20

Condensed Interim Consolidated Financial Statements

As at and for the nine months ending
September 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) "*Paul G. Smith*"	(signed) "*Steven Scott*"
Paul G. Smith	Steven Scott
Chairman, Director	Director

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

	September 30, 2020	December 31, 2019 *(Restated, Measurement Period Adjustment - see Note 6)*
Assets		
Current assets		
Cash	$ 46,074,225	$ 21,255,330
Accounts receivable	9,903,621	13,819,947
Pre-need receivables, current portion (Note 4)	33,265,680	29,044,341
Inventories, current portion (Note 5)	12,790,402	9,459,240
Prepaid expenses and other current assets (Note 13)	11,587,892	10,253,633
	113,621,820	83,832,491
Non-current assets		
Pre-need receivables, net of current portion (Note 4)	71,217,923	58,015,914
Inventories, net of current portion (Note 5)	93,801,016	84,946,079
Land held for development (Note 7)	34,884,226	24,452,997
Property and equipment (Note 8)	225,856,626	195,029,582
Care and maintenance trust fund investments (Note 9)	228,176,695	224,494,986
Pre-need merchandise and service trust fund investments (Note 10)	280,382,016	257,150,385
Deferred tax assets	6,660,518	5,858,634
Goodwill and intangibles (Note 6 and 12)	417,216,198	375,803,074
Deferred commissions	32,961,468	28,191,067
Other assets (Note 6 and 13)	9,194,986	38,003,291
	1,400,351,672	1,291,946,009
TOTAL ASSETS	$ 1,513,973,492	$ 1,375,778,500
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 25)	$ 37,718,470	$ 31,344,066
Dividends payable	1,121,921	1,115,484
Current portion of long-term debt (Note 14)	367,507	421,074
Current portion of notes payable (Note 15)	3,266,205	1,323,036
Current portion of lease liabilities (Note 16)	1,844,385	1,831,687
	44,318,488	36,035,347
Non-current liabilities		
Long-term debt, net of current portion (Note 14)	137,191,289	173,465,316
Notes payable, net of current portion (Note 15)	7,829,238	7,368,286
Lease liabilities, net of current portion (Note 16)	3,754,109	4,682,043
Senior Unsecured Debentures (Note 17)	81,746,466	-
Deferred tax liabilities	11,730,428	6,544,817
Deferred revenue (Note 18)	180,435,240	151,512,485
Care and maintenance trusts' corpus (Note 9)	228,176,695	224,494,986
Deferred pre-need receipts held in trust (Note 10)	280,382,016	257,150,385
	931,245,481	825,218,318
Shareholders' Equity		
Share capital (Note 20)	504,581,266	502,047,830
Contributed surplus	10,003,747	7,618,962
Accumulated other comprehensive income	14,000,971	(2,112,155)
Retained earnings	7,780,866	5,091,160
	536,366,850	512,645,797
Non-controlling interest	2,042,673	1,879,038
	538,409,523	514,524,835
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 1,513,973,492	$ 1,375,778,500

Commitments and Contingencies (Note 27)
Subsequent Events (Note 29)

Approved by the Board of Directors

"Paul G. Smith"
Paul G. Smith - Chairman, 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 NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(UNAUDITED)

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Revenue				
Sales	$ 79,517,713	$ 60,262,502	$ 229,915,053	$ 158,452,318
Income from care and maintenance funds (Note 9)	2,624,919	2,663,074	7,670,850	7,968,421
Interest and other income (Note 22)	1,648,995	3,653,162	4,892,360	8,881,903
	83,791,627	66,578,738	242,478,263	175,302,642
Cost of sales	16,029,306	12,534,635	45,466,809	33,198,421
Gross profit	67,762,321	54,044,103	197,011,454	142,104,221
Operating expenses				
General and administrative	35,006,800	28,276,402	103,787,778	69,910,132
Amortization of intangibles (Note 12)	576,415	895,990	1,846,655	1,931,762
Maintenance	8,956,200	8,492,651	25,657,038	23,356,571
Advertising and selling	10,396,677	7,078,072	27,299,418	21,263,155
Interest expense (Note 23)	2,720,149	1,462,582	7,243,761	4,114,678
Share based incentive compensation (Note 21)	1,165,547	1,116,805	3,768,325	2,677,291
	58,821,788	47,322,502	169,602,975	123,253,589
Earnings from operations	8,940,533	6,721,601	27,408,479	18,850,632
Acquisition and integration costs (Note 6)	(537,757)	(4,391,098)	(4,809,746)	(9,649,190)
Other income (expenses) (Note 24)	(491,547)	-	(3,327,640)	(68,904)
Earnings before income taxes	7,911,229	2,330,503	19,271,093	9,132,538
Income tax expense	2,436,037	697,624	6,337,849	2,515,149
Net earnings for the period	$ 5,475,192	$ 1,632,879	$ 12,933,244	$ 6,617,389
Net earnings attributable to:				
Equity holders of PLC	$ 5,403,038	$ 1,579,106	$ 12,769,609	$ 6,363,135
Non-controlling interest	72,154	53,773	163,635	254,254
	$ 5,475,192	$ 1,632,879	$ 12,933,244	$ 6,617,389
Attributable to equity holders of PLC				
Net earnings per share - basic	$ 0.181	$ 0.053	$ 0.430	$ 0.232
Net earnings per share - diluted	$ 0.180	$ 0.053	$ 0.428	$ 0.231
Weighted average number of common shares:				
- basic	29,814,306	29,694,199	29,684,349	27,456,602
- diluted	29,942,397	29,775,481	29,845,277	27,591,164

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 NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net earnings for the period	$ 5,475,192	$ 1,632,879	$ 12,933,244	$ 6,617,389
Item of other comprehensive income to be subsequently reclassified to net earnings				
Foreign currency translation of foreign operations	(14,671,318)	6,530,355	16,113,126	(12,894,135)
Comprehensive income (loss)	$ (9,196,126)	$ 8,163,234	$ 29,046,370	$ (6,276,746)

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 AND NINE MONTHS ENDED SEPTEMBER 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 19)	-	-	-	(9,299,891)	-	-	(9,299,891)
Shares issued:							
Dividend reinvestment plan (Note 20)	63,391	1,597,921	-	-	-	-	1,597,921
Equity incentive plan (Note 21)	21,147	-	2,381,749	-	-	-	2,381,749
Prospectus financing, net of costs (Note 20)	5,605,100	138,375,634	-	-	-	-	138,375,634
Contingent equity consideration	498,157	(2,415,860)	1,178,375	-	-	-	(1,237,485)
Other comprehensive icome (loss)	-	-	-	-	(12,894,135)	-	(12,894,135)
Net earnings for the period	-	-	-	6,363,135	-	254,254	6,617,389
Balance at September 30, 2019	29,323,110	$ 501,515,118	$ 5,857,638	$ 7,893,052	$ 8,994,562	$ 1,754,022	$ 526,014,392
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 19)	-	-	-	(10,079,903)	-	-	(10,079,903)
Equity incentive plan (Note 21)	-	-	3,363,465	-	-	-	3,363,465
Shares issued:							
Dividend reinvestment plan (Note 20)	64,599	1,554,756	-	-	-	-	1,554,756
Exercise of Equity incentive plan (Note 21)	104,795	978,680	(978,680)	-	-	-	-
Other comprehensive icome (loss)	-	-	-	-	16,113,126	-	16,113,126
Net earnings for the period	-	-	-	12,769,609	-	163,635	12,933,244
Balance at September 30, 2020	29,524,238	$ 504,581,266	$ 10,003,747	$ 7,780,866	$ 14,000,971	$ 2,042,673	$ 538,409,523

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 NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(UNAUDITED)

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Cash provided by (used in):				
Operating activities				
Net earnings for the period	$ 5,475,192	$ 1,632,879	$ 12,933,244	$ 6,617,389
Adjustments to reconcile net income to cash provided by (used in) operating activities:				
Acquisition and integration costs	537,757	4,391,098	4,809,746	9,649,190
Deferred tax expense (recovery)	2,736,849	(122,838)	5,457,849	(393,187)
Depreciation of property and equipment, investment properties and amortization of intangibles (Note 8 and 12)	3,964,144	3,884,364	11,700,963	9,580,119
Amortization of cemetery property	2,448,478	2,054,922	6,007,496	5,154,878
Amortization of deferred commissions	866,757	759,258	3,174,150	2,327,035
Amortization of deferred financing costs (Note 14 and 17)	336,134	75,556	576,682	208,457
Interest on lease liabilities (Note 16)	67,294	92,426	217,411	251,724
Share based incentive compensation (Note 21)	1,162,707	975,678	3,623,894	2,381,749
Loss on forgiveness of loan and other non-cash amounts (Note 24)	-	-	1,511,179	-
(Gain) loss on disposal of property and equipment	-	-	(13,408)	206,571
(Gain) loss on sale of other assets	-	-	57,624	-
(Gain) loss on shares settlement	-	-	-	(179,633)
Changes in working capital that provided (required) cash:				
Accounts receivable	1,835,983	884,146	6,006,323	3,428,021
Net receipts on pre-need activity	(777,663)	3,447,565	(3,545,438)	415,738
Merchandise inventories	65,174	(168,682)	(211,088)	(448,406)
Prepaid expenses and other current assets	(406,579)	992,814	(1,253,541)	91,831
Deferred commissions	(2,761,355)	(1,217,224)	(5,574,780)	(3,093,821)
Accounts payable and accrued liabilities	3,606,005	3,100,670	3,234,976	2,589,279
Cash provided by (used in) operating activities	19,156,877	20,782,632	48,713,282	38,786,934
Investing activities				
Acquisition and integration costs	(537,757)	(4,391,098)	(4,809,746)	(9,649,190)
Net cash on acquisitions and other strategic transactions (Note 6)	(1,347,241)	(75,244,389)	(40,080,623)	(165,269,922)
Additions to cemetery property	(1,933,956)	(3,277,939)	(5,189,402)	(6,050,130)
Acquisition of property and equipment (Note 8)	(3,519,421)	(2,377,379)	(11,574,947)	(10,754,967)
Proceeds on disposal of property and equipment (Note 8)	522,849	56,301	756,809	2,589,333
Proceeds from sale of other assets	-	-	942,376	-
Decrease (increase) in other assets	706,460	(323,876)	380,121	(798,547)
Cash provided by (used in) investing activities	(6,109,066)	(85,558,380)	(59,575,412)	(189,933,423)
Financing activities				
Proceeds from issuance of long-term debt (Note 14)	-	76,890,022	46,400,000	76,955,062
Repayment of long-term debt (Note 14)	(77,257,785)	(1,194,621)	(82,475,030)	(40,150,011)
Proceeds from senior unsecured debentures (Note 17)	86,250,000	-	86,250,000	-
Proceeds (repayment) of note payable (Note 15)	1,927,061	1,011,883	1,327,446	(135,862)
Proceeds (repayment) of lease liabilities (Note 16)	(413,188)	(592,673)	(1,549,646)	(1,459,998)
Proceeds from financing, net of costs	-	(13,383)	-	138,375,634
Dividends and distributions paid	(2,845,198)	(2,766,231)	(8,525,147)	(7,701,970)
Deferred financing costs	(4,614,633)	(186,841)	(5,363,917)	(749,125)
Cash paid to settle contingent consideration	-	-	-	(624,966)
Cash provided by (used in) financing activities	3,046,257	73,148,156	36,063,706	164,508,764
Translation adjustment on cash	(4,353,847)	(543,288)	(382,681)	(2,025,444)
Net increase (decrease) in cash	11,740,221	7,829,120	24,818,895	11,336,831
Cash, beginning of period	34,334,004	17,656,803	21,255,330	14,149,092
Cash, end of period	$ 46,074,225	$ 25,485,923	$ 46,074,225	$ 25,485,923
Supplemental disclosures:				
Income taxes paid	$ 264,486	$ 166,167	$ 551,715	$ 463,151
Interest expenses paid	$ 1,536,572	$ 1,332,320	$ 5,597,414	$ 3,631,294

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 September 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 November 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 trust 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 September 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

	September 30, 2020	December 31, 2019
Pre-need receivables, current portion	$ 33,265,680	$ 29,044,341
Pre-need receivables, net of current portion	71,217,923	58,015,914
Total	$ 104,483,603	$ 87,060,255

The above is net of an allowance for sales returns of $8,066,237 at September 30, 2020 (at December 31, 2019 - $7,497,819).

