20

Condensed Interim Consolidated Financial Statements

As at and for the the three months ending
March 31, 2020 and 2019 | Unaudited

PARK LAWN CORPORATION

NOTICE TO READER

Park Lawn Corporation's independent auditor has not performed a review of these unaudited condensed interim consolidated financial statements.

(signed) "*Joseph Leeder*"	(signed) "*Steven Scott*"
Joseph Leeder	Steven Scott
Chief Financial Officer	Director

PARK LAWN CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT MARCH 31, 2020 AND DECEMBER 31, 2019
(UNAUDITED)

	March 31, 2020	December 31, 2019 *(Restated, Measurement Period Adjustment - see Note 6)*
Assets		
Current assets		
Cash	$ 27,895,444	$ 21,255,330
Accounts receivable	12,572,682	13,506,859
Pre-need receivables, current portion (Note 4)	32,260,245	29,044,341
Inventories, current portion (Note 5)	11,682,648	9,459,240
Prepaid expenses and other current assets (Note 13)	10,391,466	10,253,633
	94,802,485	83,519,403
Non-current assets		
Pre-need receivables, net of current portion (Note 4)	69,609,357	58,015,914
Inventories, net of current portion (Note 5)	93,722,272	85,500,785
Land held for development (Note 7)	25,066,206	22,138,968
Property and equipment (Note 8)	223,457,316	194,585,169
Care and maintenance trust fund investments (Note 9)	213,361,053	224,494,986
Pre-need merchandise and service trust fund investments (Note 10)	271,537,595	257,150,385
Deferred tax assets	6,444,410	5,858,634
Goodwill and intangibles (Note 6 and 12)	470,750,636	377,410,286
Deferred commissions	33,977,789	28,191,067
Other assets (Note 13)	10,183,380	38,003,291
	1,418,110,014	1,291,349,485
TOTAL ASSETS	$ 1,512,912,499	$ 1,374,868,888
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 22)	$ 38,230,552	$ 31,344,065
Dividends payable	1,118,154	1,115,484
Current portion of long-term debt (Note 14)	430,764	421,074
Current portion of notes payable (Note 15)	1,490,528	1,323,036
Current portion of lease liabilities (Note 16)	1,968,790	1,831,687
	43,238,788	36,035,346
Non-current liabilities		
Long-term debt, net of current portion (Note 14)	216,932,740	173,465,316
Notes payable, net of current portion (Note 15)	9,339,154	7,368,286
Lease liabilities, net of current portion (Note 16)	4,503,409	4,682,043
Deferred tax liabilities	4,109,906	6,544,817
Deferred revenue (Note 17)	178,701,270	150,602,874
Care and maintenance trusts' corpus (Note 9)	213,361,053	224,494,986
Deferred pre-need receipts held in trust (Note 10)	271,537,595	257,150,385
	898,485,127	824,308,707
Shareholders' Equity		
Share capital (Note 19)	502,677,787	502,047,830
Contributed surplus	8,661,184	7,618,962
Accumulated other comprehensive income	55,426,485	(2,112,155)
Retained earnings	2,471,655	5,091,160
	569,237,111	512,645,797
Non-controlling interest	1,951,473	1,879,038
	571,188,584	514,524,835
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 1,512,912,499	$ 1,374,868,888

Commitments and Contingencies (Note 24)
Subsequent Events (Note 26)

Approved by the Board of Directors

"Joseph Leeder"
Joseph Leeder - CFO, Director

"Steven Scott"
Steven Scott - Director

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

PARK LAWN CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EARNINGS
FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019
(UNAUDITED)

	March 31, 2020	March 31, 2019
Revenue		
Sales	$ 69,508,749	$ 45,937,495
Income from care and maintenance funds (Note 9)	2,751,720	2,783,077
Interest and other income	1,728,505	1,432,413
	73,988,974	50,152,985
Cost of sales	13,323,605	9,315,608
Gross profit	60,665,369	40,837,377
Operating expenses		
General and administrative	32,886,265	18,866,345
Amortization of intangibles (Note 12)	648,483	236,948
Maintenance	7,751,489	6,787,758
Advertising and selling	7,696,113	6,768,685
Interest expense	2,389,785	1,275,841
Share based incentive compensation (Note 20)	1,407,376	627,153
	52,779,511	34,562,730
Earnings from operations	7,885,858	6,274,647
Acquisition and integration costs (Note 6)	(3,462,853)	(1,672,452)
Other (expenses) income (Note 21)	(2,979,677)	8,640
Earnings before income taxes	1,443,328	4,610,835
Income tax expense	636,836	1,211,336
Net earnings for the period	$ 806,492	$ 3,399,499
Net earnings attributable to:		
Equity holders of PLC	$ 734,057	$ 3,325,247
Non-controlling interest	72,435	74,252
	$ 806,492	$ 3,399,499
Attributable to equity holders of PLC		
Net earnings per share - basic	$ 0.025	$ 0.141
Net earnings per share - diluted	$ 0.025	$ 0.141
Weighted average number of common shares:		
- basic	29,635,025	23,524,356
- diluted	29,684,141	23,622,214

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

PARK LAWN CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019
(UNAUDITED)

	March 31, 2020	March 31, 2019
Net earnings for the period	$ 806,492	$ 3,399,499
Item of other comprehensive income to be subsequently reclassified to net earnings		
Foreign currency translation of foreign operations	57,538,640	(8,189,125)
Comprehensive income (loss)	$ 58,345,132	$ (4,789,626)

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

PARK LAWN CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019
(UNAUDITED)

	# of Common Shares Issued and Outstanding	Share Capital	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income/Loss	Non Controlling Interest	Shareholders' Equity
Balance at January 1, 2019	23,135,315	$ 363,957,423	$ 2,297,514	$ 10,829,808	$ 21,888,697	$ 1,499,768	$ 400,473,210
Dividends declared (Note 18)	-	-	-	(2,638,985)	-	-	(2,638,985)
Shares issued:							
Dividend reinvestment plan (Note 19)	20,690	483,099	-	-	-	-	483,099
Equity incentive plan (Note 20)	-	-	530,934	-	-	-	530,934
Other comprehensive loss	-	-	-	-	(8,189,125)	-	(8,189,125)
Net earnings for the period	-	-	-	3,325,247	-	74,252	3,399,499
Balance at March 31, 2019	23,156,005	$ 364,440,522	$ 2,828,448	$ 11,516,070	$ 13,699,572	$ 1,574,020	$ 394,058,632
Balance at January 1, 2020	29,354,844	$ 502,047,830	$ 7,618,962	$ 5,091,160	$ (2,112,155)	$ 1,879,038	$ 514,524,835
Dividends declared (Note 18)	-	-	-	(3,353,562)	-	-	(3,353,562)
Shares issued:							
Dividend reinvestment plan (Note 19)	23,848	629,957	-	-	-	-	629,957
Equity incentive plan (Note 20)	46,420	-	1,042,222	-	-	-	1,042,222
Other comprehensive icome (loss)	-	-	-	-	57,538,640	-	57,538,640
Net earnings for the period	-	-	-	734,057	-	72,435	806,492
Balance at March 31, 2020	29,425,112	$ 502,677,787	$ 8,661,184	$ 2,471,655	$ 55,426,485	$ 1,951,473	$ 571,188,584

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

PARK LAWN CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019
(UNAUDITED)

