PARK LAWN COMPANY LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

JEFFREY WEIGENSBERG, CHARTERED PROFESSIONAL ACCOUNTANT
CPA, CA, LPA, CISA, CPA (ILL.), CFE, CFF, GDPA, CIA, IFRSCERT

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Park Lawn Company Limited

I have audited the accompanying consolidated financial statements of Park Lawn Company Limited which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of operations, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Park Lawn Company Limited and its subsidiaries as at December 31, 2017 and 2016, and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

April 25, 2018
Toronto, Ontario

Chartered Professional Accountant
and Licensed Public Accountant

872 SHEPPARD AVE. WEST, SUITE 516, TORONTO, ON, M3H 5V5
TEL: 647-223-2376, FAX: 416-635-9156 E-MAIL: JEFFREYCAPCA@HOTMAIL.COM

PARK LAWN COMPANY LIMITED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31, 2017	December 31, 2016
Current Assets -		
Cash (Note 6)	$ 3,952,522	$ 1,556,179
Accounts Receivable	23,033	17,962
Short-term Investments (Note 6)	2,353,671	1,755,278
Prepaid Expenses	2,364	2,566
Park Lawn Corporation Shares (Note 4, 12 and 15)	1,190,806	4,062,426
	7,522,396	7,394,411
Vendor Mortgage Take Back - 57 Linelle Street (Note 10)	4,920,000	4,920,000
Land Held for Development (Note 10)	530,995	530,995
	$ 12,973,391	$ 12,845,406

LIABILITIES & SHAREHOLDERS' EQUITY

Current Liabilities -		
Accounts Payable and Accrued Liabilities	$ 14,108	$ 14,777
Income Taxes Payable (Note 14)	-	284,592
Deferred Income Taxes (Note 14)	80,000	-
	94,108	299,369
Deferred Income Taxes Payable (Note 14)	242,138	244,936
Shareholders' Equity (Note 8)		
Capital Stock	346,206	362,000
Retained Earnings	12,290,941	11,939,101
	12,637,147	12,301,101
	$ 12,973,391	$ 12,845,406

The accompanying notes are an integral part of these financial statements

ON BEHALF OF THE BOARD

"Frank Mills"
Frank Mills, President

"Larry Boland"
Larry Boland, Vice-President and Treasurer

PARK LAWN COMPANY LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	December 31, 2017	December 31, 2016
Revenue		
Interest earned on promissory note due (Note 12)	$ -	$ 191,519
Dividends and interest earned (Notes 6, 10 and 12)	291,448	35,157
Rent	-	1,400
	291,448	228,076
Expenses		
Office, general and administration	460,936	400,986
Interest on long-term debt	-	5,623
Depreciation	-	5,000
Rental property	-	8,254
	460,936	419,863
Net and Comprehensive Income (Loss) before the Undernoted and Income Taxes	(169,488)	(191,787)
Unrealized Gain on PLC Shares (Notes 4 and 12)	301,481	102,216
Gain on Sale of PLC Shares (Note 12)	709,150	-
Gain (Loss) on Settlement of Promissory Note (Notes 4 and 12)	-	(136,288)
Gain on Sale of 57 Linelle Street - net (Note 15)	-	5,806,496
Gain on Sale of 53 Linelle Street - net (Notes 9 and 11)	-	323,369
	1,010,631	6,095,793
Net and Comprehensive Income before Income Taxes	841,143	5,904,006
Income Tax Expense (Recovery) (Note 14)		
Current Income Taxes	-	284,592
Deferred Income Taxes	96,500	296,936
	96,500	581,528
Net and Comprehensive Income (Loss)	$ 744,643	$ 5,322,478
Income (Loss) Per Share	$ 0.674	$ 4.710

The accompaning notes are an integral part of these financial statements

PARK LAWN COMPANY LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	Number of Shares		Capital Stock		Retained Earnings		Total
Balance at January 1, 2017	1,130,000	$	362,000	$	11,939,101	$	12,301,101
Net and comprehensive income for the year January 1 to December 31, 2017					744,643		744,643
Normal Course Issuer Bid (Note 8)	(49,303)		(15,794)		(392,803)		(408,598)
	1,080,697	$	346,206	$	12,290,941	$	12,637,147
Balance at January 1, 2016	1,130,000	$	362,000	$	7,181,623	$	7,543,623
Dividends declared					(565,000)		(565,000)
Net and comprehensive income for the year January 1 to December 31, 2016				$	5,322,478	$	5,322,478
	1,130,000	$	362,000	$	11,939,101	$	12,301,101

