Consolidated Financial Statements

for the Years Ended December 31, 2018 and 2017.

2018

PARK LAWN
CORPORATION

Independent Auditor's Report

To the Shareholders of Park Lawn Corporation:

Opinion

We have audited the consolidated financial statements of Park Lawn Corporation and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and December 31, 2017, and the consolidated statements of earnings, comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our

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opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Patrycja Anna Kajda.

MNP LLP

Mississauga, Ontario — Chartered Professional Accountants

March 26, 2019 — Licensed Public Accountants

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PARK LAWN CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	December 31, 2018	December 31, 2017
Assets		
Current assets		
Cash	$ 14,149,092	$ 12,736,498
Accounts receivable	8,976,690	4,932,227
Pre-need receivables, current portion (Note 4)	26,204,444	13,480,868
Inventories, current portion (Note 5)	9,988,909	4,810,926
Prepaid expenses and other current assets	3,601,132	1,155,131
	62,920,267	37,115,650
Non-current assets		
Pre-need receivables, net of current portion (Note 4)	57,917,186	36,027,923
Inventories, net of current portion (Note 5)	71,102,414	35,701,660
Land held for development (Note 7)	28,023,925	7,433,352
Property and equipment (Note 8)	125,203,549	42,959,232
Care and maintenance trust fund investments (Note 9)	195,927,256	110,007,638
Pre-need merchandise and service trust fund investments (Note 10)	157,597,312	96,018,172
Deferred tax assets (Note 27)	4,113,646	2,982,205
Employee share loan plan (Note 28)	3,063,666	3,169,899
Goodwill and intangibles (Note 6 and 12)	281,833,941	85,962,618
Deferred financing costs (Note 15)	-	724,260
Deferred commissions (Note 2)	24,663,902	-
Other assets (Note 13)	7,793,162	978,643
	957,239,959	421,965,602
TOTAL ASSETS	$ 1,020,160,226	$ 459,081,252
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 14)	$ 20,495,554	$ 10,177,423
Dividends payable	879,142	583,176
Current portion of long term debt (Note 15)	298,826	553,807
Current portion of notes payable (Note 16)	426,604	832,382
	22,100,126	12,146,788
Non-current liabilities		
Long-term debt, net of current portion (Note 15)	91,045,776	2,674,940
Notes payable, net of current portion (Note 16)	4,277,811	334,679
Deferred revenue (Note 17)	143,767,739	54,786,871
Deferred tax liabilities (Note 27)	4,970,996	-
Contingent payment (Note 18)	-	1,061,949
Care and maintenance trusts' corpus (Note 9)	195,927,256	110,007,638
Deferred pre-need receipts held in trust (Note 10)	157,597,312	96,018,172
	597,586,890	264,884,249
Shareholders' Equity		
Share capital (Note 20)	363,957,423	179,775,963
Contributed surplus	2,297,514	1,133,771
Accumulated other comprehensive income (loss)	21,888,697	(1,654,092)
Retained earnings	10,829,808	1,691,930
	398,973,442	180,947,572
Non-controlling interest	1,499,768	1,102,643
	400,473,210	182,050,215
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 1,020,160,226	$ 459,081,252

Commitments and Contingencies (Note 30)

Approved by the Board of Directors

"*Andrew Clark*"
Andrew Clark - CEO, Director

"*Joseph Leeder*"
Joseph Leeder - CFO, Director

The accompanying notes are an integral part of these consolidated financial statements.

PARK LAWN CORPORATION
CONSOLIDATED STATEMENTS OF EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Revenue		
Sales	$ 148,143,419	$ 79,246,523
Income from care and maintenance funds (Note 9)	8,769,883	6,026,868
Interest and other income	4,507,717	2,016,406
	161,421,019	87,289,797
Costs	33,426,046	20,408,336
Gross profit	127,994,973	66,881,461
Operating expenses		
General and administrative (Note 22)	55,150,563	25,313,541
Maintenance (Note 22)	26,023,728	17,440,028
Advertising and selling (Note 22)	23,364,745	13,554,017
Interest expense (Note 23)	2,397,134	384,026
Share based incentive compensation (Note 24)	1,185,661	878,321
	108,121,831	57,569,933
Earnings from operations	19,873,142	9,311,528
Acquisition and integration costs (Note 6)	(10,384,125)	(4,054,265)
Foreign exchange gain (loss) (Note 25)	-	(1,007,500)
Change in fair value of contingent payments (Note 18)	(110,710)	268,965
Other (expenses) income	(92,844)	423,384
Earnings before income taxes	9,285,463	4,942,112
Income tax expense (Note 27)	2,165,882	421,542
Net earnings for the year	$ 7,119,581	$ 4,520,570
Net earnings attributable to:		
Equity holders of PLC	$ 6,722,456	$ 4,196,814
Non-controlling interest	397,125	323,756
	$ 7,119,581	$ 4,520,570
Attributable to equity holders of PLC		
Net earnings per share - basic	$ 0.326	$ 0.315
Net earnings per share - diluted	$ 0.325	$ 0.314
Weighted average number of common shares:		
- basic	20,610,121	13,335,587
- diluted	20,655,472	13,362,840

The accompanying notes are an integral part of these consolidated financial statements.

PARK LAWN CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Net earnings (loss) for the year	$ 7,119,581	$ 4,520,570
Item of other comprehensive income to be subsequently reclassified to net income		
Foreign currency translation of foreign operations	23,542,789	(1,607,367)
Comprehensive income	$ 30,662,370	$ 2,913,203

The accompanying notes are an integral part of these consolidated financial statements.

PARK LAWN CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	# 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, 2017	11,095,770	$ 92,709,116	$ 292,881	$ 3,632,754	$ (46,725)	$ 778,887	$ 97,366,913
Dividends declared (Note 19)	-	-	-	(6,189,817)	-	-	(6,189,817)
Shares issued:							
Dividend reinvestment plan (Note 20)	13,212	231,791	-	-	-	-	231,791
Equity incentive plan (Note 25)	-	-	840,890	-	-	-	840,890
Prospectus financing, net of costs (Note 20)	4,237,750	76,976,730	-	-	-	-	76,976,730
Contingent equity consideration (Note 20)	-	9,858,326	-	-	-	-	9,858,326
Acquisition of non-controlling interest	-	-	-	52,179	-	-	52,179
Other comprehensive loss	-	-	-	-	(1,607,367)	-	(1,607,367)
Net earnings for the year	-	-	-	4,196,814	-	323,756	4,520,570
Balance at December 31, 2017	15,346,732	$ 179,775,963	$ 1,133,771	$ 1,691,930	$ (1,654,092)	$ 1,102,643	$ 182,050,215
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 19)	-	-	-	(9,361,258)	-	-	(9,361,258)
Shares issued:							
Dividend reinvestment plan (Note 20)	43,333	992,914	-	-	-	-	992,914
Equity incentive plan (Note 24)	-	-	1,163,743	-	-	-	1,163,743
Prospectus financing, net of costs (Note 20)	7,745,250	183,188,546	-	-	-	-	183,188,546
Adoption of IFRS15 (Note 2)	-	-	-	11,776,680	-	-	11,776,680
Other comprehensive income	-	-	-	-	23,542,789	-	23,542,789
Net earnings for the year	-	-	-	6,722,456	-	397,125	7,119,581
Balance at December 31, 2018	23,135,315	$ 363,957,423	$ 2,297,514	$ 10,829,808	$ 21,888,697	$ 1,499,768	$ 400,473,210

The accompanying notes are an integral part of these consolidated financial statements.

