Andrew Peller Limited

Condensed Consolidated Financial Statements

December 31, 2013

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 2013 $	March 31 2013 Restated(1) $	April 1 2012 Restated(1) $
Assets			
Current Assets			
Accounts receivable	**24,383**	25,484	24,937
Inventory	**122,330**	115,931	110,256
Current portion of biological assets	**-**	938	881
Prepaid expenses and other assets	**1,555**	1,573	1,338
Income taxes recoverable	**-**	268	-
	148,268	144,194	137,412
Property, plant, and equipment	**89,330**	88,841	84,490
Biological assets	**13,826**	13,405	12,556
Intangibles	**13,305**	12,606	13,621
Goodwill	**37,473**	37,473	37,473
	302,202	296,519	285,552
Liabilities			
Current Liabilities			
Bank indebtedness	**53,462**	60,099	57,495
Accounts payable and accrued liabilities	**34,064**	33,616	37,118
Dividends payable	**1,391**	1,252	1,252
Income taxes payable	**2,472**	-	40
Current portion of derivative financial instruments	**1,002**	1,107	1,272
Current portion of long-term debt	**7,385**	6,450	5,366
	99,776	102,524	102,543
Long-term debt	**39,921**	41,473	41,456
Long-term derivative financial instruments	**508**	1,215	1,943
Post-employment benefit obligations	**4,248**	6,411	6,665
Deferred income	**1,010**	1,314	-
Deferred income taxes	**15,263**	13,881	12,038
	160,726	166,818	164,645
Shareholders' Equity			
Capital stock	**7,026**	7,026	7,026
Retained earnings	**134,450**	122,675	113,881
	141,476	129,701	120,907
	302,202	296,519	285,552

Commitments

(1) Restated to reflect the adoption of the amendments to IAS 19. Refer to note 2 for details.

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, 2013 and 2012

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, 2012 as reported	7,026	113,526	120,552
Impact of IAS 19 amendment (note 2)	-	355	355
Balance at April 1, 2012 as restated	7,026	113,881	120,907
Net earnings for the period	-	15,454	15,454
Net actuarial losses (net of $454 deferred tax recovery)	-	(1,301)	(1,301)
Net comprehensive income for the period	-	14,153	14,153
Dividends (Class A $0.270 per share, Class B $0.236 per share)	-	(3,757)	(3,757)
Balance at December 31, 2012	7,026	124,277	131,303
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

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 December 31, 2013 $	For the three months ended December 31, 2012 Restated[(1)] $	For the nine months ended December 31, 2013 $	For the nine months ended December 31, 2012 Restated[(1)] $
Sales	**81,854**	79,813	**231,798**	225,557
Cost of goods sold (note 4)	**52,379**	49,012	**146,422**	138,449
Amortization of plant and equipment used in production	**1,205**	1,180	**3,600**	3,527
Gross profit	**28,270**	29,621	**81,776**	83,581
Selling and administration (note 4)	**18,097**	18,942	**55,302**	56,697
Amortization of plant, equipment, and intangibles used in selling and administration	**732**	646	**2,367**	2,426
Interest	**1,241**	1,359	**3,834**	4,079
Restructuring costs (note 4)	**254**	-	**353**	-
Operating earnings	**7,946**	8,674	**19,920**	20,379
Net unrealized gains on derivative financial instruments	**(252)**	(683)	**(519)**	(1,079)
Other expeses (income) (note 4)	**(22)**	214	**242**	(213)
Earnings before income taxes	**8,220**	9,143	**20,197**	21,671
Provision for income taxes				
Current	**1,926**	2,140	**4,690**	5,089
Deferred	**327**	431	**908**	1,128
	2,253	2,571	**5,598**	6,217
Net earnings for the period	**5,967**	6,572	**14,599**	15,454
Net earnings per share				
Basic and diluted				
Class A shares	**0.43**	0.47	**1.05**	1.11
Class B shares	**0.37**	0.41	**0.91**	0.97

(1) Restated to reflect the adoption of the amendments to IAS 19. Refer to note 2 for details.

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**	**For the three months ended**	**For the three months ended**	**For the nine months ended**	**For the nine months ended**
	December 31, 2013	**December 31, 2012 Restated(1)**	**December 31, 2013**	**December 31, 2012 Restated(1)**
(in thousands of Canadian dollars)	**$**	**$**	**$**	**$**
Net earnings for the period	**5,967**	6,572	**14,599**	15,454
Items that are never reclassified to net income				
Net actuarial gains (losses) on post-employment benefit plans	**499**	(71)	**1,822**	(1,755)
Deferred income tax (provision) recovery	**(130)**	17	**(474)**	454
Other comprehensive income (loss) for the period	**369**	(54)	**1,348**	(1,301)
Net comprehensive income for the period	**6,336**	6,518	**15,947**	14,153

(1) Restated to reflect the adoption of the amendments to IAS 19. Refer to note 2 for details.

