010 selling and administrative expenses were 26.3% as a percentage of sales compared to 25.7% for the same period last year. The increase in expenses is primarily the result of higher sales and marketing investments in the current fiscal year compared with the prior year.

Interest expense in the second quarter and first six months of fiscal 2011 declined compared to the same periods last year due primarily to the reduction in debt from the proceeds of sale of the Company’s beer business, proceeds from the sale of certain non-core vineyards during the first quarter of fiscal 2011 and lower interest rates on short and long-term debt. The Company expects to benefit from lower interest costs going forward.

The Company incurred non-cash losses for the three and six months ended September 30, 2010 of \$1.2 million and \$0.5 million respectively on losses related to mark-to-market adjustments on an interest rate swap and foreign exchange contracts. The Company recorded non-cash gains of \$0.2 million and \$1.3 million respectively in the comparable prior year periods. Under CICA accounting standards, these financial instruments must be reflected in the Company’s financial statements at fair value each reporting period. These instruments are considered to be

effective economic hedges and have enabled management to mitigate the volatility of changing costs and interest rates during the year.

Other expenses incurred in the second quarter and first six months of fiscal 2011 relate to one-time costs on a pre-tax write-down of approximately \$1.3 million (net of recovery from insurance) in the value of a BC vineyard where vines were damaged by an early and severe frost in the fall of 2009. The extent of the damage to the vines was not determined until the second quarter of the fiscal year. The Company also incurred costs through the year in maintaining the Company's Port Moody facility which was closed effective December 31, 2005. These costs were partially offset by other income of \$0.3 million related to the gain on the sale of the Okanagan vineyard in the first quarter of fiscal 2011.

Net and comprehensive earnings from continuing operations, excluding the gains on derivative financial instruments and other expenses for the three and six months ended September 30, 2010, were \$3.5 million and \$6.9 million, respectively, compared to \$1.6 million and \$4.2 million, respectively, for the comparable prior year periods. Net and comprehensive earnings were \$1.7 million (\$0.12 per Class A Share) and \$5.7 million (\$0.40 per Class A Share) for the three and six months ended September 30, 2010, respectively, compared to \$2.2 million (\$0.16 per Class A Share) and \$5.5 million (\$0.38 per Class A Share) for the same comparable periods in fiscal 2010. Operating results for the Company's beer business have been classified as a discontinued item.

### **Strengthened Financial Position**

Working capital was \$34.6 million as at September 30, 2010 compared to \$30.0 million at March 31, 2010 and \$27.0 million at September 30, 2009. As at September 30, 2010, total bank indebtedness and long-term debt decreased compared to March 31, 2010 and September 30, 2009 due primarily to proceeds received from the sale of the Company's beer business effective October 1, 2009, increased cash flow from operating activities due to higher net earnings and lower levels of working capital. On May 25, 2010 the Company sold approximately six acres of vineyard in the Okanagan Valley. The proceeds of approximately \$0.8 million were used to reduce bank indebtedness.

With the decrease in bank debt, the Company's debt to equity ratio improved to 0.78:1 compared to 0.90:1 at the end of fiscal 2010 and 1.28:1 at the end of the prior year's second quarter. Shareholders' equity at September 30, 2010 rose to \$117.0 million or \$7.86 per common share compared to \$113.7 million or \$7.63 per common share at March 31, 2010 and \$99.9 million or \$6.71 per common share at September 30, 2009. The increase in shareholders' equity is due primarily to the net gain on the sale of the Company's beer business and higher net earnings over the last twelve months.

"Our strong balance sheet and financial position provides a solid foundation for the Company, and we look forward to continued stable and sustainable growth in the quarters and years ahead," Mr. Peller concluded.

### **Conference Call**

A conference call hosted by John Peller, President and Chief Executive Officer and Peter Patchet, Chief Financial Officer, will be held Thursday, November 11, 2010 at 10.30 am ET. The telephone numbers for the conference call are: Local Toronto: (416) 340-2218 or North American Toll Free: (866) 226-1793.

The telephone numbers to listen to the call after it is completed (Instant Replay) are local (416) 695-5800 or toll free (800) 408-3053. The Passcode for the Instant Replay is 4802885#. The Instant Replay will be available until midnight, November 18, 2010.

