Condensed Interim Consolidated Financial Statements

As at and for the three months ending
June 30, 2017 and 2016 | Unaudited

2017

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*"	(signed) "*Joseph Leeder*"
Andrew Clark	Joseph Leeder
Chief Executive Officer	Chief Financial Officer

PARK LAWN CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT JUNE 30, 2017 AND DECEMBER 31, 2016
(UNAUDITED)

	June 30, 2017	December 31, 2016
Assets		
Current assets		
Cash	$ 82,454,376	$ 23,891,672
Accounts receivable	2,426,966	1,922,342
Pre-need receivables, current portion (Note 4)	5,931,584	5,591,591
Inventories (Note 5)	39,064,639	39,384,840
Prepaid expenses and other current assets	940,590	475,318
Loan receivable	124,800	123,600
Debentures receivable	150,000	-
	131,092,955	71,389,363
Non-current assets		
Pre-need receivables, net of current portion (Note 4)	16,916,069	16,305,661
Land held for development (Note 8)	5,082,342	4,033,096
Property and equipment (Note 9)	25,565,595	21,616,144
Investment properties (Note 10)	210,462	199,956
Care and maintenance trust fund investments (Note 11)	90,516,131	87,545,830
Pre-need merchandise and service trust fund investments (Note 12)	71,665,133	63,881,008
Deferred tax assets, net	2,898,287	1,715,840
Employee share plan loan	3,169,474	3,299,327
Debentures receivable	-	150,000
Receivable on sale of discontinued operations	248,646	276,895
Goodwill and intangibles (Note 6 and 13)	27,847,143	19,172,958
Deferred financing fee	396,549	341,226
Other assets	629,590	413,487
	245,145,421	218,951,428
TOTAL ASSETS	$ 376,238,376	$ 290,340,791
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 8,580,471	$ 9,830,094
Dividends payable	582,860	421,639
Current portion of long term debt (Note 14)	536,143	503,980
Current portion of notes payable (Note 15)	831,585	800,000
	10,531,059	11,555,713
Non-current liabilities		
Long-term debt, net of current portion (Note 14)	2,906,823	3,107,795
Notes payable, net of current portion (Note 15)	382,814	283,989
Deferred revenue (Note 16)	25,007,048	25,188,834
Contingent payments (Note 17)	1,454,257	1,410,709
Care and maintenance trusts' corpus (Note 11)	90,516,131	87,545,830
Deferred pre-need receipts held in trust (Note 12)	71,665,133	63,881,008
	191,932,206	181,418,165
Shareholders' Equity		
Share capital (Note 20)	170,016,776	92,709,116
Contributed surplus	641,271	292,881
Accumulated other comprehensive loss	(989,184)	(46,725)
Retained earnings	3,103,349	3,632,754
	172,772,212	96,588,026
Non-controlling interest	1,002,899	778,887
	173,775,111	97,366,913
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 376,238,376	$ 290,340,791

Commitments and Contingencies (Note 25)

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, 2017 AND 2016
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Revenue				
Sales	$ 18,278,645	$ 17,162,848	$ 35,359,807	$ 27,375,935
Income from care and maintenance funds (Note 11)	1,359,100	1,139,720	2,610,933	2,034,359
Interest and other income	501,108	511,295	970,537	685,873
	20,138,853	18,813,863	38,941,277	30,096,167
Costs	4,442,136	4,708,785	8,994,565	8,053,789
Gross profit	15,696,717	14,105,078	29,946,712	22,042,378
Operating expenses				
General and administrative	5,562,447	4,655,264	10,957,573	7,899,490
Maintenance	4,446,524	4,228,867	8,258,229	5,940,717
Advertising and selling	3,229,022	3,423,439	6,125,236	4,914,801
Interest expense (Note 14 and 15)	92,608	160,553	190,779	359,199
Share based incentive compensation	193,356	71,615	376,195	71,615
	13,523,957	12,539,738	25,908,012	19,185,822
Earnings from operations	2,172,760	1,565,340	4,038,700	2,856,556
Gain on sale of properties (Note 9 and 22)	-	-	-	438,159
Acquisition and integration costs (Note 6)	(941,010)	(309,283)	(1,120,075)	(780,639)
Foreign exchange gain (Note 18)	-	-	-	333,871
Change in fair value of contingent payments (Note 17)	(47,999)	-	(93,029)	-
Claim settlement (Note 23)	-	-	(66,457)	-
Termination of lease contract (Note 24)	(84,625)	-	(84,625)	-
Earnings before income taxes	1,099,126	1,256,057	2,674,514	2,847,947
Income tax expense	187,523	108,397	340,529	263,934
Net earnings for the period	$ 911,603	$ 1,147,660	$ 2,333,985	$ 2,584,013
Net earnings attributable to:				
Equity holders of PLC	$ 812,444	$ 1,033,465	$ 2,109,973	$ 2,420,081
Non-controlling interest	99,159	114,195	224,012	163,932
	$ 911,603	$ 1,147,660	$ 2,333,985	$ 2,584,013
Net earnings per share - basic				
Attributable to equity holders of PLC	$ 0.072	$ 0.130	$ 0.189	$ 0.337
Net earnings per share - diluted				
Attributable to equity holders of PLC	$ 0.072	$ 0.130	$ 0.188	$ 0.337
Weighted average number of common shares:				
- basic	11,251,898	7,951,929	11,183,327	7,171,709
- diluted	11,320,884	7,953,406	11,240,060	7,173,186

