Andrew Peller Limited

Condensed Consolidated Financial Statements

December 31, 2012

ANDREW PELLER LIMITED

Condensed Consolidated Balance Sheets

Unaudited

These financial statements have not been reviewed by our auditors

(in thousands of Canadian dollars)	December 31 2012 $	March 31 2012 $
Assets		
Current Assets		
Accounts receivable	**26,882**	24,937
Inventory	**114,694**	110,256
Current portion of biological assets	**-**	881
Prepaid expenses and other assets	**3,073**	1,338
	144,649	137,412
Property, plant, and equipment (note 4)	**89,013**	84,490
Biological assets	**12,924**	12,556
Intangibles	**12,801**	13,621
Goodwill	**37,473**	37,473
	296,860	285,552
Liabilities		
Current Liabilities		
Bank indebtedness	**62,284**	57,495
Accounts payable and accrued liabilities	**26,723**	37,118
Dividends payable	**1,252**	1,252
Income taxes payable	**1,928**	40
Current portion of derivative financial instruments	**1,150**	1,272
Current portion of long-term debt	**6,312**	5,366
	99,649	102,543
Long-term debt (note 5)	**42,791**	41,456
Long-term derivative financial instruments	**1,297**	1,943
Post-employment benefit obligations	**8,119**	7,151
Deferred income (note 6)	**1,415**	-
Deferred income taxes	**12,597**	11,907
	165,868	165,000
Shareholders' Equity		
Capital stock	**7,026**	7,026
Retained earnings	**123,966**	113,526
	130,992	120,552
	296,860	285,552

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

ANDREW PELLER LIMITED

Condensed Consolidated Statements of Earnings

Unaudited

These financial statements have not been reviewed by our auditors

	For the three months ended December 31		For the nine months ended December 31	
	2012	2011	2012	2011
(in thousands of Canadian dollars)	$	$	$	$
Sales	**79,813**	76,595	**225,557**	215,992
Cost of goods sold (note 7)	**49,001**	45,876	**138,416**	130,688
Amortization of plant and equipment used in production	**1,180**	1,233	**3,527**	3,677
Gross profit	**29,632**	29,486	**83,614**	81,627
Selling and administration (note 7)	**18,942**	18,861	**56,697**	55,159
Amortization of plant, equipment, and intangibles used in selling and administration	**646**	688	**2,426**	2,119
Interest	**1,288**	1,170	**3,866**	4,201
Operating earnings	**8,756**	8,767	**20,625**	20,148
Net unrealized (gains) losses on derivative financial instruments	**(683)**	(117)	**(1,079)**	296
Other (income) expenses (note 7)	**214**	44	**(213)**	700
Earnings before income taxes	**9,225**	8,840	**21,917**	19,152
Provision for income taxes				
Current	**2,140**	1,879	**5,089**	4,706
Deferred	**453**	652	**1,194**	841
	2,593	2,531	**6,283**	5,547
Net earnings for the period	**6,632**	6,309	**15,634**	13,605
Net earnings per share				
Basic and diluted				
Class A shares	**0.47**	0.46	**1.12**	0.98
Class B shares	**0.42**	0.39	**0.98**	0.85

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ANDREW PELLER LIMITED

Condensed Consolidated Statements of Comprehensive Income

Unaudited

These financial statements have not been reviewed by our auditors

	For the three months ended December 31		For the nine months ended December 31	
	2012	2011	2012	2011
(in thousands of Canadian dollars)	$	$	$	$
Net earnings for the period	**6,632**	6,309	**15,634**	13,605
Net actuarial losses on post-employment benefit plans	**(133)**	(438)	**(1,941)**	(2,295)
Deferred income taxes	**34**	114	**504**	597
Other comprehensive loss for the period	**(99)**	(324)	**(1,437)**	(1,698)
Net comprehensive income for the period	**6,533**	5,985	**14,197**	11,907

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

ANDREW PELLER LIMITED

Condensed Consolidated Statements of Changes in Equity

For the nine months ended December 31, 2012 and 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, 2011	7,026	107,271	114,297
Net earnings for the period	-	13,605	13,605
Net actuarial losses (net of $597 deferred tax recovery)	-	(1,698)	(1,698)
Net comprehensive income for the period	-	11,907	11,907
Dividends (Class A $0.270 per share, Class B $0.236 per share)	-	(3,757)	(3,757)
Balance at December 31, 2011	7,026	115,421	122,447
Balance at April 1, 2012	7,026	113,526	120,552
Net earnings for the period	-	15,634	15,634
Net actuarial losses (net of $504 deferred tax recovery)	-	(1,437)	(1,437)
Net comprehensive income for the period	-	14,197	14,197
Dividends (Class A $0.270 per share, Class B $0.236 per share)	-	(3,757)	(3,757)
Balance at December 31, 2012	7,026	123,966	130,992

