Andrew Peller Limited

Condensed Interim Consolidated Financial Statements

December 31, 2017

ANDREW PELLER LIMITED

Condensed Consolidated Balance Sheets

Unaudited

These financial statements have not been reviewed by our auditors

(in thousands of Canadian dollars)	December 2017 $	March 31 2017 $
Assets		
Current Assets		
Accounts receivable	**36,337**	26,973
Inventory	**159,949**	129,088
Biological assets	**-**	1,400
Prepaid expenses and other assets	**3,549**	3,106
	199,835	160,567
Property, plant, and equipment	**185,205**	118,838
Intangibles	**18,186**	10,600
Goodwill	**53,638**	37,473
	456,864	327,478
Liabilities		
Current Liabilities		
Bank indebtedness (note 9)	**41,046**	36,620
Accounts payable and accrued liabilities	**33,427**	36,260
Dividends payable	**1,935**	1,690
Income taxes payable	**2,672**	2,348
Current portion of derivative financial instruments (note 8)	**236**	418
Current portion of long-term debt (note 9)	**7,333**	4,406
	86,649	81,742
Long-term debt (note 9)	**118,698**	46,678
Derivative financial instruments (note 8)	**265**	642
Post-employment benefit obligations	**5,812**	5,279
Deferred income taxes	**23,407**	15,820
	234,831	150,161
Shareholders' Equity		
Capital stock	**26,097**	6,967
Contributed surplus (note 10)	**255**	-
Retained earnings	**200,339**	174,193
Accumulated other comprehensive loss	**(4,658)**	(3,843)
	222,033	177,317
	456,864	327,478

The accompanying notes are an integral part of these condensed 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, 2017 $	For the three months ended December 31, 2016 $	For the nine months ended December 31, 2017 $	For the nine months ended December 31, 2016 $
Sales	**103,583**	94,048	**284,080**	270,311
Cost of goods sold (note 5)	**60,366**	59,006	**166,566**	167,482
Amortization of plant and equipment used in production	**1,728**	1,599	**5,109**	4,786
Gross profit	**41,489**	33,443	**112,405**	98,043
Selling and administration (note 5)	**25,384**	23,156	**68,933**	63,557
Amortization of plant, equipment, and intangibles used in selling and administration	**1,320**	823	**2,986**	2,491
Interest	**1,656**	702	**3,596**	2,265
Net unrealized gains on derivative financial instruments (note 8)	**(216)**	(868)	**(567)**	(2,043)
Other (income) expenses (note 4)	**(4,092)**	52	**(3,877)**	135
Earnings before income taxes	**17,437**	9,578	**41,334**	31,638
Provision for income taxes				
Current	**2,993**	1,306	**9,371**	6,614
Deferred	**53**	135	**155**	684
	3,046	1,441	**9,526**	7,298
Net earnings for the period	**14,391**	8,137	**31,808**	24,340
Net earnings per share				
Basic				
Class A shares	**0.33**	0.20	**0.76**	0.59
Class B shares	**0.29**	0.17	**0.66**	0.51
Diluted				
Class A shares	**0.33**	0.20	**0.76**	0.59
Class B shares	**0.29**	0.17	**0.66**	0.51

The accompanying notes are an integral part of these condensed 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, 2017 $	For the three months ended December 31, 2016 $	For the nine months ended December 31, 2017 $	For the nine months ended December 31, 2016 $
Net earnings for the period	**14,391**	8,137	**31,808**	24,340
Items that are never reclassified to net earnings				
Net actuarial gains (losses) on post-employment benefit plans	**(940)**	2,088	**(1,102)**	114
Deferred income taxes	**245**	(543)	**287**	(30)
Other comprehensive income (loss) for the period	**(695)**	1,545	**(815)**	84
Net comprehensive income for the period	**13,696**	9,682	**30,993**	24,424

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

ANDREW PELLER LIMITED

Condensed Consolidated Statements of Changes in Equity
For the nine months ended December 31, 2017 and 2016
Unaudited
These financial statements have not been reviewed by our auditors

(in thousands of Canadian dollars)