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, 2017 AND 2016
(UNAUDITED)

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Net income for the period	$ 911,603	$ 1,147,660	$ 2,333,985	$ 2,584,013
Item of other comprehensive income to be subsequently reclassified to net income				
Foreign currency translation of foreign operations	(671,813)	53,735	(942,459)	(865,665)
Comprehensive income	$ 239,790	$ 1,201,395	$ 1,391,526	$ 1,718,348

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, 2017 AND 2016
(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, 2016	5,844,272	$ 22,883,002	$ 2,348	$ 306,763	$ -	$ 562,544	$ 23,754,657
Dividends declared (Note 19)	-	-	-	(1,652,894)	-	-	(1,652,894)
Shares issued:							
Subscription offering, net of costs (Note 20)	2,105,400	22,357,889	-	-	-	-	22,357,889
Dividend reinvestment plan (Note 20)	3,477	31,391	-	-	-	-	31,391
Equity incentive plan	-	-	40,046	-	-	-	40,046
Other comprehensive loss	-	-	-	-	(865,665)	-	(865,665)
Net earnings for the period	-	-	-	2,420,081	-	163,932	2,584,013
Balance at June 30, 2016	7,953,149	$ 45,272,282	$ 42,394	$ 1,073,950	$ (865,665)	$ 726,476	$ 46,249,437
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 19)	-	-	-	(2,691,557)	-	-	(2,691,557)
Shares issued:							
Dividend reinvestment plan (Note 20)	4,902	80,427	-	-	-	-	80,427
Equity incentive plan	-	-	348,390	-	-	-	348,390
Prospectus financing November 2016, net of costs (Note 20)	4,237,750	(76,718)	-	-	-	-	(76,718)
Prospectus financing June 2017, net of costs (Note 20)	-	77,303,951	-	-	-	-	77,303,951
Acquisition of non-controlling interest (Note 7)	-	-	-	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

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, 2017 AND 2016
(UNAUDITED)

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Cash provided by (used in):				
Operating activities				
Net earnings for the period	$ 911,603	$ 1,147,660	$ 2,333,985	$ 2,584,013
Items not affecting cash:				
Depreciation of property and equipment, investment properties and amortization of intangibles	560,456	401,045	1,081,626	687,293
Amortization of cemetery property	902,522	1,072,792	1,745,489	1,903,282
Deferred tax asset/expense	(1,154,787)	(121,865)	(1,182,447)	(668,489)
Loss/Gain on sale of property and assets held for sale	-	-	-	110,250
DRIP	39,887	23,765	80,427	31,391
Share based incentive compensation	174,195	40,046	348,390	40,046
Loss on change in fair value of contingent payments	47,999	-	93,029	-
Termination of lease contract	149,125	-	149,125	-
Changes in working capital:				
Accounts receivable	160,085	19,217	147,352	213,900
Pre-need receivables	(255,060)	(1,176,396)	(950,401)	(845,157)
Inventories	428,810	(1,118,937)	(1,261,907)	(2,017,241)
Prepaid expenses and other current assets	193,557	26,211	(419,859)	(49,897)
Accounts payable and accrued liabilities	636,684	484,158	(1,553,661)	(2,407,162)
Employee loan	128,961	129,272	129,853	129,737
Deferred revenue	(654,954)	2,752,716	(181,786)	2,912,743
Insurance proceeds recoverable	-	556,090	-	650,702
Cash provided by (used in) operating activities	2,269,083	4,235,774	559,215	3,275,411
Investing activities				
Net cash on acquisitions	(3,746,631)	(1,830,902)	(12,218,899)	(27,717,493)
Proceeds from sale of investment property and assets held for sale	-	497,090	-	1,022,090
Acquisition of land held for development	(1,049,246)	-	(1,049,246)	-
Acquisition of property and equipment	(1,533,846)	(2,399,443)	(2,044,415)	(2,747,413)
Increase/Decrease in other assets	(206,192)	929	(199,554)	7,576
Cash provided by (used in) investing activities	(6,535,915)	(3,732,326)	(15,512,114)	(29,435,240)
Financing activities				
Loan receivable	(300)	-	(1,200)	-
Repayment of long-term debt	(132,454)	(712,084)	(316,386)	(981,792)
Repayment of note payable	(51,392)	-	(262,429)	-
Proceeds from issuance of long-term debt	-	1,159,517	54,427	6,935,098
Proceeds from financing, net of costs	77,303,951	-	77,227,233	20,961,820
Dividends and distributions paid	(1,426,432)	(906,563)	(2,691,557)	(1,652,894)
Deferred financing fee	24,279	-	(55,323)	974,424
Cash paid for acquisition of non-controlling interest	-	-	52,179	-
Cash held in escrow	-	-	-	1,396,069
Cash provided by (used in) financing activities	75,717,652	(459,130)	74,006,944	27,632,725
Translation adjustment on cash	(240,849)	2,226	(491,341)	(713,611)
Net (decrease) increase in cash	71,209,971	46,544	58,562,704	759,285
Cash, beginning of period	11,244,405	877,256	23,891,672	164,515
Cash, end of period	$ 82,454,376	$ 923,800	$ 82,454,376	$ 923,800
Supplemental disclosures:				
Income taxes paid	$ 58,682	$ 163,791	$ 206,954	$ 220,144
Interest expenses paid	$ 82,907	$ 280,839	$ 142,221	$ 444,836

