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Condensed Interim Consolidated Financial Statements

As at and for the six months ending
June 30, 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) "*J. Bradley Green*"	(signed) "*Steven Scott*"
J. Bradley Green	Steven Scott
Chief Executive Officer	Director

PARK LAWN CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT JUNE 30, 2020 AND DECEMBER 31, 2019
(UNAUDITED)

	June 30, 2020	December 31, 2019 *(Restated, Measurement Period Adjustment - see Note 6)*
Assets		
Current assets		
Cash	$ 34,334,004	$ 21,255,330
Accounts receivable	11,124,024	13,819,947
Pre-need receivables, current portion (Note 4)	31,972,538	29,044,341
Inventories, current portion (Note 5)	11,595,975	9,459,240
Prepaid expenses and other current assets (Note 13)	11,077,896	10,253,633
	100,104,437	83,832,491
Non-current assets		
Pre-need receivables, net of current portion (Note 4)	69,950,712	58,015,914
Inventories, net of current portion (Note 5)	89,131,929	84,946,079
Land held for development (Note 7)	26,732,454	24,452,997
Property and equipment (Note 8)	233,036,448	195,029,582
Care and maintenance trust fund investments (Note 9)	222,659,202	224,494,986
Pre-need merchandise and service trust fund investments (Note 10)	274,989,695	257,150,385
Deferred tax assets	6,643,934	5,858,634
Goodwill and intangibles (Note 6 and 12)	440,220,316	375,803,074
Deferred commissions	33,209,294	28,191,067
Other assets (Note 6 and 13)	9,174,195	38,003,291
	1,405,748,179	1,291,946,009
TOTAL ASSETS	$ 1,505,852,616	$ 1,375,778,500
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 23)	$ 34,336,573	$ 31,344,066
Dividends payable	1,121,131	1,115,484
Current portion of long-term debt (Note 14)	379,163	421,074
Current portion of notes payable (Note 15)	1,326,751	1,323,036
Current portion of lease liabilities (Note 16)	1,881,939	1,831,687
	39,045,557	36,035,347
Non-current liabilities		
Long-term debt, net of current portion (Note 14)	214,212,383	173,465,316
Notes payable, net of current portion (Note 15)	8,474,456	7,368,286
Lease liabilities, net of current portion (Note 16)	4,110,782	4,682,043
Deferred tax liabilities	10,977,909	6,544,817
Deferred revenue (Note 17)	182,094,492	151,512,485
Care and maintenance trusts' corpus (Note 9)	222,659,202	224,494,986
Deferred pre-need receipts held in trust (Note 10)	274,989,695	257,150,385
	917,518,919	825,218,318
Shareholders' Equity		
Share capital (Note 19)	504,061,465	502,047,830
Contributed surplus	8,841,040	7,618,962
Accumulated other comprehensive income	28,672,289	(2,112,155)
Retained earnings	5,742,827	5,091,160
	547,317,621	512,645,797
Non-controlling interest	1,970,519	1,879,038
	549,288,140	514,524,835
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 1,505,852,616	$ 1,375,778,500

Commitments and Contingencies (Note 25)
Subsequent Events (Note 27)

Approved by the Board of Directors

"J. Bradley Green"
J. Bradley Green - CEO, 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 AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019
(UNAUDITED)

