Unaudited Interim Condensed Consolidated
Financial Statements of

ANDLAUER HEALTHCARE GROUP INC.

For the three and nine months ended September 30, 2020 and 2019

Andlauer Healthcare Group Inc.

Consolidated Balance Sheets

As at September 30, 2020 and December 31, 2019

(In thousands of Canadian dollars, except shares, share price and earnings per share) (unaudited)

Assets	Note	September 30, 2020	December 31, 2019
Current assets			
Cash and cash equivalents		$ 48,545	$ 18,712
Accounts receivable		50,101	51,060
Inventories		890	1,071
Prepaid expenses and other		3,340	2,307
Due from related parties	13	88	239
Due from employee trust	2	-	13,875
		102,964	87,264
Non-current assets			
Long-term deposits		1,030	938
Property, plant and equipment		113,828	103,326
Goodwill and intangible assets		21,199	21,421
Deferred income taxes	10	1,767	46
Total Assets		**$ 240,788**	**$ 212,995**
Liabilities and Equity			
Current liabilities			
Revolving credit facility	4	$ -	$ 3,929
Accounts payable and accrued liabilities		24,429	24,942
Current portion of lease liabilities	11	20,791	19,129
Income taxes payable		10,102	8,695
		55,322	56,695
Long-term liabilities			
Lease liabilities	11	79,029	69,584
Deferred income taxes	10	101	321
Due to related parties	13	70	335
Term facility	4	24,639	24,555
Total Liabilities		**159,161**	**151,490**
Equity			
Common share capital	6	549,679	549,679
Contributed surplus	8	3,720	1,394
Merger reserve	2	(488,916)	(488,916)
Retained earnings (deficit)		17,144	(652)
		81,627	61,505
Commitments and contingencies	12		
Subsequent event	16		
Total Liabilities and Equity		**$ 240,788**	**$ 212,995**

See accompanying notes to the unaudited interim condensed consolidated financial statements.

On behalf of the Board:

"Peter Jelley"
Director

"Thomas G. Wellner"
Director

Andlauer Healthcare Group Inc.

Consolidated Statements of Income and Comprehensive Income

For the three and nine months ended September 30, 2020 and 2019

(In thousands of Canadian dollars, except shares, share price and earnings per share) (unaudited)

	Note	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	9	**$ 75,805**	**$ 70,844**	**$ 227,708**	**$ 213,387**
Operating Expenses					
Cost of transportation and services		30,812	29,570	92,850	88,784
Direct operating expenses		17,996	18,279	56,599	56,206
Selling, general and administrative expenses		6,816	5,108	21,303	15,549
Depreciation and amortization		7,016	6,568	20,298	19,203
		62,640	59,525	191,050	179,742
Operating Income		**13,165**	**11,319**	**36,658**	**33,645**
Interest expense		(1,146)	(820)	(3,565)	(2,523)
Interest income		60	178	246	728
Other income (expenses)		9	(15)	(8)	(23)
Income before income taxes		**12,088**	**10,662**	**33,331**	**31,827**
Current income tax expense	10	4,078	3,064	11,427	8,956
Deferred income tax recovery	10	(586)	(165)	(1,941)	(399)
		3,492	2,899	9,486	8,557
Net income and comprehensive income		**8,596**	**7,763**	**23,845**	**23,270**
Net income attributable to:					
Shareholders of the Company		8,596	7,763	23,845	22,698
Non-controlling interests		-	-	-	572
		$ 8,596	**$ 7,763**	**$ 23,845**	**$ 23,270**
Net earnings per share attributable to the Shareholders of the Company:					
Basic earnings per share	7	**$ 0.23**	**$ N/A**	**$ 0.63**	**$ N/A**
Diluted earnings per share	7	**$ 0.22**	**$ N/A**	**$ 0.62**	**$ N/A**

See accompanying notes to the unaudited interim condensed consolidated financial statements.

Andlauer Healthcare Group Inc.
Consolidated Statements of Changes in Equity
For the nine months ended September 30, 2020 and 2019
(In thousands of Canadian dollars, except shares, share price and earnings per share) (unaudited)

	Attributable to Common Shareholders of the Company							
	Number of shares (thousands)	Share capital	Merger reserve (note 2)	Contributed surplus	Retained earnings (deficit)	Total net parent investment (note 2)	Non-controlling interests (note 2)	Total equity
Balance at December 31, 2019	37,600	$ 549,679	$ (488,916)	$ 1,394	$ (652)	$ -	$ -	$ 61,505
Net income and comprehensive income for the period	-	-	-	-	23,845	-	-	23,845
Share-based compensation (note 8)	-	-	-	2,326	-	-	-	2,326
Dividends (note 6)	-	-	-	-	(6,049)	-	-	(6,049)
Balance at September 30, 2020	**37,600**	**$ 549,679**	**$ (488,916)**	**$ 3,720**	**17,144**	**$ -**	**$ -**	**$ 81,627**
Balance at December 31, 2018	-	$ -	$ -	$ -	$ -	$ 163,811	$ 5,917	$ 169,728
Net income and comprehensive income for the period	-	-	-	-	-	22,698	572	23,270
Distributions to related parties	-	-	-	-	-	(30,000)	-	(30,000)
Adjustments on acquisition of NCI	-	-	-	-	-	6,489	(6,489)	-
Balance at September 30, 2019	**-**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 162,998**	**$ -**	**$ 162,998**

See accompanying notes to the unaudited interim condensed consolidated financial statements.