	March 31, 2020	March 31, 2019
Cash provided by (used in):		
Operating activities		
Net earnings for the period	$ 806,492	$ 3,399,499
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Acquisition and integration costs	3,462,853	1,672,452
Deferred tax expense/asset	(636,836)	382,291
Depreciation of property and equipment, investment properties and amortization of intangibles (Note 8 and 12)	3,817,885	2,423,506
Amortization of cemetery property	1,724,752	1,309,088
Amortization of deferred commissions	767,984	644,625
Amortization of deferred financing costs (Note 14)	85,555	64,564
Interest on lease liabilities (Note 16)	80,113	60,288
Share based incentive compensation (Note 20)	1,302,651	530,934
Loss on forgiveness of loan and other non-cash amounts (Note 22)	1,511,179	-
(Gain) loss on disposal of property and equipment (Note 8)	(32,924)	(49,556)
Changes in working capital that provided (required) cash:		
Accounts receivable	1,840,929	2,068,437
Net receipts on pre-need activity	(3,192,451)	(1,987,925)
Merchandise inventories	352,662	29,331
Prepaid expenses and other current assets	(1,815,005)	(852,409)
Accounts payable and accrued liabilities	2,539,010	(57,942)
Cash provided by (used in) operating activities	12,614,850	9,637,183
Investing activities		
Acquisition and integration costs	(3,462,853)	(1,672,452)
Net cash on acquisitions and other strategic transactions (Note 6)	(39,356,889)	-
Additions to cemetery property	(2,118,525)	(1,051,687)
Acquisition of property and equipment (Note 8)	(3,741,891)	(2,925,762)
Proceeds on disposal of property and equipment (Note 8)	66,409	1,492,325
Land held for development (Note 7)		-
Deferred commissions	(1,219,747)	(516,196)
Decrease (increase) in other assets (Note 13)	(316,875)	443,006
Cash provided by (used in) investing activities	(50,150,371)	(4,230,766)
Financing activities		
Proceeds from issuance of long-term debt (Note 14)	44,618,491	-
Repayment of long-term debt (Note 14)	(1,114,482)	(2,024,491)
Proceeds (repayment) of note payable (Note 15)	327,860	(203,592)
Proceeds (repayment) of lease liabilities (Note 16)	(430,168)	(374,554)
Proceeds from financing, net of costs (Note 14)	-	483,099
Dividends and distributions paid (Note 19)	(2,723,605)	(2,638,985)
Deferred financing costs (Note 14)	(167,437)	(522,823)
Cash provided by (used in) financing activities	40,510,658	(5,281,346)
Translation adjustment on cash	3,664,977	195,697
Net increase (decrease) in cash	6,640,114	320,768
Cash, beginning of period	21,255,330	14,149,092
Cash, end of period	$ 27,895,444	$ 14,469,860
Supplemental disclosures:		
Income taxes paid	$ 160,231	$ 59,308
Interest expenses paid	$ 2,160,455	$ 1,119,208

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

1. NATURE OF OPERATIONS

Park Lawn Corporation (the "Company" or "PLC"), located at 2 St. Clair Ave. West, Suite 1300, Toronto, Ontario, M4V 1L5, is an Ontario corporation which owns and operates cemeteries, crematoriums and funeral homes in Canada and the U.S. The Company is publicly traded on the TSX with the stock symbol of PLC.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The accompanying unaudited condensed interim consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"), including International Accounting Standards 34, Interim Financial Reporting ("IAS 34"), on a basis consistent with policies disclosed in the Company's annual audited consolidated financial statements for the fiscal year ended December 31, 2019 which were prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

Certain information and footnote disclosure normally included in the consolidated annual financial statements prepared in accordance with IFRS have been omitted or are condensed. These unaudited condensed interim consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements of the Company for the year ended December 31, 2019.

These unaudited condensed interim consolidated financial statements are based on the accounting policies consistent with those disclosed in Note 2 to its consolidated annual financial statements for the year ended December 31, 2019.

The financial information included herein reflects all adjustments that, in the opinion of management, are necessary for a fair presentation of the results for the interim periods presented. The results of operations for the periods ended March 31, 2020 and 2019 are not necessarily indicative of the results to be expected for the full year.

These unaudited condensed interim consolidated financial statements were approved by the board of directors of the Company (the "Board of Directors") on May 12, 2020.

b. Basis of presentation

The unaudited condensed interim consolidated financial statements of the Company have been prepared on a historical cost basis with the exception of certain financial instruments that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities, including structured entities ("SEs") controlled by the Company. Control exists when the Company is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investment entities

The Company consolidates SEs when it has control over such SEs, irrespective of the size of the equity investment held in a particular SE.

Pre-need merchandise and service trust fund investments represent amounts set aside in both provincially and state legislated trust funds related to pre-need cemetery and funeral contracts. Care and maintenance fund investments represent amounts set aside in trust for provincially and state legislated care and maintenance fund obligations and non-legislated care and maintenance fund investments related to cemetery interment right sales. These trust funds are SEs as defined in IFRS 12, "Disclosure of interests in other entities." The Company assesses control over these entities in accordance with IFRS 10, "Consolidated financial statements." In accordance with this guidance, the Company has determined that the Company is the primary beneficiary of these trusts, as the Company is exposed to the majority of variable losses and returns associated with these trusts and has the ability to affect those returns through its power over the trusts. The Company directs the investment policies of these trust funds to obtain the majority of the benefits of the activities of these trusts.

Pre-need trust fund

The pre-need merchandise and service trust funds are recorded at fair value and amortized cost. Any unrealized net gain or loss resulting from changes in the fair value of the legislated trust funds, as well as accumulated and undistributed income, are recorded to deferred pre-need receipts held in trust.

Care and maintenance trust fund

The care and maintenance fund investments are recorded at fair value and amortized cost. Any unrealized net gain or loss resulting from changes in the fair value of the cemetery care and maintenance fund investments is recorded to the care trusts' corpus.

Transactions eliminated on consolidation

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

d. Functional currency

The unaudited condensed interim consolidated financial statements are presented in Canadian dollars, which is also the parent company's functional currency. Each entity within the consolidated group determines its own functional currency and items included in the consolidated financial statements of each entity are remeasured using the functional currency. The consolidated financial statements of foreign subsidiaries for which the functional currency is not the Canadian dollar are translated into Canadian dollars using the exchange rate in effect at the end of the reporting period for assets and liabilities and the average exchange rates for the period for revenue, expenses and cash flows. Foreign exchange differences arising on translation are recognized in other comprehensive income and in accumulated other comprehensive income in shareholders' equity.

Within each entity, transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at that date. Foreign exchange differences arising on translation are recognized in the consolidated statements of earnings. Non-monetary assets and liabilities that are measured at historical cost are translated using the exchange rate at the date of the transaction.

e. Earnings per share

Basic earnings per share are computed by dividing net earnings by the weighted average number of common shares outstanding for the period. Diluted earnings per share are calculated using the same method as basic earnings per share adjusted for the weighted average number of common shares outstanding for the period to reflect the dilutive impact, if any, of convertible instruments and equivalents, assuming they were exercised for the number of common shares calculated by applying the treasury stock method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

f. Business combinations

The Company has applied the acquisition method in accounting for business combinations.

The Company measures goodwill as the difference between the fair value of the consideration transferred, including the recognized amount of any non-controlling interest in the acquiree, and the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair value of the assets transferred (including cash), liabilities incurred by the Company on behalf of the acquiree, and equity interests issued by the Company. Consideration transferred also includes the fair value of any contingent consideration.

Transaction costs that the Company incurs in connection with a business combination, such as finders' fees, legal fees, due diligence fees, and other professional and consulting fees, are expensed in the period as incurred.

3. CRITICAL ESTIMATES AND JUDGMENTS

Use of estimates

The preparation of these unaudited condensed interim consolidated financial statements requires management to make certain estimates, judgements and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported expenses during the period. Actual results could differ from these estimates. Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets, liabilities, and equity in the event that actual results differ from assumptions. These assumptions are disclosed in Note 3 to its consolidated annual financial statements for the year ended December 31, 2019.

Given the Company's ability to continue operating its business, no indicators of impairment were identified in relation to COVID-19. The company did not perform a goodwill and intangible asset impairment test as at March 31, 2020.