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 Ontario, Quebec, Manitoba, Saskatchewan, British Columbia, and Michigan, USA. The Company owns certain investment properties through its wholly-owned subsidiaries Park Lawn Limited Partnership, Park Lawn Management Services Inc., Forest Lawn Investments Inc., Services Mémorables Harmonia Inc. ("Harmonia"), Amety Ltd. ("Amety"), Parkland Ltd. ("Parkland"), Basic Funerals and Cremation Choices Inc. ("Basic"), Mundell Funeral Homes Limited ("Mundell"), the Park Lawn Cemetery Company (USA) Inc. ("Park Lawn USA"), Midwest Memorial Group, LLC ("MMG"), 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"), Credible Cremation Services Limited ("CCSL") and TCS Funeral Services ("TCS"). 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, 2016 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, 2016.

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, 2017 and 2016 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 10, 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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.

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. 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 9 – Financial Instruments, Classification and Measurement ("IFRS 9") contains requirements for financial assets and liabilities. IFRS 9 is part of the IASB wider project to replace IAS 39 Financial Instruments – Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset or liability is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. This standard will be adopted in the Company's consolidated financial statements for the year beginning January 1, 2018 and the Company has not yet considered the potential impact of the adoption of IFRS 9.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

d. Future Accounting Policy Changes - continued

IFRS 15 – "Revenue from Contracts with Customers", effective for annual periods beginning on or after January 1, 2018, with early adoption permitted, replaces existing revenue standards and interpretations with a single standard and provides additional guidance on revenue recognition for contracts with customers. The Company will not be early adopting IFRS 15.

The Company has elected to adopt IFRS 15 using the modified retrospective approach. Under this approach, the Company will recognize transitional adjustments in retained earnings on the date of the initial application (January 1, 2018) without restating prior period results.

We expect the application of IFRS 15 will affect our consolidated financial statements with regards to the treatment of costs incurred in acquiring customer contracts. The treatment of costs incurred in acquiring customer contracts will be impacted as IFRS 15 requires certain contract acquisition costs, such as sales commissions to be recorded as an asset and amortized into expenses over time. Currently, such costs are expensed as incurred.

Although we have made progress in our implementation of IFRS 15, it is not possible to make a reliable estimate of the impact of the new standard on our consolidated financial statements as we are required to implement changes to our system and processes across the organization in order to collect the new data requirements, as well as historical information.

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. Management anticipates that this standard will be adopted in the Company's consolidated financial statements for the year beginning January 1, 2019 and has not yet considered the potential impact of the adoption of IFRS 16.

3. CRITICAL ESTIMATES AND JUDGMENTS

Use of estimates

The preparation of these 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.

3. CRITICAL ESTIMATES AND JUDGMENTS – continued

Use of estimates - continued

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) The purchase price allocation corresponding to completed acquisitions and the related contingent consideration.

iii) In determining the functional currency of the parent and its subsidiary companies, management considered the currency that mainly influences sales and the cost of providing goods and services in each jurisdiction in each the Company operates. The Company also considered secondary indicators including the currency in which each funds from financing activities are denominated, the currency in which funds are retained and whether the activities of the subsidiaries are carried out as an extension of the Company or if they are carried out with a degree of autonomy.

iv) 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, 2017	December 31, 2016
Pre-need receivables, current portion	$ 5,931,584	$ 5,591,591
Pre-need receivables, net of current portion	16,916,069	16,305,661
Total	$ 22,847,653	$ 21,897,252

The above is net of an allowance for sales returns of $3,558,542 (at December 31, 2016 - $3,665,135).

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, 2017	December 31, 2016
Merchandise inventories	$ 972,496	$ 760,252
Cemetery lots	9,678,908	10,290,895
Crypts and niches	28,413,235	28,333,693
	$ 39,064,639	$ 39,384,840

There were no inventory write-downs in either period.

6. BUSINESS COMBINATION

Reynolds-TFFH

Effective February 1, 2017 the Company completed the acquisition of 100% ownership interest in the common shares of Reynolds Funeral Home ("Reynolds") and Turner Family Funeral Home Inc. ("TFFH"). On closing, the Company paid $4,730,000 for 100% of the common shares. The Company is in the process of assessing the fair value of the net assets acquired and, as a result, the fair value of the net assets acquired may be subject to adjustments pending completion of final valuations and post-closing adjustments. In connection with this transaction, the Company has incurred transaction and integration costs to date of $77,637 ($52,835 for the six month period ended June 30, 2017).

