K·BRO

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Q1, 2020

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Interim Condensed Consolidated Statements of Financial Position

(unaudited, thousands of Canadian dollars)

		March 31, 2020		December 31, 2019
ASSETS				
Current assets				
Cash and cash equivalents	$	1,319	$	5,301
Accounts receivable		31,558		34,900
Income tax receivable		110		-
Prepaid expenses and deposits		4,537		4,334
Linen in service		27,132		26,039
		64,656		70,574
Property, plant and equipment (note 4)		219,713		226,332
Intangible assets		13,023		13,699
Goodwill (note 12)		38,735		41,454
	$	336,127	$	352,059
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	$	28,528	$	28,689
Lease liabilities		7,926		8,297
Income taxes payable		503		1,507
Dividends payable to shareholders		1,060		1,060
		38,017		39,553
Long-term debt (note 5)		54,693		62,494
Lease liabilities		37,525		38,531
Provisions		3,000		2,838
Deferred income taxes		11,403		12,592
	$	144,638	$	156,008
SHAREHOLDERS' EQUITY				
Share capital		203,110		203,110
Contributed surplus		2,748		2,241
Deficit		(16,667)		(10,078)
Accumulated other comprehensive income		2,298		778
	$	191,489	$	196,051
Contingencies and commitments (note 6)				
	$	336,127	$	352,059

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

Interim Condensed Consolidated Statements of Earnings & Comprehensive Income

(unaudited, thousands of Canadian dollars, except share and per share amounts)

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Revenue	**$ 57,275**	$ 57,783
Expenses		
Wages and benefits	**22,682**	23,380
Linen	**6,678**	6,447
Utilities	**3,576**	4,343
Delivery	**7,018**	6,981
Occupancy costs	**1,163**	1,094
Materials and supplies	**2,129**	1,760
Repairs and maintenance	**2,150**	2,057
Corporate	**2,625**	2,606
Gain on disposal of property, plant and equipment	**(5)**	-
Impairment of assets (note 12)	**5,516**	-
	53,532	48,668
EBITDA (note 12)	**3,743**	9,115
Other expenses		
Depreciation of property, plant and equipment (note 4)	**6,115**	6,135
Amortization of intangible assets	**966**	781
Finance expense	**1,193**	1,513
	8,274	8,429
(Loss) earnings before income taxes	**(4,531)**	686
Current income tax expense	**136**	23
Deferred income tax (recovery) expense	**(1,259)**	168
Income tax (recovery) expense	**(1,123)**	191
Net (loss) earnings	**$ (3,408)**	$ 495
Other comprehensive income (loss)		
Items that may be subsequently reclassified to earnings:		
Foreign currency translation differences on foreign operations	**1,520**	(78)
Total comprehensive (loss) income	**$ (1,888)**	$ 417
Net (loss) earnings per share:		
Basic	**$ (0.32)**	$ 0.05
Diluted	**$ (0.32)**	$ 0.05
Weighted average number of shares outstanding:		
Basic	**10,539,458**	10,496,590
Diluted	**10,590,526**	10,545,970

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

Interim Condensed Consolidated Statements of Changes in Equity

(unaudited, thousands of Canadian dollars)

	Total Share Capital	Contributed surplus	Deficit	Accumulated other comprehensive income	Total equity
As at December 31, 2019	$ 203,110	$ 2,241	$ (10,078)	$ 778	$ 196,051
Total comprehensive income (loss)	-	-	(3,408)	1,520	(1,888)
Dividends declared (note 7)	-	-	(3,181)	-	(3,181)
Employee share based compensation expense	-	507	-	-	507
As at March 31, 2020	$ 203,110	$ 2,748	$ (16,667)	$ 2,298	$ 191,489