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

PARK LAWN COMPANY LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Cash provided by (used in) operations -		
Net Income (Loss)	$ 744,643	$ 5,322,478
Add items not requiring cash -		
Unrealized Gain on PLC Shares - net	(301,481)	(102,216)
Deferred Income taxes	96,500	296,936
Gain on sale of 57 Linelle Street - Net	-	(5,806,496)
Gain on sale of 53 Linelle Street - Net	-	(323,369)
Gain (Loss) on Settlement of Promissory Note - Net	-	136,288
Depreciation	-	5,000
	539,663	(471,379)
Net Increase (Decrease) in working capital items		
Accounts Receivable	5,071	(8,576)
Income Taxes Recoverable/Payable	(284,592)	284,592
Accounts Payable and Accrued Liabilities	(699)	12,904
Prepaid Expense	202	562
	(280,018)	(181,897)
Cash provided by (used in) investment activities -		
Proceeds from Sale of PLC Shares - Net	3,143,691	-
Proceeds from Sale of 57 Linelle Street - Net	-	2,935,042
Proceeds from Sale of 53 Linelle Street - Net	-	777,525
Payment from Promissory Note with Park Lawn Limited Partnership	-	1,000,000
Land Held for Development	-	(3,903)
	3,143,691	4,708,664
Cash provided by (used in) financing activities -		
Repurchase of Capital Stock (Note 8)	(408,598)	-
Repayment of Mortgage	-	(254,837)
Dividends Paid	-	(565,000)
Borrowings (Repayments) under Demand Loan - Net	-	(396,297)
	(408,598)	(1,216,134)
Increase (Decrease) in Cash and Cash Equivalents	2,994,738	3,310,633
Cash and Cash Equivalents - beginning of period	3,311,457	824
Cash and Cash Equivalents - end of period (Note 6)	$ 6,306,193	$ 3,311,457
Supplemental Cash Flow Information:		
Interest Paid	$ -	$ 5,623
Income Taxes Paid (Net of Recoveries)	$ 306,000	$ -

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

1. NATURE OF OPERATIONS

As at December 31, 2017 and December 31, 2016, Park Lawn Company Limited ("the Company") held a 20% interest in a 2.9 acre parcel of land ("the Land") located at 57 Linelle Street, Toronto, Ontario (see Note 10). Prior to January 6, 2016, the Company held a 100% interest in the Land. Prior to September 16, 2016, the Company also held a Promissory Note Due ("the Note") in the amount of $5,096,498 from Park Lawn Limited Partnership (see Note 12). Principal on this Note was repaid to the Company during its 2016 fiscal year in cash and in kind. In addition, as at December 31, 2017 and December 31, 2016, the Company held a vendor take back mortgage in the amount of $4,920,000 as a result of selling an 80% interest in the Land (see Notes 2 (c) and (d), 10 and 15).

On November 1, 2015, the Company announced that it had entered into a binding agreement ("the Agreement") with Mattamy Development Corporation ("Mattamy"). The parties at that time had entered into an agreement for the development of the Company's property at 57 Linelle Street, Toronto, Ontario (see Notes 10 and 15). In August, 2007, the Company purchased the house and land located at 53 Linelle Street, Toronto, Ontario. The property at 53 Linelle Street is located immediately adjacent to the 57 Linelle Street property, and was sold to a third party during the Company's 2016 fiscal year (see Notes 2 (g), 9 and 11).

On January 6, 2016, the Company completed the Agreement, as noted above, with Mattamy for the development of the Company's property at 57 Linelle Street, Toronto, Ontario. As a consequence, the accompanying statements of operations report a pre-income tax net gain, during the Company's 2016 fiscal year, of $5,806,496 (see Note 2(d)).

The shares of Park Lawn Company Limited are listed on the Canadian Securities Exchange (CSE) under the symbol PRL. The Company's head office is located at 21 St. Clair Ave East, Suite 1001, Toronto, ON, M4T 1L9.

2. SIGNIFICANT ACCOUNTING POLICIES

a) International Financial Reporting Standards ("IFRS")

i) Basis of Presentation

Unless otherwise noted, all amounts in the accompanying consolidated financial statements and these notes are presented in Canadian funds, which is the functional currency of the Company.

The accompanying consolidated financial statements have been prepared on the historical cost basis with the exception of certain financial instruments that are measured at fair value, as discussed elsewhere in Note 2 Historical cost is generally based on the fair value of the consideration given in exchange for assets received.

ii) Statement of Compliance

The accompanying consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). These consolidated financial statements have been consistently prepared in accordance with those IFRS standards and the International Financial Reporting Committee ("IFRIC") interpretations issued and effective or issued and early adopted for all periods and dates reported as of April 25, 2018, the date the Board of Directors approved these statements.

b) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries (including Kening Properties Limited and Westside Cemetery Holdings Limited). All significant accounts and transactions between consolidated entities have been eliminated. Should there be a party with a minority interest in a property that the Company controls, that minority interest would be reflected as "Non-controlling Interest" in the accompanying consolidated statements of financial position.

c) Use of Estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the dates of the consolidated statements of financial position and the reported amounts of revenues and expenses during the reporting periods. Should the underlying assumptions change, the actual amounts could differ from those estimates.

