

The background features a network diagram of interconnected nodes and lines in light gray. Overlaid on this are various autumn leaves in shades of dark blue, orange, and yellow. Some leaves are solid, while others are just outlines. A large, dark blue number '19' is centered on the page.

19

Condensed Interim Consolidated Financial Statements

As at and for the three months ending
March 31, 2019 and 2018 | Unaudited



PARK LAWN
CORPORATION

NOTICE TO READER

Park Lawn Corporation's independent auditor has not performed a review of these unaudited condensed interim consolidated financial statements.

(signed) "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 MARCH 31, 2019 AND DECEMBER 31, 2018
(UNAUDITED)

	March 31, 2019	December 31, 2018
Assets		
Current assets		
Cash	\$ 14,469,860	\$ 14,149,092
Accounts receivable	7,533,621	8,976,690
Pre-need receivables, current portion (Note 4)	26,405,222	26,204,444
Inventories, current portion (Note 5)	8,664,670	9,988,909
Prepaid expenses and other current assets	4,292,085	3,601,132
	<u>61,365,458</u>	<u>62,920,267</u>
Non-current assets		
Pre-need receivables, net of current portion (Note 4)	56,582,030	57,917,186
Inventories, net of current portion (Note 5)	71,687,569	71,102,414
Land held for development (Note 7)	20,250,865	28,023,925
Property and equipment (Note 8)	123,958,006	125,203,549
Care and maintenance trust fund investments (Note 9)	203,618,631	195,927,256
Pre-need merchandise and service trust fund investments (Note 10)	158,414,884	157,597,312
Deferred tax assets	3,704,355	4,113,646
Employee share loan plan	3,063,666	3,063,666
Goodwill and intangibles (Note 6 and 12)	290,157,813	281,833,941
Deferred commissions	23,877,717	24,663,902
Other assets (Note 13)	7,398,867	7,793,162
	<u>962,714,403</u>	<u>957,239,959</u>
TOTAL ASSETS	<u><u>\$ 1,024,079,861</u></u>	<u><u>\$ 1,020,160,226</u></u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 21,111,656	\$ 20,495,554
Dividends payable	879,928	879,142
Current portion of long term debt (Note 14)	263,264	298,826
Current portion of notes payable (Note 15)	424,140	426,604
Current portion of lease liabilities (Note 16)	1,292,340	-
	<u>23,971,328</u>	<u>22,100,126</u>
Non-current liabilities		
Long-term debt, net of current portion (Note 14)	88,658,401	91,045,776
Notes payable, net of current portion (Note 15)	4,114,828	4,277,811
Lease liabilities, net of current portion (Note 16)	4,714,529	-
Deferred revenue (Note 17)	141,708,125	143,767,739
Deferred tax liabilities	4,820,503	4,970,996
Care and maintenance trusts' corpus (Note 9)	203,618,631	195,927,256
Deferred pre-need receipts held in trust (Note 10)	158,414,884	157,597,312
	<u>606,049,901</u>	<u>597,586,890</u>
Shareholders' Equity		
Share capital (Note 19)	364,440,522	363,957,423
Contributed surplus	2,828,448	2,297,514
Accumulated other comprehensive income	13,699,572	21,888,697
Retained earnings	11,516,070	10,829,808
	<u>392,484,612</u>	<u>398,973,442</u>
Non-controlling interest	1,574,020	1,499,768
	<u>394,058,632</u>	<u>400,473,210</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>\$ 1,024,079,861</u></u>	<u><u>\$ 1,020,160,226</u></u>

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 MONTHS ENDED MARCH 31, 2019 AND 2018
(UNAUDITED)

	March 31, 2019	March 31, 2018
Revenue		
Sales	\$ 45,937,495	\$ 24,461,410
Income from care and maintenance funds (Note 9)	2,783,077	1,962,677
Interest and other income	1,432,413	782,153
	<u>50,152,985</u>	<u>27,206,240</u>
Costs	<u>9,315,608</u>	<u>5,857,315</u>
Gross profit	<u>40,837,377</u>	<u>21,348,925</u>
Operating expenses		
General and administrative	19,103,293	8,176,391
Maintenance	6,787,758	4,901,911
Advertising and selling	6,768,685	4,317,974
Interest expense	1,275,841	249,623
Share based incentive compensation	627,153	247,245
	<u>34,562,730</u>	<u>17,893,144</u>
Earnings from operations	6,274,647	3,455,781
Acquisition and integration costs (Note 6)	(1,672,452)	(1,182,321)
Other income (expenses)	8,640	(34,496)
	<u>4,610,835</u>	<u>2,238,964</u>
Earnings before income taxes	4,610,835	2,238,964
Income tax expense	<u>1,211,336</u>	<u>512,089</u>
Net earnings for the period	<u>\$ 3,399,499</u>	<u>\$ 1,726,875</u>
Net earnings attributable to:		
Equity holders of PLC	\$ 3,325,247	\$ 1,672,978
Non-controlling interest	74,252	53,897
	<u>\$ 3,399,499</u>	<u>\$ 1,726,875</u>
Attributable to equity holders of PLC		
Net earnings per share - basic	<u>\$ 0.141</u>	<u>\$ 0.108</u>
Net earnings per share - diluted	<u>\$ 0.141</u>	<u>\$ 0.108</u>
Weighted average number of common shares:		
- basic	<u>23,524,356</u>	<u>15,436,606</u>
- diluted	<u>23,622,214</u>	<u>15,478,158</u>

