Condensed Interim Consolidated Financial Statements

As at and for the six months ending
June 30, 2018 and 2017 | Unaudited

2018

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) "*Andrew Clark*"
Andrew Clark
Chief Executive Officer

(signed) "*Joseph Leeder*"
Joseph Leeder
Chief Financial Officer

PARK LAWN CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT JUNE 30, 2018 AND DECEMBER 31, 2017
(UNAUDITED)

	June 30, 2018	December 31, 2017
Assets		
Current assets		
Cash	$ 9,062,045	$ 12,736,498
Accounts receivable	7,934,686	4,932,227
Pre-need receivables, current portion (Note 4)	21,846,781	13,480,868
Inventories, current portion (Note 5)	9,180,667	4,810,926
Prepaid expenses and other current assets	2,547,171	1,155,131
	50,571,350	37,115,650
Non-current assets		
Pre-need receivables, net of current portion (Note 4)	51,973,085	36,027,923
Inventories, net of current portion (Note 5)	58,754,775	35,701,660
Land held for development (Note 7)	26,823,512	7,433,352
Property and equipment (Note 8)	100,130,093	42,749,947
Investment properties (Note 9)	205,079	209,285
Care and maintenance trust fund investments (Note 10)	180,600,603	110,007,638
Pre-need merchandise and service trust fund investments (Note 11)	148,027,139	96,018,172
Deferred tax assets	5,815,330	2,982,205
Employee share plan loan	3,073,033	3,169,899
Goodwill and intangibles (Note 6 and 13)	228,794,025	85,962,618
Deferred financing costs (Note 14)	-	724,260
Deferred commissions (Note 2)	18,584,736	-
Other assets	2,304,309	978,643
	825,085,719	421,965,602
TOTAL ASSETS	$ 875,657,069	$ 459,081,252
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 16,736,141	$ 10,177,423
Dividends payable	878,034	583,176
Current portion of long term debt (Note 14)	204,012	553,807
Current portion of notes payable (Note 15)	833,200	832,382
	18,651,387	12,146,788
Non-current liabilities		
Long-term debt, net of current portion (Note 14)	44,209,112	2,674,940
Notes payable, net of current portion (Note 15)	3,988,177	334,679
Deferred revenue (Note 16)	91,829,162	54,786,871
Deferred tax liabilities (Note 2)	4,213,568	-
Contingent payments (Note 17)	1,177,404	1,061,949
Care and maintenance trusts' corpus (Note 10)	180,600,603	110,007,638
Deferred pre-need receipts held in trust (Note 11)	148,027,139	96,018,172
	474,045,165	264,884,249
Shareholders' Equity		
Share capital (Note 19)	363,373,665	179,775,963
Contributed surplus	1,628,261	1,133,771
Accumulated other comprehensive income (loss)	6,068,271	(1,654,092)
Retained earnings	10,616,136	1,691,930
	381,686,333	180,947,572
Non-controlling interest	1,274,184	1,102,643
	382,960,517	182,050,215
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 875,657,069	$ 459,081,252

Commitments and Contingencies (Note 21)

Approved by the Board of Directors

"Andrew Clark"
Andrew Clark - CEO, Director

"Joseph Leeder"
Joseph Leeder - CFO, Director

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

PARK LAWN CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EARNINGS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018 AND 2017
(UNAUDITED)

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Revenue				
Sales	$ 37,037,046	$ 18,278,645	$ 61,498,456	$ 35,359,807
Income from care and maintenance funds (Note 10)	2,108,621	1,359,100	4,071,298	2,610,933
Interest and other income	1,203,773	501,108	1,985,926	970,537
	40,349,440	20,138,853	67,555,680	38,941,277
Costs	8,478,023	4,442,136	14,471,591	8,994,565
Gross profit	31,871,417	15,696,717	53,084,089	29,946,712
Operating expenses				
General and administrative	13,397,167	5,562,447	21,573,558	10,957,573
Maintenance	7,043,209	4,446,524	11,808,867	8,258,229
Advertising and selling	6,409,549	3,229,022	10,727,523	6,125,236
Interest expense	553,371	92,608	802,994	190,779
Share based incentive compensation	249,106	193,356	496,351	376,195
	27,652,402	13,523,957	45,409,293	25,908,012
Earnings from operations	4,219,015	2,172,760	7,674,796	4,038,700
Acquisition and integration costs (Note 6)	(5,182,916)	(941,010)	(6,365,237)	(1,120,075)
Other income (expenses)	-	(84,625)	-	(151,082)
Change in fair value of contingent payments (Note 17)	(37,139)	(47,999)	(71,635)	(93,029)
Earnings (loss) before income taxes	(1,001,040)	1,099,126	1,237,924	2,674,514
Income tax expense	(682,835)	187,523	(170,746)	340,529
Net earnings (loss) for the period	$ (318,205)	$ 911,603	$ 1,408,670	$ 2,333,985
Net earnings (loss) attributable to:				
Equity holders of PLC	$ (435,849)	$ 812,444	$ 1,237,129	$ 2,109,973
Non-controlling interest	117,644	99,159	171,541	224,012
	$ (318,205)	$ 911,603	$ 1,408,670	$ 2,333,985
Net earnings (loss) per share - basic				
Attributable to equity holders of PLC	$ (0.021)	$ 0.072	$ 0.069	$ 0.189
Net earnings (loss) per share - diluted				
Attributable to equity holders of PLC	$ (0.021)	$ 0.072	$ 0.069	$ 0.188
Weighted average number of common shares:				
- basic	20,306,984	11,251,898	17,889,806	11,183,327
- diluted	20,345,945	11,320,884	17,925,499	11,240,060

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
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018 AND 2017
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net earnings (loss) for the period	$ (318,205)	$ 911,603	$ 1,408,670	$ 2,333,985
Item of other comprehensive income to be subsequently reclassified to net income				
Foreign currency translation of foreign operations	5,610,913	(671,813)	7,722,363	(942,459)
Comprehensive income	$ 5,292,708	$ 239,790	$ 9,131,033	$ 1,391,526

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 SIX MONTHS ENDED JUNE 30, 2018 AND 2017
(UNAUDITED)

	# of Common Shares Issued and Outstanding	Share Capital	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Non Controlling Interest	Shareholders' Equity
Balance at January 1, 2017	11,095,770	$ 92,709,116	$ 292,881	$ 3,632,754	$ (46,725)	$ 778,887	$ 97,366,913
Dividends declared (Note 18)	-	-	-	(2,691,557)	-	-	(2,691,557)
Shares issued:							
Dividend reinvestment plan (Note 19)	4,902	80,427	-	-	-	-	80,427
Equity incentive plan	-	-	348,390	-	-	-	348,390
Prospectus financing, net of costs (Note 19)	4,237,750	77,227,233	-	-	-	-	77,227,233
Acquisition of non-controlling interest	-	-	-	52,179	-	-	52,179
Other comprehensive loss	-	-	-	-	(942,459)	-	(942,459)
Net earnings for the period	-	-	-	2,109,973	-	224,012	2,333,985
Balance at June 30, 2017	15,338,422	$ 170,016,776	$ 641,271	$ 3,103,349	$ (989,184)	$ 1,002,899	$ 173,775,111
Balance at January 1, 2018	15,346,732	$ 179,775,963	$ 1,133,771	$ 1,691,930	$ (1,654,092)	$ 1,102,643	$ 182,050,215
Dividends declared (Note 18)	-	-	-	(4,089,603)	-	-	(4,089,603)
Shares issued:							
Dividend reinvestment plan (Note 19)	14,177	327,379	-	-	-	-	327,379
Equity incentive plan	-	-	494,490	-	-	-	494,490
Prospectus financing, net of costs (Note 19)	7,745,250	183,270,323	-	-	-	-	183,270,323
Adaption of IFRS15 (Note 2)	-	-	-	11,776,680	-	-	11,776,680
Other comprehensive income	-	-	-	-	7,722,363	-	7,722,363
Net earnings for the period	-	-	-	1,237,129	-	171,541	1,408,670
Balance at June 30, 2018	23,106,159	$ 363,373,665	$ 1,628,261	$ 10,616,136	$ 6,068,271	$ 1,274,184	$ 382,960,517

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

PARK LAWN CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018 AND 2017
(UNAUDITED)

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Cash provided by (used in):				
Operating activities				
Net earnings (loss) for the period	$ (318,205)	$ 911,603	$ 1,408,670	$ 2,333,985
Adjustments to reconcile net income to cash provided by (used in) operating activities:				
Acquisition and integration costs	5,182,916	941,010	6,365,237	1,120,075
Depreciation of property and equipment, investment properties and amortization of intangibles	1,399,521	560,456	2,204,587	1,081,626
Amortization of cemetery property	2,081,037	902,522	3,236,868	1,745,489
Amortization of deferred commissions	881,980	-	1,624,638	-
Dividend reinvestment plan	153,772	39,887	327,379	80,427
Share based incentive compensation	247,245	174,195	494,490	348,390
Loss on change in fair value of contingent payments	37,139	47,999	71,635	93,029
Termination of lease contract	-	149,125	-	149,125
Changes in operating assets and liabilities that provided (required) cash:				
Accounts receivable	(1,208,001)	160,085	(877,143)	147,352
Pre-need receivables	(730,435)	(255,060)	228,420	(950,401)
Prepaid expenses and other current assets	580,561	193,557	(287,957)	(419,859)
Deferred tax asset/expense	(2,341,363)	(1,154,787)	(2,339,671)	(1,182,447)
Employee loan	82,452	128,961	96,866	129,853
Accounts payable and accrued liabilities	(3,570,042)	636,684	(3,165,809)	(1,553,661)
Deferred revenue	(2,220,883)	(654,954)	(2,254,831)	(181,786)
Cash provided by (used in) operating activities	257,694	2,781,283	7,133,379	2,941,197
Investing activities				
Acquisition and integration costs	(5,182,916)	(941,010)	(6,365,237)	(1,120,075)
Receivable on sale of discontinued operations		-		-
Net cash on acquisitions and other strategic transactions	(156,131,747)	(3,746,631)	(220,288,725)	(12,218,899)
Acquisition of property and equipment	(1,634,102)	(1,533,846)	(2,169,307)	(2,044,415)
Acquisition of land held for development	-	(1,049,246)	-	(1,049,246)
Investment in inventories	(1,124,421)	428,810	(1,364,192)	(1,261,907)
Deferred commissions	(1,188,153)	-	(1,883,779)	-
Decrease (increase) in other assets	385,827	(206,192)	(75,716)	(199,554)
Cash provided by (used in) investing activities	(164,875,512)	(7,048,115)	(232,146,956)	(17,894,096)
Financing activities				
Proceeds (repayment) from loan receivable	-	(300)	-	(1,200)
Proceeds from issuance of long-term debt	96,940	-	58,554,469	54,427
Repayment of long-term debt	(14,899,551)	(132,454)	(16,874,718)	(316,386)
Repayment of note payable	(8,045)	(51,392)	(15,989)	(262,429)
Proceeds from financing, net of costs	183,270,323	77,303,951	183,270,323	77,227,233
Dividends and distributions paid	(2,339,531)	(1,426,432)	(4,089,603)	(2,691,557)
Deferred financing fee	(28,452)	24,279	(18,114)	(55,323)
Cash paid for acquisition of non-controlling interest	-	-	-	52,179
Cash provided by (used in) financing activities	166,091,684	75,717,652	220,826,368	74,006,944
Translation adjustment on cash	909,907	(240,849)	512,756	(491,341)
Net increase (decrease) in cash	2,383,773	71,209,971	(3,674,453)	58,562,704
Cash, beginning of period	6,678,272	11,244,405	12,736,498	23,891,672
Cash, end of period	$ 9,062,045	$ 82,454,376	$ 9,062,045	$ 82,454,376
Supplemental disclosures:				
Income taxes paid	$ 62,526	$ 58,682	$ 241,265	$ 206,954
Interest expenses paid	$ 514,164	$ 82,907	$ 726,910	$ 142,221

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 USA. 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, 2017 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 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, 2017.

These 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, 2017, except as described below under IFRS 15 and IFRS 9.

The financial information included herein reflects all adjustments that, in the opinion of management, are necessary for a fair presentation of the results for the interim periods presented. The results of operations for the periods ended June 30, 2018 and 2017 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 Company's Board of Directors on August 14, 2018.

b. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

b. Functional currency - continued

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 operations. Non-monetary assets and liabilities that are measured at historical cost are translated using the exchange rate at the date of the transaction.