	Total Share Capital	Contributed surplus	Deficit	Accumulated other comprehensive income	Total equity
As at December 31, 2018	$ 201,429	$ 2,112	$ (6,547)	$ 1,666	$ 198,660
Change in accounting policy	-	-	(1,730)	-	(1,730)
Restated total equity at January 1, 2019	201,429	2,112	(8,277)	1,666	196,930
Total comprehensive income (loss)	-	-	495	(78)	417
Dividends declared (note 7)	-	-	(3,168)	-	(3,168)
Employee share based compensation expense	-	540	-	-	540
As at March 31, 2019	$ 201,429	$ 2,652	$ (10,950)	$ 1,588	$ 194,719

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

Interim Condensed Consolidated Statements of Cash Flow

(unaudited, thousands of Canadian dollars)

	Three Months Ended March 31, 2020	2019
OPERATING ACTIVITIES		
Net (loss) earnings	$ (3,408)	$ 495
Depreciation of property, plant and equipment (note 4)	6,115	6,135
Amortization of intangible assets	966	781
Accretion expense	145	67
Employee share based compensation expense	507	540
Gain on disposal of property, plant and equipment	(5)	-
Impairment of assets (note 12)	5,516	-
Deferred income taxes	(1,259)	168
	8,577	8,186
Change in non-cash working capital items (note 8)	3,011	1,484
Cash provided by operating activities	11,588	9,670
FINANCING ACTIVITIES		
Net repayment of revolving debt	(7,801)	(2,759)
Principal elements of lease payments	(1,666)	(1,648)
Dividends paid to shareholders	(3,181)	(3,168)
Cash used in financing activities	(12,648)	(7,575)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,879)	(2,372)
Cash used in investing activities	(2,879)	(2,372)
Change in cash and cash equivalents during the period	(3,939)	(277)
Effect of exchange rate changes on cash and cash equivalents	(43)	(2)
Cash and cash equivalents, beginning of period	5,301	2,827
Cash and cash equivalents, end of period	$ 1,319	$ 2,548
Supplementary cash flow information		
Interest paid	$ 1,108	$ 1,384
Income taxes paid	$ 1,273	$ -

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

Notes to the Interim Condensed Consolidated Financial Statements

(unaudited, thousands of Canadian dollars except share and per share amounts,
three months ended March 31, 2020 and 2019)

K-Bro Linen Inc. (the "Corporation" or “K-Bro”) is incorporated in Canada under the Business Corporations Act (Alberta). K-Bro is the largest owner and operator of laundry and linen processing facilities in Canada and a market leader for laundry and textile services in Scotland and the North East of England. K-Bro and its wholly owned subsidiaries, operate across Canada and the United Kingdom (“UK”), provide a range of linen services to healthcare institutions, hotels and other commercial organizations that include the processing, management and distribution of general linen and operating room linen.

The Corporation’s operations in Canada include nine processing facilities and two distribution centres under three distinctive brands, including K-Bro Linen Systems Inc., Buanderie HMR and Les Buanderies Dextraze, in ten Canadian cities: Québec City, Montréal, Toronto, Regina, Saskatoon, Prince Albert, Edmonton, Calgary, Vancouver and Victoria.

The Corporation’s operations in the UK include Fishers Topco Ltd. ("Fishers") which was acquired by K-Bro on November 27, 2017. Fishers was established in 1900 and is an operator of laundry and linen processing facilities in Scotland, providing linen rental, workwear hire and cleanroom garment services to the hospitality, healthcare, manufacturing and pharmaceutical sectors. Fishers' client base includes major hotel chains and prestigious venues across Scotland and the North East of England. The company operates in five cities, in Scotland and the North East of England with facilities in Cupar, Perth, Newcastle, Livingston and Coatbridge.

The Corporation’s common shares are traded on the Toronto Stock Exchange under the symbol “KBL”. The address of the Corporation’s registered head office is 14903 – 137 Avenue, Edmonton, Alberta, Canada.

These unaudited Interim Condensed Consolidated Financial Statements were approved and authorized for issuance by the Board of Directors (“the Board”) on May 7, 2020.