Financial statement items subject to significant management judgment as at December 31, 2017 include revenue recognition, the valuation of short-term investments, the Company's investment in Park Lawn Corporation shares, land held for development and vendor take back mortgage, the completeness of accounts payable and accrued liabilities and the valuation of deferred income tax assets and liabilities. No assets have been pledged as collateral in respect of the Company's liabilities except as otherwise disclosed in the notes to the accompanying consolidated financial statements.

Significant assumptions made by management in the preparation of the accompanying consolidated financial statements include:

- In prior reporting periods (i.e. prior to December 31, 2015), the ability of the Company to obtain approval from the City of Toronto for the rezoning of its land held for development from that of mausoleum to residential was materially uncertain in nature. On January 6, 2016, the Company completed the transaction with Mattamy Development Corporation ("Mattamy) for the development of the Company's property at 57 Linelle Street, Toronto (see Notes 1 and 10). Mattamy has, as of that date, assumed responsibility for the management and completion of the approval process with the City of Toronto.

  As a consequence, the accompanying consolidated statements of operations report a net gain upon completion of this transaction of $5,806,496 for the Company's fiscal quarter end March 31, 2016. In addition, the accompanying consolidated statements of financial position reflect a long-term vendor take back mortgage of $4,920,000 resulting from this transaction (see Note 15).

As a result of the Company's transaction with Mattamy, the Company has retained a 20% interest in its land held for development (see Note 10). In the opinion of management, there is no indication that the Company, based upon current values for real estate in the City of Toronto, will not realize values for this asset significantly in excess of the carrying value of this asset upon eventual development of these properties by Mattamy. (See also Note 2(d.))

- In exchange for the settlement of the Note due from Park Lawn Limited Partnership ("PLLP"), the Company received as proceeds 262,092 shares of Park Lawn Corporation ("PLC," "the Shares") and a payment of $1,000,000, cash. The terms of the settlement and the valuation of these shares are discussed in Note 12. During the Company's fiscal year ended December 31, 2017, the Company disposed of 210,000 of these shares, resulting in an aggregate remaining balance of 52,092 shares. (See Notes 2 (n)(c) and 12.)

- The Company's short-term investments comprise five funds managed by two Canadian investment firms. The value of these investments is reported in aggregate on the accompanying consolidated statements of financial position fair value, which also approximates amortized cost, and there have been no indications of impairment in the value of any of these funds since acquisition.

d) Revenue Recognition

Revenue had been recognized from the Company's former rental property as earned on the accrual basis according to the terms of the underlying rental contract when collection was reasonably assured. Interest revenue on the Note Due from PLLP had been recognized on the accrual basis as earned according to the terms of the instrument. Accounting gains and losses on the sale of the rental property, the settlement of the Note Due from Park Lawn Limited Partnership, and the sale of the Company's land to Mattamy were recognized according to the terms of the underlying agreements when collection when reasonably assured. As at December 31, 2017, the Company has received all the proceeds due to date under these agreements and has recognized corresponding gains and losses as disclosed elsewhere in the consolidated statements of operations. The gains on the sale of the rental property and the Land and rental property as well as the disposal of and period end fair value adjustments in respect of the PLC Shares were and are recognized net of corresponding costs such as commissions, as applicable. (See Notes 1, 2(g), 2(n)(c), 9 and 15.) Holding gains and losses on the fair market value of the remaining PLC shares are recognized at the end of each reporting period. The Company recognizes revenues (i.e. interest and dividends) from its short-term investments and PLC Shares on the accrual basis when earned or declared, as applicable. The Company is not subject to seasonal fluctuations with regard to its revenues.

e) Income Taxes

The tax expense recognized in net and comprehensive income (loss) comprises the sum of deferred tax and current tax not recognized in other comprehensive income (loss) or directly in equity.

The tax currently payable is based on the taxable income or loss for the period. The taxable income or loss may differ from the income or loss for the period as reported in the accompanying statements of operations and comprehensive income (loss) due to the exclusion, if any, of revenue or expense items that are taxable or deductible in other periods, as well as items that are not taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax, if any, is recognized using the liability method on differences between the carrying amounts of assets and liabilities in the accompanying financial statements and their corresponding tax bases.

