

Andrew Peller Limited

Condensed Interim Consolidated Financial Statements

December 31, 2019

ANDREW PELLER LIMITED

Condensed Consolidated Balance Sheets

Unaudited

These financial statements have not been reviewed by our auditors

(in thousands of Canadian dollars)	December 30 2019 \$	March 31 2019 \$
Assets		
Current Assets		
Accounts receivable	29,884	29,801
Inventory	168,249	160,537
Biological assets	-	1,736
Prepaid expenses and other assets	4,612	4,626
Assets held for sale (note 4)	1,275	-
	<u>204,020</u>	196,700
Property, plant, and equipment (note 2)	221,863	199,749
Intangible assets	19,557	16,932
Goodwill	53,638	53,638
	<u>499,078</u>	<u>467,019</u>
Liabilities		
Current Liabilities		
Bank indebtedness	51,641	38,175
Accounts payable and accrued liabilities	36,158	47,451
Dividends payable	2,317	2,212
Income taxes payable	2,021	1,477
Current portion of lease obligations (note 2)	3,851	-
Current portion of derivative financial instruments (note 8)	371	339
Current portion of long-term debt	10,544	9,741
	<u>106,903</u>	99,395
Long-term debt	98,923	106,879
Long-term derivative financial instruments (note 8)	398	1,008
Lease obligations (note 2)	15,031	-
Post-employment benefit obligations	6,145	4,657
Deferred income taxes	19,796	20,329
	<u>247,196</u>	<u>232,268</u>
Shareholders' Equity		
Capital stock (note 9)	26,400	26,330
Contributed surplus	4,236	2,737
Retained earnings	226,652	209,825
Accumulated other comprehensive loss	(5,406)	(4,141)
	<u>251,882</u>	<u>234,751</u>
	<u>499,078</u>	<u>467,019</u>

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

ANDREW PELLER LIMITED
Condensed Consolidated Statements of Earnings
Unaudited

<small>These financial statements have not been reviewed by our auditors</small>	For the three months ended	For the three months ended	For the nine months ended	For the nine months ended
	December 31, 2019	December 30, 2018	December 31, 2019	December 30, 2018
(in thousands of Canadian dollars)	\$	\$	\$	\$
Sales	101,597	103,152	300,188	302,016
Cost of goods sold (note 5)	59,629	61,019	169,488	174,318
Amortization of plant and equipment used in production	2,419	1,893	7,175	5,658
Gross profit	39,549	40,240	123,525	122,040
Selling and administration (note 5)	25,820	27,780	78,867	81,377
Amortization of plant, equipment, and intangibles used in selling and administration	1,654	1,210	4,993	3,768
Interest	1,818	1,920	6,269	5,817
Net unrealized (gains) losses on derivative financial instruments (note 8)	(646)	1,478	(578)	511
Other (income) expense	(57)	27	1,133	394
Earnings before income taxes	10,960	7,825	32,841	30,173
Provision for (recovery of) income taxes				
Current	2,952	2,829	8,439	8,928
Deferred	(48)	(436)	(89)	(629)
	2,904	2,393	8,350	8,299
Net earnings for the period	8,056	5,432	24,491	21,874
Net earnings per share				
Basic				
Class A shares	0.19	0.13	0.57	0.51
Class B shares	0.16	0.11	0.49	0.44
Diluted				
Class A shares	0.19	0.13	0.57	0.51
Class B shares	0.16	0.11	0.49	0.44

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ANDREW PELLER LIMITED

Condensed Consolidated Statements of Comprehensive Income

Unaudited	For the three	For the three	For the nine	For the nine
These financial statements have not been reviewed by our auditors	months ended	months ended	months ended	months ended
	December 31, 2019	December 30, 2018	December 31, 2019	December 30, 2018
(in thousands of Canadian dollars)	\$	\$	\$	\$
Net earnings for the period	8,056	5,432	24,491	21,874
Items that are never reclassified to net earnings				
Net actuarial (losses) gains on post-employment benefit plans	(75)	(338)	(1,710)	471
Deferred income taxes	19	87	445	(123)
Other comprehensive (loss) income for the year	(56)	(251)	(1,265)	348
Net comprehensive income for the period	8,000	5,181	23,226	22,222