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 MONTHS ENDED MARCH 31, 2019 AND 2018
(UNAUDITED)

	March 31, 2019	March 31, 2018
Net earnings for the period	\$ 3,399,499	\$ 1,726,875
Item of other comprehensive income to be subsequently reclassified to net income		
Foreign currency translation of foreign operations	(8,189,125)	2,111,450
Comprehensive (loss) income	<u>\$ (4,789,626)</u>	<u>\$ 3,838,325</u>

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 MONTHS ENDED MARCH 31, 2019 AND 2018
(UNAUDITED)

	# of Common Shares Issued and Outstanding	Share Capital	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income/Loss	Non Controlling Interest	Shareholders' Equity
Balance at January 1, 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)	-	-	-	(1,750,072)	-	-	(1,750,072)
Shares issued:							
Dividend reinvestment plan (Note 19)	7,772	173,608	-	-	-	-	173,608
Equity incentive plan	-	-	247,245	-	-	-	247,245
Adoption of IFRS15	-	-	-	13,293,303	-	-	13,293,303
Other comprehensive income	-	-	-	-	2,111,450	-	2,111,450
Net earnings for the period	-	-	-	1,672,978	-	53,897	1,726,875
Balance at March 31, 2018	<u>15,354,504</u>	<u>\$ 179,949,571</u>	<u>\$ 1,381,016</u>	<u>\$ 14,908,139</u>	<u>\$ 457,358</u>	<u>\$ 1,156,540</u>	<u>\$ 197,852,624</u>
Balance at January 1, 2019	23,135,315	\$ 363,957,423	\$ 2,297,514	\$ 10,829,808	\$ 21,888,697	\$ 1,499,768	\$ 400,473,210
Dividends declared (Note 18)	-	-	-	(2,638,985)	-	-	(2,638,985)
Shares issued:							
Dividend reinvestment plan (Note 19)	20,690	483,099	-	-	-	-	483,099
Equity incentive plan	-	-	530,934	-	-	-	530,934
Other comprehensive loss	-	-	-	-	(8,189,125)	-	(8,189,125)
Net earnings for the period	-	-	-	3,325,247	-	74,252	3,399,499
Balance at March 31, 2019	<u>23,156,005</u>	<u>\$ 364,440,522</u>	<u>\$ 2,828,448</u>	<u>\$ 11,516,070</u>	<u>\$ 13,699,572</u>	<u>\$ 1,574,020</u>	<u>\$ 394,058,632</u>

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 MONTHS ENDED MARCH 31, 2019 AND 2018
(UNAUDITED)

	March 31, 2019	March 31, 2018
Cash provided by (used in):		
Operating activities		
Net earnings for the period	\$ 3,399,499	\$ 1,726,875
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Acquisition and integration costs	1,672,452	1,182,321
Deferred tax expense/asset	382,291	1,692
Depreciation of property and equipment, investment properties and amortization of intangibles	2,423,506	805,066
Amortization of cemetery property	1,309,088	1,155,831
Amortization of deferred commissions	644,625	742,658
Amortization of deferred financing costs	64,564	36,927
Interest on lease liabilities	60,288	-
Share based incentive compensation	530,934	247,245
(Gain) loss on disposal of property and equipment	(49,556)	-
(Gain) loss on change in fair value of contingent payments	-	34,496
Changes in working capital that provided (required) cash:		
Accounts receivable	2,068,437	330,858
Net receipts on pre-need activity	(1,987,925)	924,907
Merchandise inventories	29,331	13,604
Prepaid expenses and other current assets	(852,409)	(868,518)
Accounts payable and accrued liabilities	(57,942)	404,233
Cash provided by (used in) operating activities	9,637,183	6,738,195
Investing activities		
Acquisition and integration costs	(1,672,452)	(1,182,321)
Net cash on acquisitions and other strategic transactions	-	(64,156,978)
Additions to cemetery property	(1,051,687)	(253,375)
Acquisition of property and equipment	(2,925,762)	(535,205)
Proceeds on disposal of property and equipment	1,492,325	-
Employee loan	(20,834)	14,414
Deferred commissions	(516,196)	(695,626)
Decrease (increase) in other assets	463,840	(461,543)
Cash provided by (used in) investing activities	(4,230,766)	(67,270,634)
Financing activities		
Proceeds from issuance of long-term debt	-	58,457,529
Repayment of long-term debt	(2,024,491)	(1,975,167)
Repayment of lease liabilities	(374,554)	-
Proceeds (repayment) of note payable	(203,592)	(7,944)
Dividend reinvestment plan	483,099	173,607
Dividends and distributions paid	(2,638,985)	(1,750,072)
Deferred financing costs	(522,823)	(26,589)
Cash provided by (used in) financing activities	(5,281,346)	54,871,364
Translation adjustment on cash	195,697	(397,151)
Net increase (decrease) in cash	320,768	(6,058,226)
Cash, beginning of period	14,149,092	12,736,498
Cash, end of period	\$ 14,469,860	\$ 6,678,272
Supplemental disclosures:		
Income taxes paid	\$ 59,308	\$ 178,739
Interest expenses paid	\$ 1,119,208	\$ 212,746

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

PARK LAWN CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2019

1. NATURE OF OPERATIONS

Park Lawn Corporation (the “Company” or “PLC”), located at 2 St. Clair Ave. West, Suite 1300, Toronto, Ontario, M4V 1L5, is an Ontario corporation which owns and operates cemeteries, crematoriums and funeral homes in Canada and the U.S. The Company is publicly traded on the TSX with the stock symbol of PLC.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The accompanying unaudited condensed interim consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards (“IFRS”), including International Accounting Standards 34, Interim Financial Reporting (“IAS 34”), on a basis consistent with policies disclosed in the Company’s annual audited consolidated financial statements for the fiscal year ended December 31, 2018 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, 2018.