Deferred tax liabilities, if any, 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 future taxable income will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the taxable temporary difference arises from the initial recognition of goodwill or the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable income or loss, nor the income or loss for the period reported in the accompanying statements of operations and comprehensive loss.

Deferred tax liabilities, if any, are recognized, where material, for taxable temporary differences associated with investments in subsidiaries and joint ventures, if any, except where the Company is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets, if any, arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable income against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured, without discounting, at the tax rates that have been enacted or substantively enacted by the end of the reporting period and applicable in the period in which the liability is expected to be settled or the asset realized. Deferred tax liabilities are always recognized in full.

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. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow the benefit of all or part of the asset to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable income will be available.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset 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. Changes in deferred tax assets or liabilities are recognized as a component of taxable revenue or expense in profit or loss, except where these relate to items that are recognized in other comprehensive income (loss) or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income (loss) or equity, respectively.

The Company follows the asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of assets and liabilities and their respective tax bases and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is established, as needed, to reduce future income tax assets to the amount that is more likely than not to be realized. Current income tax liabilities and recoveries are recognized as current liabilities and assets on the accompanying statements of financial position.

f) Earnings (Loss) per Share

Basic earnings (loss) per share is calculated on the basis of earnings (loss) attributable to the holders of common shares, divided by the weighted average number of common shares outstanding during the period. Diluted per share amounts are calculated giving effect to the potential dilution that would occur if the securities or other contracts to issue common shares are exercised or converted to common shares. Diluted loss per share is equal to basic earnings (loss) per share when the effect of dilutive securities is anti-dilutive.

g) Investment Property and Depreciation

As at December 31, 2016, the Company had sold its one investment property, a rental property located at 53 Linelle Street, Toronto. (See Note 1.) Prior to this sale, capitalized costs directly associated with the property were measured at cost less accumulated depreciation and accumulated impairment losses, if any. Costs included expenditures that were directly attributable to the acquisition of the asset as well as, in the Company's 2016 fiscal year, capital costs of approximately \$62,000 pertaining to the improvement the property with the intent of obtaining a superior selling price and a rapid closing. The costs of replacing a part of an item of property are recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to the Company and if its costs can be measured reliably. The carrying amount of the replaced part is derecognized. Costs associated with the day-to-day servicing of property are recognized in operations as incurred. Gains and losses on the disposal of the property were determined by comparing the proceeds with the carrying amount of the asset and were included as part of other gains and losses in the accompanying consolidated statements of operations. Depreciation had been provided for on a straight-line basis over the estimated useful life of the rental property at \$8,000 per annum while the property was in use.

h) Impairment Testing of Property

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss would be recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value, less costs to sell, and value-in-use.

To determine the value-in-use, management estimates expected future cash flows and determines a suitable interest rate in order to calculate the present value of those cash flows. Discount factors are determined individually for each cash-generating unit ("CGU") and reflect their respective risk profiles as assessed by management. For the purpose of assessing impairment, assets are grouped at the cash-generating unit level that is the lowest level for which there are largely independent cash inflows. As a result, some assets are tested individually for impairment and some are tested at the cash-generating unit level.

Impairment losses recognized in respect of cash generating units are allocated first to reducing the carrying amount of any goodwill allocated to the CGUs (or group of CGUs) and then to reducing the carrying amount of the other assets in the CGU (or group of CGUs) on a pro-rata basis. Long-lived assets, other than goodwill, that suffer impairment are reviewed for possible reversal of the impairment at each reporting date. For such assets, an impairment charge is reversed if the CGUs or individual asset's recoverable amount exceeds its carrying amount.

i) Cash and Cash Equivalents

Cash is comprised of cash held at Canadian chartered banks. The Company considers its short-term investments to be cash equivalents. These instruments comprise demand, near-cash interest bearing investments with their original terms to maturity of three months or fewer.

j) Net and Comprehensive Income (Loss)

Net and comprehensive income (loss) comprises net income (loss) and other comprehensive income (loss). Other comprehensive income (loss), if any, represents changes in shareholders' equity and includes foreign exchange gains and losses on the translation of the financial statements of the Company's foreign operations and would be presented as accumulated other comprehensive income (loss). The Company's earnings (loss) per share as presented on the accompanying consolidated statements of operations are based upon its net and comprehensive income (loss). However, the Company has not had material income or losses from these sources of other comprehensive income (loss).

k) Equity

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity. Contributed surplus, if any, would include amounts in connection with conversion options embedded in compound financial instruments, stock-based compensation and the value of warrants. Monies paid in excess of the average stated value of the Company's common shares when such shares are repurchased for cancellation are treated as a reduction in retained earnings. The Company's retained earnings also comprise all current and prior period income and losses and dividends paid.

l) Provisions

Provisions are recognized when the Company has a present legal obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured based on management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material. Additionally, the Company performs evaluations to identify onerous contracts and, where applicable, records provisions for such contracts.