	Capital stock	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total shareholders' equity
	$	$	$	$	$
Balance at April 1, 2016	6,967	-	154,605	(3,836)	157,736
Net earnings for the period	-	-	24,340	-	24,340
Net actuarial gains (net of deferred tax provision)	-	-	-	84	84
Net comprehensive income for the period	-	-	24,340	84	24,424
Dividends (Class A $0.123 per share, Class B $0.107 per share)	-	-	(5,072)	-	(5,072)
Balance at December 31, 2016	6,967	-	173,873	(3,752)	177,088
Balance at April 1, 2017	6,967	-	174,193	(3,843)	177,317
Net earnings for the period	-	-	31,808	-	31,808
Net actuarial losses (net of deferred tax recovery)	-	-	-	(815)	(815)
Net comprehensive income for the period	-	-	31,808	(815)	30,993
Issuance of class A non-voting shares (note 4)	19,130	-	-	-	19,130
Share-based compensation (note 10)	-	255	-	-	255
Dividends (Class A $0.1350 per share, Class B $0.1174 per share)	-	-	(5,662)	-	(5,662)
Balance at December 31, 2017	26,097	255	200,339	(4,658)	222,033

The accompanying notes are an integral part of these condensed 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, 2017 $	For the nine months ended December 31, 2016 $
Cash provided by (used in)		
Operating activities		
Net earnings for the period	**31,808**	24,340
Adjustments for:		
Gain on acquisition of subsidiaries (note 4)	**(4,164)**	-
Loss (gain) on disposal of property and equipment	**35**	(174)
Amortization of plant, equipment, and intangible assets	**8,095**	7,277
Interest expense	**3,596**	2,265
Provision for income taxes	**9,526**	7,298
Post-employment benefits	**(569)**	(547)
Deferred income	**-**	(102)
Net unrealized gain on derivative financial instruments	**(567)**	(2,043)
Share-based compensation	**255**	-
Interest paid	**(2,805)**	(2,373)
Income taxes paid	**(9,161)**	(5,754)
	36,049	30,187
Changes in non-cash working capital items related to operations (note 6)	**(17,539)**	(16,230)
	18,510	13,957
Investing activities		
Acquisition of subsidiaries (note 4)	**(96,592)**	-
Proceeds from disposal of property, plant and equipment	**-**	175
Purchase of property, plant and equipment	**(14,077)**	(16,408)
Purchase of intangibles	**(323)**	-
	(110,992)	(16,233)
Financing activities		
Issue of class A non-voting shares	**19,130**	-
Increase in bank indebtedness	**4,388**	7,405
Drawings of long-term debt	**79,000**	3,000
Repayment of long-term debt	**(3,397)**	(3,000)
Deferred financing costs	**(1,222)**	(194)
Dividends paid	**(5,417)**	(4,935)
	92,482	2,276
Increase (decrease) in cash during the period	**-**	-
Cash, beginning of period	**-**	-
Cash, end of period	-	-

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

1 Nature of operations

Andrew Peller Limited (the "Company") produces and markets wine, spirits 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 interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of condensed interim financial statements, including International Accounting Standard ("IAS") 34 – Interim Financial Reporting. The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the years ended March 31, 2017 and 2016, 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, 2017 and 2016. Changes to the Company's accounting policies from those disclosed in its consolidated financial statements for the years ended March 31, 2017 and March 31, 2016 are described in note 2 (B), significant accounting policies.

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 7, 2018.

(B) Significant accounting policies

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred by the Company is measured as the fair value of assets transferred and equity instruments issued at the date of completion of the acquisition. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at fair value at the acquisition date. The excess of the consideration transferred over the fair value of the net assets acquired is recorded as goodwill. If the consideration transferred is less than the net assets acquired, the difference is recognized directly in the condensed consolidated statement of earnings as a gain on acquisition. Results of operations of a business acquired are included in the Company's consolidated financial statements from the date of the business acquisition. Acquisition costs incurred are expensed and included in selling and administrative expenses.