ANDREW PELLER LIMITED
Condensed Consolidated Statements of Changes in Equity
For the nine months ended December 31, 2019 and 2018

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, 2018	26,097	1,673	196,713	(4,237)	220,246
Net earnings for the period	-	-	21,874	-	21,874
Net actuarial gains (net of deferred tax provision)	-	-	-	348	348
Net comprehensive income for the period	-	-	21,874	348	22,222
Issuance of class A non-voting shares	163	-	-	-	163
Share-based compensation (note 10)	-	739	-	-	739
Dividends (Class A \$0.0513 per share, Class B \$0.0446 per share)	-	-	(6,634)	-	(6,634)
Balance at December 31, 2018	26,260	2,412	211,953	(3,889)	236,736
Balance at April 1, 2019	26,330	2,737	209,825	(4,141)	234,751
Net earnings for the period	-	-	24,491	-	24,491
Net actuarial losses (net of deferred tax recovery)	-	-	-	(1,265)	(1,265)
Net comprehensive income for the period	-	-	24,491	(1,265)	23,226
Issuance of class A non-voting shares (note 10)	115	(115)	-	-	-
Repurchase and cancellation of class A non-voting shares (note 9)	(45)	-	(705)	-	(750)
Share-based compensation (note 10)	-	1,614	-	-	1,614
Dividends (Class A \$0.0538 per share, Class B \$0.0468 per share)	-	-	(6,959)	-	(6,959)
Balance at December 31, 2019	26,400	4,236	226,652	(5,406)	251,882

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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, 2019 \$	For the nine months ended December 30, 2018 \$
Cash provided by (used in)		
Operating activities		
Net earnings for the period	24,491	21,874
Adjustments for:		
Loss on disposal of intangible assets	215	-
Loss on disposal of property and equipment	-	1
Amortization of plant, equipment and intangible assets	12,168	9,426
Interest expense	6,269	5,817
Provision for income taxes	8,350	8,299
Post-employment benefits	(221)	(396)
Net unrealized (gain) loss on derivative financial instruments	(578)	511
Share-based compensation	1,353	839
Interest paid	(6,089)	(5,600)
Income taxes paid	(7,895)	(9,687)
	<u>38,063</u>	<u>31,084</u>
Changes in non-cash working capital items related to operations (note 6)	<u>(16,541)</u>	<u>1,281</u>
	<u>21,522</u>	<u>32,365</u>
Investing activities		
Purchase of property, plant and equipment	(13,943)	(17,577)
Purchase of intangibles	(4,006)	(584)
	<u>(17,949)</u>	<u>(18,161)</u>
Financing activities		
Issue of class A non-voting shares	-	63
Repurchase of Class A shares	(750)	-
Increase (decrease) in bank indebtedness	13,466	(2,289)
Principal payments on lease obligations	(2,102)	-
Repayment of long-term debt	(7,332)	(5,620)
Dividends paid	(6,855)	(6,358)
	<u>(3,573)</u>	<u>(14,204)</u>
Cash, beginning of period	-	-
Cash, end of period	<u>-</u>	<u>-</u>

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

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Notes to the Condensed Interim Consolidated Financial Statements
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December 31, 2019 and December 31, 2018
(in thousands of Canadian dollars, except per share amounts)

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 as issued by the International Accounting Standards Board (“IFRS”) 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, 2019 and 2018, which have been prepared in accordance with IFRS.

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, 2019 and 2018. Changes to the Company’s accounting policies from those disclosed in its consolidated financial statements for the years ended March 31, 2019 and March 31, 2018 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, 2020.

(B) Recently adopted accounting pronouncements

IFRS 16, Leases

The IASB issued IFRS 16, Leases, which replaces IAS 17, Leases and Related Interpretations. On April 1, 2019, the Company adopted the new accounting standard using the modified retrospective method and therefore, comparative figures have not been restated, as permitted under the specific transitional provisions in the standard. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized in operating retained earnings at April 1, 2019.