Onerous Contracts:
A provision for onerous contracts would be recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision would be measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company would recognize any impairment loss on the assets associated with the contract.

m) Impairment - Financial Assets

Financial assets other than those carried at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset, in which the cash flows can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security.

The Company maintains an allowance for doubtful accounts at an amount estimated to be sufficient to provide adequate protection against losses resulting from collecting less than the full amount due on its trade receivables. The Company considers evidence of impairment for receivables at both a specific asset and a collective level. All individually significant receivables are assessed for specific impairment.

Individual overdue accounts are reviewed, and allowances are recorded, to report trade receivables at net realizable value, when it has been determined that they are not collectible in full. All individually significant receivables found not to be specifically impaired are collectively assessed for any impairment that has been incurred but not yet identified. In assessing collective impairment the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses, if any, are recognized in the accompanying consolidated statements of operations and are reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss would be reversed through the same financial statements.

n) Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. Financial liabilities are derecognized when they are extinguished, discharged, cancelled or expire. Trade-date accounting is used.

At initial recognition, the Company classifies its financial instruments depending on the purpose for which the instruments were acquired, as follows:

(a) Cash and cash equivalents (i.e. short-term investment) are presented at fair value, with changes in fair value recorded in net income (loss) at each reporting period end.

(b) Accounts receivable and vendor mortgage take back are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's accounts receivable comprise trade receivables and are included in current assets due to their short-term nature. Accounts receivable due are initially recognized at the amount expected to be received less an allowance to reduce these assets to fair value, if any, and are subsequently measured at amortized cost. Vendor mortgage take back is presented on the accompanying consolidated statements of financial position at amortized cost, which approximates fair value given the long-term nature of this instrument, overall interest rates prevalent in the current market, and the interest rates and terms specific to that instrument, as well as management's assessment of counterparty risks. In the opinion of management, the imputed discount rate on this instrument, given the Company's incremental cost of borrowing, does not create a material difference.

(c) At December 31, 2017, the Company's Park Lawn Corporation shares ("the PLC shares") comprise 52,092 shares of that entity which are traded on the TSX. The value of those shares on the date of settlement of the Note due from Park Lawn Limited Partnership was approximately $15.11 per share, representing the deemed cost of the shares for accounting and taxation purposes at the time of acquisition. Under IFRS, this instrument is considered by management to be held for trading. As the shares are traded in an active and visible market, as at December 31, 2017, these shares have been marked to market, which was in excess of cost, resulting in an unrealized gain as reported on the consolidated statements of operations. At each reporting period end, it is the intention of management to continue to mark these instruments to market as the Company intends to divest itself of these instruments under favorable conditions. As at December 31, 2017, the PLC shares had a closing market value of $22.85 per share.

(d) The Company's financial instrument liabilities are initially recognized at the amount expected to be paid. Subsequently, trade and other liabilities are measured at amortized cost. The Company's only financial instrument liabilities as at December 31, 2017 and 2016 comprised accounts payable and accrued liabilities.

3. FUTURE AND RECENTLY ADOPTED ACCOUNTING POLICY CHANGES

The International Accounting Standards Board ("IASB") issued the following standards, amendments and interpretations as at December 31, 2017, which the Company has adopted.

- IFRS 9, Financial Instruments, Classification and Measurement ("IFRS 9") comprises requirements for financial assets and liabilities. IFRS 9 is part of the IASB wider project to replace IAS 39 Financial Instruments – Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset or liability is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. IFRS is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. Adoption of this standard by the Company on January 1, 2017 has not had a material effect.

- IFRS 11, Joint Arrangements ("IFRS 11") - The IASB has amended IFRS 11 to require business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business. The amendments will be effective for annual periods beginning on or after January 1, 2016, with earlier adoption permitted. Adoption of this standard has not had a material effect. Adoption of this standard by the Company on that date has not had a material effect.

- IFRS 15, Revenue from Contracts with Customers - IFRS 15 replaces IAS 11, *Construction Contracts*, and IAS 18, *Revenue*, as well as various interpretations regarding revenue. This standard introduces a single model for recognizing revenue that applies to all contracts with customers, except for contracts that are within the scope of standards on leases, insurance and financial instruments. This standard also requires enhanced disclosures. Adoption of IFRS 15 is mandatory and will be effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. Adoption of this standard by the Company on January 1, 2017 has not had a material effect.

