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Condensed Interim Consolidated Financial Statements

As at and for the nine months ending
September 30, 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 SEPTEMBER 30, 2019 AND DECEMBER 31, 2018
(UNAUDITED)

	September 30, 2019	December 31, 2018 *(Restated, Measurement Period Adjustment - see Note 6)*
Assets		
Current assets		
Cash	$ 25,485,923	$ 14,149,092
Accounts receivable	9,584,195	8,976,690
Pre-need receivables, current portion (Note 4)	27,353,700	26,204,444
Inventories, current portion (Note 5)	9,887,750	9,988,909
Prepaid expenses and other current assets	3,590,035	3,601,132
	75,901,603	62,920,267
Non-current assets		
Pre-need receivables, net of current portion (Note 4)	59,693,631	57,917,186
Inventories, net of current portion (Note 5)	78,460,986	75,341,139
Land held for development (Note 7)	20,878,871	20,599,801
Property and equipment (Note 8)	177,382,959	126,395,369
Care and maintenance trust fund investments (Note 9)	218,416,844	195,927,256
Pre-need merchandise and service trust fund investments (Note 10)	244,057,132	157,597,312
Deferred tax assets	9,873,851	4,113,646
Goodwill and intangibles (Note 6 and 12)	405,106,788	280,360,865
Deferred commissions	29,292,908	22,977,219
Other assets (Note 13 and 20)	11,660,375	10,856,828
	1,254,824,345	952,086,621
TOTAL ASSETS	$ 1,330,725,948	$ 1,015,006,888
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 28,715,798	$ 20,495,554
Dividends payable	1,114,278	879,142
Current portion of long term debt (Note 14)	303,436	298,826
Current portion of notes payable (Note 15)	1,289,670	426,604
Current portion of lease liabilities (Note 16)	1,428,726	-
	32,851,908	22,100,126
Non-current liabilities		
Long-term debt, net of current portion (Note 14)	127,291,458	91,045,776
Notes payable, net of current portion (Note 15)	7,875,299	4,277,811
Lease liabilities, net of current portion (Note 16)	5,379,041	-
Deferred revenue (Note 17)	164,084,099	138,614,401
Deferred tax liabilities	4,755,775	4,970,996
Care and maintenance trusts' corpus (Note 9)	218,416,844	195,927,256
Deferred pre-need receipts held in trust (Note 10)	244,057,132	157,597,312
	771,859,648	592,433,552
Shareholders' Equity		
Share capital (Note 19)	501,515,118	363,957,423
Contributed surplus	5,857,638	2,297,514
Accumulated other comprehensive income	8,994,562	21,888,697
Retained earnings	7,893,052	10,829,808
	524,260,370	398,973,442
Non-controlling interest	1,754,022	1,499,768
	526,014,392	400,473,210
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 1,330,725,948	$ 1,015,006,888

Commitments and Contingencies (Note 22)

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 NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018
(UNAUDITED)

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Revenue				
Sales	$ 62,322,762	$ 40,017,617	$ 162,713,018	$ 101,516,073
Income from care and maintenance funds (Note 9)	2,663,074	2,087,494	7,968,421	6,158,792
Interest and other income	1,592,902	1,134,852	4,621,203	3,120,778
	66,578,738	43,239,963	175,302,642	110,795,643
Costs	12,534,635	8,721,546	33,198,421	22,892,788
Gross profit	54,044,103	34,518,417	142,104,221	87,902,855
Operating expenses				
General and administrative	28,276,402	15,221,481	69,910,132	36,708,260
Amortization of intangibles	895,990	104,416	1,931,762	191,194
Maintenance	8,492,651	7,013,956	23,356,571	19,123,172
Advertising and selling	7,078,072	5,746,001	21,263,155	16,473,525
Interest expense	1,462,582	624,497	4,114,678	1,427,491
Share based incentive compensation	1,116,805	99,631	2,677,291	595,982
	47,322,502	28,809,982	123,253,589	74,519,624
Earnings from operations	6,721,601	5,708,435	18,850,632	13,383,231
Acquisition and integration costs (Note 6)	(4,391,098)	(1,430,744)	(9,649,190)	(7,795,981)
Other income (expenses) (Note 8 and 19)	-	(104,956)	(68,904)	(176,591)
Earnings before income taxes	2,330,503	4,172,735	9,132,538	5,410,659
Income tax expense	697,624	800,189	2,515,149	629,443
Net earnings for the period	$ 1,632,879	$ 3,372,546	$ 6,617,389	$ 4,781,216
Net earnings attributable to:				
Equity holders of PLC	$ 1,579,106	$ 3,272,770	$ 6,363,135	$ 4,509,899
Non-controlling interest	53,773	99,776	254,254	271,317
	$ 1,632,879	$ 3,372,546	$ 6,617,389	$ 4,781,216
Attributable to equity holders of PLC				
Net earnings per share - basic	$ 0.053	$ 0.141	$ 0.232	$ 0.229
Net earnings per share - diluted	$ 0.053	$ 0.141	$ 0.231	$ 0.229
Weighted average number of common shares:				
- basic	29,694,199	23,224,365	27,456,602	19,691,995
- diluted	29,775,481	23,253,603	27,591,164	19,723,473

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 NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net earnings for the period	$ 1,632,879	$ 3,372,546	$ 6,617,389	$ 4,781,216
Item of other comprehensive income to be subsequently reclassified to net income				
Foreign currency translation of foreign operations	6,530,355	(5,596,628)	(12,894,135)	2,125,735
Comprehensive (loss) income	$ 8,163,234	$ (2,224,082)	$ (6,276,746)	$ 6,906,951

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 NINE MONTHS ENDED SEPTEMBER 30, 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)	-	-	-	(6,724,584)	-	-	(6,724,584)
Shares issued:							
Dividend reinvestment plan (Note 19)	26,212	621,068	-	-	-	-	621,068
Equity incentive plan	-	-	589,020	-	-	-	589,020
Prospectus financing, net of costs (Note 19)	7,745,250	183,225,612	-	-	-	-	183,225,612
Adoption of IFRS15	-	-	-	11,776,680	-	-	11,776,680
Other comprehensive income	-	-	-	-	2,125,735	-	2,125,735
Net earnings for the period	-	-	-	4,509,899	-	271,317	4,781,216
Balance at September 30, 2018	23,118,194	$ 363,622,643	$ 1,722,791	$ 11,253,925	$ 471,643	$ 1,373,960	$ 378,444,962
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)	-	-	-	(9,299,891)	-	-	(9,299,891)
Shares issued:							
Dividend reinvestment plan (Note 19)	63,391	1,597,921	-	-	-	-	1,597,921
Equity incentive plan	21,147	-	2,381,749	-	-	-	2,381,749
Prospectus financing, net of costs (Note 19)	5,605,100	138,375,634	-	-	-	-	138,375,634
Contingent equity consideration	498,157	(2,415,860)	1,178,375	-	-	-	(1,237,485)
Other comprehensive loss	-	-	-	-	(12,894,135)	-	(12,894,135)
Net earnings for the period	-	-	-	6,363,135	-	254,254	6,617,389
Balance at September 30, 2019	29,323,110	$ 501,515,118	$ 5,857,638	$ 7,893,052	$ 8,994,562	$ 1,754,022	$ 526,014,392

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 NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018
(UNAUDITED)

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Cash provided by (used in):				
Operating activities				
Net earnings (loss) for the period	$ 1,632,879	$ 3,372,546	$ 6,617,389	$ 4,781,216
Adjustments to reconcile net income to cash provided by (used in) operating activities:				
Acquisition and integration costs	4,391,098	1,430,744	9,649,190	7,795,981
Deferred tax expense/asset	(122,838)	1,660,149	(393,187)	(2,430,939)
Depreciation of property and equipment, investment properties and amortization of intangibles	3,884,364	1,625,566	9,580,119	3,830,153
Amortization of cemetery property	2,054,922	1,416,176	5,154,878	4,653,044
Amortization of deferred commissions	759,258	536,895	2,327,035	2,161,533
Amortization of deferred financing costs	75,556	42,285	208,457	119,297
Interest on lease liabilities	92,426	-	251,724	-
Share based incentive compensation	975,678	94,530	2,381,749	589,020
(Gain) loss on disposal of property and equipment	-	-	206,571	-
(Gain) loss on change in fair value of contingent payments	-	39,075	-	110,710
(Gain) loss on shares settlement	-	-	(179,633)	-
Changes in working capital that provided (required) cash:				
Accounts receivable	884,146	795,210	3,428,021	(81,933)
Net receipts on pre-need activity	3,447,565	(291,796)	415,738	(2,318,207)
Merchandise inventories	(168,682)	(269,548)	(448,406)	(895,620)
Prepaid expenses and other current assets	992,814	(1,026,609)	91,831	(1,314,566)
Accounts payable and accrued liabilities	3,100,670	(166,351)	2,589,279	1,543,607
Cash provided by (used in) operating activities	21,999,856	9,258,872	41,880,755	18,543,296
Investing activities				
Acquisition and integration costs	(4,391,098)	(1,430,744)	(9,649,190)	(7,795,981)
Net cash on acquisitions and other strategic transactions	(75,244,389)	(6,982,706)	(165,269,922)	(230,395,781)
Additions to cemetery property	(3,277,939)	(1,068,053)	(6,050,130)	(3,246,644)
Acquisition of property and equipment	(2,377,379)	(1,697,432)	(10,754,967)	(3,866,739)
Proceeds on disposal of property and equipment	56,301	51,313	2,589,333	51,313
Land held for development	-	(1,628,220)	-	(1,628,220)
Deferred commissions	(1,217,224)	(968,311)	(3,093,821)	(2,852,090)
Decrease (increase) in other assets	(323,876)	(134,340)	(798,547)	(113,190)
Cash provided by (used in) investing activities	(86,775,604)	(13,858,493)	(193,027,244)	(249,847,332)
Financing activities				
Proceeds from issuance of long-term debt	76,890,022	14,033,526	76,955,062	72,587,995
Repayment of long-term debt	(1,194,621)	(19,200)	(40,150,011)	(16,893,918)
Repayment of lease liabilitites	(592,673)	-	(1,459,998)	-
Proceeds (repayment) of note payable	1,011,883	608,914	(135,862)	592,925
Proceeds from financing, net of costs	(13,383)	(44,711)	138,375,634	183,225,612
Dividend reinvestment plan	575,709	293,689	1,597,921	621,068
Dividends and distributions paid	(3,341,940)	(2,634,981)	(9,299,891)	(6,724,584)
Deferred financing costs	(186,841)	(23,708)	(749,125)	(118,834)
Cash paid to settle contingent consideration	-	-	(624,966)	-
Cash provided by (used in) financing activities	73,148,156	12,213,529	164,508,764	233,290,264
Translation adjustment on cash	(543,288)	(3,124,224)	(2,025,444)	(1,170,997)
Net increase (decrease) in cash	7,829,120	4,489,684	11,336,831	815,231
Cash, beginning of period	17,656,803	9,062,045	14,149,092	12,736,498
Cash, end of period	$ 25,485,923	$ 13,551,729	$ 25,485,923	$ 13,551,729
Supplemental disclosures:				
Income taxes paid	$ 166,167	$ 249,545	$ 463,151	$ 490,810
Interest expenses paid	$ 1,332,320	$ 581,891	$ 3,631,294	$ 1,308,801

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

1. NATURE OF OPERATIONS

Park Lawn Corporation (the "Company" or "PLC"), located at 2 St. Clair Ave. West, Suite 1300, Toronto, Ontario, M4V 1L5, is an Ontario corporation which owns and operates cemeteries, crematoriums and funeral homes in Canada and the 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 consolidated 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.