Andlauer Healthcare Group Inc.

Consolidated Statements of Cash Flow

For the nine months ended September 30, 2020 and 2019

(In thousands of Canadian dollars, except shares, share price and earnings per share) (unaudited)

	Note	September 30, 2020	September 30, 2019
Operating activities			
Net income for the period		$ 23,845	$ 23,270
Changes not involving cash:			
Depreciation and amortization		20,298	19,203
Adjustment to capitalized financing costs	4	84	-
Share-based compensation	8	2,326	-
Deferred income tax recovery	10	(1,941)	(399)
Derecognition of right-of-use assets and liabilities	11	(34)	-
		44,578	42,074
Changes in non-cash operating working capital:			
Accounts receivable		959	(2,194)
Inventories		181	413
Accounts payable and accrued liabilities		(513)	(4,961)
Income taxes payable		1,407	2,750
Net change in other operating working capital balances		(1,125)	(3,720)
Cash flows from operating activities		**45,487**	**34,362**
Financing activities			
Distributions to related parties		-	(30,000)
Dividends	6	(6,049)	-
Principal repayments on lease liabilities	11	(15,197)	(14,084)
Net change in related party balances		(114)	(5,029)
Loan to employee trust	2	13,875	-
Repayment of revolving credit facility	4	(3,929)	-
Cash flows used in financing activities		**(11,414)**	**(49,113)**
Investing activities			
Purchase of property, plant and equipment		(4,087)	(2,653)
Purchase of intangible assets, net		(153)	(113)
Cash flows used in investing activities		**(4,240)**	**(2,766)**
Net increase (decrease) in cash and cash equivalents		29,833	(17,517)
Cash and cash equivalents, beginning of period		18,712	53,657
Cash and cash equivalents, end of period		**$ 48,545**	**$ 36,140**

See accompanying notes to the unaudited interim condensed consolidated financial statements.

1. Reporting entity

Andlauer Healthcare Group Inc. (“AHG”) was incorporated under the Ontario Business Corporations Act on November 12, 2019 with its head office located in Woodbridge, Ontario. AHG’s subordinate voting shares are listed on the Toronto Stock Exchange under the stock symbol “AND”. AHG specializes in third party logistics and transportation solutions for the healthcare sector in Canada.

On December 4, 2019, AHG entered into an underwriting agreement and filed a long form prospectus for the purpose of completing an initial public offering, which closed on December 11, 2019 (the ‘‘Closing’’). AHG raised gross proceeds of $150,000 through the issuance of 10 million subordinate voting shares at a price of $15.00 per subordinate voting share. On December 16, 2019, a further 1.5 million subordinate voting shares were issued at a price of $15.00 per subordinate voting share resulting in $22,500 of additional gross proceeds pursuant to the exercise of an over-allotment option in the underwriting agreement.

As part of the Closing, in addition to the shares issued to the public, Andlauer Management Group Inc. (“AMG”) acquired 25.1 million multiple voting shares and 1 million subordinate voting shares of AHG. AMG concurrently transferred 925,000 subordinate voting shares to an Employee Benefit Plan Trust. As of the date hereof, AMG holds all of the issued and outstanding multiple voting shares and 30,100 subordinate voting shares of AHG, representing approximately 66.8% of the issued and outstanding shares and 89.0% of the voting power attached to all of the shares. AMG is owned and controlled by Michael Andlauer, Chief Executive Officer and a director of AHG.

2. Basis of presentation

a) Statement of compliance

These unaudited interim condensed consolidated financial statements (“consolidated financial statements”) have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting,* as issued by the International Accounting Standards Board (“IASB”). Under International Financial Reporting Standards (‘‘IFRS’’), additional disclosures are required in the annual financial statements and therefore, these consolidated financial statements and accompanying notes should be read in conjunction with the notes to the Company’s audited consolidated financial statements for the years ended December 31, 2019 and 2018.

These consolidated financial statements have been prepared using consistent accounting policies and methods used in the preparation of the Company’s annual audited consolidated financial statements. Certain comparative information has been reclassified to conform to the current period’s presentation.

These consolidated financial statements were authorized for issue by the Board of Directors effective November 10, 2020.

b) Basis of measurement

These consolidated financial statements comprise the consolidated financial results of AHG as at and for the three and nine months ended September 30, 2020 and the combined financial results of Associated Logistics Solutions Inc., Credo Canada Systems Inc., 2186940 Ontario Inc. and their respective subsidiaries (collectively, the “AHG Entities”) as at and for the three and nine month periods ended September 30, 2019 (collectively the “Company”).

Common control transaction

In connection with a series of transactions that occurred prior to, and on, the date of Closing, AHG acquired a 100% ownership interest in the AHG Entities.

2. Basis of presentation (continued)

b) Basis of measurement (continued)

Common control transaction (continued)

AHG's acquisition of the AHG Entities was a business combination involving entities under common control in which all of the combining entities were ultimately controlled by AMG, both before and after the reorganization transactions were completed. Business combinations involving entities under common control are outside the scope of IFRS 3 Business Combinations. AHG accounted for this common control transaction using book value accounting, based on the book values recognized in the financial statements of the underlying entities. This election results in the financial statements being restated for periods prior to the date of obtaining common control, to reflect the combination as if it had occurred from the beginning of the period that the entities were under common control, regardless of the actual date the common control transaction closed.