PARK LAWN CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Cash provided by (used in):		
Operating activities		
Net earnings for the year	$ 7,119,581	$ 4,520,570
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Acquisition and integration costs	10,384,125	4,054,265
Foreign exchange gain/loss relating to acquisitions and other strategic transactions	-	1,007,500
Deferred tax expense	1,394,099	9,160
Depreciation of property and equipment, investment properties and amortization of intangibles	5,673,857	2,560,341
Amortization of cemetery property	6,226,705	4,162,086
Amortization of deferred commissions	3,346,556	-
Amortization of deferred financing costs	161,873	77,958
Share based incentive compensation	1,163,743	840,890
Gain on change in fair value of contingent payments	110,710	(268,965)
Termination of lease contract	-	149,125
Changes in working capital that provided (required) cash:		
Accounts receivable	(568,707)	(2,131,639)
Net receipts on pre-need activity	(4,060,183)	(1,959,806)
Merchandise inventories	(746,550)	(1,007,286)
Prepaid expenses and other current assets	(1,199,575)	(353,524)
Deferred tax asset	-	(1,275,525)
Accounts payable and accrued liabilities	1,836,512	(2,330,391)
Cash provided by (used in) operating activities	30,842,746	8,054,759
Investing activities		
Acquisition and integration costs	(10,384,125)	(4,054,265)
Foreign exchange gain/loss relating to acquisitions and other strategic transactions	-	(1,007,500)
Receivable on sale of discontinued operations	-	60,661
Net cash on acquisitions and other strategic transactions	(257,122,738)	(76,179,735)
Additions to cemetery property	(5,666,260)	(1,578,532)
Acquisition of property and equipment	(8,220,635)	(2,822,532)
Proceeds on disposal of property and equipment	53,483	-
Acquisition of land held for development	(659,511)	(3,464,596)
Employee loan	106,233	129,428
Deferred commissions	(3,835,146)	-
Decrease (increase) in other assets	(6,735,801)	(327,472)
Cash provided by (used in) investing activities	(292,464,500)	(89,244,543)
Financing activities		
Proceeds (repayment) from loan receivable	-	123,600
Proceeds from issuance of long-term debt	90,464,654	54,427
Repayment of long-term debt	(1,901,049)	(530,605)
Proceeds (repayment) of note payable	508,611	(309,767)
Proceeds from financing, net of deferred tax	180,930,773	76,976,730
Dividend reinvestment plan	992,914	231,791
Dividends and distributions paid	(9,361,258)	(6,189,817)
Deferred financing costs	(252,593)	(460,992)
Cash paid for acquisition of non-controlling interest	-	52,179
Cash provided by (used in) financing activities	261,382,052	69,947,546
Translation adjustment on cash	1,652,296	87,064
Net increase (decrease) in cash	1,412,594	(11,155,174)
Cash, beginning of year	12,736,498	23,891,672
Cash, end of year	$ 14,149,092	$ 12,736,498
Supplemental disclosures:		
Income taxes paid	$ 663,810	$ 773,215
Interest expenses paid	$ 2,323,418	$ 298,595

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were approved by the Company's Board of Directors on March 26, 2019.

b. Basis of presentation

The 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.

c. Functional currency

The 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities, including structured entities ("SEs") controlled by the Company. Control exists when the Company is exposed to, or has the rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investment entities

The Company consolidates SEs when it has control over such SEs, irrespective of the size of the equity investment held in a particular SE.

Pre-need merchandise and service trust fund investments represent amounts set aside in both provincially and state legislated trust funds related to pre-need cemetery and funeral contracts. Care and maintenance fund investments represent amounts set aside in trust for provincially and state legislated care and maintenance fund obligations and non-legislated care and maintenance fund investments related to cemetery interment right sales. These trust funds are SEs as defined in IFRS 12, "Disclosure of interests in other entities." The Company assesses control over these entities in accordance with IFRS 10, "Consolidated financial statements." In accordance with this guidance, the Company has determined that the Company is the primary beneficiary of these trusts, as the Company is exposed to the majority of variable losses and returns associated with these trusts and has the ability to affect those returns through its power over the trusts. The Company directs the investment policies of these trust funds to obtain the majority of the benefits of the activities of these trusts.

The pre-need merchandise and service trust funds are recorded at fair value. Any unrealized net gain or loss resulting from changes in the fair value of the legislated trust funds, as well as accumulated and undistributed income and realized gains and losses, are recorded to deferred pre-need receipts held in trust and recognized as sales revenue when merchandise and services on the underlying pre-need cemetery or funeral contracts are delivered or performed, respectively. The Company is entitled to retain, in certain jurisdictions, the interest and dividends earned within the trusts as earned; these amounts are also recognized in revenue.

The care and maintenance fund investments are recorded at fair value. Any unrealized net gain or loss resulting from changes in the fair value of the cemetery care and maintenance fund investments is recorded to the care trusts' corpus. Investment income related to the care and maintenance funds, net of amounts capitalized to the care and maintenance trusts' corpus pursuant to provincial and state legislation, is recognized by the Company in investment and other income as earned by the funds and withdrawn by the Company as earned. The income is used to defray cemetery maintenance costs, which are expensed as incurred.

Transactions eliminated on consolidation

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

e. 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.

f. Revenue recognition

The Company adopted IFRS 15, "Revenue from contracts with customers" on January 1, 2018, using the modified retrospective method, with recognition of transitional adjustments in opening retained earnings on the date of initial application, without restatement of comparative figures. The impact of this standard is summarized in Note 2v.

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

The Company's performance obligations include the delivery of cemetery property interment rights and cemetery and funeral services and merchandise.

Cemetery property interment rights

For cemetery property interment rights performance obligations, control transfers to the customer when the property is developed and the interment right has been sold and can no longer be marketed or sold to another customer. In jurisdictions that allow contracts for the sale of pre-need cemetery interment rights to be cancelled by the customer prior to burial, cancellation estimates have been provided for, based on historical experience and current trends.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

f. Revenue recognition - continued

Cemetery services

Cemetery services consist primarily of opening and closing fees and merchandise installation fees. For cemetery service performance obligations, control transfers to the customer when the service is complete. Sales of cemetery services are recognized as revenue at the date of the performance of the service.

Merchandise sales

Merchandise sales for the cemetery business consist primarily of outer burial containers, memorial markers and other ancillary merchandise. Merchandise sales for the funeral business consist primarily of burial caskets, urns, outer burial containers and other ancillary funeral and cremation merchandise. For the merchandise sale performance obligations, control transfers when merchandise is delivered.

For at-need contracts, the Company generally delivers the merchandise and performs the services at the time of need. Personalized marker merchandise and marker installation services sold on at-need contracts are recognized when control is transferred to the customer, generally when the marker is delivered and installed in the cemetery.

The Company also sells price guaranteed pre-need contracts providing for future merchandise at prices prevailing when the agreements are signed. Revenue associated with sales of pre-need contracts is deferred until control of the merchandise or the services is transferred to the customer, which is upon delivery of the merchandise, generally at the time of need.

On certain pre-need contracts, the Company sells memorialization merchandise that is delivered to the customer at the time of sale. Revenue is recognized at the time of delivery when control of the memorialization merchandise is transferred.

For personalized marker merchandise sold on a pre-need contract, the Company will purchase the merchandise from vendors, personalize merchandise in accordance with the customer's specific written instructions, either store the merchandise or install the merchandise based on the customer's instructions, and transfer title to the customer.

Revenue is recognized and the cost of sales is recorded when control is transferred for the merchandise, which occurs upon delivery or installation of the merchandise at the cemetery.

Funeral services

Funeral services include arranging and directing funeral services, cremations and other ancillary funeral services. For the funeral services performance obligations, control transfers when the service is complete.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

f. Revenue recognition - continued

Funeral services – continued

Sales of funeral services are recognized as revenue at the date of the performance of the service.

Investment income – pre-need services and merchandise

Investment income is recognized at the time it is withdrawn from the pre-need services and merchandise trust fund.

Investment income – care and maintenance funds

A portion of the proceeds from the sale of cemetery property interment rights is required by state or provincial law to be paid by the Company into perpetual care trust funds to maintain the cemetery. Investment earnings from these trusts are distributed regularly and recognized in income from care and maintenance funds. These distributions are intended to defray cemetery maintenance costs incurred for cemetery properties, which are expensed as incurred.

Finance charges

The instalment accounts receivable contracts contain a financing component. Finance charges on the uncollected balance of instalment accounts receivable are recognized in interest and other income over the term of the sales agreement using the effective interest method.

Cost of sales

Costs related to the sale of property interment rights include the property and construction costs specifically identified by project. At the completion of the project, construction costs are charged to expense when the property interment right is delivered. Costs related to cemetery and funeral merchandise and services are recognized when the merchandise or services are delivered.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

f. Revenue recognition - continued

Deferred revenue and commissions

Deferred revenue arises in connection with the sales of pre-need cemetery and funeral merchandise and services.

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

g. Financial instruments

The Company adopted IFRS 9, "Financial instruments, classification and measurement" on January 1, 2018, applying the limited exemption for transition for classification and measurement and impairment, and accordingly has not restated comparative periods in the year of initial application. The impact of this standard is summarized in Note 2u.

Classification

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

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

Amortized cost

This category includes financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the solely principal and interest ("SPPI") criterion. Financial asset classified in this category are measured at amortized cost using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

g. Financial instruments – continued

Fair value through profit or loss

This category includes derivative instruments as well as quoted equity instruments which the Company has not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Financial assets in this category are recorded at fair value with changes recognized in profit or loss.

Financial assets at fair value through other comprehensive income

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

Measurement

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

g. Financial instruments – continued

Impairment

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

For accounts receivable and pre-need receivables, the Company applies the simplified approach as permitted by IFRS 9. The approach that the Company has taken for accounts receivable and pre-need receivables is a provisional matrix whereby lifetime expected credit losses are recognized based on aging characterization and credit worthiness of customers. Specific provisions may be used where there is information that a specific customer's expected credit losses has increased. On transition to the amendments made to the standard, there was not a material change in the amount of provision recognized.