The consolidated accounts of the Company are presented in Canadian dollars. The 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.

c. 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.

d. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

d. Business combinations - continued

The contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as a liability is remeasured at subsequent reporting dates in accordance with IAS 39, with the corresponding gain or loss being recognized in profit or loss.

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.

e. IFRS 9 – Financial Instruments, Classification and Measurement

Effective January 1, 2018, the Company adopted IFRS 9. IFRS 9 introduces new requirements for the classification and measurement of financial assets. IFRS 9 requires all recognized financial assets to be measured at amortized cost or fair value in subsequent accounting periods following initial recognition. IFRS 9 also amends the requirements around hedge accounting, and introduces a single, forward-looking expected loss impairment model.

The Company has elected to apply the limited exemption in IFRS 9 paragraph 7.2.15 relating to transition for classification and measurement and impairment, and accordingly has not restated comparative periods in the year of initial application. The adoption of IFRS 9 had no impact on the Company's consolidated financial statements on the date of initial application. There was no change in the carrying amounts on the basis of allocation from original measurement categories under IAS 39 Financial Instruments: Recognition and Measurement to the new measurement categories under IFRS 9.

Classification

The Company classifies its financial assets and financial liabilities in the following measurement categories i) those to be measured subsequently at fair value through profit or loss (FVTPL); ii) those to be measured subsequently at fair value through other comprehensive income (FVOCI); and iii) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

e. IFRS 9 - Financial Instruments, Classification and Measurement - continued

Classification - continued

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Financial assets at fair value through comprehensive income

Equity instruments that are not held-for-trading can be irrevocably designated to have their change in fair value recognized through comprehensive income instead of through profit or loss. This election can be made on individual instruments and is not required to be made for the entire class of instruments. Attributable transaction costs are included in the carrying value of the instruments. Financial assets at fair value through other comprehensive income are initially measured at fair value and changes therein are recognized in other comprehensive income.

Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or a financial liability not measured at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Financial assets and financial liabilities with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes recognized through profit and loss or other comprehensive income (irrevocable election at the time of recognition). For financial liabilities measured subsequently at FVTPL, changes in fair value due to credit risk are recorded in other comprehensive income.

Impairment

The Company assesses all information available, including on a forward-looking basis the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information. For trade receivables only, the

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

e. IFRS 9 - Financial Instruments, Classification and Measurement - continued

Impairment – continued

Company applies the simplified approach as permitted by IFRS 9. The simplified approach to the recognition of expected losses does not require the Company to track the changes in credit risk; rather, the Company recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade receivable.

Evidence of impairment may include indications that the counterparty debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Receivables are reviewed qualitatively on a case-by-case basis to determine whether they need to be written off.

Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due to the Company under the contract, and the cash flows that the Company expects to receive. The Company assesses all information available, including past due status, credit ratings, the existence of third-party insurance, and forward looking macro-economic factors in the measurement of the expected credit losses associated with its assets carried at amortized cost.

The Company measures expected credit loss by considering the risk of default over the contract period and incorporates forward-looking information into its measurement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

e. IFRS 9 - Financial Instruments, Classification and Measurement - continued

Summary of the Company's classification and measurements of financial assets and liabilities

	IFRS 9		IAS 39	
	Classification	**Measurement**	**Classification**	**Measurement**
Cash and cash equivalents	FVTPL	Fair value	Loans and receivables	Fair Value
Accounts receivables	Amortized cost	Amortized cost	Loans and receivables	Amortized cost
Pre-need receivables	Amortized cost	Amortized cost	Loans and receivables	Amortized cost
Insurance proceeds recoverable	Amortized cost	Amortized cost	Loans and receivables	Amortized cost
Pre-need trust fund investments	FVTPL	Fair value	Available-for-sale	Fair Value
Care and maintenance trust investment	FVTPL	Fair value	Available-for-sale	Fair Value
Debenture Receivable	Amortized cost	Amortized cost	Loans and receivables	Amortized cost
Loan receivable	Amortized cost	Amortized cost	Amortized cost	Amortized cost
Trade payables and accrued liabilities	Amortized cost	Amortized cost	Other liabilities	Amortized cost
Dividends payable	Amortized cost	Amortized cost	Other liabilities	Amortized cost
Long-term debt	Amortized cost	Amortized cost	Other liabilities	Amortized cost
Notes payable	Amortized cost	Amortized cost	Other liabilities	Amortized cost
Pre-need trust liabilities	FVTPL	Fair value	Other liabilities	Fair value
Care and maintenance trust liabilities	FVTPL	Fair value	Other liabilities	Fair value
Contingent payment	FVTPL	Fair value	FVTPL	Fair value

f. IFRS 15 – Revenue from Contracts with Customers

The Company elected to adopt IFRS15 using the modified retrospective method, with recognition of transitional adjustments in opening retained earnings on the date of initial application (January 1, 2018), without restatement of comparative figures.

The treatment of costs incurred in acquiring customer contracts is affected as IFRS 15 requires certain contract acquisition costs (such as sales commissions) to be recognized as an asset and amortized into advertising and selling expenses over time. Previously, such costs were expensed as incurred. In addition, a new asset has been recognized in the consolidated statements of financial position, specifically, a deferred commission asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

f. IFRS 15 – Revenue from Contracts with Customers – continued

The impact on the consolidated statement of financial position as at January 1, 2018 is an increase to deferred commission asset of $15,925,918, an increase in deferred tax liability of $4,149,238, and an increase of $11,776,680 to opening retained earnings.

The adoption of IFRS 15 did not result in any changes in the timing of revenue recognition for the Company's goods and services.

Accounting Policy for Deferred Commission Asset

Under IFRS 15, the Company defers incremental commission costs paid as a result of obtaining contracts with customers as deferred commission assets and amortizes these costs to selling and advertising expenses as the related deferred revenues are recognized.

Accounting Policy for Revenue Recognition

IFRS 15 introduced a single model for recognizing revenue from contracts with customers. This standard applies to all contracts with customers, with only some exceptions, including certain contracts accounted for under other IFRSs. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps: i) identify the contract with a customer; ii) identify the performance obligations in the contract; iii) determine the transaction price; iv) allocate the transaction price to the performance obligations in the contract; and v) recognize revenue when (or as) the entity satisfies a performance obligation.

g. Future Accounting Policy Changes

The IASB has issued the following standards, amendments and interpretations which have not been early adopted in these consolidated financial statements. The Company is assessing the impact on its consolidated financial statements as a result of adopting the following new standards:

IFRS 16 – "Leases", effective for annual periods beginning on or after January 1, 2019. The most significant change introduced by IFRS 16 is a single lessee accounting model, bringing leases on-balance sheet for lessees. The Company is currently assessing the impact of IFRS 16 and the standard will be adopted in the Company's consolidated financial statements for the year beginning January 1, 2019. The Company does not expect a significant impact to the Company's consolidated financial statements on adoption of this IFRS.

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 made, relate to, but are not limited to, the following:

i) The carrying value of goodwill and intangibles acquired from acquisitions and estimates on any applicable impairment. The Company's impairment tests for goodwill and intangible assets are based on the greater of value in use calculations that use a discounted cash flow model over a five-year period and estimated fair value less cost to sell.

The value-in-use calculations employ the following key assumptions: future cash flows, growth projections including economic risk assumptions and estimates of achieving key operating metrics. The cash flows are derived from the Company's budget for the future and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset base of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The estimated fair value less cost to sell is based on assessment of comparable company multiples and precedent transactions.

ii) In a business combination, substantially all identifiable assets, liabilities and contingent liabilities acquired are recorded at the date of acquisition at their respective fair values. One of the most significant areas of judgment and estimation relates to the determination of the fair value of these assets and liabilities, including the fair value of contingent consideration, if applicable. If any intangible assets are identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent external valuation expert may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. These valuations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied. In certain circumstances where estimates have been made, the Company may obtain third-party valuations of certain assets, which could result in further refinement of the fair-value allocation of certain purchase prices and accounting adjustments.

iii) In determining an allowance for sales returns the Company provides various allowances and/or cancellation reserves for cemetery receivables. These allowances are based on the analysis of historical trends and include, where applicable collection and cancellation activity.

4. PRE-NEED RECEIVABLES

	June 30, 2018	December 31, 2017
Pre-need receivables, current portion	$ 21,846,781	$ 13,480,868
Pre-need receivables, net of current portion	51,973,085	36,027,923
Total	$ 73,819,866	$ 49,508,791

The above is net of an allowance for sales returns of $6,479,069 (at December 31, 2017 - $5,684,949). The increase in the pre-need receivables is primarily a result of the acquisition of CMS during the first quarter of 2018 and Signature during the second quarter of 2018.

Based on the review of the status of the individual pre-need receivables at the end of each reporting period, the Company's management believes that an allowance for doubtful accounts receivable is not required.

5. INVENTORIES

	June 30, 2018	December 31, 2017
Merchandise inventories	$ 1,985,349	$ 1,007,286
Cemetery lots	25,534,863	9,638,965
Crypts and niches	40,374,499	29,822,159
Construction in progress	40,731	44,176
Total	67,935,442	40,512,586
Current portion	9,180,667	4,810,926
Non-current portion	$ 58,754,775	$ 35,701,660

The increase in inventories is primarily a result of the acquisition of CMS during the first quarter of 2018 and Signature during the second quarter of 2018.

There were no inventory write-downs in either period.

6. BUSINESS COMBINATION

Saber

On August 4, 2017, the Company completed the acquisition of 21 of 23 properties owned by Saber Management, LLC. ("Saber") and effective September 30, 2017, the Company has completed the acquisition of the remaining 2 properties. The aggregate purchase price for the 23 acquired properties was $61,677,761 (US$49,044,021), subject to customary working capital adjustments, plus additional contingent consideration of up to 660,000 PLC common shares. The contingent consideration has been classified as equity and will be issued over a period of three years if certain financial hurdles are met to the extent that earnings before interest expense, taxes, depreciation and amortization, and excluding extraordinary and unusual or non-recurring income and expense, or gains or losses ("Normalized EBITDA") and amount of cash not included in the calculation of working capital at the end of measurement period ("Distributable Cash Test") equals or exceeds pre-established targets.

Management assessed the probability of the targets being met at as virtually certain and discounted the share value to present value in order to derive a fair value $9,858,326 (US$7,839,000) of the contingent consideration.

In connection with this transaction, the Company has incurred transaction and integration costs to date of $2,450,618 ($128,112 for the six month period ended June 30, 2018).

The table below summarizes the final allocation of the purchase price of the assets acquired and the liabilities assumed at the acquisition date. The allocation was finalized in the second quarter of 2018 to reflect the final determination of the fair value of assets and liabilities acquired.

6. BUSINESS COMBINATION - continued

Saber – continued

Assets acquired:	
Cash	$ 125,326
Accounts receivable	240,041
Pre-need receivables	27,989,962
Inventories	3,469,403
Prepaid expenses	103,702
Property and equipment	15,703,152
Care and maintenance trust fund investments	16,680,824
Pre-need trust fund investments	26,087,659
Goodwill	58,372,304
Total assets	$ 148,772,373
Liabilities assumed:	
Accounts payable and accrued liabilities	2,169,018
Care and maintenance trusts' corpus	16,680,824
Deferred pre-need receipts held in trust	26,087,659
Deferred revenue	32,298,785
	$ 77,236,286
Fair value of consideration transferred:	
Cash consideration	61,677,761
Contingent equity consideration	9,858,326
	$ 71,536,087

CMS

On March 7, 2018, the Company announced that it completed the acquisition of 100% ownership interest in the common shares of CMS Mid-Atlantic, Inc. ("CMS") for a purchase price of approximately $65 million (US$50 million). The purchase price is subject to customary working capital adjustments. The purchase price was funded from PLC's existing credit facility.

CMS currently operates, manages and provides financial services for 6 cemeteries in New Jersey and 1 in New York. Additionally, there is an agreement to purchase Lafayette, New Jersey, which is subject to several State regulatory and Government approvals. The acquisition of CMS increases the scale and geographic diversification in the U.S. market.

In connection with this transaction, the Company has incurred transaction and integration costs to date of $1,110,798 ($1,100,850 for the six month period ended June 30, 2018).

6. BUSINESS COMBINATION - continued

CMS - continued

The table below summarizes the preliminary estimated fair value of the assets acquired and the liabilities assumed at the acquisition date. A further assessment will need to be completed by management to assess if the goodwill needs to be allocated to other tangible or intangible assets.