4. PRE-NEED RECEIVABLES

	March 31, 2020	December 31, 2019
Pre-need receivables, current portion	$ 32,260,245	$ 29,044,341
Pre-need receivables, net of current portion	69,609,357	58,015,914
Total	$ 101,869,602	$ 87,060,255

4. PRE-NEED RECEIVABLES - continued

The above is net of an allowance for sales returns of $8,062,063 at March 31, 2020 (at December 31, 2019 - $7,497,819).

5. INVENTORIES

	March 31, 2020	December 31, 2019 *(Restated, Measurement Period Adjustment - see Note 6)*
Merchandise inventories	$ 4,567,973	$ 3,068,697
Cemetery lots	44,855,932	41,100,406
Crypts and niches	45,707,520	42,816,411
Construction in progress	10,273,495	7,974,511
Total	105,404,920	94,960,025
Current portion	11,682,648	9,459,240
Non-current portion	$ 93,722,272	$ 85,500,785

There were no inventory write-downs in either period.

6. BUSINESS COMBINATIONS

Acquisitions completed in fiscal 2020

The following table summarizes the statement of financial position impact on the acquisition date of the Company's business combinations that occurred in the period ended March 31, 2020:

	Preliminary Family Legacy and Harpeth Hill
Assets acquired:	
Cash	$ 1,814,337
Pre-need receivables	5,413,093
Inventories	3,090,922
Land held for development	1,077,823
Property and equipment	12,560,571
Care and maintenance trust fund investments	10,556,556
Pre-need merchandise and service trust fund investments	13,338,370
Deferred commissions	2,501,958
Other assets	1,115,685
Goodwill	56,036,235
Intangibles	1,384,708
Total assets	$ 108,890,258
Liabilities assumed:	
Accounts payable and accrued liabilities	$ 2,268,148
Notes payables	1,327,500
Lease liabilities	183,103
Care and maintenance trusts' corpus	10,556,556
Deferred pre-need receipts held in trust	13,338,371
Deferred revenue	12,942,563
	40,616,241
Fair value of consideration transferred:	
Cash consideration	41,171,226
Converted promissory note	27,102,791
	68,274,017
Total liabilites and considerations	$ 108,890,258

On January 31, 2020 the Company completed the acquisition of all the outstanding stock and membership interests of Family Legacy, LLC ("Family Legacy") for a purchase price of approximately $68.3 million (US$51.4 million), a business with 12 locations operating in Nashville, Tennessee, as well as all of the outstanding membership interests in WG-TN and HHMG ("Harpeth Hills") a large combination business located in Nashville, Tennessee. In connection with the Harpeth Hills acquisition, the promissory note of approximately $27.1 million (US$20.4 million) was converted to equity interest in Harpeth Hills. The above acquisition expands PLC's U.S. operations into the high-growth middle Tennessee metropolitan market by adding four combination funeral home and cemetery properties, seven stand-alone funeral homes and two stand-alone cemeteries. The transaction was funded with proceeds from PLC's existing credit facility.

6. BUSINESS COMBINATIONS – continued

Acquisitions completed in fiscal 2020 – continued

Since the date of acquisition in 2020, Family Legacy and Harpeth Hills have contributed approximately $4 million in revenue and approximately $640,000 in net earnings in 2020. The Company has used a significant amount of judgement and simplifying assumptions in estimating the revenue and net earnings of Family Legacy and Harpeth Hills as if the business occurred at the beginning of the year. If acquired at the beginning of the year, the Company has estimated that Family Legacy and Harpeth Hills would have contributed approximately $6 million in revenue and $960,000 in net earnings.

The fair value allocations for Family Legacy and Harpeth Hills's acquisition are based on preliminary purchase allocations conducted by management. As the acquisition is within the measurement period under IFRS 10, it continues to be refined. The Company is gathering information to finalize the fair value of property and equipment, land held for development, inventories, intangible assets and deferred revenue.

In relation to this acquisition, the Company spent a significant amount on legal, financial and tax due diligence, post closing audits, premiums for representation and warranty insurance, preparation of independent valuation reports to substantiate purchase price allocations and where necessary on the preparation of reports for regulatory compliance purposes.

Acquisitions completed in fiscal 2019

The Company has restated the comparative figures in the consolidated statement of financial position based on the measurement period adjustments related to Horan's purchase price allocations. The following tables summarize the effects of the change described above on the line items of the consolidated statement of financial position for the year ended December 31, 2019.

	December 31, 2019 *As previously stated*	*Adjustments*	December 31, 2019 *As restated*
Inventories, net of current portion	$ 83,309,709	$ 2,191,076	$ 85,500,785
Goodwill and Intangibles	379,253,330	(1,843,044)	377,410,286
Deferred revenue	(150,254,842)	(348,032)	(150,602,874)
Total	$ 312,308,197	$ -	$ 312,308,197

6. BUSINESS COMBINATIONS – continued

Acquisitions completed in fiscal 2019 – continued

The following table summarizes the statement of financial position impact on the acquisition date of the Company's business combinations that occurred in the year ended December 31, 2019:

	Final Cress (i)	Final Baue (ii)	Final Horan (iii)	Other (iv)	Total
Assets acquired:					
Cash	$ 458,410	$ 665,001	$ 1,267,187	$ -	$ 2,390,598
Accounts receivable	1,620,494	1,686,989	712,765	-	4,020,248
Pre-need receivables	-	1,676,528	543,627	1,180,672	3,400,827
Inventories	167,030	3,498,082	2,493,927	2,340,772	8,499,811
Prepaid expenses and other current assets	245,749	6,829	101,527	416,508	770,613
Land held for development	-	5,765,160	-	2,032,753	7,797,913
Property and equipment	13,882,443	13,990,689	29,099,503	9,333,990	66,306,625
Care and maintenance trust fund investments	-	4,593,840	1,154,349	4,659,366	10,407,555
Pre-need merchandise and service trust fund investments	-	37,777,961	39,775,432	5,406,938	82,960,331
Deferred commissions	-	2,829,204	2,274,823	-	5,104,027
Goodwill	8,734,881	36,094,938	41,749,031	4,233,003	90,811,853
Intangibles	3,470,287	6,798,309	8,254,719	1,120,624	19,643,939
Total assets	$ 28,579,294	$ 115,383,530	$ 127,426,890	$ 30,724,626	$ 302,114,340
Liabilities assumed:					
Accounts payable and accrued liabilities	$ 451,444	$ 2,868,860	$ 1,699,300	$ 362,892	$ 5,382,496
Long-term debt	-	78,200	-	-	78,200
Lease liabilities	111,904	157,108	257,828	-	526,840
Deferred tax liabilities	810,304	1,321,284	-	-	2,131,588
Care and maintenance trusts' corpus	-	4,593,840	1,154,349	4,659,366	10,407,555
Deferred pre-need receipts held in trust	-	37,777,961	39,775,432	5,406,938	82,960,331
Deferred revenue	-	10,056,363	9,371,914	359,501	19,787,778
	1,373,652	56,853,616	52,258,823	10,788,697	121,274,788
Fair value of consideration transferred:					
Cash consideration	24,674,045	59,435,125	75,516,118	19,067,519	178,692,807
Deferred cash consideration	2,149,699	1,016,985	508,558	868,410	4,543,652
Working capital adjustment	381,898	(1,922,196)	(856,609)	-	(2,396,907)
	27,205,642	58,529,914	75,168,067	19,935,929	180,839,552
Total liabilites and considerations	$ 28,579,294	$ 115,383,530	$ 127,426,890	$ 30,724,626	$ 302,114,340

6. BUSINESS COMBINATIONS – continued

Acquisitions completed in fiscal 2019 – continued

i) On April 1, 2019, the Company completed the acquisition of all the outstanding equity of Cress Funeral Service Inc. ("Cress") for a purchase price of approximately $27.2 million (US$20.4 million), subject to customary working capital adjustments. Cress's acquisition expands PLC's footprint into Wisconsin by adding eight funeral homes and two crematoria to PLC's portfolio. The acquisition was funded from PLC's credit facility.

