Andrew Peller Limited

Condensed Consolidated Financial Statements

June 30, 2012

ANDREW PELLER LIMITED

Condensed Consolidated Balance Sheets

Unaudited

These financial statements have not been reviewed by our auditors

(in thousands of Canadian dollars)	June 30 2012 $	March 31 2012 $
Assets		
Current Assets		
Accounts receivable	**28,201**	24,937
Inventory	**105,510**	110,256
Current portion of biological assets	**2,116**	881
Prepaid expenses and other assets	**1,921**	1,338
	137,748	137,412
Property, plant, and equipment (note 4)	**86,641**	84,490
Biological assets	**12,889**	12,556
Intangibles	**13,525**	13,621
Goodwill	**37,473**	37,473
	288,276	285,552
Liabilities		
Current Liabilities		
Bank indebtedness	**70,794**	57,495
Accounts payable and accrued liabilities	**24,064**	37,118
Dividends payable	**1,252**	1,252
Income taxes payable	**407**	40
Current portion of derivative financial instruments	**1,195**	1,272
Current portion of long-term debt	**5,366**	5,366
	103,078	102,543
Long-term debt (note 5)	**40,188**	41,456
Long-term derivative financial instruments	**1,909**	1,943
Post-employment benefit obligations	**7,302**	7,151
Deferred income taxes	**12,075**	11,907
	164,552	165,000
Shareholders' Equity		
Capital stock	**7,026**	7,026
Retained earnings	**116,698**	113,526
	123,724	120,552
	288,276	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

(in thousands of Canadian dollars)	For the three months ended June 30, 2012 $	For the three months ended June 30, 2011 $
Sales	**72,662**	69,407
Cost of goods sold (note 6)	**44,435**	42,094
Amortization of plant and equipment used in production	**1,209**	1,233
Gross profit	**27,018**	26,080
Selling and administration (note 6)	**18,550**	17,831
Amortization of plant, equipment, and intangibles used in selling and administration	**768**	714
Interest	**1,246**	1,549
Operating earnings	**6,454**	5,986
Net unrealized (gains) losses on derivative financial instruments	**(198)**	300
Other expenses (note 6)	**86**	164
Earnings before income taxes	**6,566**	5,522
Provision for income taxes		
Current	**1,653**	1,516
Deferred	**251**	95
	1,904	1,611
Net earnings for the period	**4,662**	3,911
Net earnings per share		
Basic and diluted		
Class A shares	**0.34**	0.28
Class B shares	**0.29**	0.24

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 June 30, 2012 $	For the three months ended June 30, 2011 $
Net earnings for the period	**4,662**	3,911
Net actuarial losses on employee future benefits	**(321)**	(326)
Deferred income taxes	**83**	85
	(238)	(241)
Net comprehensive income for the period	**4,424**	3,670

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 three months ended June 30, 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	-	3,911	3,911
Net actuarial losses (net of $85 deferred tax recovery)	-	(241)	(241)
Net comprehensive income for the period	-	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, 2012	7,026	113,526	120,552
Net earnings for the period	-	4,662	4,662
Net actuarial losses (net of $83 deferred tax recovery)	-	(238)	(238)
Net comprehensive income for the period	-	4,424	4,424
Dividends (Class A $0.090 per share, Class B $0.079 per share)	-	(1,252)	(1,252)
Balance at June 30, 2012	7,026	116,698	123,724

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 three months ended June 30, 2012 $	For the three months ended June 30, 2011 $
Cash provided by (used in)		
Operating activities		
Net earnings for the period	**4,662**	3,911
Adjustments for:		
Amortization of plant, equipment, and intangibles	**1,977**	1,947
Interest expense	**1,246**	1,549
Provision for income taxes	**1,904**	1,611
Revaluation of vine biological assets	**47**	113
Post-employment benefits	**(170)**	(168)
Net unrealized (gain) loss on derivative financial instruments	**(198)**	300
Interest paid	**(1,187)**	(1,426)
Income taxes paid	**(1,286)**	(2,515)
	6,995	5,322
Changes in non-cash working capital items related to operations (note 7)	**(12,602)**	(6,616)
	(5,607)	(1,294)
Investing activities		
Purchase of property, equipment and vine biological assets	**(5,019)**	(1,582)
Purchases of intangibles	**(88)**	(6)
	(5,107)	(1,588)
Financing activities		
Increase in bank indebtedness	**13,299**	5,363
Repayment of long-term debt	**(1,333)**	(1,333)
Dividends paid	**(1,252)**	(1,148)
	10,714	2,882
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 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 presents 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 August 8, 2012.

(B) Recently adopted accounting pronouncements

In December 2010, the IASB issued an amendment to IAS 12 – Income Taxes, which introduced an exception to the requirement to measure the deferred tax assets or liabilities arising on an investment property measured at fair value based on its expected manner of recovery. The new requirement is effective for annual periods beginning on or after January 1, 2012. The adoption of this amendment had no impact on the Company.

(C) 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 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 $3,944 (2011 - $1,091) during the period ended June 30, 2012. Additions of $3,410 during the three months ended June 30, 2012 were made to expand the processing and cooperage capacity at the Company’s Grimsby winery.

5 Long-term debt

On July 9, 2012, the Company drew an additional $3,000 under its term loan facility, which increased the outstanding amount to $49,000, in order to fund expenditures incurred to expand the processing and cooperage capacity at the Grimsby winery. As a result of this increase, the loan will be repayable in monthly installments of $479 plus interest until it matures on September 16, 2015.

6 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, 2012	For the three months ended June 30, 2011
Raw materials and consumables	$ 35,755	$ 33,694
Employee compensation and benefits	13,710	13,272
Advertising, promotion, and distribution	6,378	6,153
Occupancy	2,472	2,289
Repairs and maintenance	1,452	1,264
Other external charges	3,218	3,253
	$ 62,985	$ 59,925

Other expenses (income) are as follows:

	For the three months ended June 30, 2012	For the three months ended June 30, 2011
Revaluation of vines	$ 47	$ 113
Ongoing maintenance costs related to Port Moody winery facility	39	51
	$ 86	$ 164

7 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, 2012	For the three months ended June 30, 2011
Accounts receivable	$ (3,264)	$ (3,761)
Inventories	4,746	4,512
Current portion of biological assets	(1,235)	(992)
Prepaid expenses and other assets	(496)	(1,002)
Accounts payable and accrued liabilities	(12,353)	(5,373)
	$ (12,602)	$ (6,616)

8 Related parties and management compensation

The compensation expense recorded for directors and members of the Executive Management Team of the Company was $1,099 (2011 - $1,050) for the three months ended June 30, 2012. The compensation expense consists of amounts that will primarily be settled within twelve months of being earned.