Certain comparative figures have been reclassified to conform to the current period's presentation. See Notes 6 and 26 for more information.

These unaudited condensed interim consolidated 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 September 30, 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 board of directors of the Company (the "Board of Directors") on November 12, 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.

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.

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 – Financial Instruments, 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, requiring lessees to recognize assets and liabilities for leases on the statement of financial position.

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.

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; and

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.

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; and

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 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.

The weighted average incremental discount rate was 4.8%. 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; and

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)
	$	6,321,135

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

g. Share-based compensation

The Company has a stock option plan granted to senior executives, officers and employees. Each tranche of an award is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over each tranche's vesting period, based on the number of awards expected to vest, with the offset credited to contributed surplus. When options are exercised, the amount received is credited to share capital and the fair value attributed to these options is transferred from contributed surplus to share capital. The impact of a revision of the original estimate is recognized in profit or loss such that the cumulative expense reflects the revised estimate.

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.

3. CRITICAL ESTIMATES AND JUDGMENTS – continued

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.

iv) In calculating the share-based compensation expense, key estimates such as the rate of forfeiture of options granted, probability of achieving performance conditions, the expected life of the option, the volatility of the Company's stock price and the risk free interest rate are used.

4. PRE-NEED RECEIVABLES

	September 30, 2019	December 31, 2018
Pre-need receivables, current portion	$ 27,353,700	$ 26,204,444
Pre-need receivables, net of current portion	59,693,631	57,917,186
Total	$ 87,047,331	$ 84,121,630

The above is net of an allowance for sales returns of $8,945,024 at September 30, 2019 (at December 31, 2018 - $6,772,773).

5. INVENTORIES

	September 30, 2019	December 31, 2018 *(Restated, Measurement Period Adjustment - see Note 6)*
Merchandise inventories	$ 3,298,858	$ 2,850,452
Cemetery lots	34,811,880	35,532,018
Crypts and niches	43,320,206	42,067,841
Construction in progress	6,917,792	4,879,737
Total	88,348,736	85,330,048
Current portion	9,887,750	9,988,909
Non-current portion	$ 78,460,986	$ 75,341,139

There were no inventory write-downs in either period.

6. BUSINESS COMBINATION

Acquisitions completed in fiscal 2019

The following table summarizes the statement of financial position impact on the acquisition date of the Company's business combinations that occurred in the period ended September 30, 2019:

	Preliminary Cress (i)	Preliminary Baue (ii)	Preliminary Horan (iii)	Preliminary Other (iv)	Total
Assets acquired:					
Cash	$ 458,410	$ 665,001	$ 1,031,257	$ -	$ 2,154,668
Accounts receivable	1,687,179	836,806	972,359	-	3,496,344
Pre-need receivables	-	2,339,581	543,627	-	2,883,208
Inventories	167,030	1,747,152	278,221	-	2,192,403
Prepaid expenses and other current assets	180,314	6,829	64,319	-	251,462
Land held for development	-	223,536	-	-	223,536
Property and equipment	14,108,540	9,574,137	17,530,826	5,107,540	46,321,043
Care and maintenance trust fund investments	-	4,593,840	-	-	4,593,840
Pre-need merchandise and service trust fund investments	-	37,777,961	39,775,432	-	77,553,393
Deferred commissions	-	3,414,343	2,850,888	-	6,265,231
Deferred tax assets	-	3,448,320	-	-	3,448,320
Goodwill	9,986,368	55,934,770	63,957,890	1,828,368	131,707,396
Intangibles	807,485	1,204,276	593,295	736,670	3,341,726
Total assets	$ 27,395,326	$ 121,766,552	$ 127,598,114	$ 7,672,578	$ 284,432,570
Liabilities assumed:					
Accounts payable and accrued liabilities	$ 320,541	$ 1,483,365	$ 1,653,358	$ -	$ 3,457,264
Long-term debt	-	78,200	-	-	78,200
Lease liabilities	111,904	157,108	257,828	-	526,840
Care and maintenance trusts' corpus	-	4,593,840	-	-	4,593,840
Deferred pre-need receipts held in trust	-	37,777,961	39,775,432	-	77,553,393
Deferred revenue	-	17,203,802	9,797,700	-	27,001,502
	432,445	61,294,276	51,484,318	-	113,211,039
Fair value of consideration transferred:					
Cash consideration	24,673,974	59,268,000	75,520,500	7,001,778	166,464,252
Deferred cash consideration	2,067,235	1,204,276	593,296	670,800	4,535,607
Working capital adjustment	221,672	-	-	-	221,672
	26,962,881	60,472,276	76,113,796	7,672,578	171,221,531
Total liabilites and considerations	$ 27,395,326	$ 121,766,552	$ 127,598,114	$ 7,672,578	$ 284,432,570

6. BUSINESS COMBINATION – continued

Acquisitions completed in fiscal 2019 – continued

i) On April 1, 2019, the Company completed the acquisition of all the outstanding equity of Cress Funeral Service Inc. ("Cress"), an eight location funeral business in Madison, Wisconsin for a purchase price of approximately $27.0 million (US$20.2 million), subject to customary working capital adjustments. The acquisition was funded from PLC's credit facility.

ii) On June 3, 2019, the Company completed the acquisition of all the outstanding stock and membership interests of The Baue Funeral Home Co. ("Baue"), for an aggregate total purchase price of approximately $60.5 million (US$44.9 million) in cash, subject to customary working capital adjustments. Baue operates a large cemetery and three funeral homes (including one on-site), in St. Charles, Missouri. The acquisition of Baue was funded with the proceeds from the Company's recent equity financing.

iii) On July 1, 2019, the Company completed the acquisition of all the outstanding equity of Horan & McConaty Funeral Services, Inc. ("Horan") for an aggregate total purchase price of approximately $76.1 million (US$58.0 million) in cash, subject to customary working capital adjustments. Horan operates two cemeteries and 11 funeral homes (including two on-sites) in Denver and Aurora, Colorado. The acquisition of Horan was funded with the remaining proceeds from the Company's recent equity financing and the Company's credit facility.

iv) On May 1, 2019, the Company 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 $6.4 million (US$4.7 million). The acquisition was funded with proceeds from the Company's recent equity financing. On June 25, 2019, the Company completed the acquisition of Integrity Funeral Care, Inc. ("Integrity"), a funeral business located in Houston, Texas for a purchase price of approximately $1.3 million (US$1 million). The acquisition was funded from PLC's credit facility.

The fair value allocations for the above acquisitions are based on preliminary purchase allocations conducted by management. As the acquisitions are 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.

6. BUSINESS COMBINATION – continued

Acquisitions completed in fiscal 2018

The purchase price allocation for Signature was finalized during the period ended March 31, 2019, and the purchase price allocation for Citadel has been finalized during the period ended September 30, 2019. All net assets acquired, and consideration paid have been included at their respective fair values. The Company has restated the comparative figures in the consolidated statement of financial position based on the measurement period adjustments. The following tables summarize the effects of the change described above on the line items of the consolidated statement of financial position for the year ended December 31, 2018.

	December 31, 2018 *As previously stated*	*Adjustments*	December 31, 2018 *As restated*
Inventories, net of current portion	$ 71,102,414	$ 4,238,725	$ 75,341,139
Land held for development	28,023,925	(7,424,124)	20,599,801
Property and equipment	125,203,549	1,191,820	126,395,369
Deferred commissions	24,663,902	(1,686,683)	22,977,219
Goodwill and Intangibles	281,833,941	(1,473,076)	280,360,865
Deferred revenue	(143,767,739)	5,153,338	(138,614,401)
Total	$ 387,059,992	$ -	$ 387,059,992

6. BUSINESS COMBINATION – continued

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)	Final Citadel (iii)	Final Other (iv)	Total
Assets acquired:					
Cash	$ 1,471,869	$ 5,203,463	$ 619,214	$ 112,131	$ 7,406,677
Accounts receivable	343,184	2,240,375	1,039,719	361,662	3,984,940
Pre-need receivables	12,695,556	9,439,211	3,460,379	-	25,595,146
Inventories	25,058,801	7,707,754	9,488,587	280,841	42,535,983
Prepaid expenses and other current assets	354,364	503,162	120,522	35,596	1,013,644
Land held for development	-	11,925,335	429,655	-	12,354,990
Property and equipment	7,764,123	45,492,637	13,075,640	8,647,763	74,980,163
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	5,282,755	3,041,186	52,608,463
Deferred commissions	1,238,900	1,286,202	2,438,281	-	4,963,383
Deferred tax assets	596,700	273,556	128,220	18,592	1,017,068
Goodwill	33,592,882	102,731,019	29,759,147	8,963,790	175,046,838
Intangibles	-	5,492,305	660,590	573,940	6,726,835
Total assets	$ 146,282,749	$ 245,850,319	$ 77,789,540	$ 22,035,501	$ 491,958,109
Liabilities assumed:					
Accounts payable and accrued liabilities	$ 1,442,552	$ 4,826,293	$ 1,848,032	$ 368,182	$ 8,485,059
Long-term debt	-	-	303,061	72,739	375,800
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	5,282,755	3,041,186	52,608,463
Deferred revenue	14,595,911	23,324,363	38,712,711	-	76,632,985
	81,528,449	84,100,767	57,433,390	3,627,420	226,690,026
Fair value of consideration transferred:					
Cash consideration	64,339,300	158,760,138	19,508,817	18,391,714	260,999,969
Deferred cash consideration	-	-	847,333	-	847,333
Working capital adjustment	415,000	2,989,414	-	16,367	3,420,781
	64,754,300	161,749,552	20,356,150	18,408,081	265,268,083
Total liabilites and considerations	$ 146,282,749	$ 245,850,319	$ 77,789,540	$ 22,035,501	$ 491,958,109

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 six cemeteries in New Jersey and one 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 nine cemeteries, 21 funeral homes (including seven located on cemetery sites) and five 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 $20.4 million (US$15.5 million). The purchase price was funded from PLC's credit facility.