	IFRS 9	
	Classification	**Measurement**
Cash	FVTPL	Fair value
Accounts receivable	Amortized cost	Amortized cost
Pre-need receivables	Amortized cost	Amortized cost
Pre-need merchandise and service trust fund investments	FVTPL	Fair value
Care and maintenance trust fund investments	FVTPL	Fair value
Other assets	FVTLP	Fair value
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Dividends payable	Amortized cost	Amortized cost
Long-term debt	Amortized cost	Amortized cost
Notes payable	Amortized cost	Amortized cost
Deferred pre-need receipts held in trust	FVTPL	Fair value
Care and maintenance trusts' corpus	FVTPL	Fair value
Contingent payments	FVTPL	Fair value

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

h. Accounts receivable

Accounts receivable represent amounts due from customers related to at-need cemetery and funeral contracts and miscellaneous current receivables. For accounts receivable impairment, the Company applies the simplified approach as permitted by IFRS 9.

i. Pre-need receivables

Pre-need receivables represent installment accounts receivable due from customers related to pre-need cemetery and funeral contracts. Installment accounts receivable are recorded at amortized cost at the time a contract is signed, net of a provision for cancellations. In jurisdictions that allow contracts for these accounts to be cancelled, the Company provides a cancellation reserve for cemetery receivables. This allowance is based on an analysis of historical and future expected trends of collection and cancellation activity. For pre-need receivable impairment, the Company applies the simplified approach as permitted by IFRS 9.

Where permitted by provincial or state law, customers may arrange their pre-need funeral contracts by purchasing an insurance policy. The pre-need funeral contracts secured by third party insurance policies are not recorded as assets or liabilities of the Company. See Note 11 to the consolidated financial statements for further information.

j. Inventories

Inventories include unsold merchandise inventories and the unamortized acquisition, construction and development cost of crypts, niches and developed cemetery land. Inventories are carried at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale. Rebates and allowances received from vendors are recognized as a reduction to the cost of inventory unless the rebates clearly relate to the reimbursement of specific expenses.

k. Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. Land is stated at cost less any impairment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

k. Property and equipment – continued

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the declining-balance method after taking into account their estimated residual values. Depreciation begins when the property and equipment become available for use. Depreciation is charged to the consolidated statements of earnings and comprehensive income.

The estimated useful lives, residual values and depreciation method are reviewed at each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The estimated useful lives of property and equipment of the Company as estimated by the management are as follows:

	Annual rates
Building, cemetery and funeral	4-5%
Machine, equipment and automotive	10-30%
Cemetery improvements	5-10%
Investment properties	4%

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

Assets held under finance leases are depreciated on a declining-balance basis over their estimated useful life on the same basis as owned assets, or where shorter, over the term of the respective lease.

Gains and losses on disposals are determined by comparing net proceeds with carrying amounts and are included in the consolidated statements of earnings and comprehensive income.

l. Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Where the Company is the lessee under an operating lease, rent payable under an operating lease is charged to the consolidated statements of earnings and comprehensive income on a straight-line basis over the term of the relevant lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

l. Leased assets – continued

Assets under finance leases are recognized as assets of the Company at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability is included in the consolidated statements of financial position as a finance lease obligation. Lease payments are apportioned between finance costs and reduction of the lease obligations so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance costs, as well as depreciation expense on the underlying leased asset, are charged to the consolidated statements of earnings and comprehensive income.

m. Impairment of goodwill, intangibles and other long lived assets

At the end of each reporting period, the Company assesses whether there is an indication that an asset, goodwill or cash-generating unit ("CGU") may be impaired. If any indication exists, the Company estimates the recoverable amount. The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. Where the carrying value of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered to be impaired and is written down to its recoverable amount. Goodwill is tested for impairment annually regardless of any indications.

Impairment losses are recognized in the consolidated statements of earnings and other comprehensive income in those expense categories consistent with the function of the impaired asset.

The Company evaluates impairment charges of long lived assets for potential reversals when events or circumstances warrant such consideration. Impairment losses related to goodwill cannot be reversed in future periods. An impairment loss recognized in prior years for intangible assets, other than goodwill, is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

n. Intangible assets

Intangible assets, either acquired as a result of a business combination or developed internally, are assets that can be identified, are controlled by the Company and provide future economic benefits to the Company. Intangible assets are recognized at cost, and unless determined to have an indefinite life, are amortized over their expected useful life.

Intangible assets are tested for impairment on an annual basis or more frequently if there are indicators that the assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). If the recoverable amount of the asset is estimated to be less than the carrying amount, the carrying amount is reduced to its recoverable amount.

The Company derecognizes the carrying amount of intangible assets on disposal or when no future economic benefits are expected from its use.

o. Borrowing costs

Borrowing costs, if any, directly attributable to the acquisition or construction of a qualifying asset are capitalized. Qualifying assets are those that necessarily take a substantial period of time to prepare for their intended use. The capitalized borrowing cost is calculated by applying the weighted average borrowing rate, giving consideration first to any project specific borrowings or any directly attributable general borrowings, to the accumulated average costs for the period, until the assets are substantially ready for their intended use. All other borrowing costs are recognized in finance costs in the consolidated statements of earnings and comprehensive income in the period in which they occur.

p. Deferred revenue

Deferred revenue arises in connection with sales of pre-need cemetery and funeral merchandise and services, the recognition of which is deferred until they meet the requirements of the Company's revenue recognition policies. The corresponding investment income earned on legislated trust fund investments is similarly deferred. Contracts for the sale of pre-need cemetery and funeral merchandise and services can be cancelled by the customer prior to delivery. The Company estimates the portion of deferred revenue that will ultimately be cancelled based on historical experience and current trends. Deferred revenue is net of an allowance for cancellations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

q. Care and maintenance trusts' corpus

The Company recognizes liabilities with respect to care and maintenance trusts' corpus that corresponds to the Company's obligation to provide maintenance upkeep of its cemeteries in the future. The Company does not have a legal right to access the principal amount of the legislated care and maintenance fund investments.

r. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statements of earnings and comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the asset and liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted at each reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

r. Taxation – continued

Current and deferred tax are recognized as an expense or income in the consolidated statements of earnings and comprehensive income, except when they relate to items credited or debited directly to equity, in which case the tax is also recognized directly in equity, or where they arise from the initial accounting for a business combination.

s. Share based incentive compensation payments

Deferred share units (a "DSU") and restricted share units (a "RSU") are payments settled for shares or cash, as applicable, which are measured at fair value at the grant date. For DSUs and RSUs, compensation cost is measured at the fair value of the underlying common share, and is expensed over the award's vesting period. Compensation expense is recognized in the consolidated statements of earnings and comprehensive income with a corresponding increase in contributed surplus. At this time, the Board plans to settle DSUs and RSUs for shares and, upon the applicable settlement date, the corresponding amounts previously credited to contributed surplus are transferred to share capital. In addition, the Board plans to credit all DSUs and RSUs with dividend equivalents in the form of additional DSUs and RSUs, as applicable. Dividend equivalents shall vest in proportion to, and settle in the same manner as, the awards to which they relate. DSUs and RSUs that are dilutive as at the reporting date are considered in the calculation of diluted earnings per share.

t. Business combinations

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

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

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

The contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as a liability is remeasured at subsequent reporting dates in accordance with IFRS 9, with the corresponding gain or loss being recognized in the consolidated statements of earnings and comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

t. Business combinations – continued

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, 2018

u. IFRS 9 – Financial instruments, classification and measurement

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

u. IFRS 9 – Financial instruments, classification and measurement-continued

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

	IFRS 9		IAS 39	
	Classification	**Measurement**	**Classification**	**Measurement**
Cash	FVTPL	Fair value	Loans and receivables	Fair Value
Accounts receivable	Amortized cost	Amortized cost	Loans and receivables	Amortized cost
Pre-need receivables	Amortized cost	Amortized cost	Loans and receivables	Amortized cost
Pre-need merchandise and service trust fund investments	FVTPL	Fair value	Available-for-sale	Fair Value
Care and maintenance trust fund investments	FVTPL	Fair value	Available-for-sale	Fair Value
Other assets	FVTPL	Fair value	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost	Other liabilities	Amortized cost
Dividends payable	Amortized cost	Amortized cost	Other liabilities	Amortized cost
Long-term debt	Amortized cost	Amortized cost	Other liabilities	Amortized cost
Notes payable	Amortized cost	Amortized cost	Other liabilities	Amortized cost
Deferred pre-need receipts held in trust	FVTPL	Fair value	Other liabilities	Fair value
Care and maintenance trusts' corpus	FVTPL	Fair value	Other liabilities	Fair value
Contingent payment	FVTPL	Fair value	FVTPL	Fair value

v. IFRS 15 – Revenue from contracts with customers

The Company elected to adopt IFRS 15 using the modified retrospective method, with recognition of transitional adjustments in opening retained earnings on the date of initial application (January 1, 2018), without restatement of comparative figures.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

v. IFRS 15 – Revenue from contracts with customers – continued

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

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

w. Future accounting policy changes

The IASB has issued the following standards, amendments and interpretations which have not been early adopted in these consolidated financial statements.

IFRS 16 – "Leases", effective for annual periods beginning on or after January 1, 2019. The most significant change introduced by IFRS 16 is a single lessee accounting model, bringing leases on-balance sheet for lessees.

