Andrew Peller Limited

Condensed Consolidated Financial Statements

December 31, 2014

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 2014 $	March 31 2014 $
Assets		
Current Assets		
Accounts receivable	**25,896**	22,693
Inventory	**120,220**	120,751
Current portion of biological assets	**-**	1,062
Prepaid expenses and other assets	**2,091**	1,381
Income taxes recoverable	**-**	240
	148,207	146,127
Property, plant, and equipment	**89,169**	90,152
Biological assets	**13,917**	14,054
Intangible assets	**12,689**	13,209
Goodwill	**37,473**	37,473
	301,455	301,015
Liabilities		
Current Liabilities		
Bank indebtedness (note 7)	**34,244**	54,407
Accounts payable and accrued liabilities	**33,191**	37,371
Dividends payable	**1,460**	1,391
Income taxes payable	**2,316**	-
Current portion of derivative financial instruments	**992**	1,002
Current portion of long-term debt (note 7)	**4,218**	7,392
	76,421	101,563
Long-term debt (note 7)	**53,344**	38,328
Long-term derivative financial instruments	**448**	268
Post-employment benefit obligations	**6,563**	6,132
Deferred income	**606**	910
Deferred income taxes	**16,172**	15,811
	153,554	163,012
Shareholders' Equity		
Capital stock	**7,026**	7,026
Retained earnings	**140,875**	130,977
	147,901	138,003
	301,455	301,015
Commitments		

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

ANDREW PELLER LIMITED

Condensed Consolidated Statements of Earnings

Unaudited

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(In thousands of Canadian dollars)	For the three months ended December 31, 2014 $	For the three months ended December 31, 2013 $	For the nine months ended December 31, 2014 $	For the nine months ended December 31, 2013 $
Sales	**84,630**	81,854	**246,906**	231,798
Cost of goods sold (note 4)	**53,363**	52,379	**156,351**	146,422
Amortization of plant and equipment used in production	**1,283**	1,205	**3,800**	3,600
Gross profit	**29,984**	28,270	**86,755**	81,776
Selling and administration (note 4)	**19,642**	18,097	**59,023**	55,302
Amortization of plant, equipment, and intangibles used in selling and administration	**815**	732	**2,442**	2,367
Interest	**1,166**	1,241	**3,722**	3,834
Restructuring costs (note 4)	**-**	254	**-**	353
Operating earnings	**8,361**	7,946	**21,568**	19,920
Net unrealized losses (gains) on derivative financial instruments	**50**	(252)	**(50)**	(519)
Other expenses (income) (note 4)	**567**	(22)	**911**	242
Earnings before income taxes	**7,744**	8,220	**20,707**	20,197
Provision for (recovery of) income taxes				
Current	**1,964**	1,926	**5,035**	4,690
Deferred	**(10)**	327	**629**	908
	1,954	2,253	**5,664**	5,598
Net earnings for the period	**5,790**	5,967	**15,043**	14,599
Net earnings per share				
Basic and diluted				
Class A shares	**0.41**	0.43	**1.08**	1.05
Class B shares	**0.36**	0.37	**0.94**	0.91

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

ANDREW PELLER LIMITED

Condensed Consolidated Statements of Comprehensive Income

Unaudited

These financial statements have not been reviewed by our auditors

(in thousands of Canadian dollars)	For the three months ended December 31, 2014 $	For the three months ended December 31, 2013 $	For the nine months ended December 31, 2014 $	For the nine months ended December 31, 2013 $
Net earnings for the period	**5,790**	5,967	**15,043**	14,599
Items that are never reclassified to net earnings				
Net actuarial (losses) gains on post-employment benefit plans	**(89)**	499	**(1,033)**	1,822
Deferred income tax recovery (provision)	**23**	(130)	**268**	(474)
Other comprehensive (loss) income for the period	**(66)**	369	**(765)**	1,348
Net comprehensive income for the period	**5,724**	6,336	**14,278**	15,947

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, 2014 and 2013

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, 2013	7,026	122,675	129,701
Net earnings for the period	-	14,599	14,599
Net actuarial gains (net of $474 deferred tax provision)	-	1,348	1,348
Net comprehensive income for the period	-	15,947	15,947
Dividends (Class A $0.300 per share, Class B $0.261 per share)	-	(4,172)	(4,172)
Balance at December 31, 2013	7,026	134,450	141,476
Balance at April 1, 2014	7,026	130,977	138,003
Net earnings for the period	-	15,043	15,043
Net actuarial losses (net of $268 deferred tax recovery)	-	(765)	(765)
Net comprehensive income for the period	-	14,278	14,278
Dividends (Class A $0.315 per share, Class B $0.274 per share)	-	(4,380)	(4,380)
Balance at December 31, 2014	7,026	140,875	147,901

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, 2014 $	For the nine months ended December 31, 2013 $
Cash provided by (used in)		
Operating activities		
Net earnings for the period	**15,043**	14,599
Adjustments for:		
Loss (gain) on disposal of property and equipment	**22**	63
Amortization of plant, equipment, and intangible assets	**6,242**	5,967
Interest expense	**3,722**	3,834
Provision for income taxes	**5,664**	5,598
Revaluation of biological assets	**376**	99
Post-employment benefits	**(602)**	(341)
Deferred income	**(304)**	(304)
Net unrealized gains on derivative financial instruments	**(50)**	(519)
Interest paid	**(3,548)**	(3,638)
Income taxes paid	**(2,479)**	(1,950)
	24,086	23,408
Changes in non-cash working capital items related to operations (note 5)	**(6,499)**	(4,260)
	17,587	19,148
Investing activities		
Proceeds from disposal of property and equipment	**11**	18
Purchase of property, equipment, and biological assets	**(4,408)**	(6,202)
Purchase of intangible assets	**(369)**	(1,512)
	(4,766)	(7,696)
Financing activities		
Decrease in bank indebtedness	**(20,163)**	(6,637)
Issuance of long-term debt	**15,020**	4,086
Repayment of long-term debt	**(2,750)**	(4,868)
Dividends paid	**(4,311)**	(4,033)
Deferred financing costs	**(617)**	-
	(12,821)	(11,452)
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 predominantly 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, 2014 and 2013, 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, 2014 and 2013. Changes to the Company's accounting policies from those disclosed in its consolidated financial statements for the years ended March 31, 2014 and March 31, 2013 are described in note 2 (B), recently adopted accounting pronouncements.