The acquisition of Citadel 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 eight funeral homes (including one on-site) in North and South Carolina to the Company's portfolio.

Citadel's purchase price allocation was finalized in the third quarter of 2019 to reflect the final determination of the fair value of assets and liabilities acquired.

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"). Billingsley's and Opatovsky's purchase price allocation was finalized in the first quarter of 2019, Hansons' in the second quarter of 2019, and Wayne Boze and Wells in the third quarter of 2019.

7. LAND HELD FOR DEVELOPMENT

Land held for development represents land held for future cemetery, funeral and other development opportunities. At September 30, 2019 land held for development was valued at $20,878,871 (at December 31, 2018 - $20,599,801).

8. PROPERTY AND EQUIPMENT

	January 1, 2019 *(Restated, Measurement Period Adjustment - see Note 6)*	Acquired in business combinations	Additions	Disposals	Foreign currency translation	September 30, 2019
Cost:						
Land	$ 31,099,513	12,459,236	134,905	(1,355,761)	(697,431)	$ 41,640,462
Buildings, cemetery and funeral	83,152,117	28,791,606	6,399,987	(2,020,788)	(2,204,983)	114,117,939
Machinery, equipment and automotive	15,931,295	3,886,933	3,159,889	(623,819)	(517,001)	21,837,297
Cemetery improvements	9,611,192	659,643	1,060,186	-	(329,199)	11,001,822
Right-of-use asset	6,321,135	523,625	1,182,065	(12,428)	(55,481)	7,958,916
Total	146,115,252	46,321,043	11,937,032	(4,012,796)	(3,804,095)	196,556,436
Accumulated depreciation:						
Buildings, cemetery and funeral	5,498,477	-	2,981,511	(703,475)	(209,501)	7,567,012
Machinery, equipment and automotive	5,239,993	-	2,442,303	(500,990)	(251,364)	6,929,942
Cemetery improvements	2,660,278	-	932,598	-	(194,228)	3,398,648
Right-of-use asset	-	-	1,291,945	(12,428)	(1,642)	1,277,875
Total	13,398,748	-	7,648,357	(1,216,893)	(656,735)	19,173,477
Net Book Value	$ 132,716,504					$ 177,382,959

8. PROPERTY AND EQUIPMENT – continued

	January 1, 2018	Acquired in business combinations	Additions	Disposals	Foreign currency translation	December 31, 2018 *(Restated, Measurement Period Adjustment - see Note 6)*
Cost:						
Land	$ 11,394,808	17,215,049	1,030,380	(1,631)	1,460,907	$ 31,099,513
Buildings, cemetery and funeral	25,589,142	48,631,928	4,456,652	-	4,474,395	83,152,117
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
Total	49,024,575	74,929,314	8,220,635	(212,706)	7,832,299	139,794,117
Accumulated depreciation:						
Buildings, cemetery and funeral	2,339,721	-	2,217,636	-	941,120	5,498,477
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
Total	6,065,343	-	5,362,783	(159,223)	2,129,845	13,398,748
Net Book Value	$ 42,959,232					$ 126,395,369

Property and equipment depreciation expense charged to operations amounted to $7,648,357 and $3,638,959 for the nine month period ended September 30, 2019 and 2018, respectively, and $2,988,374 and $1,521,150 for the three month period ended September 30, 2019 and 2018, respectively. The increase in depreciation expense is primarily due to recent acquisitions and adoption of IFRS 16.

Included in additions at September 30, 2019 are $5,021,600 of additions at Canadian cemeteries and funeral sites (at December 31, 2018 - $3,692,898) and $6,915,432 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.

During the three month period ended June 30, 2019, the Company sold redundant property for a sale price of $998,416 realizing a loss of approximately $260,000, net of disposition costs.

The gain and loss described above on the sale of property and equipment is included in other income (expenses).

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.

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 unaudited condensed interim 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 $7,968,421 and $6,158,792 for the nine month period ended September 30, 2019 and 2018, respectively, and to $2,633,074 and $2,087,494 for the three month period ended September 30, 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	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Cash and cash equivalents	$ 7,185,782	$ 8,378,916	$ 7,185,134	$ 8,347,173
Equities	98,626,735	89,174,511	89,028,133	87,964,536
Fixed income	75,126,147	72,700,781	73,367,222	74,154,689
Alternative investments	24,048,471	14,043,962	23,139,065	13,415,042
Preferred stocks	13,429,709	11,629,086	13,276,195	12,288,336
	$ 218,416,844	$ 195,927,256	$ 205,995,749	$ 196,169,776

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

The increase in care and maintenance trust fund investments is primarily a result of an appreciation in fair value of capital markets since December 31, 2018, contributions to the trust funds and recent acquisitions.

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.

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

	Fair value		Cost	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Cash and cash equivalents	$ 20,422,580	$ 12,509,568	$ 20,406,834	$ 12,498,274
GIC's	31,183,782	31,783,609	29,976,170	31,783,609
Equities	86,996,333	47,915,566	79,611,807	46,317,623
Fixed income	69,134,047	49,215,235	67,424,486	49,856,323
Alternative investments	36,320,390	16,173,334	35,337,699	16,173,334
	$ 244,057,132	$ 157,597,312	$ 232,756,996	$ 156,629,163

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

The increase in pre-need merchandise and service trust funds is primarily a result of recent acquisitions.

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 September 30, 2019, the current face amount of pre-funded policies was approximately $261 million (at December 31, 2018 – approximately $176 million). The increase in prearranged funeral insurance contracts is primarily a result of recent acquisitions. 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.

12. GOODWILL AND INTANGIBLES

The changes in the carrying amount of goodwill and intangible assets at September 30, 2019 were:

	September 30, 2019	December 31, 2018 *(Restated, Measurement Period Adjustment - see Note 6)*
Goodwill		
Opening balance:	$ 273,359,984	$ 85,729,285
Additions	131,707,396	175,177,926
Adjustment	-	(1,266,849)
Foreign currency translation	(8,056,908)	13,719,622
Closing balance:	$ 397,010,472	$ 273,359,984
Intangibles		
Opening balance:	$ 7,000,881	$ 233,333
Additions	3,341,726	6,688,661
Amortization	(1,931,762)	(311,074)
Foreign currency translation	(314,529)	389,961
Closing balance:	$ 8,096,316	$ 7,000,881
Goodwill and Intangibles	$ 405,106,788	$ 280,360,865

13. OTHER ASSETS

Included in other assets is primarily a $2.9 million of employee share loan plan and $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

	September 30, 2019	December 31, 2018
Revolving loan facility	$ 127,253,483	$ 90,300,000
Mortgages	1,123,544	1,183,154
Finance lease obligations	573,514	676,428
Deferred financing costs	(1,355,647)	(814,980)
Total	127,594,894	91,344,602
Current portion	303,436	298,826
Non-current portion	$ 127,291,458	$ 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 September 30, 2019, there was $127,253,483 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 September 30, 2019, deferred financing costs were $1,355,647 (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.

15. NOTES PAYABLE

	September 30, 2019	December 31, 2018
Notes payable	$ 9,164,969	$ 4,704,415
Current portion	1,289,670	426,604
Non-current portion	$ 7,875,299	$ 4,277,811

Notes payable

i) The Company has an outstanding note payable of $1,749,927 (at December 31, 2018 - $1,760,241) 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 September 30, 2019.

ii) The Company has outstanding notes payable of $7,415,042 (at December 31, 2018 - $2,944,174) to former owners of previously acquired businesses. These notes payable have interest rates ranging from 2% to 6% and remaining terms of 4 to 10 years.

16. LEASE LIABILITIES

Lease liabilities relate to office space, machinery and equipment.

	September 30, 2019
Future minimum lease payments	
Due in less than one year	$ 2,044,158
Due between one and two years	1,795,502
Due between two and three years	1,056,958
Due thereafter	2,964,418
Interest	(1,053,269)
Present value of minimum lease payments	6,807,767
Current portion	1,428,726
Non-current portion	$ 5,379,041

Lease liabilities interest expense charged to operations amounted to $251,724 and $nil for the nine month period ended September 30, 2019 and 2018, respectively, and to $92,426 and $nil for the three month period ended September 30, 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:

	September 30, 2019		December 31, 2018 *(Restated, Measurement Period Adjustment - see Note 6)*	
Cemetery and funeral merchandise, lots, crypts, and niches	$	92,441,813	$	89,740,143
Cemetery and funeral services		71,642,286		48,874,258
Total	$	164,084,099	$	138,614,401

The increase in deferred revenue is primarily a result of recent acquisitions.

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 nine month period ended September 30, 2019 and 2018 were $9,299,891 or $0.342 per share and $6,724,584 or $0.342 per share, respectively. The total amount of dividends declared by the Company for the three month period ended September 30, 2019 and 2018 was $3,341,940 or $0.114 per share and $2,634,981 or $0.114 per share. The monthly dividend was $0.038 per share in all periods.

19. SHARE CAPITAL

Authorized

Common shares

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

Shares issued and outstanding

	Number of Common Shares	Amount
Balance December 31, 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	23,135,315	363,957,423
Shares issued pursuant to:		
Dividend reinvestment plan *(i)*	63,391	1,597,921
Equity incentive plan	21,147	-
Prospectus financing, net of costs *(ii)*	5,605,100	138,375,634
Contingent equity consideration *(iii)*	498,157	(2,415,860)
Balance September 30, 2019	29,323,110	$ 501,515,118

(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 nine month period ended September 30, 2019, 63,391 common shares were issued under the DRIP (for the year ended December 31, 2018 – 43,333).

19. SHARE CAPITAL – continued

(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.

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 were used to repay approximately $40 million of outstanding indebtedness under the Company's credit facility and for strategic growth initiatives including acquisitions and for general corporate purposes. The issuance included transaction costs of $5,395,181 inclusive of $496,125 after tax in management compensation.

(iii) Contingent equity consideration

On May 15, 2019, the Company finalized an agreement it entered into on April 1, 2019, 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 $600,000, deferred cash payments of approximately $400,000, the issuance of 498,157 common shares and the issuance of 46,000 restricted share units of the Company resulting in a gain on settlement of $179,633. The gain is included in other income (expenses).

20. RELATED PARTY TRANSACTIONS AND BALANCES

Employee share loan plan

Included in other assets are total loans outstanding under the ESLP, including accrued interest amounted to $2,925,456 at September 30, 2019 (at December 31, 2018 - $3,063,666). Interest income earned amounted to $63,914 and $73,479 for the nine month period ended September 30, 2019 and 2018, respectively, and $21,658 and $22,853 for the three month period ended September 30, 2019 and 2018, respectively.