5. INVENTORIES

	September 30, 2020	December 31, 2019 *(Restated, Measurement Period Adjustment - see Note 6)*
Merchandise inventories	$ 4,175,820	$ 3,068,697
Cemetery lots	49,174,912	40,545,700
Crypts and niches	42,062,975	42,816,411
Construction in progress	11,177,711	7,974,511
Total	106,591,418	94,405,319
Current portion	12,790,402	9,459,240
Non-current portion	$ 93,801,016	$ 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 September 30, 2020:

	Preliminary Family Legacy and Harpeth Hill
Assets acquired:	
Cash	$ 1,814,726
Accounts receivable	1,680,434
Pre-need receivables	3,913,730
Inventories	11,281,682
Land held for development	9,690,750
Property and equipment	25,121,682
Care and maintenance trust fund investments	10,556,556
Pre-need merchandise and service trust fund investments	13,338,371
Deferred commissions	1,611,771
Other assets	105,996
Goodwill	28,165,175
Intangibles	5,822,416
Total assets	$ 113,103,289
Liabilities assumed:	
Accounts payable and accrued liabilities	$ 2,424,722
Note payable	756,675
Lease liabilities	183,103
Care and maintenance trusts' corpus	10,556,556
Deferred pre-need receipts held in trust	13,338,370
Deferred revenue	16,845,575
	44,105,001
Fair value of consideration transferred:	
Cash consideration	40,156,875
Converted promissory note	27,102,791
Deferred cash consideration	1,178,037
Working capital adjustment	560,585
	68,998,288
Total liabilites and considerations	$ 113,103,289

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 $17.0 million in revenue and approximately $2.0 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 $19.1 million in revenue and $2.2 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 September 30, 2020 land held for development was valued at $34,884,226 (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	September 30, 2020
Cost:						
Land	$ 52,698,436	8,057,925	21,938	(102,868)	1,310,879	$ 61,986,310
Buildings, cemetery and funeral	120,933,778	15,969,826	8,040,633	(406,230)	2,719,734	147,257,741
Machinery, equipment and automotive	22,169,483	915,485	2,130,964	(237,905)	455,760	25,433,787
Cemetery improvements	11,301,600	-	1,381,412		183,685	12,866,697
Right-of-use asset	8,222,081	178,446	211,896	(270,878)	69,040	8,410,585
Total	215,325,378	25,121,682	11,786,843	(1,017,881)	4,739,098	255,955,120
Accumulated depreciation:						
Buildings, cemetery and funeral	7,991,384	-	4,729,420	(18,055)	65,240	12,767,989
Machinery, equipment and automotive	7,110,147	-	3,102,208	(38,240)	86,890	10,261,005
Cemetery improvements	3,453,310	-	497,177	-	60,012	4,010,499
Right-of-use asset	1,740,955	-	1,525,503	(217,681)	10,224	3,059,001
Total	20,295,796	-	9,854,308	(273,976)	222,366	30,098,494
Net Book Value	$ 195,029,582					$ 225,856,626

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 $9,854,308 and $7,648,357 for the nine month period ended September 30, 2020 and 2019, respectively. Property and equipment depreciation expense charged to operations amounted to $3,387,728 and $2,988,374 for the three month period ended September 30, 2020 and 2019, respectively.

Included in additions at September 30, 2020 are $4,136,929 of additions at Canadian cemeteries and funeral sites (at December 31, 2019 - $5,653,153) and $7,649,914 of additions at U.S. cemeteries and funeral sites (at December 31, 2019 - $9,705,539).

During the nine month period ended September 30, 2020, the Company sold property for a sale price of approximately $760,000 realizing a net gain of approximately $13,000.

During the nine month period ended September 30, 2019, the Company sold redundant real estate and property for a sale price of approximately $2.6 million realizing a net loss of approximately $210,000.

The gain and loss described above on the sale of property and equipment is included in other income (expenses).

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 the sale of cemetery lots, mausoleum crypts and niches 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. The corpus generally remains in perpetuity and the income 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. Many states require capital gains and losses to be held in perpetuity in these trusts, however, certain states allow net capital gains and losses to be included in the income that is paid to the Company. Additionally, some states allow a total return distribution to the Company which may contain income, net capital appreciation, and principal.

Investment income recognized in operations amounted to $7,670,850 and $7,968,421 for the nine month period ended September 30, 2020 and 2019, respectively. Investment income recognized in operations amounted to $2,624,919 and $2,633,074 for the three month period ended September 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	
	September 30, 2020	December 31, 2019	September 30, 2020	December 31, 2019
Cash and cash equivalents	$ 12,027,090	$ 10,306,689	$ 12,027,110	$ 10,302,565
Equities	92,884,161	99,989,034	89,129,217	91,586,195
Fixed income	83,186,129	81,807,889	82,973,812	80,749,044
Alternative investments	21,362,806	22,378,232	19,748,628	21,811,104
Preferred stocks	18,716,509	10,013,142	19,257,454	9,962,062
	$ 228,176,695	$ 224,494,986	$ 223,136,221	$ 214,410,970

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

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

	Fair value		Cost	
	September 30, 2020	December 31, 2019	September 30, 2020	December 31, 2019
Cash and cash equivalents	$ 44,084,575	$ 28,692,429	$ 44,083,957	$ 28,658,480
GIC's	29,109,096	29,753,510	29,109,096	29,753,510
Equities	78,644,284	80,151,449	65,522,623	68,353,825
Fixed income	85,044,989	79,229,148	82,148,499	77,875,056
Alternative investments	37,769,371	36,954,092	40,217,765	34,798,443
Preferred stocks	5,729,701	2,369,757	5,774,247	2,376,524
	$ 280,382,016	$ 257,150,385	$ 266,856,187	$ 241,815,838

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 September 30, 2020, the current face amount of pre-funded policies was approximately $370 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 September 30, 2020 were:

	September 30, 2020	December 31, 2019 *(Restated, Measurement Period Adjustment - see Note 6)*
Goodwill		
Opening balance:	$ 353,316,158	$ 277,981,729
Additions	28,165,175	89,560,628
Foreign currency translation	8,634,348	(14,226,199)
Closing balance:	$ 390,115,681	$ 353,316,158
Intangibles		
Non-compete agreements		
Opening balance:	$ 7,318,232	$ 7,000,881
Additions	1,647,428	3,753,223
Amortization	(1,846,655)	(2,811,894)
Foreign currency translation	238,788	(623,978)
Closing balance:	$ 7,357,793	$ 7,318,232
Brand		
Opening balance:	$ 15,168,684	$ -
Additions	4,174,988	15,506,763
Foreign currency translation	399,052	(338,079)
Closing balance:	$ 19,742,724	$ 15,168,684
Intangibles	$ 27,100,517	$ 22,486,916
Goodwill and Intangibles	$ 417,216,198	$ 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 24 and Note 25).

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

	September 30, 2020	December 31, 2019
Revolving loan facility	$ 138,000,000	$ 173,694,846
Mortgages	1,041,676	1,103,419
Other debt	703,537	928,231
Deferred financing costs	(2,186,417)	(1,840,106)
Total	137,558,796	173,886,390
Current portion	367,507	421,074
Non-current portion	$ 137,191,289	$ 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.

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 September 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. Subsequently on August 21, 2020, based on the positive performance of PLC's operations, the Company cancelled the temporary increase of $25 million.

At September 30, 2020, there was $138,000,000 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 September 30, 2020, deferred financing costs were $2,186,417 (at December 31, 2019 - $1,840,106). At September 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 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

	September 30, 2020	December 31, 2019
Notes payable	$ 11,095,443	$ 8,691,322
Current portion	3,266,205	1,323,036
Non-current portion	$ 7,829,238	$ 7,368,286

Notes payable

i) The Company has an outstanding note payable of $1,895,716 (at December 31, 2019 - $1,772,984) to the former owner of real estate acquired by a cemetery. The note calls for yearly payments of $50,000 at 0% interest until the note matures in 2113. Payments of principal 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 is subject to a development agreement that can be terminated by either party after May 9, 2023. The loan can be prepaid at any time without penalty.

ii) The Company has outstanding notes payable of $9,199,727 (at December 31, 2019 - $6,918,338) to former owners of previously acquired businesses and related to financing of the general business insurance policies. These notes payable have interest rates ranging from 2% to 6% and remaining terms of 1 to 10 years.

16. LEASE LIABILITIES

Lease liabilities relate to office space, machinery and equipment.

	September 30, 2020	December 31, 2019
Future minimum lease payments		
Due in less than one year	$ 2,064,395	$ 2,073,330
Due between one and two years	1,259,741	1,750,960
Due between two and three years	815,982	931,289
Due thereafter	2,243,088	2,750,802
Interest	(784,712)	(992,651)
Present value of minimum lease payments	5,598,494	6,513,730
Current portion	1,844,385	1,831,687
Non-current portion	$ 3,754,109	$ 4,682,043

Lease liabilities interest expense charged to operations amounted to $217,411 and $251,724 for the nine month period ended September 30, 2020 and 2019, respectively and $67,294 and $92,426 for the three month period ended September 30, 2020 and 2019, respectively.

17. SENIOR UNSECURED DEBENTURES

On July 14, 2020, the Company completed a bought deal offering of Senior Unsecured Debentures ("Debentures"). A total of $75 million aggregate principal amount of Debentures were issued at a price of $1,000 per Debenture. PLC also granted the Underwriters an option to purchase up to an additional $11.25 million aggregate principal amount of Debentures, on the same terms and conditions. This option was exercised in full following the closing of the offering for total gross proceeds of $86.3 million. The issuance included transaction costs of $4.6 million inclusive of $250,000 in management compensation. The net proceeds from the offering have been used to pay down the Company's existing credit facility to free up capacity to fund potential future acquisition opportunities and for general corporate purposes.

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.

17. SENIOR UNSECURED DEBENTURES - continued

The debentures are measured at amortized cost using the effective interest method over the life of the debenture. The balance of the debentures as at September 30, 2020 consists of the following:

		September 30, 2020
Face value upon issuance	$	86,250,000
Debt issuance costs		(4,614,630)
Fair value of debt on initial recognition		81,635,370
Accretion expense during the period		111,096
Balance at the end of the period	$	81,746,466

The Debentures may not be redeemable by the Company prior to December 31, 2023 (the “First Call Date”).

On or after the First Call Date and prior to December 31, 2024, the Debentures may be redeemed by the Company, in whole or in part from time to time, on not more than 60 days and not less than 30 days prior notice at a redemption price equal to 102.875% of the principal amount of the Debentures redeemed plus accrued and unpaid interest, if any, up to but excluding the date set for redemption.

On or after December 31, 2024 and prior to December 31, 2025 (the “Maturity Date”), the Debentures may be redeemed by the Company, in whole or in part from time to time, on not more than 60 days and not less than 30 days prior notice at a redemption price equal to the principal amount of the Debentures redeemed plus accrued and unpaid interest, if any, up to but excluding the date set for redemption.

Interest expense on the debentures for the period ended September 30, 2020 totaled $1,073,399 (December 31, 2019 - $nil).

The Company has the right, at its sole discretion, to redeem or repay outstanding principal amounts thereunder at redemption or maturity of the Debentures by issuing Shares rather than the payment of cash. Shares will be valued at the 20 day volume weighted average price (“VWAP”), less a 5% discount. If such option is exercised by the Company, holders of Debentures will become holders of equity securities of PLC and will, consequently, be subject to the general risks and uncertainties affecting equity shareholders, including the ability to claim an entitlement only in its capacity as a shareholder.

18. DEFERRED REVENUE

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

	September 30, 2020	December 31, 2019 *(Restated, Measurement Period Adjustment - see Note 6)*
Cemetery and funeral merchandise, lots, crypts, and niches	$ 102,221,692	$ 86,940,945
Cemetery and funeral services	78,213,548	64,571,540
Total	$ 180,435,240	$ 151,512,485

19. 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 nine month period ended September 30, 2020 and 2019 were $10,079,903 or $0.342 per share and $9,299,891 or $0.342 per share, respectively. The total amount of dividends declared by the Company for the three month period ended September 30, 2020 and 2019 were $3,364,999 or $0.114 per share and $3,341,940 or $0.114 per share, respectively. The monthly dividend was $0.038 per share in all periods.

20. 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.

20. SHARE CAPITAL – continued

Shares issued and outstanding

	Number of 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 (Note 21)	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)*	64,599	1,554,756
Equity incentive plan (Note 21)	104,795	978,680
Balance September 30, 2020	29,524,238	$ 504,581,266

(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 nine month period ended September 30, 2020, 64,599 common shares were issued under the DRIP (for the year ended December 31, 2019 – 82,220).

(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.

20. SHARE CAPITAL – continued

(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.

21. 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 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.

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 25).

21. EQUITY INCENTIVE PLAN - continued

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.

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

	September 30, 2020	December 31, 2019
Outstanding, beginning of the period	36,860	30,450
Awarded	6,622	10,920
Redemptions	(9,982)	(5,091)
Dividend equivalents	522	581
Outstanding, end of the period	34,022	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 168,040 of the awarded and outstanding RSUs have vested.