The Company has assessed the impact that IFRS 16 will have on its consolidated financial statements, and determined that the impact will result in the addition of right-of-use asset, as well as a corresponding lease liability valued at approximately $6.1 million, which will be reflected on the consolidated statement of financial position as at January 1, 2019.

3. CRITICAL ESTIMATES AND JUDGMENTS

Use of estimates

The preparation of these 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:

3. CRITICAL ESTIMATES AND JUDGMENTS – continued

i) *Goodwill valuation*

The Company determined its cash generating units ("CGUs") for the purpose of goodwill impairment testing as at December 31, 2018. 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 and estimated fair value less cost to sell.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU, using an appropriate valuation model. These calculations are corroborated by calculation multiples or other available fair value indicators. 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. Using a five year (and related terminal value) discounted cash flow model, the Company determines the recoverable amount by calculating the value in use. The model used average annual growth rates of approximately 2% to 3.5% and post-tax discount rates between 9.7% and 11.4%. The Company has determined that the discount rates reasonably reflect the risks associated with the cash flow projections for the CGUs.

ii) *Business combinations*

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) *Allowances*

The sales cancellation allowance and allowance for bad debts is a significant judgement that is based on managements' best estimates. These allowances are based on the analysis of historical trends, future expectations and include, where applicable collection and cancellation activity.

3. CRITICAL ESTIMATES AND JUDGMENTS – continued

iv) Deferred commission asset

The Company defers incremental commission costs paid as a result of obtaining contracts with customers as deferred commission assets and amortizes these costs to selling and advertising expenses as the related deferred revenues are recognized. The deferred commission asset balance includes various estimates, such as estimates of the historical commission paid on certain contracts, estimates of the fulfillment time on certain contracts and estimates of the proportion of commission expense relating to current revenue streams compared to deferred revenue streams.

v) Estimated useful lives and depreciation of property and equipment

Depreciation of property, plant and equipment are dependent upon estimates of useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

4. PRE-NEED RECEIVABLES

	December 31, 2018	December 31, 2017
Pre-need receivables, current portion	$ 26,204,444	$ 13,480,868
Pre-need receivables, net of current portion	57,917,186	36,027,923
Total	$ 84,121,630	$ 49,508,791

The above is net of an allowance for sales returns of $6,772,773 (at December 31, 2017 - $5,684,949). The increase in the pre-need receivables and allowance for sales returns is primarily a result of recent acquisitions.

5. INVENTORIES

	December 31, 2018	December 31, 2017
Merchandise inventories	$ 2,850,452	$ 1,007,286
Cemetery lots	31,293,293	9,638,965
Crypts and niches	42,067,841	29,822,159
Construction in progress	4,879,737	44,176
Total	81,091,323	40,512,586
Current portion	9,988,909	4,810,926
Non-current portion	$ 71,102,414	$ 35,701,660

5. INVENTORIES – continued

The increase in inventories is primarily a result of recent acquisitions.

There were no inventory write-downs in either year. Inventory expensed through cost of sales during the year was as follows:

	December 31, 2018	December 31, 2017
Merchandise	$ 15,248,386	$ 8,359,503
Cemetery lots, crypts and niches (cost of property)	6,226,705	4,162,086
Total	$ 21,475,091	$ 12,521,589

The increase in cost of sales is primarily a result of recent acquisitions.

6. BUSINESS COMBINATION

Acquisitions completed in fiscal 2018

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

	Final CMS (i)	Preliminary Signature (ii)	Preliminary Citadel (iii)	Preliminary Other (iv)	Total
Assets acquired:					
Cash	$ 1,471,869	$ 5,203,463	$ 612,613	$ 112,131	$ 7,400,076
Accounts receivable	343,184	1,583,007	1,064,904	361,662	3,352,757
Pre-need receivables	12,695,556	10,034,153	3,482,732	-	26,212,441
Inventories	25,058,801	6,996,106	4,544,884	280,841	36,880,632
Prepaid expenses and other current assets	354,364	623,617	130,573	35,596	1,144,150
Land held for development	-	18,930,407	429,655	-	19,360,062
Property and equipment	7,764,123	50,193,506	7,132,102	8,647,763	73,737,494
Care and maintenance trust fund investments	58,558,937	13,878,211	11,286,831	-	83,723,979
Pre-need merchandise and service trust fund investments	4,607,433	39,677,089	5,282,096	1,597,835	51,164,453
Deferred commissions	1,238,900	1,519,958	3,823,536	-	6,582,394
Deferred tax assets	596,700	273,556	128,220	18,592	1,017,068
Goodwill	33,592,882	92,676,465	45,051,205	8,963,790	180,284,342
Intangible assets	-	2,274,305	328,325	573,940	3,176,570
Total assets	$ 146,282,749	$243,863,843	$83,297,676	$ 20,592,150	$ 494,036,418
Liabilities assumed:					
Accounts payable and accrued liabilities	$ 1,442,552	$ 3,836,462	$ 2,247,390	$ 368,182	$ 7,894,586
Long-term debt	-	-	303,063	72,739	375,802
Notes payable	1,287,684	2,273,202	-	-	3,560,886
Deferred tax liabilities	1,035,932	-	-	145,313	1,181,245
Care and maintenance trusts' corpus	58,558,937	13,878,211	11,286,831	-	83,723,979
Deferred pre-need receipts held in trust	4,607,433	39,677,089	5,282,096	1,597,835	51,164,453
Deferred revenue	14,595,911	22,406,616	44,610,126	-	81,612,653
	81,528,449	82,071,580	63,729,506	2,184,069	229,513,604
Fair value of consideration transferred:					
Cash consideration	64,339,300	158,760,138	19,538,094	18,391,714	261,029,246
Working capital adjustment	415,000	3,032,125	30,076	16,367	3,493,568
	64,754,300	161,792,263	19,568,170	18,408,081	264,522,814
Total liabilites and considerations	$ 146,282,749	$243,863,843	$83,297,676	$ 20,592,150	$ 494,036,418

6. BUSINESS COMBINATION – continued

(i) CMS

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

CMS currently operates, manages and provides financial services for 6 cemeteries in New Jersey and 1 in New York. The acquisition of CMS increases the scale and expands the geographic diversification in the U.S. market.

During the third quarter, 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.

Since the date of acquisition in 2018, CMS has contributed approximately $23.4 million in revenue and $5.6 million in net earnings in 2018. The Company has used a significant amount of judgment and simplifying assumptions in estimating the revenue and net earnings of CMS as if the business occurred at the beginning of the year. If acquired at the beginning of the year, the Company has estimated that CMS would have contributed approximately $27.3 million in revenue and $5.9 million in net earnings.

(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 preliminary working capital adjustment of approximately $3 million (US$2.5 million). The purchase price was funded using the proceeds from the Company's bought deal offering of subscription receipts which closed on May 4, 2018.

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

Since the date of acquisition in 2018, Signature has contributed approximately $28.6 million in revenue and $2.6 million in net earnings in 2018. The Company has used a significant amount of judgment and simplifying assumptions in estimating the revenue and net earnings of Signature as if the business occurred at the beginning of the year. If acquired at the beginning of the year, the Company has estimated that Signature would have contributed approximately $42.9 million in revenue and $4.7 million in net earnings.

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

6. BUSINESS COMBINATION – continued

(iii) Citadel

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

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

Since the date of acquisition in 2018, Citadel has contributed approximately $3.4 million in revenue and $280,000 in net earnings in 2018. The Company has used a significant amount of judgment and simplifying assumptions in estimating the revenue and net earnings of Citadel as if the business occurred at the beginning of the year. If acquired at the beginning of the year, the Company has estimated that Citadel would have contributed approximately $19.5 million in revenue and $1.5 million in net earnings.

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

(iv) Other acquisitions

During 2018, the Company completed the following acquisitions: Billingsley Funeral Home ("Billingsley"), Opatovsky Funeral Home ("Opatovsky"), Hansons Arbor Funeral Chapels & Crematorium ("Hansons"), Wayne Boze Funeral Home and Gateway Memorial Park ("Wayne Boze"), and Wells Funeral Homes and Cremation Services ("Wells"). Goodwill that arose as a result of these acquisitions was $8,963,790.