20. RELATED PARTY TRANSACTIONS AND BALANCES – continued

Key management compensation

Key management includes the members of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer and the Chief Operating Officer. The compensation paid or payable to key management is shown below:

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Directors' fees and management compensation	$ 998,608	$ 564,825	$ 3,281,924	$ 1,655,310

21. 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 September 30, 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.

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 September 30, 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	$ 7,185,134	$ 7,185,782	$ -	$ -	$ 7,185,782
Equities	89,028,133	98,384,991	-	241,744	98,626,735
Fixed income	73,367,222	17,179,856	50,255,925	7,690,366	75,126,147
Alternative investments	23,139,065	-	-	24,048,471	24,048,471
Preferred stocks	13,276,195	13,429,709	-	-	13,429,709
	$ 205,995,749	$ 136,180,338	$ 50,255,925	$ 31,980,581	$ 218,416,844

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
	$ 196,169,776	$ 125,621,939	$ 43,062,095	$ 27,243,222	$ 195,927,256

Pre-need merchandise and service trust fund investments at September 30, 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	$ 20,406,834	$ 20,422,580	$ -	$ -	$ 20,422,580
GIC's	29,976,170	31,183,782	-	-	31,183,782
Equities	79,611,807	86,996,333	-	-	86,996,333
Fixed income	67,424,486	58,271,775	9,766,833	1,095,439	69,134,047
Alternative investments	35,337,699	-	-	36,320,390	36,320,390
	$ 232,756,996	$ 196,874,470	$ 9,766,833	$ 37,415,829	$ 244,057,132

21. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT – continued

Fair value of financial instruments - continued

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
	$ 156,629,163	$ 131,435,641	$ 9,988,337	$ 16,173,334	$ 157,597,312

22. 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.

Construction

The Company has two construction commitments totaling $18,200,000 for the construction of a funeral visitation and reception centre and a funeral home. The terms of the construction projects are over the next two years, with the majority anticipated to be completed in the fiscal year 2020.

23. SEGMENTED INFORMATION

IFRS 8 - "Operating Segments" defines an operating segment as a component of an entity that engages in business activities from which it may earn revenues and incur expenses; 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 for which discrete financial information is available.

23. SEGMENTED INFORMATION– continued

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:

	September 30, 2019	December 31, 2018
Canada	$ 207,889,995	$ 193,440,060
United States	1,046,934,350	758,646,561
Total	$ 1,254,824,345	$ 952,086,621

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenue:				
Sales:				
Canada	$ 8,739,075	$ 10,633,253	$ 26,445,460	$ 28,654,764
United States	53,583,687	29,384,364	136,267,558	72,861,309
Total sales	62,322,762	40,017,617	162,713,018	101,516,073
Income from care and maintenance funds:				
Canada	1,246,999	850,562	3,811,639	3,015,460
United States	1,416,075	1,236,932	4,156,782	3,143,332
Total income from care and maintenance funds	2,663,074	2,087,494	7,968,421	6,158,792
Interest and other income:				
Canada	171,837	74,380	713,904	357,002
United States	1,421,065	1,060,472	3,907,299	2,763,776
Total interest and other income	1,592,902	1,134,852	4,621,203	3,120,778
Total revenue:				
Canada	10,157,911	11,558,195	30,971,003	32,027,226
United States	56,420,827	31,681,768	144,331,639	78,768,417
Total Revenue	$ 66,578,738	$ 43,239,963	$ 175,302,642	$ 110,795,643

24. EQUITY INCENTIVE PLAN

On May 31, 2019, the shareholders of the Company approved an amended and restated omnibus equity incentive plan (the "EIP"), consisting of Deferred Share Units ("DSUs"), Restricted Share Units ("RSUs"), Performance Share Units ("PSUs"), and Options to acquire common shares ("Options"). The number of common shares that may be issued upon the settlement of awards granted under the EIP shall not exceed 2,000,000 common shares of the Company. As at September 30, 2019 there were 258,451 RSUs, 60,929 PSUs, 34,398 DSUs and 1,378,000 Options outstanding.

25. SUBSEQUENT EVENT

On October 25, 2019 the Company signed a definitive agreement to acquire the assets of two U.S. businesses: Journey Group Texas One, LLC and Journey Group Texas Two, LLC (collectively "Journey Group") located in central Texas, for approximately US$9.3 million. The acquisition will be funded from cash on hand and PLC's credit facility. Closing remains subject to the satisfaction of closing conditions which is expected in the fourth quarter of 2019. The acquisition of Journey Group expands PLC's footprint into Texas by adding two combination funeral homes and cemeteries, three cemeteries, and three stand-alone funeral homes to PLC's portfolio. 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.

26. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the September 30, 2019 unaudited condensed interim consolidated financial statements presentation including:

i) Reclassification of $459,347 and $158,998 for the nine and three month periods ended September 30, 2018, respectively, 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Quarter Ending September 30, 2019

The following Management's Discussion and Analysis ("**MD&A**") provides a review of corporate and market developments, results of operations and financial position of Park Lawn Corporation ("**PLC**" or the "**Company**") for the period ended September 30, 2019. This discussion should be read in conjunction with the consolidated financial statements for the period ended September 30, 2019 and the accompanying notes contained therein. Information contained in this MD&A is based on information available to management as of November 12, 2019.

Forward-Looking Information

All information other than statements of current and historical fact contained in this MD&A is forward-looking information. In certain cases, forward-looking information can be identified by the use of words such as "plans", "expects", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will", "occur" or "be achieved" and similar words or the negative thereof. The forward-looking information contained herein is expressly qualified in its entirety by this cautionary statement.

Forward-looking information in this MD&A includes, but is not limited to, statements regarding the Company's business, future development and construction, future financial position and business strategy, the deathcare industry, potential acquisitions, potential business partnering, litigation, the ability of the Company to procure additional sales from new and existing customers, and the Company's plans and objectives. By their nature, forward-looking information is inherently uncertain, is subject to risk and is based on numerous assumptions, including that acquisition multiples remain at or below levels paid by PLC for previously announced acquisitions, the CAD to USD exchange rate remains consistent, the acquisition and financing markets remain accessible, capital can be obtained at reasonable costs and PLC's current business lines operate and obtain synergies as expected, as well as those regarding present and future business strategies, the environment in which the Company will operate in the future, expected revenues, expansion plans and the Company's ability to achieve its goals. Although management of the Company believes that the expectations represented in such forward-looking information are reasonable, there can be no assurance that such expectations will prove to be correct.

The future outcomes that relate to forward-looking information may be influenced by many factors that could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking information, including, but not limited to, the risk factors described under the heading "Risk Factors" in the Company's most recent Annual Information Form. The Company cautions that such list of factors is not exhaustive, and that, when relying on forward-looking information to make decisions with respect to the Company, readers should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking information.

There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. Forward-looking information is provided as of the date of this MD&A or such other date specified herein, and the Company assumes no obligation to update or revise such forward-looking information to reflect new events or circumstances except as required under applicable securities laws.

Financial Statements and Accounting Policies

The Company prepares its financial statements in Canadian dollars in accordance with International Financial Reporting Standards ("**IFRS**") applicable to the preparation of consolidated financial statements. The Company's significant accounting policies are summarized in Note 2 to its consolidated annual financial statements for the year ended December 31, 2018. PLC's interim unaudited condensed consolidated financial statements for the period ended September 30, 2019, 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 except for the adoption of accounting standard IFRS 16 – Leases ("**IFRS 16**"). The Company adopted this accounting standard effective January 1, 2019, with no restatement of 2018 amounts. The transition to IFRS 16 on January 1, 2019, had a nominal impact on Net earnings for the nine and three month period ending September 30, 2019. Please see the "New Accounting Policies Adopted in 2019", discussed later in this report.

Description of Non-IFRS Measures

Management uses both IFRS and Non-IFRS Measures to monitor and assess the Company's operating performance. Non-IFRS Measures exclude the impact of certain expenses and income that have been recognized under IFRS when analyzing operating performance. Management believes that the excluded items are not reflective of the Company's underlying operating performance and make comparisons of underlying financial performance between periods difficult. As such, management believes that Non-IFRS measures may be useful to investors and other third parties because they allow for greater transparency with respect to key metrics used by the Company in its financial and operational decision making. From time to time, the Company may exclude additional items if it believes doing so would result in a more effective analysis of underlying operating performance. The exclusion of certain items does not imply that they are non-recurring.

These Non-IFRS measures are intended to provide additional information and should not be considered in isolation nor as a substitute for measures of performance prepared in accordance with IFRS. In this MD&A, management uses the following measures, which are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are unlikely to be comparable to similar measures presented by other organizations:

- Adjusted Net Earnings - the Company uses Adjusted Net Earnings to assist in evaluating its operating performance. The Company believes that this Non-IFRS measure provides meaningful supplemental information to investors and other third parties regarding operating results because it excludes certain income or expense items which do not relate to operating activities of the Company's underlying business and which may not be indicative of the Company's future financial results.

  The adjustments may include, but are not limited to, the after-tax impact of acquisition and integration costs, share based compensation, or gains or losses from sale of non-performing assets.

  Please see the "Overall Performance, Nine and Three Months Ended September 30, 2019 - Adjusted Net Earnings" below for a reconciliation of the Company's Net Earnings to Adjusted Net Earnings.

- EBITDA - the Company defines EBITDA as earnings from operations before interest expense, taxes, depreciation and amortization (including amortization of tangibles and intangibles, and amortization of cemetery property). The Company believes EBITDA to be an important measure that allows investors and other third parties to assess the operating performance of its ongoing business and to compare its results to the results of its competitors.

The Company's cemetery property inventory is acquired or constructed over many years, if not decades, in advance of its sale. The cash associated with this investing activity is a cash outflow in the period in which the inventory is acquired or constructed. As sales occur, the Company draws down its inventory by making a non-cash charge to cost of goods sold.

- Adjusted EBITDA - Adjusted EBITDA adjusts EBITDA for the non-recurring, one-time or non-cash income or expense items identified in the Adjusted Net Earnings defined above. The Company believes that the inclusion of Adjusted EBITDA also provides useful supplementary information to investors and other third parties and assists in evaluating the Company's performance and trends.

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

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

  Please see the "Discussion of Operating Results, Nine and Three Months Ended September 30, 2019 - Adjusted Cash Flow" below for a reconciliation of the Company's earnings from operations to Adjusted Cash Flow.

Overview

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

The Company is one of the largest providers of deathcare products and services in North America. The Company and its subsidiaries operated 103 cemeteries, 95 funeral homes (including 15 on-sites, where a funeral home is located on a cemetery) and 38 crematoria businesses across 5 Canadian provinces and 14 U.S. states. The Company sells its products and services both at the time of need (at-need) and on a pre-arranged basis (pre-need). Products and services include cemetery lots, crypts, niches, monuments, caskets, urns and other merchandise, funeral services and after life celebration services.