   Cress's purchase price allocation was finalized in the fourth quarter of 2019 to reflect the final determination of the fair value of assets and liabilities acquired.

ii) On June 3, 2019, the Company completed the acquisition of all the outstanding stock and membership interests of The Baue Funeral Home Co. ("Baue"), for an aggregate total purchase price of approximately $58.5 million (US$43.5 million) in cash, subject to customary working capital adjustments. Baue operates a large cemetery and three funeral homes (including one on-site), in St. Charles, Missouri. Baue's acquisition significantly increases PLC's footprint and presence in Missouri. The acquisition of Baue was funded with the proceeds from the Company's recent equity financing.

   Baue's purchase price allocation was finalized in the fourth quarter of 2019 to reflect the final determination of the fair value of assets and liabilities acquired.

iii) On July 1, 2019, the Company completed the acquisition of all the outstanding equity of Horan & McConaty Funeral Services, Inc. ("Horan") for an aggregate total purchase price of approximately $75.2 million (US$57.2 million) in cash, subject to customary working capital adjustments. Horan operates two cemeteries and 11 funeral homes (including two on-sites) in Denver and Aurora, Colorado. Horan's acquisition expands U.S. footprint with first acquisition in Colorado. The acquisition of Horan was funded with the remaining proceeds from the Company's recent equity financing and the Company's credit facility.

   Horan's purchase price allocation was finalized in the first quarter of 2020 to reflect the final determination of the fair value of assets and liabilities acquired.

iv) On November 18, 2019, the Company completed the acquisition of all the assets of two U.S. businesses, Journey Group Texas One, LLC and Journey Group Texas Two, LLC ("Journey Group") for an aggregate total purchase price of approximately $12.5 million (US$9.5 million) in cash, subject to customary working capital adjustments. Journey operates three cemeteries, three funeral homes and two combination funeral home and cemetery properties in Texas. Journey's acquisition increases PLC's U.S. footprint and presence in Texas. The acquisition of Journey was funded with the Company's credit facility.

6. BUSINESS COMBINATIONS – continued

Acquisitions completed in fiscal 2019 – continued

The fair value allocations for Journey Group's acquisition are based on preliminary purchase allocations conducted by management. As the acquisition is within the measurement period under IFRS 10, it continues to be refined. The Company is gathering information to finalize the fair value of the deferred revenue.

On May 1, 2019, the Company completed the acquisition of all the assets of John L. Ziegenhein & Sons Undertaking Inc. ("Ziegenhein Funeral Homes"), a two-location funeral business in St. Louis, Missouri for a purchase price of approximately $6.1 million (US$4.5 million). The acquisition of Ziegenhein Funeral Homes further expands PLC's existing footprint in the Missouri market. The acquisition was funded with proceeds from the Company's recent equity financing.

On June 25, 2019, the Company completed the acquisition of all the assets of Integrity Funeral Care, Inc. ("Integrity"), a funeral business located in Houston, Texas for a purchase price of approximately $1.3 million (US$1 million). The acquisition of Integrity expands PLC's existing footprint in the Houston market. The acquisition was funded from PLC's credit facility.

Purchase price allocation for the above two acquisitions was finalized in the fourth quarter of 2019.

In relation to these acquisitions, the Company spent a significant amount on legal, financial and tax due diligence, premiums for representation and warranty insurance, post closing audits, preparation of independent valuation reports to substantiate purchase price allocations and where necessary on the preparation of reports for regulatory compliance purposes.

7. LAND HELD FOR DEVELOPMENT

Land held for development represents land held for future cemetery, funeral and other development opportunities. At March 31, 2020 land held for development was valued at $25,066,206 (at December 31, 2019 - $22,138,968).

8. PROPERTY AND EQUIPMENT

	January 1, 2020	Acquired in business combinations	Additions	Disposals	Foreign currency translation	March 31, 2020
Cost:						
Land	$ 52,601,875	2,467,145	-	-	4,488,843	$ 59,557,863
Buildings, cemetery and funeral	120,786,807	9,409,626	2,926,769	-	9,971,194	143,094,396
Machinery, equipment and automotive	22,139,088	326,260	681,110	(211,301)	1,683,345	24,618,502
Cemetery improvements	11,258,974	179,094	134,012	-	568,497	12,140,577
Right-of-use asset	8,094,221	178,446	77,419	(15,397)	389,739	8,724,428
Total	214,880,965	12,560,571	3,819,310	(226,698)	17,101,618	248,135,766
Accumulated depreciation:						
Buildings, cemetery and funeral	7,991,384	-	1,597,513	-	510,269	10,099,166
Machinery, equipment and automotive	7,110,147	-	1,013,468	(80,072)	484,380	8,527,923
Cemetery improvements	3,453,310	-	48,711	-	101,379	3,603,400
Right-of-use asset	1,740,955	-	509,710	(6,922)	204,218	2,447,961
Total	20,295,796	-	3,169,402	(86,994)	1,300,246	24,678,450
Net Book Value	$ 194,585,169					$ 223,457,316

8. PROPERTY AND EQUIPMENT – continued

	January 1, 2019	Acquired in business combinations	Additions	Disposals	Foreign currency translation	December 31, 2019
Cost:						
Land	$ 31,099,513	24,311,069	145,513	(1,367,479)	(1,586,741)	$ 52,601,875
Buildings, cemetery and funeral	83,152,117	36,797,799	7,804,831	(2,145,248)	(4,822,692)	120,786,807
Machinery, equipment and automotive	15,931,295	4,354,924	4,610,747	(818,520)	(1,939,358)	22,139,088
Cemetery improvements	9,611,192	319,207	1,441,258	-	(112,683)	11,258,974
Right-of-use asset	6,321,135	523,625	1,356,343	2,488	(109,370)	8,094,221
Total	146,115,252	66,306,624	15,358,692	(4,328,759)	(8,570,844)	214,880,965
Accumulated depreciation:						
Buildings, cemetery and funeral	5,498,477	-	4,250,969	(818,968)	(939,094)	7,991,384
Machinery, equipment and automotive	5,239,993	-	3,497,243	(640,564)	(986,525)	7,110,147
Cemetery improvements	2,660,278	-	1,128,674	-	(335,642)	3,453,310
Right-of-use asset	-	-	1,770,767	(14,191)	(15,621)	1,740,955
Total	13,398,748	-	10,647,653	(1,473,723)	(2,276,882)	20,295,796
Net Book Value	$ 132,716,504					$ 194,585,169

Property and equipment depreciation expense charged to operations amounted to $3,169,402 and $2,186,558 for the three month period ended March 31, 2020 and 2019, respectively.

Included in additions at March 31, 2020 are $1,025,280 of additions at Canadian cemeteries and funeral sites (at December 31, 2019 - $5,653,153) and $2,794,030 of additions at U.S. cemeteries (at December 31, 2019 - $9,705,539).

Management has reviewed the valuation of the property and equipment and has not identified any indicators of impairment in the value of the property and equipment.

9. CARE AND MAINTENANCE TRUST FUND INVESTMENTS

The Company's care and maintenance trust funds were established, as required by provincial and state regulations, to receive principal contributions from the Company upon the sale of cemetery lots, mausoleum crypts and niches.

Pursuant to the requirements of provincial and state regulations, the Company is required to deposit a portion of the proceeds received in respect of pre-need contracts into trust. Such amounts are treated as a cost of sale at the time of the sale.

The principal of these trusts is recorded in the consolidated statements of financial position and represents these contributions to the trusts and capital gains and losses and must be held in perpetuity in these trusts.

Only the income, not the capital gains, may be paid to the Company to be used exclusively for eligible care and maintenance of the cemeteries and crematoriums as defined by provincial and state regulations.

Investment income recognized in operations amounted to $2,751,720 and $2,783,077 for the three month period ended March 31, 2020 and 2019, respectively. If the income earned by the trusts should exceed eligible care and maintenance expenses incurred by the Company, the excess would be added to the capital of the trusts and would not be eligible for pay out to the Company in the future.

