

The background features a network diagram with nodes and lines, overlaid with stylized leaves in various shades of orange, yellow, and grey. A large, dark blue number '19' is centered on the page.

19

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 <i>(Restated, Measurement Period Adjustment - see Note 6)</i>
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
	<u>75,901,603</u>	<u>62,920,267</u>
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
	<u>1,254,824,345</u>	<u>952,086,621</u>
TOTAL ASSETS	<u>\$ 1,330,725,948</u>	<u>\$ 1,015,006,888</u>
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	-
	<u>32,851,908</u>	<u>22,100,126</u>
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
	<u>771,859,648</u>	<u>592,433,552</u>
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
	<u>524,260,370</u>	<u>398,973,442</u>
Non-controlling interest	1,754,022	1,499,768
	<u>526,014,392</u>	<u>400,473,210</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 1,330,725,948</u>	<u>\$ 1,015,006,888</u>

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,		Nine Months Ended September 30,	
	2019	2018	2019	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
	<u>66,578,738</u>	<u>43,239,963</u>	<u>175,302,642</u>	<u>110,795,643</u>
Costs	<u>12,534,635</u>	<u>8,721,546</u>	<u>33,198,421</u>	<u>22,892,788</u>
Gross profit	<u>54,044,103</u>	<u>34,518,417</u>	<u>142,104,221</u>	<u>87,902,855</u>
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
	<u>47,322,502</u>	<u>28,809,982</u>	<u>123,253,589</u>	<u>74,519,624</u>
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)	<u>-</u>	<u>(104,956)</u>	<u>(68,904)</u>	<u>(176,591)</u>
Earnings before income taxes	2,330,503	4,172,735	9,132,538	5,410,659
Income tax expense	<u>697,624</u>	<u>800,189</u>	<u>2,515,149</u>	<u>629,443</u>
Net earnings for the period	<u>\$ 1,632,879</u>	<u>\$ 3,372,546</u>	<u>\$ 6,617,389</u>	<u>\$ 4,781,216</u>
Net earnings attributable to:				
Equity holders of PLC	\$ 1,579,106	\$ 3,272,770	\$ 6,363,135	\$ 4,509,899
Non-controlling interest	<u>53,773</u>	<u>99,776</u>	<u>254,254</u>	<u>271,317</u>
	<u>\$ 1,632,879</u>	<u>\$ 3,372,546</u>	<u>\$ 6,617,389</u>	<u>\$ 4,781,216</u>
Attributable to equity holders of PLC				
Net earnings per share - basic	<u>\$ 0.053</u>	<u>\$ 0.141</u>	<u>\$ 0.232</u>	<u>\$ 0.229</u>
Net earnings per share - diluted	<u>\$ 0.053</u>	<u>\$ 0.141</u>	<u>\$ 0.231</u>	<u>\$ 0.229</u>
Weighted average number of common shares:				
- basic	<u>29,694,199</u>	<u>23,224,365</u>	<u>27,456,602</u>	<u>19,691,995</u>
- diluted	<u>29,775,481</u>	<u>23,253,603</u>	<u>27,591,164</u>	<u>19,723,473</u>

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

PARK LAWN CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE 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	<u>\$ 8,163,234</u>	<u>\$ (2,224,082)</u>	<u>\$ (6,276,746)</u>	<u>\$ 6,906,951</u>

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

PARK LAWN CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE 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	<u>23,118,194</u>	<u>\$ 363,622,643</u>	<u>\$ 1,722,791</u>	<u>\$ 11,253,925</u>	<u>\$ 471,643</u>	<u>\$ 1,373,960</u>	<u>\$ 378,444,962</u>
Balance at January 1, 2019	23,135,315	\$ 363,957,423	\$ 2,297,514	\$ 10,829,808	\$ 21,888,697	\$ 1,499,768	\$ 400,473,210
Dividends declared (Note 18)	-	-	-	(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	<u>29,323,110</u>	<u>\$ 501,515,118</u>	<u>\$ 5,857,638</u>	<u>\$ 7,893,052</u>	<u>\$ 8,994,562</u>	<u>\$ 1,754,022</u>	<u>\$ 526,014,392</u>

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

PARK LAWN CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	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 liabilities	(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.

PARK LAWN CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2019

1. NATURE OF OPERATIONS

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

Certain information and footnote disclosure normally included in the 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.

PARK LAWN CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

c. Functional currency

The unaudited condensed interim consolidated financial statements are presented in Canadian dollars, which is also the parent company's functional currency. Each entity within the consolidated group determines its own functional currency and items included in the consolidated financial statements of each entity are remeasured using the functional currency.

Within each entity, transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at that date. Foreign exchange differences arising on translation are recognized in the consolidated statements of operations. Non-monetary assets and liabilities that are measured at historical cost are translated using the exchange rate at the date of the transaction.