The Company's growth strategy includes organic initiatives and future acquisitions. Organic initiatives include the build-out of inventory at existing cemetery properties, remodeling of existing funeral homes, construction of new stand-alone funeral homes and construction of new on-site funeral homes referred to as combination properties. The death care industry continues to be a highly-fragmented market and the Company plans to continue its acquisition growth strategy where opportunities are attractive and can be integrated with our existing operations or provide an entry to new markets.

Overall Performance

During 2019 and 2018 the Company completed several acquisitions in Canada and in the United States, the more significant of these being the acquisition of Horan & McConaty Funeral Services, Inc. ("**Horan**") in July 2019, The Baue Funeral Home Co. ("**Baue**") in June 2019 and Cress Funeral Service, Inc. ("**Cress**") in April 2019, the acquisition of Citadel Management LLC ("**Citadel**") in November 2018, the acquisition of Signature Funeral and Cemetery Investments, LLC ("**Signature**") in May 2018, and the acquisition of CMS Mid-Atlantic

Inc. ("**CMS**") in March 2018. Over the period from January 1, 2017 to September 30, 2019 the Company added 69 cemetery properties, 78 funeral homes (including 15 on-sites) and 16 crematoria to its portfolio, and expanded and diversified its geographic footprint to include the states of Colorado, Illinois, Kansas, Kentucky, Mississippi, Missouri, New Jersey, New Mexico, New York, North Carolina, South Carolina, Texas, Wisconsin and the province of British Columbia. The Company also added to the existing operations in Ontario, Manitoba and Saskatchewan.

In addition to the cemetery and funeral operations acquired over this period, the Company also added experienced management teams and established a head office for its U.S. operations in Houston, Texas. PLC's management team in Houston has begun to integrate the acquired businesses by establishing regional business units to share resources more effectively, achieve best in practice sales strategies across the business units, modernize information systems, centralize human resource, risk management, finance, procurement and other support functions in order to realize cost savings and other synergies going forward.

As a result of the above noted acquisitions, the Company achieved improvement in its operating results for the nine and three month periods ended September 30, 2019 compared to 2018. Revenue increased year over year by 58.2% to $175,302,642 from $110,795,643 in 2018 and revenue for the quarter ended September 30, 2019 increased by 54.0% to $66,578,738 compared to $43,239,963. After adjusting for the impact of foreign exchange, revenue growth from comparable business units year over year was 3.1% and growth for the quarter was 3.7%.

Net earnings attributable to PLC shareholders for the nine month period ended September 30, 2019 were $6,363,135 compared to $4,509,899 for the same period in 2018 and for the three month period ended September 30, 2019 net earnings attributable to PLC shareholders were $1,579,106 compared to $3,272,770 for the same period in 2018. On a fully diluted per share basis, the net earnings attributable to PLC shareholders were $0.231 and $0.053 for the nine and three month period ended September 30, 2019, respectively, compared to $0.229 and $0.141 for the same periods in 2018.

The 2019 and the 2018 net earnings as stated have been significantly impacted by certain one-time, non-recurring or non-cash revenue and expense items that management believes should be highlighted to better explain the Company's operating performance for the periods under review on an adjusted basis. The table below summarizes the calculation of Adjusted Net Earnings and Adjusted EBITDA for the three and nine month periods ended September 30, 2019 and 2018:

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Net earnings, PLC shareholders	$ 1,579,106	$ 3,272,770	$ 6,363,135	$ 4,509,899
Adjusted for the impact of:				
Acquisition and integration costs	4,391,098	1,430,744	9,649,190	7,795,981
Share based compensation	1,116,805	99,631	2,677,291	595,982
Amortization of intangible assets	895,990	104,416	1,931,762	191,194
Other income (expenses)	-	104,956	68,904	176,591
Tax effect on the above items	(1,401,079)	(424,276)	(3,107,444)	(2,134,059)
Adjusted Net Earnings, PLC shareholders	$ 6,581,920	$ 4,588,241	$ 17,582,838	$ 11,135,588
Adjusted EBITDA, PLC shareholders (see Unaudited Quarterly Information)	$ 15,106,997	$ 9,297,070	$ 39,857,246	$ 23,421,627
Per share amounts attributable to PLC shareholders				
Adjusted Net Earnings - diluted	$ 0.221	$ 0.197	$ 0.637	$ 0.565
Adjusted EBITDA - diluted (see Unaudited Quarterly Information)	$ 0.507	$ 0.400	$ 1.445	$ 1.188
Weighted average shares outstanding - diluted	29,775,481	23,253,603	27,591,164	19,723,473

Adjusted Net Earnings and Adjusted EBITDA are non-IFRS measures. See "Description of Non-IFRS Measures"

A description of the items included in the above table follows:

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

  During the nine month period ended September 30, 2019 and 2018, the Company incurred expenses of $9,649,190 and $7,795,981 respectively. During the three month period ended September 30, 2019 and 2018, the Company incurred expenses of $4,391,098 and $1,430,744, respectively, which relate to recent acquisitions and other acquisition and integration activity.

- Share based compensation - on May 31, 2019, the shareholders of the Company approved an amended and restated omnibus equity incentive plan (the "**EIP**"), consisting of Deferred Share Units ("**DSUs**"), Restricted Share Units ("**RSUs**"), Performance Share Units ("**PSUs**"), and Options to acquire common shares ("**Options**"). The number of common shares that may be issued by the Company upon the settlement of awards granted under the EIP shall not exceed 2,000,000. The Company has issued 1,378,000 Options to senior management that vest only upon the Company achieving certain performance metrics (the "**Performance Options**"). The Performance Options are governed by the terms of the EIP, except as modified by the terms of the individual award agreements, as described in further detail in the management information circular of the Company dated April 23, 2019. The Company recognized $2,677,291 in non-cash share based compensation expense during the nine month period ended September 30, 2019 compared to $595,982 for the same period in 2018 and, $1,116,805 during the three month period ended September 30, 2019 compared to $99,631 for the same period in 2018. Share based incentive compensation expense will vary based on the timing of when awards are issued and vesting conditions. Since the unit obligations are expected to be settled in common shares at some date in the future, the expenses are not deductible for tax purposes.

- Amortization of intangible assets –represents the amount of amortization of intangible assets acquired as a result of business combinations. The Company recognized $1,931,762 in amortization expense of intangible assets during the nine month period ended September 30, 2019 compared to $191,194 for the same period in 2018 and $895,990 during the three month period ended September 30, 2019 compared to $104,416 for the same period in 2018. The increase in intangible assets relate primarily to non-compete agreements on recent transactions.

- Other income (expenses) – other income (expenses) is comprised primarily of a gain on the Saber Management, LLC ("**Saber**") contract settlement of $179,633 offset by a loss on sale of properties of $206,571 for the nine month period ended September 30, and other one-time expenses.

- Income tax – represents an adjustment for the tax impact of the above noted adjustments where such items are taxable in nature.

After reflecting the impact of the above items, Adjusted Net Earnings attributable to PLC shareholders for the nine month period ended September 30, 2019 was $17,582,838 or $0.637 per share compared to $11,135,588 or $0.565 per share for the same period in 2018 and for the three month period ended September 30, 2019 was $6,581,920 or $0.221 per share compared to $4,588,241 or $0.197 per share for the same period in 2018. This represents an increase of 57.9% in the Adjusted Net Earnings and 12.7% in the Adjusted Net Earnings per share year over year and an increase of 43.5% in the Adjusted Net Earnings and an increase of 12.2% in the Adjusted Net Earnings per share for the quarter.

Adjusted EBITDA attributable to PLC shareholders for the nine month period ended September 30, 2019 was $39,857,246 or $1.445 per share compared to $23,421,627 or $1.188 per share for the same period in 2018 and for the three month period ended September 30, 2019 was $15,106,997 or $0.507 per share compared to $9,297,070 or $0.400 per share for the same period in 2018. This represents an increase of 70.2% in the Adjusted EBITDA and 21.6% in the Adjusted EBITDA per share year over year and an increase of 62.5% in the Adjusted EBITDA and an increase of 26.8% in the Adjusted EBITDA per share for the quarter.

As indicated above, the Company continued to generate positive growth in both Adjusted Earnings per share and Adjusted EBITDA per share this reporting period despite issuing an additional 5.6 million common shares in the second quarter of 2019. The cash raised from the issuance of these common shares was used to fund recent acquisitions and repay bank debt. Management continues to deploy this capital on important organic growth initiatives and accretive acquisitions, and continues its efforts to integrate the Company's operating businesses in order to achieve operating efficiencies and synergies that it believes will contribute to further growth in the Company's per share earnings. At September 30, 2019, the Company had approximately $127.3 million drawn on its revolving credit facility and had $25.5 million of cash on hand.

Other events during the recent quarter include the following:

- On July 1, 2019, the Company completed the acquisition of all the outstanding equity of Horan for an aggregate total purchase price of approximately $76.1 million (US$58 million) in cash, subject to customary working capital adjustments. Horan operates two cemeteries and 11 funeral homes (including two on-sites) in Denver and Aurora, Colorado. The acquisition of Horan was funded with the remaining proceeds from the Company's April 2019 equity offering and from the Company's credit facility.

- During the current quarter of 2019 the Company completed construction on the third floor of the Mausoleum of Faith at Westminster Cemetery. The third floor added approximately 1,080 additional crypt spaces to the mausoleum.

Subsequent to September 30, 2019, the Company, on October 25, 2019 signed a definitive agreement to acquire the assets of two U.S. businesses: Journey Group Texas One, LLC and Journey Group Texas Two, LLC (collectively "**Journey Group**") located in central Texas, for approximately US$9.3 million. The acquisition will be funded from cash on hand and PLC's credit facility. Closing remains subject to the satisfaction of closing conditions which is expected in the fourth quarter of 2019. The acquisition of Journey Group expands PLC's footprint into Texas by adding two combination funeral homes and cemeteries, three cemeteries, and three stand-alone funeral homes to PLC's portfolio. 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.

Consolidated Statement of Financial Position

Current Assets & Liabilities

Current assets were $75,901,603 at September 30, 2019 compared to $62,920,267 at December 31, 2018. The increase was primarily due to recent acquisitions and increase in cash.

Current liabilities were $32,851,908 at September 30, 2019 compared to $22,100,126 at December 31, 2018. The increase was primarily due to recent acquisitions.

Net working capital at September 30, 2019 was $43,049,695 compared to $40,820,141 at December 31, 2018. The increase was primarily due to recent acquisitions and increase in cash.