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Revenue				
Sales	$ 80,888,591	$ 52,252,321	$ 150,397,340	$ 98,189,816
Income from care and maintenance funds (Note 9)	2,294,211	2,522,270	5,045,931	5,305,347
Interest and other income (Note 22)	1,514,860	3,796,328	3,243,365	5,228,741
	84,697,662	58,570,919	158,686,636	108,723,904
Cost of sales	16,113,898	11,348,178	29,437,503	20,663,786
Gross profit	68,583,764	47,222,741	129,249,133	88,060,118
Operating expenses				
General and administrative	35,894,713	22,767,385	68,780,978	41,633,730
Amortization of intangibles (Note 12)	621,757	798,824	1,270,240	1,035,772
Maintenance	8,949,349	8,076,162	16,700,838	14,863,920
Advertising and selling	9,206,628	7,416,398	16,902,741	14,185,083
Interest expense	2,133,827	1,376,255	4,523,612	2,652,096
Share based incentive compensation (Note 20)	1,195,402	933,333	2,602,778	1,560,486
	58,001,676	41,368,357	110,781,187	75,931,087
Earnings from operations	10,582,088	5,854,384	18,467,946	12,129,031
Acquisition and integration costs (Note 6)	(809,136)	(3,585,640)	(4,271,989)	(5,258,092)
Other income (expenses) (Note 22)	143,584	(77,544)	(2,836,093)	(68,904)
Earnings before income taxes	9,916,536	2,191,200	11,359,864	6,802,035
Income tax expense	3,264,976	606,189	3,901,812	1,817,525
Net earnings for the period	$ 6,651,560	$ 1,585,011	$ 7,458,052	$ 4,984,510
Net earnings attributable to:				
Equity holders of PLC	$ 6,632,514	$ 1,458,782	$ 7,366,571	$ 4,784,029
Non-controlling interest	19,046	126,229	91,481	200,481
	$ 6,651,560	$ 1,585,011	$ 7,458,052	$ 4,984,510
Attributable to equity holders of PLC				
Net earnings per share - basic	$ 0.223	$ 0.049	$ 0.248	$ 0.181
Net earnings per share - diluted	$ 0.223	$ 0.049	$ 0.247	$ 0.180
Weighted average number of common shares:				
- basic	29,686,840	29,600,728	29,655,319	26,368,500
- diluted	29,797,096	29,726,953	29,766,372	26,551,055

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 AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net earnings for the period	$ 6,651,560	$ 1,585,011	$ 7,458,052	$ 4,984,510
Item of other comprehensive income to be subsequently reclassified to net earnings				
Foreign currency translation of foreign operations	(26,754,196)	(11,235,365)	30,784,444	(19,424,490)
Comprehensive income (loss)	$ (20,102,636)	$ (9,650,354)	$ 38,242,496	$ (14,439,980)

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

PARK LAWN CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 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)	-	-	-	(5,957,951)	-	-	(5,957,951)
Shares issued:							
Dividend reinvestment plan (Note 19)	41,374	1,022,212	-	-	-	-	1,022,212
Equity incentive plan (Note 20)	21,147	-	1,406,071	-	-	-	1,406,071
Prospectus financing, net of costs (Note 19)	5,605,100	138,389,017	-	-	-	-	138,389,017
Contingent equity consideration	498,157	(2,415,860)	1,178,375	-	-	-	(1,237,485)
Other comprehensive icome (loss)	-	-	-	-	(19,424,490)	-	(19,424,490)
Net earnings for the period	-	-	-	4,784,029	-	200,481	4,984,510
Balance at June 30, 2019	29,301,093	$ 500,952,792	$ 4,881,960	$ 9,655,886	$ 2,464,207	$ 1,700,249	$ 519,655,094
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)	-	-	-	(6,714,904)	-	-	(6,714,904)
Shares issued:							
Dividend reinvestment plan (Note 19)	43,814	1,034,955	-	-	-	-	1,034,955
Equity incentive plan (Note 20)	104,795	978,680	1,222,078	-	-	-	2,200,758
Other comprehensive icome (loss)	-	-	-	-	30,784,444	-	30,784,444
Net earnings for the period	-	-	-	7,366,571	-	91,481	7,458,052
Balance at June 30, 2020	29,503,453	$ 504,061,465	$ 8,841,040	$ 5,742,827	$ 28,672,289	$ 1,970,519	$ 549,288,140

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 AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019
(UNAUDITED)