For each business combination, the Company measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values. The determination of fair value requires the Company to make assumptions, estimates and judgments regarding future events. The allocation process is inherently subjective and impacts the amounts assigned to individual identifiable assets and liabilities, including the fair value of finished goods inventory, long-lived assets, the recognition and measurement of any unrecorded intangible assets and the final determination of the amount of goodwill or gain on acquisition. The inputs to the exercise of judgments include legal, contractual, business and economic factors. As a result, the purchase price allocation impacts the Company's reported assets and liabilities and future net earnings due to the impact on future cost of goods sold, amortization and impairment tests.

Share based compensation

The Company grants stock options and performance share units (PSUs) to employees under its share based compensation plan. All share based compensation arrangements are equity-settled in Class A non-voting common shares.

Equity-settled share based payments to employees are measured at the fair value of the equity instrument granted. An option valuation model (Black-Scholes) is used to fair value stock options issued to employees on the date of grant. The volume weighted average trading price of the Class A non-voting common shares for the five trading days prior to the date of the grant is used to determine the fair value of the equity-based share units issued to participants.

The grant date fair value of equity-settled share based awards is recognized as compensation expense with a corresponding increase in equity reserves over the related service period provided to the Company. The total amount of expense recognized in profit or loss is determined by reference to the fair value of the options granted or share awards, which factors in the number of options expected to vest. Equity-settled share based payment transactions are not remeasured once the grant date fair value has been determined, except in cases where the share based payment is linked to non-market performance conditions. Stock options vest in tranches (graded vesting) and accordingly, the expense is recognized in vesting tranches. PSUs vest in full at the end of the third fiscal year after the date of grant and accordingly, the expense is recognized evenly over the vesting period.

Compensation expense is recognized over the applicable vesting period by increasing contributed surplus based on the number of awards expected to vest. At the end of each reporting period, the Company revises its estimates of the number of awards that are expected to vest based on the non-market performance vesting conditions. The Company recognizes the impact of the revision to original estimates, if any, in the condensed consolidated statement of earnings, with a corresponding adjustment to contributed surplus.

Statement of cash flows

In January 2016, the IASB issued an amendment to IAS 7, Statement of Cash Flows, introducing additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments were effective for annual periods beginning on or after January 1, 2017. The new requirements were adopted effective April 1, 2017. The adoption of these amendments did not have a significant impact on the consolidated financial statements.

Income taxes

In January 2016, the IASB issued amendments to IAS 12, Income Taxes to clarify the requirements for recognising deferred tax assets on unrealised losses. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. They also clarify certain other aspects of accounting for deferred tax assets. The amendments were effective for annual periods beginning on or after January 1, 2017. The new requirements were adopted effective April 1, 2017. The adoption of these amendments did not have a significant impact on the consolidated financial statements.

(C) Recently issued accounting pronouncements

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 on 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; however, it is not expected to have a significant impact on the consolidated financial statements.

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. In April 2016, the IASB has amended IFRS 15 to clarify the guidance on identifying performance obligations, licenses of intellectual property and principal versus agent. The amendments also provide additional practical expedients on transition. The standard is effective for first interim periods within annual periods beginning on or after January 1, 2018. The Company is currently in the process of evaluating the potential impact this new guidance will have on the Company's consolidated financial statements. The Company has not completed this evaluation and therefore, cannot conclude whether the guidance will have a significant impact on the consolidated financial statements at this time. However, based on preliminary work completed, the Company is considering the implications the new standard may have on its agency wine businesses, presentation of certain customer related trade spending, as well as the timing of recognition of certain promotional discounts, which are areas that could potentially be impacted by the adoption of the new guidance.

In January 2016, the IASB issued IFRS 16, Leases, which will replace IAS 17, Leases and related Interpretations. The new standard will be effective for fiscal years beginning on or after January 1, 2019, with early adoption permitted provided the Company has adopted IFRS 15, Revenue from Contracts with Customers. The new standard requires lessees to recognize a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all leases contracts, and record it on the statement of financial position, except with respect to lease contracts that meet limited exception criteria. Given that the Company has significant contractual obligations in the form of operating leases under IAS 17, there will be a material increase to both assets and liabilities on adoption of IFRS 16, and material changes to the timing of recognition of expenses associated with the lease arrangements. The Company is analyzing the new standard to determine the impact of adopting 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 Acquisitions

During the three and nine month periods ended December 31, 2017, the Company made the following acquisitions:

- On October 1, 2017, the Company acquired 100% of the common shares of Gray Monk Cellars Ltd. (Gray Monk) and certain operating assets held by related parties for consideration of $36,384, of which $17,254 was funded in cash and $19,130 was funded by the issuance of 1,579,670 Class A non-voting common shares. Gray Monk generates annual revenue of approximately $11 million and employs approximately 50 people. The results of operations from October 1, 2017 have been included in these condensed interim consolidated financial statements.