Care and Maintenance Trust Funds

The Company contributes a portion of all lot, crypt and niche sales to the Care and Maintenance Trust Funds in accordance with the regulatory requirements. During the nine month period ended September 30, 2019, the Company contributed $5,573,627 to the trust funds compared to $4,863,104 during the same period in 2018. The Care and Maintenance Trust Fund assets are included in the Consolidated Statement of Financial Position at market value. As of September 30, 2019, the balance of the trust funds was $218,416,844 compared to $195,927,256 as at December 31, 2018. The Care and Maintenance Trust Fund assets are offset by a corresponding liability for Care and Maintenance Trusts' Corpus. The increase in care and maintenance trust fund investments is primarily a result of an appreciation in fair value of capital markets since December 31, 2018, contributions to the trust funds and recent acquisitions.

Pre-Need Merchandise and Service Trust Funds

The Company maintains Pre-Need Merchandise and Service Trust Funds for the deposit of cash received for the purchase of pre-need merchandise and services to be delivered at some future date. When the merchandise is delivered and the services are performed, the Company receives the current market value for the service from the Pre-Need Merchandise and Service Trust Funds. The Pre-Need Merchandise and Service Trust Fund assets are included in the Consolidated Statement of Financial Position at market value. The assets within the trust funds had a market value at September 30, 2019 of $244,057,132 compared to $157,597,312 as at December 31, 2018. The increase is primarily a result of recent acquisitions. The Pre-Need Merchandise and Service Trust Funds are offset by a corresponding liability for Deferred Pre-Need Receipts held in trust.

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. At September 30, 2019, and December 31, 2018, the current face amounts of pre-funded policies were approximately $261 million and $176 million, respectively. The increase in prearranged funeral insurance contracts is primarily due to recent acquisitions. Families who have prearranged with the Company will receive a refund to the extent that the face amount of the policy exceeds the current retail value of the merchandise and services to be provided. The insurance funded contracts are not included in the consolidated financial statements as the Company is not the beneficiary of the policy. Amounts funded through insurance are available to the Company when the funeral services are performed.

Finance Assurances

The Company has entered into arrangements with certain surety companies whereby such companies agree to issue surety bonds on the Company's behalf as financial assurance. When selling pre-need contracts, the Company may purchase surety bonds where allowed by state law. The surety bonds are used to support the Company's pre-need cemetery merchandise sales activities, in lieu of trusting certain amounts of funds received from the customer. The amount of the bond posted is generally determined by the total amount of pre-need contract that would otherwise be required to be trusted, in accordance with state law. The obligations underlying these surety bonds are recorded as deferred revenue. At September 30, 2019, the Company had surety bonds in place having an aggregate face value of approximately $45 million.

Liquidity and Capital Resources

The Company's principal sources of liquidity are cash provided from operations and from the issuance of debt and equity instruments. As previously mentioned, the Company had a net working capital of $43,049,695 as at September 30, 2019.

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 credit facility has a term of five years. The additional credit provides 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 September 30, 2019, the Company had approximately $127.3 million outstanding on the credit facility and had $25.5 million in cash on hand.

In addition, the Company had other debt of $10.9 million comprised of finance lease obligations, mortgages on certain funeral homes and notes payable to former owners supporting non-compete and warranty agreements. Further, the Company had approximately $6.8 million in lease liabilities relating to the adoption of IFRS 16 and new leases entered into in the current period.

The Company has two construction commitments totalling $18.2 million for the construction of a funeral visitation and reception centre and funeral home. The terms of the construction projects are over the next two years, with the majority anticipated to be completed in the fiscal year 2020.

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 from the April 2019 equity offering were used to repay approximately $40 million of outstanding indebtedness under the Company's credit facility and to pay for the acquisition of Ziegenhein Funeral Home and Baue. The acquisition of Horan in July, 2019 was funded with the remaining cash proceeds from the April 2019 equity offering and the Company's credit facility.

From December 2013 to September 2019, the Company has raised approximately $505 million from the issuance of common shares to fund various growth initiatives. The Company may use additional share offerings as a way to fund future growth initiatives if, and when, such opportunities arise.

Discussion of Operating Results, Three Months Ended September 30, 2019

Total revenue for the three month period ended September 30, 2019 was $66,578,738 compared to $43,239,963 in the same three month period in 2018. This represents an increase of $23,338,775 or 54.0%, over the same period in 2018.

Revenue was derived from the following sources:

	September 30, 2019	**September 30, 2018**
Sales	$ 62,322,762	$ 40,017,617
Income from care and maintenance funds	2,663,074	2,087,494
Interest and other income	1,592,902	1,134,852
	$66,578,738	$ 43,239,963

After adjusting for the impact of foreign exchange, revenue growth from comparable business units' quarter over quarter was 3.7%. For acquired companies, comparable growth is calculated as the difference between actual revenue achieved by each company in the financial period following acquisition compared to the revenue achieved in the corresponding financial period preceding the date of acquisition by PLC. Without adjusting for the impact of foreign exchange, revenue growth from comparable business units' quarter over quarter was 4.4%.

The revenue increase from comparable business operations was primarily related to cemetery operations in the U.S. The increase in comparable revenue from cemetery operations quarter over quarter is primarily due to an increase in recognized revenue from pre-need sales production, expansion of cemetery inventory and opening of new cemetery property, and higher revenue from the pre-need and care and maintenance trust funds.

Gross profit margin was 81.2% for the three month period ended September 30, 2019 compared to 79.8% for the same period in 2018. The increase in gross profit margin is due to a combination of gross profit margin improvement from comparable business units due to increased selling prices in certain locations and higher interest and other income, and the acquisition of higher margin businesses in 2019.

Operating expenses for the three month period ended September 30, 2019 were $47,322,502 compared to $28,809,982 in the same three month period in 2018. This represents an increase of $18,512,520 over the same period in 2018, as indicated below:

	September 30, 2019	September 30, 2018
General and administrative	$28,276,402	$15,221,481
Maintenance	8,492,651	7,013,956
Advertising and selling	7,078,072	5,746,001
Amortization of intangibles	895,990	104,416
Interest	1,462,582	624,497
Share based compensation expense	1,116,805	99,631
	$47,322,502	$28,809,982

The overall increase in operating expenses year over year was due primarily to the inclusion of acquired businesses, additional amortization expense for intangible assets relating to recent acquisitions, increased interest expense associated with higher loan balances on the credit facility and additional share based compensation expense as a result of more awards being issued.

In aggregate, after adjusting for the impact of foreign exchange, the Company's general and administrative, advertising and selling, and maintenance expenses for the comparable business units for the quarter ended September 30, 2019 increased by approximately $1,620,000 compared to the same period in 2018.

General and administrative expenses accounted for this increase as additional expenses were incurred to support the Company's current and long term growth initiatives including increased personnel, listing fees and regulatory expenses, investor relations activities, legal and audit fees, trust fund management, etc. This increase was offset by a decrease in advertising and selling from comparable operations, which were largely in line with management's expectations and consistent with the prior year.

Amortization of intangible assets increased by $791,574 quarter over quarter. As previously discussed, the increase in intangible assets relate primarily to non-compete agreements on recent transactions.

Interest expense was higher in the third quarter of 2019 by $838,085 primarily as the Company has utilized its credit facility to fund its recent acquisitions. Amortization of deferred finance costs associated with establishing the facility and standby fees were also higher this quarter.

The Company's EIP was established in the second quarter of 2016, as a means of compensating directors and designated employees of the Company and subsidiaries, and of promoting share ownership and alignment with shareholders' interests. The EIP provides for the grant of DSUs, RSUs, PSUs and Options. As previously mentioned, the plan was amended in May of 2019. Compensation expense associated with these units for the three month period ended September 30, 2019 was $1,116,805 compared to $99,631 for the same period in 2018. The increase this quarter is largely related to the issuance of Performance Options earlier this year.

As a result of the above, earnings from operations for the three month period ended September 30, 2019 totaled $6,721,601 compared to $5,708,435 in 2018. This represents an increase of $1,013,166 or 17.7% year over year.

Other income and expense items which are non-operating in nature for the period, and previously discussed, include acquisition and integration costs. During the three month periods ended September 30, 2019 and 2018, the Company incurred expenses of $4,391,098 and $1,430,744, respectively, which relate to the recent acquisitions and other acquisition and integration activity. Acquisition expenses will vary from period to period depending on the size and level of acquisition activity.

Income tax expense for the three month period ended September 30, 2019 was $697,624 compared to $800,189 for the same period in 2018. The increase is primarily the result of an increase in taxable income for the three month period ended September 30, 2019 compared to the same period in 2018. The effective tax rate in 2019 was 29.9% which is higher than the Company's statutory tax rates as a result of certain operating expenses such as share based compensation that are not deductible expenses for tax purposes, compared to 19.2% for the same period in 2018.

As a result of the above, the Company's after-tax earnings from operations for the three month period ended September 30, 2019 totaled $1,632,879 compared to $3,372,546 for the same period in 2018.

Earnings Per Share

The weighted average diluted number of common shares outstanding for the three month period ended September 30, 2019 increased to 29,775,481 compared to 23,253,603 for the same period in 2018, an increase of 6,521,878 or 28.0%. The increase in outstanding shares relates primarily to the April 2019 and May 2018 equity offerings.

Fully diluted earnings per common share attributable to PLC shareholders for the three month period ended September 30, 2019 was $0.053 compared to $0.141 for the same period in 2018.

Adjusted Net Earnings Per Share

The 2019 and 2018 net earnings, as stated, have been significantly impacted by certain one-time, non-recurring or non-cash revenue and expense items that management believes should be highlighted to better reflect the Company's operating performance for the period under review. The table below summarizes the impact of these items for the three month period ended September 30, 2019 compared to 2018:

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018
Net earnings, PLC shareholders	$ 1,579,106	$ 3,272,770
Adjusted for the impact of:		
Acquisition and integration costs	4,391,098	1,430,744
Share based compensation	1,116,805	99,631
Amortization of intangible assets	895,990	104,416
Other income (expenses)	-	104,956
Tax effect on the above items	(1,401,079)	(424,276)
Adjusted Net Earnings, PLC shareholders	$ 6,581,920	$ 4,588,241
Adjusted EBITDA, PLC shareholders (see Unaudited Quarterly Information)	$ 15,106,997	$ 9,297,070
Per share amounts attributable to PLC shareholders		
Adjusted Net Earnings - diluted	$ 0.221	$ 0.197
Adjusted EBITDA - diluted (see Unaudited Quarterly Information)	$ 0.507	$ 0.400
Weighted average shares outstanding - diluted	29,775,481	23,253,603

Adjusted Net Earnings and Adjusted EBITDA are non-IFRS measures. See "Description of Non-IFRS Measures".

As indicated in the chart above, Adjusted Net Earnings to PLC shareholders for the period ended September 30, 2019 increased to $6,581,920 from $4,588,241 in 2018 during the same period. This represents an increase of 43.5% year over year. The fully diluted Adjusted Net Earnings per share for the three month period ended September 30, 2019 was $0.221 compared to $0.197 for the same period in 2018, a year over year increase of approximately $0.024 or 12.2%.