1 Basis of Presentation

These unaudited Interim Condensed Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as published in the CPA Canada Handbook (IFRS), as applicable to interim financial reports including IAS 34, *Interim Financial Reporting*, and should be read in conjunction with the annual consolidated audited financial statements for the year ended December 31, 2019 which have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board, and GAAP as issued by CPA Canada. The accounting policies followed in these unaudited Interim Condensed Consolidated Financial Statements are consistent with those of the previous year, except as described below.

Use of Estimates, Judgements and Assumptions

The timely preparation of the consolidated interim financial statements, in conformity with IFRS, requires management of the Corporation to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. These estimates and judgments have been applied in a manner consistent with prior periods.

The ongoing COVID-19 pandemic has caused world governments to institute travel restrictions both in and out of and within Canada and the UK, which has had, and is expected to continue to have, a significant adverse impact on the Corporation's hospitality business, the duration of which we are unable to predict with any degree of accuracy.

The extent of such negative effects on our hospitality business and our financial and operational performance will depend on future developments, including the duration, spread and severity of the outbreak, the duration and geographic scope of related travel advisories and restrictions and the extent of the impact of COVID-19 on overall demand for personal and business travel, all of which are highly uncertain and cannot be predicted with any degree of accuracy. If hotels continue to experience significantly reduced occupancy rates for an extended period, our 2020 consolidated results of operations will be significantly impacted. The extent to which the outbreak affects our earnings will depend in part on our ability to implement various measures intended to reduce expenses, including consolidating production capacity and laying off additional workers. Earnings will continue to be particularly affected if we continue to experience further reductions in travel and reduced hospitality occupancy rates. Additionally, our suppliers or other third parties we rely upon may experience delays or shortages, which could have an adverse effect on our business prospects and results of operations.

As an ongoing risk, the duration and full financial effect of the COVID-19 pandemic is unknown at this time, and continues to be offset through the Corporation's business continuity plan and other mitigating measures. Any estimate of the length and severity of these developments is therefore subject to significant uncertainty, and accordingly estimates of the extent to which the COVID-19 pandemic may materially and adversely affect the Corporation's operations, financial results and condition in future periods are also subject to significant uncertainty. Based off impairment indicators that existed at March 31, 2020 as a result of the COVID-19 pandemic, management has assessed the impairment of assets based off facts and circumstances which suggest that the carrying amount in certain CGUs may exceed its recoverable amount, refer to note 12 for further detail.

Uncertainty about judgments, estimates and assumptions made by management during the preparation of the Corporation's interim condensed consolidated financial statements related to potential impacts of the COVID-19 outbreak on revenue, expenses, assets, liabilities, and note disclosures could result in a material adjustment to the carrying value of the asset or liability affected.

2 Significant accounting policies adopted January 1, 2020

As at January 1, 2020 the Corporation had no changes to significant accounting policies, and had not adopted any new standards, interpretations or amendments.

3 New Standards and interpretations not yet adopted

New standards, interpretations, or amendments that have been issued but are not yet effective, have not been early adopted by the Corporation, and no material impact is expected on the Corporation's consolidated financial statements.

(unaudited, thousands of Canadian dollars except share and per share amounts, three months ended March 31, 2020 and 2019)