- On October 1, 2017, the Company acquired 100% of the common and preferred shares of Tinhorn Creek Vineyards Ltd. (Tinhorn) for cash consideration of $28,880. Tinhorn generates annual revenue of approximately $7 million and employs approximately 50 people. The results of operations from October 1, 2017 have been included in these condensed interim consolidated financial statements.

- On October 10, 2017, the Company acquired 100% of the operating assets of Black Hills Estate Winery (Black Hills) for cash consideration of $31,328. Black Hills generates annual revenue of approximately $6 million and employs approximately 16 people. The results of operations from October 10, 2017 have been included in these condensed interim consolidated financial statements.

These acquisitions have been accounted for as business combinations.

The following table summarizes the amounts paid or payable at the dates of the acquisitions and the preliminary allocation of the purchase prices to the identifiable assets acquired and liabilities assumed based on management's estimate of the fair values:

	Gray Monk Cellars	Tinhorn Creek Vineyards Ltd.	Black Hills Estate Winery	Total
Assets acquired				
Cash	$ 24	$ -	$ -	$ 24
Receivables	934	468	-	1,402
Inventories	11,882	7,977	3,619	23,478
Current portion of biological assets	312	-	-	312
Prepaid expenses and other assets	71	107	12	190
	13,223	8,552	3,631	25,406
Property, plant and equipment	20,356	27,459	13,036	60,851
Intangible assets - brand	2,440	1,439	2,560	6,439
Intangible assets - customer lists	-	-	1,680	1,680
Goodwill	5,190	-	10,975	16,165
	41,209	37,450	31,882	110,541
Liabilities assumed				
Debt	-	62	-	62
Accounts payable and accrued liabilities	1,358	532	-	1,890
Income taxes payable	114	-	-	114
Deferred income taxes	3,353	3,812	554	7,719
	4,825	4,406	554	9,785
Net assets acquired	**$ 36,384**	**$ 33,044**	**$ 31,328**	**$ 100,756**
Total purchase consideration	**$ 36,384**	**$ 28,880**	**$ 31,328**	**$ 96,592**
Gain on acquisition	**$ -**	**$ (4,164)**	**$ -**	**$ (4,164)**

Recognized goodwill reflects the value assigned to expected future synergies and an assembled workforce within the companies. The gain on acquisition relating to the purchase of Tinhorn was a result of the limited number of market participants with the resources to acquire the assets and business of this scale. The gain on acquisition has been recorded as other income (expense) in the condensed interim consolidated financial statements.

5 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, 2017	For the three months ended December 31, 2016	For the nine months ended December 31, 2017	For the nine months ended December 31, 2016
Raw materials and consumables	$ 50,601	$ 49,371	$ 137,755	$ 138,727
Employee compensation and benefits	17,122	16,514	48,830	47,199
Advertising, promotion and distribution	7,709	6,965	20,574	18,088
Occupancy	3,150	2,450	8,644	8,538
Repairs and maintenance	2,178	1,968	4,973	5,143
Other external charges	4,990	4,894	14,723	13,344
	$ 85,750	$ 82,162	$ 235,499	$ 231,039

6 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, 2017	For the nine months ended December 31, 2016
Accounts receivable	$ (7,962)	$ (6,685)
Inventory	(7,292)	(10,755)
Biological assets	1,712	1,196
Prepaid expenses and other assets	(253)	(887)
Accounts payable and accrued liabilities	(3,744)	901
	$ (17,539)	$ (16,230)

7 Related parties and management compensation

The compensation expense recorded for directors and members of the Executive Management Team of the Company was $2,056 (2016 - $2,544) for the three months ended December 31, 2017 and $3,993 (2016 - $5,316) for the nine months ended December 31, 2017. When the share based compensation plan was approved in September as described in note 10, the previous cash based incentive plan was discontinued. This resulted in the reversal of the year to date accrual of $757 during the nine months ended December 31, 2017. The compensation expense consists of amounts that will primarily be settled within twelve months of being earned.