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Reliance on previous assessment on whether leases are onerous;
- The accounting for operating leases with a remaining lease term of less than 12 months as at April 1, 2019 as short term leases;

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- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Company has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Company relied on its assessment made applying IAS 17 and IFRIC 4, Determining whether an Arrangement Contains a Lease.

The Company leases various vineyards, retail stores, offices, warehouses, equipment and vehicles. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

Where the Company is a lessee, IFRS 16 resulted in recognition of most of its leases that were considered operating leases under IAS 17. This resulted in recognition of a right-of-use asset and a lease liability for the present value of the remaining future lease payments, discounted using the incremental borrowing rate at the date of initial application. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on April 1, 2019 was 5.01%.

Depreciation expense on the right-of-use asset and interest expense on the lease liability replaced the previously recognized operating lease expense. The impact of adopting this standard on the condensed interim consolidated statement of cash flow will be to present the principal repayment of lease liabilities in financing activities under IFRS 16, whereas previously payments for operating leases were presented in operating activities.

The adoption of this standard resulted in the recognition of right-of-use assets, in property, plant and equipment and lease liabilities amounting to \$17,880 as of April 1, 2019. The difference between the undiscounted operating lease commitments of the Company as of March 31, 2019 and the discounted lease obligation of the Company as of April 1, 2019 is as follows:

	2019
	\$
Operating lease and royalty commitments disclosed as at March 31, 2019	37,072
Less: Royalties	(9,615)
Less: Leases with variable consideration	(4,181)
Less: Short term leases	(62)
Less: Low value leases	(189)
Undiscounted lease liability	<u>23,025</u>
Discounted using the lessee's incremental borrowing rate	17,880
Lease liability recognized as at April 1, 2019	17,880

Leases are recognized as a right-of-use asset in property, plant and equipment and a corresponding lease liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the repayment of the principal portion of lease liability and the interest portion. The interest expense is charged to the condensed interim consolidated statement of earnings over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- Payment of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Payments associated with variable lease payments not based on an index or a rate, short-term leases and leases of low value assets are recognized on a straight-line basis as an expense in the condensed interim consolidated statement of earnings.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date, less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

The right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Right-of-use assets are subject to impairment.

Leases are included as follows in the condensed interim consolidated balance sheet as at December 31, 2019:

	Vineyard land	Buildings	Machinery and equipment	Total
At April 1, 2019	\$ 7,237	\$ 9,170	\$ 1,473	\$ 17,880
Nine months ended December 31, 2019				
Additions	-	3,104	-	3,104
Amortization	(389)	(1,773)	(280)	(2,442)
Closing net carrying amount	<u>\$ 6,848</u>	<u>\$ 10,501</u>	<u>\$ 1,193</u>	<u>\$ 18,542</u>

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The lease obligation transactions during the nine months were as follows:

Lease obligation	2019
	\$
As at April 1, 2019	17,880
Additions	3,104
Repayments	(2,734)
Interest	632
As at December 31, 2019	18,882
Less: current portion of lease obligation	3,851
Lease obligation	15,031

The expense related to leases with variable consideration, short term leases and low value leases amounted to \$713 for the three months ended December 31, 2019 and \$2,071 for the nine months ended December 31, 2019. The total cash outflows relating to leases during the three month period ended December 31, 2019 were \$1,646 and nine month period ended December 31, 2019 were \$4,805.

Some property leases contain variable payment terms that are linked to sales generated from a store. For individual stores, up to 100% of lease payments are on the basis of variable payment terms. Variable lease payments are recognized in the condensed interim consolidated statement of earnings in the period in which the condition that triggers those payments occurs. A 1% increase in sales across all stores with such variable lease contracts would not result in a material change to the total lease payments.

Critical accounting estimates were made in determining the lease term and incremental borrowing rate. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

In determining the carrying amount of right-of-use assets and lease liabilities, the Company is required to estimate the incremental borrowing rate specific to each leased asset or portfolio of leased assets if the interest rate implicit in the lease is not readily determined. Management determines the incremental borrowing rate of each leased asset or portfolio of leased assets by using the companies specific risk portfolio, the security, term and value of the underlying leased asset, and the economic environment in which the leased asset operates in. The incremental borrowing rates are subject to change mainly due to macroeconomic changes in the environment.