- 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 is currently assessing the impact of adopting this standard on the Company's consolidated financial statements and related note disclosures, although management of the Company does not expect adoption to have a material effect.

- IAS 7, Statement of Cash Flows – Effective for annual periods beginning on or after January 1, 2017, with earlier application permitted. The amendments to IAS 7 require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. Adoption of this standard by the Company on January 1, 2017 has not had a material effect.

- IAS 12, Income Taxes - Effective for annual periods beginning on or after January 1, 2017 with earlier application permitted. IAS 12 has been revised to incorporate amendments issues by IASB in January 2016. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. Adoption of this standard by the Company on January 1, 2017 has not had a material effect.

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at December 31, 2017 and 2016, the Company's financial instruments comprise cash, accounts receivable, short-term investments, Park Lawn Corporation shares, vendor mortgage take back, and accounts payable and accrued liabilities. There is no active and visible market for instruments of these types, except for cash and short-term investments and the Park Lawn Corporation shares, the valuation of which is discussed in Note 2(n). The fair values of the Company's financial instruments approximate their carrying values, unless otherwise noted, due to their immediate liquidity, short-term maturities or interest rates and other terms which management believes approximate those of similar instruments in the current market. Except as otherwise noted, the Company is not exposed to significant risks in relation to its financial instruments.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. There have been no changes to the Company's exposure to risks in respect of its financial instruments, and there have been no changes in respect of management's objectives, polices and processes in the management of its financial instruments from that of the prior reporting period.

The Company reached a settlement agreement with PLC and PLLP with regard to the Promissory Note Due to the Company as described in Note 1. Under the terms of this agreement, PLC made an immediate cash payment of $1,000,000 to the Company. The balance of the settlement was paid to the Company in the form of shares of PLC which were issued from PLC treasury. As a consequence of the net proceeds of settlement, the Company incurred a net accounting and income loss during the fiscal year ended December 31, 2016 of $136,288, which has been recognized in net income (loss) for the period. In addition, as at December 31, 2016, as these shares are traded in a visible and active market and are considered by management to be held-for-trading financial instruments, the Company recognized an unrealized pre-tax gain of approximately $102,000 as at December 31, 2016.

In March, 2017, the Company disposed of 75,000 of these shares at a price of $16.50 per share prior to commissions. On April 26, 2017, the Company sold an additional 60,000 PLC shares at $18.45 per share prior to commission and on May 9 and 12, 2017 the Company sold an additional 50,000 PLC shares in aggregate at $20.50 per share prior to commissions. During November and December 2017, the Company sold an additional 25,000 PLC shares at an average price of $20.51 per share prior to commission. (See also Notes 12 and 16.)

The Company does not hold or issue derivative financial instruments for trading or speculative purposes.

Credit risk

Concentration of credit risk relates primarily to the Company's trade receivables, as the receivables principally derive from Canadian entities. The allowance for doubtful accounts was immaterial at the reporting dates. There is no indication, as at these dates, that the debtors will not meet their obligations, except as has been provided for as bad debts during the reporting periods. Bad debt expenses were immaterial for both years. The Company manages its credit risk relating to its trade receivables through credit approval and monitoring procedures, including senior management prior approval of all rental contracts. Such approvals are based on trade information, payment history, credit rating and financial analysis, where possible.

As at December 31, 2017, no material amounts, individually or in aggregate, of accounts receivable, were due beyond their stated payment terms, and none were considered impaired. Management believes that earning trade revenues through its current channels does not represent a significant credit risk to the Company.

Investment risk

The Board of Directors of the Company regularly reviews both compliance and performance of the Company's investments in cash equivalents (short-term investments), Park Lawn Corporation ("PLC") shares and vendor mortgage take back. 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 these investments, their liquidity or maturities, and monitoring of the price of the shares of PLC and of the returns earned and market values of the short-term investments and vendor mortgage take back to the date that the Board of Directors approved the accompanying financial statements (see Note 2(n)(b) and (c)) and none of the counterparties to these instruments have been in default in respect of their obligations.

Liquidity risk

The Company is exposed to liquidity risk to the extent that it must meet its financial obligations as and 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 combination of cash management and access to additional capital.

Management is of the view, based on historical cash flows, that there are sufficient current and future cash flows from the Company's operating activities and current- and long-term assets to sustain ongoing operations. Should contractual commitments require additional payments, management believes that the Company's current and future sources of liquidity are sufficient to cover these obligations. The Company's cash and short-term investments are demand instruments, and as at the date of the accompanying statements there are currently no contractual restrictions on the Company's ability to sell its remaining PLC shares

Market risk

In addition, the Company believes that its exposure to valuation risk in respect of its vendor mortgage take back is minimal (see Notes 1, 10 and 15).