The Company continued to generate positive growth in its Adjusted Earnings per share this quarter despite the short term dilutive effect associated with the additional shares issued during the quarter relating to the recent financing. Management will continue to deploy this capital on important organic growth initiatives and accretive acquisitions, and it continues efforts to integrate the Company's operating businesses in order to achieve operating efficiencies and synergies that it believes will contribute to further growth in the Company's Adjusted Earnings per share.

Adjusted EBITDA Per Share

Adjusted EBITDA attributable to PLC shareholders for the three month period ended September 30, 2019 was $15,106,997 compared to $9,297,070, an increase of $5,809,927 or 62.5% over 2018. The fully diluted Adjusted EBITDA per share for the three month period ended September 30, 2019 was $0.507 compared to $0.400 for the same period in 2018, a year over year increase of $0.107 or 26.8%.

Again, the Adjusted EBITDA per share shows high double digit growth this year compared to the same period in 2018 despite the additional shares issued. Management expects continued growth in the Adjusted EBITDA per share as capital is deployed in the coming periods.

Adjusted Cash Flow

The Company uses Adjusted Cash Flow as a measure of, among other things, the sustainability of its dividend. The table below summarizes the calculation of Adjusted Cash Flow from its operations for the three month period ended September 30, 2019 and 2018 compared to its dividend payout:

	Three Months Ended September 30, 2019	2018
Earnings before income taxes	$ 2,330,503	$ 4,172,735
Adjusted for:		
Amortization of cemetery property	2,054,922	1,416,176
Depreciation and amortization	3,884,364	1,625,566
Cash income taxes payable	(250,000)	(305,000)
Share based compensation	975,678	94,530
Change in fair value of contingent earn-out payments	-	39,075
Adjusted cash flow from operations	8,995,467	7,043,082
Less non controlling interest amounts:		
Net earnings	53,773	99,776
Depreciation and amortization	53,349	31,951
Adjusted cash flow, equity holders of PLC	$8,888,346	$6,911,356
Adjusted cash flow per common share-diluted	$0.299	$0.297
Dividends per common share	$0.114	$0.114
Payout ratio	38%	38%

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

As calculated above, the Company's Adjusted Cash Flow from operations was $8,888,346 for the three month period ended September 30, 2019 compared to $6,911,356 for the same period in 2018. This represents Adjusted Cash Flow per fully diluted common share of $0.299 and $0.297 for the three month period ended September 30, 2019 and 2018, respectively.

The Company paid dividends of $0.114 per common share for the periods ended September 30, 2019 and 2018. The dividends paid represent 38% and 38% of the Adjusted Cash Flow per common share for the periods ended September 30, 2019 and 2018, respectively.

Discussion of Operating Results, Nine Months Ended September 30, 2019

Total revenue for the nine month period ended September 30, 2019 was $175,302,642 compared to $110,795,643 in the same nine month period in 2018. This represents an increase of $65,506,999 or 58.2%, over the same period in 2018.

Revenue was derived from the following sources:

	September 30, 2019	September 30, 2018
Sales	$ 162,713,018	$ 101,516,073
Income from care and maintenance funds	7,968,421	6,158,792
Interest and other income	4,621,203	3,120,778
	$175,302,642	$ 110,795,643

After adjusting for the impact of foreign exchange, revenue growth from comparable business units' year over year was 3.1%. For acquired companies, comparable growth is calculated as the difference between actual revenue achieved by each company in the financial period following acquisition compared to the revenue achieved in the corresponding financial period preceding the date of acquisition by PLC. Without adjusting for the impact of foreign exchange, revenue growth from comparable business units was 4.9%.

The revenue increase from comparable business operations was primarily related to cemetery operations in the U.S. The increase in comparable revenue from cemetery operations year over year is primarily due to an increase in recognized revenue from pre-need sales production, expansion of cemetery inventory and opening of new cemetery property, and higher revenue from the pre-need and care and maintenance trust funds.

Gross profit margin was 81.1% for the nine month period ended September 30, 2019 compared to 79.3% for the same period in 2018. The increase in gross profit margin is due to a combination of gross profit margin improvement from comparable business units due to increased selling prices in certain locations and higher interest and other income, and the acquisition of higher margin businesses in 2019.

Operating expenses for the nine month period ended September 30, 2019 were $123,253,589 compared to $74,519,624 in the same nine month period in 2018. This represents an increase of $48,733,965 over the same period in 2018, as indicated below:

	September 30, 2019	**September 30, 2018**
General and administrative	$69,910,132	$36,708,260
Maintenance	23,356,571	19,123,172
Advertising and selling	21,263,155	16,473,525
Amortization of intangibles	1,931,762	191,194
Interest	4,114,678	1,427,491
Share based compensation expense	2,677,291	595,982
	$123,253,589	$74,519,624

The overall increase in operating expenses year over year was due primarily to the inclusion of acquired businesses, additional amortization expense for intangible assets relating to recent acquisitions, increased interest expense associated with higher loan balances on the credit facility and additional share based compensation expense as a result of more awards being issued.

In aggregate, after adjusting for the impact of foreign exchange, the Company's general and administrative, advertising and selling, and maintenance expenses for the comparable business units for the nine month period ended September 30, 2019 increased by approximately $3,120,000 compared to the same period in 2018.

General and administrative expenses accounted for this increase as additional expenses were incurred to support the Company's current and long term growth initiatives such as personnel, listing fees and regulatory expenses, investor relations activities, legal and audit fees, trust fund management, etc. This increase was offset by a decrease in advertising and selling expenses from comparable operations, which were largely in line with management's expectations and consistent with the prior year.

Amortization of intangible assets increased by $1,740,568 for the nine month period ended September 30, 2019. As previously discussed, the increase in intangible assets relates primarily to non-compete agreements on recent transactions.

Interest expense for the nine month period ended September 30, 2019 was higher by $2,687,187 compared to the same period in 2018, primarily as the Company has utilized its credit facility to fund its recent acquisitions. Amortization of deferred finance costs associated with establishing the facility and standby fees were also higher.

As previously stated, the EIP provides for the grant of DSUs, RSUs, PSUs and Options. Compensation expense associated with these units for the nine month period ended September 30, 2019 was $2,677,291 compared to $595,982 for the same period in 2018.

As a result of the above, earnings from operations for the nine month period ended September 30, 2019 totaled $18,850,632 compared to $13,383,231 in 2018. This represents an increase of $5,467,401 or 40.9% year over year.

Other income and expense items which are non-operating in nature for the period, and previously discussed, include acquisition and integration costs. During the nine month periods ended September 30, 2019 and 2018, the Company incurred expenses of $9,649,190 and $7,795,981, respectively, which relate to the recent acquisitions and other acquisition and integration activity. Acquisition expenses will vary from period to period depending on the size and level of acquisition activity.

Income tax expense for the nine month period ended September 30, 2019 was $2,515,149 compared to $629,443 for the same period in 2018. The increase is primarily the result of an increase in taxable income for the nine month period ended September 30, 2019 compared to the same period in 2018. The effective tax rate in 2019 was 27.5% which is higher than the Company's statutory tax rates as a result of certain operating expenses that are not deductible expenses for tax purposes compared to 11.6% for the same period in 2018.

As a result of the above, the Company's after-tax earnings from operations for the nine month period ended September 30, 2019 totaled $6,617,389 compared to $4,781,216 for the same period in 2018.

Earnings Per Share

The weighted average diluted number of common shares outstanding for the nine month period ended September 30, 2019 increased to 27,591,164 compared to 19,723,473 for the same period in 2018, an increase of 7,867,691 or 39.9%. The increase in outstanding shares relates primarily to the April 2019 and May 2018 equity offering.

Fully diluted earnings per common share attributable to PLC shareholders for the nine month period ended September 30, 2019 increased to $0.231 compared to $0.229 for the same period in 2018.

Adjusted Net Earnings Per Share

The 2019 and 2018 net earnings, as stated, have been significantly impacted by certain one-time, non-recurring or non-cash revenue and expense items that management believes should be highlighted to better reflect the Company's operating performance for the period under review. The table below summarizes the impact of these items for the nine month period ended September 30, 2019 compared to 2018:

	Nine Months Ended September 30, 2019	2018
Net earnings, PLC shareholders	$ 6,363,135	$ 4,509,899
Adjusted for the impact of:		
Acquisition and integration costs	9,649,190	7,795,981
Share based compensation	2,677,291	595,982
Amortization of intangible assets	1,931,762	191,194
Other income (expenses)	68,904	176,591
Tax effect on the above items	(3,107,444)	(2,134,059)
Adjusted Net Earnings, PLC shareholders	$ 17,582,838	$ 11,135,588
Adjusted EBITDA, PLC shareholders (see Unaudited Quarterly Information)	$ 39,857,246	$ 23,421,627
Per share amounts attributable to PLC shareholders		
Adjusted Net Earnings - diluted	$ 0.637	$ 0.565
Adjusted EBITDA - diluted (see Unaudited Quarterly Information)	$ 1.445	$ 1.188
Weighted average shares outstanding - diluted	27,591,164	19,723,473

Adjusted Net Earnings and Adjusted EBITDA are non-IFRS measures. See "Description of Non-IFRS Measures".

As indicated in the chart above, Adjusted Net Earnings to PLC shareholders for the nine month period ended September 30, 2019 increased to $17,582,838 from $11,135,588 in 2018 during the same period. This represents an increase of 57.9% year over year. The fully diluted Adjusted Net Earnings per share for the nine month period ended September 30, 2019 was $0.637 compared to $0.565 for the same period in 2018, a year over year increase of $0.072 or 12.7%.

The Company continued to deliver double digit growth in its Adjusted Earnings per share despite the short term dilution associated with issuing additional shares in April 2019. Management continues to deploy available capital on important organic growth initiatives and accretive acquisitions, and it continues efforts to integrate the Company's operating businesses in order to achieve operating efficiencies and synergies that it believes will contribute to further growth in the Company's Adjusted Earnings per share.

Adjusted EBITDA Per Share

Adjusted EBITDA attributable to PLC shareholders for the nine month period ended September 30, 2019 was $39,857,246 compared to $23,421,627, an increase of $16,435,619 or 70.2% over 2018. The fully diluted Adjusted EBITDA per share for the nine month period ended September 30, 2019 was $1.445 compared to $1.188 for the same period in 2018, a year over year increase of $0.257 or 21.6%.

Again, the Adjusted EBITDA per share shows double digit improvement this year compared to the same period in 2018, and management believes the Adjusted EBITDA per share will continue to grow as it deploys available capital.