**Financial Highlights** (Unaudited)  
(Complete consolidated financial statements to follow)

| (in \$000 except as otherwise stated)                                                    | Three Months    |          | Six Months      |          |
|------------------------------------------------------------------------------------------|-----------------|----------|-----------------|----------|
|                                                                                          | 2010            | 2009     | 2010            | 2009     |
| For the Period Ended September 30,                                                       |                 |          |                 |          |
| Sales                                                                                    | <b>69,031</b>   | 66,961   | <b>133,497</b>  | 131,911  |
| Gross profit                                                                             | <b>27,183</b>   | 24,816   | <b>52,807</b>   | 48,613   |
| Gross profit (% of sales)                                                                | <b>39.4%</b>    | 37.1%    | <b>39.6%</b>    | 36.9%    |
| Selling general and administrative expenses                                              | <b>18,253</b>   | 18,066   | <b>35,095</b>   | 33,915   |
| Earnings before interest, taxes, amortization, unrealized loss (gain) and other expenses | <b>8,930</b>    | 6,750    | <b>17,712</b>   | 14,698   |
| Unrealized loss (gain) on derivative financial instruments                               | <b>1,162</b>    | (213)    | <b>516</b>      | (1,340)  |
| Other expenses                                                                           | <b>1,330</b>    | -        | <b>1,038</b>    | -        |
| Net and comprehensive earnings from continuing operations                                | <b>1,702</b>    | 1,762    | <b>5,742</b>    | 5,100    |
| Net and comprehensive earnings from a discontinued operation                             | -               | 482      | -               | 395      |
| Net and comprehensive earnings                                                           | <b>1,702</b>    | 2,244    | <b>5,742</b>    | 5,495    |
| Earnings per share from continuing operations - Class A                                  | <b>\$ 0.12</b>  | \$ 0.12  | <b>\$ 0.40</b>  | \$ 0.35  |
| Earnings per share – basic and diluted - Class A                                         | <b>\$ 0.12</b>  | \$ 0.16  | <b>\$ 0.40</b>  | \$ 0.38  |
| Dividend per share – Class A (annual)                                                    | <b>\$ 0.330</b> | \$ 0.330 | <b>\$ 0.330</b> | \$ 0.330 |
| Dividend per share – Class B (annual)                                                    | <b>\$ 0.288</b> | \$ 0.288 | <b>\$ 0.288</b> | \$ 0.288 |
| Cash provided by operations<br>(after changes in non-cash working capital items)         | <b>13,552</b>   | 11,159   | <b>16,175</b>   | 8,422    |
| Working capital                                                                          |                 |          | <b>34,631</b>   | 27,010   |
| Shareholders' equity per share                                                           |                 |          | <b>\$7.86</b>   | \$6.71   |

Andrew Peller Limited ('APL' or the 'Company') is a leading producer and marketer of quality wines in Canada. With wineries in British Columbia, Ontario and Nova Scotia, the Company markets wines produced from grapes grown in Ontario's Niagara Peninsula, British Columbia's Okanagan and Similkameen Valleys and from vineyards around the world. The Company's award-winning premium and ultra-premium VQA brands include *Peller Estates*, *Trius*, *Hillebrand*, *Thirty Bench*, *Sandhill*, *Calona Vineyards Artist Series* and *Red Rooster*. Complementing these premium brands are a number of popularly priced varietal wine brands including *Peller Estates French Cross* in the East, *Peller Estates Proprietors Reserve* in the West, *Copper Moon*, *XOXO* and *Croc Crossing*. *Hochtaler*, *Domaine D'Or*, *Schloss Laderheim*, *Royal* and *Sommet* are our key value priced wine blends. The Company imports wines from major wine regions around the world to blend with domestic wine to craft these popularly priced and value priced wine brands. With a focus on serving the needs of all wine consumers, the Company produces and markets premium personal winemaking products through its wholly-owned subsidiary, Global Vintners Inc., the recognized world leader in personal winemaking products. Global Vintners distributes products through over 250 Winexpert and Wine Kitz authorized retailers and franchisees and more than 600 independent retailers across Canada, United States, United Kingdom, New Zealand and Australia. Global Vintners 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 Inc. based in Vancouver, and The Small Winemaker's Collection Inc. 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 our icewine products.