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Cash provided by (used in):				
Operating activities				
Net earnings for the period	$ 6,651,560	$ 1,585,011	$ 7,458,052	$ 4,984,510
Adjustments to reconcile net income to cash provided by (used in) operating activities:				
Acquisition and integration costs	809,136	3,585,640	4,271,989	5,258,092
Deferred tax expense (recovery)	2,395,800	(2,090,655)	2,721,000	(1,708,364)
Depreciation of property and equipment, investment properties and amortization of intangibles (Note 8 and 12)	3,918,934	3,272,249	7,736,819	5,695,755
Amortization of cemetery property	1,834,266	1,790,868	3,559,018	3,099,956
Amortization of deferred commissions	1,539,409	923,152	2,307,393	1,567,777
Amortization of deferred financing costs (Note 14)	154,993	68,337	240,548	132,901
Interest on lease liabilities (Note 16)	70,004	99,010	150,117	159,298
Share based incentive compensation (Note 20)	1,158,536	875,137	2,461,187	1,406,071
Loss on forgiveness of loan and other non-cash amounts (Note 22)	-	-	1,511,179	-
(Gain) loss on disposal of property and equipment	(134,764)	256,127	(101,840)	206,571
(Gain) loss on sale of other assets (Note 13)	57,624	-	57,624	-
(Gain) loss on shares settlement	-	(179,633)	-	(179,633)
Changes in working capital that provided (required) cash:				
Accounts receivable	603,702	475,438	2,444,631	2,543,875
Net receipts on pre-need activity	2,150,385	(1,043,902)	(1,042,066)	(3,031,827)
Merchandise inventories	(628,924)	(309,055)	(276,262)	(279,724)
Prepaid expenses and other current assets	968,043	(48,574)	(846,962)	(900,983)
Accounts payable and accrued liabilities	(1,948,003)	984,566	(371,029)	926,624
Cash provided by (used in) operating activities	19,600,701	10,243,716	32,281,398	19,880,899
Investing activities				
Acquisition and integration costs	(809,136)	(3,585,640)	(4,271,989)	(5,258,092)
Net cash on acquisitions and other strategic transactions (Note 6)	623,507	(90,025,533)	(38,733,382)	(90,025,533)
Additions to cemetery property	(1,136,921)	(1,720,504)	(3,255,446)	(2,772,191)
Acquisition of property and equipment (Note 8)	(4,313,635)	(5,451,826)	(8,055,526)	(8,377,588)
Proceeds on disposal of property and equipment (Note 8)	167,551	1,040,707	233,960	2,533,032
Deferred commissions	(1,593,678)	(1,360,401)	(2,813,425)	(1,876,597)
Proceeds from sale of other assets (Note 13)	942,376	-	942,376	-
Decrease (increase) in other assets (Note 13)	(9,464)	(917,677)	(326,339)	(474,671)
Cash provided by (used in) investing activities	(6,129,400)	(102,020,874)	(56,279,771)	(106,251,640)
Financing activities				
Proceeds from issuance of long-term debt (Note 14)	1,781,509	65,040	46,400,000	65,040
Repayment of long-term debt (Note 14)	(4,102,763)	(36,930,899)	(5,217,245)	(38,955,390)
Proceeds (repayment) of note payable (Note 15)	(927,475)	(944,153)	(599,615)	(1,147,745)
Proceeds (repayment) of lease liabilities (Note 16)	(706,290)	(492,771)	(1,136,458)	(867,325)
Proceeds from financing, net of costs (Note 14)	-	138,389,017	-	138,389,017
Dividends and distributions paid	(2,956,344)	(2,779,853)	(5,679,949)	(4,935,739)
Deferred financing costs	(581,847)	(39,461)	(749,284)	(562,284)
Cash paid to settle contingent consideration	-	(624,966)	-	(624,966)
Cash provided by (used in) financing activities	(7,493,210)	96,641,954	33,017,449	91,360,608
Translation adjustment on cash	460,469	(1,677,853)	4,059,598	(1,482,156)
Net increase (decrease) in cash	6,438,560	3,186,943	13,078,674	3,507,711
Cash, beginning of period	27,895,444	14,469,860	21,255,330	14,149,092
Cash, end of period	$ 34,334,004	$ 17,656,803	$ 34,334,004	$ 17,656,803
Supplemental disclosures:				
Income taxes paid	$ 126,998	$ 237,676	$ 287,229	$ 296,984
Interest expenses paid	$ 1,900,387	$ 1,179,766	$ 4,060,842	$ 2,298,874

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 June 30, 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 August 13, 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 June 30, 2020.

Government Subsidies

Management evaluates its best estimates of the amount of government grants recoverable at each reporting date and records as other income (expenses).

4. PRE-NEED RECEIVABLES

	June 30, 2020	December 31, 2019
Pre-need receivables, current portion	$ 31,972,538	$ 29,044,341
Pre-need receivables, net of current portion	69,950,712	58,015,914
Total	$ 101,923,250	$ 87,060,255

The above is net of an allowance for sales returns of $7,655,146 at June 30, 2020 (at December 31, 2019 - $7,497,819).