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, 2015.

(B) Recently adopted accounting pronouncements

In May 2013 the IASB issued IFRIC 21 – Levies. The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The Company was required to apply this interpretation retrospectively effective April 1, 2014. The standard did not have a significant impact on the Company.

(C) Recently issued accounting pronouncements

During December 2014, the IASB issued amendments to IAS 1 – Presentation of Financial Statements which clarify the concept of materiality as it applies to information disclosed in the financial statements. The amendments also provide guidance on the presentation of subtotals, the structure of the notes to the financial statements, and the disclosure of significant accounting policies. The Company is currently evaluating the potential impact of this standard.

During July 2014, the IASB issued the complete version of IFRS 9 – Financial Instruments: Classification and Measurement of Financial Assets and Financial Liabilities. IFRS 9 will replace IAS 39 – Financial Instruments: Recognition and Measurement. In addition, IFRS 7 – Financial Instruments: Disclosures was amended to include additional disclosure requirements upon transition to IFRS 9. The mandatory effective date of applying these standards is for annual periods beginning on or after January 1, 2018. 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. 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 other comprehensive income instead of net earnings. A new hedge accounting model is included in the standard as well as increased disclosure requirements about risk management activities for entities that apply hedge accounting. The Company is currently evaluating the potential impact of this standard.

During May 2014 the IASB issued amendments to IAS 16 – Property, Plant, and Equipment and IAS 41 – Agriculture which requires bearer plants to be classified as property, plant, and equipment and accounted for under IAS 16. The amended standards are effective for annual periods beginning on or after January 1, 2016. Early application of this standard is permitted. The Company is currently evaluating the impact of these amended standards. It is expected that grape vines controlled by the Company will be within the scope of IAS 16 – Property, plant, and equipment after the adoption of these amended standards.

During May 2014, the IASB issued amendments to IFRS 11 – Joint Arrangements which requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that meets the definition of a business. The amended standard is effective for annual periods beginning on or after January 1, 2016. The Company is currently evaluating the potential impact of adopting this amended standard.

During May 2014, the IASB issued IFRS 15 – Revenue from contracts with customers which supersedes IAS 18 – Revenue and IAS 11 – Construction Contracts. The standard details a revised model for the recognition of revenue from contracts with customers. The standard is effective for first interim periods within annual periods beginning on or after January 1, 2017. The Company is currently evaluating the potential impact of adopting this amended 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 Expenses

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

	For the three months ended December 31, 2014	For the three months ended December 31, 2013	For the nine months ended December 31, 2014	For the nine months ended December 31, 2013
Raw materials and consumables	$ 42,606	$ 42,294	$ 127,378	$ 117,835
Employee compensation and benefits	14,357	12,529	42,653	40,481
Advertising, promotion, and distribution	7,472	7,905	21,205	20,315
Occupancy	3,039	2,875	8,175	7,874
Repairs and maintenance	1,739	1,566	4,363	4,437
Other external charges	3,792	3,307	11,600	10,782
	$ 73,005	$ 70,476	$ 215,374	$ 201,724

Other expenses (income) are as follows:

	For the three months ended December 31, 2014	For the three months ended December 31, 2013	For the nine months ended December 31, 2014	For the nine months ended December 31, 2013
Post-retirement benefits - new and revised agreements	$ 356	$ -	$ 586	$ 326
Revaluation of vines	153	33	376	99
Income from idle Port Moody property	(72)	(55)	(186)	(183)
Other	130	-	135	-
	$ 567	$ (22)	$ 911	$ 242

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 nine months ended December 31, 2014	For the nine months ended December 31, 2013
Accounts receivable	$ (3,203)	$ 1,101
Inventory	531	(6,399)
Current portion of biological assets	1,062	938
Prepaid expenses and other assets	(490)	(275)
Accounts payable and accrued liabilities	(4,399)	375
	$ (6,499)	$ (4,260)

6 Related parties and management compensation

The compensation expense recorded for directors and members of the Executive Management Team of the Company was $1,552 (2013 -$443) for the three months ended December 31, 2014 and was $4,396 (2013 - $2,766) for the nine months ended December 31, 2014. The compensation expense consists of amounts that will primarily be settled within twelve months of being earned.

7 Bank indebtedness and long-term debt

On April 28, 2014, the Company amended its debt facilities. The terms of the revised operating loan facility are as detailed below.

Committed until	April 28, 2019
Borrowing limit	$ 90,000
Interest rate	CDOR + 1.75%

The Company also amended its term loan. On May 14, 2014, the Company entered into a new interest rate swap in order to fix the interest rate on the entire amount outstanding on its term loan. The amended terms of the term loan and interest rate swap are as follows:

Maturity date	April 28, 2019
Monthly payment until maturity	$ 333
Amount bearing fixed interest as a result of an interest rate swap	60,000
Amount bearing floating interest	-
Fixed interest rate until August 31, 2015	4.93%
Fixed interest rate from September 1, 2015 until April 28, 2019	3.91%

The Company also negotiated a $15,000 facility which is committed until April 28, 2019 and can be drawn down for the purpose of making capital expenditures.