4 Property, plant and equipment

	Land	Buildings	Laundry Equipment(1)	Office Equipment	Delivery Equipment	Computer Equipment	Leasehold Improvements	Spare Parts	Total
Year ended, December 31, 2019									
Opening net book amount	$ 4,067	$ 19,109	$ 124,252	$ 387	$ 324	$ 958	$ 43,918	$ 1,233	$ 194,248
Adjustment for change in accounting policy	-	38,141	-	-	8,129	-	-	-	46,270
Restated opening net book amount	$ 4,067	$ 57,250	$ 124,252	$ 387	$ 8,453	$ 958	$ 43,918	$ 1,233	$ 240,518
Additions (2)(3)	-	580	7,283	69	1,551	328	423	623	10,857
Disposals	-	-	(5)	-	(38)	-	-	-	(43)
Transfers	-	-	-	-	-	-	-	-	-
Depreciation charge	-	(5,251)	(11,635)	(146)	(3,366)	(578)	(3,729)	-	(24,705)
Effect of movement in exchange rates	(24)	(55)	(191)	(1)	(22)	-	(2)	-	(295)
Closing net book amount	$ 4,043	$ 52,524	$ 119,704	$ 309	$ 6,578	$ 708	$ 40,610	$ 1,856	$ 226,332
At December 31, 2019									
Cost	$ 4,043	$ 61,656	$ 186,714	$ 1,043	$ 10,513	$ 3,083	$ 60,099	$ 1,856	$ 329,007
Accumulated depreciation	-	(9,132)	(67,010)	(734)	(3,935)	(2,375)	(19,489)	-	(102,675)
Net book amount	$ 4,043	$ 52,524	$ 119,704	$ 309	$ 6,578	$ 708	$ 40,610	$ 1,856	$ 226,332
Period ended, March 31, 2020									
Opening net book amount	$ 4,043	$ 52,524	$ 119,704	$ 309	$ 6,578	$ 708	$ 40,610	$ 1,856	$ 226,332
Additions (2)(3)	-	1	713	-	25	90	195	-	1,024
Disposals	-	-	(3)	-	-	-	-	(7)	(10)
Depreciation charge	-	(1,323)	(2,866)	(36)	(758)	(145)	(987)	-	(6,115)
Impairment of assets (note 12)	-	(207)	(2,113)	-	(5)	(14)	-	-	(2,339)
Effect of movement in exchange rates	39	280	420	3	69	-	10	-	821
Closing net book amount	$ 4,082	$ 51,275	$ 115,855	$ 276	$ 5,909	$ 639	$ 39,828	$ 1,849	$ 219,713
At March 31, 2020									
Cost	$ 4,082	$ 61,976	$ 187,976	$ 1,048	$ 10,665	$ 3,173	$ 60,301	$ 1,849	$ 331,070
Accumulated depreciation	-	(10,701)	(72,121)	(772)	(4,756)	(2,534)	(20,473)	-	(111,357)
Net book amount	$ 4,082	$ 51,275	$ 115,855	$ 276	$ 5,909	$ 639	$ 39,828	$ 1,849	$ 219,713

(1) Included in laundry equipment are assets under development in the amount of $643 (2019 - $103). These assets are not available for service and accordingly are not presently being depreciated.

(2) Total property, plant and equipment additions include amounts in accounts payable of $151 (2019 - $2,037).

(3) Additions include amounts from the Canadian Division of $481 (2019 - $5,461) and from the UK Division of $543 (2019 - $5,396).

5 Long-term debt

	Prime Rate Loan(1)
At January 1, 2019	$ 70,203
Net repayment of debt	(7,709)
Closing balance at December 31, 2019	$ 62,494
At January 1, 2020	**$ 62,494**
Net repayment of debt	**(7,801)**
Closing balance at March 31, 2020	**$ 54,693**

(1) Prime rate loan, collateralized by a general security agreement, bears interest at prime plus an interest margin dependent on certain financial ratios, with a monthly repayment of interest only, maturing on July 31, 2022 (December 31, 2019 – July 31, 2022). The additional interest margin can range between 0.0% to 1.25% dependent upon the calculated Funded Debt / Credit Facility EBITDA financial ratio, with a range between 0 to 3.5x. As at March 31, 2020 the combined interest rate was 2.7% (December 31, 2019 – 4.5%)

Under the credit facility, the Corporation is required, among other conditions, to respect certain covenants on a consolidated basis. The main covenants are in regard to its Funded Debt to Credit Facility EBITDA ratio and Total Fixed Charge Coverage ratio. Management reviews compliance with these covenants on a quarterly basis in conjunction with filing requirements under its credit facility. All covenants have been met as at March 31, 2020 and December 31, 2019.