	Preliminary
Assets acquired:	
Cash	$ 1,683,557
Accounts receivable	542,310
Pre-need receivables	12,504,552
Inventories	21,380,951
Prepaid expenses	480,466
Property and equipment	7,764,123
Care and maintenance trust fund investments	58,233,463
Pre-need trust fund investments	5,005,440
Deferred commission	1,443,295
Deferred tax assets, net	219,898
Other assets	1,281,639
Goodwill	36,125,274
Total assets	$ 146,664,968
Liabilities assumed:	
Accounts payable and accrued liabilities	2,728,037
Long-term debt	247,000
Note payable	1,287,683
Care and maintenance trusts' corpus	58,233,463
Deferred pre-need receipts held in trust	5,005,440
Deferred revenue	14,310,734
	$ 81,812,357
Fair value of consideration transferred:	
Cash consideration	64,852,611
	$ 64,852,611

Since the date of acquisition in 2018, CMS has contributed $8,520,362 in revenue and $2,012,941 in net earnings in 2018. The Company has used a significant amount of judgment and simplifying assumptions in estimating the revenue and net earnings of CMS had the business occurred at the beginning of the year. If acquired at the beginning of the year, the Company has estimated that CMS would have contributed approximately $12,100,000 in revenue and $2,400,000 in net earnings.

6. BUSINESS COMBINATION - continued

Signature

On May 7, 2018, the Company announced that it completed the acquisition of 100% ownership interest in the common shares of Signature Funeral and Cemetery Investments, LLC. ("Signature") for a purchase price of approximately $158 million (US$123 million). The purchase price is subject to customary working capital adjustments. The purchase price was funded using the proceeds from the Company's bought deal offering of subscription receipts which closed on May 4, 2018.

Signature's acquisition adds four new states, Kansas, Missouri, New Mexico and Mississippi into PLC's portfolio, while expanding its footprint in the Texas market. The acquisition adds 9 cemeteries, 21 funeral homes (including 7 located on cemetery sites) and 5 crematoria to PLC's portfolio. The acquisition of Signature increases the scale and geographic diversification in the U.S. market.

In connection with this transaction, the Company has incurred transaction and integration costs to date of $4,000,751 ($4,000,751) for the six month period ended June 30, 2018).

The table below summarizes the preliminary estimated fair value of the assets acquired and the liabilities assumed at the acquisition date. A further assessment will need to be completed by management to assess if the goodwill needs to be allocated to other tangible or intangible assets.

6. BUSINESS COMBINATION - continued

Signature - continued

	Preliminary
Assets acquired:	
Cash	$ 5,203,463
Accounts receivable	1,583,006
Pre-need receivables	10,034,153
Inventories	6,996,106
Prepaid expenses	623,617
Land held for development	18,930,407
Property and equipment	47,490,386
Care and maintenance trust fund investments	13,878,211
Pre-need trust fund investments	39,677,089
Deferred commission	540,040
Deferred tax assets, net	273,556
Goodwill	98,622,031
Total assets	$ 243,852,065
Liabilities assumed:	
Accounts payable and accrued liabilities	7,291,347
Note payable	2,273,202
Care and maintenance trusts' corpus	13,878,211
Deferred pre-need receipts held in trust	39,677,089
Deferred revenue	22,406,616
	$ 85,526,465
Fair value of consideration transferred:	
Cash consideration	158,325,600
	$ 158,325,600

Since the date of acquisition in 2018, Signature has contributed $6,836,499 in revenue and $511,539 in net earnings in 2018. The Company has used a significant amount of judgment and simplifying assumptions in estimating the revenue and net earnings of Signature had the business occurred at the beginning of the year. If acquired at the beginning of the year, the Company has estimated that Signature would have contributed approximately $21,000,000 in revenue and $3,000,000 in net earnings.

7. LAND HELD FOR DEVELOPMENT

	June 30, 2018	December 31, 2017
Land at Westminster Cemetery	$ 2,902,281	$ 2,902,281
Land held by Amety	330,815	330,815
Land at Pine Valley	800,000	800,000
Land at Royal York	1,049,246	1,049,246
Land held by Saber	2,475,452	2,351,010
Land held by Signature	19,265,718	-
Total	$ 26,823,512	$ 7,433,352

Land held for development represents land held for future cemetery, funeral and other development opportunities. The increase in land held for development is primarily a result of the acquisition of Signature during the second quarter of 2018.

8. PROPERTY AND EQUIPMENT

	January 1, 2018	Acquired in business combinations	Additions	Disposals	Foreign currency translation	June 30, 2018
Cost:						
Land	$ 11,394,808	14,022,969	80,000	-	475,355	$ 25,973,132
Buildings, cemetery and funeral	25,369,947	35,926,406	659,593	-	1,006,064	62,962,010
Machinery, equipment and automotive	6,586,092	3,387,897	782,663	-	126,058	10,882,710
Cemetery improvements	5,501,706	2,307,093	647,051	-	71,583	8,527,433
Total	48,852,553	55,644,365	2,169,307	-	1,679,060	108,345,285
Accumulated depreciation:						
Buildings, cemetery and funeral	2,329,811	-	870,026	-	-	3,199,837
Machinery, equipment and automotive	2,377,230	-	820,347	-	-	3,197,577
Cemetery improvements	1,395,565	-	422,213	-	-	1,817,778
Total	6,102,606	-	2,112,586	-	-	8,215,192
Net Book Value	$ 42,749,947					$ 100,130,093

8. PROPERTY AND EQUIPMENT - continued

	January 1, 2017	Acquired in business combinations	Additions	Disposals	Foreign currency translation	December 31, 2017
Cost:						
Land	$ 2,163,682	9,214,886	5,239	-	11,001	$ 11,394,808
Buildings, cemetery and funeral	14,049,431	9,759,506	1,810,088	(71,634)	(177,444)	25,369,947
Machinery, equipment and automotive	4,280,163	1,451,134	908,555	-	(53,760)	6,586,092
Cemetery improvements	4,726,761	804,394	98,650	(77,491)	(50,608)	5,501,706
Total	25,220,037	21,229,920	2,822,532	(149,125)	(270,811)	48,852,553
Accumulated depreciation:						
Buildings, cemetery and funeral	1,464,795	-	865,016	-	-	2,329,811
Machinery, equipment and automotive	1,416,408	-	960,822	-	-	2,377,230
Cemetery improvements	722,690	-	672,875	-	-	1,395,565
Total	3,603,893	-	2,498,713	-	-	6,102,606
Net Book Value	$ 21,616,144					$ 42,749,947

Property and equipment depreciation expense charged to operations amounted to $2,112,586 and $1,052,600 for the six month period ended June 30, 2018 and 2017, respectively, and to $1,325,290 and $544,233 for the three month period ended June 30, 2018 and 2017, respectively. Increase in expense is primarily due to the acquisition of CMS in the first quarter of 2018 and Signature during the second quarter of 2018.

Included in additions at June 30, 2018 are $897,214 of additions at Canadian cemeteries and funeral sites (at December 31, 2017 - $2,008,821) and $1,272,093 of additions at U.S. cemeteries (at December 31, 2017 - $813,711).

9. INVESTMENT PROPERTIES

Investment property amounted to $205,079 as at June 30, 2018 (at December 31, 2017 - $209,285). Investment property depreciation expense charged to operations amounted to $5,223 and $5,359 for the six month period ended June 30, 2018 and 2017, respectively, and to $2,620 and $2,724 for the three month period ended June 30, 2018 and 2017, respectively.

10. CARE AND MAINTENANCE TRUST FUND INVESTMENTS

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

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

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

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

Investment income recognized in operations amounted to $4,071,298 and $2,610,933 for the six month period ended June 30, 2018 and 2017, respectively, and to $2,108,621 and $1,359,100 for the three month period ended June 30, 2018 and 2017, respectively. If the income earned by the trusts should exceed eligible care and maintenance expenses incurred by the Company, the excess would be added to the capital of the trusts and would not be eligible for pay out to the Company in the future.

Care and maintenance trust fund investments consist of the following:

	Fair Value		Cost	
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
Cash and cash equivalents	$ 7,390,323	$ 4,175,229	$ 7,390,323	$ 4,175,229
Equities	90,551,785	72,135,402	85,116,786	65,341,806
Fixed income	71,510,057	27,430,236	71,965,434	26,709,048
Preferred stocks	11,148,438	6,266,771	10,799,123	5,742,057
	$ 180,600,603	$ 110,007,638	$ 175,271,666	$ 101,968,140

The fixed income component of these care and maintenance trust funds is invested in limited partnership units, mortgage loans, and medium-term government and corporate bonds which are held to maturity and earn income at fixed rates of return.

The increase in care and maintenance trust funds is primarily a result of the acquisition of CMS during the first quarter of 2018 and Signature during the second quarter of 2018.

11. PRE-NEED MERCHANDISE AND SERVICE TRUST FUND INVESTMENTS

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

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

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

	Fair value		Cost	
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
Cash and cash equivalents	$ 10,000,501	$ 5,413,120	$ 10,000,501	$ 5,413,120
GIC's	34,294,892	30,720,956	34,294,892	30,720,956
Equities	45,724,244	20,935,148	42,632,669	20,133,526
Fixed income	58,007,502	38,948,948	58,689,290	38,942,122
	$ 148,027,139	$ 96,018,172	$ 145,617,352	$ 95,209,724

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

The increase in pre-need merchandise and service trust funds is primarily a result of the acquisition of CMS during the first quarter of 2018 and Signature during the second quarter of 2018.

12. PREARRANGED FUNERAL INSURANCE CONTRACTS

In addition to Trust funded prearranged funeral services contracts, the Company also has prearranged funeral services contracts which are funded by insurance. As of June 30, 2018, the current face amount of pre-funded policies was approximately $142 million (at December 31, 2017 – approximately $53 million). The increase in prearranged funeral insurance contracts is primarily a result of the acquisition of Signature during the second quarter of 2018. 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 accompanying 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.

13. GOODWILL AND INTANGIBLES

	Total
Goodwill	
Balance January 1, 2017	$ 19,128,958
Additions:	
Reynolds-TFFH	3,095,885
Jennett-Innisfil	1,840,840
TCS	2,142,487
Saber	58,608,732
Vita	70,000
Christie's	1,438,206
Other	94,082
Foreign currency translation	(689,905)
Balance December 31, 2017	$ 85,729,285
Intangibles	
Balance January 1, 2017	$ 44,000
Additions:	
Reynolds-TFFH	20,000
Jennett-Innisfil	20,000
PFHC-CCSL	200,000
Amortization	(50,667)
Balance December 31, 2017	$ 233,333
Goodwill and Intangibles	
Balance December 31, 2017	$ 85,962,618

13. GOODWILL AND INTANGIBLES – continued

	Total
Goodwill	
Balance January 1, 2018	$ 85,729,285
Additions:	
Signature	98,622,031
CMS	36,125,274
Other	3,877,535
Saber	(246,280)
Foreign currency translation	4,419,625
Balance June 30, 2018	$ 228,527,470
Intangibles	
Balance January 1, 2018	$ 233,333
Additions:	
Other	120,000
Amortization	(86,778)
Balance June 30, 2018	$ 266,555
Goodwill and Intangibles	
Balance June 30, 2018	$ 228,794,025

The increase in goodwill is primarily a result of the acquisition of CMS during the first quarter of 2018 and Signature during the second quarter of 2018.

14. LONG-TERM DEBT

	June 30, 2018	December 31, 2017
Bank loan		
Revolving loan facility	$ 43,552,577	$ -
Mortgages on:		
Swan Valley Funeral Services Ltd.	-	123,734
Sneath and Strilchuk Funeral Services, Ltd.	-	1,560,788
Korban Funeral Chapel Inc.	1,221,737	1,259,982
Finance lease obligations	381,184	284,243
Deferred financing costs	(742,374)	-
Total	44,413,124	3,228,747
Current portion	204,012	553,807
Non-current portion	$ 44,209,112	$ 2,674,940

14. LONG-TERM DEBT - continued

Revolving loan facility

On December 15, 2017, the Company replaced its existing $25 million revolving loan facility and $7.5 million accordion facility with a new syndicated bank financing arrangement provided by three major Canadian banks. The financing arrangement increased the Company's borrowing capacity to $125 million ($75 million committed credit facility and additional $50 million accordion facility). On July 5, 2018, the Company amended its existing syndicated bank financing arrangement to increase its borrowing capacity to $150 million ($100 million committed credit facility and additional $50 million accordion facility). The financing arrangement has a term of five years. The additional credit will provide the Company with further flexibility as it continues to pursue its growth strategy. In particular, the revolving credit facility is expected to support the Company's ability to capitalize on organic projects and acquisition opportunities as they arise while maintaining a prudent approach to leverage.