6. BUSINESS COMBINATION – continued

Acquisitions completed in fiscal 2017

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, 2017:

	Final Saber (i)	Final Other (ii)	Total
Assets acquired:			
Cash	$ 125,326	$ 818,440	$ 943,766
Accounts receivable	240,041	638,204	878,245
Pre-need receivables	27,989,962	-	27,989,962
Inventories	3,469,403	192,873	3,662,276
Prepaid expenses and other current assets	103,702	114,327	218,029
Property and equipment	15,703,152	5,916,624	21,619,776
Care and maintenance trust fund investments	16,680,824	-	16,680,824
Pre-need merchandise and service trust fund investments	26,087,659	6,432,344	32,520,003
Goodwill	58,372,304	8,587,418	66,959,722
Intangible assets	-	240,000	240,000
Total assets	$ 148,772,373	$ 22,940,230	$ 171,712,603
Liabilities assumed:			
Accounts payable and accrued liabilities	$ 2,169,018	$ 670,239	$ 2,839,257
Long-term debt	-	93,150	93,150
Care and maintenance trusts' corpus	16,680,824	-	16,680,824
Deferred pre-need receipts held in trust	26,087,659	6,432,344	32,520,003
Deferred revenue	32,298,785	-	32,298,785
	77,236,286	7,195,733	84,432,019
Fair value of consideration transferred:			
Cash consideration	61,677,761	14,681,250	76,359,011
Contingent equity consideration	9,858,326	-	9,858,326
Deferred cash consideration	-	392,839	392,839
Working capital adjustment	-	670,408	670,408
	71,536,087	15,744,497	87,280,584
Total liabilites and considerations	$ 148,772,373	$ 22,940,230	$ 171,712,603

6. BUSINESS COMBINATION – continued

(i) Saber

On August 4, 2017, the Company completed the acquisition of 21 of 23 properties owned by Saber Management, LLC. ("Saber") and effective September 30, 2017, the Company has completed the acquisition of the remaining 2 properties. The aggregate purchase price for the 23 acquired properties was approximately $61.7 million (US$49 million), subject to customary working capital adjustments, plus additional contingent consideration of up to 660,000 PLC common shares. The contingent consideration has been classified as equity and will be issued over a period of three years if certain financial hurdles are met to the extent that earnings before interest expense, taxes, depreciation and amortization, and excluding extraordinary and unusual or non-recurring income and expense, or gains or losses ("Normalized EBITDA") and amount of cash not included in the calculation of working capital at the end of measurement period ("Distributable cash test") equals or exceeds pre-established targets.

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

The targets have been met for the first period and 218,000 common shares of the Company will be issued in 2019.

(ii) Other acquisitions

During 2017, the Company completed the following acquisitions: Reynolds Funeral Home ("Reynolds"), Turner Family Funeral Home Inc. ("TFFH"), Jennett Funeral and Cremation Centre Ltd. ("Jennett"), Innisfil Funeral Home Limited ("Innisfil"), Providence Funeral Homes & Crematorium ("PFHC"), Credible Cremation Services Limited ("CCSL"), TCS Funeral Services ("TCS"), Vita Funeral Home ("Vita"), and Christie's Funeral Home and Crematorium ("Christie's"). Goodwill that arose as a result of these acquisitions was $8,587,418.

7. LAND HELD FOR DEVELOPMENT

Land held for development represents land held for future cemetery, funeral and other development opportunities. At December 31, 2018 land held for development was $28,023,925 (at December 31, 2017 - $7,433,352). The increase is primarily a result of recent acquisitions.

8. PROPERTY AND EQUIPMENT

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

8. PROPERTY AND EQUIPMENT – continued

	January 1, 2017	Acquired in business combinations	Additions	Disposals	Foreign currency translation	December 31, 2017
Cost:						
Land	$ 2,163,682	9,214,886	5,239	-	11,001	$ 11,394,808
Buildings, cemetery and funeral	14,049,431	9,759,506	1,810,088	(71,634)	(189,138)	25,358,253
Machinery, equipment and automotive	4,280,163	1,451,134	908,555	-	(75,970)	6,563,882
Cemetery improvements	4,726,761	804,394	98,650	(77,491)	(75,571)	5,476,743
Investment property	210,599	15,865	4,425	-	-	230,889
Total	25,430,636	21,245,785	2,826,957	(149,125)	(329,678)	49,024,575
Accumulated depreciation:						
Buildings, cemetery and funeral	1,464,795	-	865,016	-	(11,694)	2,318,117
Machinery, equipment and automotive	1,416,408	-	960,822	-	(22,210)	2,355,020
Cemetery improvements	722,690	-	672,875	-	(24,963)	1,370,602
Investment property	10,643	-	10,961	-	-	21,604
Total	3,614,536	-	2,509,674	-	(58,867)	6,065,343
Net Book Value	$ 21,816,100					$ 42,959,232

Property and equipment depreciation expense charged to operations amounted to $5,362,783 and $2,509,674 in 2018 and 2017, respectively. Increase in expense is primarily due to recent acquisitions.

Included in additions at December 31, 2018 are $3,692,898 of additions at Canadian cemeteries and funeral sites (at December 31, 2017 - $2,013,246) and $4,527,737 of additions at U.S. cemeteries (at December 31, 2017 - $813,711).

Management has reviewed the valuation of the property and equipment and has not identified any indicators of impairment in the value of the property and equipment in 2018 and 2017.

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.

9. CARE AND MAINTENANCE TRUST FUND INVESTMENTS – continued

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

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

Investment income recognized in operations amounted to $8,769,883 and $6,026,868 in 2018 and 2017, respectively. If the income earned by the trusts should exceed eligible care and maintenance expenses incurred by the Company, the excess would be added to the capital of the trusts and would not be eligible for pay out to the Company in the future.

Care and maintenance trust fund investments consist of the following:

	Fair Value		Cost	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Cash and cash equivalents	$ 8,378,916	$ 4,175,229	$ 8,347,173	$ 4,175,229
Equities	89,174,511	72,135,402	87,964,536	65,341,806
Fixed income	72,700,781	15,662,249	74,154,689	15,214,576
Alternative investments	14,043,962	11,767,987	13,415,042	11,494,472
Preferred stocks	11,629,086	6,266,771	12,288,336	5,742,057
	$ 195,927,256	$ 110,007,638	$ 196,169,776	$ 101,968,140

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

The increase in care and maintenance trust funds is primarily a result of 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.

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

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

	Fair value		Cost	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Cash and cash equivalents	$ 12,509,568	$ 5,413,120	$ 12,498,274	$ 5,413,120
GIC's	31,783,609	30,720,956	31,783,609	30,720,956
Equities	47,915,566	20,963,689	46,317,623	20,162,068
Fixed income	49,215,235	26,780,645	49,856,323	26,773,818
Alternative investments	16,173,334	12,139,762	16,173,334	12,139,762
	$ 157,597,312	$ 96,018,172	$ 156,629,163	$ 95,209,724

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

The increase in pre-need merchandise and service trust funds is primarily a result of 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 December 31, 2018, the current face amount of pre-funded policies was approximately $176 million (at December 31, 2017 – approximately $53 million). The increase in prearranged funeral insurance contracts is primarily a result of the acquisition of Signature during the second quarter of 2018. Families who have prearranged with the Company will receive a refund to the extent that the face amount of the policy exceeds the current retail value of the merchandise and services to be provided. The insurance funded contracts are not included in the 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

	Total
Goodwill	
Balance January 1, 2017	$ 19,128,958
Additions	67,290,232
Foreign currency translation	(689,905)
Balance December 31, 2017	$ 85,729,285
Intangibles	
Balance January 1, 2017	$ 44,000
Additions	240,000
Amortization	(50,667)
Balance December 31, 2017	$ 233,333
Goodwill and Intangibles	
Balance December 31, 2017	$ 85,962,618

The changes in the carrying amount of goodwill and intangible assets at December 31, 2018 were:

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

The increase in goodwill is primarily a result of the acquisition of CMS, Signature and Citadel in 2018.

12. GOODWILL AND INTANGIBLES – continued

As part of our annual recoverability testing process in 2018, the Company recognized a goodwill impairment charge of $1,266,849. A 5% change in the pre-tax discount rate would reduce the recoverable value by approximately $1.6 million. The impairment charge was related to MMG not meeting its EBITDA earnout target for the contingent consideration in 2018. As a result of not meeting the earnout target there was an offsetting gain on the fair value of contingent consideration of $1,156,139 resulting in a net expense of $110,710 as described in Note 18.

13. OTHER ASSETS

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

14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2018	December 31, 2017
Trade payables and accrued liabilities	$ 20,387,323	$ 10,418,339
Income taxes payable	108,231	(240,916)
	$ 20,495,554	$ 10,177,423

The average credit period on trade payables is 30 to 60 days in 2018 and 2017. The increase in accounts payable and accrued liabilities is primarily a result of recent acquisitions.

15. LONG-TERM DEBT

	December 31, 2018	December 31, 2017
Bank loan		
Revolving loan facility	$ 90,300,000	$ -
Mortgages	1,183,154	2,944,504
Finance lease obligations	676,428	284,243
Deferred financing costs	(814,980)	-
Total	91,344,602	3,228,747
Current portion	298,826	553,807
Non-current portion	$ 91,045,776	$ 2,674,940

Revolving loan facility

On December 15, 2017, the Company replaced its existing $25 million revolving loan facility and $7.5 million accordion facility with a new syndicated bank financing arrangement provided by three major Canadian banks. The revolving facility bears interest at the bankers' acceptance rate plus 1.70%. The financing arrangement increased the Company's borrowing capacity to $125 million ($75 million committed credit facility and additional $50 million accordion facility). On July 5, 2018, the Company amended its existing syndicated bank financing arrangement to increase its borrowing capacity to $150 million ($100 million committed credit facility and additional $50 million accordion facility).