(unaudited, thousands of Canadian dollars except share and per share amounts,
three months ended March 31, 2020 and 2019)

The Corporation has a revolving credit facility of up to $100,000 plus a $25,000 accordion of which $55,843 is utilized (including letters of credit totaling $1,150) as at March 31, 2020. Interest payments only are due during the term of the facility.

Drawings under the revolving credit facility are available by way of Bankers' Acceptances, Canadian prime rate loans, Libor of UK pounds based loans, letters of credit or standby letters of guarantee. Drawings under the revolving credit facility bear interest at a floating rate, plus an applicable margin based on certain financial performance ratios.

A general security agreement over all assets, a mortgage against all leasehold interests and real property, insurance policies and an assignment of material agreements have been pledged as collateral.

The carrying value of borrowings approximate their fair value as the debt is based on a floating rate, the interest rate risk has not changed, and the impact of discounting is not significant.

The Corporation has incurred no events of default under the terms of its credit facility agreement.

6 Contingencies and commitments

a) Contingencies

The Corporation has standby letters of credit issued as part of normal business operations in the amount of $1,150 (December 31, 2019 – $1,150) which will remain outstanding for an indefinite period of time.

Grievances for unspecified damages were lodged against the Corporation in relation to labour matters. The Corporation has disclaimed liability and is defending the actions. It is not practical to estimate the potential effect of these grievances but legal advice indicates that it is not probable that a significant liability will arise.

b) Commitments and contractual obligations

(i) Utility commitments

The Corporation was committed to estimated natural gas and electricity commitments for the next five calendar years and thereafter as follows:

Utility commitments		
Remainder of 2020	$	4,768
2021		4,296
2022		-
2023		-
2024		-
Subsequent		-
	$	9,064

(unaudited, thousands of Canadian dollars except share and per share amounts, three months ended March 31, 2020 and 2019)

(ii) Linen purchase commitments

At March 31, 2020, the Corporation was committed to linen expenditure obligations in the amount of $10,760 (December 31, 2019 – $9,821) to be incurred within the next year.

(iii) Property, plant and equipment commitments

At March 31, 2020, the Corporation was committed to capital expenditure obligations in the amount of $1,664 (December 31, 2019 – $641) to be incurred within the next year.

7 Dividends to shareholders

During the three months ended March 31, 2020, the Corporation declared total dividends to shareholders of $3,181 or $0.300 per share (2019 - $3,168 or $0.300 per share).

8 Net change in non-cash working capital items

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Accounts receivable	$ 3,598	$ 3,519
Linen in service	(838)	(229)
Prepaid expenses and deposits	(147)	(832)
Accounts payable and accrued liabilities (1)	1,511	(1,240)
Income taxes payable / receivable	(1,113)	266
	$ 3,011	$ 1,484

(1) Accounts payable and accrued liabilities exclude the net change in non-cash amounts related to the acquisition of property, plant and equipment that have been committed to but not yet paid of $-1,886 (2019 - $-547).

9 Financial instruments

The Corporation's financial instruments at March 31, 2020 and December 31, 2019 consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, lease liabilities, dividends payable to shareholders, and long term debt. The carrying value of accounts receivable, accounts payable and accrued liabilities, lease liabilities, and dividends payable to shareholders approximate fair value due to the immediate or short-term maturity of these financial instruments. The fair value of the Corporation's interest-bearing debt approximates the respective carrying amount due to the floating rate nature of the debt.

10 Related party transactions

The Corporation incurred expenses in the normal course of business for advisory consulting services provided by a Director. The amounts charged are recorded at their exchange amounts and are subject to normal trade terms. For the three months ended March 31, 2020, the Corporation incurred such fees totaling $35 (2019– $35).