At June 30, 2018 there was $43,552,577 outstanding under the credit facility (at December 31, 2017 - $nil). Deferred financing costs have been capitalized and are being amortized over the term of 5 years using the effective interest rate method. Deferred financing costs are offset against the debt when the Company is utilizing the credit facility, otherwise the costs are reclassified to non-current assets. At June 30, 2018, deferred financing costs of $742,374 have been reclassified to offset debt and at December 31, 2017 deferred financing costs of $724,260 have been classified as non-current asset.

Swan Valley Funeral Services Ltd.

Parkland had secured the mortgage by a promissory note for $600,000, corporate guarantees and general security agreements. The loan bore interest at prime plus 2% and was being amortized over 10 years. The loan mature date was September 30, 2022. This mortgage was repayable in monthly blended installments of $6,400. During the three month period ended March 31, 2017, as part of the purchase of the remaining shares of Swan Valley, a subsidiary of Parkland, the Company assumed an additional mortgage loan of $54,427. During the three month period ended March 31, 2018 the Company repaid the loan in full by utilizing the new credit facility.

Sneath and Strilchuk Funeral Services Ltd.

Parkland had secured the mortgage by a promissory note for $2,854,000, corporate guarantees and general security agreements. The loan bore interest at 6.2% and was being amortized over 10 years. The loan mature date was September 30, 2022. This mortgage was repayable in monthly blended installments of $33,045. During the three month period ended March 31, 2018 the Company repaid the loan in full by utilizing the new credit facility.

14. LONG-TERM DEBT - continued

Korban Funeral Chapel

Parkland has secured the mortgage by a promissory note for $1,400,000, corporate guarantees and general security agreements. The loan bears interest at 3.75% and is being amortized over 15 years. The loan matures on January 31, 2021. This mortgage is repayable in monthly blended installments of $10,200.

Finance lease and car loan obligations

Finance leases relate to automotive equipment and are secured by the vehicles. These leases have interest rates ranging from 3.0% to 12.0% and remaining terms of 2 to 5 years.

15. NOTES PAYABLE

	June 30, 2018	December 31, 2017
DeMarco Funeral Home note	$ 800,000	$ 800,000
Deferred cash consideration PFHC-CCSL	351,072	367,061
CMS note	1,291,472	-
Signature note	2,378,833	-
Total	4,821,377	1,167,061
Current portion	833,200	832,382
Non current portion	$ 3,988,177	$ 334,679

DeMarco Funeral Home note

On November 10, 2016, the Company purchased vacant land held for development. In consideration for the purchase the Company has an unsecured, non-interest bearing note, with no fixed terms of repayment.

Deferred cash consideration PFHC-CCSL

As part of the purchase of PFHC-CCSL, the Company will be making additional payments of $500,000 to be paid over ten years. The deferred cash payment is repayable in monthly installments of $4,167. The estimated present value of the deferred cash consideration was calculated at $392,839 at February 1, 2017.

CMS note

CMS has an outstanding note payable to the former owner of Princeton Abbey and Cemetery property. The note calls for yearly payments of $50,000 at 0% interest until the note matures in 2113. Payments of principal and interest are allowed to be deferred until the cemetery achieves positive cash flow. The note was discounted to reflect an imputed interest rate of 5%. The note is nonrecourse and can be cancelled by either party. The discounted fair value of the note is reflected at June 30, 2018.

15. NOTES PAYABLE - continued

Signature note

Signature has outstanding notes payables to third parties. These notes payables have interest rates ranging from 4.7% to 6.0% and remaining terms of 4 to 9 years.

16. DEFERRED REVENUE

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

	June 30, 2018	December 31, 2017
Cemetery merchandise	$ 57,722,879	$ 40,811,330
Cemetery lots, crypts and niches	6,421,175	-
Cemetery services	27,685,108	13,975,541
Total	$ 91,829,162	$ 54,786,871

The increase in deferred revenue is primarily a result of the acquisition of CMS during the first quarter of 2018 and Signature during the second quarter of 2018.

17. CONTINGENT PAYMENTS

MMG

Effective March 1, 2016, the Company completed the acquisition of 100% ownership interest in the common shares of Midwest Memorial Group, LLC ("MMG"). On closing, the Company paid $22,537,598 (US$16,657,500) for 100% of the common shares.

The Company will be making additional payments to the extent that earnings before interest, taxes, depreciation and amortization ("EBITDA") during calendar years 2016, 2017, and 2018 ("the Earn-out Periods") equals or exceeds pre-established targets. Using a discounted cash flow approach the estimated present value of the contingent payments was calculated to be $1,177,404 (US$898,782) (at December 31, 2017 - $1,061,949). The minimum estimated amount of contingent payments to be made in the second quarter following the applicable Earn-out Periods are 10%, 33% and 57%. There was no contingent payment made for the first and second earn-out period in 2016 and 2017. The key assumptions used in the calculation is a three year EBITDA projection which management believes the discount rate reasonably reflects the risks associated with projections for the business.

17. CONTINGENT PAYMENTS - continued

MMG - continued

The fair value of the liability in connection with the contingent consideration is revalued at each reporting date and any changes in fair value of the estimated liability in future periods will be recorded in the consolidated statement of earnings. For the six month period ended June 30, 2018 and 2017, the Company recognized an adjustment to the fair value of the contingent consideration of $(71,635) and $(93,029), respectively.

18. DIVIDENDS

The Company declares and pays cash dividends on a monthly basis to shareholders. The total amount of dividends declared by the Company for the six month period ended June 30 2018 and 2017 was $4,089,603 or $0.228 per share and $2,691,557 or $0.228 per share, respectively. The total amount of dividends declared by the Company for the three month period ended June 30, 2018 and 2017 was $2,339,531 or $0.114 per share and $1,426,432 or $0.114 per share, respectively. The monthly dividend was $0.038 per share in all periods.

19. SHARE CAPITAL

Authorized

Common shares

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

Shares issued and outstanding

	Number of Common Shares	Amount
Balance December 31, 2016	11,095,770	$ 92,709,116
Shares issued pursuant to:		
Dividend Reinvestment Plan *(i)*	13,212	231,791
Prospectus financing, net of costs *(ii)*	4,237,750	76,976,730
Contingent equity consideration *(iii)*	-	9,858,326
Balance December 31, 2017	15,346,732	179,775,963
Shares issued pursuant to:		
Dividend Reinvestment Plan *(i)*	14,177	327,379
Prospectus financing, net of costs *(ii)*	7,745,250	183,270,323
Balance June 30, 2018	23,106,159	$ 363,373,665

19. SHARE CAPITAL - continued

(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. As at June 30, 2018, 14,177common shares were issued under the DRIP (at December 31, 2017 – 13,212).

(ii) Prospectus Financings

On June 27, 2017, the Company completed a bought deal short form prospectus offering of 4,237,750 common shares at a price of $19.00 per common share for a total of gross proceeds of $80,517,250, including the exercise in full of the over-allotment option. The net proceeds from the sale of common shares were used partially to fund the cash portion of the purchase price for the acquisition of Saber and for strategic growth initiatives including acquisitions and for general corporate purposes. The issuance included transaction costs of $3,540,520 inclusive of $183,750 after tax in management compensation.

On May 4, 2018, the Company completed a subscription receipts offering of 7,745,250 subscription receipts at a price of $24.50 per subscription receipt for a total of gross proceeds of $189,758,625, including the exercise in full of the over-allotment option. The net proceeds from the sale of common shares were used partially to fund the cash portion of the purchase price for the acquisition of Signature and for strategic growth initiatives including acquisitions and for general corporate purposes. The issuance included transaction costs of $6,488,302 inclusive of $338,100 after tax in management compensation.

(iii) Contingent Equity Consideration

In connection with the Saber acquisition the Company will be making additional contingent consideration of up to 660,000 PLC common shares. The contingent consideration has been classified as equity.

The 660,000 PLC common shares which are allotted but not issued at June 30, 2018 will be issued over a period of three years if certain financial hurdles are met. The contingent consideration has been valued at $9,858,326 (US$7,839,000).

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Fair value of financial instruments

Cash, accounts receivable, pre-need receivables, employee share loan, contingent payments, debenture receivable, receivable on sale of discontinued operations, 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; and
- Level 3 includes inputs for the assets or liability that are not based on observable market data.

As at June 30, 2018, the fair value of the care and maintenance and pre-need merchandise and service trust funds and related liabilities are valued under Level 1 and Level 3.

As at June 30, 2018, the fair value of the contingent payments is valued under Level 3 (see Note 17).

The fair value hierarchy under which trust assets are valued is as follows:

Care and maintenance trust fund investments at June 30, 2018

	Cost	Level 1 Quoted market price	Level 2 Valuation technique - observable market inputs	Level 3 Valuation technique - non-observable market inputs	Total fair value
Cash and cash equivalents	$ 7,390,323	$ 7,390,323	$ -	$ -	$ 7,390,323
Equities	85,116,786	90,551,785	-	-	90,551,785
Fixed income	71,965,434	52,099,761	-	19,410,296	71,510,057
Preferred stocks	10,799,123	11,148,438	-	-	11,148,438
	$ 175,271,666	$ 161,190,307	$ -	$ 19,410,296	$ 180,600,603

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT - continued

Fair value of financial instruments - continued

Care and maintenance trust fund investments at December 31, 2017

	Cost	Level 1 Quoted market price	Level 2 Valuation technique - observable market inputs	Level 3 Valuation technique - non-observable market inputs	Total fair value
Cash and cash equivalents	$ 4,175,229	$ 4,175,229	$ -	$ -	$ 4,175,229
Equities	65,341,806	72,135,402	-	-	72,135,402
Fixed income	26,709,048	13,798,026	-	13,632,210	27,430,236
Preferred stocks	5,742,057	6,266,771	-	-	6,266,771
	$ 101,968,140	$ 96,375,428	$ -	$ 13,632,210	$ 110,007,638

Pre-need merchandise and service trust fund investments at June 30, 2018

	Cost	Level 1 Quoted market price	Level 2 Valuation technique - observable market inputs	Level 3 Valuation technique - non-observable market inputs	Total fair value
Cash and cash equivalents	$ 10,000,501	$ 10,000,501	$ -	$ -	$ 10,000,501
GIC's	34,294,892	34,294,892	-	-	34,294,892
Equities	42,632,669	45,724,244	-	-	45,724,244
Fixed income	58,689,290	37,335,370	-	20,672,132	58,007,502
	$ 145,617,352	$ 127,355,007	$ -	$ 20,672,132	$ 148,027,139

Pre-need merchandise and service trust fund investments at December 31, 2017

	Cost	Level 1 Quoted market price	Level 2 Valuation technique - observable market inputs	Level 3 Valuation technique - non-observable market inputs	Total fair value
Cash and cash equivalents	$ 5,413,120	$ 5,413,120	$ -	$ -	$ 5,413,120
GIC's	30,720,956	30,720,956	-	-	30,720,956
Equities	20,133,526	20,935,148	-	-	20,935,148
Fixed income	38,942,122	19,065,828	-	19,883,120	38,948,948
	$ 95,209,724	$ 76,135,052	$ -	$ 19,883,120	$ 96,018,172

21. COMMITMENTS AND CONTINGENCIES

Office Lease

The Company has leased office space in Canada and USA. The terms of the leases range from 1 year to 10 years. Future remaining minimum lease payments as at June 30, 2018 are as follows:

2018	656,149
2019	976,200
2020	761,032
2021	640,891
2022	473,307
Total	$ 3,507,579

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.