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

d. Earnings per share

Basic earnings per share are computed by dividing net earnings by the weighted average number of common shares outstanding for the period. Diluted earnings per share are calculated using the same method as basic earnings per share adjusted for the weighted average number of common shares outstanding for the period to reflect the dilutive impact, if any, of convertible instruments and equivalents, assuming they were exercised for the number of common shares calculated by applying the treasury stock method.

e. Business combinations

The Company has applied the acquisition method in accounting for business combinations.

The Company measures goodwill as the difference between the fair value of the consideration transferred, including the recognized amount of any non-controlling interest in the acquiree, and the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

PARK LAWN CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

e. Business combinations – continued

Consideration transferred includes the fair value of the assets transferred (including cash), liabilities incurred by the Company on behalf of the acquiree, and equity interests issued by the Company. Consideration transferred also includes the fair value of any contingent consideration.

The contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as a liability is remeasured at subsequent reporting dates in accordance with IFRS 9 – 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.

PARK LAWN CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

f. IFRS 16 – Leases – continued

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

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

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

PARK LAWN CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

f. IFRS 16 – Leases – continued

The lease term determined by the Company comprises:

- i) non-cancellable period of lease contracts;
- ii) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; 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)
	<u>\$ 6,321,135</u>

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

PARK LAWN CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2019

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.

PARK LAWN CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2019

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	<u>\$ 87,047,331</u>	<u>\$ 84,121,630</u>

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).

PARK LAWN CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2019

5. INVENTORIES

	September 30, 2019	December 31, 2018 <i>(Restated, Measurement Period Adjustment - see Note 6)</i>
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	<u>\$ 78,460,986</u>	<u>\$ 75,341,139</u>

There were no inventory write-downs in either period.

PARK LAWN CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2019

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	<u>\$ 27,395,326</u>	<u>\$ 121,766,552</u>	<u>\$ 127,598,114</u>	<u>\$ 7,672,578</u>	<u>\$ 284,432,570</u>
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
	<u>432,445</u>	<u>61,294,276</u>	<u>51,484,318</u>	<u>-</u>	<u>113,211,039</u>
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
	<u>26,962,881</u>	<u>60,472,276</u>	<u>76,113,796</u>	<u>7,672,578</u>	<u>171,221,531</u>
Total liabilities and considerations	<u>\$ 27,395,326</u>	<u>\$ 121,766,552</u>	<u>\$ 127,598,114</u>	<u>\$ 7,672,578</u>	<u>\$ 284,432,570</u>

PARK LAWN CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2019

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.

PARK LAWN CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2019

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		December 31, 2018	
	<i>As previously stated</i>	<i>Adjustments</i>	<i>As restated</i>	
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	<u>\$ 387,059,992</u>	<u>\$ -</u>	<u>\$ 387,059,992</u>	

PARK LAWN CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2019

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 liabilities and considerations	\$ 146,282,749	\$ 245,850,319	\$ 77,789,540	\$ 22,035,501	\$ 491,958,109

PARK LAWN CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2019

6. BUSINESS COMBINATION – continued

Acquisitions completed in fiscal 2018 – continued

(i) *CMS*

On March 7, 2018, the Company completed the acquisition of 100% ownership interest in the common shares of CMS Mid-Atlantic, Inc. (“CMS”) for a purchase price of approximately \$65 million (US\$50 million). The purchase price was funded from PLC’s credit facility. CMS currently operates, manages and provides financial services for 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.

PARK LAWN CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2019

6. BUSINESS COMBINATION – continued

Acquisitions completed in fiscal 2018 – continued

(iv) *Other acquisitions*

During 2018, the Company also completed the following acquisitions: Billingsley Funeral Home (“Billingsley”), Opatovsky Funeral Home (“Opatovsky”), Hansons Arbor Funeral Chapels & Crematorium (“Hansons”), Wayne Boze Funeral Home and Gateway Memorial Park (“Wayne Boze”), and Wells Funeral Homes and Cremation Services (“Wells”). 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

PARK LAWN CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2019

8. PROPERTY AND EQUIPMENT – continued

						December 31, 2018
	January 1, 2018	Acquired in business combinations	Additions	Disposals	Foreign currency translation	(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).

PARK LAWN CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2019

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
	<u>\$ 218,416,844</u>	<u>\$ 195,927,256</u>	<u>\$ 205,995,749</u>	<u>\$ 196,169,776</u>

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.

PARK LAWN CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2019

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
	<u>\$ 244,057,132</u>	<u>\$ 157,597,312</u>	<u>\$ 232,756,996</u>	<u>\$ 156,629,163</u>

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

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.

PARK LAWN CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2019

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 <i>(Restated, Measurement Period Adjustment - see Note 6)</i>
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
	<u>\$ 397,010,472</u>	<u>\$ 273,359,984</u>
Closing balance:	<u>\$ 397,010,472</u>	<u>\$ 273,359,984</u>
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
	<u>\$ 8,096,316</u>	<u>\$ 7,000,881</u>
Closing balance:	<u>\$ 8,096,316</u>	<u>\$ 7,000,881</u>
Goodwill and Intangibles		
	<u>\$ 405,106,788</u>	<u>\$ 280,360,865</u>

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.