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, 2018.

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 March 31, 2019 and 2018 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 May 14, 2019.

b. Basis of presentation

The unaudited condensed interim consolidated financial statements of the Company have been prepared on a historical cost basis with the exception of certain financial instruments that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

PARK LAWN CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

c. 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.

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 consolidated financial statements of foreign subsidiaries for which the functional currency is not the Canadian dollar are translated into Canadian dollars using the exchange rate in effect at the end of the reporting period for assets and liabilities and the average exchange rates for the period for revenue, expenses and cash flows. Foreign exchange differences arising on translation are recognized in other comprehensive income and in accumulated other comprehensive income in shareholders' equity.

d. 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.

e. 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.

PARK LAWN CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

e. Business combinations – continued

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.

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 IFRS 9, with the corresponding gain or loss being recognized in the consolidated statements of earnings and comprehensive income.

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.

Accounting standards adopted on January 1, 2019

f. IFRS 16 - Leases

IFRS 16 – Leases (“IFRS 16”) is 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 a party to lease contracts for, among others: a) office space; b) machinery and equipment. Leases are recognized, measured and presented in line with IFRS 16.

Accounting by the lessee

The Company implemented a single accounting model, requiring lessees to recognize assets and liabilities for all leases excluding exceptions listed in the standard. The Company elected to apply exemptions for short term leases and for leases for which the underlying asset is of low value. The Company has also elected to apply the practical expedient to not separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

At inception of a contract, the Company assesses whether a contract is, or contains a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

PARK LAWN CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

f. IFRS 16 – Leases – continued

Based on the accounting policy applied the Company recognizes a right-of-use asset and a lease liability at the commencement date of the contract for all leases conveying the right to control the use of an identified assets for a period of time. The commencement date is the date on which a lessor makes an underlying asset available for use by a lessee.

The right-of-use assets are initially measured at cost, which comprises:

- i) the amount of the initial measurement of the lease liability;
- ii) any lease payments made at or before the commencement date, less any lease incentives;
- iii) any initial direct costs incurred by the lessee.

After the commencement date, the right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any re-measurement of the lease liability. Depreciation is calculated using the straight-line method over the estimated useful life or over the term of the respective lease. If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date, which comprises:

- i) fixed payments, less any lease incentives receivable;
- ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- iii) amounts expected to be payable by the lessee under residual value guarantees;
- iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate on the underlying asset. Generally, the Company uses its incremental borrowing rate on the underlying asset as the discount rate. The lease liability is subsequently measured at amortized cost using the effective interest method.

PARK LAWN CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

f. IFRS 16 – Leases – continued

The lease term determined by the Company comprises:

- i) non-cancellable period of lease contracts;
- ii) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option;
- iii) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

Accounting by the lessor

There are no contracts based on which the Company is acting as a lessor.

Impact of transition to IFRS 16

Effective January 1, 2019, the Company has adopted IFRS 16 using the modified retrospective approach, with recognition of a right-of-use asset equal to the lease liability adjusted for prepaid or accrued lease payments immediately before the date of initial application.

In applying the modified retrospective approach, the Company has taken advantage of the following practical expedients:

- i) A single discount rate has been applied to portfolios of leases with reasonably similar characteristics;
- ii) Leases with a remaining term of twelve months or less from the date of application have been accounted for as short-term leases even though the initial term from lease commencement have been more than twelve months;
- iii) For the purposes of measuring the right-of-use asset, hindsight has been used. Therefore, it has been measured based on prevailing estimates at the date of initial application and not retrospectively by making estimates and judgements based on circumstances on or after the lease commencement date.

The aggregate lease liability recognised in the statement of financial position at January 1, 2019 can be reconciled as follows:

Operating lease commitments as at December 31, 2018	\$ 7,388,606
Effect of discounting those lease commitments	(1,067,471)
	<u>\$ 6,321,135</u>

A corresponding right-of-use asset of \$6,321,135 has been recognised in the statement of financial position as at January 1, 2019 and has been classified as property and equipment.

PARK LAWN CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2019

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.

PARK LAWN CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2019

4. PRE-NEED RECEIVABLES

	March 31, 2019	December 31, 2018
	<u> </u>	<u> </u>
Pre-need receivables, current portion	\$ 26,405,222	\$ 26,204,444
Pre-need receivables, net of current portion	56,582,030	57,917,186
Total	<u>\$ 82,987,252</u>	<u>\$ 84,121,630</u>

The above is net of an allowance for sales returns of \$6,821,055 (at December 31, 2018 - \$6,772,773).

5. INVENTORIES

	March 31, 2019	December 31, 2018
	<u> </u>	<u> </u>
Merchandise inventories	\$ 2,821,121	\$ 2,850,452
Cemetery lots	31,066,977	31,293,293
Crypts and niches	41,160,997	42,067,841
Construction in progress	<u>5,303,144</u>	<u>4,879,737</u>
Total	80,352,239	81,091,323
Current portion	<u>8,664,670</u>	<u>9,988,909</u>
Non-current portion	<u>\$ 71,687,569</u>	<u>\$ 71,102,414</u>

There were no inventory write-downs in either period.