21. EQUITY INCENTIVE PLAN – continued

Restricted share units – continued

	September 30, 2020	December 31, 2019
Outstanding, beginning of the period	246,200	176,337
Awarded	106,809	98,141
Forfeited	(14,453)	-
Redemptions	(84,184)	(31,928)
Dividend equivalents	3,421	3,650
Outstanding, end of the period	257,793	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.

	September 30, 2020	December 31, 2019
Outstanding, beginning of the period	61,266	-
Awarded	-	60,112
Forfeited	(21,674)	-
Redemptions	(10,632)	-
Dividend equivalents	515	1,154
Outstanding, end of the period	29,475	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 assumed 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%.

21. 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 4 years. In addition, due to non-vesting conditions the options were discounted using a cost of carry model, which assumed 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	1-Jan-20	Granted	Exercised	Expired	Forfeited	30-Sep-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 $3,768,325 and $2,677,291 for the nine month period ended September 30, 2020 and 2019, respectively, and $1,165,547 and $1,116,805 for the three month period ended September 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.

22. INTEREST AND OTHER INCOME

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Pre-need trust realized capital gain	$ -	$ 2,060,260	$ -	$ 4,260,700
Finance charges	1,347,190	1,420,552	3,906,931	3,906,786
Interest income and other	301,805	172,350	985,429	714,417
	$ 1,648,995	$ 3,653,162	$ 4,892,360	$ 8,881,903

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.

23. INTEREST EXPENSE

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Interest on:				
Revolving loan facility, mortgages, other debt	$ 1,243,322	$ 1,294,600	$ 5,376,269	$ 3,654,497
Debentures	1,073,399	-	1,073,399	-
Lease liabilities	67,294	92,426	217,411	251,724
Amortization of deferred financing costs	336,134	75,556	576,682	208,457
Total	$ 2,720,149	$ 1,462,582	$ 7,243,761	$ 4,114,678

24. OTHER INCOME (EXPENSES)

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Special Committee (i)	$ -	$ -	$ (1,147,421)	$ -
Restructuring costs (ii)	-	-	(952,593)	-
Agreement (iii)	-	-	(1,720,734)	-
Legal costs (iv)	(491,547)	-	(491,547)	-
Canada Emergency Wage Subsidy CEWS (v)	-	-	1,028,872	-
Gain on share settlement (vi)	-	-	-	179,633
Loss on sale of assets (vii)	-	-	(44,217)	(206,571)
Other	-	-	-	(41,966)
	$ (491,547)	$ -	$ (3,327,640)	$ (68,904)

(i) Special Committee costs are $1,147,421 and $nil for the nine and three month period ended September 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.

(ii) Restructuring costs are $952,593 and $nil for the nine and three month period ended September 30, 2020.

(iii) 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:

24. OTHER INCOME (EXPENSES) - continued

- 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.

(iv) Legal costs are $491,547 for the nine and three month period ended September 30, 2020. Legal costs related to the departure of the former CEO, the defense of intellectual property created by the Company and the preservation and recovery of investments made or authorized by the former CEO.

(v) 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.

(vi) Gain on share settlement relates to a gain on the Saber contract settlement of $179,633 during the second quarter of 2019 (Note 20iii).

(vii) The Company sold property and equipment and other assets resulting in a loss of approximately $40,000 and $210,000 for the nine month periods ended September 30, 2020 and 2019 respectively.

25. 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. Nine Two Seven Limited is owned by a former director and officer 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 24).

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 a former 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 (see Note 27).

Total loan outstanding under the ESLP, including accrued interest amounted to $1,072,288 at September 30, 2020 (at December 31, 2019 - $2,712,688). Interest income earned by the Company for the nine month period ended September 30, 2020 and 2019 was $24,790 and $63,914, respectively, and for the three month period ended September 30, 2020 and 2019 was $8,354 and $21,658, respectively.

25. RELATED PARTY TRANSACTIONS AND BALANCES - continued

Key management compensation

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

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Directors' fees and management compensation	$ 1,406,288	$ 998,608	$ 4,436,874	$ 3,281,924
Agreement (Note 21)	-	-	1,720,734	-
	$ 1,406,288	$ 998,608	$ 6,157,608	$ 3,281,924

Directors' fees and management compensation included in share-based incentive for the nine month period ended September 30, 2020 and 2019 were $1,745,102 and $1,241,697 respectively, and for the three month period ended September 30, 2020 and 2019 were $681,432 and $411,441 respectively. At September 30, 2020, included in accounts payable and accrued liabilities are directors' fees and management compensation of $945,943 (at December 31, 2019 - $809,890).

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

As at September 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.

26. 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 September 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	$ 12,027,110	$ 12,027,090	$ -	$ -	$ -	$ 12,027,090
Equities	89,129,217	92,884,161	-	-	-	92,884,161
Fixed income	82,973,812	61,972,033	-	8,833,456	12,380,640	83,186,129
Alternative investments	19,748,628	-	-	21,362,806	-	21,362,806
Preferred stocks	19,257,454	18,716,509	-	-	-	18,716,509
	$ 223,136,221	$ 185,599,793	$ -	$ 30,196,262	$ 12,380,640	$ 228,176,695

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	91,586,195	99,989,034	-	-	-	99,989,034
Fixed income	80,749,044	59,520,055	-	9,753,663	12,534,171	81,807,889
Alternative investments	21,811,104	-	-	22,378,232	-	22,378,232
Preferred stocks	9,962,062	10,013,142	-	-	-	10,013,142
	$ 214,410,970	$ 179,828,920	$ -	$ 32,131,895	$ 12,534,171	$ 224,494,986

26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT – continued

Fair value of financial instruments – continued

Pre-need merchandise and service trust fund investments at September 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	$ 44,083,957	$ 44,084,575	$ -	$ -	$ -	$ 44,084,575
GIC's	29,109,096	29,109,096	-	-	-	29,109,096
Equities	65,522,623	78,644,284	-	-	-	78,644,284
Fixed income	82,148,499	78,628,225	-	5,313,383	1,103,381	85,044,989
Alternative investments	40,217,765	-	-	37,769,371	-	37,769,371
Preferred stocks	5,774,247	5,729,701	-	-	-	5,729,701
	$ 266,856,187	$ 236,195,881	$ -	$ 43,082,754	$ 1,103,381	$ 280,382,016

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	68,353,825	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
	$ 241,815,838	$ 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.

26. 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 September 30, 2020, the Company had net unrealized gains in the Care and Maintenance Trust Funds of approximately $5.0 million, which represents a 2.3% net unrealized gain to the original cost basis. As of September 30, 2020, the Company had net unrealized gain in the Pre-Need Merchandise and Service Trust Funds of approximately $13.5 million, which represents a 5.1% net unrealized gain to the original cost basis. The improvement is a result of improved capital markets during the second and third quarter of 2020. The unrealized gains are muted because of the higher cash positions and the Canadian GIC's.

27. 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.

27. COMMITMENTS AND CONTINGENCIES - continued

Construction

The Company has 14 construction commitments with the remaining balance of $16.1 million committed, primarily for the construction of Westminster funeral visitation and reception centre in Toronto, Ontario and for funeral homes, mausoleums and cemetery development in the United States. To date the Company has spent $16.7 million on these construction commitments.

Commitment

On September 8, 2020, the Company announced Joseph Leeder's retirement as Chief Financial Officer of the Company and the appointment of Daniel Millet as Chief Financial Officer of the Company, and on retirement, the Company has agreed to forgive a $1,035,750 loan provided by the Company to Mr. Leeder and the accelerated vesting of 4,878 performance share units and 4,878 restricted share units no later than December 31, 2020.

28. 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:

	September 30, 2020	December 31, 2019
Canada	$ 194,389,754	$ 205,799,226
United States	1,205,961,918	1,086,146,783
Total	$ 1,400,351,672	$ 1,291,946,009

28. 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 September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Revenue:				
Sales:				
Canada	$ 9,038,583	$ 8,739,075	$ 27,000,806	$ 26,445,460
United States	70,479,130	51,523,427	202,914,247	132,006,858
Total sales	79,517,713	60,262,502	229,915,053	158,452,318
Income from care and maintenance funds:				
Canada	1,155,000	1,246,999	3,005,000	3,811,639
United States	1,469,919	1,416,075	4,665,850	4,156,782
Total income from care and maintenance funds	2,624,919	2,663,074	7,670,850	7,968,421
Interest and other income:				
Canada	301,805	171,837	985,429	713,904
United States	1,347,190	3,481,325	3,906,931	8,167,999
Total interest and other income	1,648,995	3,653,162	4,892,360	8,881,903
Total revenue:				
Canada	10,495,388	10,157,911	30,991,235	30,971,003
United States	73,296,239	56,420,827	211,487,028	144,331,639
Total Revenue	$ 83,791,627	$ 66,578,738	$ 242,478,263	$ 175,302,642

29. SUBSEQUENT EVENTS

On October 1, 2020, the Company completed the acquisition of the assets of Bowers Funeral Service Ltd. ("Bowers"), a three-location funeral home business located in Salmon Arm, Golden and Revelstoke, British Columbia. Bowers' acquisition was funded with the cash on hand and it expands PLC's presence in British Columbia.

Subsequent to September 30, 2020, on November 2, 2020, the Company announced the acquisition of all the outstanding stock of W.R. Floyd Corp. and Floyd Properties, Inc. and a majority of the assets of W.R. Floyd Services, Inc. GRAS, LLC, Piedmont Crematory, Inc. and Floyd's Pet Cremation, LLC (collectively "J.F. Floyd"), a group of businesses located in Spartanburg and Charleston, South Carolina. J.F. Floyd acquisition adds four funeral home locations (three of which are on-sites), nine cemetery locations and one stand-alone crematory. The addition of these businesses strengthens PLC's operational footprint in South Carolina and provides a platform from which it can continue to expand into the southeast region of the U.S.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Quarter Ending September 30, 2020

The following Management's Discussion and Analysis (this "**MD&A**") provides a review of corporate and market developments, results of operations and financial position of Park Lawn Corporation ("**PLC**" or the "**Company**") for the period ended September 30, 2020. This discussion should be read in conjunction with the Company's interim unaudited condensed consolidated financial statements and accompanying notes for the three and nine month periods ended September 30, 2020, together with the Company's audited consolidated financial statements for the year ended December 31, 2019 and the accompanying notes contained therein. Information contained in this MD&A is based on information available to management as of November 12, 2020. Unless otherwise stated, all amounts discussed herein are denominated in Canadian dollars.

Forward-Looking Information

All information other than statements of current and historical fact contained in this MD&A is forward-looking information. In certain cases, forward-looking information can be identified by the use of words such as "plans", "expects", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "believes", or variations of such words and phrases, or statements that certain actions, events or results "may", "could", "would", "might" or "will", "occur" or "be achieved", and similar words or the negative thereof. The forward-looking information contained herein is expressly qualified in its entirety by this cautionary statement.

Forward-looking information in this MD&A includes, but is not limited to, statements regarding the impact of COVID-19 on the Company's business, the growth targets that PLC aspires to achieve by the end of 2022, the EBITDA (as defined below) multiples that the Company generally expects to pay for acquisitions, future earnings generated by recent acquisitions completed by the Company, expected synergies of acquisitions completed by the Company, the Company's business generally, future development and construction, future financial position and business strategy, the deathcare industry, potential acquisitions, potential business partnering, litigation, the ability of the Company to procure additional sales from new and existing customers, and the Company's plans and objectives. By its nature, forward-looking information is inherently uncertain, is subject to risk and is based on numerous assumptions, including those set out under the heading "Outlook" in PLC's management's discussion and analysis for the second quarter of 2018 (filed on SEDAR on August 14, 2018), and that the risk mitigation strategies undertaken with respect to COVID-19 will be effective, recent acquisitions will perform as expected, PLC will be able to implement business improvements and achieve cost savings, PLC will be able to retain key personnel, there will be no unexpected expenses occurring as a result of the acquisitions, multiples will remain at or below levels paid by PLC for previously announced acquisitions, the Canadian dollar to United States dollar exchange rate will remain consistent, the acquisition and financing markets will remain accessible, capital can be obtained at reasonable costs and PLC's current business lines will operate and obtain synergies as expected, as well as risks and assumptions regarding present and future business strategies, the environment in which the Company will operate in the future, expected revenues, expansion plans and the Company's ability to achieve its goals. Although management of the Company believes that the expectations represented in such forward-looking information are reasonable, there can be no assurance that such expectations will prove to be correct.

The future outcomes that relate to forward-looking information may be influenced by many factors that could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking information, including, but not limited to, the risks associated with the current COVID-19 pandemic and the other risk factors described under the heading "Risk Factors" in the Company's most recent Annual Information Form. The Company cautions that such list of factors is not exhaustive, and when relying on forward-looking information to make decisions with respect to the Company, readers should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking information.