11 Segmented information

The Chief Executive Officer ("CEO") is the Corporation's chief operating decision-maker. The Chief Executive Officer examines the Corporation's performance and allocation of resources both from geographic perspective and service type, and has identified two reportable segments of its business:

1. Canadian division - provides laundry and linen services to the healthcare and hospitality sectors through nine operating divisions located in Vancouver, Victoria, Calgary, Edmonton, Regina, Toronto, Montréal, and Québec City. Management has assessed that the services offered and the economic characteristics associated with these divisions are similar, and therefore they have been aggregated into one reportable segment which operates exclusively in Canada.

2. UK division - provides laundry and linen services primarily to the hospitality sector, with other sectors including healthcare, manufacturing and pharmaceutical, through six sites which are located in Cupar, Perth, Newcastle, Livingston and Coatbridge.

The aggregation assessment requires significant judgment by management. Economic indicators used by management to assess the economic characteristics are the gross margin and the growth rate of each division.

The CEO primarily uses a measure of EBITDA to assess the performance of the operating segments. In addition, the CEO also receives information about the segments' revenue and assets on a monthly basis.

a) Segment revenue

The Corporation disaggregates revenue from contracts with customers by geographic location and customer-type for each of our segments, as we believe it best depicts how the nature, amount, timing and uncertainty of our revenue and cash flows are affected by economic factors.

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties is measured in the same manner as in the consolidated statements of earnings & comprehensive income.

In Edmonton, the Corporation is the significant supplier of laundry and linen services to the entity which manages all major healthcare facilities in the region and this contract expires on March 31, 2023. In Calgary, the major customer is contractually committed to February 28, 2021, in Vancouver the major customer is contractually committed to March 1, 2027, and in Saskatchewan the major customer is contractually committed to June 1, 2025. For the three months ended March 31, 2020, from these four major customers the Corporation has recorded revenue of $25,639 (2019 – $25,091), representing 44.8% (2019 – 43.4%) of total revenue.

(unaudited, thousands of Canadian dollars except share and per share amounts,
three months ended March 31, 2020 and 2019)

	Three Months Ended March 31, 2020			Three Months Ended March 31, 2019		
Healthcare	$	33,395	58.3%	$	32,435	56.2%
Hospitality (note 12)		10,316	18.0%		12,098	20.9%
Canadian division	$	43,711	76.3%	$	44,533	77.1%
Healthcare	$	1,653	2.9%	$	1,668	2.9%
Hospitality		11,911	20.8%		11,582	20.0%
UK division	$	13,564	23.7%	$	13,250	22.9%
Total segment revenue	$	57,275	100.0%	$	57,783	100.0%

b) Segment net earnings and EBITDA

Segment net earnings and EBITDA are calculated consistent with the presentation in the financial statements. The net earnings and EBITDA is allocated based on the operations of the segment, and where the earnings and costs are generated from.

Three Months Ended March 31, 2020		Canadian division		UK division		Total
Net loss	$	(2,472)	$	(936)	$	(3,408)
EBITDA	$	2,794	$	949	$	3,743

Three Months Ended March 31, 2019		Canadian division		UK division		Total
Net earnings (loss)	$	731	$	(236)	$	495
EBITDA	$	7,384	$	1,731	$	9,115

The Canadian division net earnings includes non-cash employee share based compensation expense of $507 (2019 – $540).

c) Segment assets

Segment assets are measured in the same way as in the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

The Corporation’s cash and cash equivalents are not considered to be segment assets, but are managed by the treasury function.

(unaudited, thousands of Canadian dollars except share and per share amounts, three months ended March 31, 2020 and 2019)

At March 31, 2020	Canadian division	UK division	Total
Total assets	$ 247,416	$ 88,711	**$ 336,127**
Other:			
Cash and cash equivalents	-	(1,319)	**(1,319)**
Total segment assets	**$ 247,416**	**$ 87,392**	**$ 334,808**

At December 31, 2019	Canadian division	UK division	Total
Total assets	$ 260,560	$ 91,499	**$ 352,059**
Other:			
Cash and cash equivalents	-	(5,301)	**(5,301)**
Total segment assets	**$ 260,560**	**$ 86,198**	**$ 346,758**

d) Segment liabilities

Segment liabilities are measured in the same way as in the financial statements. These liabilities are allocated based on the operations of the segment. The Corporation's borrowings are not considered to be segment liabilities, but are managed by the treasury function.