PARK LAWN CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2019

6. BUSINESS COMBINATION

There were no acquisitions in the three month period ended March 31, 2019.

Acquisitions completed in fiscal 2018

The following table summarizes the statement of financial position impact on the acquisition date of the Company's business combinations that occurred in the year ended December 31, 2018:

	Final CMS (i)	Final Signature (ii)	Preliminary Citadel (iii)	Preliminary Other (iv)	Total
Assets acquired:					
Cash	\$ 1,471,869	\$ 5,203,463	\$ 612,613	\$ 112,131	\$ 7,400,076
Accounts receivable	343,184	2,240,375	1,064,904	361,662	4,010,125
Pre-need receivables	12,695,556	9,439,211	3,482,732	-	25,617,499
Inventories	25,058,801	7,707,754	4,544,884	280,841	37,592,280
Prepaid expenses and other current assets	354,364	503,162	130,573	35,596	1,023,695
Land held for development	-	11,925,335	429,655	-	12,354,990
Property and equipment	7,764,123	45,492,637	7,132,102	8,647,763	69,036,625
Care and maintenance trust fund investments	58,558,937	13,878,211	11,286,831	-	83,723,979
Pre-need merchandise and service trust fund investments	4,607,433	39,677,089	5,282,096	1,597,835	51,164,453
Deferred commissions	1,238,900	1,286,202	3,823,536	-	6,348,638
Deferred tax assets	596,700	273,556	128,220	18,592	1,017,068
Goodwill	33,592,882	102,731,019	45,051,205	8,963,790	190,338,896
Intangible assets	-	5,492,305	328,325	573,940	6,394,570
Total assets	<u>\$ 146,282,749</u>	<u>\$ 245,850,319</u>	<u>\$ 83,297,676</u>	<u>\$ 20,592,150</u>	<u>\$ 496,022,894</u>
Liabilities assumed:					
Accounts payable and accrued liabilities	\$ 1,442,552	\$ 4,826,293	\$ 2,247,390	\$ 368,182	\$ 8,884,417
Long-term debt	-	-	303,063	72,739	375,802
Notes payable	1,287,684	2,394,811	-	-	3,682,495
Deferred tax liabilities	1,035,932	-	-	145,313	1,181,245
Care and maintenance trusts' corpus	58,558,937	13,878,211	11,286,831	-	83,723,979
Deferred pre-need receipts held in trust	4,607,433	39,677,089	5,282,096	1,597,835	51,164,453
Deferred revenue	14,595,911	23,324,363	44,610,126	-	82,530,400
	<u>81,528,449</u>	<u>84,100,767</u>	<u>63,729,506</u>	<u>2,184,069</u>	<u>231,542,791</u>
Fair value of consideration transferred:					
Cash consideration	64,339,300	158,760,138	19,538,094	18,391,714	261,029,246
Working capital adjustment	415,000	2,989,414	30,076	16,367	3,450,857
	<u>64,754,300</u>	<u>161,749,552</u>	<u>19,568,170</u>	<u>18,408,081</u>	<u>264,480,103</u>
Total liabilities and considerations	<u>\$ 146,282,749</u>	<u>\$ 245,850,319</u>	<u>\$ 83,297,676</u>	<u>\$ 20,592,150</u>	<u>\$ 496,022,894</u>

PARK LAWN CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2019

6. BUSINESS COMBINATION – continued

Acquisitions completed in fiscal 2018 – continued

(i) *CMS*

On March 7, 2018, the Company 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 was funded from PLC’s credit facility. CMS currently operates, manages and provides financial services for 6 cemeteries in New Jersey and 1 in New York. The acquisition of CMS increases the scale and expands the geographic diversification in the U.S. market.

During the third quarter of 2018, the Company completed the purchase of 78 acres of land in Lafayette, New Jersey for US\$3 million. This property will be used to expand an existing cemetery.

(ii) *Signature*

On May 7, 2018, the Company completed the acquisition of a 100% ownership interest in the common shares of Signature Funeral and Cemetery Investments, LLC. (“Signature”) for a purchase price of approximately \$158.8 million (US\$123 million), plus a working capital adjustment of approximately \$3 million (US\$2.5 million). 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.

Signature’s purchase price allocation was finalized in the first quarter of 2019 to reflect the final determination of the fair value of assets and liabilities acquired.

(iii) *Citadel*

On November 1, 2018, the Company completed the acquisition of 100% ownership interest in the common shares of Citadel Management LLC (“Citadel”) for a purchase price of approximately \$19.6 million (US\$14.9 million). The purchase price was funded from PLC’s credit facility.

The acquisition expands the Company’s operations in North Carolina and marks its entry in to the South Carolina market. The acquisition fits well with the Company’s existing portfolio and provides opportunity for growth in these markets. It adds 29 cemeteries and 8 funeral homes (including 1 on-site) in North and South Carolina to the Company’s portfolio.

The fair value allocations are based on preliminary purchase allocations conducted by management. As the acquisition is within the measurement period under IFRS 10, it continues to be refined. The Company is gathering information to finalize the fair value of the property and equipment, deferred revenue and inventories.