There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. Forward-looking information is provided as of the date of this MD&A or such other date specified herein, and the Company assumes no obligation to update or revise such forward-looking information to reflect new events or circumstances, except as required under applicable securities laws.

Financial Statements and Accounting Policies

The Company prepares its financial statements in Canadian dollars in accordance with International Financial Reporting Standards ("**IFRS**") applicable to the preparation of consolidated financial statements. The Company's significant accounting policies are summarized in Note 2 to its consolidated annual financial statements for the year ended December 31, 2019. PLC's interim unaudited condensed consolidated financial statements for the period ended September 30, 2020, are prepared in accordance with the accounting policies disclosed in Note 2 to its consolidated annual financial statements for the year ended December 31, 2019.

Description of Non-IFRS Measures

Management uses both IFRS and Non-IFRS Measures to monitor and assess the Company's operating performance. Non-IFRS Measures adjust for the impact of certain expenses and income that have been recognized under IFRS when analyzing operating performance. Management believes that the excluded items are not reflective of the Company's underlying operating performance and make comparisons of underlying financial performance between periods difficult. As such, management believes that Non-IFRS measures may be useful to investors and other third parties because they allow for greater transparency with respect to key metrics used by the Company in its financial and operational decision making. From time to time, the Company may exclude additional items if it believes doing so would result in a more effective analysis of underlying operating performance. The exclusion of certain items does not imply that they are non-recurring.

These Non-IFRS measures are intended to provide additional information and should not be considered in isolation nor as a substitute for measures of performance prepared in accordance with IFRS. In this MD&A, management uses the following measures, which are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are unlikely to be comparable to similar measures presented by other organizations:

- **Adjusted Net Earnings** – The Company defines Adjusted Net Earnings as net earnings adjusted for non-recurring, one-time or non-cash income or expense items. The Company uses Adjusted Net Earnings to assist in evaluating its operating performance. The Company believes that this Non-IFRS measure provides meaningful supplemental information to investors and other third parties regarding operating results because it excludes certain income or expense items which are non-cash in nature and/or do not relate to core operating activities of the Company's underlying business and which may not be indicative of the Company's future financial results.

  The adjustments may include, but are not limited to, the after-tax impact of acquisition and integration costs, share based compensation, amortization of intangibles and other gains or losses.

  Please see "Overall Financial Performance - Adjusted Net Earnings" below for a reconciliation of the Company's net earnings to Adjusted Net Earnings.

- **EBITDA** - the Company defines EBITDA as earnings from operations before interest expense, taxes, depreciation and amortization (including amortization of tangible and intangible assets and amortization of cemetery property). The Company believes EBITDA to be an important measure that allows investors and other third parties to assess the operating performance of its ongoing business and to compare its results to prior periods and to the results of its competitors.

  The Company's cemetery property inventory is acquired or constructed over many years, if not decades, in advance of its sale. The cash associated with this investing activity is a cash outflow in the period in which the inventory is acquired or constructed and classified as investing activities in the Company's condensed consolidated statement of cash flows. As sales occur, the Company draws down its inventory by making a non-cash charge to cost of goods sold.

- **Adjusted EBITDA** - Adjusted EBITDA is EBITDA adjusted for non-cash share based compensation, and other non-recurring, one-time or non-cash income or expense items identified in the Adjusted Net Earnings. The Company believes that the inclusion of Adjusted EBITDA also provides useful supplementary information to investors and other third parties that allows them to assess the operating performance of the Company's ongoing business and to compare its results to prior periods and to the results of its competitors.

  Please see the "Unaudited Quarterly Information" below for a reconciliation of the Company's earnings from operations to Adjusted EBITDA.

- **Adjusted EBITDA Margin** – the Company calculates Adjusted EBITDA Margin as Adjusted EBITDA as a percentage of total revenue. The Company believes the Adjusted EBITDA Margin helps to assess the operating performance of the Company and to compare its results to prior periods and to the results of its competitors.

- **Adjusted Cash Flow** - Adjusted Cash Flow is defined as the Company's controlling interest in the following: earnings before income taxes, depreciation and amortization (including amortization of tangible and intangible assets and amortization of cemetery property), less cash income taxes payable, and adjusted for other non-cash income or expense items. The Company evaluates, among other things, the sustainability of its dividend on a regular basis using an Adjusted Cash Flow metric.

  Please see "Discussion of Operating Results, Three Months ended September 30, 2020 – Adjusted Cash Flow" and "Discussion of Operating Results, Nine Months ended September 30, 2020 – Adjusted Cash Flow" below for a reconciliation of the Company's earnings from operations to Adjusted Cash Flow.

- **Revenue Growth from Comparable Business Units** - is calculated as the percentage increase in revenue for Same Store Operations in the period relative to the comparable period, plus the percentage increase in revenue for Acquired Operations in the period relative to a 12 month period (or pro-rated as necessary) prior to acquisition by the Company.

- **Same Store Operations** – consists of business units or locations owned by the Company for the entire period from January 1, 2019 and ending September 30, 2020 and is used to determine Revenue Growth from Comparable Business Units.

- **Acquired Operations** – consists of business units or locations acquired by the Company during the period from January 1, 2019 and ending September 30, 2020 and is used to determine Revenue Growth from Comparable Business Units.

- **Leverage Ratio** – is calculated as total indebtedness to trailing twelve months Adjusted EBITDA. Leverage Ratio is defined by the Company's credit agreement. Total indebtedness includes the face value of bank debt, mortgages, vehicle loans, notes payable and letter of credits, excludes lease liabilities, and is offset by cash on hand. Trailing twelve months Adjusted EBITDA is calculated in accordance with the credit agreement and includes Adjusted EBITDA for Acquired Operations in the period relative to a 12 month period (or pro-rated as necessary) prior to acquisition by the Company.

  This non-IFRS measure helps to assess the Company's ability to repay the principal of its total indebtedness and assess the Company's use of leverage in the performance of the Company's operations.

- **Interest Coverage Ratio** – is calculated as the ratio of trailing twelve months Adjusted EBITDA to interest expense. Interest Coverage Ratio is defined by and calculated in accordance with the Company's credit agreement.

  This non-IFRS measure helps to assess the Company's ability to service its ongoing interest payments.

Overview

PLC is an Ontario corporation listed on the Toronto Stock Exchange under the stock symbol of "PLC". PLC is the only Canadian publicly listed cemetery, funeral and cremation company.

The Company is one of the largest providers of deathcare products and services in North America. The Company sells its products and services both at the time of need (at-need) and on a pre-arranged basis (pre-need). As at September 30, 2020, PLC operated in 5 Canadian provinces and 15 U.S. states. The Company and its subsidiaries operated 114 cemeteries, 108 funeral homes (including 21 on-sites, where a funeral home is located on a cemetery) and 39 crematoria businesses, each of which serviced different areas and provided a different combination of products and services. The Company's primary products and services are: cemetery lots, crypts, niches, monuments, caskets, urns and other merchandise, funeral services and after life celebration services.

The Company's growth strategy includes organic initiatives and future acquisitions. Organic initiatives include the build-out of inventory at new or existing cemetery properties, remodeling of existing funeral homes, construction of new stand-alone funeral homes and construction of new on-site funeral homes (referred to as combination properties). The deathcare industry continues to be a highly fragmented market in North America, and the Company plans to continue its acquisition growth strategy where opportunities are attractive and can be integrated with its existing operations or provide an entry to new markets. The Company generally expects to pay earnings multiples based on stabilized EBITDA of 4x – 6x for smaller acquisitions and 6x – 8x for larger acquisitions, with a premium paid for size of the acquired business. Expectations for Canadian acquisitions tend to have lower multiples than the U.S. equivalent due to differences in supply and demand, and the activity in the U.S. marketplace. Ultimately, as each transaction is unique, multiples paid for acquisitions may be outside of these ranges as the circumstances require.

After leadership concerns were raised to the Company's board of directors (the "**Board**") in late 2019, the Board formed a Special Committee which subsequently completed its work and was dissolved on May 12, 2020. The Special Committee was formed to ensure that the Company's leadership team was properly positioned to support its previously stated goal of reaching $100 million in Adjusted EBITDA by the end of 2022. While performing its duties, the Special Committee also undertook a strategic review of the Company's corporate governance matters, including executive management transitional planning preparedness. During this process, the Company announced on February 18, 2020, that Mr. Andrew Clark, Chairman and CEO, was stepping down from his position as Chairman and CEO, and that Mr. Paul Smith would assume the role of Chairman of the Board. The Board immediately commenced a search for a new CEO and Mr. Clark would remain in the position of CEO until the successful completion of the search process.

On March 27, 2020, amid the start of the COVID-19 outbreak in North America, the Company announced that Mr. Clark would relinquish his role as CEO and that Mr. J. Bradley Green, the Company's then President, would assume the role of Interim CEO effective March 31, 2020. On April 9, 2020 the Company suspended the search for a permanent CEO and determined that it would re-commence the search once there was a clearer view on the end of the COVID-19 pandemic. 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, Mr. Clark resigned from the Board of Directors. On June 22, 2020, the Board appointed Mr. Green to the position of CEO.

On September 8, 2020, the Company announced the appointment of Mr. Daniel Millett as Chief Financial Officer ("**CFO**"). Mr. Millet filled the position of Mr. Joseph Leeder, who is retiring. Mr. Leeder will continue his employment with the Company as Senior Advisor during a transition period through to the end of this year.

In North America, we all continue to adapt to daily changes as a result of the COVID-19 pandemic. The outbreak of this contagious illness poses a threat to the health and economic wellbeing of our employees and their families, the families we serve, our vendors and the Company. In all communities we serve, funeral homes and cemeteries have been classified as essential services and we have remained open to serve our families at their time of need. In recognition of the challenges our employees face as first responders working on the front lines, our immediate response was directed toward the safety and security of them and their families. We have implemented enhanced safety protocols and procedures designed for working with any deceased who may have been infected by COVID-19. Likewise, we have also put into place safety protocols and procedures in regard to our interactions with our customers to protect the health and safety of all concerned. We implemented web broadcasting of funeral services in our funeral homes and provided other alternatives to traditional visitations and services so that friends and family could be included at the funeral service of loved ones. In addition, stay at home orders impacted the way we conduct our pre-need sales such that we are now utilizing different strategies and technology to help us through the selling process under these challenging times. We began utilizing our family contacts in conjunction with the triggering effect that the pandemic has created, resulting in a backlog of contacts and opportunities. We also implemented work from home policies where possible to reduce the risk of our employees being exposed to the infection.

As the pandemic began to unfold in early 2020 it was unclear as to the severity or the duration of COVID-19 including the financial impact it might have on the Company in the weeks and months ahead. With that in mind, the Company implemented contingency planning procedures in early March to limit the financial risk to our business. This included implementing measures to reduce operating expenses in certain areas of the business including minimizing the use of part time employees, eliminating non-essential expenses such as travel, reduced marketing and advertising expenditures, reduced corporate expenses where possible and managed field level maintenance programs to essential matters only. We also deferred or slowed the pace of a number of planned maintenance and growth capital expenditure programs until we had a clearer view of the impact of this pandemic on the Company's business, and we also examined our acquisition pipeline and deferred many of the opportunities as we focused on preserving financial flexibility, although our acquisition strategy could be quickly re-activated when appropriate. Finally, we restructured the Company's credit facility to provide additional liquidity and relaxed covenants for a specific period of time.

Management's focus in the near term was on operations and completing the integration of our existing businesses.

Due to the measures implemented and the great work of our people, the pandemic has not to date had a materially negative impact on the overall financial performance of the business. As a result, the Company was able to reactivate several growth oriented objectives during the second and third quarter of 2020, including certain capital expenditure programs and our acquisition program.

Additionally, the Canadian and U.S. governments announced measures to support workers and businesses through the COVID-19 crisis. In the U.S. the Company is eligible and has taken steps under the Coronavirus

Aid, Relief, and Economic Security Act ("CARES Act") to defer the employer portion of certain components of the Company's payroll related tax remittances for a period through to December 31, 2020 with one-half of the deferred amounts due by December 31, 2021 and the remaining amount of the deferred amount due by December 31, 2022. In Canada, the programs allowed for a deferral of income taxes and HST payments until June 30, 2020 but more significant was the Canada Emergency Wage Subsidy ("**CEWS**") program which allowed for qualifying companies to recover 75% of certain wages paid in March to June 2020. The Company applied for and received approximately $1.0 million in wage subsidies for the first two claim periods. The Government announced an additional CEWS program on July 23, 2020 extending it to December 2020, however, the Company does not anticipate that it will qualify for further wage subsidies at this time.