Care and maintenance trust fund investments consist of the following:

	Fair Value		Cost	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Cash and cash equivalents	$ 11,940,750	$ 10,306,689	$ 11,940,750	$ 10,302,565
Equities	84,035,708	99,989,034	99,330,517	89,206,429
Fixed income	87,269,773	81,807,889	90,424,132	79,843,248
Alternative investments	20,859,553	22,378,232	19,650,538	21,077,471
Preferred stocks	9,255,269	10,013,142	11,636,903	9,962,062
	$ 213,361,053	$ 224,494,986	$ 232,982,840	$ 210,391,775

The fixed income component of these care and maintenance trust funds is generally invested in medium-term government, promissory notes and corporate bonds which are held to maturity and earn income at fixed rates of return. The alternative investments component of these care and maintenance trust funds is invested in limited partnership units, private mortgages and other debt investments.

The decrease is primarily a result of a decline in fair value of capital markets since December 31, 2019 offset by contributions to the trust funds and recent acquisitions.

10. PRE-NEED MERCHANDISE AND SERVICE TRUST FUND INVESTMENTS

Pre-need merchandise and service trust funds were established as required by provincial and state regulations to hold funds paid in advance of need, to purchase when required at-need supplies and services such as funeral services, merchandise, grave and crypt openings.

When the services are performed, the Company withdraws the money held in the trust funds to pay for the supplies and services. In certain jurisdictions, any surplus income earned is refunded to the customers and any deficiency of funds is absorbed by the Company by recording less revenue for supplies and services.

Pre-need merchandise and service trust fund investments consist of the following:

	Fair value		Cost	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Cash and cash equivalents	$ 29,567,412	$ 28,692,429	$ 29,548,926	$ 28,658,480
GIC's	29,468,507	29,753,510	29,468,507	29,753,510
Equities	77,633,767	80,151,449	80,795,794	68,352,424
Fixed income	91,498,955	79,229,148	92,375,061	77,875,056
Alternative investments	40,875,844	36,954,092	39,223,368	34,798,443
Preferred stocks	2,493,110	2,369,757	2,992,400	2,376,524
	$ 271,537,595	$ 257,150,385	$ 274,404,056	$ 241,814,437

The fixed income component of these pre-need merchandise and service trust funds is generally invested in medium-term government, promissory notes and corporate bonds and deposit investment certificates which are held-to-maturity and earn income at fixed rates of return.

The increase is primarily a result of recent acquisitions offset by a decline in fair value of capital markets since December 31, 2019.

11. PREARRANGED FUNERAL INSURANCE CONTRACTS

In addition to trust funded prearranged funeral services contracts, the Company also has prearranged funeral services contracts which are funded by insurance. As of March 31, 2020, the current face amount of pre-funded policies was approximately $383 million (at December 31, 2019 – approximately $288 million). The increase is primarily a result of recent acquisitions. Families who have prearranged with the Company will receive a refund to the extent that the face amount of the policy exceeds the current retail value of the merchandise and services to be provided. The insurance funded contracts are not included in the unaudited condensed interim consolidated financial statements as the Company is not the beneficiary of the policy. Amounts funded through insurance are available to the Company when the funeral services are performed.

12. GOODWILL AND INTANGIBLES

The changes in the carrying amount of goodwill and intangible assets at March 31, 2020 were:

	March 31, 2020	December 31, 2019 *(Restated, Measurement Period Adjustment - see Note 6)*
Goodwill		
Opening balance:	$ 354,545,982	$ 277,981,729
Additions	56,036,235	90,811,853
Foreign currency translation	34,416,721	(14,247,600)
Closing balance:	$ 444,998,938	$ 354,545,982
Intangibles		
Non-compete agreements		
Opening balance:	$ 7,695,620	$ 7,000,881
Additions	1,384,708	4,137,175
Amortization	(648,483)	(2,811,894)
Foreign currency translation	788,026	(630,542)
Closing balance:	$ 9,219,871	$ 7,695,620
Brand		
Opening balance:	$ 15,168,684	$ -
Additions	-	15,506,763
Foreign currency translation	1,363,143	(338,079)
Closing balance:	$ 16,531,827	$ 15,168,684
Intangibles	$ 25,751,698	$ 22,864,304
Goodwill and Intangibles	$ 470,750,636	$ 377,410,286

13. OTHER ASSETS

i) Prepaid expenses and other current assets

Included in prepaid expenses and other current assets is a $6.7 million (at December 31, 2019 - $6.5 million) promissory note to Serenity Valley Mausoleum Inc. ("Serenity Mausoleum") and Serenity Valley P. Lawn Management Inc. ("Serenity Management") which is measured at amortized cost. The promissory note has a maturity date and is payable in the fourth quarter of 2020. The note bears interest at 9%.

ii) Other assets

Included in other assets is a $1.1 million (at December 31, 2019 - $2.7 million) employee share loan plan (see Note 22).

In addition, included in other assets is a $6.3 million (at December 31, 2019 - $6.3 million) secured debt investment in Humphrey Funeral Home A. W. Miles – Newbigging Chapel Limited ("Humphrey") which is measured at fair value. The debenture bears interest at 5% and is convertible into equity of Humphrey on maturity at the option of the Company. The debenture is due on demand after a period of five years. The fair value of the secured debt investment approximates the book value.

14. LONG-TERM DEBT

	March 31, 2020	December 31, 2019
Revolving loan facility	$ 217,276,431	$ 173,694,846
Mortgages	1,082,993	1,103,419
Other debt	926,067	928,231
Deferred financing costs	(1,921,987)	(1,840,106)
Total	217,363,504	173,886,390
Current portion	430,764	421,074
Non-current portion	$ 216,932,740	$ 173,465,316

Revolving loan facility

On November 22, 2019, the Company amended its existing syndicated bank financing arrangement to increase its borrowing capacity to $300 million ($250 million committed credit facility and additional $50 million accordion facility). The financing arrangement has a term of five years. The revolving facility bears variable interest at the banker's acceptance rate plus an applicable margin based on a leverage ratio calculation. The additional credit will provide the Company with further flexibility as it continues to pursue its growth strategy. In particular, the revolving credit facility is expected to support the Company's ability to capitalize on organic projects and acquisition opportunities as they arise while maintaining a prudent approach to leverage.

14. LONG-TERM DEBT - continued

In March 2020, as part of the COVID-19 contingency planning process, the Company requested that its lending syndicate increase its leverage ratio from 3.5 times to 4.0 times on a temporary basis from May 8, 2020 through June 29, 2021. The leverage ratio would reduce to 3.75 times for June 30, 2021 and then revert to 3.5 time for September 30, 2021, and not more than 3.5 to 1.00 from September 30 and thereafter. In addition, the Company requested a temporary increase of $25 million in credit availability to provide additional liquidity for a period of one year commencing May 8, 2020. The lending syndicate approved both requests effective May 8, 2020.

At March 31, 2020, there was $217,276,431 outstanding under the credit facility (at December 31, 2019 - $173,694,846). Deferred financing costs have been capitalized and are being amortized over the term of 5 years using the effective interest rate method. At March 31, 2020, deferred financing costs were $1,921,987 (at December 31, 2019 - $1,840,106). At March 31, 2020, standby letters of credit issued utilized $764,023 of the credit line (at December 31, 2019 - $764,023).

Other debt

Other debt relates to automotive equipment and is secured by the vehicles. These have interest rates ranging from 3.0% to 9.0% and remaining terms of 2 to 5 years.