IAS 19, Employee Benefits

This standard has been amended to modify the guidance in connection with defined benefit plans and accounting for plan amendments, settlements, or curtailments. The amendments are effective for annual periods beginning on or after January 1, 2019. The adoption of these amendments did not have a material impact on the consolidated financial statements.

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IFRS 9, Financial Instruments

This standard has been amended to enable companies to measure at amortized cost some prepayable financial assets with negative compensation. The assets affected, that include some loans and debt securities, would otherwise have been measured at fair value through profit or loss. Financial assets that would otherwise have contractual cash flows that are solely payments of principal and interest but do not meet that condition only as a result of a prepayment feature with negative compensation, may be measured at amortized cost or at fair value through other comprehensive income when eligibility conditions are met. The amendment to IFRS 9 also clarifies how to account for the modification of a financial liability. Most modifications of financial liabilities will result in immediate recognition of a gain or loss. The amendment is effective for annual periods beginning on or after January 1, 2019. The adoption of these amendments did not have a material impact on the consolidated financial statements.

IFRIC Interpretation 23, Uncertainty over Income Tax Treatments

An interpretation has been issued to clarify how to apply the recognition and measurement requirements in IAS 12, Income Taxes, when there is uncertainty over income tax treatments. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2019. The adoption of this interpretation did not have any material impact on the consolidated financial statements.

(C) Recently issued accounting pronouncements

IAS 1, Presentation of Financial Statements; IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors

These standards have been amended to use a consistent definition of materiality throughout all accounting standards, clarify the explanation of the definition of material and incorporate some of the guidance in IAS 1 about immaterial information. The amendments are effective for annual periods beginning on or after January 1, 2020. The Company has not yet assessed the impact of the amendment on the consolidated financial statements.

IFRS 3, Business Combinations

This standard has been amended to improve the definition of a business. The amendments will help companies determine whether an acquisition made is of a business or a group of assets. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments are effective for annual periods beginning on or after January 1, 2020. The Company has not yet assessed the impact of the amendment on the consolidated financial statements.

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.

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4 Asset held for sale

During the year, the Company has listed for sale plant assets in Port Coquitlam, BC with a net book value of \$1,275. This is a result of the consolidation of production assets, the Company intends to close the transaction in the first quarter of 2021 after operations have ceased.

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, 2019	For the three months ended December 31, 2018	For the nine months ended December 31, 2019	For the nine months ended December 31, 2018
Raw materials and consumables	\$ 47,813	\$ 48,840	\$ 136,239	\$ 140,174
Employee compensation and benefits	19,947	20,210	59,643	58,666
Advertising, promotion and distribution	7,059	8,622	21,181	24,966
Occupancy	2,672	3,421	7,992	9,485
Repairs and maintenance	2,120	1,990	6,202	5,394
Other external charges	5,838	5,716	17,098	17,010
	<u>\$ 85,449</u>	<u>\$ 88,799</u>	<u>\$ 248,355</u>	<u>\$ 255,695</u>

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, 2019	For the nine months ended December 31, 2018
Accounts receivable	\$ (83)	\$ 2,538
Inventory	(7,712)	2,046
Biological assets	1,736	1,901
Prepaid expenses and other assets	14	(330)
Accounts payable and accrued liabilities	(10,496)	(4,874)
	<u>\$ (16,541)</u>	<u>\$ 1,281</u>

Andrew Peller Limited
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7 Related parties and management compensation

The compensation expense recorded for directors and members of the Executive Management Team of the Company was \$1,482 (2018 - \$1,317) for the three months ended December 31, 2019 and \$4,760 (2018 - \$4,303) for the nine months ended December 31, 2019. 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, 2019	For the three months ended December 31, 2018	For the nine months ended December 31, 2019	For the nine months ended December 31, 2018
Unrealized (gains) losses on interest rate swaps	\$ (662)	\$ (42)	\$ (668)	\$ 166
Unrealized losses on foreign exchange forward contracts	16	1,520	90	345
	<u>\$ (646)</u>	<u>\$ 1,478</u>	<u>\$ (578)</u>	<u>\$ 511</u>

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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, 2019		
	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)
Interest rate swap liability	\$ -	\$ 683	\$ -
Foreign exchange forward contracts liability	-	86	-
			March 31, 2019
	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)
Interest rate swap liability	\$ -	\$ 1,351	\$ -
Foreign exchange forward contracts asset	-	4	-

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

9 Normal course issuer bid

On November 8, 2019, the Company announced its normal course issuer bid to repurchase for cancellation up to 1,799,733 common shares, representing 5% of common shares issued and outstanding as at the close of markets on November 7, 2019, during the 12-month period from November 12, 2019 to November 12, 2020.