Finally, in July 2020 the Company raised $81.6 million (net of commissions to underwriters and transaction costs) from the issuance of publicly traded Senior Unsecured Debentures ("**Debentures**"). The net proceeds were used to repay a portion of the Company's outstanding credit facility, providing further liquidity and financial flexibility for the Company. For purposes of testing the covenants under the Company's credit facility, the Debentures are not included as part of total indebtedness. The Company intends to use the enhanced borrowing capacity under the credit facility to fund future acquisitions and for general corporate purposes.

Overall Financial Performance

During 2020 and 2019 the Company completed several acquisitions in the United States, the more significant of these being the acquisition of: WG-TN, LLC and Harpeth Hills Memory Gardens Inc. (collectively, "**Harpeth Hills**") and Family Legacy, LLC ("**Family Legacy**") in January 2020; Journey Group Texas One, LLC and Journey Group Texas Two, LLC in November 2019; Horan & McConaty Funeral Services, Inc. in July 2019; The Baue Funeral Home Co. in June 2019; and Cress Funeral Service, Inc. in April 2019.

In addition to the cemetery and funeral operations acquired, in 2018 the Company added an experienced management team and established a second corporate office in Houston, Texas. The Company has invested in growing and expanding the Houston office and has begun to further integrate the acquired businesses by establishing regional business units to share resources more effectively, achieve best in practice sales strategies across the business units, modernize information systems and centralize human resource, risk management, legal, finance, procurement and other support functions in order to realize cost savings and other synergies going forward. This investment in people and corporate infrastructure will allow the Company to support the business as it moves towards its previously disclosed aspirational growth target of $100 million in pro forma Adjusted EBITDA by the end of 2022.

Primarily as a result of the above noted acquisitions, revenue for the nine month period ended September 30, 2020 increased by 38.3% to $242,478,263 from $175,302,642 for the same period in 2019 and revenue in the third quarter of 2020 increased by 25.9% to $83,791,627 from $66,578,738 for the same period in 2019. Excluding differences in foreign exchange rates, Revenue Growth from Comparable Business Units year-over-year was 7.7% and the growth quarter-over-quarter was 11.1%.

Net earnings attributable to PLC shareholders for the nine month period ended September 30, 2020 increased by 100.7% to $12,769,609 from $6,363,135 for the same period in 2019 and for the three month period ended September 30, 2020 increased by 242.2% to $5,403,038 from $1,579,106 for the same period in 2019. On a fully diluted per share basis, the net earnings attributable to PLC shareholders for the nine month period ended September 30, 2020 increased by 85.3% to $0.428 from $0.231 for the same period ended September 30, 2019 and for the three month period ended September 30, 2020 increased by 239.6% to $0.180 from $0.053 for the same period in 2019. The increases in net earnings are primarily due to earnings from acquisitions made during 2019 and 2020, and a reduction in acquisition and integration costs resulting from these acquisitions, offset by other expenses discussed in this MD&A.

Adjusted Net Earnings and Adjusted EBITDA

As noted, the 2020 and the 2019 net earnings as stated have been significantly impacted by certain one-time, non-recurring or non-cash revenue and expense items that management believes should be highlighted to better explain the Company's operating performance for the periods under review on an adjusted basis. The table below summarizes the calculation of Adjusted Net Earnings and Adjusted EBITDA for the three and nine month periods ended September 30, 2020 and 2019:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	**2019**	**2020**	**2019**
Net earnings, PLC shareholders	$ 5,403,038	$ 1,579,106	$ 12,769,609	$ 6,363,135
Adjusted for the impact of:				
Acquisition and integration costs	537,757	4,391,098	4,809,746	9,649,190
Share based compensation	1,165,547	1,116,805	3,768,325	2,677,291
Amortization of intangible assets	576,415	895,990	1,846,655	1,931,762
Other (income) expenses	491,547	-	3,327,640	68,904
Tax effect on the above items	(425,644)	(1,401,079)	(2,419,402)	(3,107,444)
Adjusted Net Earnings, PLC shareholders	$ 7,748,660	$ 6,581,920	$ 24,102,573	$ 17,582,838
Adjusted EBITDA, PLC shareholders (see Quarterly Information)	$ 19,102,935	$ 15,106,997	$ 55,681,065	$ 39,857,246
Per share amounts attributable to PLC shareholders				
Adjusted Net Earnings - diluted	$ 0.259	$ 0.221	$ 0.808	$ 0.637
Adjusted EBITDA - diluted (see Quarterly Information)	$ 0.638	$ 0.507	$ 1.866	$ 1.445
Weighted average shares outstanding - diluted	29,942,397	29,775,481	29,845,277	27,591,164

Adjusted Net Earnings and Adjusted EBITDA are non-IFRS measures. See "Description of Non-IFRS Measures"

A description of the items included in the above table follows:

- Acquisition and integration costs – as previously mentioned, the Company completed a number of large and strategically significant acquisitions in 2019 and early 2020. In 2019 the Company invested approximately $180.5 million and in January 2020 invested an additional $69.0 million on business acquisitions. Commensurate with the size and number of transactions, the acquisition and integration expenses incurred by the Company have increased in recent years.

During the nine month periods ended September 30, 2020 and 2019, the Company incurred acquisition and integration -related expenses of $4,809,746 and $9,649,190, respectively, and during the three month periods ended September 30, 2020 and 2019, $537,757 and $4,391,098, respectively. As many of these acquisitions were material transactions, 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.

- Share based compensation - on June 22, 2020, the shareholders of the Company approved a second amended and restated omnibus equity incentive plan (the "**EIP**"), consisting of Deferred Share Units ("**DSUs**"), Restricted Share Units ("**RSUs**"), Performance Share Units ("**PSUs**"), and Options to acquire common shares ("**Options**"). The number of common shares that may be issued by the Company upon the settlement of awards granted under the EIP shall not exceed 2.4 million common shares. The Company has 874,713 EIP Units outstanding to senior management consisting of 680,000 performance options ("**Performance Options**"), 140,000 Options, 25,238 RSUs and 29,475 PSUs. Performance Options and PSUs are subject to both time and performance based vesting, while Options and RSUs are subject to time based vesting. The Company recognized $3,768,325 in non-cash share-based compensation expense during the nine month period ended September 30, 2020 compared to $2,677,291 for the same period in 2019 and $1,165,547 during the three month period ended September 30, 2020 compared to $1,116,805 for the same period in 2019. Share based incentive compensation expense will vary based on vesting conditions, performance metrics, the value of the underlying security, and the timing of when awards are issued. Since the unit obligations are expected to be settled in common shares at some date in the future, the share-based compensation expenses are not deductible for Canadian tax purposes.

- Amortization of intangible assets – represents the amount of amortization of intangible assets acquired as a result of business combinations. The Company recognized $1,846,655 in amortization expense of intangible assets during the nine-month period ended September 30, 2020 compared to $1,931,762 for the same period in 2019 and $576,415 during the three-month period ended September 30, 2020 compared to $895,990 for the same period in 2019.

- Other income (expenses) – comprised of the following:
    - Approximately $1.1 million and $nil for the nine and three month periods ended September 30, 2020, respectively, relating to the Special Committee's strategic review of corporate governance matters and executive management transition preparedness (as referred to above under "Overview") , including Board fees, and legal, CEO search and other professional fees;
    - Approximately $950,000 and $nil for the nine and three month periods ended September 30, 2020, respectively, in restructuring costs;
    - Approximately $1.7 million and $nil for the nine and three month period ended September 30, 2020, respectively, relating to the transition of Mr. Clark (as described in Note 24 of the financial statements and described in more detail below under "Related Party Transactions");
    - Approximately $490,000 for the nine and three month periods ended September 30, 2020, in legal costs primarily related to the departure of the former CEO, including legal costs for the defense of intellectual property created by the Company and the preservation and of certain investments made or authorized by the former CEO;

- Offset in the second quarter of 2020 by approximately $1.0 million of wage subsidies recovered under the CEWS program.

- Income tax – represents an adjustment for the tax impact of the above noted adjustments where such items are taxable in nature.

After reflecting the impact of the above items, Adjusted Net Earnings attributable to PLC shareholders for the nine-month period ended September 30, 2020 was $24,102,573 or $0.808 per share compared to $17,582,838 or $0.637 per share for the same period in 2019. This represents an increase of 37.1% in the Adjusted Net Earnings and 26.8% in the Adjusted Net Earnings per share year over year.

For the three-month period ended September 30, 2020 Adjusted Net Earnings attributable to PLC shareholders was $7,748,660 or $0.259 per share compared to $6,581,920 or $0.221 per share for the same period in 2019. This represents an increase of 17.7% in the Adjusted Net Earnings and 17.2% in the Adjusted Net Earnings per share quarter over quarter.

Adjusted EBITDA attributable to PLC shareholders for the nine month period ended September 30, 2020 was $55,681,065 or $1.866 per share compared to $39,857,246 or $1.445 per share for the same period in 2019.For the three month period ended September 30, 2020, Adjusted EBITDA attributable to PLC shareholders was $19,102,935 or $0.638 per share compared to $15,106,997 or $0.507 per share for the same period in 2019. This represents an increase of 39.7% in the Adjusted EBITDA and 29.1% in the Adjusted EBITDA per share year over year and an increase of 26.5% in the Adjusted EBITDA and 25.8% in the Adjusted EBITDA per share quarter over quarter.

The Adjusted EBITDA profit margin for the nine-month period ended September 30, 2020 was 23.1% compared to 23.0% for the same period in 2019 and for the three-month period ended September 30, 2020 was 23.0% compared to 22.9% for the same period in 2019.

On January 31, 2020 the Company completed the previously announced acquisition of all the outstanding stock and membership interests of Family Legacy, a business with 12 locations operating in the greater Nashville, Tennessee area, for a purchase price of approximately $69.0 million (US$52.0 million). At the same time, the $27.1 million (US $20.4 million) promissory note to Harpeth Hills was converted to acquire all the outstanding membership interests in Harpeth Hills, a large combination business also located in Nashville, Tennessee. The above noted acquisitions expand 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 above acquisitions are in line with PLC's communicated growth strategy and were funded with proceeds from PLC's existing credit facility.

Subsequent to the end of the third quarter, on October 1, 2020, the Company completed the acquisition of the assets of Bowers Funeral Service Ltd. ("**Bowers**"), a three-location funeral home business located in Salmon Arm, Golden and Revelstoke, British Columbia. The Bowers' businesses perform approximately 390 calls per year. The acquisition expands PLC's presence in British Columbia, and was funded with cash on hand.

Additionally, on November 2, 2020, the Company announced the acquisition of all the outstanding stock of W.R. Floyd Corp. and Floyd Properties, Inc. and a majority of the assets of W.R. Floyd Services, Inc. GRAS, LLC, Piedmont Crematory, Inc. and Floyd's Pet Cremation, LLC (collectively "**J.F. Floyd**"), a group of businesses located in Spartanburg and Charleston, South Carolina. The J.F. Floyd acquisition adds four funeral home locations (three of which are on-sites), nine cemetery locations and one stand-alone crematory, and was funded primarily with cash on hand. The J.F. Floyd businesses perform approximately 650 calls and over 800 interments per year and the acquisition strengthens PLC's operational footprint in South Carolina and provides a platform from which it can continue to expand into the southeast region of the U.S. Once fully integrated, PLC expects the J.F. Floyd businesses to contribute approximately US$2.4 million in EBITDA.

Discussion of Operating Results, Three Months ended September 30, 2020

Total revenue for the three month period ended September 30, 2020 was $83,791,627 compared to $66,578,738 in the same period in 2019. This represents an increase of $17,212,889 or 25.9%, over the same period in 2019.

Revenue is derived primarily from sales of property, merchandise and services by the Company's cemetery, funeral and cremation businesses. Revenue, cost of sales and gross profit for the three month periods ended September 30, 2020 and 2019 are as follows:

	September 30, 2020	September 30, 2019
Sales	$ 79,517,713	$ 60,262,502
Income from care and maintenance funds	2,624,919	2,663,074
Interest and other income	1,648,995	3,653,162
Revenue	83,791,627	66,578,738
Cost of sales	16,029,306	12,534,635
Gross profit	$ 67,762,321	$ 54,044,103

Sales for the three month period ended September 30, 2020 were $79,517,713 compared to $60,262,502 in the same period of 2019. This represents an increase of $19,255,211 or 32.0%, over the same period in 2019. The increase in sales related primarily to Acquired Operations for the three month period ended September 30, 2020, as well as, significant increases in sales from the Company's cemetery businesses.

Income from care and maintenance funds for the three month period ended September 30, 2020 was $2,624,919 compared to $2,663,074 in the same period of 2019, which represents a slight decrease in income of $38,155.

Interest and other income for the three month period ended September 30, 2020 was $1,648,995 compared to $3,653,162 in the same period in 2019. This represents a decrease of $2,004,167, which was primarily the result of a capital gain of approximately $2.1 millionfrom a pre-need trust fund that was realized during the three month period ended September 30, 2019.