5. INVENTORIES

	June 30, 2020	December 31, 2019 *(Restated, Measurement Period Adjustment - see Note 6)*
Merchandise inventories	$ 3,814,282	$ 3,068,697
Cemetery lots	42,672,446	40,545,700
Crypts and niches	43,793,455	42,816,411
Construction in progress	10,447,721	7,974,511
Total	100,727,904	94,405,319
Current portion	11,595,975	9,459,240
Non-current portion	$ 89,131,929	$ 84,946,079

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 June 30, 2020:

	Preliminary Family Legacy and Harpeth Hill
Assets acquired:	
Cash	$ 1,814,337
Pre-need receivables	5,413,094
Inventories	3,090,922
Land held for development	1,077,823
Property and equipment	27,705,144
Care and maintenance trust fund investments	10,556,556
Pre-need merchandise and service trust fund investments	13,338,370
Deferred commissions	2,978,195
Other assets	105,996
Goodwill	46,045,657
Intangibles	1,327,500
Total assets	$ 113,453,594
Liabilities assumed:	
Accounts payable and accrued liabilities	$ 2,284,184
Lease liabilities	183,103
Care and maintenance trusts' corpus	10,556,556
Deferred pre-need receipts held in trust	13,338,370
Deferred revenue	18,113,370
	44,475,583
Fair value of consideration transferred:	
Cash consideration	40,547,720
Deferred cash consideration	1,327,500
Converted promissory note	27,102,791
	68,978,011
Total liabilites and considerations	$ 113,453,594

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 $69.0 million (US$52.0 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 $10.4 million in revenue and approximately $1.4 million 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 $12.4 million in revenue and $1.6 million 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 incurred expenses 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 and Journey Group'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*
Accounts receivable	$ 13,506,860	$ 313,087	$ 13,819,947
Inventories, net of current portion	83,309,709	1,636,370	84,946,079
Land held for development	22,138,968	2,314,029	24,452,997
Property and equipment	194,585,169	444,413	195,029,582
Goodwill and Intangibles	379,253,330	(3,450,256)	375,803,074
Deferred revenue	(150,254,842)	(1,257,643)	(151,512,485)
Total	$ 542,539,194	$ -	$ 542,539,194

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)	Final 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	1,199,271	3,419,426
Inventories	167,030	3,498,082	2,493,927	2,166,871	8,325,910
Prepaid expenses and other current assets	245,749	6,829	101,527	98,176	452,281
Land held for development	-	5,765,160	-	4,387,048	10,152,208
Property and equipment	13,882,443	13,990,689	29,099,503	9,786,136	66,758,771
Care and maintenance trust fund investments	-	4,593,840	1,154,349	4,594,806	10,342,995
Pre-need merchandise and service trust fund investments	-	37,777,961	39,775,432	5,390,137	82,943,530
Deferred commissions	-	2,829,204	2,274,823	176,991	5,281,018
Goodwill	8,734,881	36,094,938	41,749,031	2,981,778	89,560,628
Intangibles	3,470,287	6,798,309	8,254,719	736,671	19,259,986
Total assets	$ 28,579,294	$ 115,383,530	$ 127,426,890	$ 31,517,885	$ 302,907,599
Liabilities assumed:					
Accounts payable and accrued liabilities	$ 451,444	$ 2,868,860	$ 1,699,300	$ 500,522	$ 5,520,126
Long-term debt	-	78,200	-	-	78,200
Lease liabilities	111,904	157,108	257,828	130,085	656,925
Deferred tax liabilities	810,304	1,321,284	-	-	2,131,588
Care and maintenance trusts' corpus	-	4,593,840	1,154,349	4,594,806	10,342,995
Deferred pre-need receipts held in trust	-	37,777,961	39,775,432	5,390,137	82,943,530
Deferred revenue	-	10,056,363	9,371,914	1,284,940	20,713,217
	1,373,652	56,853,616	52,258,823	11,900,490	122,386,581
Fair value of consideration transferred:					
Cash consideration	24,674,045	59,435,125	75,516,118	18,748,985	178,374,273
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	19,617,395	180,521,018
Total liabilites and considerations	$ 28,579,294	$ 115,383,530	$ 127,426,890	$ 31,517,885	$ 302,907,599

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 $12.2 million (US$9.2 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

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

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 June 30, 2020 land held for development was valued at $26,732,454 (at December 31, 2019 - $24,452,997).