8 Financial instruments

Fair value

The fair value of accounts receivable, accounts payable and accrued liabilities and dividends payable approximates their carrying values because of the short-term maturity of these instruments.

The fair value of bank indebtedness and long-term debt is equivalent to its carrying value because the variable interest rate is comparable to market rates. The fair value of the interest rate swaps used to fix the interest rate on long-term debt is included in the current and long-term derivative financial instruments in the condensed consolidated balance sheets.

The fair value of foreign exchange forward contracts is determined based on the difference between the contract rate and the forward rate at the date of valuation and is included in the current portion of derivative financial instruments in the condensed consolidated balance sheets.

The fair value of interest rate swaps is determined based on the difference between the fixed interest rate in the contract that will be paid by the Company and the forward curve of the floating interest rates that are expected to be paid by the counterparty. The fair values of foreign exchange forward contracts and the interest rate swaps are adjusted to reflect any changes in the Company's or the counterparty's credit risk.

Fair value estimates are made at a specific point in time, using available information about the instrument. These estimates are subjective in nature and often cannot be determined with precision.

The net unrealized gains on derivative financial instruments are comprised of:

	For the three months ended December 31, 2017	For the three months ended December 31, 2016	For the nine months ended December 31, 2017	For the nine months ended December 31, 2016
Unrealized gains (losses) on foreign exchange forward contracts	$ 599	$ 185	$ (57)	$ 1,002
Unrealized gains (losses) on interest rate swaps	(383)	683	624	1,041
	$ 216	$ 868	$ 567	$ 2,043

The fair value measurements of the Company's financial instruments are classified in the hierarchy below according to the significance of the inputs used in making the fair value measurements.

			December 31, 2017
	Quoted prices in active markets for identical assets (Level 1)	**Significant observable inputs other than quoted prices (Level 2)**	**Significant unobservable inputs (Level 3)**
Asset/liability			
Interest rate swap liability	-	436	-
Foreign exchange forward contracts liability	-	65	-

			March 31, 2017
	Quoted prices in active markets for identical assets (Level 1)	**Significant observable inputs other than quoted prices (Level 2)**	**Significant unobservable inputs (Level 3)**
Asset/liability			
Interest rate swap liability	$ -	$ 1,060	$ -
Foreign exchange forward contracts liability	-	8	-

There were no transfers of financial instruments between levels during the quarter.

9 Bank indebtedness and Long-term debt

On September 29, 2017, the Company amended and restated its debt facilities. Amendments include a revised maturity date of September 29, 2022, revised financial covenants and updated applicable margins based on the Company's leverage. Additionally, the total borrowing limit was increased to $310,000 and separated into two facilities: a revolving, non-amortizing facility with a borrowing limit of $90,000 to be used for day-to-day operations, distributions and capital expenditures and a revolving, amortizing investment facility with a borrowing limit of $220,000 to be used for acquisitions or capital expenditures. Each draw on the investment facility is subject to a new amortization schedule and required annual repayments increase over the term of the loan. The initial draw on the investment facility was used to refinance the previous operating and capital term loans and to fund acquisitions. Monthly principal repayments of $535 are required on the revolving, amortizing investment facility based on the initial draw. At December 31, 2017, the applicable margin was 1.90% (March 31, 2017 – 1.25%).

Unamortized financing costs relating to the refinanced facilities of $435 as at September 29, 2017 were expensed to interest expense in the condensed consolidated statement of earnings. Financing costs of $1,222 were incurred to amend the debt facilities and these costs will be amortized over the new term of the loan.

On October 31, 2017, the Company terminated its existing swap agreements and entered into a new swap agreement to fix the interest rate on the balance outstanding on the investment facility. Until September 29, 2022, the interest rate is fixed at 2.25%, plus the applicable margin.