(i) Total net parent investment

The comparative financial statements as at and for the three and nine months ended September 30, 2019 have been prepared on a combined basis. Accordingly, it is not meaningful to show share capital or provide an analysis of reserves. Therefore, amounts which reflect the carrying value of investments in the combined entities are disclosed as "Total net parent investment", while carrying value of net assets attributable to shareholders other than the Company are presented as "Non-controlling interests" ("NCI"). Since the Company was not an existing legal entity during the nine months ended September 30, 2019, the combined entities have no historical capital structure. Consequently, earnings per share as required by IAS 33 *Earnings per share* has not been presented for the comparative period.

On June 13, 2019, the outstanding equity interests in Associated Logistics Solutions Inc. were purchased, reducing the non-controlling interest ownership percentage from 15% to nil. The carrying amount of NCI purchased at the time of the transaction was $6,489, after giving effect to income attributable to NCI for the period of $572. As the transaction was with the ultimate parent the transaction reduced NCI by $6,489 and increased net parent investment by the same amount.

(ii) Merger reserve

Pursuant to a share purchase agreement between AHG and its parent, and in connection with a corporate reorganization immediately prior to the initial public offering, AHG acquired a 100% ownership interest in the AHG Entities based on the value of consideration of $577,625. Total net parent investment as at December 10, 2019 (immediately prior to the Closing) was $88,709. A merger reserve of $488,916 is recorded to reflect the difference in carrying value of the net assets acquired and the consideration paid since AHG and the AHG Entities were all related parties under common control of AMG at the time of the acquisition.

(iii) Employee trust

An employee trust was established at Closing, the beneficiaries of which will be executive officers and employees of the Company. AHG made a non-interest bearing loan of $13,875 to the employee trust which the employee trust used to acquire 925,000 subordinate voting shares from AMG. On June 25, 2020, the employee trust repaid its loan from AHG in full using a portion of proceeds from the sale of 508,000 subordinate voting shares pursuant to a number of private agreements. The employee trust continues to hold the remaining 417,000 subordinate voting shares for the benefit of executive officers and employees of the Company.

(In thousands of Canadian dollars, except shares, share price and earnings per share)

2. Basis of presentation (continued)

c) Judgments and estimates

Preparing the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these consolidated financial statements, significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended December 31, 2019.

3. Segment reporting

The Company is organized into two operating segments, which it also considers to be reportable segments: Specialized Transportation and Healthcare Logistics. The operating segments are managed independently as they require different technology and capital resources. For each of the operating segments, the Company's CODM reviews internal management reports, evaluating the metrics as summarized in the tables below.

The Company evaluates performance based on the various financial measures of its two operating segments. Performance is measured based on segment income or loss before tax. This measure is included in the internal management reports that are reviewed by the Company's CEO and refers to "Income before income taxes" in the consolidated statements of income and comprehensive income. Segment income or loss before tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within the same industries. The following table identifies selected financial data as at September 30, 2020 and 2019 and for the three months and nine months then ended:

	Specialized Transportation	Healthcare Logistics	Corporate	Eliminations	Total
As at September 30, 2020 and for the three months then ended					
Revenue	$ 55,039	$ 29,943	$ 600	$ (9,777)	$ 75,805
Segment income before tax	10,346	2,896	(1,154)	-	12,088
Interest income	31	9	20	-	60
Interest expense	(542)	(481)	(123)	-	(1,146)
Depreciation and amortization	(4,085)	(2,931)	-	-	(7,016)
Segment net income	7,574	2,136	(1,114)	-	8,596
Segment total assets	141,596	113,249	593,684	(607,741)	240,788
Additions of ROU assets	894	5,676	-	-	6,570
Capital expenditures	240	520	-	-	760
Segment total liabilities	74,693	63,269	51,919	(30,720)	159,161

(In thousands of Canadian dollars, except shares, share price and earnings per share)

3. Segment reporting (continued)

	Specialized Transportation	Healthcare Logistics	Corporate	Eliminations	Total
As at September 30, 2019 and for the three months then ended					
Revenue	$ 50,472	$ 26,408	$ -	$ (6,036)	$ 70,844
Segment income before tax	7,914	2,748	-	-	10,662
Interest income	142	36	-	-	178
Interest expense	(425)	(395)	-	-	(820)
Depreciation and amortization	(4,198)	(2,370)	-	-	(6,568)
Segment net income	5,778	1,985	-	-	7,763
Segment total assets	174,088	92,794	-	(3,508)	263,374
Additions of ROU assets	3,364	-	-	-	3,364
Capital expenditures	572	1,223	-	-	1,795
Segment total liabilities	57,029	46,855	-	(3,508)	100,376
As at September 30, 2020 and for the nine months then ended					
Revenue	$ 163,986	$ 86,365	$ 1,800	$ (24,443)	$ 227,708
Segment income before tax	29,353	7,948	(3,970)	-	33,331
Interest income	170	56	20	-	246
Interest expense	(1,657)	(1,370)	(538)	-	(3,565)
Depreciation and amortization	(12,154)	(8,144)	-	-	(20,298)
Segment net income	21,517	5,824	(3,496)	-	23,845
Segment total assets	141,596	113,249	593,684	(607,741)	240,788
Additions of ROU assets	6,361	20,345	-	-	26,706
Capital expenditures	376	3,711	-	-	4,087
Segment total liabilities	74,693	63,269	51,919	(30,720)	159,161
As at September 30, 2019 and for the nine months then ended					
Revenue	$ 149,636	$ 82,062	$ -	$ (18,311)	$ 213,387
Segment income before tax	23,796	8,031	-	-	31,827
Interest income	656	72	-	-	728
Interest expense	(1,287)	(1,236)	-	-	(2,523)
Depreciation and amortization	(12,077)	(7,126)	-	-	(19,203)
Segment net income	17,383	5,887	-	-	23,270
Segment total assets	174,088	92,794	-	(3,508)	263,374
Additions of ROU assets	10,122	16	-	-	10,138
Capital expenditures	1,109	1,544	-	-	2,653
Segment total liabilities	57,029	46,855	-	(3,508)	100,376