At March 31, 2020	Canadian division	UK division	Total
Total liabilities	$ 121,042	$ 23,596	**$ 144,638**
Other:			
Long-term debt (note 5)	(54,693)	-	**(54,693)**
Total segment liabilities	**$ 66,349**	**$ 23,596**	**$ 89,945**

At December 31, 2019	Canadian division	UK division	Total
Total liabilities	$ 132,156	$ 23,852	**$ 156,008**
Other:			
Long-term debt (note 5)	(62,494)	-	**(62,494)**
Total segment liabilities	**$ 69,662**	**$ 23,852**	**$ 93,514**

(unaudited, thousands of Canadian dollars except share and per share amounts,
three months ended March 31, 2020 and 2019)

12 Impairment of assets

Significant estimates

Management has assessed the impairment indicators that existed at March 31, 2020 in certain CGUs. Specifically, five CGUs that rely primarily on hospitality revenues due to the significant impact that COVID-19 has had to the hospitality industry. The recoverable amounts of these specific CGUs were recalculated using the value in use method by applying probability weightings to capture the increased risk and uncertainty arising from COVID-19.

Our probability weighted approach has been evaluated based off an equally weighted probability of a one year downturn in sales to the worst case of a two year downturn in sales. The scenarios estimated a decline of 70% for year 1 and 50% for year 2, with sales returning to normalized levels thereafter with sales growth estimates used between 2% to 3%. An impairment loss of $5,516 was recognized for three CGUs in the Canadian division, of which $3,177 was allocated to goodwill and $2,339 was allocated to PP&E.

EBITDA before impairment and gain/loss on disposal of PP&E was $9,254 (2019 - $9,115).

CGU	Allocated to Goodwill	Allocated to PP&E	Total impairment recorded	Recoverable Amount
Montreal	$ 823	$ -	$ 823	$ 2,485
Quebec	654	2,339	2,993	1,917
Victoria	1,700	-	1,700	5,433
	$ 3,177	$ 2,339	$ 5,516	$ 9,835

The recoverable amount of the UK Division and Vancouver 2 CGUs was estimated to be £67,234 and $24,008 as at March 31, 2020 which exceeded the carrying amount of both of the CGUs. No impairment was therefore required for either of these CGUs.

The key assumptions in calculating the recoverable amount of the five CGU's where impairment calculations were updated as at March 31, 2020 were as follows:

	March 31, 2020
Long-term growth rate %	2.0% to 3.0%
Pre-tax discount rate %	10.5% to 12.5%

For Vancouver 2 and the UK Division, in addition to the key assumptions noted above, management has also evaluated other reasonable changes in estimates and assumptions, and did not identify any other instances at March 31, 2020, that could cause the carrying amount of these CGUs to exceed the recoverable amount.

There were no other CGUs that were showing signs of impairment as at March 31, 2020 and as such we have not updated any of the other impairment calculations. The Corporation will continue to carefully monitor the situation as it pertains to COVID-19 and further consider if there are new, or additional indicators, that exist during the year.

With the ongoing development of the COVID-19 pandemic, the length and severity of these developments is therefore subject to significant uncertainty, and accordingly may materially and adversely affect assumptions used in the consideration of the impairment of assets, impact whether a CGU has been impaired, and may change prior recorded impairment amounts.

13 Subsequent events

a) Dividends

On April 17, 2020, the Board declared an eligible dividend of $0.1000 per common share of the Corporation payable on May 15, 2020 to shareholders of record on April 30, 2020.

On May 7, 2020, the Board declared an eligible dividend of $0.1000 per common share of the Corporation payable on June 15, 2020 to shareholders of record on May 31, 2020.