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

Reynolds-TFFH - continued

	Preliminary
Assets acquired:	
Cash	$ 63,985
Accounts receivable	89,255
Inventories	65,287
Prepaid expenses	14,589
Property and equipment	1,117,651
Investment properties	15,865
Pre-need trust fund investments	2,850,316
Goodwill	3,481,141
Other intangibles	20,000
Other assets	-
Total assets	$ 7,718,089
Liabilities assumed:	
Accounts payable and accrued liabilities	$ 44,623
Long-term debt	93,150
Deferred pre-need receipts held in trust	2,850,316
	$ 2,988,089
Fair value of consideration transferred:	
Cash consideration	$ 4,730,000
	$ 4,730,000

Since the date of acquisition in 2017, Reynolds-TFFH has contributed $580,743 in revenue and $158,563 in net earnings for the six month period ended June 30, 2017. The Company has used a significant amount of judgment and simplifying assumptions in estimating the revenue and net earnings of Reynolds-TFFH had the business occurred at the beginning of the year. If acquired at the beginning of the year, the Company has estimated that Reynolds-TFFH would have contributed approximately $690,000 in revenue and $190,000 in net earnings.

Jennett-Innisfil

Effective February 1, 2017 the Company completed the acquisition of 100% ownership interest in the common shares of Jennett Funeral and Cremation Centre Ltd. ("Jennett") and Innisfil Funeral Home Limited ("Innisfil"). On closing, the Company paid $2,053,000 for 100% of the common shares. The Company is in the process of assessing the fair value of the net assets acquired and, as a result, the fair value of the net assets acquired may be subject to adjustments pending completion of final valuations and post-closing adjustments. In connection with this transaction, the Company has incurred transaction and integration costs to date of $68,685 ($44,864 for the six month period ended June 30, 2017).

6. BUSINESS COMBINATION - continued

Jennett-Innisfil - 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	$ 88,057
Accounts receivable	129,214
Inventories	63,750
Prepaid expenses	9,443
Property and equipment	71,302
Pre-need trust fund investments	1,409,472
Goodwill	1,863,375
Other intangibles	20,000
Other assets	308
Total assets	$ 3,654,921
Liabilities assumed:	
Accounts payable and accrued liabilities	$ 192,449
Deferred pre-need receipts held in trust	1,409,472
	$ 1,601,921
Fair value of consideration transferred:	
Cash consideration	$ 2,053,000
	$ 2,053,000

Since the date of acquisition in 2017, Jennett-Innisfil has contributed $386,471 in revenue and $44,367 in net earnings for the six month period ended June 30, 2017. The Company has used a significant amount of judgment and simplifying assumptions in estimating the revenue and net earnings of Jennet-Innisfil had the business occurred at the beginning of the year. If acquired at the beginning of the year, the Company has estimated that Jennet-Innisfil would have contributed approximately $460,000 in revenue and $53,000 in net earnings.

The purchase of the above funeral homes, Reynolds-TFFH and Jennett-Innisfil, will expand and strengthen the Company's presence in the Ontario market and the proximity to the Mundell Funeral Home in Orillia and the crematoria in the GTA makes these businesses a logical fit.

6. BUSINESS COMBINATION - continued

PFHC-CCSL

Effective February 1, 2017 the Company completed the acquisition of 100% ownership interest in the common shares of Providence Funeral Homes & Crematorium ("PFHC") and Credible Cremation Services Limited ("CCSL"). On closing, the Company paid $1,896,650 for 100% of the common shares. 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. The Company is in the process of assessing the fair value of the net assets acquired and, as a result, the fair value of the net assets acquired may be subject to adjustments pending completion of final valuations and post-closing adjustments. In connection with this transaction, the Company has incurred transaction and integration costs to date of $40,963 ($30,666 for the six month period ended June 30, 2017).

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	$	67,217
Accounts receivable		90,007
Inventories		22,358
Prepaid expenses		18,365
Property and equipment		1,750,560
Pre-need trust fund investments		2,172,556
Goodwill		237,242
Other intangibles		200,000
Other assets		9,300
Total assets	$	4,567,605
Liabilities assumed:		
Accounts payable and accrued liabilities	$	105,560
Deferred pre-need receipts held in trust		2,172,556
	$	2,278,116
Fair value of consideration transferred:		
Deferred cash consideration		392,839
Cash consideration	$	1,896,650
	$	2,289,489

6. BUSINESS COMBINATION - continued

PFHC-CCSL - continued

Since the date of acquisition in 2017, PFHC-CCSL has contributed $667,311 in revenue and $171,592 in net earnings for the six month period ended June 30, 2017. The Company has used a significant amount of judgment and simplifying assumptions in estimating the revenue and net earnings of PFHC-CCSL had the business occurred at the beginning of the year. If acquired at the beginning of the year, the Company has estimated that PFHC-CCSL would have contributed approximately $800,000 in revenue and $200,000 in net earnings.

The above acquisition is the Company's first acquisition in the British Columbia market. The Company believes this market shares similar characteristics to the other markets in which it operates in Canada.

TCS

Effective May 1, 2017 the Company completed the acquisition of 100% ownership interest in the common shares of TCS Funeral Services ("TCS"). On closing, the Company paid $3,660,000 for 100% of the common shares. The Company is in the process of assessing the fair value of the net assets acquired and, as a result, the fair value of the net assets acquired may be subject to adjustments pending completion of final valuations and post-closing adjustments. In connection with this transaction, the Company has incurred transaction and integration costs to date of $34,888 ($34,888 for the six month period ended June 30, 2017).