(In thousands of Canadian dollars, except shares, share price and earnings per share)

3. Segment reporting (continued)

The Company's Healthcare Logistics segment purchases transportation services from its Specialized Transportation segment. Fees for these services are based on negotiated rates, which approximate fair value, and are reflected as revenues of the Specialized Transportation segment. Rates are adjusted from time to time based on market conditions. The Company also charges fees for services and costs incurred from its corporate office to subsidiaries. Intersegment revenues and expenses and related intersegment payables and receivables are eliminated in the Company's consolidated results.

The Company does not have any customers that individually represent more than 10% of revenue.

4. Credit facilities

	September 30, 2020	December 31, 2019
Revolving credit facility	$ -	$ 3,929
Term facility	25,000	25,000
	25,000	28,929
Less: financing costs	(361)	(445)
	$ 24,639	**$ 28,484**

Recorded in the consolidated balance sheets as follows:

	September 30, 2020	December 31, 2019
Revolving credit facility	$ -	$ 3,929
Term facility	24,639	24,555
	$ 24,639	**$ 28,484**

The movement in credit facilities from December 31, 2019 is as follows:

	Credit facilities
Balance at December 31, 2019	$ 28,484
Changes from financing cash flows	
Repayment of revolving credit facility	(3,929)
	24,555
Non-cash movements	
Amortization of capitalized financing costs	84
Balance at September 30, 2020	**$ 24,639**

On December 11, 2019 the Company entered into credit facilities with affiliates of RBC and CIBC at Closing of the initial public offering. The credit facilities comprise a revolving credit facility in the aggregate principal amount of $75,000 and a term facility in the aggregate principal amount of $25,000. The credit facilities are available to be drawn in Canadian dollars by way of prime rate loans, bankers' acceptances and letters of credit, and in U.S. dollars by way of base rate loans, LIBOR based loans and letters of credit, in each case, plus the

4. Credit facilities (continued)

applicable margin in effect from time to time. At September 30, 2020, the term facility comprises bankers' acceptances drawn at an interest rate of 1.93%.

The credit facilities are guaranteed by each of the Company's material subsidiaries and are secured by (i) a first priority lien over all personal property of the Company, subject to certain exclusions and permitted liens, (ii) charges over certain material leased real property interests, and (iii) a first ranking pledge of 100% of the securities of any subsidiary owned by the Company.

The credit facilities are subject to customary negative covenants and include financial covenants requiring the Company to maintain at all times a maximum net leverage ratio and a minimum interest coverage ratio, tested on a quarterly basis. At September 30, 2020, the Company is in compliance with all of its covenants under the credit facilities.

The credit facilities will mature and be due and payable on December 11, 2023.

Amounts recognized in the consolidated statements of income and comprehensive income in connection with interest expense for the credit facilities for the three and nine months ended September 30, 2020 was $123 and $537 respectively (2019 – $nil and $nil respectively).

5. Financial instruments and financial risk management

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, deposits, accounts payable and accrued liabilities and a term facility. The Company believes that the carrying amount of each of these items is a reasonable approximation of fair value.

As the term facility bears interest at a floating rate subject to fluctuations in the bank prime rate the carrying value of the debt approximates fair value.

6. Share capital

The Company is authorized to issue an unlimited number of subordinate voting common shares, an unlimited number of multiple voting common shares, and an unlimited number of preferred shares, issuable in series. The subordinate voting shares and multiple voting shares rank *pari passu* with respect to the payment of dividends, return of capital and distribution of assets in the event of liquidation, dissolution, or wind-up. Holders of multiple voting shares are entitled to four votes per multiple voting share, and holders of subordinate voting shares are entitled to one vote per subordinate voting share on all matters upon which holders of shares are entitled to vote. As of the date hereof, all of the multiple voting shares and 30,100 subordinate voting shares are owned by the Company's parent, AMG. At September 30, 2020, 25.1 million multiple voting shares and 12.5 million subordinate voting shares were issued and outstanding (December 31, 2019 – 25.1 million and 12.5 million respectively).

Dividends to subordinate voting and multiple voting shareholders

During the nine months ended September 30, 2020, the Company declared total dividends of $6,049 on subordinate voting and multiple voting common shares. Included in accounts payable and accrued liabilities as at September 30, 2020 is $1,880, or $0.05 per common share, for dividends paid on October 15, 2020 to common shareholders of record on September 30, 2020.

7. Earnings per share

Comparative earnings per share data is not presented for the three and nine months ended September 30, 2019 as the Company was not incorporated until November 12, 2019.