8. PROPERTY AND EQUIPMENT

	January 1, 2020 *(Restated, Measurement Period Adjustment - See Note 6)*	Acquired in business combinations	Additions	Disposals	Foreign currency translation	June 30, 2020
Cost:						
Land	$ 52,698,436	2,467,145	21,873	-	2,371,258	$ 57,558,712
Buildings, cemetery and funeral	120,933,778	24,027,750	5,806,440	-	5,557,119	156,325,087
Machinery, equipment and automotive	22,169,483	819,129	1,290,343	(193,823)	892,734	24,977,866
Cemetery improvements	11,301,600	212,674	936,869	-	371,038	12,822,181
Right-of-use asset	8,222,081	178,446	214,229	(218,158)	141,434	8,538,032
Total	215,325,378	27,705,144	8,269,754	(411,981)	9,333,583	260,221,878
Accumulated depreciation:						
Buildings, cemetery and funeral	7,991,384	-	3,083,312	-	228,485	11,303,181
Machinery, equipment and automotive	7,110,147	-	2,085,479	(37,084)	230,263	9,388,805
Cemetery improvements	3,453,310	-	282,944	-	118,639	3,854,893
Right-of-use asset	1,740,955	-	1,014,844	(152,895)	35,647	2,638,551
Total	20,295,796	-	6,466,579	(189,979)	613,034	27,185,430
Net Book Value	$ 195,029,582					$ 233,036,448

8. PROPERTY AND EQUIPMENT – continued

	January 1, 2019	Acquired in business combinations	Additions	Disposals	Foreign currency translation	December 31, 2019 *(Restated, Measurement Period Adjustment - See Note 6)*
Cost:						
Land	$ 31,099,513	24,409,311	145,513	(1,367,479)	(1,588,422)	$ 52,698,436
Buildings, cemetery and funeral	83,152,117	36,947,328	7,804,831	(2,145,248)	(4,825,250)	120,933,778
Machinery, equipment and automotive	15,931,295	4,385,847	4,610,747	(818,520)	(1,939,886)	22,169,483
Cemetery improvements	9,611,192	362,574	1,441,258	-	(113,424)	11,301,600
Right-of-use asset	6,321,135	653,710	1,356,343	2,488	(111,595)	8,222,081
Total	146,115,252	66,758,770	15,358,692	(4,328,759)	(8,578,577)	215,325,378
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					$ 195,029,582

Property and equipment depreciation expense charged to operations amounted to $6,466,579 and $4,659,983 for the six month period ended June 30, 2020 and 2019, respectively. Property and equipment depreciation expense charged to operations amounted to $3,297,177 and $2,473,425 for the three month period ended June 30, 2020 and 2019, respectively.

Included in additions at June 30, 2020 are $2,810,568 of additions at Canadian cemeteries and funeral sites (at December 31, 2019 - $5,653,153) and $5,459,186 of additions at U.S. cemeteries and funeral sites (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 $5,045,931 and $5,305,347 for the six month period ended June 30, 2020 and 2019, respectively. Investment income recognized in operations amounted to $2,294,211 and $2,522,270 for the three month period ended June 30, 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	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Cash and cash equivalents	$ 7,218,600	$ 10,306,689	$ 7,218,617	$ 10,302,565
Equities	97,150,754	99,989,034	94,633,481	89,206,429
Fixed income	80,474,571	81,807,889	79,548,694	79,843,248
Alternative investments	19,864,246	22,378,232	19,416,651	21,077,471
Preferred stocks	17,951,031	10,013,142	19,400,488	9,962,062
	$ 222,659,202	$ 224,494,986	$ 220,217,931	$ 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	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Cash and cash equivalents	$ 36,311,708	$ 28,692,429	$ 36,301,342	$ 28,658,480
GIC's	29,232,031	29,753,510	29,232,031	29,753,510
Equities	80,406,966	80,151,449	71,353,278	68,352,424
Fixed income	86,639,095	79,229,148	84,486,854	77,875,056
Alternative investments	36,740,695	36,954,092	36,570,246	34,798,443
Preferred stocks	5,659,200	2,369,757	5,965,776	2,376,524
	$ 274,989,695	$ 257,150,385	$ 263,909,527	$ 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 June 30, 2020, the current face amount of pre-funded policies was approximately $375 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 June 30, 2020 were:

	June 30, 2020	December 31, 2019 *(Restated, Measurement Period Adjustment - see Note 6)*
Goodwill		
Opening balance:	$ 353,316,158	$ 277,981,729
Additions	46,045,657	89,560,628
Foreign currency translation	17,177,645	(14,226,199)
Closing balance:	$ 416,539,460	$ 353,316,158
Intangibles		
Non-compete agreements		
Opening balance:	$ 7,318,232	$ 7,000,881
Additions	1,327,500	3,753,223
Amortization	(1,270,240)	(2,811,894)
Foreign currency translation	409,064	(623,978)
Closing balance:	$ 7,784,556	$ 7,318,232
Brand		
Opening balance:	$ 15,168,684	$ -
Additions	-	15,506,763
Foreign currency translation	727,616	(338,079)
Closing balance:	$ 15,896,300	$ 15,168,684
Intangibles	$ 23,680,856	$ 22,486,916
Goodwill and Intangibles	$ 440,220,316	$ 375,803,074

Management has reviewed the valuation of goodwill and intangibles and has not identified any indicators of impairment in the value of goodwill and intangibles.