Excluding the impact of foreign exchange differences in the periods, Revenue Growth from Comparable Business Units' quarter over quarter was 11.1%.

The positive Revenue Growth from Comparable Business Units during the quarter related to both the cemetery and funeral businesses. The Company experienced increases from both at-need sales, which may or may not be directly or indirectly related to COVID-19, and pre-need sales. Irrespective of the cause, our strong relationship with the communities in which we operate and our general preparedness to meet customers' requests in a challenging environment contributed to an overall increase in sales. During the quarter, jurisdictional restrictions imposed as a result of the COVID-19 pandemic were eased in many areas of Canada and the United States, which allowed the Company to return to pre-pandemic service capacity, but the restrictions continued to impact ancillary items and reduce overall revenue per service. Cemetery operations, however, experienced improvements in pre-need sales, in addition to at-need sales, as demand increased as a result of the pandemic and relaxed restrictions allowed for increased face-to-face sales.

Sales from Acquired Operations also increased, which contributed to Revenue Growth from Comparable Business Units. Sales from Acquired Operations improved compared to the three month period ended September 30, 2019, as the Company began to realize integration improvements on Acquired Operations completed in the first half of 2019.

Cost of sales for the three month period ended September 30, 2020 was $16,029,306 compared to $12,534,635 in the same period in 2019. This represents an increase of $3,494,671 or 27.9%, over the same period in 2019 and is primarily a result of Acquired Operations and increased sales at the Company's cemetery businesses.

Operating expenses for the three month period ended September 30, 2020 were $58,821,788 compared to $47,322,502 in the same period in 2019. This represents an increase of $11,499,286 or 24.3% over the same period in 2019, as indicated below:

	September 30, 2020	**September 30, 2019**
General and administrative	$35,006,800	$28,276,402
Amortization of intangibles	576,415	895,990
Maintenance	8,956,200	8,492,651
Advertising and selling	10,396,677	7,078,072
Interest	2,720,149	1,462,582
Share based incentive compensation	1,165,547	1,116,805
	$58,821,788	$47,322,502

The overall increase in operating expenses quarter over quarter was due primarily to the inclusion of Acquired Operations, higher general and administrative expenses for corporate infrastructure and increased interest expense associated with higher loan balances on the credit facility and interest on the Debentures.

The Company's general and administrative expenses increased primarily as a result of the acquisitions of Harpeth Hills and Family Legacy on February 1, 2020, as well as corporate level costs related to the expansion of our corporate infrastructure to support the Company's growth and strategy. This investment in our corporate infrastructure occurred during the 2019 fiscal year and continues to be further refined to meet the needs of the Company's acquisition pipeline and operational outlook.

Advertising and selling expenses increased by $3,318,605 as a result of Acquired Operations and due to increased selling commissions associated with higher sales primarily at the Company's cemetery locations.

Overall, expenses increased in the third quarter as the Company began to ease restrictions on expenditures put in place in the initial stages of the COVID-19 pandemic in the first half of 2020 with respect to various costs, including costs associated with hiring operating personal, travel costs, and advertising and marketing expenditures.

Interest expense for the three month period ended September 30, 2020 includes interest expense on the Company's credit facility and interest expense on the Debentures. Interest expense increased by $1,257,567 for the three month period ended September 30, 2020 compared to the same period in 2019 as a result of the Company utilizing its credit facility to fund its recent acquisitions, as well as the issuance of the Debentures in July. Amortization of deferred finance costs associated with establishing and amending the credit facility and the Debenture offering, as well as standby fees contributed to the increase in interest expense.

The Company's EIP was established in the second quarter of 2016, as a means of compensating directors and designated employees of the Company and its subsidiaries, and of promoting share ownership and alignment with shareholders' interests. The EIP provides for the grant of DSUs, RSUs, PSUs and Options. The plan was amended in May of 2019 and subsequently in June of 2020. Compensation expense associated with these units for the three month period ended September 30, 2020 was $1,165,547 compared to $1,116,805 for the same period in 2019.

As a result of the above, earnings from operations for the three month period ended September 30, 2020 totaled $8,940,533 compared to $6,721,601 for the same period in 2019. This represents an increase of $2,218,932 or 33.0% quarter over quarter.

Other income and expenses for the three month periods ended September 30, 2020 and 2019 are as follows:

	Three Months Ended September 30,	
	2020	**2019**
Earnings from operations	$ 8,940,533	$ 6,721,601
Acquisition and integration costs	(537,757)	(4,391,098)
Other income (expenses)	(491,547)	-
Earnings before income taxes	7,911,229	2,330,503
Income tax expense	2,436,037	697,624
Net earnings for the period	$ 5,475,192	$ 1,632,879

During the three month period ended September 30, 2020 and 2019, the Company incurred acquisition and integration expenses of $537,757 and $4,391,098, respectively. Acquisition expenses will vary from period to period depending on the size and level of acquisition activity, and include expenses relating to legal, financial and tax due diligence, post closing audits, representation and warranty insurance premiums, preparation of independent valuation reports to substantiate purchase price allocations and where necessary the preparation of reports for regulatory compliance purposes.

As previously discussed, other income (expenses) for the third quarter primarily include legal costs related to the departure of the former CEO, the defense of intellectual property created by the Company and the preservation and recovery of investments made or authorized by the former CEO.

Income tax expense for the three month period ended September 30, 2020 was $2,436,037 compared to $697,624 for the same period in 2019. The effective tax rate in 2020 was 30.8% which is higher than the Company's statutory tax rates as a result of certain permanent differences in operating expenses that are not deductible expenses for tax purposes, such as share based compensation expenses offset by non-taxable dividend income compared to 29.9% for the same period in 2019.

As a result of the above, the Company's after-tax earnings from operations for the three month period ended September 30, 2020 totaled $5,475,192 compared to $1,632,879 for the same period in 2019.

Earnings Per Share

The weighted average diluted number of common shares outstanding for the three month period ended September 30, 2020 increased to 29,942,397 compared to 29,775,481 for the same period in 2019, an increase of 166,916 or 0.6%. The increase in outstanding shares relates to the issuance of shares pursuant to the Company's dividend reinvesment plan ("**DRIP**") and EIP.

Fully diluted earnings per common share attributable to PLC shareholders for the three month period ended September 30, 2020 were $0.180 compared to $0.053 for the same period in 2019.

Adjusted Net Earnings Per Share

The 2020 and 2019 net earnings, as stated, have been significantly impacted by certain one-time, non-recurring or non-cash revenue and expense items that management believes should be highlighted to better reflect the Company's operating performance for the period under review. The table below summarizes the impact of these items for the three month period ended September 30, 2020 compared to the same period in 2019:

	Three Months Ended September 30,	
	2020	2019
Net earnings, PLC shareholders	$ 5,403,038	$ 1,579,106
Adjusted for the impact of:		
Acquisition and integration costs	537,757	4,391,098
Share based compensation	1,165,547	1,116,805
Amortization of intangible assets	576,415	895,990
Other (income) or expenses	491,547	-
Tax effect on the above items	(425,644)	(1,401,079)
Adjusted Net Earnings, PLC shareholders	$ 7,748,660	$ 6,581,920
Adjusted EBITDA, PLC shareholders (see Quarterly Information)	$ 19,102,935	$ 15,106,997
Per share amounts attributable to PLC shareholders		
Adjusted Net Earnings - diluted	$ 0.259	$ 0.221
Adjusted EBITDA - diluted (see Quarterly Information)	$ 0.638	$ 0.507
Weighted average shares outstanding - diluted	29,942,397	29,775,481

Adjusted Net Earnings and Adjusted EBITDA are non-IFRS measures. See "Description of Non-IFRS Measures".

As indicated in the chart above, Adjusted Net Earnings to PLC shareholders for the three month period ended September 30, 2020 increased to $7,748,660 from $6,581,920 during the same period in 2019. This represents an increase of 17.7% quarter over quarter. The fully diluted Adjusted Net Earnings per share for the three month period ended September 30, 2020 was $0.259 compared to $0.221 for the same period in 2019, a quarter over quarter increase of $0.038 or 17.2%.

Adjusted EBITDA Per Share

Adjusted EBITDA attributable to PLC shareholders for the three month period ended September 30, 2020 was $19,102,935 compared to $15,106,997 during the same period in 2019, which represents an increase of $3,995,938 or 26.5% quarter over quarter. The fully diluted Adjusted EBITDA per share for the three month period ended September 30, 2020 was $0.638 compared to $0.507 for the same period in 2019, a quarter over quarter increase of $0.131 or 25.8%.

Adjusted Cash Flow

The Company uses Adjusted Cash Flow as a measure of, among other things, the sustainability of its dividend. The table below summarizes the calculation of Adjusted Cash Flow from the Company's operations for the three month periods ended September 30, 2020 and 2019 compared to its dividend payout:

	Three Months Ended September 30, 2020	2019
Earnings before income taxes	$ 7,911,229	$ 2,330,503
Adjusted for:		
Amortization of cemetery property	2,448,478	2,054,922
Depreciation and amortization	3,964,144	3,884,364
Cash income taxes payable	(320,000)	(250,000)
Share based compensation	1,162,707	975,678
Adjusted cash flow from operations	15,166,558	8,995,467
Less non controlling interest amounts:		
Net earnings	72,154	53,773
Depreciation and amortization	41,189	53,349
Adjusted cash flow, equity holders of PLC	$15,053,216	$8,888,346
Adjusted cash flow per common share-diluted	$0.503	$0.299
Dividends per common share	$0.114	$0.114
Payout ratio	23%	38%

Adjusted Cash Flow is a non-IFRS measure. See "Description of Non-IFRS Measures".

As calculated above, the Company's Adjusted Cash Flow from operations was $15,053,216 for the three month period ended September 30, 2020 compared to $8,888,346 for the same period in 2019. This represents Adjusted Cash Flow per fully diluted common share of $0.503 and $0.299 for the three month periods ended September 30, 2020 and 2019, respectively.

The Company paid dividends of $0.114 per common share for the three month periods ended September 30, 2020 and 2019. The dividends paid represent 23% and 38% of the Adjusted Cash Flow per common share for the three month periods ended September 30, 2020 and 2019, respectively.

Discussion of Operating Results, Nine Months ended September 30, 2020

Total revenue for the nine month period ended September 30, 2020 was $242,478,263 compared to $175,302,642 in the same period in 2019. This represents an increase of $67,175,621 or 38.3%, over the same period in 2019.

Revenue, cost of sales and gross profit for the nine month periods ended September 30, 2020 and 2019 are as follows:

	September 30, 2020	September 30, 2019
Sales	$229,915,053	$ 158,452,318
Income from care and maintenance funds	7,670,850	7,968,421
Interest and other income	4,892,360	8,881,903
Revenue	242,478,263	175,302,642
Cost of sales	45,466,809	33,198,421
Gross profit	$197,011,454	$ 142,104,221

Sales for the nine month period ended September 30, 2020 were $229,915,053 compared to $158,452,318 in the same period of 2019. This represents an increase of $71,462,735 or 45.1%, over the same period in 2019. This increase in sales is primarily related to Acquired Operations made throughout 2019 and in the first quarter of 2020, as well as sales growth from the Company's cemetery operations.

Income from care and maintenance funds for the nine month period ended September 30, 2020 was $7,670,850 compared to $7,968,421 in the same period of 2019, a slight decrease of $297,571.

Interest and other income for the nine month period ended September 30, 2020 was $4,892,360 compared to $8,881,903 in the same period in 2019. Included in the prior period was a realized capital gain of approximately $4.3 million from a pre-need trust fund.

Excluding the impact of foreign exchange differences in the periods, Revenue Growth from Comparable Business Units' year over year was 7.7%.

The year over year increase in comparable revenue for the nine month period ended September 30, 2020 was due primarily to higher pre-need and at-need sales from the Company's cemetery operations and increased at-need services revenue from the Company's at-need funeral businesses, offset by decreases in revenue per service due to various levels of jurisdictional restrictions that were enforced during 2020 as a result of the COVID-19 pandemic.

Sales from Acquired Operations also increased, which contributed to Revenue Growth from Comparable Business Units. Sales from Acquired Operations improved compared to the nine month period ended September 30, 2019 as the Company began to realize integration improvements on Acquired Operations completed in the first half of 2019.

Cost of sales for the nine month period ended September 30, 2020 was $45,466,809 compared to $33,198,421 in the same period in 2019. This represents an increase of $12,268,388 or 37.0%, over the same period in 2019, and is primarily a result of Acquired Operations and increased sales at the Company's cemetery businesses.