With the January 6, 2016, assumption by Mattamy of responsibility for the management and completion of the approval process with the City of Toronto for the development of the Land at 57 Linelle Street, Toronto (see Notes 1, 2(c) and 15), management believes that the Company is no longer subject to material risks associated with this particular residential real estate development in Toronto. In the future, the Company may enter into additional real estate development or other projects and become subject to those risks.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. As at December 31, 2017, the Company's exposure to variable interest rates relates to its short-term investments (see Note 6), as changes in the interest rates would affect the Company's returns on these instruments. All of the Company's other financial instruments are either non-interest bearing or bear interest at fixed rates.

Fair value Hierarchy

The following summarizes the Company's financial instruments that are carried at fair values according to the fair value hierarchy, which comprises the following levels. The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial instruments that are carried at fair value under the hierarchy comprise Park Lawn Corporation shares and its cash and cash equivalents (short-term investments), which are Level 1 and Level 2 instruments, respectively.

Derecognition of financial instruments
A financial asset is derecognized when the contractual rights to the cash flows from the asset expire or when the Company transfers the financial asset to another party without retaining control or substantially all the risks and rewards of ownership of the asset. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

5. CAPITAL DISCLOSURES AND NORMAL COURSE ISSUER BID

The Company defines capital as the aggregate of shareholder equity and debt. The Company's equity comprises the shares of the Company subscribed by the shareholders and retained earnings**.** The Board of Directors manages the dividend policy and the pricing of products and services of the Company so as to ensure that there are adequate cash flows 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.

The Company is currently not dependent on external financing to fund its activities. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is optimal.

On May 23, 2017, the Company announced that it would be making a normal course issuer bid ("NCIB") through the facilities of the Canadian Securities Exchange. Under the NCIB, the Company would purchase for cancelation a maximum of 49,603 shares representing up to 10% of the public float of the currently issued and outstanding shares of the Company. The normal course issuer bid would be expected to commence on or about May 24, 2017 and would not extend beyond May 23, 2018. Any purchases would be made by the Company at the prevailing market process of the shares at the time of purchase and all purchased shares would be and have been cancelled as at December 31, 2017.

Other than the NCIB, there were no changes in the Company's approach to capital management during the years ended December 31, 2017 and 2016. The Company is not subject to externally imposed capital requirements.

6. CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

As at December 31, 2017 and 2016, the Company's cash comprises cash on deposit with a Canadian chartered bank in the amount of $3,952,921 (December 31, 2016 - $1,556,179). The Company's cash equivalents comprise interest bearing investments in an aggregate amount of $2,353,671 (December 31, 2016 - $1,755,278) in four Canadian and one United States investment funds (December 31, 2016 - two Canadian and no US investment funds), held in Canadian dollars. The short-term investments have maturities of three or fewer months from the date or investment or reinvestment and are redeemable on demand. Due to the interest rates and other terms of these investments, management is of the opinion that the carrying value of these instruments approximates fair market value.

During the Company's fiscal year ended December 31, 2017, the Company earned interest of $111,044 (2016 - $35,175) which was reinvested in these funds, as well as interest of $118,403 on its vendor take back in compliance with the Mattamy agreement (see Note 10).

As at December 31, 2017, the Company's aggregate cash and cash equivalents amounted to $6,306,193 (December 31, 2016 - $3,311,457).

7. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2017, the Company paid cash remuneration of $256,916 (2016 - $256,916) to Scotchbrook Holdings Inc. ("Scotchbrook") for management and professional services in relation to the Company's operations. Scotchbrook is owned by a director and an officer of the Company. These transactions were in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties. Under the terms of its agreement with Scotchbrook, the Company announced that its agreement with Scotchbrook would terminate at the end of the Company's 2018 fiscal year (i.e. within a "three-year notice period").

8. SHAREHOLDERS' EQUITY

As at December 31, 2017, the Company's authorized share capital comprises an unlimited number of common shares of which 1,080,697 (1,130,000 – 2016) are issued and outstanding. This figure, weighted for share redemptions under the terms of the Company's normal course issuer bid, forms the basis for the determination of net income (loss) per share for the Company's fiscal years ended December 31, 2017 and 2016.

Normal Course Issuer Bid

On May 23, 2017 the Company announced that it would make a normal course issuer bid ("NCIB") through the facilities of the Canadian Securities Exchange. Under the NCIB, the Company would purchase up to 49,603 shares representing up to 10% of the public float of the currently issued and outstanding shares of the Company. The NCIB was expected to commence on or about May 24, 2017 and would not extend beyond May 23, 2018. Any purchases would be made by the Company at the prevailing market prices of the shares at the time of purchase and all shares purchased would be cancelled. The actual number of shares purchased, timing of purchases and the price at which the shares are bought would depend upon future market conditions and potential alternative uses for the Company's cash resources.