At December 31, 2018, there was $90,300,000 outstanding under the credit facility (at December 31, 2017 - $nil). Deferred financing costs have been capitalized and are being amortized over the term of 5 years using the effective interest rate method. Deferred financing costs are offset against the debt when the Company is utilizing the credit facility, otherwise the costs are reclassified to non-current assets. At December 31, 2018, deferred financing costs of $814,980 have been reclassified to offset debt and at December 31, 2017 deferred financing costs of $724,260 have been classified as non-current asset.

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 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.

15. LONG-TERM DEBT – continued

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.

Finance lease obligations are payable as follows:

	December 31, 2018	December 31, 2017
Future minimum lease payments		
Due in less than one year	$ 235,177	$ 109,411
Due between one and two years	214,508	87,500
Due between two and three years	126,742	79,360
Due thereafter	146,289	36,013
Interest	(46,288)	(28,041)
Present value of minimum lease payments	$ 676,428	$ 284,243

Debt covenants

The Company has provided covenants to certain of its lenders. The Company was in compliance with all of its covenants in 2018 and 2017.

Summary of principal repayments by year

	2019	2020	2021	2022	2023	Thereafter	Total
Revolving loan facility	$ -	$ -	$ -	$ -	$ -	$ 90,300,000	$ 90,300,000
Mortgages	79,397	82,310	85,566	88,831	92,220	754,830	1,183,154
Finance lease obligations	219,429	200,424	118,557	88,087	34,851	15,080	676,428
	298,826	282,734	204,123	176,918	127,071	91,069,910	92,159,582
Deferred financing costs	-	-	-	-	-	(814,980)	(814,980)
Total	$ 298,826	$ 282,734	$ 204,123	$ 176,918	$ 127,071	$ 90,254,930	$ 91,344,602

16. NOTES PAYABLE

	December 31, 2018	December 31, 2017
DeMarco funeral home note	$ -	$ 800,000
Deferred cash consideration	334,679	367,061
Note payable	1,760,241	-
Vendor take back note	2,609,495	-
Total	4,704,415	1,167,061
Current portion	426,604	832,382
Non current portion	$ 4,277,811	$ 334,679

DeMarco funeral home note

On November 10, 2016, the Company purchased vacant land held for development. In consideration for the purchase the Company had issued an unsecured, non-interest bearing note, with no fixed terms of repayment. On August 8, 2018 the Company exchanged the note for the land.

Deferred cash consideration

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

Note payable

The Company has an outstanding note payable to the former owner of a cemetery. The note calls for yearly payments of $50,000 at 0% interest until the note matures in 2113. Payments of principal and interest are allowed to be deferred until the cemetery achieves positive cash flow. The note was discounted to reflect an imputed interest rate of 5%. The note is nonrecourse and can be cancelled by either party. The discounted fair value of the note is reflected at December 31, 2018.

Vendor take back note

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

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:

	December 31, 2018	December 31, 2017
Cemetery merchandise, lots, crypts, and niches	$ 93,076,458	$ 40,811,330
Cemetery and funeral services	50,691,281	13,975,541
Total	$ 143,767,739	$ 54,786,871

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

18. CONTINGENT PAYMENT

MMG

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

The Company was required to make additional payments to the extent that earnings before interest, taxes, depreciation and amortization ("EBITDA") during calendar years 2016, 2017, and 2018 ("the Earn-out Periods") equaled or exceeded pre-established targets. The key assumptions used in the calculation was a three year EBITDA projection which management believes the discount rate reasonably reflected the risks associated with projections for the business. There were no contingent payments made for the first, second, or third earn-out period in 2016, 2017 and 2018, and the remaining contingent payment liability was written off at December 31, 2018.

The fair value of the liability in connection with the contingent consideration was revalued at each reporting date and any changes in fair value of the estimated liability were recorded in the consolidated statements of earnings and comprehensive income. Included in the change in fair value was a goodwill charge of $1,266,849 (2017 -$nil) offset by a gain on the adjustment of the fair value of consideration of $1,156,139 (2017 - $268,965) (see Note 12).

19. DIVIDENDS

The Company declares and pays cash dividends on a monthly basis to shareholders. The total amount of dividends declared by the Company for the years ended December 31, 2018 and 2017 was $9,361,258 or $0.456 per share and $6,189,817 or $0.456 per share, respectively. The monthly dividend was $0.038 per share in all periods.

20. SHARE CAPITAL

Authorized

Common shares

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

Shares issued and outstanding

	Number of Common Shares	Amount
Balance December 31, 2016	11,095,770	$ 92,709,116
Shares issued pursuant to:		
Dividend reinvestment plan *(i)*	13,212	231,791
Prospectus financing, net of costs *(ii)*	4,237,750	76,976,730
Contingent equity consideration *(iii)*	-	9,858,326
Balance December 31, 2017	15,346,732	179,775,963
Shares issued pursuant to:		
Dividend reinvestment plan *(i)*	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

(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 year ended December 31, 2018, 43,333 common shares were issued under the DRIP (for the year ended December 31, 2017 – 13,212).

20. SHARE CAPITAL – continued

(ii) Prospectus financings

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

On May 4, 2018, the Company completed a subscription receipts offering of 7,745,250 subscription receipts at a price of $24.50 per subscription receipt for a total of gross proceeds of $189,758,625, including the exercise in full of the over-allotment option. The net proceeds from the sale of common shares were used partially to fund the cash portion of the purchase price for the acquisition of Signature and for strategic growth initiatives including acquisitions and for general corporate purposes. The issuance included transaction costs of $6,570,079 inclusive of $338,100 after tax in management compensation.

(iii) Contingent equity consideration

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

The 660,000 PLC common shares will be issued over a period of three years if certain financial hurdles are met. The contingent consideration has been valued at $9,858,326 (US$7,839,000). The targets have been met for the first period and 218,000 PLC's common shares will be issued in 2019.

21. CAPITAL MANAGEMENT

The Company defines capital as the aggregate of shareholders' equity and debt. The Company's equity comprises the shares of the Company subscribed for by the shareholders. On a quarterly basis, as part of its credit agreement with respect to its long-term loan, the Company monitors both its debt service coverage ratio and its interest coverage ratio. The Company continues to meet these requirements. The Board of Directors manages the dividend policy and the pricing of products and services of the Company so as to ensure that there is adequate cash flow to fund the Company's operations and safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders.

22. COSTS AND OPERATING EXPENSES BY NATURE

	December 31, 2018	December 31, 2017
Personnel expenses	$ 60,752,005	$ 37,574,730
Cost of sales - merchandise inventories, cemetery lots, crypts and niches (Note 5)	21,475,091	12,521,589
Cost of sales - contributions to care and maintenance trust funds	6,274,040	3,926,608
Maintenance	12,393,172	6,896,544
Advertising and selling	6,918,814	2,128,310
Depreciation of property and equipment, amortization of intangibles (Notes 8 and 12)	5,673,857	2,560,341
Others	25,663,764	11,986,121
Total of costs, operating, general and administrative, maintenance, advertising and selling expenses	$ 139,150,743	$ 77,594,243

Personnel expenses include salaries, wages, commissions and incentive compensation. The increase in costs and operating expenses is primarily a result of recent acquisitions.

23. INTEREST EXPENSE

	December 31, 2018	December 31, 2017
Interest on:		
Revolving loan facility	$ 1,921,605	$ -
Mortgages	107,588	161,333
Other debt	211,504	120,458
Interest capitalized to construction	(5,436)	-
Amortization of finance fees and transaction costs	161,873	102,235
Total	$ 2,397,134	$ 384,026

24. EQUITY INCENTIVE PLAN

At the annual and special meeting of shareholders held on May 31, 2016, the shareholders of the Company approved an equity incentive plan (the "EIP"). The purpose of the EIP is to, among other things: (i) provide the Company with a mechanism to attract, retain and motivate qualified directors, officers and employees of the Company, including its subsidiaries, (ii) reward directors, officers and employees that have been granted awards under the EIP for their contributions toward the long-term goals and success of the Company, and (iii) enable and encourage such directors, officers and employees to acquire common shares of the Company as long-term investments and proprietary interests in the Company.

24. EQUITY INCENTIVE PLAN – continued

The EIP provides flexibility to the Company to grant equity-based incentive awards in the form of DSUs and RSUs. The maximum number of common shares reserved for issuance under the EIP is 640,000 common shares of the Company. Of those 640,000 common shares, 480,000 are reserved for issuance to employees and 160,000 common shares are reserved for issuance to directors.

The Board plans to credit all DSUs and RSUs with dividend equivalents in the form of additional DSUs and RSUs, as applicable. Dividend equivalents shall vest in proportion to, and settle in the same manner as, the awards to which they relate.

All future grants of equity-based awards will be made pursuant to the EIP and no further equity-based awards will be made pursuant to the 2014 ESLP plan. The 2014 ESLP will remain in effect only in respect of outstanding equity-based awards (see Note 28).