PARK LAWN CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2019

6. BUSINESS COMBINATION – continued

Acquisitions completed in fiscal 2018 – continued

(iv) *Other acquisitions*

During 2018, the Company also completed the following acquisitions: Billingsley Funeral Home (“Billingsley”), Opatovsky Funeral Home (“Opatovsky”), Hansons Arbor Funeral Chapels & Crematorium (“Hansons”), Wayne Boze Funeral Home and Gateway Memorial Park (“Wayne Boze”), and Wells Funeral Homes and Cremation Services (“Wells”). Goodwill that arose as a result of these acquisitions was \$8,963,790. Billingsley’s and Opatovsky’s purchase price allocation was finalized in the first quarter of 2019.

7. LAND HELD FOR DEVELOPMENT

Land held for development represents land held for future cemetery, funeral and other development opportunities. At March 31, 2019 land held for development was \$20,250,865 (at December 31, 2018 - \$28,023,925). The decrease is primarily related to Signature’s land held for development fair value adjustment following the purchase price allocation being finalized.

8. PROPERTY AND EQUIPMENT

	January 1, 2019	Acquired in business combinations	Additions	Disposals	Foreign currency translation	March 31, 2019
Cost:						
Land	\$ 31,099,513	-	-	(1,123,051)	(499,292)	\$ 29,477,170
Buildings, cemetery and funeral	81,728,134	(4,700,869)	1,061,089	(264,449)	(1,573,173)	76,250,732
Machinery, equipment and automotive	15,931,295	-	1,316,645	(289,396)	(338,720)	16,619,824
Cemetery improvements	9,611,192	-	556,427	-	(220,656)	9,946,963
Investment property	232,163	-	-	-	-	232,163
Right-of-use asset	6,321,135	-	56,336	-	(37,088)	6,340,383
Total	<u>144,923,432</u>	<u>(4,700,869)</u>	<u>2,990,497</u>	<u>(1,676,896)</u>	<u>(2,668,929)</u>	<u>138,867,235</u>
Accumulated depreciation:						
Buildings, cemetery and funeral	5,466,060	-	846,138	(26,797)	(140,522)	6,144,879
Machinery, equipment and automotive	5,239,993	-	606,664	(207,330)	(171,814)	5,467,513
Cemetery improvements	2,660,278	-	360,092	-	(130,286)	2,890,084
Investment property	32,417	-	2,476	-	-	34,893
Right-of-use asset	-	-	371,188	-	672	371,860
Total	<u>13,398,748</u>	<u>-</u>	<u>2,186,558</u>	<u>(234,127)</u>	<u>(441,950)</u>	<u>14,909,229</u>
Net Book Value	<u>\$ 131,524,684</u>					<u>\$ 123,958,006</u>

PARK LAWN CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2019

8. PROPERTY AND EQUIPMENT – continued

	January 1, 2018	Acquired in business combinations	Additions	Disposals	Foreign currency translation	December 31, 2018
Cost:						
Land	\$ 11,394,808	17,215,049	1,030,380	(1,631)	1,460,907	\$ 31,099,513
Buildings, cemetery and funeral	25,358,253	47,440,108	4,455,378	-	4,474,395	81,728,134
Machinery, equipment and automotive	6,563,882	6,099,547	2,222,947	(211,075)	1,255,994	15,931,295
Cemetery improvements	5,476,743	2,982,790	510,656	-	641,003	9,611,192
Investment property	230,889	-	1,274	-	-	232,163
Total	<u>49,024,575</u>	<u>73,737,494</u>	<u>8,220,635</u>	<u>(212,706)</u>	<u>7,832,299</u>	<u>138,602,297</u>
Accumulated depreciation:						
Buildings, cemetery and funeral	2,318,117	-	2,206,823	-	941,120	5,466,060
Machinery, equipment and automotive	2,355,020	-	2,244,095	(159,223)	800,101	5,239,993
Cemetery improvements	1,370,602	-	901,052	-	388,624	2,660,278
Investment property	21,604	-	10,813	-	-	32,417
Total	<u>6,065,343</u>	<u>-</u>	<u>5,362,783</u>	<u>(159,223)</u>	<u>2,129,845</u>	<u>13,398,748</u>
Net Book Value	<u>\$ 42,959,232</u>					<u>\$ 125,203,549</u>

Property and equipment depreciation expense charged to operations amounted to \$2,186,558 and \$787,296 for the three month period ended March 31, 2019 and 2018, respectively. The increase in depreciation expense is primarily due to recent acquisitions and adoption of IFRS 16.

Included in additions at March 31, 2019 are \$985,840 of additions at Canadian cemeteries and funeral sites (at December 31, 2018 - \$3,692,898) and \$2,004,657 of additions at U.S. cemeteries (at December 31, 2018 - \$4,527,737).

During the three month period ended March 31, 2019, the Company sold redundant real estate for a sale price of \$1,500,000 realizing a gain of approximately \$50,000, net of disposition costs.

The decrease of \$4,700,869 in building, cemetery and funeral is related to Signature's buildings fair value adjustment following the purchase price allocation being finalized.

9. CARE AND MAINTENANCE TRUST FUND INVESTMENTS

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

PARK LAWN CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2019

9. CARE AND MAINTENANCE TRUST FUND INVESTMENTS – continued

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 \$2,783,077 and \$1,962,677 for the three month period ended March 31, 2019 and 2018, 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	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Cash and cash equivalents	\$ 8,566,200	\$ 8,378,916	\$ 8,564,869	\$ 8,347,173
Equities	94,169,356	89,174,511	86,497,055	87,964,536
Fixed income	74,777,297	72,700,781	74,616,606	74,154,689
Alternative investments	13,848,772	14,043,962	12,908,372	13,415,042
Preferred stocks	12,257,006	11,629,086	12,291,089	12,288,336
	<u>\$ 203,618,631</u>	<u>\$ 195,927,256</u>	<u>\$ 194,877,991</u>	<u>\$ 196,169,776</u>

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.