13. OTHER ASSETS

i) Prepaid expenses and other current assets

Included in prepaid expenses and other current assets is a $6.5 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 23).

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

	June 30, 2020	December 31, 2019
Revolving loan facility	$ 215,085,632	$ 173,694,846
Mortgages	1,062,376	1,103,419
Other debt	792,380	928,231
Deferred financing costs	(2,348,842)	(1,840,106)
Total	214,591,546	173,886,390
Current portion	379,163	421,074
Non-current portion	$ 214,212,383	$ 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 June 30, 2020, there was $215,085,632 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 June 30, 2020, deferred financing costs were $2,348,842 (at December 31, 2019 - $1,840,106). At June 30, 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

	June 30, 2020	December 31, 2019
Notes payable	$ 9,801,207	$ 8,691,322
Current portion	1,326,751	1,323,036
Non-current portion	$ 8,474,456	$ 7,368,286

Notes payable

i) The Company has an outstanding note payable of $1,911,309 (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 $7,889,898 (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.

	June 30, 2020	December 31, 2019
Future minimum lease payments		
Due in less than one year	$ 2,102,938	$ 2,073,330
Due between one and two years	1,445,554	1,750,960
Due between two and three years	838,664	931,289
Due thereafter	2,454,295	2,750,802
Interest	(848,730)	(992,651)
Present value of minimum lease payments	5,992,721	6,513,730
Current portion	1,881,939	1,831,687
Non-current portion	$ 4,110,782	$ 4,682,043

Lease liabilities interest expense charged to operations amounted to $150,117 and $159,298 for the six month period ended June 30, 2020 and 2019, respectively and $70,004 and $99,010 for the three month period ended June 30, 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:

	June 30, 2020	December 31, 2019 *(Restated, Measurement Period Adjustment - see Note 6)*
Cemetery and funeral merchandise, lots, crypts, and niches	$ 109,142,773	$ 86,940,945
Cemetery and funeral services	72,951,719	64,571,540
Total	$ 182,094,492	$ 151,512,485

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 six month period ended June 30, 2020 and 2019 were $6,714,904 or $0.228 per share and $5,957,951 or $0.228 per share, respectively. The total amount of dividends declared by the Company for the three month period ended June 30, 2020 and 2019 were $3,361,342 or $0.114 per share and $3,318,966 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)*	43,814	1,034,955
Equity incentive plan	104,795	978,680
Balance June 30, 2020	29,503,453	504,061,465

(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 six month period ended June 30, 2020, 43,814 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.

On June 22, 2020, the shareholders of the Company approved a second 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 2,400,000 common shares of the Company.

20. EQUITY INCENTIVE PLAN - continued

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.

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 23).

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.

	June 30, 2020	December 31, 2019
Outstanding, beginning of the period	36,860	30,450
Awarded	5,838	10,920
Redemptions	(9,982)	(5,091)
Dividend equivalents	364	581
Outstanding, end of the period	33,080	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.

20. EQUITY INCENTIVE PLAN – continued

Restricted share units – continued

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.

	June 30, 2020	December 31, 2019
Outstanding, beginning of the period	246,200	176,337
Awarded	71,334	98,141
Redemptions	(84,184)	(31,928)
Dividend equivalents	2,343	3,650
Outstanding, end of the period	235,693	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 have 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.

	June 30, 2020	December 31, 2019
Outstanding, beginning of the period	61,266	-
Awarded	-	60,112
Forfeited	(21,674)	-
Redemptions	(10,632)	-
Dividend equivalents	380	1,154
Outstanding, end of the period	29,340	61,266

20. EQUITY INCENTIVE PLAN - continued

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%.

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%.

On May 21, 2020 390,000 options were granted. Trading price at the time of the grant was $22.26. 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 0.35%, dividend rate of 0.456%, volatility of 28.03%, forfeiture rate of 0% and an expected life of 5 years.