Net earnings from continuing operations is defined as net earnings before the net unrealized gain on financial instruments, other expenses and net earnings from a discontinued operation, all adjusted by income tax rates as calculated below:

(in \$000)

Three Months

Six Months

| Period ended September 30,                                    | 2010  | 2009  | 2010  | 2009    |
|---------------------------------------------------------------|-------|-------|-------|---------|
| Net and comprehensive earnings                                | 1,702 | 2,244 | 5,742 | 5,495   |
| Unrealized loss (gain) on financial instruments               | 1,162 | (213) | 516   | (1,340) |
| Other expenses                                                | 1,330 | -     | 1,038 | -       |
| Income tax effect on the above                                | (696) | 68    | (367) | 426     |
| Net income from a discontinued operation                      | -     | (482) | -     | (395)   |
| Net earnings from continuing operations before other expenses | 3,498 | 1,617 | 6,929 | 4,186   |

The Company utilizes EBITA (defined as earnings before interest, amortization, unrealized derivative gains, other expenses, income taxes and net loss from a discontinued operation). EBITA is not a recognized measure under GAAP. Management believes that EBITA is a useful supplemental measure to net earnings, as it provides readers with an indication of cash available for investment prior to debt service, capital expenditures and income taxes. Readers are cautioned that EBITA should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of the Company's performance or to cash flows from operating, investing and financing activities as a measure of liquidity and cash flows. In addition, the Company's method of calculating EBITA may differ from the methods used by other companies and, accordingly, may not be comparable to measures used by other companies.

Andrew Peller Limited common shares trade on the Toronto Stock Exchange (symbols ADW.A and ADW.B).

#### **FORWARD-LOOKING INFORMATION**

*Certain statements in this news release may contain "forward-looking statements" within the meaning of applicable securities laws, including the "safe harbour provision" of the Securities Act (Ontario) with respect to Andrew Peller Limited (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 news release, 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 labelling its products; the regulation of liquor distribution and retailing in Ontario; and the impact of increasing competition.*

*These forward-looking statements are also subject to the risks and uncertainties discussed in this news release, in the "Risk Factors" section and elsewhere in the Company's MD&A and other risks detailed from time to time in the publicly filed disclosure documents of Andrew Peller Limited which are available at [www.sedar.com](http://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 news release, and except as required by applicable law, the Company undertakes no obligation to update or revise these forward-looking statements to reflect new information, future events or circumstances or otherwise.*

For more information, please contact:

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# ANDREW PELLER LIMITED

## CONSOLIDATED BALANCE SHEETS

These financial statements have not been reviewed by our auditors

|                                                       | September 30   | March 31       | September 30   |
|-------------------------------------------------------|----------------|----------------|----------------|
|                                                       | 2010           | 2010           | 2009           |
|                                                       | \$             | \$             | \$             |
| <b>Assets</b>                                         |                |                |                |
| <b>Current Assets</b>                                 |                |                |                |
| Accounts receivable                                   | 26,413         | 22,902         | 21,907         |
| Inventories                                           | 90,657         | 89,693         | 95,320         |
| Prepaid expenses and other assets                     | 2,688          | 2,429          | 1,970          |
| Income taxes recoverable                              | 323            | 1,327          | 3,664          |
| Discontinued operation                                | -              | -              | 5,627          |
|                                                       | <u>120,081</u> | <u>116,351</u> | <u>128,488</u> |
| <b>Property, plant and equipment</b>                  | <b>92,779</b>  | <b>95,728</b>  | <b>97,755</b>  |
| <b>Goodwill</b>                                       | <b>37,473</b>  | <b>37,473</b>  | <b>35,684</b>  |
| <b>Intangibles and other assets</b>                   | <b>13,841</b>  | <b>14,164</b>  | <b>14,496</b>  |
| <b>Discontinued operation - long-term assets</b>      | <b>-</b>       | <b>-</b>       | <b>9,746</b>   |
|                                                       | <u>264,174</u> | <u>263,716</u> | <u>286,169</u> |
| <b>Liabilities</b>                                    |                |                |                |
| <b>Current Liabilities</b>                            |                |                |                |
| Bank indebtedness                                     | 40,731         | 48,877         | 53,401         |
| Accounts payable and accrued liabilities              | 36,780         | 28,229         | 33,545         |
| Dividends payable                                     | 1,197          | 1,197          | 1,197          |
| Current derivative financial instruments              | 1,409          | 1,922          | 2,806          |
| Current portion of long-term debt                     | 5,333          | 6,158          | 6,158          |
| Discontinued operation                                | -              | -              | 4,371          |
|                                                       | <u>85,450</u>  | <u>86,383</u>  | <u>101,478</u> |
| <b>Long-term debt</b>                                 | <b>45,336</b>  | <b>47,633</b>  | <b>68,082</b>  |
| <b>Long-term derivative financial instruments</b>     | <b>2,790</b>   | <b>1,667</b>   | <b>3,040</b>   |
| <b>Employee future benefits</b>                       | <b>4,296</b>   | <b>4,530</b>   | <b>2,371</b>   |
| <b>Future income taxes</b>                            | <b>9,289</b>   | <b>9,838</b>   | <b>11,000</b>  |
| <b>Discontinued operation - long-term liabilities</b> | <b>-</b>       | <b>-</b>       | <b>306</b>     |
|                                                       | <u>147,161</u> | <u>150,051</u> | <u>186,277</u> |
| <b>Shareholders' Equity</b>                           |                |                |                |
| <b>Capital Stock</b>                                  | <b>7,375</b>   | <b>7,375</b>   | <b>7,375</b>   |
| <b>Retained Earnings</b>                              | <b>109,638</b> | <b>106,290</b> | <b>92,517</b>  |
|                                                       | <u>117,013</u> | <u>113,665</u> | <u>99,892</u>  |
|                                                       | <u>264,174</u> | <u>263,716</u> | <u>286,169</u> |