Basic earnings per share

The basic earnings per share and the weighted average number of common shares outstanding have been calculated as follows:

(in thousands of dollars and number of shares)	Three months ended September 30, 2020	Nine months ended September 30, 2020
Net income attributable to the common shareholders of the Company	$ 8,596	$ 23,845
Weighted average number of common shares	37,600	37,600
Earnings per share – basic	**$ 0.23**	**$ 0.63**

Diluted earnings per share

The basic earnings per share and the weighted average number of common shares outstanding after adjustment for the effects of all dilutive common shares have been calculated as follows:

(in thousands of dollars and number of shares)	Three months ended September 30, 2020	Nine months ended September 30, 2020
Net income attributable to the common shareholders of the Company	$ 8,596	$ 23,845
Weighted average number of common shares	37,600	37,600
Dilutive effects:		
Stock options	969	767
Deferred share units	4	19
Weighted average number of diluted common shares	38,573	38,386
Earnings per share – diluted	**$ 0.22**	**$ 0.62**

8. Share-based payment arrangements

Stock option plan (equity-settled)

The Company offers a stock option plan for the benefit of certain of its employees. Each stock option entitles its holder to receive one subordinate voting common share upon exercise. The exercise price payable for each option is determined by the Board of Directors at the date of grant. The options vest in equal installments over four years and the expense is recognized following the treasury method as each installment is fair valued separately and recorded over the respective vesting periods.

8. Share-based payment arrangements (continued)

Stock option plan (equity-settled) (continued)

On December 11, 2019 the Board of Directors approved a grant of 1,650 thousand options. Of the options outstanding at September 30, 2020, a total of 700 thousand are held by non-executive directors; 400 thousand are held by executive officers; with the remaining 550 thousand held by key management personnel.

The fair value of the stock options granted was estimated using the Black-Scholes option pricing model using the following weighted average assumptions:

	December 11, 2019
Exercise price	$ 15.00
Average expected option life	7 years
Risk-free interest rate	1.59%
Expected stock price volatility	24.77%
Average dividend yield	1.33%
Weighted average fair value per option of options granted	**$ 3.60**

In connection with the initial public offering, all non-executive directors were awarded 50 thousand options each which vested immediately. A total of 350 thousand options are exercisable at September 30, 2020 (December 31, 2019 – 350 thousand).

The table below summarizes the changes in the outstanding stock options:

	Nine months ended September 30, 2020	
(in thousands of options and in dollars)	Number of options	Weighted average exercise price
Opening balance	1,650	$ 15.00
Granted	-	-
Exercised	-	-
Forfeited	-	-
Ending balance	1,650	15.00

	Number of options	Weighted average exercise price
Options exercisable at September 30, 2020	**350**	**$ 15.00**

The Company recognized compensation expense of $593 and $1,778 for the three and nine months ended September 30, 2020 respectively, with corresponding increases to contributed surplus in connection with the vesting of options issued at the time of the initial public offering.

(In thousands of Canadian dollars, except shares, share price and earnings per share)

8. Share-based payment arrangements (continued)

Director deferred share units ("DSUs") program (equity settled)

Each non-executive director receives at least 50% of his or her annual director retainer in DSUs. DSUs vest when granted but are not redeemable for settlement until the director ceases to be a member of the Board. The number of DSUs issued is calculated for each director as the director's quarterly retainer divided by the volume weighted average trading price on the TSX for the five trading days prior to such issuance. For the three and nine months ended September 30, 2020, the Company recognized a compensation expense of $155 and $548 respectively, with corresponding increases to contributed surplus (September 30, 2019 – $nil and $nil respectively).

The table below summarizes the changes in the outstanding DSUs:

(thousands of DSUs)	**September 30, 2020**
Outstanding at December 31, 2019	-
Granted	19
Outstanding at September 30, 2020	**19**

9. Revenue

A. **Revenue streams**

The Company generates revenue primarily from the provision of supply chain transportation and logistics services to its customers. The Company's contracts are typically satisfied over a short period of time. Consequently, the Company applies the practical expedient and does not disclose information related to its remaining performance obligations.

B. **Disaggregation of revenue from contracts with customers**

In the following table, revenue from contracts with customers is disaggregated by major products and service lines. The table also includes a reconciliation of the disaggregated revenue with the Company's reportable segments (note 3).

Major products/service lines	**Three months ended September 30, 2020**	**Three months ended September 30, 2019**	**Nine months ended September 30, 2020**	**Nine months ended September 30, 2019**
Logistics and distribution	$ 25,682	$ 21,707	$ 70,909	$ 65,647
Packaging solutions	4,261	4,701	15,456	16,415
Healthcare Logistics segment	29,943	26,408	86,365	82,062
Ground transportation	42,946	41,609	128,779	123,355
Air freight forwarding	5,736	4,848	16,391	14,420
Dedicated and last mile delivery	6,357	4,015	18,816	11,861
Intersegment revenue	(9,177)	(6,036)	(22,643)	(18,311)
Specialized Transportation segment	45,862	44,436	141,343	131,325
Total revenue	**$ 75,805**	**$ 70,844**	**$ 227,708**	**$ 213,387**

(In thousands of Canadian dollars, except shares, share price and earnings per share)

9. Revenue (continued)

C. Deferred revenue

The Company bills customers for transportation services based on the pick-up date. When shipments remain in transit at the end of a period, the Company defers revenue until the shipments are delivered. The Company does not regularly bill customers in advance for logistics and distribution services. Consequently, fluctuations in deferred revenue will occur year over year and will depend on specifically negotiated payment terms resulting from customer billing requests or concerns related to credit risk. To date, the changes in deferred revenue have been largely insignificant. As at September 30, 2020 there was $1,268 (September 30, 2019 – $702) recorded in accounts payable and accrued liabilities. Revenue recognized in the first nine months of 2020 of $879 (September 30, 2019 – $635) was included in the opening deferred revenue balance at the beginning of the period.