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

TCS - continued

	Preliminary
Assets acquired:	
Cash	$ 571,900
Accounts receivable	315,249
Inventories	11,986
Prepaid expenses	3,016
Property and equipment	337,102
Goodwill	3,206,840
Other assets	6,942
Total assets	$ 4,453,035
Liabilities assumed:	
Accounts payable and accrued liabilities	$ 122,627
	$ 122,627
Fair value of consideration transferred:	
Working capital adjustment	670,408
Cash consideration	$ 3,660,000
	$ 4,330,408

Since the date of acquisition in 2017, TCS has contributed $222,620 in revenue and $28,848 in net earnings for the six month period ended June 30, 2017. The Company has used a significant amount of judgment and simplifying assumptions in estimating the revenue and net earnings of TCS had the business occurred at the beginning of the year. If acquired at the beginning of the year, the Company has estimated that TCS would have contributed approximately $660,000 in revenue and $86,000 in net earnings.

TCS is a business-to-business service provider in the funeral industry, providing outsourced embalming, transfer and other services to funeral homes, cemeteries, municipalities and hospitals across Ontario. TCS has a long track record of providing support services to the funeral industry, and the Company believes there are opportunities for synergies between TCS and the Company's existing businesses.

7. CAPITAL TRANSACTION

During the three month period ended March 31, 2017, the Company purchased all the remaining outstanding shares in Swan Valley Funeral Services Ltd., a subsidiary of Parkland Funeral Holdings for $273,260. In connection with the purchase, the Company assumed the mortgage loan of $54,427 and discharged the $148,260 of indebtedness owed by the vendor. In accordance with IFRS 10, Consolidated Financial Statements, the Company accounted for the acquisition of the remaining 30% as a capital transaction, since control of Swan Valley had been attained in October, 2014.

8. LAND HELD FOR DEVELOPMENT

	June 30, 2017	December 31, 2016
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	-
Total	$ 5,082,342	$ 4,033,096

Land at Westminster Cemetery

The Company owns lands adjacent to the Westminster Cemetery which is being held for future development.

Land held by Amety

This represents a 23 acre parcel of land acquired as part of the acquisition of Amety in 2014. The land is located in the rural southwest end of Ottawa, Ontario and is zoned Rural Commercial making it available for future cemetery use.

Land at Pine Valley

This represent 2.2 acre parcel of land, located in the city of Vaughan, Ontario, and is zoned Rural Commercial making it available for future cemetery use.

Land at Royal York

The Company purchased a residential property adjacent to its Riverside Cemetery property in Toronto for future development opportunities.

9. PROPERTY AND EQUIPMENT

	January 1, 2017	Acquired in business combinations	Additions	Disposals	Foreign currency translation	June 30, 2017
Cost:						
Land	$ 2,163,682	1,427,710	-	-	-	$ 3,591,392
Buildings, cemetery and funeral	14,049,431	1,501,330	1,441,542	(71,634)	(99,406)	16,821,263
Machinery, equipment and automotive	4,280,163	347,575	556,790	-	(35,818)	5,148,710
Cemetery improvements	4,726,761	-	46,083	(77,491)	(34,630)	4,660,723
Total	25,220,037	3,276,615	2,044,415	(149,125)	(169,854)	30,222,088
Accumulated depreciation:						
Buildings, cemetery and funeral	1,464,795	-	337,414	-	-	1,802,209
Machinery, equipment and automotive	1,416,408	-	398,386	-	-	1,814,794
Cemetery improvements	722,690	-	316,800	-	-	1,039,490
Total	3,603,893	-	1,052,600	-	-	4,656,493
Net Book Value	$ 21,616,144					$ 25,565,595

	January 1, 2016	Acquired in business combinations	Additions	Disposals	Foreign currency translation	December 31, 2016
Cost:						
Land	$ 1,783,513	380,169	-	-	-	$ 2,163,682
Buildings, cemetery and funeral	6,257,987	4,884,803	2,932,873	(1,446)	(24,786)	14,049,431
Machinery, equipment and automotive	2,109,003	1,534,405	665,506	(15,863)	(12,888)	4,280,163
Cemetery improvements	2,957,933	882,512	903,880	-	(17,564)	4,726,761
Total	13,108,436	7,681,889	4,502,259	(17,309)	(55,238)	25,220,037
Accumulated depreciation:						
Buildings, cemetery and funeral	967,587	-	497,280	(72)	-	1,464,795
Machinery, equipment and automotive	831,758	-	586,966	(2,316)	-	1,416,408
Cemetery improvements	209,099	-	513,591	-	-	722,690
Total	2,008,444	-	1,597,837	(2,388)	-	3,603,893
Net Book Value	$ 11,099,992					$ 21,616,144

9. PROPERTY AND EQUIPMENT – continued

Property and equipment depreciation expense charged to operations amounted to $1,052,600 and $675,507 for the six month period ended June 30, 2017 and 2016, respectively, and to $544,233 and $394,674 for the three month period ended June 30, 2017 and 2016, respectively. Increase in expense is primarily due to the acquisition of MMG at March 1, 2016.