15. NOTES PAYABLE

	March 31, 2020	December 31, 2019
Notes payable	$ 10,829,682	$ 8,691,322
Current portion	1,490,528	1,323,036
Non-current portion	$ 9,339,154	$ 7,368,286

Notes payable

i) The Company has an outstanding note payable of $1,963,184 (at December 31, 2019 - $1,772,984) to the former owner of a cemetery. The note calls for yearly payments of $50,000 at 0% interest until the note matures in 2113. Payments of principal and interest are allowed to be deferred until the cemetery achieves positive cash flow. The note was discounted upon recognition to reflect an imputed interest rate of 5%. The note is nonrecourse and can be cancelled by either party.

ii) The Company has outstanding notes payable of $8,866,498 (at December 31, 2019 - $6,918,338) to former owners of previously acquired businesses. These notes payable have interest rates ranging from 2% to 6% and remaining terms of 4 to 10 years.

16. LEASE LIABILITIES

Lease liabilities relate to office space, machinery and equipment.

	March 31, 2020	December 31, 2019
Future minimum lease payments		
Due in less than one year	$ 2,226,426	$ 2,073,330
Due between one and two years	1,683,760	1,750,960
Due between two and three years	891,965	931,289
Due thereafter	2,595,498	2,750,802
Interest	(925,450)	(992,651)
Present value of minimum lease payments	6,472,199	6,513,730
Current portion	1,968,790	1,831,687
Non-current portion	$ 4,503,409	$ 4,682,043

Lease liabilities interest expense charged to operations amounted to $80,113 and $60,288 for the three month period ended March 31, 2020 and 2019, respectively.

17. DEFERRED REVENUE

Deferred revenue represents the amount of unperformed pre-arranged cemetery and funeral contracts. The components of deferred revenue consist of the following:

	March 31, 2020	December 31, 2019 *(Restated, Measurement Period Adjustment - see Note 6)*
Cemetery and funeral merchandise, lots, crypts, and niches	$ 104,645,955	$ 86,092,274
Cemetery and funeral services	74,055,315	64,510,600
Total	$ 178,701,270	$ 150,602,874

18. DIVIDENDS

The Company declares and pays cash dividends on a monthly basis to shareholders. The total amount of dividends declared by the Company for the three month period ended March 31, 2020 and 2019 were $3,353,562 or $0.114 per share and $2,638,985 or $0.114 per share, respectively. The monthly dividend was $0.038 per share in all periods.

19. SHARE CAPITAL

Authorized

Common shares

The Company is authorized to issue an unlimited number of common shares. All common shares issued are fully paid. The holders of common shares are entitled to share equally in dividends, returns of capital and to vote at shareholders' meetings.

Shares issued and outstanding

	Common Shares	Amount
Balance January 1, 2019	23,135,315	363,957,423
Shares issued pursuant to:		
Dividend reinvestment plan *(i)*	82,220	2,130,633
Equity incentive plan	34,052	-
Prospectus financing, net of costs *(ii)*	5,605,100	138,375,634
Contingent equity consideration *(iii)*	498,157	(2,415,860)
Balance December 31, 2019	29,354,844	$ 502,047,830
Shares issued pursuant to:		
Dividend reinvestment plan *(i)*	23,848	629,957
Equity incentive plan	46,420	-
Balance March 31, 2020	29,425,112	502,677,787

(i) Dividend reinvestment plan

On October 13, 2015, the Company announced the implementation of a dividend reinvestment plan ("DRIP"). The DRIP allows eligible shareholders of PLC to reinvest their cash dividends into additional common shares of PLC, which will be issued from treasury or purchased on the open market on the applicable dividend payment date. If common shares are issued from treasury, the price at which such common shares are issued will be the volume weighted trading price of the Company's common shares over the five business days immediately preceding such dividend payment date less a discount, if any, of up to 5%, at the Company's election. The Company has determined to set the initial discount for purchases under the DRIP at 3%. The Company may, subject to the terms of the DRIP, alter or eliminate any discount at any time. For the three month period ended March 31, 2020, 23,848 common shares were issued under the DRIP (for the year ended December 31, 2019 – 82,220).

19. SHARE CAPITAL – continued

(ii) Prospectus financings

On April 23, 2019, the Company completed a bought deal financing, issuing 5,605,100 common shares at a price of $25.65 per common share for a total of gross proceeds of $143,770,815, including the exercise in full of the over-allotment option. The net proceeds of this offering were used to repay approximately $40 million of outstanding indebtedness under the Company's credit facility and for strategic growth initiatives including acquisitions and for general corporate purposes. The issuance included transaction costs of $7,355,072 inclusive of $496,125 after tax in management compensation. The Company recognized a deferred tax asset of $1,939,890 from the transaction costs.

(iii) Contingent equity consideration

On May 15, 2019, the Company finalized an agreement it entered into on April 1, 2019, providing for the early termination of the earnout agreements relating to the Company's 2017 acquisition of Saber Management, LLC ("Saber"). The agreement provides, among other things, for the vendor of Saber to forego future earnout entitlements in consideration for a cash payment of approximately $600,000, deferred cash payments of approximately $400,000, the issuance of 498,157 common shares and the issuance of 46,000 restricted share units of the Company resulting in a gain on settlement of $179,633. The gain is included in other income (expenses) in the consolidated statements of earnings.

20. EQUITY INCENTIVE PLAN

At the annual and special meeting of shareholders held on May 31, 2016, the shareholders of the Company approved an equity incentive plan (the "EIP"). The purpose of the EIP is to, among other things: (i) provide the Company with a mechanism to attract, retain and motivate qualified directors, officers and employees of the Company, including its subsidiaries, (ii) reward directors, officers and employees that have been granted awards under the EIP for their contributions toward the long-term goals and success of the Company, and (iii) enable and encourage such directors, officers and employees to acquire common shares of the Company as long-term investments and proprietary interests in the Company.

On May 31, 2019, the shareholders of the Company approved an amended and restated omnibus EIP, consisting of DSUs, RSUs, Performance Share Units ("PSUs"), and Options to acquire common shares ("Options"). The number of common shares that may be issued upon the settlement of awards granted under the EIP shall not exceed 2,000,000 common shares of the Company.

The EIP provides flexibility to the Company to grant equity-based incentive awards in the form of DSUs, RSUs, PSUs and Options.

The Board plans to credit all DSUs and RSUs with dividend equivalents in the form of additional DSUs and RSUs, as applicable. Dividend equivalents shall vest in proportion to, and settle in the same manner as, the awards to which they relate.

20. EQUITY INCENTIVE PLAN - continued

All future grants of equity-based awards will be made pursuant to the EIP and no further equity-based awards will be made pursuant to the 2014 ESLP plan. The 2014 ESLP will remain in effect only in respect of outstanding equity-based awards (see Note 22).

Deferred share units

Directors are required to receive at least 50% of their annual board retainers in the form of DSUs, although they may elect to receive a greater percentage pursuant to the terms of the EIP. A DSU is a unit equivalent in value to a common share credited by means of a bookkeeping entry in the books of the Company. The number of DSUs granted is determined by the five-day volume weighted average trading price (the "Market Price"), but their value is tied to the then trading price of PLC's common shares. Upon settlement (typically on termination of service), holders will receive, in respect of each vested DSU, one fully paid and non-assessable common share or cash. At this time, the Board plans to settle DSUs for shares. Subject to the terms of an award agreement, DSUs will vest immediately at the date of grant. DSUs will be granted to directors every three months for services rendered evenly over the next four quarters.

Under the DSU plan, the following DSUs were granted by the Company and are outstanding. Each dividend equivalent represents one common share.

	March 31, 2020	December 31, 2019
Outstanding, beginning of the period	36,860	30,450
Awarded	2,470	10,920
Redemptions	-	(5,091)
Dividend equivalents	159	581
Outstanding, end of the period	39,489	36,860

Restricted share units

A RSU is a unit equivalent in value to a common share credited by means of a bookkeeping entry in the books of the Company which entitles the holder to receive one common share for each RSU after a specified vesting period determined by the Plan Administrator (as defined in the EIP), in its sole discretion.

RSUs vest according to the terms of the applicable award agreement. All RSUs awarded to date vest within three years of their grant date.