10. Income taxes

A. Amounts recognized in profit or loss

	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Current income tax expense:				
Current taxes on income for the reporting period	$ 4,078	$ 3,064	$ 11,427	$ 8,956
Deferred income tax recovery:				
Origination and reversal of temporary differences	(586)	(165)	(1,941)	(399)
Income tax expense reported to the statements of income and comprehensive income	**$ 3,492**	**$ 2,899**	**$ 9,486**	**$ 8,557**

Total cash outflow for actual taxes paid for the three and nine months ended September 30, 2020 was $3,933 and $10,029 respectively (2019 – $1,923 and $7,340).

B. Reconciliation of effective tax rate

	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Income before income taxes	$ 12,088	$ 10,662	$ 33,331	$ 31,827
Consolidated Canadian federal and provincial income tax rate (26.5% consolidated rate)	26.50%	26.50%	26.50%	26.50%
Income tax expense based on statutory rate	3,203	2,825	8,833	8,434
Increase in income taxes resulting from non-deductible items or other adjustments	289	74	653	123
Total income tax expense	**$ 3,492**	**$ 2,899**	**$ 9,486**	**$ 8,557**

(In thousands of Canadian dollars, except shares, share price and earnings per share)

10. Income taxes (continued)

C. **Deferred taxes**

	September 30, 2020	December 31, 2019
Deferred tax assets	$ 1,767	$ 46
Deferred tax liabilities	(101)	(321)
Net deferred tax asset (liability)	**$ 1,666**	**$ (275)**

D. **Movement in deferred tax balances**

	September 30, 2020	Movement	December 31, 2019	Movement	September 30, 2019	Movement	December 31, 2018
Plant and equipment	$ (519)	$ -	$ (519)	$ (90)	$ (429)	$ (169)	$ (260)
Accounts payable and accrued liabilities	268	-	268	(58)	326	-	326
Intangibles	709	-	709	218	491	295	196
Income deferred for tax purposes	121	1,617	(1,496)	(626)	(870)	-	(870)
Leases	1,087	324	763	(56)	819	123	696
Net deferred tax asset (liability)	**$ 1,666**	**$ 1,941**	**$ (275)**	**$ (612)**	**$ 337**	**$ 249**	**$ 88**

E. **Unrecognized deferred tax assets**

Deferred tax assets have not been recognized in respect of certain items. The Company is evaluating alternatives under which sufficient future taxable profit will be available against which the Company can use the benefits therefrom. Deductible temporary differences represent costs incurred by the Company related to the acquisition of the AHG Entities and charged directly to equity.

	September 30, 2020		December 31, 2019	
	Gross amount	Tax effect	Gross amount	Tax effect
Deductible temporary differences	$ 14,442	$ 3,827	$ 14,321	$ 3,795
Tax losses	1,300	345	1,021	271
	$ 15,742	**$ 4,172**	**$ 15,342**	**$ 4,066**

The tax losses of $1,300 will commence expiring in 2039.

F. **Uncertainty over income tax treatments**

The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

(In thousands of Canadian dollars, except shares, share price and earnings per share)

11. Leases

The Company leases buildings and equipment in the operation of its Transportation and Logistics businesses. The Company estimates its incremental borrowing rates for portfolios of leases with similar characteristics, such as similar risk profiles, same or similar types of security, and similar lease terms. Building lease terms range from 5 to 10 years. Facilities lease liabilities are calculated using the Company's incremental borrowing rate based on the specific lease commitments and term for each facility. The average incremental borrowing rate for facilities for the nine months ended September 30, 2020 is 2.99% (year ended December 31, 2019 – 3.75%). Equipment lease terms range from 1 to 5 years. Equipment lease liabilities are calculated using the operating segment's average incremental borrowing rate on an equipment lease portfolio basis for that period. The average incremental borrowing rate for equipment for the nine months ended September 30, 2020 is 3.15% for Specialized Transportation and 2.67% for Healthcare Logistics (year ended December 31, 2019 – 4.07% for Specialized Transportation; 3.95% for Healthcare Logistics).

Right-of-use assets – Facilities	**As at and for the nine months ended September 30, 2020**	**As at and for the year ended December 31, 2019**
Opening balance	$ 56,285	$ 49,634
Add: additions	20,407	17,708
Less: derecognition	(185)	-
Less: depreciation	(9,725)	(11,057)
Ending balance	**$ 66,782**	**$ 56,285**

Right-of-use assets – Logistics and transportation equipment	**As at and for the nine months ended September 30, 2020**	**As at and for the year ended December 31, 2019**
Opening balance	$ 28,018	$ 25,400
Add: additions	6,299	11,145
Less: derecognition	(183)	-
Less: depreciation	(6,864)	(8,527)
Ending balance	**$ 27,270**	**$ 28,018**

Net carrying amounts of right-of-use assets included in property, plant and equipment	**September 30, 2020**	**December 31, 2019**
Facilities	$ 66,782	$ 56,285
Logistics and transportation equipment	27,270	28,018
Balance	**$ 94,052**	**$ 84,303**

(In thousands of Canadian dollars, except shares, share price and earnings per share)