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

## ANDREW PELLER LIMITED

Consolidated Statements of Earnings, Comprehensive Earnings and Retained Earnings  
These financial statements have not been reviewed by our auditors

|                                                                                             | For the Three Months Ended |         | For the Six Months Ended |         |
|---------------------------------------------------------------------------------------------|----------------------------|---------|--------------------------|---------|
|                                                                                             | September 30               |         | September 30             |         |
|                                                                                             | 2010                       | 2009    | 2010                     | 2009    |
|                                                                                             | \$                         | \$      | \$                       | \$      |
| <b>Sales</b>                                                                                | 69,031                     | 66,961  | 133,497                  | 131,911 |
| Cost of goods sold, excluding amortization                                                  | 41,848                     | 42,145  | 80,690                   | 83,298  |
| <b>Gross profit</b>                                                                         | 27,183                     | 24,816  | 52,807                   | 48,613  |
| Selling and administration                                                                  | 18,253                     | 18,066  | 35,095                   | 33,915  |
| <b>Earnings before interest and amortization</b>                                            | 8,930                      | 6,750   | 17,712                   | 14,698  |
| Interest                                                                                    | 1,885                      | 2,363   | 3,827                    | 4,546   |
| Amortization of plant, equipment and intangible assets                                      | 2,027                      | 2,017   | 4,054                    | 4,010   |
| <b>Earnings before other items</b>                                                          | 5,018                      | 2,370   | 9,831                    | 6,142   |
| <b>Unrealized losses (gains) on derivative financial instruments</b>                        | 1,162                      | (213)   | 516                      | (1,340) |
| <b>Other expenses (Note 4)</b>                                                              | 1,330                      | -       | 1,038                    | -       |
| <b>Earnings before income taxes</b>                                                         | 2,526                      | 2,583   | 8,277                    | 7,482   |
| <b>Provision for (recovery of) income taxes</b>                                             |                            |         |                          |         |
| Current                                                                                     | 1,531                      | 691     | 3,084                    | 1,839   |
| Future                                                                                      | (707)                      | 130     | (549)                    | 543     |
|                                                                                             | 824                        | 821     | 2,535                    | 2,382   |
| <b>Net and comprehensive earnings for the period from continuing operations</b>             | 1,702                      | 1,762   | 5,742                    | 5,100   |
| <b>Net and comprehensive earnings for the period from a discontinued operation (Note 3)</b> | -                          | 482     | -                        | 395     |
| <b>Net and comprehensive earnings for the period</b>                                        | 1,702                      | 2,244   | 5,742                    | 5,495   |
| <b>Retained earnings- Beginning of period</b>                                               | 109,133                    | 91,470  | 106,290                  | 89,416  |
| Dividends:                                                                                  |                            |         |                          |         |
| Class A and Class B                                                                         | (1,197)                    | (1,197) | (2,394)                  | (2,394) |
| <b>Retained earnings - End of period</b>                                                    | 109,638                    | 92,517  | 109,638                  | 92,517  |
| <b>Net earnings per share from continuing operations</b>                                    |                            |         |                          |         |
| Basic and diluted                                                                           |                            |         |                          |         |
| Class A shares                                                                              | 0.12                       | 0.12    | 0.40                     | 0.35    |
| Class B shares                                                                              | 0.10                       | 0.11    | 0.34                     | 0.31    |
| <b>Net earnings per share from discontinued operation</b>                                   |                            |         |                          |         |
| Basic and diluted                                                                           |                            |         |                          |         |
| Class A shares                                                                              | 0.00                       | 0.04    | 0.00                     | 0.03    |
| Class B shares                                                                              | 0.00                       | 0.03    | 0.00                     | 0.02    |
| <b>Net earnings per share</b>                                                               |                            |         |                          |         |
| Basic and diluted                                                                           |                            |         |                          |         |
| Class A shares                                                                              | 0.12                       | 0.16    | 0.40                     | 0.38    |
| Class B shares                                                                              | 0.10                       | 0.14    | 0.34                     | 0.33    |