The Company and its subsidiaries have provided their assets as security for these loans.

Bank indebtedness

	December 31, 2017	March 31, 2017
Balance outstanding	$ 41,046	$ 36,620
Committed until	September 29, 2022	July 31, 2021
Borrowing limit	$ 90,000	$ 90,000
Interest rate	CDOR + 1.90%	CDOR + 1.25%

Long-term debt

	December 31, 2017	March 31, 2017
Revolving, amortizing loan - Investment facility	$ 126,860	$ -
Term loan - Operating facility	-	48,333
Term Loan - Capital facility	-	2,925
Other	319	319
	127,179	51,577
Less: Financing costs	1,148	493
	126,031	51,084
Less: Current portion	7,333	4,406
	$ 118,698	$ 46,678

10 Share based compensation

On September 13, 2017, the Company established a new share based compensation plan and on September 21, 2017 and November 13, 2017 granted stock options and PSUs to certain employees and key management personnel. As at December 31, 2017, the Company had 3,358,149 Class A non-voting common shares reserved for issuance under the share based compensation arrangements.

a) Stock Options

Each share option issuance under the plan specifies the period during which the share option thereunder is exercisable and the date the share option will expire. All issued options expire after ten years from the grant date. The exercise price of each option will not be less than the volume weighted average trading price of the Class A non-voting common shares for the five trading days prior to the date of the grant. Options granted vest in tranches, equally over a three year period on each anniversary of the grant date, commencing on the first anniversary of the grant date.

The Company's stock options transactions during the three and nine months ended December 31, 2017 were as follows:

	Number of options		Weighted average exercise price $
Balance outstanding - March 31, 2017	-	$	-
Granted on September 21, 2017	252,300	$	11.66
Granted on November 13, 2017	17,600	$	12.80
Forfeited on November 17, 2017	(1,900)	$	11.66
Balance outstanding - December 31, 2017	268,000	$	11.73

The stock options granted on September 21, 2017 expire on September 21, 2027. The stock options granted November 13, 2017 expire on November 13, 2027.

For options granted during the three and nine months ended December 31, 2017, the fair value was estimated on the grant date using the Black-Scholes fair value option pricing model using the following weighted average assumptions:

Weighted average fair value per share option	$3.41
Expected volatility [1]	30.43%
Dividend yield	1.75%
Risk-free interest rate	1.00%
Weighted average expected life in years	10

(1) Expected volatility was determined using historical volatility

During the three and nine months ended December 31, 2017, the Company recorded stock-based compensation expense and a corresponding increase to contributed surplus related to stock options of $132 and $153 respectively (three and nine months ended December 31, 2016 – $nil).

No stock options granted under the share based compensation plan have vested or been exercised as at December 31, 2017.

b) PSU plan

PSUs represent the right to receive Class A non-voting common shares settled by the issuance of treasury shares or shares purchased on the open market. PSUs vest in full at the end of the third fiscal year after the grant date. The number of units that will vest for each employee that is granted PSUs is determined based on the achievement of certain performance conditions (i.e. financial targets) established by the Board of Directors and are adjusted by a factor, which ranges from 0.5 to 2.0, depending on the achievement of the targets established. Therefore, the number of units that will vest and are exchanged for Class A non-voting common shares may be higher or lower than the number of units originally granted to a participant.

The Company’s PSU transactions during the three and nine months ended December 31, 2017 were as follows:

	Number of options		Fair value per unit $
Balance outstanding - March 31, 2017	-	$	-
Granted on September 21, 2017	76,280	$	11.66
Granted on November 13, 2017	4,690	$	12.80
Forfeited on November 17, 2017	(560)	$	11.66
Balance outstanding - December 31, 2017	80,410	$	11.73

During the three and nine months ended December 31, 2017, the Company recorded stock-based compensation expense and a corresponding increase to contributed surplus related to PSUs of $88 and $102 respectively (three and nine months ended December 31, 2016 – $nil).

No PSUs granted under the share based compensation plan have vested or been exercised as at December 31, 2017.