11. Leases (continued)

Lease liabilities – Facilities	**As at and for the nine months ended September 30, 2020**	**As at and for the year ended December 31, 2019**
Opening balance	$ 60,948	$ 53,927
Add: additions	20,407	17,583
Add: interest expense	2,064	2,238
Less: derecognition	(212)	-
Less: repayments	(8,525)	(10,562)
Less: interest payments	(2,064)	(2,238)
Ending balance	**$ 72,618**	**$ 60,948**

Lease liabilities – Logistics and transportation equipment	**As at and for the nine months ended September 30, 2020**	**As at and for the year ended December 31, 2019**
Opening balance	$ 27,765	$ 25,093
Add: additions	6,299	11,146
Add: interest expense	848	1,019
Less: derecognition	(190)	-
Less: repayments	(6,672)	(8,474)
Less: interest payments	(848)	(1,019)
Ending balance	**$ 27,202**	**$ 27,765**

Cash lease principal payments	**Nine months ended September 30, 2020**	**Year ended December 31, 2019**
Repayments of lease principal	$ (15,197)	$ (19,036)
Pre-payment of leases	-	(125)
Total lease payments	**$ (15,197)**	**$ (19,161)**

Lease liabilities	**September 30, 2020**	**December 31, 2019**
Facilities	$ (72,618)	$ (60,948)
Logistics and transportation equipment	(27,202)	(27,765)
Balance	**$ (99,820)**	**$ (88,713)**

Lease liabilities included in consolidated balance sheets	**September 30, 2020**	**December 31, 2019**
Current	$ (20,791)	$ (19,129)
Non-current	(79,029)	(69,584)
Balance	**$ (99,820)**	**$ (88,713)**

(In thousands of Canadian dollars, except shares, share price and earnings per share)

11. Leases (continued)

Maturity analysis for lease liabilities - contractual undiscounted cash flows	**September 30, 2020**	**December 31, 2019**
Less than one year	$ 24,354	$ 22,407
One to 5 years	68,408	58,882
More than 5 years	19,401	19,092
Total undiscounted lease liabilities	**$ 112,163**	**$ 100,381**

Amounts recognized in the consolidated statements of income and comprehensive income in connection with interest expense for lease liabilities for the three and nine months ended September 30, 2020 was $987 and $2,912 respectively (September 30, 2019 – $779 and $2,388). Total cash outflow for leases for the three and nine months ended September 30, 2020 was $6,420 and $18,109 respectively (September 30, 2019 – $5,497 and $16,472).

12. Commitments and contingencies

(i) The Company is, from time to time, involved in claims, legal proceedings and complaints arising in the normal course of business and provisions for such claims have been recorded where appropriate. The Company does not believe the final determination of these claims will have an adverse material effect on its consolidated financial statements.

(ii) As at September 30, 2020, the Company had outstanding letters of guarantee in the amount of $180 (December 31, 2019 – $180).

(iii) The Company has made commitments for fleet equipment, with the terms to begin upon delivery of the equipment through the fourth quarter of 2020. Commitments range from 60 to 84 months and total $2,464.

13. Related parties

During the period, the Company entered into transactions with related parties that were incurred in the normal course of business. The Company's policy is to conduct all transactions and settle all balances with related parties on market terms and conditions. All outstanding balances with these related parties are to be settled in cash within two months of the reporting date. None of the balances are secured. No expense has been recognized in the current period or prior period for bad or doubtful debts in respect of amounts owed by related parties.

The Company is indirectly controlled by Michael Andlauer, the President and Chief Executive Officer and CODM. Included in these consolidated financial statements are the following transactions and balances with companies related either directly or indirectly to Mr. Andlauer.

Please refer to note 16 for additional information in connection with the acquisition of two related parties subsequent to September 30, 2020.

(In thousands of Canadian dollars, except shares, share price and earnings per share)

13. Related parties (continued)

	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				
Transportation services				
TDS Logistics Ltd.	$ 176	$ 181	$ 534	$ 539
1708998 Ontario Limited (Medical Courier Services)	6	3	15	5
Facility rent recovery				
TDS Logistics Ltd.	164	164	492	492
Andlauer Management Group Inc.	-	80	-	240
Shared service recovery				
TDS Logistics Ltd.	63	63	189	189
Andlauer Properties and Leasing Inc.	5	4	15	14
Andlauer Management Group Inc.	3	3	9	9
9143-5271 Quebec Inc.	8	7	24	23
1708998 Ontario Limited (Medical Courier Services)	3	3	9	9
Equipment rental recovery				
TDS Logistics Ltd.	91	91	273	273
McAllister Courier Inc.	9	-	21	-
Expenses				
Transportation services				
McAllister Courier Inc.	241	245	682	693
1708998 Ontario Limited (Medical Courier Services)	50	57	113	192
TDS Logistics Ltd.	178	182	469	352
AWA Transportation & Logistics Inc.	253	-	546	-
Med Express Ltd.	-	-	11	-
Contract labour services				
Ready Staffing Solutions Inc.	998	1,049	2,983	3,066
Equipment rent				
Andlauer Properties and Leasing Inc.	472	372	1,342	1,063
Shared services				
Andlauer Management Group Inc.	-	177	-	531
Facility rent				
Andlauer Properties and Leasing Inc.	358	108	1,067	332
9143-5271 Quebec Inc.	383	288	1,085	862
Maintenance services				
D.C. Racking and Maintenance Inc. and Logiserv Inc.	17	16	46	36
Travel services				
C-GHBS Inc.	132	127	164	127
Capital asset purchases				
Logiserv Inc.	-	259	-	259