Deferred share units

Directors are required to receive at least 50% of their annual board retainers in the form of DSUs, although they may elect to receive a greater percentage pursuant to the terms of the EIP. A DSU is a unit equivalent in value to a common share credited by means of a bookkeeping entry in the books of the Company. The number of DSUs granted is determined by the five-day volume weighted average trading price (the "Market Price"), but their value is tied to the then trading price of PLC's common shares. Upon settlement (typically on termination of service), holders will receive, in respect of each vested DSU, one fully paid and non-assessable common share or cash. At this time, the Board plans to settle DSUs for shares. Subject to the terms of an award agreement, DSUs will vest immediately at the date of grant. DSUs will be granted to directors every three months for services rendered evenly over the next four quarters.

Under the DSU plan, the following DSUs were granted by the Corporation and are outstanding. Each dividend equivalent represents one common share.

	December 31, 2018	December 31, 2017
Outstanding, beginning of the year	19,984	6,278
Awarded	9,458	13,384
Dividend equivalents	475	322
Outstanding, end of the year	29,917	19,984

Restricted share units

A RSU is a unit equivalent in value to a common share credited by means of a bookkeeping entry in the books of the Company which entitles the holder to receive one common share for each RSU after a specified vesting period determined by the Plan Administrator (as defined in the EIP), in its sole discretion. RSUs vest according to the terms of the applicable award agreement. All RSUs awarded to date vest within three years of their grant date.

24. EQUITY INCENTIVE PLAN – continued

Restricted share units – continued

Upon settlement, holders will receive, in respect of each vested RSU, either: (i) one fully paid and non-assessable common share, or (ii) subject to the approval of the Plan Administrator, a cash payment determined with reference to the Market Price in the same manner as with DSUs. At this time, the Board plans to settle RSUs for shares.

Under the RSU plan, the following RSUs were granted by the Corporation and are outstanding. Each dividend equivalent represents one common share. None of the awarded and outstanding RSUs has vested.

	December 31, 2018	December 31, 2017
Outstanding, beginning of the year	104,165	62,331
Awarded	85,885	39,956
Forfeited	(16,297)	-
Dividend equivalents	2,584	1,878
Outstanding, end of the year	176,337	104,165

The compensation expense in respect of DSUs and RSUs was $1,185,661 in 2018 and $878,321 in 2017, and the counterpart has been reflected in contributed surplus. Management plans to settle all DSUs and RSUs by issuing shares. When the DSUs and RSUs are settled for shares, the amounts previously credited to contributed surplus are transferred to share capital.

25. FOREIGN EXCHANGE GAIN AND LOSS

In connection with the acquisition of Saber, the Company entered into a foreign exchange agreement with National Bank on June 30, 2017 for the conversion of $32,447,500 to US$25,000,000 at the rate of $1.2979. The contract had been settled on August 4, 2017 at the rate of $1.2576 resulting in a loss of $1,007,500.

26. OTHER INCOME (EXPENSES)

Other income (expenses) primarily consisted of a water rebate recorded in the fourth quarter of 2017, for payments made in prior years for approximately $650,000 offset by other one-time expenses.

27. INCOME TAXES

Income taxes

The following are the major components of the income tax expense:

	December 31, 2018	December 31, 2017
Current tax expense	$ 771,783	$ 412,382
Deferred tax expense	1,394,099	9,160
Total	$ 2,165,882	$ 421,542

The reconciliation of the difference between the income tax expense using the statutory tax rate and the effective tax rate for the years ended December 31, 2018 and 2017 is as follows:

	December 31, 2018	December 31, 2017
Earnings before income taxes	$ 9,285,463	$ 4,942,112
Combined Canadian federal and provincial statutory rates	26.50%	26.50%
Income taxes based on combined Canadian statutory income tax rates	$ 2,460,648	$ 1,309,660
Difference in foreign tax rates	42,854	30,750
Tax rate changes and other adjustments	100,994	277,082
Share based compensation and other non-deductible expenses	308,392	137,830
Non-taxable exempt surplus dividend	-	(935,900)
Impact of non-taxable dividend income	(613,415)	(492,620)
Change in tax benefits not recognized	-	94,740
Tax exempt entities	(133,591)	-
Income tax (recovery) expense	$ 2,165,882	$ 421,542

27. INCOME TAXES – continued

Deferred tax assets and liabilities

	December 31, 2018	December 31, 2017
Deferred Tax Assets (Liabilities)- Canada		
Non-capital losses carried forward-Canada	$ 2,238,726	$ 1,335,280
Share issuance and finance costs	3,127,994	1,962,570
Other deferred tax and intangible assets	-	271,697
Property and equipment	(1,253,074)	(638,759)
Net deferred income tax asset	$ 4,113,646	$ 2,930,788
Deferred Tax Assets (Liabilities) - US		
Net operating losses carried forward	$ 2,303,339	$ -
Pre-need sales adjustment	1,569,265	1,294,370
Other deferred tax assets	772,720	189,679
Deferred revenue	907,577	-
Property and equipment	(1,203,951)	(106,788)
Tax exempt entities	(361,488)	-
Inventories	(1,241,490)	-
Goodwill and intangibles	(3,074,759)	(1,325,853)
Deferred commission	(4,642,209)	-
Net deferred income tax asset (liability)	$ (4,970,996)	$ 51,408

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

Movement in net deferred tax asset - Canada

	December 31, 2018	December 31, 2017
Balance at the beginning of the year	$ 2,930,788	$ 1,753,721
Recognized in profit/loss	(546,904)	143,330
Recognized in equity	2,257,773	1,275,564
Goodwill	(528,011)	(241,827)
Balance at the end of the year	$ 4,113,646	$ 2,930,788

Deferred tax assets have been recognized in respect of these items because it is probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

27. INCOME TAXES – continued

Movement in net deferred tax asset (liability) - US

	December 31, 2018	December 31, 2017
Balance at the beginning of the year	$ 51,408	$ (37,881)
Recognized in profit/loss	(847,194)	89,289
Recognized in equity	(4,403,336)	-
Goodwill	228,126	-
Balance at the end of the year	$ (4,970,996)	$ 51,408

The Company's Canadian non-capital losses expire as follows:

2026	$ 24,701
2028	93,388
2031	27,125
2032	13,008
2033	405
2034	5,049
2036	1,971,738
2037	3,038,977
2038	2,892,780
	$ 8,067,171

28. RELATED PARTY TRANSACTIONS AND BALANCES

Management fees

The Company had a contract with Nine Two Seven Limited for professional and management services which has terminated on September 1, 2017. For the year ended December 31, 2017, the Company paid a total of $226,667 to Nine Two Seven Limited for such services provided to the Company. For the year ended December 31, 2018, the Company paid a total of $125,000 as other compensation. Nine Two Seven Limited is owned by an officer and director of the Company. The contract with Nine Two Seven Limited was replaced by an employment contract commencing September 1, 2017. The compensation paid is included in key management compensation discussed below.

28. RELATED PARTY TRANSACTIONS AND BALANCES– continued

Employee share loan plan

At the annual and special meeting of shareholders held on June 18, 2013, the shareholders of the Company approved an employee share loan plan - the "ESLP".

Amounts issued under the ESLP were as follows:

- On October 7, 2013, the Company loaned $1,575,000 to Nine Two Seven Limited to acquire 210,000 common shares of the Company. The loan bears interest at a rate of 3.2% per annum payable upon maturity and will mature on August 27, 2023;

- On January 7, 2015, the Company loaned $746,200 to Nine Two Seven Limited to acquire 65,000 common shares of the Company. The loan bears interest at a rate of 3.2% per annum payable upon maturity and will mature on January 7, 2025; and

- On January 7, 2015, the Company loaned $1,258,750 to Leeder Holdings Inc. to acquire 125,000 common shares of the Company. Leeder Holding Inc. is owned by an officer and director of the Company. The loan bears interest at a rate of 3.2% per annum payable upon maturity and will mature on January 7, 2025.

Total loans outstanding under the ESLP, including accrued interest amounted to $3,063,666 at December 31, 2018 (at December 31, 2017 - $3,169,899). Interest income earned by the Company for the years ended December 31, 2018 and 2017 was $97,857 and $157,079, respectively.

At the annual and special meeting of shareholders held on May 31, 2016, the shareholders of the Company approved the EIP. Total amounts of DSUs issued to directors amounted to $249,688 at December 31, 2018 (at December 31, 2017 - $252,000).

Key management compensation

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

	December 31, 2018	December 31, 2017
Directors' fees and management compensation	$ 2,401,971	$ 1,196,375

29. 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 December 31, 2018, the fair value of the care and maintenance and pre-need merchandise and service trust funds and related liabilities are valued under Level 1, Level 2 and Level 3.