Upon settlement, holders will receive, in respect of each vested RSU, either: (i) one fully paid and non-assessable common share, or (ii) subject to the approval of the Plan Administrator, a cash payment determined with reference to the Market Price in the same manner as with DSUs. At this time, the Board plans to settle RSUs for shares.

Under the RSU plan, the following RSUs were granted by the Company and are outstanding. Each dividend equivalent represents one common share. 89,584 of the awarded and outstanding RSUs have vested.

20. EQUITY INCENTIVE PLAN - continued

Restricted share units - continued

	March 31, 2020	December 31, 2019
Outstanding, beginning of the period	246,200	176,337
Awarded	78,016	98,141
Forfeited	-	-
Redemptions	(46,420)	(31,928)
Dividend equivalents	1,112	3,650
Outstanding, end of the period	278,908	246,200

Performance Share Units

Under the PSU plan, the following PSUs were granted by the Company and are outstanding. Each dividend equivalent represents one common share. None of the awarded and outstanding PSUs has vested. The performance-based restricted share units listed will cliff vest on March 31, 2022. The actual number of restricted share units earned with respect to the three year performance period will be subject to a multiplier (of between 0 and 1.5 times) and based on the average "bonus score" (which itself is determined with reference to the Board-approved annual bonus score card) obtained over a three year performance period.

	March 31, 2020	December 31, 2019
Outstanding, beginning of the period	61,266	-
Awarded	-	60,112
Forfeited	(21,674)	-
Dividend equivalents	213	1,154
Outstanding, end of the period	39,805	61,266

Options

On May 30, 2019, 1,058,000 options were granted. Trading price at the time of the grant was $29.77. The fair market value of options was determined using the Black-Scholes valuation model with the following implicit assumptions: average risk-free rate of interest of 1.61%, dividend rate of 1.79%, volatility of 22.98%, forfeiture rate of 0% and an expected life of 4.2 years. In addition, due to non-vesting conditions the options were discounted using a Cost of Carry model, which estimated an estimated term of 10.8 years and risk-free rate of 1.77%. The options were then adjusted for non-vesting performance conditions with a weighted average expectancy of 38%.

20. EQUITY INCENTIVE PLAN - continued

Options - continued

On July 15, 2019 320,000 options were granted. Trading price at the time of the grant was $25.39. The fair market value of options was determined using the Black-Scholes valuation model with the following implicit assumptions: average risk-free rate of interest of 1.52%, dividend rate of 1.79%, volatility of 22.45%, forfeiture rate of 0% and an expected life of 5 years. In addition, due to non-vesting conditions the options were discounted using a Cost of Carry model, which estimated an estimated term of 10.8 years and risk-free rate of 1.77%. The options were then adjusted for non-vesting performance conditions with a weighted average expectancy of 38%.

Expiry Date	Exercise Price	Opening Balance	Granted	Exercised	Expired	Forfeited	Closing Balance	Vested	Unvested
June 30, 2023	$ 25.43	1,058,000	-	-	- -	378,000	680,000	-	680,000
June 30, 2023	$ 25.39	320,000	-	-	-	-	320,000	-	320,000
		1,378,000	-	-	- -	378,000	1,000,000	-	1,000,000
Weighted Average Exercise Price		$ 25.42	$ -	$ -	$ -	$ 25.43	$ 25.42	$ -	$ 25.42

The compensation expense in respect of EIP was $1,407,376 for the quarter (2019 - $627,153), and the counterpart has been reflected in contributed surplus. Management plans to settle all DSUs, RSUs, PSUs and Options by issuing shares. When the DSUs, RSUs, PSUs and Options are settled for shares, the amounts previously credited to contributed surplus are transferred to share capital.

21. OTHER INCOME (EXPENSES)

Other income (expenses) for the three month period ended March 31, 2020 and 2019 were $(2,979,677) and $8,640 respectively.

Other income (expenses) comprised of approximately $900,000 relating to the Special Committee's strategic review work, corporate governance matters and executive management transition preparedness as previously referred to, including Board fees, legal, CEO search fees and other professional fees, and approximately $400,000 in restructuring costs. The Special Committee of the Board of Directors was dissolved on May 12, 2020.

In addition, there are costs relating to the transition of Mr. Clark of approximately $1.7 million (notwithstanding the terms of Mr. Clark's employment agreement):

- forgiveness of a $1,665,104 loan provided by the Company to Mr. Clark;

- the forfeiture of 21,674 PSUs and immediate vesting of 10,632 PSUs which resulted in other expense of approximately $75,000;

- the forfeiture of 378,000 options which resulted in other income of approximately $335,000;

21. OTHER INCOME (EXPENSES) - continued

- the payment of approximately $93,000 in legal expenses incurred by Mr. Clark in connection with his departure and other consideration valued in the amount of approximately $207,000.

On May 10, 2020, the Company and Mr. Clark entered an agreement resulting in the Company having no further financial obligations to Mr. Clark. On May 12, 2020, Andrew Clark resigned from the Board of Directors.

22. RELATED PARTY TRANSACTIONS AND BALANCES

Employee share loan plan

At the annual and special meeting of shareholders held on June 18, 2013, the shareholders of the Company approved an employee share loan plan - the "ESLP".

Amounts issued under the ESLP were as follows:

- On October 7, 2013, the Company loaned $1,575,000 to Nine Two Seven Limited to acquire 210,000 common shares of the Company. The loan bore interest at a rate of 3.2% per annum payable upon maturity on August 27, 2023;

- On January 7, 2015, the Company loaned $746,200 to Nine Two Seven Limited to acquire 65,000 common shares of the Company. The loan bore interest at a rate of 3.2% per annum payable upon maturity on January 7, 2025

The two loans described above were forgiven in the amount of $1,665,104 on February 17, 2020 (see Note 21).

On January 7, 2015, under the ESLP the Company loaned $1,258,750 to Leeder Holdings Inc. to acquire 125,000 common shares of the Company. Leeder Holding Inc. is owned by an officer and director of the Company. The loan bears interest at a rate of 3.2% per annum payable upon maturity and will mature on January 7, 2025.

Total loans outstanding under the ESLP amounted to $1,055,671 at March 31, 2020 (at December 31, 2019 - $2,712,688). Interest income earned by the Company for the three month period ended March 31, 2020 and 2019 was $8,172 and $20,834, respectively.

22. RELATED PARTY TRANSACTIONS AND BALANCES - continued

Key management compensation

Key management includes the members of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer and the Chief Operating Officer. The compensation paid or payable to key management is shown below:

	March 31, 2020	March 31, 2019
Directors' fees and management compensation	$ 1,241,302	$ 582,760
Agreement (Note 21)	1,720,734	-
	$ 2,962,036	$ 582,760

Directors' fees and management compensation included in share-based incentive for the three month period ended March 31, 2020 and 2019 were $558,569 and $180,129 respectively. At March 31, 2020, included in accounts payable and accrued liabilities are directors' fees and management compensation of $864,970 (at December 31, 2019 - $809,890).

23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Fair value of financial instruments

Cash, accounts receivable, pre-need receivables, employee share loan, trade payables and accrued liabilities, dividends payable, long-term debt and notes payable are financial instruments whose fair values approximate their carrying values due to their short-term maturity, variable interest rates or current market rates for instruments with fixed rates.

The fair value hierarchy under which the Company's financial instruments are valued is as follows:

- Level 1 includes unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 includes inputs other than quoted prices included in Level 1 that are observable for the assets or liability, either directly or indirectly;
- Level 3 includes inputs for the assets or liability that are not based on observable market data.

As at March 31, 2020, the fair value of the secured debt investment in Humphrey's (see Note 13) is valued under Level 3.

As at March 31, 2020, the care and maintenance and pre-need merchandise and service trust funds and related liabilities are carried at fair value under Level 1, Level 2, Level 3 and amortized cost.