22. SEGMENTED INFORMATION

IFRS 8 "Operating Segments" defines an operating segment as i) a component of an entity that engages in business activities from which it may earn revenues and incur expenses; ii) 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 iii) 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:

22. SEGMENTED INFORMATION – continued

Geographic information - continued

	June 30, 2018	December 31, 2017
Canada	$ 186,853,858	$ 183,014,019
United States	638,231,861	238,951,583
Total	$ 825,085,719	$ 421,965,602

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

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Revenue:				
Sales:				
Canada	$ 8,640,372	$ 8,380,213	$ 18,021,511	$ 16,668,482
United States	28,396,674	9,898,432	43,476,945	18,691,325
Total sales	37,037,046	18,278,645	61,498,456	35,359,807
Income from care and maintenance funds:				
Canada	1,192,748	950,000	2,164,898	1,955,000
United States	915,873	409,100	1,906,400	655,933
Total income from care and maintenance funds	2,108,621	1,359,100	4,071,298	2,610,933
Interest and other income:				
Canada	159,250	208,426	282,622	393,696
United States	1,044,523	292,682	1,703,304	576,841
Total interest and other income	1,203,773	501,108	1,985,926	970,537
Total revenue	$ 40,349,440	$ 20,138,853	$ 67,555,680	$ 38,941,277

23. SUBSEQUENT EVENTS

On July 11, 2018, the Company announced that it completed the acquisition of Hansons Arbor Funeral Chapels and Crematorium ("Hansons"), for a purchase price of $2.5 million, subject to customary working capital adjustments. Hansons, consists of four funeral homes in West Kelowna, Penticton, Princeton and Keremeos, British Columbia, and one crematorium in Penticton, British Columbia. The acquisition of Hansons was funded from PLC's credit facility.

The initial accounting for the business acquisitions is not yet complete at the time these consolidated financial statements are approved by the Board of Directors. As such, certain disclosures required under IFRS 3 in respect of the above acquisitions cannot be made.

24. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the June 30, 2018 unaudited condensed interim consolidated financial statements presentation including:

i) Reclassification of certain inventory to non-current in the unaudited condensed interim consolidated financial statements to better reflect the long-term nature of the assets.

ii) Reclassifications of acquisition and integration costs relating to the acquisitions from operating to investing activities in the unaudited condensed interim consolidated statements of cash flows, to better reflect changes in cash.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Quarter Ending June 30, 2018

The following Management's Discussion and Analysis provides a review of corporate and market developments, results of operations and financial position of Park Lawn Corporation ("**PLC**" or the "**Company**") for the quarter ended June 30, 2018. This discussion should be read in conjunction with the unaudited interim condensed consolidated financial statements for the quarter ended June 30, 2018 and the accompanying notes contained therein. Information contained in this Management's Discussion and Analysis is based on information available to management as of August 14, 2018.

Forward-Looking Information

All information other than statements of current and historical fact contained in this Management's Discussion and Analysis 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 state 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 Management's Discussion and Analysis includes, but is not limited to, statements regarding the deathcare sector's characteristics and the growth targets that PLC aspires to achieve by the end of 2022, as well as the Company's business, 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 their nature, forward-looking information is inherently uncertain, is subject to risk and is based on numerous assumptions, including those set out below under "Outlook", as well as that acquisition multiples remain at or below levels paid by PLC for previously announced acquisitions, the CAD to USD exchange rate remains consistent, the acquisition and financing markets remain accessible, capital can be obtained at reasonable costs and PLC's current business lines operate and obtain synergies as expected, as well as those 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 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 that, 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 Management's Discussion and Analysis 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.

Overview

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

The Company operates in Canada and the USA. The Company and its subsidiaries own and operate 144 businesses including cemeteries, crematoria, funeral homes, chapels, planning offices and a transfer service. PLC's products and services, such as cemetery lots, crypts and funeral services, are sold to clients on a pre-planned basis (pre-need) or at the time of death (at-need).

The Company's growth strategy includes organic initiatives, such as build-out of inventory, and acquisitions in the highly-fragmented deathcare market.

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, 2017. PLC's interim unaudited condensed consolidated financial statements for the period ended June 30, 2018, 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, 2017, except for the adoption of accounting standards IFRS 15 and IFRS 9. The Company adopted these accounting standards effective January 1, 2018, with no restatement of 2017 amounts. Please see the "New Accounting Policies Adopted in 2018", discussed later in this report. In addition, there have been no changes in the Company's financial instrument risks.

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 exclude 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 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 do not relate to 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, or gains or losses from sale of non-performing assets.

Please see the "Overall Performance, Six and Three Months Ended June 30, 2018 - 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 tangibles and intangibles, 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 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. As sales occur, the Company draws down its inventory by making a non-cash charge to cost of goods sold.

Commencing in the third quarter of 2017, the Company modified the calculation of EBITDA to include an add back of the cost of cemetery property sold during each period. The cost of cemetery property is reported as "Amortization of cemetery property" in the adjustments to reconcile Net Earnings to EBITDA. EBITDA for prior periods presented in this MD&A has been restated to reflect this change in its composition. This change is intended to conform the Company's presentation of EBITDA to the presentation used by most of the Company's publicly traded competitor peer group. The Company also believes that this change results in EBITDA presenting a more accurate view of the Company's operations and performance.

Adjusted EBITDA

Adjusted EBITDA adjusts EBITDA for the non-recurring, one-time or non-cash income or expense items identified in the Adjusted Net Earnings defined above. The Company believes that the inclusion of Adjusted EBITDA also provides useful supplementary information to investors and other third parties and assists in evaluating the Company's performance and trends. Commencing in the third quarter of 2017, Adjusted EBITDA reflects the change noted above under the heading – "EBITDA", and Adjusted EBITDA for prior periods presented in this MD&A has been restated to reflect this change in its composition.

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

Adjusted Cash Flow

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

Please see the "Discussion of Operating Results, Six and Three Months Ended June 30, 2018 - Adjusted Cash Flow" below for a reconciliation of the Company's earnings from operations to Adjusted Cash Flow.

Overall Performance

During 2017 and 2018 the Company announced several important business acquisitions. These included the acquisition of Reynolds Funeral Home ("**Reynolds**"), Turner Family Funeral Home Inc. ("**TFFH**"), Jennett Funeral and Cremation Centre Ltd. ("**Jennett**"), Innisfil Funeral Home Limited ("**Innisfil**"), Providence Funeral Homes & Crematorium ("**PFHC**"), and Credible Cremation Services Limited ("**CCSL**") in the first quarter of 2017, the acquisition of TCS Funeral Services ("**TCS**") in the second quarter of 2017, the acquisition of Saber Management, LLC ("**Saber**") in the third quarter of 2017, the acquisition of CMS Mid-Atlantic, Inc. ("**CMS**") and Billingsley Funeral Home ("**Billingsley**") in the first quarter of 2018, and the acquisition of Opatovsky Funeral Home ("**Opatovsky**") and Signature Funeral and Cemetery Investments, LLC ("**Signature**") in the second quarter of 2018.

The acquisition of the funeral homes and transfer service business in 2017 expanded the Company's operations in Ontario and the acquisition of PFHC and CCSL marked the first acquisition in British Columbia. The acquisition of Saber, which owns nineteen cemetery properties and four funeral homes, located in Kentucky, Texas, and Illinois, further increased the number of cemeteries in the Company's portfolio, added funeral home assets into its U.S. operations and further diversifies geographically the Company's U.S. operations. CMS currently operates, manages and provides financial services for six cemeteries in New Jersey and one in New York State. The acquisition of CMS increases the scale and geographic diversification in the U.S. market. The acquisition of Billingsley and Opatovsky further expands the company's presence in the Ontario market and its proximity to the existing operations in the GTA makes this business a strategic fit to the existing portfolio of assets in Ontario. The acquisition of Signature adds four new states, Kansas, Missouri, New Mexico and Mississippi into PLC's portfolio, while expanding its footprint in the Texas market. The acquisition adds nine cemeteries, twenty one funeral homes (including seven located on cemetery sites) and five crematoria to PLC's portfolio. Going forward, Signature's experienced management will join the Company's existing U.S. management team, which will help the Company further execute its growth strategy.

As a result of these acquisitions, the Company achieved improvement in its operating results for the six and three months periods ended June 30, 2018 compared to 2017. Revenue increased year over year by 73.5% to $67,555,680 from $38,941,277 in 2017 and revenue for the quarter ended June 30, 2018 increased by 100.4% to $40,349,440 compared to $20,138,853. After adjusting for the impact of foreign exchange, growth from comparable business units year over year was 4.4% and growth for the quarter was 5.2%.

Net earnings attributable to PLC shareholders for the six month period ended June 30, 2018 were $1,237,129 compared to $2,109,973 for the same period in 2017 and for the three month period ended June 30, 2018 net earnings (loss) attributable to PLC shareholders was $(435,849) compared to $812,444 for the same period in 2017. On a fully diluted per share basis, the net earnings (loss) attributable to PLC shareholders was $0.069 and $(0.021) for the six and three month period ended June 30, 2018, respectively, compared with $0.188 and $0.072 for the same periods in 2017.

The 2018 and the 2017 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 six month reporting periods ended June 30, 2018 and 2017:

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Net earnings (loss), PLC shareholders	$ (435,849)	$ 812,444	$ 1,237,129	$ 2,109,973
Adjusted for the impact of:				
Acquisition and integration costs	5,182,916	941,010	6,365,237	1,120,075
Share based compensation	249,106	193,356	496,351	376,195
Other (income) expenses	-	84,625	-	151,082
Change in fair value of contingent earn-out payments	37,139	47,999	71,635	93,029
Tax effect on the above items	(1,373,474)	(271,794)	(1,686,787)	(336,857)
Adjusted Net Earnings, PLC shareholders	$ 3,659,838	$ 1,807,640	$ 6,483,565	$ 3,513,497
Adjusted EBITDA, PLC shareholders (see Quarterly Information)	$ 8,321,069	$ 3,681,726	$ 14,124,557	$ 7,011,119
Per share amounts attributable to PLC shareholders				
Adjusted Net Earnings - diluted	$ 0.180	$ 0.160	$ 0.362	$ 0.313
Adjusted EBITDA - diluted (see Quarterly Information)	$ 0.409	$ 0.325	$ 0.788	$ 0.624
Weighted average shares outstanding - diluted	20,345,945	11,320,884	17,925,499	11,240,060

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 - the Company has stated that part of its growth plan includes growth through acquisitions. In order to implement this growth initiative, the Company will incur ongoing expenses for acquisition and integration costs. IFRS requires that such costs be expensed in the period incurred rather than capitalized to the cost of the acquisition. Accordingly, net earnings will be negatively impacted for expenses incurred in connection with these growth initiatives as management executes on its growth strategy. Commensurate with the size and number of transactions in recent months, the acquisition and integration expenses incurred by the Company have increased in the current periods.

  During the six month periods ended June 30, 2018 and 2017, the Company incurred expenses of $6,365,237 and $1,120,075, respectively. During the three month periods ended June 30, 2018 and 2017, the Company incurred expenses of $5,182,916 and $941,010, respectively. Most of the acquisition and integration costs in 2018 relate to the acquisition of CMS, Signature and Citadel, and the balance relates to other acquisition activity. As the Company continues to expand in the U.S. market, management believes there will be opportunities for further rationalization of its operations.

- Share based payments - the Company implemented an Equity Incentive Plan (“**EIP**”) consisting of Deferred Share Units (“**DSUs**”) and Restricted Share Units (“**RSUs**”) which was approved by the Company’s shareholders at the annual and special meeting of shareholders on May 31, 2016. The Company recognized $496,351 in non-cash share based compensation expense during the six month period ended June 30, 2018 compared with $376,195 for the same period in 2017 and $249,106 during the three month period ended June 30, 2018 compared with $193,356 for the same period in 2017. Since the unit obligations are expected to be settled in common shares at some date in the future, the expenses are not deductible for tax purposes.

- Other (income) expenses – during the first quarter of 2017 the Company settled a claim from a former employee in the amount of $66,457. The claim relates to the former Harmonia business which was sold in 2014 and was treated as discontinued operations. During the second quarter of 2017, the Company relocated its head office to a new location, incurring an expense of $84,625 relating to the write off of leasehold improvements at the previous location.

- Change in fair value of contingent earn-out payments - IFRS requires that a contingent earn-out payment is to be revalued at each reporting period based on the current information. At June 30, 2018, management estimated the fair value of the contingent earn-out payment relating to the MMG acquisition to be $1,177,404. The $71,635 and $37,139 loss for the six and three month periods in 2018, relates to the re-valuation of the contingent earn-out payment compared with $93,029 and $47,999 loss for the same periods in 2017. In compliance with IFRS, all future accretion amounts to the contingent payment, as well as any changes resulting from new information, will be recorded through the consolidated statement of earnings as either income or loss.

- Income tax – represents an adjustment for the tax impact of the above noted adjustments.