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

# ANDREW PELLER LIMITED

## Consolidated Statements of Cash Flows

These financial statements have not been reviewed by our auditors

|                                                                           | For the Three Months Ended |                | For the Six Months Ended |                |
|---------------------------------------------------------------------------|----------------------------|----------------|--------------------------|----------------|
|                                                                           | September 30               |                | September 30             |                |
|                                                                           | 2010                       | 2009           | 2010                     | 2009           |
|                                                                           | \$                         | \$             | \$                       | \$             |
| <b>Cash provided by (used in)</b>                                         |                            |                |                          |                |
| <b>Operating activities</b>                                               |                            |                |                          |                |
| Net earnings for the period                                               | 1,702                      | 1,762          | 5,742                    | 5,100          |
| Items not affecting cash:                                                 |                            |                |                          |                |
| Loss on disposal of property and equipment                                | 1,018                      | -              | 678                      | -              |
| Amortization of plant, equipment and intangibles                          | 2,027                      | 2,017          | 4,054                    | 4,010          |
| Employee future benefits                                                  | (80)                       | (186)          | (234)                    | (453)          |
| Net unrealized loss (gain) on derivative financial instruments            | 1,162                      | (213)          | 516                      | (1,340)        |
| Future income taxes (recovery)                                            | (707)                      | 130            | (549)                    | 543            |
| Amortization of deferred financing costs                                  | 185                        | 12             | 370                      | 24             |
|                                                                           | <u>5,307</u>               | <u>3,522</u>   | <u>10,577</u>            | <u>7,884</u>   |
| Changes in non-cash working capital items related to operations (Note 5): | <u>8,245</u>               | <u>7,637</u>   | <u>5,598</u>             | <u>538</u>     |
|                                                                           | <u>13,552</u>              | <u>11,159</u>  | <u>16,175</u>            | <u>8,422</u>   |
| <b>Investing activities</b>                                               |                            |                |                          |                |
| Acquisition of businesses                                                 | -                          | -              | (825)                    | (825)          |
| Proceeds from disposal of property and equipment (Note 4)                 | -                          | -              | 766                      | -              |
| Purchase of property and equipment                                        | (2,099)                    | (1,589)        | (2,910)                  | (2,957)        |
|                                                                           | <u>(2,099)</u>             | <u>(1,589)</u> | <u>(2,969)</u>           | <u>(3,782)</u> |
| <b>Financing activities</b>                                               |                            |                |                          |                |
| (Decrease) increase in bank indebtedness                                  | (8,923)                    | (7,410)        | (8,146)                  | 1,209          |
| Repayment of long-term debt                                               | (1,333)                    | (1,333)        | (2,666)                  | (2,666)        |
| Dividends paid                                                            | (1,197)                    | (1,197)        | (2,394)                  | (2,394)        |
|                                                                           | <u>(11,453)</u>            | <u>(9,940)</u> | <u>(13,206)</u>          | <u>(3,851)</u> |
| <b>Cash (used in) provided from continuing operations</b>                 | -                          | (370)          | -                        | 789            |
| <b>Cash provided from (used in) discontinued operation (Note 3)</b>       | -                          | 370            | -                        | (789)          |
| <b>Cash at beginning and end of period</b>                                | -                          | -              | -                        | -              |
| <b>Supplemental disclosure of cash flow information</b>                   |                            |                |                          |                |
| Cash paid (received) during the period from continuing operations for     |                            |                |                          |                |
| Interest                                                                  | 1,976                      | 2,639          | 3,845                    | 4,535          |
| Income taxes                                                              | 1,489                      | (1,016)        | 2,079                    | (812)          |
| Cash paid during the period from discontinued operation for               |                            |                |                          |                |
| Income taxes                                                              | -                          | 590            | -                        | 723            |
| Cash paid (received) during the period for                                |                            |                |                          |                |
| Interest                                                                  | 1,976                      | 2,639          | 3,845                    | 4,535          |
| Income taxes                                                              | 1,489                      | (426)          | 2,079                    | (89)           |

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

## Notes to the Interim Consolidated Financial Statements September 30, 2010 and 2009

(in thousands of dollars)

### UNAUDITED

#### 1. Summary of Significant Accounting Policies

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

#### 2. Seasonality

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

#### 3. Discontinued operations

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

In connection with the sale of GIBCO, the Company continues to manufacture product for the purchaser. In doing so, the Company incurred and was fully reimbursed for expenses in the amount of \$415 and \$1,461 for the three and six months ended September 30, 2010.