Operating expenses for the nine month period ended September 30, 2020 were $169,602,975 compared to $123,253,589 in the same period in 2019. This represents an increase of $46,349,386 or 37.6% over the same period in 2019, as indicated below:

	September 30, 2020	September 30, 2019
General and administrative	$103,787,778	$69,910,132
Amortization of intangibles	1,846,655	1,931,762
Maintenance	25,657,038	23,356,571
Advertising and selling	27,299,418	21,263,155
Interest	7,243,761	4,114,678
Share based incentive compensation	3,768,325	2,677,291
	$169,602,975	$123,253,589

The overall increase in operating expenses year over year was due primarily to the inclusion of Acquired Operations, higher general and administrative expenses for corporate infrastructure, increased interest expense associated with higher loan balances on the credit facility and the Debentures and additional share based compensation expense as a result of more awards being issued.

For the nine month period ended September 30, 2020 general and administrative expenses increased by $33,877,646 compared to the same period in 2019. The increase in expenses relates primarily to Acquired Operations and an increase in people to support the growth in certain businesses post acquisition, aligning employee benefits and health insurance costs with the Company's benefit plan, as well as the corporate level headcount and costs relating to the expansion of our corporate infrastructure to support the Company's continued growth. This investment in our corporate infrastructure occurred during the 2019 fiscal year and continues to be further refined to meet the needs of the Company's stated growth strategy and operational outlook.

For the nine month period ended September 30, 2020 maintenance expenses increased by $2,300,467, when compared to the same period in 2019. This increase is primarily due to Acquired Operations.

Advertising and selling expenses increased by $6,036,263 for the nine month period ended September 30, 2020 compared to the same period in 2019. This increase was primarily a result of Acquired Operations and increased selling commissions associated with higher sales, primarily at the Company's cemetery locations.

Interest expense for the nine month period ended September 30, 2020, includes interest expense on the Company's credit facility and interest expense on the Debentures. Interest expense increased by $3,129,083 for the nine month period ended September 30, 2020 compared to the same period in 2019, as a result of the Company utilizing its credit facility to fund its recent acquisitions, as well as the issuance of the Debentures in July. Amortization of deferred finance costs associated with establishing and amending the credit facility and the Debenture offering, as well as standby fees contributed to the increase in interest expense.

As previously stated, the EIP provides for the grant of DSUs, RSUs, and Options. Share based incentive compensation expense associated with these units for the nine month period ended September 30, 2020 was $3,768,325 compared to $2,677,291 for the same period in 2019.

As a result of the above, earnings from operations for the nine month period ended September 30, 2020 totaled $27,408,479 compared to $18,850,632 for the same period in 2019. This represents an increase of $8,557,847 or 45.4% year over year.

Other Income and Expenses

	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Earnings from operations	$ 27,408,479	$ 18,850,632
Acquisition and integration costs	(4,809,746)	(9,649,190)
Other income (expenses)	(3,327,640)	(68,904)
Earnings before income taxes	$ 19,271,093	$ 9,132,538
Income tax expense	6,337,849	2,515,149
Net earnings for the period	$ 12,933,244	$ 6,617,389

During the nine month periods ended September 30, 2020 and 2019, the Company incurred acquisition and integration expenses of $4,809,746 and $9,649,190, respectively. As previously mentioned, acquisition expenses will vary from period to period depending on the size and level of acquisition activity, and includes costs relating to legal, financial and tax due diligence, post closing audits, representation and warranty insurance premiums, preparation of independent valuation reports to substantiate purchase price allocations and where necessary the preparation of reports for regulatory compliance purposes.

Other income (expenses) previously discussed in this MD&A include expenses relating to the work of the Special Committee, the departure of and amounts paid to the former CEO, legal costs related to the defense of intellectual property created by the Company, legal costs related to the preservation of investments made or authorized by the Company's former CEO, restructuring costs, and income related to wages recovery under CEWS program. Certain of these expenses are discussed in more detail in "Related Party Transactions" below.

Income tax expense for the nine-month period ended September 30, 2020 was $6,337,849 compared to $2,515,149 for the same period in 2019. The effective tax rate in 2020 was 32.9% which is higher than the Company's statutory tax rates as a result of certain permanent differences in operating expenses that are not deductible expenses for tax purposes, such as share based compensation expenses, as well as non-taxable dividend income compared to 27.5% for the same period in 2019.

As a result of the above, the Company's after-tax earnings from operations for the nine month period ended September 30, 2020 totaled $12,933,244 compared to $6,617,389 for the same period in 2019.

Earnings Per Share

The weighted average diluted number of common shares outstanding for the nine month period ended September 30, 2020 increased to 29,845,277 compared to 27,591,164 for the same period in 2019, an increase of 2,254,113 or 8.2%. The increase in outstanding shares relates primarily to the Company's equity offering in April 2019 and the issuance of shares pursuant to the Company's DRIP and EIP.

Fully diluted earnings per common share attributable to PLC shareholders for the nine month period ended September 30, 2020 were $0.428 compared to $0.231 for the same period in 2019.

Adjusted Net Earnings Per Share

The 2020 and 2019 net earnings, as stated, have been significantly impacted by certain one-time, non-recurring or non-cash revenue and expense items that management believes should be highlighted to better reflect the Company's operating performance for the period under review. The table below summarizes the impact of these items for the nine month period ended September 30, 2020 compared to the same period in 2019:

	Nine Months Ended September 30,	
	2020	**2019**
Net earnings, PLC shareholders	$ 12,769,609	$ 6,363,135
Adjusted for the impact of:		
Acquisition and integration costs	4,809,746	9,649,190
Share based compensation	3,768,325	2,677,291
Amortization of intangible assets	1,846,655	1,931,762
Other (income) or expenses	3,327,640	68,904
Tax effect on the above items	(2,419,402)	(3,107,444)
Adjusted Net Earnings, PLC shareholders	$ 24,102,573	$ 17,582,838
Adjusted EBITDA, PLC shareholders (see Quarterly Information)	$ 55,681,065	$ 39,857,246
Per share amounts attributable to PLC shareholders		
Adjusted Net Earnings - diluted	$ 0.808	$ 0.637
Adjusted EBITDA - diluted (see Quarterly Information)	$ 1.866	$ 1.445
Weighted average shares outstanding - diluted	29,845,277	27,591,164

Adjusted Net Earnings and Adjusted EBITDA are non-IFRS measures. See "Description of Non-IFRS Measures".

As indicated in the chart above, Adjusted Net Earnings to PLC shareholders for the nine month period ended September 30, 2020 increased to $24,102,573 from $17,582,838 during the same period in 2019. This represents an increase of 37.1% year over year. The fully diluted Adjusted Net Earnings per share for the nine month period ended September 30, 2020 was $0.808 compared to $0.637 for the same period in 2019, a year over year increase of $0.171 or 26.8%.

Adjusted EBITDA Per Share

Adjusted EBITDA attributable to PLC shareholders for the nine month period ended September 30, 2020 was $55,681,065 compared to $39,857,246 during the same period in 2019, which represents an increase of $15,823,819 or 39.7% year over year. The fully diluted Adjusted EBITDA per share for the nine month period ended September 30, 2020 was $1.866 compared to $1.445 for the same period in 2019, a year over year increase of $0.421 or 29.1%.

Adjusted Cash Flow

The Company uses Adjusted Cash Flow as a measure of, among other things, the sustainability of its dividend. The table below summarizes the calculation of Adjusted Cash Flow from its operations for the nine month period ended September 30, 2020 and 2019 compared to its dividend payout:

	Nine Months Ended September 30,	
	2020	**2019**
Earnings before income taxes	$ 19,271,093	$ 9,132,538
Adjusted for:		
Amortization of cemetery property	6,007,496	5,154,878
Depreciation and amortization	11,700,963	9,580,119
Cash income taxes payable	(880,000)	(610,000)
Share based compensation	3,623,894	2,381,749
Forgiveness of loan and other non-cash amounts	1,511,179	-
Adjusted cash flow from operations	41,234,625	25,639,284
Less non controlling interest amounts:		
Net earnings	163,635	254,254
Depreciation and amortization	123,458	171,785
Adjusted cash flow, equity holders of PLC	$40,947,532	$25,213,245
Adjusted cash flow per common share-diluted	$1.372	$0.914
Dividends per common share	$0.342	$0.342
Payout ratio	25%	37%

Adjusted Cash Flow is a non-IFRS measure. See "Description of Non-IFRS Measures".

As calculated above, the Company's Adjusted Cash Flow from operations was $40,947,532 for the nine month period ended September 30, 2020 compared to $25,213,245 for the same period in 2019. This represents Adjusted Cash Flow per fully diluted common share of $1.372 and $0.914 for the nine month period ended September 30, 2020 and 2019, respectively.

The Company paid dividends of $0.342 per common share for the nine month periods ended September 30, 2020 and 2019. The dividends paid represent 25% and 37% of the Adjusted Cash Flow per common share for the nine month periods ended September 30, 2020 and 2019, respectively.

Liquidity and Capital Resources

The Company's principal sources of liquidity are cash provided from operations and from the issuance of debt and equity instruments. The Company had a net working capital of $69.3 million as at September 30, 2020 including $46.1 million in cash. Net working capital is calculated as the difference between the Company's current assets and its current liabilities.

On November 22, 2019, the Company amended its existing syndicated bank financing arrangement to increase its borrowing capacity from $225 million to $300 million (comprised of a $250 million committed credit facility and an additional $50 million accordion facility). The credit facility has a term of five years with a maturity date of January 18, 2025.

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 on June 30, 2021 and then revert to not more than 3.5 times on September 30, 2021 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. On August 21, 2020, based on the positive performance of its operations, the Company cancelled the temporary increase of $25 million.

In July 2020 the Company raised $86.3 million in gross proceeds from the issuance of publicly traded Debentures. The proceeds were used to repay a portion of the outstanding credit facility. For purposes of testing the covenants under the Company's credit facility, the Debentures are not included as part of total indebtedness. The Company intends to use the enhanced borrowing capacity under the credit facility to fund future acquisitions and for general corporate purposes.

The credit facility requires the Company to maintain a Leverage Ratio of less than 4.0 times. It also requires the Company to maintain an Interest Coverage Ratio of greater than 3 times. As of September 30, 2020, the Company was in compliance with both covenant tests with the Leverage Ratio being 1.48 times and the Interest Coverage Ratio being 10.41 times.

At September 30, 2020, the Company had $138.8 million outstanding on the credit facility including letters of credit, and $46.1 million in cash on hand, this provides the Company with $157.3 million in liquidity.

As at September 30, 2020, the Company had other debt of $12.8 million comprised of vehicle loans, mortgages on certain funeral homes and notes payable to former business owners supporting non-compete and warranty agreements and related to financing of the general business insurance policies. Further, the Company had $5.6 million in lease liabilities. The Debentures balance as at September 30, 2020 was $81.7 million, net of debt issuance costs and accretion expense of $4.5 million.

The Company has 14 construction commitments with the remaining balance of $16.1 million committed, primarily for the construction of the Westminster funeral visitation and reception centre in Toronto, Ontario and for funeral homes, mausoleums and cemetery development in the United States. To date the Company has spent $16.7 million on these construction commitments.

On September 8, 2020, the Company announced Joseph Leeder's retirement as CFO of the Company and the appointment of Daniel Millet as CFO of the Company, and on retirement, the Company has agreed to forgive a $1,035,750 loan provided by the Company to Mr. Leeder and the accelerated vesting of 4,878 performance share units and 4,878 restricted share units no later than December 31, 2020.

From December 2013 to June 2020, the Company raised approximately $505 million from the issuance of common shares to fund various growth initiatives. The Company may use additional share or debenture offerings to fund future growth initiatives if, and when, such opportunities arise.

Care and Maintenance Trust Funds

The Company contributes a portion of all lot, crypt and niche sales to the Care and Maintenance Trust Funds in accordance with regulatory requirements. During the nine month period ended September 30, 2020, the Company contributed $6,671,222 to the trust funds compared to $5,573,627 during the same period in 2019. The Care and Maintenance Trust Fund assets are included in the Consolidated Statement of Financial Position at market value. As of September 30, 2020, the balance of the trust funds was $228,176,695 compared to $224,494,986 as at December 31, 2019. The increase is primarily a result of recent acquisitions and contributions to the trust funds offset by a decline in market value of equity investments relative to December 31, 2019. The Care and Maintenance Trust Fund assets are offset by a corresponding liability for Care and Maintenance Trusts' Corpus.

As of September 30, 2020, the Company had net unrealized gains in the Care and Maintenance Trust Funds of approximately $5.0 million, which represents a 2.3% net unrealized gain to the original cost basis. This is an improvement from the net unrealized loss of approximately $24.0 million at March 31, 2020 due to improved capital markets during the second and third quarter of 2020.