23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT – continued

Fair value of financial instruments – continued

The trust assets are valued as follows:

Care and maintenance trust fund investments at March 31, 2020

	Cost	Level 1 Quoted market price	Level 2 Valuation technique - observable market inputs	Level 3 Valuation technique - non-observable market inputs	Amortized cost	Total fair value
Cash and cash equivalents	$ 11,940,750	$ 11,940,750	$ -	$ -	$ -	$ 11,940,750
Equities	99,330,517	84,035,708	-	-	-	84,035,708
Fixed income	90,424,132	64,320,710	-	9,587,614	13,361,448	87,269,773
Alternative investments	19,650,538	-	-	20,859,553	-	20,859,553
Preferred stocks	11,636,903	9,255,269	-	-	-	9,255,269
	$ 232,982,840	$ 169,552,438	$ -	$ 30,447,167	$ 13,361,448	$ 213,361,053

Care and maintenance trust fund investments at December 31, 2019

	Cost	Level 1 Quoted market price	Level 2 Valuation technique - observable market inputs	Level 3 Valuation technique - non-observable market inputs	Amortized cost	Total fair value
Cash and cash equivalents	$ 10,302,565	$ 10,306,689	$ -	$ -	$ -	$ 10,306,689
Equities	89,206,429	99,989,034	-	-	-	99,989,034
Fixed income	79,843,248	59,520,055	-	9,753,663	12,534,171	81,807,889
Alternative investments	21,077,471	-	-	22,378,232	-	22,378,232
Preferred stocks	9,962,062	10,013,142	-	-	-	10,013,142
	$ 210,391,775	$ 179,828,920	$ -	$ 32,131,895	$ 12,534,171	$ 224,494,986

23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT – continued

Fair value of financial instruments – continued

Pre-need merchandise and service trust fund investments at March 31, 2020

	Cost	Level 1 Quoted market price	Level 2 Valuation technique - observable market inputs	Level 3 Valuation technique - non-observable market inputs	Amortized cost	Total fair value
Cash and cash equivalents	$ 29,548,926	$ 29,567,412	$ -	$ -	$ -	$ 29,567,412
GIC's	29,468,507	29,468,507	-	-	-	29,468,507
Equities	80,795,794	77,633,767	-	-	-	77,633,767
Fixed income	92,375,061	84,674,259	-	5,651,170	1,173,526	91,498,955
Alternative investments	39,223,368	-	-	40,875,844	-	40,875,844
Preferred stocks	2,992,400	2,493,110	-	-	-	2,493,110
	$ 274,404,056	$ 223,837,055	$ -	$ 46,527,014	$ 1,173,526	$ 271,537,595

Pre-need merchandise and service trust fund investments at December 31, 2019

	Cost	Level 1 Quoted market price	Level 2 Valuation technique - observable market inputs	Level 3 Valuation technique - non-observable market inputs	Amortized cost	Total fair value
Cash and cash equivalents	$ 28,658,480	$ 28,692,429	$ -	$ -	$ -	$ 28,692,429
GIC's	29,753,510	29,753,510	-	-	-	29,753,510
Equities	68,352,424	80,151,449	-	-	-	80,151,449
Fixed income	77,875,056	72,981,235	-	5,173,567	1,074,346	79,229,148
Alternative investments	34,798,443	-	-	36,954,092	-	36,954,092
Preferred stocks	2,376,524	2,369,757	-	-	-	2,369,757
	$ 241,814,437	$ 213,948,380	$ -	$ 42,127,659	$ 1,074,346	$ 257,150,385

Market risk

Pre-need merchandise and service trust funds

The principal objective of the pre-need cemetery and funeral trusts are to preserve the original principal balance invested in the trust and to achieve growth in the principal over time to preserve and increase the purchasing power of the assets. Since pre-need contracts generally take several years to turn at-need, the funds deposited into the pre-need trusts are invested through several investment cycles. The pre-need trust funds are weighted more heavily to GICs and other fixed income assets such as government and corporate bonds.

23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT – continued

Market risk - continued

Perpetual Care trust funds

The cemetery perpetual care trust funds, in accordance with provincial and state regulations, emphasize yield orientated investments that prioritize current investment income with some capital appreciation over time in order to provide for the care and maintenance of the cemetery properties. In most jurisdictions, only investment income received, and not capital gains, may be applied to pay the cost of eligible care and maintenance expenses. If income from this Trust should exceed eligible care and maintenance expenses, the excess must be added to the capital of the Trust and would not be eligible for pay out to the Company in the future.

In order to achieve current investment income and some longer-term capital growth, the Cemetery perpetual care fund portfolio is weighted more heavily to fixed income and equity investments. The portfolio is highly diversified and managed by professional fund managers specialized in this asset class with a long-term view on acceptable risk tolerance.

As a result of COVID-19, the Company's trusts have been and will continue to be impacted by the adverse conditions in the global financial markets. As of March 31, 2020, the Company had net unrealized losses in the care and maintenance trust funds of approximately $19.6 million and in the preneed merchandise and service trust funds approximately $2.9 million which represents a net unrealized loss to the original cost basis of 9.2% and 1.0% respectively. The unrealized losses in the preneed merchandise and service trust funds are muted because of higher cash positions and the Canadian GIC's. Adjusting for those items, the net unrealized loss at March 31, 2020 would have been 1.4%.

24. COMMITMENTS AND CONTINGENCIES

Litigation

From time to time the Company is subject to legal proceedings and claims arising in the ordinary course of business. Some of the more frequent ordinary routine litigations incidental to our business are based on burial practices claims and employment related matters. Management is of the opinion based upon information presently available, that it is unlikely that any such liability, to the extent not provided for by insurance or otherwise, would have a material adverse effect in relation to the Company's consolidated financial position, liquidity or results of operations.

Construction

The Company has four construction commitments totaling $17.1 million for the construction of a funeral visitation and reception centre, funeral home, mausoleum and cemetery development.

25. SEGMENTED INFORMATION

IFRS 8 - "Operating Segments" defines an operating segment as a component of an entity that engages in business activities from which it may earn revenues and incur expenses; whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance; and for which discrete financial information is available.

The Company has two operating segments, one which provides goods and services associated with the disposition and memorialization of remains in Canada and the other which provides the same goods and services in the United States. The Company's operating segments are consistent with its geographic segments, and therefore the required disclosures are made below.

Geographic information

For the Company's geographically segmented non-current assets the Company has allocated based on the location of assets, as follows:

	March 31, 2020	December 31, 2019
Canada	$ 186,950,023	$ 205,799,226
United States	1,231,159,991	1,085,550,259
Total	$ 1,418,110,014	$ 1,291,349,485

25. SEGMENTED INFORMATION – continued

Geographic information – continued

For the Company's geographically segmented revenue, the Company has allocated revenue based on the location of the customer, as follows:

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Revenue:		
Sales:		
Canada	$ 8,698,913	$ 8,716,683
United States	60,809,836	37,220,812
Total sales	69,508,749	45,937,495
Income from care and maintenance funds:		
Canada	1,025,000	1,376,212
United States	1,726,720	1,406,865
Total income from care and maintenance funds	2,751,720	2,783,077
Interest and other income:		
Canada	470,025	208,302
United States	1,258,480	1,224,111
Total interest and other income	1,728,505	1,432,413
Total revenue:		
Canada	10,193,938	10,301,197
United States	63,795,036	39,851,788
Total Revenue	$ 73,988,974	$ 50,152,985

26. SUBSEQUENT EVENTS

In March 2020, as part of the COVID-19 contingency planning process, the Company requested that its lending syndicate increase its leverage ratio from 3.5 times to 4.0 times on a temporary basis from May 8, 2020 through June 29, 2021. The leverage ratio would reduce to 3.75 times for June 30, 2021 and then revert to 3.5 time for September 30, 2021, and not more than 3.5 to 1.00 from September 30 and thereafter. In addition, the Company requested a temporary increase of $25 million in credit availability to provide additional liquidity for a period of one year commencing May 8, 2020. The lending syndicate approved both requests effective May 8, 2020.