After reflecting the impact of the above items, the Adjusted Net Earnings for the six month period ended June 30, 2018 was $6,483,565 or $0.362 per share compared to $3,513,497 or $0.313 per share for the same period in 2017 and for the three month period ended June 30, 2018 was $3,659,838 or $0.180 per share compared to $1,807,640 or $0.160 per share for the same period in 2017. This represents a 84.5% increase to Adjusted Net Earnings and a 15.7% increase in the Adjusted Net Earnings per share year over year and 102.5% increase to Adjusted Net Earnings and a 12.5% increase in the Adjusted Net Earnings per share for the three month period.

Adjusted EBITDA attributable to PLC shareholders for the six month period ended June 30, 2018 was $14,124,557 or $0.788 per share compared to $7,011,119 or $0.624 per share for the same period in 2017 and for the three month period ended June 30, 2018 was $8,321,069 or $0.409 per share compared to $3,681,726 or $0.325 per share for the same period in 2017. This represents a 101.5% increase to Adjusted EBITDA and a 26.3% increase in Adjusted EBITDA per share year over year and a 126% increase to Adjusted EBITDA and a 25.8% increase in Adjusted EBITDA per share for the three month period.

As a result of the June 2017 and May 2018 prospectus offerings, the 2018 per share earnings amounts were diluted and will be until such time as the acquisitions have been fully integrated.

Other events during the recent quarter include the following:

- On April 9, 2018, the Company announced that it completed the acquisition of 100% ownership interest in the common shares of Opatovsky for a purchase price of approximately $2.5 million. The acquisition of Opatovsky fits well with the Company's recently expanded portfolio of funeral homes in the District of Muskoka.

- On April 16, 2018, the Company announced that it had entered definitive agreements to acquire all of the outstanding membership interests of two U.S. businesses: Signature and Citadel Management LLC ("**Citadel**"). The purchase price for Signature was US$123 million in cash, subject to customary working capital adjustments. Signature currently owns and operates nine cemeteries, twenty one funeral homes (including seven onsites) and five crematoria in Texas, Kansas, Missouri, New Mexico and Mississippi. The purchase price for Citadel is approximately US$13.4 million in cash, subject to customary working capital adjustments. Citadel currently owns and operates twenty nine cemeteries and eight funeral homes (including one onsite) throughout North and South Carolina. The acquisition of Citadel will be funded from PLC's existing credit facility. The Citadel acquisition is expected to close before the end of the third quarter and is subject to the satisfaction or waiver of certain closing conditions, including, among other things, third party consents and approvals, which are currently in progress.

- On May 4, 2018, the Company completed a subscription receipts offering, issuing 7,745,250 subscription receipts at a price of $24.50 per subscription receipt for a total of gross proceeds of $189,758,625, including the exercise in full of the over-allotment option.

- On May 7, 2018, the Company announced that it completed the acquisition of Signature for a purchase price of approximately US$123 million in cash.

- Upon closing of the Signature transaction, in accordance with the terms of the subscription receipts, each subscription receipt was exchanged for one common share of the Company and the net proceeds from the sale of the subscription receipts were released from escrow for the purposes of completing the Signature acquisition. The subscription receipts were delisted from the Toronto Stock Exchange following the close of markets on May 7, 2018 and were automatically reorganized into common shares.

- On July 5, 2018, the Company amended its existing syndicated bank financing arrangement to increase its borrowing capacity to $150 million ($100 million committed credit facility and an additional $50 million accordion facility). As at June 30, 2018, the Company had $43.5 million outstanding on the credit facility.

- On July 11, 2018, the Company announced that it completed the acquisition of Hansons Arbor Funeral Chapels and Crematorium ("**Hansons**"), for a purchase price of $2.5 million, subject to customary working capital adjustments. Hansons consists of four funeral homes in West Kelowna, Penticton, Princeton and Keremeos, British Columbia, and one crematorium in Penticton, British Columbia. The acquisition of Hansons was funded from PLC's credit facility.

Consolidated Statement of Financial Position

Current Assets & Liabilities

Current assets were $50,571,350 at June 30, 2018 compared to $37,115,650 at December 31, 2017. The increase was primarily due to the acquisition of CMS during the first quarter of 2018 and acquisition of Signature during the second quarter of 2018, offset by deployment of cash on new strategic acquisitions.

Current liabilities were $18,651,387 at June 30, 2018 compared to $12,146,788 at December 31, 2017. The increase was primarily due to the acquisition of CMS during the first quarter of 2018 and acquisition of Signature during the second quarter of 2018.

Net working capital at June 30, 2018 was $31,919,963 compared to $24,968,862 at December 31, 2017. The increase was primarily due to the acquisition of CMS during the first quarter of 2018 and acquisition of Signature during the second quarter of 2018.

Care and Maintenance Trust Fund

The Company contributes a portion of all lot, crypt and niche sales to the Care and Maintenance Trust Funds in accordance with the regulatory requirements. During the six month period ended June 30, 2018, the Company contributed $2,312,688 to the trust funds compared to $1,745,008 during the same period in 2017. The Care and Maintenance Trust Fund assets are included in the Consolidated Statement of Financial Position at market value. As of June 30, 2018, the balance of the trust funds was $180,600,603 compared to $110,007,638 as at December 31, 2017. The Care and Maintenance Trust Fund assets are offset by a corresponding liability for Care and Maintenance Trusts' Corpus. The increase in the Care and Maintenance Trust Funds is primarily due to the recent acquisitions of CMS and Signature.

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 June 30, 2018 of $148,027,139 compared to $96,018,172 as at December 31, 2017. The Pre-Need Merchandise and Service Trust Funds are offset by a corresponding liability for Deferred Pre-Need Receipts held in trust. The increase in the Pre-Need Merchandise and Service Trust Funds is primarily due to the recent acquisitions of CMS and Signature.

Prearranged Funeral Insurance Contracts

In addition to Trust funded prearranged funeral services contracts, the Company also has prearranged funeral services contracts which are funded by insurance. As of June 30, 2018, and December 31, 2017, the current face amounts of pre-funded policies was approximately $142 million and $53 million, respectively. The increase in prearranged funeral insurance contracts is primarily a result of the acquisition of Signature during the second quarter of 2018. 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 into 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 June 30, 2018 the Company had approximately $4.5 million (US$3.4 million) of surety bonds in place.

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. As previously mentioned, the Company had net working capital of $31,919,963 as at June 30, 2018.

As at June 30, 2018, the Company had a $75 million revolving loan facility as well as an approved $50 million accordion facility. On July 5, 2018, the Company amended its existing syndicated bank financing arrangement to increase its borrowing capacity to $150 million ($100 million committed credit facility and an additional $50 million accordion facility). The financing arrangement has a term of five years. The additional credit will provide the Company with further flexibility as it continues to pursue its growth strategy. In particular, the revolving credit facility is expected to support the Company's ability to capitalize on organic projects and acquisition opportunities as they arise while maintaining a prudent approach to leverage. As at June 30, 2018, the Company had $43.5 million outstanding on the credit facility, which was utilized to fund the purchase of CMS.

From December 2013 to June 2018, the Company has raised approximately $361 million from the issuance of common shares to fund various growth initiatives. The Company may use additional share offerings as a way to fund future growth initiatives if and when such opportunities arise.

Discussion of Operating Results, Three Months Ended June 30, 2018

Total revenue for the three month period ended June 30, 2018 was $40,349,440, an increase of $20,210,587 or 100.4%, over the same period ended June 30, 2017 ($20,138,853).

Revenue was derived from the following sources:

	June 30, 2018	June 30, 2017
Sales	$ 37,037,046	$ 18,278,645
Income from care and maintenance funds	2,108,621	1,359,100
Interest and other income	1,203,773	501,108
	$40,349,440	$ 20,138,853

As previously mentioned, the Company completed its acquisition of a 100% interest in Reynolds, TFFH, Jennett, Innisfil, PFHC, CCSL, TCS and Saber in 2017, and a 100% interest in CMS, Billingsley, Opatovsky and Signature in 2018. Reynolds, TFFH, Jennett, Innisfil, PFHC, CCSL, Billingsley, and Opatovsky revenue relates to the delivery of at-need funeral and cremation services and TCS revenue relates to providing support services to the funeral industry. Saber and Signature revenue relates to the sale and delivery of cemetery products and funeral home revenue and CMS revenue relates to the sale and delivery of cemetery products.

After adjusting for the impact of foreign exchange, growth from comparable business units quarter over quarter was 5.2%. For acquired companies, comparable growth is calculated as the difference between actual revenues achieved by each company in the financial period following acquisition compared to the estimated revenues they achieved in the corresponding financial period preceding the date of acquisition by PLC.

Not all markets contributed consistently to the revenue growth achieved in the current quarter compared to 2017. The Canadian cemetery operations were impacted by lower at-need business in 2018, resulting in lower than expected revenue. In the US market, revenue in the Michigan market included higher than expected interest and other income in the second quarter in 2017 which did not repeat in 2018. However, cemetery revenue from other US markets was much improved resulting in overall growth from comparable properties of 7% in US dollars compared to 2017. Overall, revenue from comparable funeral properties was fairly flat year over year although not all markets performed equally. As part of the integration efforts underway, the Company is introducing best in class sales initiatives across the organization in an effort to improve pre-need sales.

The gross profit margin was 79.0% for the three month period ended June 30, 2018 compared to 77.9% for the same period in 2017. Part of the increase in gross profit margin is due to the acquisition of Saber, CMS, Signature and various funeral home acquisitions during the year. There was a higher proportion of gross profit on the traditional funeral business, which has higher gross profit margins than margins earned on most cemetery and cremation revenue because the cost of products sold is a smaller portion of the total service provided to customers. Saber, CMS and Signature margins are higher because the required contribution to care and maintenance trust funds for the states in which these companies operate is lower than other jurisdictions. Investment income and interest and other, was also higher in 2018 resulting in higher overall gross profit margin. The combination of these factors resulted in higher margins in the current quarter.

Operating expenses for the three month period ended June 30, 2018 totaled $27,652,402, an increase of $14,128,445 over the same period in 2017 ($13,523,957) as indicated below:

	June 30, 2018	**June 30, 2017**
General and administrative	$13,397,167	$5,562,447
Maintenance	7,043,209	4,446,524
Advertising and selling	6,409,549	3,229,022
Interest	553,371	92,608
Share based compensation expense	249,106	193,356
	$27,652,402	$13,523,957

The increase in operating expenses year over year was primarily due to the inclusion of Saber, CMS, Signature and recent funeral home acquisitions. In aggregate, the Company's general and administrative, advertising and selling, and maintenance expenses for the comparable business units for the quarter ended June 30, 2018 increased by approximately $370,000 compared with the same period in 2017.

General and administrative expenses for comparable operations increased by approximately $350,000 year over year. Approximately $310,000 of this increase relates to expenses incurred to support the Company's growth initiatives such as increased listing fees and regulatory expenses, investor relations activities, legal and audit fees, etc.

Maintenance expenses and advertising and selling expenses for comparable operations were largely in line with management expectations. Although certain of these expenses can be seasonal in nature and may be different in future periods.

Interest expense was higher in the second quarter of 2018 by $460,763 as a result of higher deferred finance costs relating to the revised credit facility being amortized, increased standby fees and the credit facility being utilized to fund the purchase price of CMS.

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 subsidiaries, and of promoting share ownership and alignment with shareholders' interests. The EIP provides for the grant of both DSUs and RSUs. Compensation expense associated with these units for the three month period ended June 30, 2018 was $249,106 compared to $193,356 for the same period in 2017.

As a result of the above, earnings from operations for the three month period ended June 30, 2018 totaled $4,219,015, an increase of $2,046,255 or 94.2% over the $2,172,760 earned during the same period in 2017.

Other income and expense items which are non-operating in nature for the year, and previously discussed, include the following:

- Acquisition and integration costs - during the three month periods ended June 30, 2018 and 2017, the Company incurred expenses of $5,182,916 and $941,010, respectively. Most of the acquisition and integration costs in 2018 relate to the acquisition of CMS, Signature and Citadel, and the balance relates to other acquisition activity. As the Company continues to expand in the U.S. market, management believes there will be opportunities for further rationalization of its operations. Acquisition expenses will vary from period to period depending on the size and level of acquisition activity. Commensurate with the size and number of transactions in recent months, the acquisition and integration expenses incurred by the Company have increased in the current periods.

- Share based payments - the Company recognized $249,106 in non-cash share based compensation expense during the three month period ended June 30, 2018 compared to $193,356 for the same period in 2017.