Included in buildings, cemetery and funeral additions at June 30, 2017 are $467,242 of buildings additions at Westminster Cemetery (at December 31, 2016 - $26,903), $285,735 of crematorium additions (at December 31, 2016 - $282,858), $360,601 of leasehold improvements related to a new head office location (at December 31, 2016 - $nil) and $140,369 (at December 31, 2016 - $958,415) relating to the construction of the funeral home and cremation facility located in Dauphin, Manitoba which was destroyed by fire in 2014.

During the three month period ended March 31, 2016, the Company sold a property for a sale price of $550,112 realizing a gain of $548,409, net of disposition costs. The historical cost of the property and accumulated depreciation was nominal. There were no property sales during the six month period ended June 30, 2017.

Management has reviewed the valuation of the property and equipment and has not identified any indicators of impairment in the value of the property and equipment in 2017 and 2016.

10. INVESTMENT PROPERTIES

Investment property amounted to $210,462 as at June 30, 2017 (at December 31, 2016 - $199,956). This increase relates to the investment property acquired in conjunction with business acquisition of Reynolds-TFFH (see Note 6). Investment property depreciation expense charged to operations amounted to $5,359 and $4,785 for the six month period ended June 30, 2017 and 2016, respectively, and to $2,724 and $2,871 for the three month period ended June 30, 2017 and 2016, respectively.

11. 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.

11. CARE AND MAINTENANCE TRUST FUND INVESTMENTS - continued

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 $2,610,933 and $2,034,359 for the six month period ended June 30, 2017 and 2016, respectively and to $1,359,100 and $1,139,720 for the three month period ended June 30, 2017 and 2016, 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, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Cash and cash equivalents	$ 1,692,434	$ 3,698,407	$ 1,692,434	$ 3,698,407
Equities	63,918,624	60,633,564	57,001,177	52,111,328
Fixed income	20,882,932	18,084,119	19,801,917	18,145,370
Preferred stocks	4,022,141	5,129,740	3,458,183	4,848,126
	$ 90,516,131	$ 87,545,830	$ 81,953,711	$ 78,803,231

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.

12. 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 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.

12. PRE-NEED MERCHANDISE AND SERVICE TRUST FUND INVESTMENTS - continued

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

	Fair value		Cost	
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Cash and cash equivalents	$ 777,069	$ 3,038,475	$ 777,069	$ 3,038,475
GIC's	33,373,740	26,739,188	33,373,740	26,184,879
Equities	14,596,629	15,554,371	14,561,922	15,861,010
Fixed income	22,917,695	18,548,974	22,923,621	17,605,185
	$ 71,665,133	$ 63,881,008	$ 71,636,352	$ 62,689,549

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.

13. GOODWILL AND INTANGIBLES

	Total
Goodwill	
Balance January 1, 2017	$ 19,128,958
Foreign currency translation MMG	(330,746)
Preliminary additions:	
Reynolds-TFFH	3,481,141
Jennett-Innisfil	1,863,375
PFHC-CCSL	237,242
TCS	3,206,840
Balance June 30, 2017	$ 27,586,810
Intangibles	
Balance January 1, 2017	$ 44,000
Preliminary additions:	
Reynolds-TFFH	20,000
Jennett-Innisfil	20,000
PFHC-CCSL	200,000
Amortization	(23,667)
Balance June 30, 2017	$ 260,333
Goodwill and Intangibles	
Balance June 30, 2017	$ 27,847,143

14. LONG-TERM DEBT

	June 30, 2017	December 31, 2016
Mortgages on:		
Swan Valley Funeral Services Ltd.	$ 158,491	$ 134,895
Sneath and Strilchuk Funeral Services, Ltd.	1,708,224	1,852,091
Korban Funeral Chapel Inc.	1,297,138	1,334,006
Finance lease obligations	279,113	290,783
Total	$ 3,442,966	$ 3,611,775
Current portion	536,143	503,980
Non-current portion	$ 2,906,823	$ 3,107,795

Swan Valley Funeral Services Ltd.

Parkland has secured the mortgage by a promissory note for $600,000, corporate guarantees and general security agreements. The loan bears interest at prime plus 2% and is being amortized over 10 years. The loan matures on September 30, 2022. This mortgage is 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.

Sneath and Strilchuk Funeral Services Ltd.

Parkland has secured the mortgage by a promissory note for $2,854,000, corporate guarantees and general security agreements. The loan bears interest at 6.2% and is being amortized over 10 years. The loan matures on September 30, 2022. This mortgage is repayable in monthly blended installments of $33,045.

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, 2017	December 31, 2016
Loan from non-controlling shareholders of Parkland	$ 35,909	$ 283,989
DeMarco Funeral Home note	800,000	800,000
Deferred cash consideration PFHC-CCSL	378,490	-
Total	$ 1,214,399	$ 1,083,989
Current portion	831,585	800,000
Non current portion	$ 382,814	$ 283,989

Loan from non-controlling shareholder of Parkland

In October 2014, as part of the purchase of the business of Parkland the Company assumed loans from the non-controlling shareholders. The loans are unsecured and subordinated to all other third party debt. As part of the purchase of the remaining shares of Swan Valley, a subsidiary of Parkland, the loan to non-controlling shareholder was discharged in full during the three month period ended March 31, 2017.