Other financial information relating to the discontinued operation is as follows:

##### Condensed statement of net earnings from discontinued operation

|                                          | For the three<br>months ended<br>September 30<br>2009<br>\$ | For the six<br>months ended<br>September 30<br>2009<br>\$ |
|------------------------------------------|-------------------------------------------------------------|-----------------------------------------------------------|
| Sales                                    | 5,296                                                       | 10,509                                                    |
| Cost of goods sold                       | 2,747                                                       | 5,452                                                     |
| Gross profit                             | 2,549                                                       | 5,057                                                     |
| Selling and administration               | 1,734                                                       | 4,263                                                     |
| Amortization                             | 106                                                         | 213                                                       |
| Earnings before income taxes             | 709                                                         | 581                                                       |
| Provision for income taxes               | 227                                                         | 186                                                       |
| Net earnings from discontinued operation | 482                                                         | 395                                                       |

Included in cost of goods sold is \$1,008 and \$2,015 for the three and six months ended September 30, 2009 respectively for costs relating to manufacturing services provided by a related company.

##### Condensed statement of cash flows from discontinued operation

|                                                 | For the three<br>months ended<br>September 30<br>2009<br>\$ | For the six<br>months ended<br>September 30<br>2009<br>\$ |
|-------------------------------------------------|-------------------------------------------------------------|-----------------------------------------------------------|
| Cash used in operating activities               | 370                                                         | (789)                                                     |
| Cash provided by (used in) investing activities | -                                                           | -                                                         |
| Cash provided by (used in) financing activities | -                                                           | -                                                         |
|                                                 | 370                                                         | (789)                                                     |

#### 4. Other (income) expenses

During the second quarter, it became evident that approximately 98 acres of vines developed by the Company on leased land in Oliver, British Columbia were irreparably damaged. The Company wrote down vineyards included in property, plant and

equipment related to this vine damage in the amount of \$1,712 and inventories in the amount of \$260. The Company is insured for a portion of the loss and has recorded an amount receivable of \$694 based on an estimate of its entitlement under the insurance policy. The pre-tax loss recorded as a result of the damaged vines is \$1,278.

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

## 5. Changes in non-cash working capital items

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

|                                          | For the three<br>months ended<br>September 30<br>2010<br>\$ | For the three<br>months ended<br>September 30<br>2009<br>\$ | For the six<br>months ended<br>September 30<br>2010<br>\$ | For the six<br>months ended<br>September 30<br>2009<br>\$ |
|------------------------------------------|-------------------------------------------------------------|-------------------------------------------------------------|-----------------------------------------------------------|-----------------------------------------------------------|
| Accounts receivable                      | (1,832)                                                     | 58                                                          | (2,817)                                                   | (1,226)                                                   |
| Inventories                              | (4,375)                                                     | 3,062                                                       | (964)                                                     | 5,496                                                     |
| Prepaid expenses and other assets        | (100)                                                       | (261)                                                       | (165)                                                     | (1,467)                                                   |
| Accounts payable and accrued liabilities | 14,510                                                      | 3,072                                                       | 8,540                                                     | (4,918)                                                   |
| Income taxes recoverable                 | 42                                                          | 1,706                                                       | 1,004                                                     | 2,653                                                     |
|                                          | <u>8,245</u>                                                | <u>7,637</u>                                                | <u>5,598</u>                                              | <u>538</u>                                                |

## 6. Bank indebtedness and long-term debt

On August 27, 2010, the Company modified the terms of its short-term loan facility. The modified facility matures on August 26, 2011 (previously - November 9, 2010) and incurs interest at the Royal Bank of Canada prime rate plus 2.00% (previously - plus 2.75%).

The Company's interest rate on its term loan is currently 5.64%. The Company also pays additional interest of 0.70% based on leverage and a funding premium, to be negotiated annually, of 0.80%. Effective November 1, 2010, the additional interest rate based on leverage is reduced to 0.50%.

## 7. Comparative Figures

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