Grant Date	Expiry Date	Exercise Price	01-Jan-20	Granted	Exercised	Expired	Forfeited	30-Jun-20	Vested	Unvested
May 30, 2019	June 30, 2023	$ 25.43	1,058,000	-	-	- -	378,000	680,000	-	680,000
July 15, 2019	June 30, 2023	$ 25.39	320,000	-	-	-	-	320,000	-	320,000
May 21, 2020	May 21, 2025	$ 20.98	-	390,000	-	-	-	390,000	-	390,000
			1,378,000	390,000	-	- -	378,000	1,390,000	-	1,390,000
Weighted Average Exercise Price			$ 25.42	$ 20.98	$ -	$ -	$ 25.43	$ 24.17	$ -	$ 24.17

The compensation expense in respect of EIP amounted to $2,602,778 and $1,560,486 for the six month period ended June 30, 2020 and 2019, respectively, and $1,195,402 and $933,333 for the three month period ended June 30, 2020 and 2019, respectively, 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. INTEREST AND OTHER INCOME

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Pre-need trust realized capital gain	$ -	$ 2,200,440	$ -	$ 2,200,440
Finance charges	1,301,008	1,262,124	2,559,489	2,486,234
Interest income and other	213,852	333,764	683,876	542,067
	$ 1,514,860	$ 3,796,328	$ 3,243,365	$ 5,228,741

The pre-need trust realized capital gain is comprised of realized capital gain from the pre-need trust fund in the state of Michigan. Included in interest income and other are finance charges on the uncollected balance of instalment accounts receivable.

22. OTHER INCOME (EXPENSES)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Special Committee (i)	$ (241,700)	$ -	$ (1,147,421)	$ -
Restructuring costs (ii)	(566,448)	-	(952,593)	-
Agreement (iii)	-	-	(1,720,734)	-
Canada Emergency Wage Subsidy CEWS (iv)	1,028,872	-	1,028,872	-
Gain on share settlement (v)	-	179,633	-	179,633
Loss on sale of assets (vi)	(77,140)	(256,127)	(44,216)	(206,571)
Other	-	(1,050)	-	(41,966)
	$ 143,584	$ (77,544)	$ (2,836,092)	$ (68,904)

(i) Special Committee costs are $1,147,421 and $241,700 for the six and three month period ended June 30, 2020, respectively, 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. The Special Committee of the Board of Directors was dissolved on May 12, 2020.

Restructuring costs are $952,593 and $566,448 for the six and three month period ended June 30, 2020.

22. OTHER INCOME (EXPENSES) - continued

(ii) Agreement is comprised of costs relating to the transition of Mr. Clark of $1,720,734 (notwithstanding the terms of Mr. Clark's employment agreement) consisting of:

- 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;
- 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 into 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.

(iii) In the second quarter of 2020, the Company received $1,028,872 of wages subsidy under the CEWS program. During the second quarter of fiscal 2020, the Government of Canada announced the CEWS for Canadian employers whose businesses were affected by the COVID-19 pandemic. The CEWS provides a wage subsidy of up to 75% on eligible renumeration, subject to certain criteria including demonstration of revenue declines as a result of COVID-19.

(iv) Gain on share settlement relates to a gain on the Saber contract settlement of $179,633 and $179,633 for the six and three month period ended June 30, 2019, respectively.

(v) The Company sold assets for proceeds of $1,176,336 and $2,533,032 resulting in a loss of $44,216 and $206,571 for the six month periods ended Jun 30, 2020 and 2019 respectively, and sold assets for proceeds of $1,109,927 and $1,040,707 resulting in a loss of $77,140 and $256,127 for the three month periods ended June 30, 2020 and 2019, respectively.

23. 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 22).

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 loan outstanding under the ESLP amounted to $1,063,934 at June 30, 2020 (at December 31, 2019 - $2,712,688). Interest income earned by the Company for the six month period ended June 30, 2020 and 2019 was $16,436 and $42,256, respectively, and for the three month period ended June 30, 2020 and 2019 was $8,263 and $21,423, respectively.

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:

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Directors' fees and management compensation	$ 1,789,285	$ 1,980,841	$ 3,030,587	$ 2,563,601
Agreement (Note 21)	-	-	1,720,734	-
	$ 1,789,285	$ 1,980,841	$ 4,751,321	$ 2,563,601

Directors' fees and management compensation included in share-based incentive for the six month period ended June 30, 2020 and 2019 were $1,063,669 and $851,505 respectively, and for the three month period ended June 30, 2020 and 2019 were $505,100 and $671,376 respectively. At June 30, 2020, included in accounts payable and accrued liabilities are directors' fees and management compensation of $423,280 (at December 31, 2019 - $809,890).