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.

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, 2017	December 31, 2016
Cemetery merchandise	$ 15,751,991	$ 15,952,409
Cemetery services	9,255,057	9,236,425
Total	$ 25,007,048	$ 25,188,834

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 ($16,657,500 USD) 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 $1,454,257 ($1,119,434 USD). 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 earn-out period in 2016. 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.

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. There were no factors that caused management to restate the fair value of the earn-out, however since the end of the earn-out period is now one quarter closer to completion, the net present value has increased. For the period ended June 30, 2017, the Company recognized an adjustment to the fair value of the contingent consideration of ($93,029).

18. FOREIGN EXCHANGE GAIN

As a result of the purchase of MMG, the Company has recorded a foreign exchange gain of $333,871 for the three month period ended March 31, 2016. The gain resulted from the change in the US dollar versus Canadian dollar spot rate from the effective date of purchase March 1, 2016 and the closing date of March 8, 2016, on the liability representing the purchase consideration.

19. DIVIDENDS

The Company declares and pays cash dividends on a monthly basis to shareholders. The total amount of dividends declared by the Company for the six month period ended June 30, 2017 and 2016 was $2,691,557 or $0.228 per share and $1,652,894 or $0.228 per share, respectively. For the three month period ended June 30, 2017 and 2016 it was $1,426,432 or $0.114 per share and $906,563 or $0.114 per share, respectively. The monthly dividend was $0.038 per share in all periods.

20. SHARE CAPITAL

Authorized

Common shares

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

Shares issued and outstanding

	Number of Common Shares	Amount
Balance December 31, 2015	5,844,272	$ 22,883,002
Shares issued pursuant to:		
Dividend Reinvestment Plan *(i)*	9,006	117,134
Subscription offering, net of costs *(ii)*	2,105,400	22,174,139
Private placement *(iii)*	262,092	3,679,579
Prospectus offering November 2016, net of costs *(iv)*	2,875,000	43,855,262
Balance December 31, 2016	11,095,770	92,709,116
Shares issued pursuant to:		
Dividend Reinvestment Plan *(i)*	4,902	80,427
Prospectus offering November 2016, net of costs *(iv)*	-	(76,718)
Prospectus offering June 2017, net of costs *(v)*	4,237,750	77,303,951
Balance June 30, 2017	15,338,422	$ 170,016,776

(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, 2017, 4,902 common shares were issued under the DRIP (at December 31, 2016 – 9,006).

20. SHARE CAPITAL - continued

(ii) Subscription Offering

In conjunction with the acquisition of MMG, the Company completed an offering of 2,105,400 subscription receipts at a price of $11.50 per subscription receipt, for total gross proceeds of $24,212,100, including the exercise in full of the over-allotment option. The net proceeds from the subscription receipt offering were released to the Company on March 8, 2016 by the escrow agent to satisfy the $16,657,500 USD purchase price. Each outstanding subscription receipt was exchanged for one common share of the Company, resulting in 2,105,400 shares and a Dividend Equivalent Payment (as defined below) of $0.076 per subscription receipt. The cash payment was equal to the aggregate amounts of dividends per share for which record dates occurred since the issuance of the subscription receipts. The issuance included transaction costs of $2,037,961 inclusive of $147,000 after tax in management compensation.

(iii) Private Placement

On September 16, 2016, the Company completed a private placement offering of 262,092 common shares at a price of $14.18 per common share, for total gross proceeds of $3,716,464. The issuance included transaction costs of $36,885. The common shares were issued as partial consideration for the repayment of the promissory note.

(iv) Prospectus Offering November 2016

On November 21, 2016, the Company completed a bought deal short form prospectus offering of 2,875,000 common shares at a price of $16.00 per common share for a total of gross proceeds of $46,000,0000, including the exercise in full of the over-allotment option. The Company used the net proceeds of the offering to repay indebtedness under the Company's credit facility, which will provide additional borrowing capacity to fund the Company's continued growth strategy, including both organic growth and acquisition opportunities, and for general corporate purposes. The issuance included transaction costs of $2,221,456 inclusive of $220,500 after tax in management compensation.

(v) Prospectus Offering June 2017

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 will be used partially to fund the cash portion of the purchase price for the acquisition of Saber Management, LLC ("Saber") and for strategic growth initiatives including acquisitions and for general corporate purposes. The issuance included transaction costs of $3,213,299.

In connection with this transaction the Company entered into a foreign exchange agreement with National Bank on June 30, 2017 for the conversion of $32,447,500 to $25,000,000 USD at the rate of $1.2979. The contract can be settled any time between August 1, 2017 and October 31, 2017.

As at June 30, 2017, the fair value of the foreign exchange contract is $32,477,500 (at December 31, 2016 - $nil).

21. 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, 2017, 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, 2017, the fair value of the contingent payments is valued under Level 3 (see Note 17).

21. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT – continued

Fair value of financial instruments – continued

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

Care and maintenance trust fund investments at June 30, 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	$ 1,692,434	$ 1,692,434	$ -	$ -	$ 1,692,434
Equities	57,001,177	63,918,624	-	-	63,918,624
Fixed income	19,801,917	7,468,005	-	13,414,927	20,882,932
Preferred stocks	3,458,183	4,022,141	-	-	4,022,141
	$ 81,953,711	$ 77,101,204	$ -	$ 13,414,927	$ 90,516,131

Care and maintenance trust fund investments at December 31, 2016

	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	$ 3,698,407	$ 3,698,407	$ -	$ -	$ 3,698,407
Equities	52,111,328	60,633,564	-	-	60,633,564
Fixed income	18,145,370	4,832,711	-	13,251,408	18,084,119
Preferred stocks	4,848,126	5,129,740	-	-	5,129,740
	$ 78,803,231	$ 74,294,422	$ -	$ 13,251,408	$ 87,545,830

21. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT – continued

Fair value of financial instruments – continued

Pre-need merchandise and service trust fund investments at June 30, 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	$ 777,069	$ 777,069	$ -	$ -	$ 777,069
GIC's	33,373,740	33,373,740	-	-	33,373,740
Equities	14,561,922	14,596,629	-	-	14,596,629
Fixed income	22,923,621	1,134,313	-	21,783,382	22,917,695
	$ 71,636,352	$ 49,881,751	$ -	$ 21,783,382	$ 71,665,133

Pre-need merchandise and service trust fund investments at December 31, 2016

	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	$ 3,038,475	$ 3,038,475	$ -	$ -	$ 3,038,475
GIC's	26,184,879	26,739,188	-	-	26,739,188
Equities	15,861,010	15,554,371	-	-	15,554,371
Fixed income	17,605,185	1,015,692	-	17,533,282	18,548,974
	$ 62,689,549	$ 46,347,726	$ -	$ 17,533,282	$ 63,881,008

22. GAIN ON SALE OF PROPERTIES

During the three month period ended June 30, 2016, the Company sold the asset held for sale owned by Amety for a sale price of $525,000. The asset held for sale was revalued at March 31, 2016 to reflect the sale proceeds resulting in a write down of $110,250, net of disposition costs.

23. CLAIM SETTLEMENT

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 (at December 31, 2016 - $nil).

24. TERMINATION OF LEASE CONTRACT

During the second quarter of 2017, the Company relocated its head office to a new location, incurring leasehold write-off expense of $84,625 (at December 31, 2016 - $nil).

25. COMMITMENTS AND CONTINGENCIES

Office Lease

The Company has leased office space in Ontario, Canada and Michigan, USA. The terms of the leases in Ontario and Michigan range from 1 year to 10 years. Future remaining minimum lease payments as at June 30, 2017 are as follows:

2017	$ 398,084
2018	686,258
2019	531,033
2020	475,680
2021	475,680
Total	$ 2,566,735

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.

26. 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 one operating segment, which provides goods and services associated with the disposition and memorialization of remains in Canada and United States.

Geographic information

For the Company's geographically segmented non-current assets the Company has allocated based on the location of assets, as follows:

26. SEGMENTED INFORMATION – continued

Geographic information – continued

	June 30, 2017	December 31, 2016
Canada	$ 161,967,192	$ 136,973,852
United States	83,178,229	81,977,576
Total	$ 245,145,421	$ 218,951,428

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, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Revenue:				
Sales:				
Canada	$ 8,380,213	$ 7,192,924	$ 16,668,482	$ 14,253,918
United States	9,898,432	9,969,924	18,691,325	13,122,017
Total sales	18,278,645	17,162,848	35,359,807	27,375,935
Income from care and maintenance funds:				
Canada	950,000	872,000	1,955,000	1,697,000
United States	409,100	267,720	655,933	337,359
Total income from care and maintenance funds	1,359,100	1,139,720	2,610,933	2,034,359
Interest and other income:				
Canada	208,426	224,903	393,696	306,617
United States	292,682	286,392	576,841	379,256
Total interest and other income	501,108	511,295	970,537	685,873
Total revenue	$ 20,138,853	$ 18,813,863	$ 38,941,277	$ 30,096,167

27. SUBSEQUENT EVENTS

On June 7, 2017, the Company entered into a membership interest purchase agreement to acquire all of the outstanding membership interests of Saber.

On August 4, 2017, the Company announced that it has completed the acquisition of 21 of 23 properties owned by Saber. The acquisition of the remaining two properties, both of which are located in the state of Illinois, is expected to occur in the fourth quarter of 2017 following the receipt of applicable regulatory approvals.

The purchase price for the acquisition was approximately $62,315,500 (US$48,750,000) in cash, $3,772,800 (US$3,000,000) of which will be paid on closing of the two Illinois properties, subject to customary working capital adjustments, plus additional consideration of up to $12,261,600 (US$9,750,000) in PLC common shares. The additional consideration will be earned over a period of three years if certain financial hurdles are met.

The acquisition adds 19 cemeteries and 4 funeral homes in Kentucky, Illinois and Texas and further expands operations in the United States. Saber's acquisition significantly increases the number of cemeteries in the Company's portfolio, adds funeral home assets into the U.S. operations and geographically diversifies the Company's U.S. operations.

The initial accounting for the business acquisition 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 acquisition cannot be made.

28. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to June 30, 2017 consolidated financial statements presentation.