PARK LAWN CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2019

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	<u>\$ 127,291,458</u>	<u>\$ 91,045,776</u>

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.

PARK LAWN CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2019

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	<u>\$ 7,875,299</u>	<u>\$ 4,277,811</u>

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	<u>(1,053,269)</u>
Present value of minimum lease payments	6,807,767
Current portion	1,428,726
Non-current portion	<u>\$ 5,379,041</u>

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.

PARK LAWN CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2019

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 <i>(Restated, Measurement Period Adjustment - see Note 6)</i>
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	<u>\$ 164,084,099</u>	<u>\$ 138,614,401</u>

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.

PARK LAWN CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2019

19. SHARE CAPITAL

Authorized

Common shares

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

Shares issued and outstanding

	Number of Common Shares	Amount
Balance December 31, 2017	15,346,732	\$ 179,775,963
Shares issued pursuant to:		
Dividend reinvestment plan (i)	43,333	992,914
Prospectus financing, net of costs (ii)	7,745,250	183,188,546
Balance December 31, 2018	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).

PARK LAWN CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2019

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.

PARK LAWN CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2019

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	2018	Nine Months Ended September 30, 2019	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.

PARK LAWN CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2019

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

		Level 1	Level 2	Level 3	
		Quoted market	Valuation	Valuation	
	Cost	price	technique -	technique - non-	Total fair value
			observable market	observable market	
			inputs	inputs	
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
	<u>\$ 205,995,749</u>	<u>\$ 136,180,338</u>	<u>\$ 50,255,925</u>	<u>\$ 31,980,581</u>	<u>\$ 218,416,844</u>

Care and maintenance trust fund investments at December 31, 2018

		Level 1	Level 2	Level 3	
		Quoted market	Valuation	Valuation	
	Cost	price	technique -	technique - non-	Total fair value
			observable market	observable market	
			inputs	inputs	
Cash and cash equivalents	\$ 8,347,173	\$ 8,378,916	\$ -	\$ -	\$ 8,378,916
Equities	87,964,536	88,941,462	-	233,049	89,174,511
Fixed income	74,154,689	16,672,475	43,062,095	12,966,211	72,700,781
Alternative investments	13,415,042	-	-	14,043,962	14,043,962
Preferred stocks	12,288,336	11,629,086	-	-	11,629,086
	<u>\$ 196,169,776</u>	<u>\$ 125,621,939</u>	<u>\$ 43,062,095</u>	<u>\$ 27,243,222</u>	<u>\$ 195,927,256</u>

Pre-need merchandise and service trust fund investments at September 30, 2019

		Level 1	Level 2	Level 3	
		Quoted market	Valuation	Valuation	
	Cost	price	technique -	technique - non-	Total fair value
			observable market	observable market	
			inputs	inputs	
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
	<u>\$ 232,756,996</u>	<u>\$ 196,874,470</u>	<u>\$ 9,766,833</u>	<u>\$ 37,415,829</u>	<u>\$ 244,057,132</u>

PARK LAWN CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2019

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

		Level 1	Level 2	Level 3	
		Quoted market	Valuation	Valuation	
	Cost	price	technique -	technique - non-	Total fair value
			observable market	observable market	
			inputs	inputs	
Cash and cash equivalents	\$ 12,498,274	\$ 12,509,568	\$ -	\$ -	\$ 12,509,568
GIC's	31,783,609	31,783,609	-	-	31,783,609
Equities	46,317,623	47,915,566	-	-	47,915,566
Fixed income	49,856,323	39,226,898	9,988,337	-	49,215,235
Alternative investments	16,173,334	-	-	16,173,334	16,173,334
	<u>\$ 156,629,163</u>	<u>\$ 131,435,641</u>	<u>\$ 9,988,337</u>	<u>\$ 16,173,334</u>	<u>\$ 157,597,312</u>

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.

PARK LAWN CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2019

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	<u>\$ 1,254,824,345</u>	<u>\$ 952,086,621</u>

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, 2019	2018	Nine Months Ended September 30, 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	<u>62,322,762</u>	<u>40,017,617</u>	<u>162,713,018</u>	<u>101,516,073</u>
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	<u>2,663,074</u>	<u>2,087,494</u>	<u>7,968,421</u>	<u>6,158,792</u>
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	<u>1,592,902</u>	<u>1,134,852</u>	<u>4,621,203</u>	<u>3,120,778</u>
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	<u>\$ 66,578,738</u>	<u>\$ 43,239,963</u>	<u>\$ 175,302,642</u>	<u>\$ 110,795,643</u>

PARK LAWN CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2019

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.