24. 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 June 30, 2020, the fair value of the secured debt investment in Humphrey's (see Note 13) is valued under Level 3.

As at June 30, 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.

24. 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 June 30, 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	$ 7,218,617	$ 7,218,600	$ -	$ -	$ -	$ 7,218,600
Equities	94,633,481	97,150,754	-	-	-	97,150,754
Fixed income	79,548,694	59,046,299	-	8,968,974	12,459,298	80,474,571
Alternative investments	19,416,651	-	-	19,864,246	-	19,864,246
Preferred stocks	19,400,488	17,951,031	-	-	-	17,951,031
	$ 220,217,931	$ 181,366,684	$ -	$ 28,833,220	$ 12,459,298	$ 222,659,202

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

24. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT – continued

Fair value of financial instruments – continued

Pre-need merchandise and service trust fund investments at June 30, 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	$ 36,301,342	$ 36,311,708	$ -	$ -	$ -	$ 36,311,708
GIC's	29,232,031	29,232,031	-	-	-	29,232,031
Equities	71,353,278	80,406,966	-	-	-	80,406,966
Fixed income	84,486,854	80,083,308	-	5,428,501	1,127,286	86,639,095
Alternative investments	36,570,246	-	-	36,740,695	-	36,740,695
Preferred stocks	5,965,776	5,659,200	-	-	-	5,659,200
	$ 263,909,527	$ 231,693,213	$ -	$ 42,169,196	$ 1,127,286	$ 274,989,695

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.

24. 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.

Covid-19

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 June 30, 2020, the Company had net unrealized gains in the Care and Maintenance Trust Funds of approximately $2.4 million, which represents a 1.1% net unrealized gain to the original cost basis. As of June 30, 2020, the Company had net unrealized gain in the Pre-Need Merchandise and Service Trust Funds of approximately $11.1 million, which represents a 4.2% net unrealized gain to the original cost basis. The improvement is a result of improved capital markets during the quarter. The unrealized gains are muted because of the higher cash positions and the Canadian GIC's.

25. 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 seven construction commitments totaling $16.2 million for the construction of a funeral visitation and reception centre, funeral homes, mausoleums and cemetery development.

26. 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:

	June 30, 2020	December 31, 2019
Canada	$ 192,259,434	$ 205,799,226
United States	1,213,488,745	1,086,146,783
Total	$ 1,405,748,179	$ 1,291,946,009

26. 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 June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Revenue:				
Sales:				
Canada	$ 9,263,310	$ 6,789,263	$ 17,962,223	$ 15,505,946
United States	71,625,281	45,463,058	132,435,117	82,683,870
Total sales	80,888,591	52,252,321	150,397,340	98,189,816
Income from care and maintenance funds:				
Canada	825,000	1,188,427	1,850,000	2,564,639
United States	1,469,211	1,333,843	3,195,931	2,740,708
Total income from care and maintenance funds	2,294,211	2,522,270	5,045,931	5,305,347
Interest and other income:				
Canada	213,601	333,764	683,625	542,067
United States	1,301,259	3,462,564	2,559,740	4,686,674
Total interest and other income	1,514,860	3,796,328	3,243,365	5,228,741
Total revenue:				
Canada	10,301,911	8,311,454	20,495,848	18,612,652
United States	74,395,751	50,259,465	138,190,788	90,111,252
Total Revenue	$ 84,697,662	$ 58,570,919	$ 158,686,636	$ 108,723,904

27. SUBSEQUENT EVENTS

In July 2020, the Company completed a bought deal offering of Senior Unsecured Debentures ("Debentures"). A total of $86,250,000 aggregate principal amount of Debentures were issued at a price of $1,000 for a total of gross proceeds of $86,250,000 ("the Offering"). The Debentures bear interest at a rate of 5.75% per annum, payable semi-annually in arrears on June 30 and December 31 of each year commencing on December 31, 2020 and will mature on December 31, 2025. The proceeds received net of commissions to the underwriters were $82,800,000. The net proceeds from the offering have been used to pay down the Company's existing credit facility to free up capacity (i) to fund potential future acquisition opportunities and (ii) for general corporate purposes.

In August 2020, the Company completed the sale of a non- strategic funeral home for $610,000, realizing a gain of approximately $80,000.