(In thousands of Canadian dollars, except shares, share price and earnings per share)

13. Related parties (continued)

	September 30, 2020	December 31, 2019
Trade receivables due from related parties		
Andlauer Management Group Inc.	$ -	$ 60
AWA Transportation Services	16	-
TDS Logistics Ltd.	203	380
McAllister Courier Inc.	3	-
Med Express Ltd.	1	-
1708998 Ontario Limited (Medical Courier Services)	10	-
9143-5271 Quebec Inc.	-	1
Total trade receivables	$ 233	$ 441
Due from related parties		
Andlauer Management Group Inc.	-	53
Andlauer Properties and Leasing Inc.	50	186
TDS Logistics Ltd.	38	-
	88	239
Total due from related parties	**$ 321**	**$ 680**

	September 30, 2020	December 31, 2019
Trade payables due to related parties		
Ready Staffing Solutions Inc.	$ 149	$ 397
McAllister Courier Inc.	51	71
TDS Logistics Ltd.	88	100
Andlauer Properties and Leasing Inc.	120	1,196
Med Express	-	1
D.C. Racking and Maintenance Inc.	-	1
Logiserv Inc.	-	69
Bulldog Hockey Inc.	-	28
C-GHBS Inc.	27	153
Total trade payables	435	2,016
Due to related parties		
M. Andlauer	-	161
Andlauer Management Group Inc.	70	-
TDS Logistics Ltd.	-	174
	70	335
Total due to related parties	**$ 505**	**$ 2,351**

Key management personnel

The Company's key management personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. Key management personnel are defined as those individuals having authority and responsibility for planning, directing and controlling the activities of the Company and include the Company's CEO, four named executive officers comprising key management and the Board of Directors.

During the three and nine months ended September 30, 2020, the Company recorded $1,099 and $3,318 respectively (September 30, 2019 - $598 and $1,793) related to key management personnel salaries and benefits, share-based compensation, and director fees.

(In thousands of Canadian dollars, except shares, share price and earnings per share)

14. Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, as well as the level of dividends and distributions to ordinary shareholders.

The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowing and the advantages and security afforded by a sound capital position. The Company monitors capital using a net leverage ratio, calculated as net debt divided by the last twelve months' earnings before interest, taxes, depreciation and amortization ("EBITDA"). The Company seeks to keep its net leverage ratio below 3.0 in the ordinary course of business.

	September 30, 2020	December 31, 2019
Total liabilities	$ 159,161	$ 151,490
Less: cash and cash equivalents	(48,545)	(18,712)
Net debt	110,616	132,778
Last twelve months' net income	30,920	30,345
Last twelve months' interest income	(522)	(1,004)
Last twelve months' interest expense	4,545	3,503
Last twelve months' income tax expense	12,933	12,004
Last twelve months' depreciation and amortization	26,801	25,706
Last twelve months' EBITDA	74,677	70,554
Net leverage ratio	1.48	1.88

15. COVID-19 Pandemic

On March 11, 2020 the outbreak of a novel coronavirus known as "COVID-19" was declared a global pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian federal and provincial governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel restrictions, self-imposed quarantine periods, temporary closures or restrictions of non-essential businesses, limitations on public gatherings, and social distancing guidelines, have caused material disruption to businesses globally and in Canada resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions, however the success of these interventions is not currently determinable. Depending on the duration of the pandemic, or if the pandemic were to worsen, existing emergency measures may be extended, or additional restrictive measures may be implemented, causing further economic impact and uncertainty. The current challenging economic climate may lead to adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct impact on the Company's operating results and financial position in the future.

The Company's pandemic management response team meets regularly to review procedures, service levels, news, and Health Canada updates to address any challenges as they arise. At this time, management does not believe there is any immediate risk of significant disruption to the Company's services. In the event of a future significant disruption to service, the Company will work closely with clients, suppliers and regulatory authorities to prioritize the supply and delivery of essential medications and supplies.

15. COVID-19 Pandemic (continued)

For the three and nine months ended September 30, 2020, the Company qualified for and received $689 and $1,530 respectively of government assistance under the federal government's Canada Emergency Wage Subsidy ("CEWS") program in connection with its Nova Pack Ltd. ("NPL") subsidiary. The Company recognizes government assistance when there is reasonable assurance that it will comply with the conditions required to qualify for the assistance, and that the assistance will be received. The Company recognizes government assistance as a reduction to the related expense that the assistance is intended to offset. NPL qualified for CEWS assistance for the 4-week period ending September 26, 2020 and recorded a receivable of $210 as at September 30, 2020. A total of $1,740 has been recognized as a reduction of direct operating expenses for the nine months ended September 30, 2020 under the CEWS program. It is uncertain whether the Company will continue to qualify for CEWS assistance for the remainder of the year.

16. Subsequent event

Effective October 1, 2020, the Company acquired all of the issued and outstanding shares of TDS Logistics Ltd. and McAllister Courier Inc., from Andlauer Management Group Inc. for cash consideration of $15,878, the estimated fair value of the businesses acquired. The acquisition is a related party transaction given the entities are under common control. The acquisition was reviewed and considered by a special committee of the Company's independent directors. The special committee, with the assistance of independent legal counsel, took a lead role in respect of the examination, review and negotiation of the acquisition and related documentation on behalf of the Company.