10. PRE-NEED MERCHANDISE AND SERVICE TRUST FUND INVESTMENTS

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

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

PARK LAWN CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2019

10. PRE-NEED MERCHANDISE AND SERVICE TRUST FUND INVESTMENTS – continued

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

	Fair value		Cost	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Cash and cash equivalents	\$ 9,338,138	\$ 12,509,568	\$ 9,335,517	\$ 12,498,274
GIC's	30,319,528	31,783,609	30,319,528	31,783,609
Equities	50,450,422	47,915,566	44,170,458	46,317,623
Fixed income	51,369,507	49,215,235	51,393,920	49,856,323
Alternative investments	16,937,289	16,173,334	16,937,289	16,173,334
	<u>\$ 158,414,884</u>	<u>\$ 157,597,312</u>	<u>\$ 152,156,712</u>	<u>\$ 156,629,163</u>

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.

11. PREARRANGED FUNERAL INSURANCE CONTRACTS

In addition to trust funded prearranged funeral services contracts, the Company also has prearranged funeral services contracts which are funded by insurance. As of March 31, 2019, the current face amount of pre-funded policies was approximately \$174 million (at December 31, 2018 – approximately \$176 million). 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.

PARK LAWN CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2019

12. GOODWILL AND INTANGIBLES

The changes in the carrying amount of goodwill and intangible assets at March 31, 2019 were:

	<u>Total</u>
Goodwill	
Balance January 1, 2019	\$ 278,735,112
Adjustment	10,054,554
Foreign currency translation	<u>(4,711,734)</u>
Balance March 31, 2019	<u>\$ 284,077,932</u>
Intangibles	
Balance January 1, 2019	\$ 3,098,829
Adjustment	\$ 3,218,000
Amortization	<u>(236,948)</u>
Balance March 31, 2019	<u>\$ 6,079,881</u>
Goodwill and Intangibles	
Balance March 31, 2019	<u><u>\$ 290,157,813</u></u>

	<u>Total</u>
Goodwill	
Balance January 1, 2018	\$ 85,729,285
Additions	180,284,342
Impairment	(1,266,849)
Foreign currency translation	<u>13,988,334</u>
Balance December 31, 2018	<u>\$ 278,735,112</u>
Intangibles	
Balance January 1, 2018	\$ 233,333
Additions	3,176,570
Amortization	<u>(311,074)</u>
Balance December 31, 2018	<u>\$ 3,098,829</u>
Goodwill and Intangibles	
Balance December 31, 2018	<u><u>\$ 281,833,941</u></u>

PARK LAWN CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2019

13. OTHER ASSETS

Included in other assets is primarily a \$6.2 million secured debt investment in Humphrey Funeral Home A. W. Miles – Newbigging Chapel Limited (“Humphrey”) which is measured at fair value. The debenture bears interest at 5% and is convertible into equity of Humphrey on maturity at the option of the Company. The debenture is due on demand after a period of five years.

14. LONG-TERM DEBT

	March 31, 2019	December 31, 2018
Bank loan		
Revolving loan facility	\$ 88,417,793	\$ 90,300,000
Mortgages	1,163,433	1,183,154
Finance lease obligations	613,678	676,428
Deferred financing costs	(1,273,239)	(814,980)
Total	88,921,665	91,344,602
Current portion	263,264	298,826
Non-current portion	\$ 88,658,401	\$ 91,045,776

Revolving loan facility

On January 18, 2019, the Company amended its existing syndicated bank financing arrangement to increase its borrowing capacity to \$225 million (\$175 million committed credit facility and additional \$50 million accordion facility). The financing arrangement has a term of five years. The revolving facility bears variable interest at the banker’s acceptance rate plus an applicable margin based on a leverage ratio calculation. The additional credit will provide the Company with further flexibility as it continues to pursue its growth strategy. In particular, the revolving credit facility is expected to support the Company’s ability to capitalize on organic projects and acquisition opportunities as they arise while maintaining a prudent approach to leverage.

At March 31, 2019, there was \$88,417,793 outstanding under the credit facility (at December 31, 2018 - \$90,300,000). Deferred financing costs have been capitalized and are being amortized over the term of 5 years using the effective interest rate method. At March 31, 2019, deferred financing costs were \$1,273,239 (at December 31, 2018 - \$814,980).

Finance lease obligations

Finance leases relate to automotive equipment and are secured by the vehicles. These leases have interest rates ranging from 4.0% to 9.0% and remaining terms of 2 to 5 years.

PARK LAWN CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2019

15. NOTES PAYABLE

	March 31, 2019	December 31, 2018
Deferred cash consideration	\$ 326,327	\$ 334,679
Note payable	1,749,225	1,760,241
Vendor take back note	2,463,416	2,609,495
Total	<u>4,538,968</u>	<u>4,704,415</u>
Current portion	<u>424,140</u>	<u>426,604</u>
Non current portion	<u>\$ 4,114,828</u>	<u>\$ 4,277,811</u>

Deferred cash consideration

The Company has deferred cash consideration payable to a former owner of a funeral home. 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.