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, 2013 $	For the nine months ended December 31, 2012 Restated[1] $
Cash provided by (used in)		
Operating activities		
Net earnings for the period	**14,599**	15,454
Adjustments for:		
Loss (gain) on disposal of property and equipment	**63**	(547)
Amortization of plant, equipment, and intangibles	**5,967**	5,953
Interest expense	**3,834**	4,079
Provision for income taxes	**5,598**	6,217
Revaluation of biological assets	**99**	295
Post-employment benefits	**(341)**	(727)
Deferred income	**(304)**	1,819
Net unrealized gain on derivative financial instruments	**(519)**	(1,079)
Interest paid	**(3,638)**	(3,853)
Income taxes paid	**(1,950)**	(3,201)
	23,408	24,410
Changes in non-cash working capital items related to operations (note 5)	**(4,260)**	(17,755)
	19,148	6,655
Investing activities		
Proceeds from disposal of property and equipment	**18**	514
Purchase of property, equipment, and biological assets	**(6,202)**	(11,266)
Purchase of intangibles	**(1,512)**	-
Proceeds from disposal of a business	**-**	1,000
	(7,696)	(9,752)
Financing activities		
Decrease in bank indebtedness	**(6,637)**	4,789
Issuance of long-term debt	**4,086**	6,500
Repayment of long-term debt	**(4,868)**	(4,280)
Deferred financing costs	**-**	(155)
Dividends paid	**(4,033)**	(3,757)
	(11,452)	3,097
Increase (decrease) in cash during the period	**-**	-
Cash, beginning of period	**-**	-
Cash, end of period	-	-

(1) Restated to reflect the adoption of the amendments to IAS 19. Refer to note 2 for details.

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

Notes to the Condensed Consolidated Financial Statements
Andrew Peller Limited
Unaudited
These financial statements have not been reviewed by our auditors
December 31, 2012 and 2013
(in thousands of Canadian dollars, except per share amounts)

1 Nature of operations

Andrew Peller Limited (the "Company") produces and markets wine and wine related products. The Company's products are produced and sold 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, 2013 and 2012, 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, 2013 and 2012. Changes to the Company's accounting policies from those disclosed in its consolidated financial statements for the years ended March 31, 2013 and March 31, 2012 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 12, 2014.

(B) Recently adopted accounting pronouncements

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 other comprehensive income ("OCI"), and increasing disclosures on the characteristics and risks of defined benefit plans. The new standard also requires that the net interest cost on defined benefit pension plans is recorded based on the net plan deficits rather than interest on the liabilities net of the expected return on plan assets. Past service costs are recognized immediately in net earnings under the amended standard. The new requirements were applied retrospectively effective April 1, 2013.

The following tables summarize the impact of adopting amended IAS 19 – Employee benefits.

Impact on the consolidated balance sheets		**March 31, 2013 as reported**	**Impact of IAS 19 changes**	**March 31, 2013 as restated**		**April 1, 2012 as reported**	**Impact of IAS 19 changes**	**April 1, 2012 as restated**
(in thousands of Canadian dollars)								
Post-employment benefit obligations	(1)	$ 6,816	$ (405)	$ 6,411	(1)	$ 7,151	$ (486)	$ 6,665
Deferred income taxes	(3)	13,772	109	13,881	(3)	11,907	131	12,038
Total liabilities		167,114	(296)	166,818		165,000	(355)	164,645
Retained earnings		122,379	296	122,675		113,526	355	113,881
Total shareholders' equity		129,405	296	129,701		120,552	355	120,907

Impact on the statements of earnings and comprehensive income		**For the three months ended December 31, 2012 as reported**	**Impact of IAS 19 changes**	**For the three months ended December 31, 2012 as restated**	**For the nine months ended December 31, 2012 as reported**	**Impact of IAS 19 changes**	**For the nine months ended December 31, 2012 as restated**
(in thousands of Canadian dollars)							
Cost of goods sold	(2)	49,001	11	49,012	138,416	33	138,449
Gross profit		29,632	(11)	29,621	83,614	(33)	83,581
Interest	(2)	1,288	71	1,359	3,866	213	4,079
Operating earnings		8,756	(82)	8,674	20,625	(246)	20,379
Earnings before income taxes		9,225	(82)	9,143	21,917	(246)	21,671
Provision for income taxes – deferred	(3)	453	(22)	431	1,194	(66)	1,128
Net earnings for the period		6,632	(60)	6,572	15,634	(180)	15,454
Net earnings per share							
Basic and diluted							
Class A Shares		0.47	0.00	0.47	1.12	(0.01)	1.11
Class B Shares		0.42	(0.01)	0.41	0.98	(0.01)	0.97
Net actuarial losses on post-employment benefit plans	(2)	(133)	62	(71)	(1,941)	186	(1,755)
Deferred income tax	(3)	34	(17)	17	504	(50)	454
Other comprehensive loss for the period		(99)	45	(54)	(1,437)	136	(1,301)
Net comprehensive income for the period		6,533	(15)	6,518	14,197	(44)	14,153