The total number of common shares repurchased for cancellation under the NCIB during the 3-month period ended December 31, 2019 amounted to 62,700 common shares, at a weighted average price of \$11.95 per common share, for a total cash consideration of \$750. For the 3-month period ended December 31, 2019, the Company's share capital was reduced by \$45 and the remaining \$705 was accounted for as a decrease to retained earnings.

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10 Share based compensation

On September 13, 2017, the Company established a new share based compensation plan comprised of stock options, performance share units (PSUs) and deferred share units (DSUs). The impact of the share based compensation expense recorded for the nine months ended December 31, 2019 and 2018 is summarized as follows:

	For the nine months ended December 31, 2019	For the nine months ended December 31, 2018
735,300 stock options (March 31, 2019 – 436,467) (a)	\$ 599	\$ 508
221,216 performance share units (March 31, 2019 – 137,546) (b)	754	331
72,459 deferred share units (March 31, 2019 – 61,819) (c)	-	-
	<u>\$ 1,353</u>	<u>\$ 839</u>

The stock options, PSUs and DSUs are equity settled and as such, the expense associated with these instruments is recorded as share based compensation expense through the condensed consolidated statements of earnings with a corresponding entry made to contributed surplus on the condensed consolidated balance sheets.

The maximum number of shares that may be issued under all share based compensation arrangements implemented by the Company, including the stock option plan, the PSU plan and the DSU plan, may not exceed 10% of the total number of Class A non-voting common shares issued and outstanding from time to time. As at December 31, 2019, the Company had 3,338,023 Class A non-voting common shares reserved for issuance under the share based compensation arrangements.

a) Stock options

The Company has a stock option plan under which options to purchase Class A non-voting common shares may be granted to officers and employees of the Company. Options granted under the plan have an exercise price of not less than the volume weighted average trading price of the Class A non-voting common shares where they are listed 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.

	Number of options	Weighted average exercise price per share \$
Balance – April 1, 2019	436,467	14.25
Options granted	319,900	14.14
Options forfeited	(21,067)	(14.40)
	<u>735,300</u>	<u>14.20</u>

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The vested number of options outstanding as at December 31, 2019 is 284,705 (March 31, 2019 – 73,897).

For options granted during the three and nine months ended December 31, 2019, 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	\$3.97
Expected volatility ⁽¹⁾	23.34%
Dividend yield	1.34%
Risk-free interest rate	2.25%
Weighted average expected life in years	10

(1) Expected volatility was determined using historical volatility

b) PSU plan

The Company has established a PSU plan for employees and officers of the Company. 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 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.

	Number of units	Grant date fair value per unit \$
Balance – April 1, 2019	137,546	14.29
Units granted	87,980	14.14
Units forfeited	(4,310)	(14.92)
	221,216	14.22

No PSUs granted under the share based compensation plan have vested or been exercised as at December 31, 2019.

Andrew Peller Limited
Notes to the Condensed Interim Consolidated Financial Statements
Unaudited
December 31, 2019 and December 31, 2018
(in thousands of Canadian dollars, except per share amounts)

c) DSU plan

The Company has established a DSU plan for employees, officers and Directors of the Company. DSUs 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. DSUs vest immediately but are only exercisable when the participant's employment with the Company ceases, or when the participant is no longer a Director of the Company.

During the year, the Board of Directors were offered director fees in the form of DSUs which resulted in a reclassification from accounts payable to contributed surplus.

	Number of units	Grant date fair value per unit
		\$
Balance – April 1, 2019	61,819	18.26
Units exercised	(6,320)	(18.22)
Units issued	16,960	13.75
	72,459	17.21