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

ANDREW PELLER LIMITED
Condensed Consolidated Statements of Cash Flows
Unaudited

These financial statements have not been reviewed by our auditors

(in thousands of Canadian dollars)	For the nine months ended December 31, 2012 $	For the nine months ended December 31, 2011 $
Cash provided by (used in)		
Operating activities		
Net earnings for the period	**15,634**	13,605
Adjustments for:		
Loss (gain) on disposal of property and equipment	**(547)**	158
Amortization of plant, equipment, and intangibles	**5,953**	5,796
Interest expense	**3,866**	4,201
Provision for income taxes	**6,283**	5,547
Revaluation of biological assets	**295**	563
Post-employment benefits	**(973)**	(647)
Deferred income	**1,819**	-
Net unrealized (gain) loss on derivative financial instruments	**(1,079)**	296
Interest paid	**(3,640)**	(4,043)
Income taxes paid	**(3,201)**	(5,002)
	24,410	20,474
Changes in non-cash working capital items related to operations (note 8)	**(17,755)**	(19,779)
	6,655	695
Investing activities		
Proceeds from disposal of property and equipment	**514**	-
Purchase of property, equipment, and biological assets	**(11,266)**	(5,097)
Purchase of intangibles	**-**	(1,039)
Proceeds from disposal of a business	**1,000**	-
Acquisition of businesses	**-**	(600)
	(9,752)	(6,736)
Financing activities		
Decrease in bank indebtedness	**4,789**	9,946
Issuance of long-term debt	**6,500**	50,263
Repayment of long-term debt	**(4,280)**	(49,611)
Deferred financing costs	**(155)**	(904)
Dividends paid	**(3,757)**	(3,653)
	3,097	6,041
Increase (decrease) in cash during the period	**-**	-
Cash, beginning of period	**-**	-
Cash, end of period	-	-

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

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

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB applicable to the preparation of condensed interim financial statements, including IAS 34 – Interim Financial Reporting. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the years ended March 31, 2012 and 2011, which have been prepared in accordance with IFRS as issued by the IASB.

The note disclosures for these condensed interim consolidated financial statements only present material changes to the disclosure found in the Company's audited consolidated financial statements for the years ended March 31, 2012 and 2011. There have been no changes to the Company's accounting policies from those disclosed in its consolidated financial statements for years ended March 31, 2012 and March 31, 2011.

These condensed 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.

These condensed interim consolidated financial statements were approved by the Board of Directors on February 11, 2012.

(B) Recently issued accounting pronouncements

In December 2011, the IASB issued amendments to IFRS 7 – Financial Instruments: Disclosures, which increase the disclosure requirements related to the offsetting of financial assets and financial liabilities. 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 June 2011, the IASB issued amendments to IAS 1 – Financial Statement Presentation, which require changes in the presentation of other comprehensive income ("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 amendments also include significant changes to recognition and measurement of defined benefit pension expense and termination benefits. 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 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 and will include any necessary disclosures in its 2013 annual financial statements.

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 IASB also issued additional disclosure requirements on transition to IFRS 9 in IFRS 7 – Financial Instruments: Disclosures. IFRS 9 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, 2015. The Company is currently evaluating the potential impact of this standard.

3 Seasonality

The third quarter of each fiscal 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 Property, plant, and equipment

The Company made additions to plant and equipment in the amount of $9,623 (2011 - $4,690) during the nine months ended December 31, 2012. Expenditures of $5,956 during the nine months ended December 31, 2012 were made to expand the processing and cooperage capacity at the Company's Grimsby winery.

5 Long-term debt

During the nine months ended December 31, 2012, the Company drew $6,500 on its term loan facility. The total principal amount outstanding on the term loan facility at December 31, 2012 was $49,553. The additional amounts were borrowed to fund expenditures incurred to expand the processing and cooperage capacity at the Grimsby winery. As a result of these increases, the loan will be repayable in monthly installments of $523 plus interest until it matures on September 16, 2015.

6 Deferred income

During the nine months ended December 31, 2012, the Company received an expropriation notice that its idle facility in Port Moody, British Columbia will be used, on a temporary basis, while construction of a rapid transit project takes place. Advance payments amounting to $2,021 were received for the temporary use of the property. The amount received was initially recorded in deferred income and is being reported as other (income) expenses over the five-year term of the expropriation, which began on July 1, 2012.

7 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 December 31, 2012	For the three months ended December 31, 2011	For the nine months ended December 31, 2012	For the nine months ended December 31, 2011
Raw materials and consumables	$ 39,268	$ 35,644	$ 110,681	$ 103,373
Employee compensation and benefits	12,767	13,403	40,813	40,571
Advertising, promotion, and distribution	7,471	7,454	20,721	19,853
Occupancy	2,564	2,577	7,280	7,166
Repairs and maintenance	1,713	1,779	4,638	4,347
Other external charges	4,160	3,880	10,980	10,537
	$ 67,943	$ 64,737	$ 195,113	$ 185,847

Other expenses (income) are as follows:

	For the three months ended December 31, 2012	For the three months ended December 31, 2011	For the nine months ended December 31, 2012	For the nine months ended December 31, 2011
Revaluation of vines	$ 241	$ 6	$ 295	$ 563
Expenses (income) from idle Port Moody property	(27)	38	(508)	137
	$ 214	$ 44	$ (213)	$ 700

8 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 nine months ended December 31, 2012	For the nine months ended December 31, 2011
Accounts receivable	$ (2,945)	$ (4,908)
Inventory	(4,438)	(13,336)
Current portion of biological assets	881	759
Prepaid expenses and other assets	(1,424)	(765)
Accounts payable and accrued liabilities	(9,829)	(1,529)
	$ (17,755)	$ (19,779)

9 Related parties and management compensation

The compensation expense recorded for directors and members of the Executive Management Team of the Company was $804 (2011 - $1,055) for the three months ended and $2,810 (2011 - $3,248) for the nine months ended December 31, 2012. The compensation expense consists of amounts that will primarily be settled within twelve months of being earned.