- Other (income) expenses – during the second quarter of 2017, the Company relocated its head office to a new location, incurring an expense of $84,625 relating to the write off of leasehold improvements at the previous location.

- Change in fair value of contingent payments - the Company recorded a loss of $37,139 in change of fair value of contingent payments compared to $47,999 loss for the same period in 2017.

- Income tax – represents an adjustment for the tax impact of the above noted adjustments.

Income tax expense (recovery) for the three month period ended June 30, 2018 was $(682,835) compared to $187,523 for the same period in 2017.

As a result of the above, the Company's after tax earnings (loss) from operations for the three month period ended June 30, 2018 totaled $(318,205) compared to $911,603 for the same period in 2017.

Earnings per Share

The weighted average number of common shares outstanding for the three month period ended June 30, 2018 increased to 20,345,945 compared to 11,320,884 for the same period in 2017, an increase of 9,025,061 or 79.7%. The increase in outstanding shares relates to the issuance of shares pursuant to the Company's DRIP and EIP, and May 2018 prospectus offering.

Fully diluted earnings (loss) per common share attributable to equity holders of PLC for the three month period ended June 30, 2018 was $(0.021) compared to $0.072 for the same period in 2017. The lower earnings per share for the three month period ended June 30, 2018 were a result of certain items discussed below.

Adjusted Net Earnings per Share

The 2018 and 2017 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 June 30, 2018 compared to 2017:

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017
Net earnings (loss), PLC shareholders	$ (435,849)	$ 812,444
Adjusted for the impact of:		
Acquisition and integration costs	5,182,916	941,010
Share based compensation	249,106	193,356
Other (income) expenses	-	84,625
Change in fair value of contingent earn-out payments	37,139	47,999
Tax effect on the above items	(1,373,474)	(271,794)
Adjusted Net Earnings, PLC shareholders	$ 3,659,838	$ 1,807,640
Adjusted EBITDA, PLC shareholders (see Quarterly Information)	$ 8,321,069	$ 3,681,726
Per share amounts attributable to PLC shareholders		
Adjusted Net Earnings - diluted	$ 0.180	$ 0.160
Adjusted EBITDA - diluted (see Quarterly Information)	$ 0.409	$ 0.325
Weighted average shares outstanding - diluted	20,345,945	11,320,884

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 increased by 102.5% year over year and the fully diluted Adjusted Net Earnings per share for the three month period ended June 30, 2018 was $0.180 compared to $0.160 for the same period in 2017, a year over year increase of $0.020 or 12.5%. The Adjusted Net Earnings per share shows improvement, but as a result of the May 2018 prospectus offering, the 2018 per share earnings amounts were diluted and will be until such time as the acquisitions have been fully integrated.

Adjusted EBITDA per Share

Adjusted EBITDA attributable to PLC shareholders for the three month period ended June 30, 2018 was $8,321,069 or $0.409 per share compared to $3,681,726 or $0.325 per share for the same period in 2017. The Adjusted EBITDA increased by 126% year over year and the fully diluted Adjusted EBITDA per share increased by 25.8%. Once again, the Adjusted EBITDA per share shows improvement but the May 2018 equity financing continues to dilute the full impact.

Adjusted Cash Flow

The Company uses Adjusted Cash Flow as 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 three month period ended June 30, 2018 and 2017 compared to its dividend payout:

	Three Months Ended June 30,	
	2018	2017
Earnings (loss) before income taxes	$ (1,001,040)	$1,099,126
Adjusted for:		
Amortization of cemetery property	2,081,037	902,522
Depreciation and amortization	1,399,521	560,456
Cash income taxes payable	(445,000)	(83,797)
Share based compensation	247,245	174,195
Change in fair value of contingent earn-out payments	37,139	47,999
Adjusted cash flow from operations	2,318,902	2,700,501
Less non controlling interest amounts:		
Net earnings	117,644	99,159
Depreciation and amortization	30,026	23,553
Adjusted cash flow, equity holders of PLC	$2,171,232	$2,577,789
Adjusted cash flow per common share-diluted	$0.107	$0.228
Dividends per common share	$0.114	$0.114
Payout ratio	107%	50%

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

As previously mentioned, 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. As sales occur, the Company draws down its inventory by making a non-cash charge to cost of goods sold (referred to as amortization of cemetery property). Also, included in earnings before income taxes for the three month period ended June 30, 2018 and 2017 are a change in fair value of contingent payments relating to the acquisition of MMG and non-cash share based compensation costs.

As calculated above, the Company's Adjusted Cash Flow from operations was $2,171,232 for the three month period ended June 30, 2018 compared to $2,577,789 for the same period in 2017. This represents Adjusted Cash Flow per fully diluted common share of $0.107 and $0.228 for the three month period ended June 30, 2018 and 2017, respectively.

The Company paid dividends of $0.114 per common share for the periods ended June 30, 2018 and 2017. The dividends paid represent 107% and 50% of the Adjusted Cash Flow per common share for the periods ended June 30, 2018 and 2017, respectively.

The increased payout ratio in 2018 is attributable to the increase in acquisition and integration costs in the second quarter of 2018 compared to the same period in 2017. Acquisition and integration costs were approximately $4 million higher in 2018 than 2017. The excess dividends in the current quarter were funded from excess cash on hand. Going forward, the Company expects that the payout ratio will return to historical levels.

Discussion of Operating Results, Six Months Ended June, 2018

Total revenue for the six month period ended June 30, 2018 was $67,555,680, an increase of $28,614,403 or 73.5%, over the same period ended June 30, 2017 ($38,941,277).

Revenue was derived from the following sources:

	June 30, 2018	June 30, 2017
Sales	$ 61,498,456	$ 35,359,807
Income from care and maintenance funds	4,071,298	2,610,933
Interest and other income	1,985,926	970,537
	$67,555,680	$ 38,941,277

As previously mentioned, the Company completed its acquisition of a 100% interest in Reynolds, TFFH, Jennett, Innisfil, PFHC, CCSL, TCS and Saber in 2017, and a 100% interest in CMS, Billingsley, Opatovsky and Signature in 2018. Reynolds, TFFH, Jennett, Innisfil, PFHC, CCSL, Billingsley, and Opatovsky revenue relates to the delivery of at-need funeral and cremation services and TCS revenue relates to providing support services to the funeral industry. Saber and Signature revenue relates to the sale and delivery of cemetery products and funeral home revenue and CMS revenue relates to the sale and delivery of cemetery products.

After adjusting for the impact of foreign exchange, growth from comparable business units year over year was 4.4%. For acquired companies, comparable growth is calculated as the difference between actual revenues achieved by each company in the financial period following acquisition compared to the estimated revenues they achieved in the corresponding financial period preceding the date of acquisition by PLC. The Company has introduced new sales initiatives in 2018 to improve pre-need sales in the Michigan market.

The gross profit margin was 78.6% for the six month period ended June 30, 2018 compared to 76.9% for the same period in 2017. Part of the increase in gross profit margin is due to the acquisition of Saber, CMS, Signature and various funeral home acquisitions during the year. There was a higher proportion of gross profit on the traditional funeral business, which has higher gross profit margins than margins earned on most cemetery and cremation revenue because the cost of products sold is a smaller portion of the total service provided to customers. Saber, CMS and Signature margins are higher because the required contribution to care and maintenance trust funds is lower than other jurisdictions. Investment income and interest and other, was also higher in 2018 resulting in higher overall gross profit margin. The combination of these factors resulted in higher margins in the current period.

Operating expenses for the six month period ended June 30, 2018 totaled $45,409,293 an increase of $19,501,281 over the same period in 2017 ($25,908,012) as indicated below:

	June 30, 2018	June 30, 2017
General and administrative	$21,573,558	$10,957,573
Maintenance	11,808,867	8,258,229
Advertising and selling	10,727,523	6,125,236
Interest	802,994	190,779
Share based compensation expense	496,351	376,195
	$45,409,293	$25,908,012

The increase in operating expenses year over year was primarily due to the inclusion of Saber, CMS, Signature and recent funeral home acquisitions. In aggregate, the Company's general and administrative, advertising and selling, and maintenance expenses for the comparable business units for the six month period ended June 30, 2018 increased by approximately $345,000 compared with the same period in 2017.

General and administrative expenses for comparable operations increased by approximately $480,000 year over year. Approximately $375,000 of this increase relates to expenses incurred to support the Company's growth initiatives; as previously discussed, increased listing fees and regulatory expenses, investor relations activities, legal and audit fees, etc.

As previously discussed, maintenance expenses and advertising and selling expenses for comparable operations were largely in line with management expectations. Although certain of these expenses can be seasonal in nature and may be different in future periods.

Interest expense was higher for the six month period ended June 30, 2018 by $612,215 compared to the same period in 2017 as a result of higher deferred finance costs relating to the revised credit facility being amortized, increased standby fees and the credit facility being utilized to fund the purchase price of CMS.

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 subsidiaries, and of promoting share ownership and alignment with shareholders' interests. The EIP provides for the grant of both DSUs and RSUs. Compensation expense associated with these units for the six month period ended June 30, 2018 was $496,351 compared to $376,195 for the same period in 2017.

As a result of the above, earnings from operations for the six month period ended June 30, 2018 totaled $7,674,796, an increase of $3,636,096 or 90.0% over the $4,038,700 earned during the same period in 2017.

Other income and expense items which are non-operating in nature for the year, and previously discussed, include the following:

- Acquisition and integration costs - during the six month periods ended June 30, 2018 and 2017, the Company incurred expenses of $6,365,237 and $1,120,075, respectively. Most of the acquisition and integration costs in 2018 relate to the acquisition of CMS, Signature and Citadel, and the balance relates to other acquisition activity. As the Company continues to expand in the U.S. market, management believes there will be opportunities for further rationalization of its operations. As previously mentioned, acquisition expenses will vary from period to period depending on the size and level of acquisition activity. Commensurate with the size and number of transactions in recent months, the acquisition and integration expenses incurred by the Company have increased in the current periods.

- Share based payments - the Company recognized $496,351 in non-cash share based compensation expense during the six month period ended June 30, 2018 compared to $376,195 for the same period in 2017.

- Other (income) expenses – during the first quarter of 2017 the Company settled a claim from a former employee in the amount of $66,457. The claim relates to the former Harmonia business which was sold in 2014 and was treated as discontinued operations. During the second quarter of 2017, the Company relocated its head office to a new location, incurring an expense of $84,625 relating to the write off of leasehold improvements at the previous location.

- Change in fair value of contingent payments - the Company recorded a loss of $71,635 in change of fair value of contingent payments compared to $93,029 loss for the same period in 2017.

- Income tax – represents an adjustment for the tax impact of the above noted adjustments.

Income tax expense (recovery) for the six month period ended June 30, 2018 was $(170,746) compared to $340,529 for the same period in 2017.

As a result of the above, the Company's after tax earnings from operations for the six month period ended June 30, 2018 totaled $1,408,670 compared to $2,333,985 for the same period in 2017.

Earnings per Share

The weighted average number of common shares outstanding for the six month period ended June 30, 2018 increased to 17,925,499 compared to 11,240,060 for the same period in 2017, an increase of 6,685,439 or 59.5%. The increase in outstanding shares relates to the issuance of shares pursuant to the Company's DRIP and EIP, and May 2018 prospectus offering.

Fully diluted earnings per common share attributable to equity holders of PLC for the six month period ended June 30, 2018 was $0.069 compared to $0.188 for the same period in 2017. The lower earnings per share for the six month period ended June 30, 2018 were a result of certain items discussed below.

Adjusted Net Earnings per Share

The 2018 and 2017 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 six month period ended June 30, 2018 compared to 2017:

	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Net earnings, PLC shareholders	$ 1,237,129	$ 2,109,973
Adjusted for the impact of:		
Acquisition and integration costs	6,365,237	1,120,075
Share based compensation	496,351	376,195
Other (income) expenses	-	151,082
Change in fair value of contingent earn-out payments	71,635	93,029
Tax effect on the above items	(1,686,787)	(336,857)
Adjusted Net Earnings, PLC shareholders	$ 6,483,565	$ 3,513,497
Adjusted EBITDA, PLC shareholders (see Quarterly Information)	$ 14,124,557	$ 7,011,119
Per share amounts attributable to PLC shareholders		
Adjusted Net Earnings - diluted	$ 0.362	$ 0.313
Adjusted EBITDA - diluted (see Quarterly Information)	$ 0.788	$ 0.624
Weighted average shares outstanding - diluted	17,925,499	11,240,060

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 increased by 84.5% year over year and the fully diluted Adjusted Net Earnings per share for the six month period ended June 30, 2018 was $0.362 compared to $0.313 for the same period in 2017, a year over year increase of $0.049 or 15.7%. The Adjusted Net Earnings per share shows improvement, but as a result of the May 2018 prospectus offering, the 2018 per share earnings amounts were diluted and will be until such time as the acquisitions have been fully integrated.