Note payable

The Company has an outstanding note payable to the former owner of a cemetery. The note calls for yearly payments of \$50,000 at 0% interest until the note matures in 2113. Payments of principal and interest are allowed to be deferred until the cemetery achieves positive cash flow. The note was discounted 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 March 31, 2019.

Vendor take back note

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

PARK LAWN CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2019

16. LEASE LIABILITIES

Lease liabilities relate to office space, machinery and equipment.

	March 31, 2019
Future minimum lease payments	
Due in less than one year	\$ 1,522,685
Due between one and two years	1,386,640
Due between two and three years	1,023,525
Due thereafter	3,146,280
Interest	(1,072,261)
Present value of minimum lease payments	6,006,869
Current portion	1,292,340
Non-current portion	<u>\$ 4,714,529</u>

Lease liabilities interest expense charged to operations amounted to \$60,288 and \$nil for the three month period ended March 31, 2019 and 2018, respectively.

17. DEFERRED REVENUE

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

	March 31, 2019	December 31, 2018
Cemetery merchandise, lots, crypts, and niches	\$ 94,405,247	\$ 93,076,458
Cemetery and funeral services	47,302,878	50,691,281
Total	<u>\$ 141,708,125</u>	<u>\$ 143,767,739</u>

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 three month periods ended March 31, 2019 and 2018 were \$2,638,985 or \$0.114 per share and \$1,750,072 or \$0.114 per share, respectively. The monthly dividend was \$0.038 per share in all periods.

PARK LAWN CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2019

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, 2017	15,346,732	\$ 179,775,963
Shares issued pursuant to:		
Dividend reinvestment plan (i)	43,333	992,914
Prospectus financing, net of costs (ii)	7,745,250	183,188,546
Balance December 31, 2018	<u>23,135,315</u>	<u>363,957,423</u>
Shares issued pursuant to:		
Dividend reinvestment plan (i)	<u>20,690</u>	<u>483,099</u>
Balance March 31, 2019	<u><u>23,156,005</u></u>	<u><u>\$ 364,440,522</u></u>

(i) *Dividend reinvestment plan*

On October 13, 2015, the Company announced the implementation of a dividend reinvestment plan ("DRIP"). The DRIP allows eligible shareholders of PLC to reinvest their cash dividends into additional common shares of PLC, which will be issued from treasury or purchased on the open market on the applicable dividend payment date. If common shares are issued from treasury, the price at which such common shares are issued will be the volume weighted trading price of the Company's common shares over the five business days immediately preceding such dividend payment date less a discount, if any, of up to 5%, at the Company's election. The Company has determined to set the initial discount for purchases under the DRIP at 3%. The Company may, subject to the terms of the DRIP, alter or eliminate any discount at any time. For the three month period ended March 31, 2019, 20,690 common shares were issued under the DRIP (for the year ended December 31, 2018 – 43,333).

(ii) *Prospectus financings*

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 \$6,570,079 inclusive of \$338,100 after tax in management compensation.

PARK LAWN CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2019

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Fair value of financial instruments

Cash, accounts receivable, pre-need receivables, employee share loan, contingent payment, 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 March 31, 2019, the fair value of the care and maintenance and pre-need merchandise and service trust funds and related liabilities are valued under Level 1, Level 2 and Level 3.

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

Care and maintenance trust fund investments at March 31, 2019

		Level 1	Level 2	Level 3	
	Cost	Quoted market price	Valuation technique - observable market inputs	Valuation technique - non-observable market inputs	Total fair value
Cash and cash equivalents	\$ 8,564,869	\$ 8,566,200	\$ -	\$ -	\$ 8,566,200
Equities	86,497,055	93,911,005	-	258,351	94,169,356
Fixed income	74,616,606	15,792,227	44,498,248	14,486,822	74,777,297
Alternative investments	12,908,372	-	-	13,848,772	13,848,772
Preferred stocks	12,291,089	12,257,006	-	-	12,257,006
	<u>\$ 194,877,991</u>	<u>\$ 130,526,438</u>	<u>\$ 44,498,248</u>	<u>\$ 28,593,945</u>	<u>\$ 203,618,631</u>

PARK LAWN CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2019

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT – continued

Fair value of financial instruments - continued

Care and maintenance trust fund investments at December 31, 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	\$ 8,347,173	\$ 8,378,916	\$ -	\$ -	\$ 8,378,916
Equities	87,964,536	88,941,462	-	233,049	89,174,511
Fixed income	74,154,689	16,672,475	43,062,095	12,966,211	72,700,781
Alternative investments	13,415,042	-	-	14,043,962	14,043,962
Preferred stocks	12,288,336	11,629,086	-	-	11,629,086
	<u>\$ 196,169,776</u>	<u>\$ 125,621,939</u>	<u>\$ 43,062,095</u>	<u>\$ 27,243,222</u>	<u>\$ 195,927,256</u>

Pre-need merchandise and service trust fund investments at March 31, 2019

	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	\$ 9,335,517	\$ 9,338,138	\$ -	\$ -	\$ 9,338,138
GIC's	30,319,528	30,319,528	-	-	30,319,528
Equities	44,170,458	50,450,422	-	-	50,450,422
Fixed income	51,393,920	40,434,095	9,830,046	1,105,366	51,369,507
Alternative investments	16,937,289	-	-	16,937,289	16,937,289
	<u>\$ 152,156,712</u>	<u>\$ 130,542,183</u>	<u>\$ 9,830,046</u>	<u>\$ 18,042,655</u>	<u>\$ 158,414,884</u>