1) The reduction in post-employment benefit obligations is a result of the requirement to record past service credits resulting from plan amendments when they occur rather than over the period until the amended plan benefits become vested.

2) Expenses increased as a result of recording the net interest cost on defined benefit pension plans based on the net plan deficits rather than interest on the liabilities net of the expected return on plan assets. The Company has elected to present this net interest cost in interest expense.

3) Deferred income taxes were adjusted to reflect the income tax effect of the adjustments in 1 and 2.

Certain items within operating activities in the consolidated statements of cash flows have been classified differently as a result of adopting the IAS 19 amendments. The change in presentation results from the changes in net earnings as described in the impact on the consolidated statement of earnings. There were corresponding changes to the adjustments for items not affecting cash and changes to non-cash working capital items related to operations. Other than presentation, there was no impact on the cash flow statements as a result of the amendments to IAS 19.

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 were adopted effective April 1, 2013. The adoption of these amendments did not have a significant impact on these condensed interim consolidated financial statements.

In June 2011 the IASB issued amendments to IAS 1 – Financial Statement Presentation, which requires changes in the presentation of OCI including grouping together certain items of OCI that may be reclassified to net earnings. The new requirements were adopted effective April 1, 2013 and are reflected in these condensed interim consolidated financial statements.

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 were adopted effective April 1, 2013. The adoption of the new standard did not have a significant impact on these condensed interim consolidated financial statements.

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 were adopted effective April 1, 2013. The adoption of the new standards did not have a significant impact on these condensed interim consolidated financial statements.

(C) Recently issued accounting pronouncements

In November 2009 the IASB issued 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 November 2013, the mandatory effective date of applying the standard for annual periods beginning on or after January 1, 2015 was removed. A revised effective date has not yet been issued. 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 OCI instead of net earnings. The standard was updated to include requirements for financial liabilities and derecognition of financial instruments. A new hedge accounting model was added to 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.

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 interpretation is effective for annual periods beginning on or after January 1, 2014. 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 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, 2013	For the three months ended December 31, 2012	For the nine months ended December 31, 2013	For the nine months ended December 31, 2012
Raw materials and consumables	$ 42,294	$ 39,268	$ 117,835	$ 110,681
Employee compensation and benefits	12,529	12,778	40,481	40,846
Advertising, promotion, and distribution	7,905	7,471	20,315	20,721
Occupancy	2,875	2,564	7,874	7,280
Repairs and maintenance	1,566	1,713	4,437	4,638
Other external charges	3,307	4,160	10,782	10,980
	$ 70,476	$ 67,954	$ 201,724	$ 195,146

Restructuring costs that amounted to $254 (2012 - $nil) for the three months and $353 (2012 - $nil) for the nine months ended December 31, 2013 were incurred for termination payments and benefits for restructuring the distribution, marketing, operating, and administration functions of the Company's personal winemaking product division.

Other expenses (income) are as follows:

	For the three months ended December 31, 2013	For the three months ended December 31, 2012	For the nine months ended December 31, 2013	For the nine months ended December 31, 2012
Revaluation of vines	$ 33	$ 241	$ 99	$ 295
Expenses (income) from idle Port Moody property	(55)	(27)	(183)	(508)
Past pension service costs – Amendments recognized in a new collective agreement	-	-	326	-
	$ (22)	$ 214	$ 242	$ (213)

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, 2013	For the nine months ended December 31, 2012
Accounts receivable	$ 1,101	$ (2,945)
Inventory	(6,399)	(4,438)
Current portion of biological assets	938	881
Prepaid expenses and other assets	(275)	(1,424)
Accounts payable and accrued liabilities	375	(9,829)
	$ (4,260)	$ (17,755)

6 Related parties and management compensation

The compensation expense recorded for directors and members of the Executive Management Team of the Company was $443 (2012 -$804) for the three months and $2,766 (2012 - $2,810) for the nine months ended December 31, 2013. The compensation expense consists of amounts that will primarily be settled within twelve months of being earned.