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

Care and maintenance trust fund investments at 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

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT – continued

Fair value of financial instruments - continued

Care and maintenance trust fund investments at December 31, 2017

	Cost	Level 1 Quoted market price	Level 2 Valuation technique - observable market inputs	Level 3 Valuation technique - non-observable market inputs	Total fair value
Cash and cash equivalents	$ 4,175,229	$ 4,175,229	$ -	$ -	$ 4,175,229
Equities	65,341,806	71,926,161	-	209,241	72,135,402
Fixed income	15,214,576	11,153,277	1,654,982	2,853,990	15,662,249
Alternative investments	11,494,472	-	-	11,767,987	11,767,987
Preferred stocks	5,742,057	6,266,771	-	-	6,266,771
	$ 101,968,140	$ 93,521,438	$ 1,654,982	$ 14,831,218	$ 110,007,638

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

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

	Cost	Level 1 Quoted market price	Level 2 Valuation technique - observable market inputs	Level 3 Valuation technique - non-observable market inputs	Total fair value
Cash and cash equivalents	$ 5,413,120	$ 5,413,120	$ -	$ -	$ 5,413,120
GIC's	30,720,956	30,720,956	-	-	30,720,956
Equities	20,162,068	20,963,689	-	-	20,963,689
Fixed income	26,773,818	21,761,632	5,019,013	-	26,780,645
Alternative investments	12,139,762	-	-	12,139,762	12,139,762
	$ 95,209,724	$ 78,859,397	$ 5,019,013	$ 12,139,762	$ 96,018,172

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT – continued

Fair value of financial instruments - continued

(i) Credit risk

The Company's exposure to credit risk relates to its accounts receivable, pre-need receivables, other assets and the ESLP. The Company grants credit to customers in the normal course of business. The credit risk associated with cemetery and pre-need cemetery receivables due from customers is generally considered minimal, because of the diversification of our customer base, burials are not performed until customer balances are paid in full and, bad debts have not been significant relative to the volume of business. Collections from customers on pre-need funeral or cemetery contracts that are either placed in regulated trusts or used to pay life insurance contracts do not subject the Company to collection risk as the revenue on such contracts has not been recognized.

In the opinion of management, none of the amounts comprising accounts receivable, pre-need receivables, other assets and ESLP were considered impaired, except as provided for as bad debt expenses. The Company provides an allowance for losses based on a review of the current aging of receivables, historical experience, current and future and short-term business conditions, and management judgment. As at December 31, 2018, the allowance for doubtful accounts was $2,593,921 (at December 31, 2017 - $525,324). The increase in allowance for doubtful accounts is primarily a result of recent acquisitions. The Company's exposure to credit risk on the ESLP is minimized as the Company's shares including rights to dividends payable on such shares, are pledged as security on the loans.

(ii) Investment risk

The Company retains independent trustees to manage the funds deposited into the cemetery perpetual care trust and the cemetery and funeral pre-need trusts. The trustees together with input from the Company develops an Investment Policy Statement that governs the management of the funds including compliance with any legislative requirements of provincial or state regulators, the asset allocation of each fund and, the selection of investment managers. the assets of the pre-need merchandise and service trust funds and perpetual care trust funds are invested according to the Company's investment policy statement by independent investment managers.

The Investment Committee of the Board of Directors of the Company regularly reviews both compliance and performance of the individual investments. The Company does not consider there to be a significant credit risk for its investments based on investment grade ratings and performance criteria used in selecting investments.

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT – continued

Fair value of financial instruments – continued

(iii) Liquidity risk

The Company is exposed to liquidity risk to the extent that it must meet its financial obligations when due. The Company's approach to managing liquidity risk is to ensure that it always has sufficient cash and other current financial assets to meet its obligations when due without incurring unacceptable losses or damage to the Company's reputation. Management forecasts cash flows to identify financing requirements. These requirements are then addressed through a combination of cash management and access to additional capital.

Management is of the view, based on historical cash flow, that there is sufficient current and future cash flow from its operating activities to sustain ongoing operations (including mausoleum construction) as well as maintaining the Company's property and equipment. Should contractual commitments require payment, management believes that its current sources of liquidity are sufficient to cover these obligations.

(iv) Market risk

Pre-need merchandise and service trust funds

The principal objective of the pre-need cemetery and funeral trusts are to preserve the original principal balance invested in the trust and to achieve growth in the principal over time to preserve and increase the purchasing power of the assets. Since pre-need contracts generally take several years to turn at-need, the funds deposited into the pre-need trusts are invested through several investment cycles. The pre-need trust funds are weighted more heavily to GICs and other fixed income assets such as government and corporate bonds.

Perpetual Care trust funds

The cemetery perpetual care trust funds, in accordance with provincial and state regulations, emphasize yield orientated investments that prioritize current investment income with some capital appreciation over time in order to provide for the care and maintenance of the cemetery properties. In most jurisdictions, only investment income received, and not capital gains, may be applied to pay the cost of eligible care and maintenance expenses. If income from this Trust should exceed eligible care and maintenance expenses, the excess must be added to the capital of the Trust and would not be eligible for pay out to the Company in the future.

In order to achieve current investment income and some longer term capital growth, the Cemetery perpetual care fund portfolio is weighted more heavily to equity investments. The portfolio is highly diversified and managed by professional fund managers specialized in this asset class with a long term view on acceptable risk tolerance.

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT – continued

Fair value of financial instruments – continued

(v) Foreign exchange risk

The consolidated financial statements are presented in Canadian dollars, which is also the parent company's consolidated functional currency. Each entity within the consolidated group determines its own functional currency.

All the financial instruments within the Canadian entities are in Canadian dollars and within the US entities are in US dollars. Therefore, the Company is not exposed to foreign exchange risk.

The Company does have exposure to the U.S. dollar with respect to amounts repatriated to Canada to fund its interest and principal repayments on its credit facility and to fund its dividend payments. The Company regularly reviews its currency hedging strategy and makes its decision based on market conditions. As at December 31, 2018 the Company did not have any foreign currency hedges in place.

(vi) Interest rate risk

Interest rate risk on trust investments

In the opinion of management, the Company has an acceptable level of interest rate risk with respect to the trust fund investments as the majority of the investments bearing interest are invested in fixed rate securities with varying maturities and an average period to maturity of 5 years or less. There has been no change in the Company's risk exposure and processes for risk management and measurement from 2017. The Company believes that a 1% increase or decrease in the variable market interest rate would not affect Company earnings from pre-need merchandise and service trusts or the perpetual care trust funds.

Interest rate on revolving loan facility

The Company has a revolving loan facility, that bears interest at the bankers' acceptance rate plus 1.70%. Based on the loan balances at December 31, 2018, a 1% increase or decrease in the variable market interest rate would have an impact of approximately $900,000. The Company has the ability to convert the loan facility to a fixed term.

30. COMMITMENTS AND CONTINGENCIES

Office lease

The Company has leased office space in Canada and USA. The terms of the leases range from 1 year to 10 years. Future remaining minimum lease payments as at December 31, 2018 are as follows:

2019	1,467,279
2020	1,200,568
2021	1,047,881
2022	529,189
2023	447,919
Thereafter	1,866,706
Total	$ 6,559,542

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.

31. SEGMENTED INFORMATION

IFRS 8 "Operating Segments" defines an operating segment as i) a component of an entity that engages in business activities from which it may earn revenues and incur expenses; ii) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance; and iii) for which discrete financial information is available.

The Company has two operating segments, one which provides goods and services associated with the disposition and memorialization of remains in Canada and the other which provides the same goods and services in the United States. The Company's operating segments are consistent with its geographic segments, and therefore the required disclosures are made below.

31. SEGMENTED INFORMATION – continued

Geographic information

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

	December 31, 2018	December 31, 2017
Canada	$ 193,440,060	$ 183,014,019
United States	763,799,899	238,951,583
Total	$ 957,239,959	$ 421,965,602

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

	December 31, 2018	December 31, 2017
Revenue:		
Sales:		
Canada	$ 38,270,886	$ 34,164,305
United States	109,872,533	45,082,218
Total sales	148,143,419	79,246,523
Income from care and maintenance funds:		
Canada	4,332,957	3,784,999
United States	4,436,926	2,241,869
Total income from care and maintenance funds	8,769,883	6,026,868
Interest and other income:		
Canada	609,983	568,954
United States	3,897,734	1,447,452
Total interest and other income	4,507,717	2,016,406
Total revenue:		
Canada	43,213,826	38,518,258
United States	118,207,193	48,771,539
Total Revenue	$ 161,421,019	$ 87,289,797

32. SUBSEQUENT EVENTS

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 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.

On February 20, 2019 the Company announced the signing of a definitive agreement to acquire Cress Funeral Service Inc. ("Cress"), an 8-location funeral business in Madison, Wisconsin for approximately US$20.3 million. The acquisition will be funded from PLC's credit facility. Closing remains subject to regulatory approval which is expected in the second quarter of 2019. The acquisition of Cress expands PLC's footprint into Wisconsin by adding 8 funeral homes and 2 crematoria 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.

On February 22, 2019, the Company sold a property owned by TCS for a sale price of $1,500,000 realizing a gain of approximately $40,000, net of disposition costs.

33. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the December 31, 2018 consolidated financial statements presentation including:

i) Reclassification of $331,017, in maintenance expenses to costs 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.