Pre-need merchandise and service trust fund investments at December 31, 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	\$ 12,498,274	\$ 12,509,568	\$ -	\$ -	\$ 12,509,568
GIC's	31,783,609	31,783,609	-	-	31,783,609
Equities	46,317,623	47,915,566	-	-	47,915,566
Fixed income	49,856,323	39,226,898	9,988,337	-	49,215,235
Alternative investments	16,173,334	-	-	16,173,334	16,173,334
	<u>\$ 156,629,163</u>	<u>\$ 131,435,641</u>	<u>\$ 9,988,337</u>	<u>\$ 16,173,334</u>	<u>\$ 157,597,312</u>

PARK LAWN CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2019

21. COMMITMENTS AND CONTINGENCIES

Litigation

From time to time the Company is subject to legal proceedings and claims arising in the ordinary course of business. Some of the more frequent ordinary routine litigations incidental to our business are based on burial practices claims and employment related matters. Management is of the opinion based upon information presently available, that it is unlikely that any such liability, to the extent not provided for by insurance or otherwise, would have a material adverse effect in relation to the Company's consolidated financial position, liquidity or results of operations.

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:

	March 31, 2019	December 31, 2018
Canada	\$ 195,939,759	\$ 193,440,060
United States	766,774,644	763,799,899
Total	<u>\$ 962,714,403</u>	<u>\$ 957,239,959</u>

PARK LAWN CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2019

22. SEGMENTED INFORMATION – continued

Geographic information - continued

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

	Three Months Ended March 31,	
	2019	2018
Revenue:		
Sales:		
Canada	\$ 8,716,683	\$ 9,381,139
United States	37,220,812	15,080,271
Total sales	<u>45,937,495</u>	<u>24,461,410</u>
Income from care and maintenance funds:		
Canada	1,376,212	972,150
United States	1,406,865	990,527
Total income from care and maintenance funds	<u>2,783,077</u>	<u>1,962,677</u>
Interest and other income:		
Canada	208,302	123,372
United States	1,224,111	658,781
Total interest and other income	<u>1,432,413</u>	<u>782,153</u>
Total revenue:		
Canada	10,301,197	10,476,661
United States	39,851,788	16,729,579
Total Revenue	<u>\$ 50,152,985</u>	<u>\$ 27,206,240</u>

23. SUBSEQUENT EVENTS

On April 1, 2019, the Company announced that it had completed its previously announced acquisition of all the outstanding equity of Cress Funeral Service Inc. (“Cress”), an 8 location funeral business in Madison, Wisconsin for a purchase price of approximately US\$20.3 million, subject to customary working capital adjustments. The acquisition was funded from PLC’s credit facility.

On April 1, 2019, the Company entered into an agreement providing for the early termination of the earnout agreements relating to the Company’s 2017 acquisition of Saber Management LLC (“Saber”). The agreement provides, among other things, for the vendor of Saber to forego future earnout entitlements in consideration for a cash payment of approximately US\$800,000, the issuance of approximately 500,000 common shares and the issuance of approximately 93,000 restricted share units of the Company.

On April 23, 2019, the Company completed a bought deal financing, issuing 5,605,100 common shares at a price of \$25.65 per common share for a total of gross proceeds of \$143,770,815, including the exercise in full of the over-allotment option. The net proceeds of this offering will be used to repay approximately \$88.4 million of outstanding indebtedness under the Company’s credit facility, to repay approximately \$25.8 million of outstanding debt related to the Company’s recent acquisition of Cress, and to fund the Company’s ongoing growth initiatives, and for general corporate purposes.

PARK LAWN CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2019

23. SUBSEQUENT EVENTS – continued

On May 2, 2019, the Company announced that it completed the acquisition of John L. Ziegenhein & Sons Undertaking Inc. (“Ziegenhein Funeral Homes”), a two-location funeral business in St. Louis, Missouri for a purchase price of approximately US\$4.2 million. The acquisition was funded with proceeds from the Company’s recent equity financing.

On May 8, 2019, the Company announced that it entered into definitive agreements to acquire all of the outstanding stock and membership interests of two U.S. businesses: Horan & McConaty Funeral Services, Inc. (“Horan”) and The Baue Funeral Home Co. (“Baue”), for an aggregate total purchase price of approximately US\$101.5 million in cash, subject to customary working capital adjustments. Horan operates 2 cemeteries and 7 funeral homes (including 2 on-sites) in Denver and Aurora, Colorado and Baue operates a large cemetery and 3 funeral homes (including 1 on-site), in St. Charles, Missouri. The acquisitions are expected to be funded with the remaining proceeds from the Company’s recent equity financing and the Company’s credit facility. The acquisitions are expected to close in the third quarter, with each subject to the satisfaction or waiver of certain closing conditions.

The initial accounting for the business acquisitions is not yet completed at the time these unaudited condensed interim 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 March 31, 2019 unaudited condensed interim consolidated financial statements presentation including:

- i) Reclassification of \$136,253, in costs to maintenance expenses to better reflect the nature of the labour costs. Direct labour costs for performing cemetery services are included in costs.
- ii) Reclassification of dividend reinvestment plan from operating activities to financing activities in the consolidated statements of cash flows, to better reflect changes in cash.
- iii) Reclassification of movements in merchandise inventory to operating activities from investing activities in the consolidated statements of cash flows, to better reflect changes in cash.