Adjusted Cash Flow

The Company uses Adjusted Cash Flow as a measure of, among other things, the sustainability of its dividend. The table below summarizes the calculation of Adjusted Cash Flow from its operations for the nine month period ended September 30, 2019 and 2018 compared to its dividend payout:

	Nine Months Ended September 30,	
	2019	**2018**
Earnings before income taxes	$ 9,132,538	$ 5,410,659
Adjusted for:		
Amortization of cemetery property	5,154,878	4,653,044
Depreciation and amortization	9,580,119	3,830,153
Cash income taxes payable	(610,000)	(1,150,000)
Share based compensation	2,381,749	589,020
Change in fair value of contingent earn-out payments	-	110,710
Adjusted cash flow from operations	25,639,284	13,443,586
Less non controlling interest amounts:		
Net earnings	254,254	271,317
Depreciation and amortization	171,785	91,682
Adjusted cash flow, equity holders of PLC	$25,213,245	$13,080,588
Adjusted cash flow per common share-diluted	$0.914	$0.663
Dividends per common share	$0.342	$0.342
Payout ratio	37%	52%

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

As calculated above, the Company's Adjusted Cash Flow from operations was $25,213,245 for the nine month period ended September 30, 2019 compared to $13,080,588 for the same period in 2018. This represents Adjusted Cash Flow per fully diluted common share of $0.914 and $0.663 for the nine month period ended September 30, 2019 and 2018, respectively.

The Company paid dividends of $0.342 per common share for the nine month periods ended September 30, 2019 and 2018. The dividends paid represent 37% and 52% of the Adjusted Cash Flow per common share for the nine month periods ended September 30, 2019 and 2018, respectively.

Unaudited Quarterly Information

	2019 Q3	2019 Q2	2019 Q1	2018 Q4
Revenue	$66,578,738	$58,570,919	$50,152,985	$50,625,376
Earnings from operations	$6,721,601	$5,854,384	$6,274,647	$6,489,911
Net earnings, PLC shareholders	$1,579,106	$1,458,782	$3,325,247	$2,212,557
Adjusted Net Earnings, PLC shareholders	$6,581,920	$5,658,024	$5,342,894	$5,005,877
Net earnings per share - diluted, PLC shareholders	*$0.053	*$0.049	*$0.141	*$0.095
Adjusted Net Earnings per share - diluted, PLC shareholders	*$0.221	*$0.190	*$0.226	*$0.214
Earnings from operations (per above)	6,721,601	5,854,384	6,274,647	6,489,911
Interest expense	1,462,582	1,376,255	1,275,841	969,643
Depreciation and amortization	3,884,364	3,272,249	2,423,506	1,843,704
Amortization of cemetery property	2,054,922	1,790,868	1,309,088	1,573,661
Share based compensation	1,116,805	933,333	627,153	589,679
Adjusted EBITDA, non-controlling interest	(133,277)	(213,237)	(173,838)	(186,099)
Adjusted EBITDA, PLC shareholders	**$15,106,997	**$13,013,852	**$11,736,397	**$11,280,499
Adjusted EBITDA margin	***22.9%	***22.6%	***23.7%	***22.6%
Adjusted EBITDA per share - diluted, PLC shareholders	**$0.507	**$0.438	**$0.497	**$0.482

	2018 Q3	2018 Q2	2018 Q1	2017 Q4
Revenue	$43,239,963	$40,349,440	$27,206,240	$25,929,795
Earnings from operations	$5,708,435	$4,219,015	$3,455,781	$2,984,817
Net earnings (loss), PLC shareholders	$3,272,770	$(435,849)	$1,672,978	$2,257,957
Adjusted Net Earnings, PLC shareholders	$4,588,241	$3,712,472	$2,834,875	$2,831,409
Net earnings (loss) per share - diluted, PLC shareholders	*$0.141	*$(0.021)	*$0.108	*$0.146
Adjusted Net Earnings per share - diluted, PLC shareholders	*$0.197	*$0.182	*$0.183	*$0.183
Earnings from operations (per above)	5,708,435	4,219,015	3,455,781	2,984,817
Interest expense	624,497	553,371	249,623	100,771
Depreciation and amortization	1,625,566	1,399,521	805,066	722,927
Amortization of cemetery property	1,416,176	2,081,037	1,155,831	1,613,629
Share based compensation	99,631	249,106	247,245	322,445
Adjusted EBITDA, non-controlling interest	(177,235)	(180,981)	(110,058)	(156,926)
Adjusted EBITDA, PLC shareholders	**$9,297,070	**$8,321,069	**$5,803,488	**$5,587,663
Adjusted EBITDA margin	***21.9%	***21.1%	***21.7%	***22.2%
Adjusted EBITDA per share - diluted, PLC shareholders	**$0.400	**$0.409	**$0.375	**$0.362

*The sum of the quarterly net earnings attributable to equity holders of PLC per share, basic and diluted, may not equal the period amount due to the rounding and use of weighted average shares outstanding.
**Adjusted EBITDA and Adjusted EBITDA per share have been modified to include amortization of cemetery property in the 2017 quarterly results.
***Adjusted EBITDA margin includes amounts attributable to the non-controlling interest.

Dividends

The Company makes monthly dividend payments to the shareholders of record on the last business day of each month, to be paid on the 15th day following each month end, or, if not a business day, the next business day thereafter. The monthly dividend is $0.038 per share ($0.456 per year). The dividend policy is subject to the discretion of the Company's Board of Directors and may vary depending on, among other things, the Company's earnings, financial requirements and the satisfaction of solvency tests imposed by the *Business Corporations Act* (Ontario) for the declaration of dividends.

For the nine month periods ended September 30, 2019 and September 30, 2018, the Company declared dividends to shareholders totaling $0.342 per share. The Company subsequently paid a dividend of $0.038 for October 2019. The following table sets forth the per share amount of monthly dividends declared and paid by the Company since January 1, 2019.

Month	Dividend Record Date	Payment Date	Per Share
October, 2019	October 31, 2019	November 15, 2019	0.038
September, 2019	September 30, 2019	October 15, 2019	0.038
August, 2019	August 31, 2019	September 16, 2019	0.038
July, 2019	July 31, 2019	August 15, 2019	0.038
June, 2019	June 30, 2019	July 15, 2019	0.038
May, 2019	May 31, 2019	June 14, 2019	0.038
April, 2019	April 30, 2019	May 15, 2019	0.038
March, 2019	March 31, 2019	April 15, 2019	0.038
February, 2019	February 28, 2019	March 15, 2019	0.038
January, 2019	January 31, 2019	February 15, 2019	0.038
Total dividends per share			$ 0.380

Related Party Transactions

The Company's related parties include the following persons and entities: (i) associates, or entities which are controlled or significantly influenced by the Company; (ii) key management personnel, which are comprised of directors and officers by the Company; and (iii) entities controlled by key management personnel. The Company's policies and procedures and nature of its related party transactions have not changed materially from December 31, 2018, as described under "Management Contracts" in the Company's 2018 Annual MD&A.

Disclosure Controls and Procedures

National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filing* ("**NI 52-109**") requires public companies in Canada to submit annual and interim certificates relating to the design and effectiveness of the disclosure controls and procedures that are in use at the company. Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management, including the Chief Executive Officer ("**CEO**") and Chief Financial Officer ("**CFO**"), on a timely basis so that appropriate decisions can be made regarding public disclosure.

Subject to limitations set out below, the Company's management, under the supervision of the CEO and the CFO, has designed and maintained a set of disclosure controls and procedures to ensure that information required to be disclosed by the Company in its annual filing, interim filings or other reports filed or submitted by the Company under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Internal Controls over Financial Reporting

The CEO and the CFO have designed, or caused to be designed under their supervision, internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Management conducted its evaluation based on the framework set forth in the Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on its evaluation under this framework, management concluded that the Company's internal control over financial reporting was effective as of September 30, 2019.

Internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be designed effectively can provide only reasonable assurance with respect to financial reporting and financial statement preparation.

Limitation on Scope of Design

The CEO and CFO have limited the scope of design of disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures of Cress and Baue which were acquired during the second quarter of 2019 and Horan which was acquired during the third quarter of 2019.

This scope limitation is in accordance with section 3.3(1)(b) of NI 52-109, which allows an issuer to limit the design of disclosure controls and procedures and internal control over financial reporting for a business that the issuer acquired not more than 365 days before the last day of the period covered by this MD&A.

The following is a summary of certain financial information related to the recent acquisitions of Cress, Baue, and Horan:

	Cress September 30, 2019	Baue September 30, 2019	Horan September 30, 2019
Revenue	$ 4,508,013	$ 5,628,347	$ 6,656,128
Net earnings	$ 397,825	$ 374,281	$ 1,036,901
Current assets	$ 1,988,872	$ 3,355,268	$ 3,682,579
Non-current assets	$ 14,649,030	$ 59,998,268	$ 62,798,344
Current liabilities	$ 1,168,022	$ 727,643	$ 1,266,235
Non-current liabilities	$ 13,929,313	$ 62,719,076	$ 52,148,222

Changes in Internal Controls over Financial Reporting

There have been no changes in the Company's internal controls over financial reporting during Fiscal 2019 that have affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

New Accounting Policies Adopted in 2019

The Company's accounting policies are as disclosed in Note 2 of PLC's 2018 annual consolidated financial statements. There have been no material changes to PLC's accounting policies from what was disclosed at that time, with the exception of the adoption of IFRS 16 as disclosed in Note 2 in the Company's September 30, 2019 condensed interim consolidated financial statements.

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.

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

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

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

The transition to IFRS 16 on January 1, 2019 for the nine and three month periods ended September 30, 2019, had an impact of increased depreciation of approximately $1,290,000 and $490,000, and interest expense of approximately $250,000 and $90,000, offset by the removal of lease payments of approximately $1,310,000 and $500,000 in operating expenses for a net increase of approximately $230,000 and $80,000 in operating expenses and a corresponding decrease in Net earnings for the nine and three month period, respectively. Adjusted EBITDA increased by approximately $1,310,000 and $500,000 as a result of the decrease in lease payments for the nine and three month periods ending September 30, 2019.

Shares Outstanding

The authorized capital of the Company consists of an unlimited number of common shares. As at September 30, 2019, there were 29,323,110 common shares issued and outstanding, representing an increase of 6,187,795 common shares issued and outstanding since December 31, 2018. The increase in the number of common shares is the result of the issuance of shares pursuant to the April 2019 equity offering and the Company's DRIP and EIP. As at November 12, 2019, there were 29,339,649 common shares issued and outstanding. In addition, the Company has 2,000,000 common shares reserved and available for grant and issuance of the EIP. Of these 2,000,000 common shares, 1,945,245 are reserved for the issuance to employees and 54,755 common shares are reserved for issuance to directors. As at September 30, 2019, 258,451 RSUs, 60,929 PSU's, 34,398 DSUs and 1,378,000 Options were outstanding.

Additional Information

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