Pre-Need Merchandise and Service Trust Funds

The Company maintains Pre-Need Merchandise and Service Trust Funds for the deposit of cash received for the purchase of pre-need merchandise and services to be delivered at some future date. When the merchandise is delivered and the services are performed, the Company receives the current market value for the service from the Pre-Need Merchandise and Service Trust Funds. The Pre-Need Merchandise and Service Trust Fund assets are included in the Consolidated Statement of Financial Position at market value. The assets within the trust funds had a market value at September 30, 2020 of $280,382,016 compared to $257,150,385 as at December 31, 2019. The increase is a result of recent acquisitions and increase in fair value since December 31, 2019. The Pre-Need Merchandise and Service Trust Funds are offset by a corresponding liability for Deferred Pre-Need Receipts held in trust.

As of September 30, 2020, the Company had net unrealized gain in the Pre-Need Merchandise and Service Trust Funds of approximately $13.5 million, which represents a 5.1% net unrealized gain to the original cost basis. This is an improvement from the net unrealized loss of approximately $2.9 million at March 31, 2020 due to improved capital markets during the second and third quarter of 2020. The unrealized gains are muted because of the higher cash positions and the Canadian GIC's. Adjusting for those items the net unrealized gain at September 30, 2020 on the other investments was 6.1 %.

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. At September 30, 2020, and December 31, 2019, the current face amounts of pre-funded policies were approximately $370 million and $288 million, respectively. The increase in prearranged funeral insurance contracts is primarily due to 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 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.

Finance Assurances

The Company has entered arrangements with certain surety companies whereby such companies agree to issue surety bonds on the Company's behalf as financial assurance. When selling pre-need contracts, the Company may purchase surety bonds where allowed by state law. The surety bonds are used to support the Company's pre-need cemetery merchandise sales activities, in lieu of trusting certain amounts of funds received from the customer. The amount of the bond posted is generally determined by the total amount of pre-need contract that would otherwise be required to be trusted, in accordance with state law. The obligations underlying these surety bonds are recorded as deferred revenue. At September 30, 2020, the Company had surety bonds in place having an aggregate face value of approximately $41.4 million.

Unaudited Quarterly Information

	2020 Q3	2020 Q2	2020 Q1	2019 Q4
Revenue	$83,791,627	$84,697,662	$73,988,974	$68,956,490
Earnings from operations	$8,940,533	$10,582,088	$7,885,858	$4,607,987
Net earnings, PLC shareholders	$5,403,038	$6,632,514	$734,057	$543,706
Adjusted Net Earnings, PLC shareholders	$7,748,660	$8,784,310	$7,569,603	$4,776,840
Net earnings per share - basic, PLC shareholders	*$0.181	*$0.223	*$0.025	*$0.018
Net earnings per share - diluted, PLC shareholders	*$0.180	*$0.223	*$0.025	*$0.018
Adjusted Net Earnings per share - diluted, PLC shareholders	*$0.259	*$0.295	*$0.255	*$0.160
Earnings from operations (per above)	8,940,533	10,582,088	7,885,858	4,607,987
Interest expense	2,720,149	2,133,827	2,389,785	1,553,732
Depreciation and amortization	3,964,144	3,918,934	3,817,885	3,879,428
Amortization of cemetery property	2,448,478	1,834,266	1,724,752	2,492,331
Non-controlling interest	(135,916)	(176,474)	(135,569)	(70,175)
EBITDA, PLC shareholders	17,937,388	18,292,641	15,682,711	12,463,303
Share based compensation	1,165,547	1,195,402	1,407,376	934,197
Adjusted EBITDA, PLC shareholders	$19,102,935	$ 19,488,043	$17,090,087	$ 13,397,500
Adjusted EBITDA margin	**23.0%	**23.2%	**23.3%	**19.5%
Adjusted EBITDA per share - diluted, PLC shareholders	*$0.638	*$0.654	*$0.576	*$0.450

	2019 Q3	2019 Q2	2019 Q1	2018 Q4
Revenue	$66,578,738	$58,570,919	$50,152,985	$50,625,376
Earnings from operations	$6,721,601	$5,854,384	$6,274,647	$6,489,911
Net earnings (loss), PLC shareholders	$1,579,106	$1,458,782	$3,325,247	$2,212,557
Adjusted Net Earnings, PLC shareholders	$6,581,920	$5,658,024	$5,342,894	$5,005,876
Net earnings per share - basic, PLC shareholders	*$0.053	*$0.049	*$0.141	*$0.095
Net earnings (loss) per share - diluted, PLC shareholders	*$0.053	*$0.049	*$0.141	*$0.095
Adjusted Net Earnings per share - diluted, PLC shareholders	*$0.221	*$0.190	*$0.226	*$0.214
Earnings from operations (per above)	6,721,601	5,854,384	6,274,647	6,489,911
Interest expense	1,462,582	1,376,255	1,275,841	969,643
Depreciation and amortization	3,884,364	3,272,249	2,423,506	1,843,704
Amortization of cemetery property	2,054,922	1,790,868	1,309,088	1,573,661
Non-controlling interest	(133,277)	(213,237)	(173,838)	(186,099)
EBITDA, PLC shareholders	13,990,192	12,080,519	11,109,244	10,690,820
Share based compensation	1,116,805	933,333	627,153	589,679
Adjusted EBITDA, PLC shareholders	$15,106,997	$ 13,013,852	$11,736,397	$ 11,280,499
Adjusted EBITDA margin	**22.9%	**22.6%	**23.7%	**22.6%
Adjusted EBITDA per share - diluted, PLC shareholders	*$0.507	*$0.438	*$0.497	*$0.482

*The sum of the quarterly amounts per share, basic and diluted, may not equal the period amount due to the rounding and use of weighted average shares outstanding.

**Adjusted EBITDA margin includes amounts attributable to the non-controlling interest.

Dividends

The Company makes monthly dividend payments to the shareholders of record on the last business day of each month, to be paid on the 15th day following each month end, or, if not a business day, the next business day thereafter. The monthly dividend is $0.038 per share ($0.456 per year). The dividend policy is subject to the discretion of the Company's Board and may vary depending on, among other things, the Company's earnings, financial requirements and the satisfaction of solvency tests imposed by the *Business Corporations Act* (Ontario) for the declaration of dividends.

For the nine month periods ended September 30, 2020 and September 30, 2019, the Company declared dividends to shareholders totaling $0.342 per share. The following table sets forth the per share amounts of monthly dividends declared and paid by the Company since January 1, 2020.

Month	Dividend Record Date	Payment Date	Per Share
October, 2020	October 31, 2020	November 16, 2020	0.038
September, 2020	September 30, 2020	October 15, 2020	0.038
August, 2020	August 31, 2020	September 15, 2020	0.038
July, 2020	July 31, 2020	August 14, 2020	0.038
June, 2020	June 30, 2020	July 15, 2020	0.038
May, 2020	May 31, 2020	June 15, 2020	0.038
April, 2020	April 30, 2020	May 15, 2020	0.038
March, 2020	March 31, 2020	April 15, 2020	0.038
February, 2020	February 29, 2020	March 16, 2020	0.038
January, 2020	January 31, 2020	February 14, 2020	0.038
Total dividends per share			$ 0.380

Related Party Transactions

As discussed in this section and disclosed elsewhere in the MD&A, the Company's related parties include the following persons and entities: (i) associates, or entities which are controlled or significantly influenced by the Company; (ii) key management personnel, which are comprised of the directors and officers of the Company; and (iii) entities controlled by key management personnel. The Company's policies and procedures and nature of its related party transactions have not changed materially from December 31, 2019, as described under "Related Party Transactions" in the Company's Management's Discussion and Analysis for the year ended December 31, 2019 (filed on SEDAR on March 30, 2020). In addition, refer to Note 25 in the Company's September 30, 2020 financial statements regarding the forgiveness of ESLP loans in connection with the recent departure of the Company's former CEO.

Effective March 31, 2020, Andrew Clark stepped down as CEO of the Company. Upon his departure, the Company and Mr. Clark entered into an agreement, and subsequently amended that agreement, which contained the following financial terms, which total 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 under the Company's ESLP;
- the forfeiture of all equity incentives held by Mr. Clark, other than 10,632 PSUs and 1,651 DSUs. Since all the forfeited equity incentive awards previously issued to Mr. Clark had been previously expensed as part of share-based compensation, this results in other income of approximately $260,000 for the quarter ended March 31, 2020;
- the payment of approximately $93,000 in legal expenses incurred by Mr. Clark in connection with his departure;
- other consideration valued in the amount of approximately $207,000; and
- no other payments, including in respect of bonuses, notice or severance.

Disclosure Controls and Procedures

National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filing* ("**NI 52-109**") requires public companies in Canada to submit annual and interim certificates relating to the design and effectiveness of the disclosure controls and procedures that are in use at the company. Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management, including the CEO and CFO, on a timely basis so that appropriate decisions can be made regarding public disclosure.

Subject to the limitations set out below, the Company's management, under the supervision of the CEO and the CFO, has designed and maintained a set of disclosure controls and procedures to ensure that information required to be disclosed by the Company in its annual filing, interim filings or other reports filed or submitted by the Company under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Internal Controls over Financial Reporting

The CEO and the CFO have designed, or caused to be designed under their supervision, internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Management conducted its evaluation based on the framework set forth in the Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on its evaluation under this framework, management concluded that the Company's internal control over financial reporting was effective as of September 30, 2020.

Internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be designed effectively can provide only reasonable assurance with respect to financial reporting and financial statement preparation.

Limitation on Scope of Design

The CEO and CFO have limited the scope of design of disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures of Family Legacy and Harpeth Hills which were acquired during the first quarter of 2020.

This scope limitation is in accordance with section 3.3(1)(b) of NI 52-109, which allows an issuer to limit the design of disclosure controls and procedures and internal control over financial reporting for a business that the issuer acquired not more than 365 days before the last day of the period covered by this MD&A.

The following is a summary of certain financial information related to the recent acquisitions of Family Legacy and Harpeth Hills:

	Family Legacy and Harpeth Hills September 30, 2020
Revenue	$ 17,015,479
Net earnings	$ 1,978,028
Current assets	$ 4,452,029
Non-current assets	$ 71,650,613
Current liabilities	$ 3,312,788
Non-current liabilities	$ 40,747,396

Changes in Internal Controls over Financial Reporting

There have been no changes in the Company's internal controls over financial reporting during the 2020 fiscal year that have affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Shares Outstanding

The authorized capital of the Company consists of an unlimited number of common shares. As at September 30, 2020, there were 29,524,238 common shares issued and outstanding, representing an increase of 169,394 common shares issued and outstanding since December 31, 2019. The increase in the number of common shares is the result of the issuance of shares pursuant to the Company's DRIP and EIP. As at October 31, 2020, there were 29,530,880 common shares issued and outstanding. In addition, the Company has 2.4 million common shares reserved and available for grant and issuance under the EIP. As at October 31, 2020, 34,074 DSUs, 263,728 RSUs, 29,516 PSUs and 1,390,000 Options were outstanding.

Risks

The Company faces a variety of significant and diverse risks, many of which are inherent in the business conducted by the Company. The Company's Annual Information Form for the year ended December 31, 2019 (the "**AIF**") contains a detailed summary of risk factors pertaining to the Company and its business under the heading "Risk Factors", which section is hereby incorporated herein by reference. The disclosures in this MD&A are subject to the risk factors outlined in the AIF. Other risks and uncertainties that the Company does not presently consider to be material, or of which the Company is not presently aware, may become important factors that affect the Company's future financial condition and results of operations. The occurrence of any of the risks discussed in the AIF could materially and adversely affect the business, prospects, financial condition, results of operations or cash flow of the Company or the value of its common shares.

We are actively assessing and responding, where possible, to the effects of the COVID-19 pandemic on the Company's employees, customers, suppliers and other stakeholders. The Company has taken a number of measures to mitigate the negative effects of the COVID-19 pandemic as outlined above under "Overview". However, the pandemic continues to represent a material risk to our business. The outbreak of contagious illness such as this can impact our business operations in the short term including our staff and the families we serve, our pre-need funeral and cemetery sales performance, local precautionary legislation may impact our at-need services by restricting the size and number of funeral services, and the economic impact of the pandemic may impact the income we receive from our trust funds. Although in most jurisdictions funeral homes and cemeteries are classified as essential services and we plan to remain open to serve our families at their time of need, the COVID-19 outbreak will be different in each city, state and province we operate in and we may need to temporarily reduce staffing or close certain of our facilities. The pandemic could lead to interruptions in our supply chain and temporary closures of our supplier facilities.

The extent to which COVID-19 and its effect on the economy will impact our business is highly uncertain and may lead to adverse changes in our cash flows, working capital levels, debt balances, operating results and financial position in the future.

The Company is monitoring the situation closely and will continue to make all efforts to minimize the risk to employees, customers and other stakeholders.

Additional Information

Additional information relating to the Company, including the Company's AIF, is available on SEDAR at www.sedar.com and on the Company's website at www.parklawncorp.com.