Adjusted EBITDA per Share

Adjusted EBITDA attributable to PLC shareholders for the six month period ended June 30, 2018 was $14,124,557 or $0.788 per share compared to $7,011,119 or $0.624 per share for the same period in 2017. The Adjusted EBITDA increased by 101.5% year over year and the fully diluted Adjusted EBITDA per share increased by 26.3%. Once again, the Adjusted EBITDA per share shows improvement but the May 2018 equity financing continues to dilute the full impact.

Adjusted Cash Flow

The Company uses Adjusted Cash Flow as 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 six month period ended June 30, 2018 and 2017 compared to its dividend payout:

	Six Months Ended June 30,	
	2018	**2017**
Earnings before income taxes	$1,237,924	$2,674,514
Adjusted for:		
Amortization of cemetery property	3,236,868	1,745,489
Depreciation and amortization	2,204,587	1,081,626
Cash income taxes payable	(845,000)	(98,995)
Share based compensation	494,490	348,390
Change in fair value of contingent earn-out payments	71,635	93,029
Adjusted cash flow from operations	6,400,504	5,844,054
Less non controlling interest amounts:		
Net earnings	171,541	224,012
Depreciation and amortization	59,731	44,449
Adjusted cash flow, equity holders of PLC	$6,169,232	$5,575,593
Adjusted cash flow per common share-diluted	$0.344	$0.496
Dividends per common share	$0.228	$0.228
Payout ratio	66%	46%

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

As previously mentioned, 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. As sales occur, the Company draws down its inventory by making a non-cash charge to cost of goods sold (referred to as amortization of cemetery property). Also, included in earnings before income taxes for the six month period ended June 30, 2018 and 2017 are a change in fair value of contingent payments relating to the acquisition of MMG and non-cash share based compensation costs.

As calculated above, the Company's Adjusted Cash Flow from operations was $6,169,232 for the six month period ended June 30, 2018 compared to $5,575,593 for the same period in 2017. This represents Adjusted Cash Flow per fully diluted common share of $0.344 and $0.496 for the six month period ended June 30, 2018 and 2017, respectively.

The Company paid dividends of $0.228 per common share for the periods ended June 30, 2018 and 2017. The dividends paid represent 66% and 46% of the Adjusted Cash Flow per common share for the periods ended June 30, 2018 and 2017, respectively.

The increased payout ratio in 2018 is attributable to the increase in acquisition and integration costs in the second quarter of 2018 compared to the same period in 2017. Acquisition and integration costs were approximately $5 million higher in 2018 than 2017. Going forward, the Company expects that the payout ratio will return to historical levels.

Unaudited Quarterly Information

	2018 Q2	2018 Q1	*2017 Q4	*2017 Q3
Revenue	$40,349,440	$27,206,240	$25,929,795	$22,418,725
Earnings from operations	$4,219,015	$3,455,781	$2,984,817	$2,288,011
Net earnings (loss), PLC shareholders	$ (435,849)	$1,672,978	$2,257,957	$ (171,116)
Adjusted Net Earnings, PLC shareholders	$3,659,838	$2,823,727	$2,826,055	$2,220,369
Net earnings (loss) per share - basic and diluted, PLC shareholders	**$(0.021)	**$0.108	**$0.146	**$(0.011)
Adjusted Net Earnings per share - diluted, PLC shareholders	**$0.180	**$0.182	**$0.183	**$0.144
Earnings from operations (per above)	4,219,015	3,455,781	2,984,817	2,288,011
Interest expense	553,371	249,623	100,771	92,476
Depreciation and amortization	1,399,521	805,066	722,927	755,788
Amortization of cemetery property	2,081,037	1,155,831	1,613,629	802,968
Share based compensation	249,106	247,245	322,445	179,681
Adjusted EBITDA, non-controlling interest	(180,981)	(110,058)	(156,926)	(87,396)
Adjusted EBITDA, PLC shareholders	***$8,321,069	***$5,803,488	***$5,587,663	***$4,031,528
Adjusted EBITDA margin	****21.1%	****21.7%	****22.2%	****18.4%
Adjusted EBITDA per share - diluted, PLC shareholders	***$0.409	***$0.375	***$0.362	***$0.261

	*2017 Q2	*2017 Q1	*2016 Q4	*2016 Q3
Revenue	$20,138,853	$18,802,424	$19,816,511	$17,338,406
Earnings from operations	$2,172,760	$1,865,940	$1,224,100	$1,329,173
Net earnings, PLC shareholders	$812,444	$1,297,529	$4,320,546	$749,505
Adjusted Net Earnings, PLC shareholders	$1,807,640	$1,705,857	$1,177,328	$1,224,593
Net earnings per share - basic and diluted, PLC shareholders	**$0.072	**$0.117	**$0.456	**$0.094
Adjusted Net Earnings per share - diluted, PLC shareholders	**$0.160	**$0.153	**$0.124	**$0.153
Earnings from operations (per above)	2,172,760	1,865,940	1,224,100	1,329,173
Interest expense	92,608	98,171	66,153	198,699
Depreciation and amortization	560,456	521,170	490,862	444,326
Amortization of cemetery property	902,522	842,967	1,370,561	481,722
Share based compensation	193,356	182,839	140,308	158,288
Adjusted EBITDA, non-controlling interest	(239,976)	(181,694)	(113,106)	(170,157)
Adjusted EBITDA, PLC shareholders	***$3,681,726	***$3,329,393	***$3,178,878	***$2,442,051
Adjusted EBITDA margin	****19.5%	****18.7%	****16.6%	****15.1%
Adjusted EBITDA per share - diluted, PLC shareholders	***$0.325	***$0.299	***$0.336	***$0.305

*Certain revenues and costs have been reclassified in the 2016 and 2017 quarterly results to conform to the December 31, 2016 and 2017 consolidated financial statement presentation.

**The sum of the quarterly net earnings attributable to equity holders of PLC per share, basic and diluted, may not equal the period amount due to the rounding and use of weighted average shares outstanding.

***Adjusted EBITDA and Adjusted EBITDA per share have been modified to include amortization of cemetery property in the 2016 and 2017 quarterly results.

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

Outlook

Between 2013 and 2018 year to date, PLC has experienced robust growth both organically and through acquisition. The Company believes the deathcare sector continues to exhibit highly attractive growth characteristics. As part of the Company's growth plan, PLC has set an aspirational growth target of achieving pro forma Adjusted EBITDA of $100 million by the end of 2022.

Achieving this long-term target is based on the following key assumptions:

- Acquisitions will contribute approximately $35 million of incremental pro forma Adjusted EBITDA by the end of 2022.

- Margin expansion through synergies and operational improvements will contribute approximately $7-8 million of incremental pro forma Adjusted EBITDA by the end of 2022.

- Organic growth, through price increases, introduction of new products/services, investment in mausoleums, on-site funeral homes and other growth capital projects will contribute approximately $10-12 million of incremental pro forma Adjusted EBITDA by the end of 2022.

- Organic growth capital of approximately $40 million is deployed between 2019 and 2022.

- Target leverage ratio remains in the range of approximately 2 x debt/pro forma Adjusted EBITDA throughout.

The above represents forward-looking information. For a discussion of additional assumptions and key related risks, see "Forward-looking Information" above.

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 of Directors 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 six month period ended June 30, 2018 and June 30, 2017, the Company declared dividends to shareholders totaling $0.228 per share. The Company subsequently paid a dividend of $0.038 for July, 2018. The following table sets forth the per share amount of monthly dividends declared and paid by the Company since January 1, 2018.

Month	Dividend Record Date	Payment Date	Per Share
July, 2018	July 31, 2018	August 15, 2018	0.038
June, 2018	June 30, 2018	July 16, 2018	0.038
May, 2018	May 31, 2018	June 15, 2018	0.038
April, 2018	April 30, 2018	May 15, 2018	0.038
March, 2018	March 31, 2018	April 16, 2018	0.038
February, 2018	February 28, 2018	March 15, 2018	0.038
January, 2018	January 31, 2018	February 15, 2018	0.038
Total dividends per share			$ 0.266

Related Party Transactions

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 directors and officers by the Company; (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, 2017, as described under "Management Contracts" in the Company's 2017 Annual MD&A.

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 Chief Executive Officer ("**CEO**") and Chief Financial Officer ("**CFO**"), on a timely basis so that appropriate decisions can be made regarding public disclosure.

Subject to 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 June 30, 2018.

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 Signature which was acquired during the second quarter of 2018.

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 a new acquisition:

	Signature June 30, 2018
Revenues	$ 6,836,499
Net earnings	$ 511,539

	Signature June 30, 2018
Current assets	$ 9,031,433
Non-current assets	$ 237,652,814
Current liabilities	$ 3,514,234
Non-current liabilities	$ 81,913,173

Changes in Internal Controls over Financial Reporting

There have been no changes in the Company's internal controls over financial reporting during Fiscal 2018 that have affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

IFRS Issued Standards Not Yet Adopted

The IASB continues to issue new and revised IFRS. A listing of the recent accounting pronouncements promulgated by the IASB and not yet adopted by the Company is included in note 2 in the Company's December 31, 2017 consolidated financial statements and note 2 in the Company's June 30, 2018 condensed interim consolidated financial statements.

New Accounting Policies Adopted in 2018

The Company's accounting policies are as disclosed in Note 2 of PLC's 2017 annual consolidated financial statements. There have been no material changes to PLC's accounting policies from what was disclosed at that time, with the exception of the adoption of IFRS 15 – Revenue from Contract with Customers and IFRS 9 – Financial Instruments, Classification and Measurement as disclosed in Note 2 in the Company's June 30, 2018 condensed interim consolidated financial statements.

IFRS 9 – Financial Instruments, Classification and Measurement

Effective January 1, 2018, the Company adopted IFRS 9. IFRS 9 introduces new requirements for the classification and measurement of financial assets. IFRS 9 requires all recognized financial assets to be measured at amortized cost or fair value in subsequent accounting periods following initial recognition. IFRS 9 also amends the requirements around hedge accounting, and introduces a single, forward-looking expected loss impairment model.

The Company has elected to apply the limited exemption in IFRS 9 paragraph 7.2.15 relating to transition for classification and measurement and impairment, and accordingly has not restated comparative periods in the year of initial application. The adoption of IFRS 9 had no impact on the Company's consolidated financial statements on the date of initial application. There was no change in the carrying amounts on the basis of allocation from original measurement categories under IAS 39 Financial Instruments: Recognition and Measurement to the new measurement categories under IFRS 9.

IFRS 15 – Revenue from Contracts with Customers

The Company elected to adopt IFRS15 using the modified retrospective method, with recognition of transitional adjustments in opening retained earnings on the date of initial application (January 1, 2018), without restatement of comparative figures.

The treatment of costs incurred in acquiring customer contracts is affected as IFRS 15 requires certain contract acquisition costs (such as sales commissions) to be recognized as an asset and amortized into advertising and selling expenses over time. Previously, such costs were expensed as incurred. Accordingly, a new asset has been recognized in the consolidated statements of financial position, specifically, a deferred commission asset.

The impact on the consolidated statement of financial position as at January 1, 2018 is an increase to deferred commission asset of $15,925,918, an increase in deferred tax liability of $4,149,238, and an increase of $11,776,680 to opening retained earnings.

The adoption of IFRS 15 did not result in any changes in the timing of revenue recognition for the Company's goods and services.

Shares Outstanding

The authorized capital of the Company consists of an unlimited number of common shares. As at June 30, 2018, there were 23,106,159 common shares issued and outstanding, representing an increase of 7,759,427 common shares issued and outstanding since December 31, 2017. The increase in the number of common shares is the result of the issuance of shares pursuant to the Company's DRIP and May 2018 prospectus offering. As at August 14, 2018, there were 23,110,051 common shares issued and outstanding. In addition, the Company has 640,000 common shares reserved and available for grant and issuance of the EIP. Of these 640,000 common shares, 480,000 are reserved for the issuance to employees and 160,000 common shares are reserved for issuance to directors. As at June 30, 2018, 123,057 RSUs and 24,718 DSUs were awarded.

Additional Information

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