During the fiscal year ended December 31, 2017, and as part of the Company's NCIB, the Company repurchased 49,303 of its shares. All repurchased shares have been cancelled. On December 1, 2017, the Company announced that it was cancelling its Normal Course Issuer Bid.

9. MORTGAGE PAYABLE AND GAIN ON SALE

During the fiscal year ended December 31, 2016, the Company sold its investment property located at 53 Linelle Street, Toronto Ontario for gross cash proceeds of $830,000 (prior to commissions and other closing costs of approximately $52,475), realizing a net accounting gain of $323,369. Upon closing of this transaction, the Company used the proceeds of the sale to discharge the outstanding balance of the mortgage loan. (See Note 11.)

10. VENDOR TAKE BACK MORTGAGE AND LAND HELD FOR DEVELOPMENT

On January 6, 2016 the Company completed the following transaction with Mattamy Development Corporation ("Mattamy"). The parties entered into an agreement for the development of Company's property ("the Land") located at 57 Linelle Street, Toronto. Mattamy acquired an 80% interest in the Land for $8.2 million. 30% of the purchase price was paid in cash upon closing with an additional 10% paid in cash in May, 2016 (see Note 1). Of the outstanding balance of 60% of the selling price, the Company has received a vendor take back mortgage the proceeds of which are payable in cash to the Company within three years of closing. Interest is payable on the mortgage at 4.8% per annum, with no interest payable until July 2017. Interest of $118,403 in respect of the Mortgage was received in cash during the Company's fiscal year ended December 31, 2017.

The Company has retained a 20% interest in the Land and has entered into a co-ownership agreement with Mattamy. The co-owners' agreement contemplates the development of the land for low-rise residential development. Under this agreement, Mattamy has assumed responsibility for managing the approval of the re-zoning process with the City of Toronto, as well as managing site servicing and the sale and construction of the units. The Company and Mattamy will divide profits from the development and sale of the land held for development with the Company receiving 20% and Mattamy 80%.

Due to the interest rate and other terms of the corresponding vendor take back agreement, management is of the opinion that the carrying value of the vendor tack back mortgage approximates fair market value.

11. INVESTMENT PROPERTY

As at December 31, 2016, the Company had disposed of its rental property (see Notes 1, 2 (c), (g) and 9).

12. PARK LAWN CORPORATION SHARES AND NOTE DUE FROM PARK LAWN LIMITED PARTNERSHIP

In consideration for a transfer of assets, PLLP issued to the Company a subordinated, secured promissory note having an initial term of ten years bearing interest of 5.5% per annum. The promissory note was repayable at any time without penalty and was automatically renewable after the expiration of the initial term for an additional ten years with an interest rate equal to the rate that is 1.25% above the interest rate for a 10-year Government of Canada bonds at the time of renewal. This note was not callable prior to maturity date.

In June, 2012, the Company received a principal payment on the promissory note from Park Lawn Corporation ("PLC") of $566,277. As part of the long-term debt refinancing of PLC, the Company was required to execute a postponement agreement. An agreement was negotiated to allow for the payment of 10% of the outstanding balance on the Promissory Note ("the Note").

On July 28, 2016, the Company entered into an agreement with PLC that provides for repayment of the Note. The Note at that date had a current par value of $5,096,498 and was scheduled to be subject to an interest rate reset on September 16, 2016. PLC, up to that time, had the option to renew the Note for a fixed rate for an additional 10 year term. It was anticipated that the interest rate upon renewal, should that option be exercised, would be approximately 2.35% per year.

Notwithstanding the above, the Company and PLC decided to adopt new terms in respect of this agreement. These new terms required PLC to retire the Note to the Company. PLC made an immediate cash payment of $1 million to the Company. The balance of the repayment was paid in the form of common shares of PLC which were issued from PLC treasury. The price of the shares was based on the 20 day-volume weighted average price (the "VWAP") prior to the exercise date, and the shares issued from PLC treasury will be discounted an additional 8% from, the value of the 20-day VWAP.

On September 16, 2016, the balance of the Note due was settled with the issuance of 262,092 common shares of PLC. From the date of settlement, the PLC shares were subject to a holding period of six months. For income tax and IFRS purposes, these shares were initially valued on the Company's consolidated statements of financial position at $15.11 per share, being the closing price on the date of the closing of transaction on the TSX, resulting in a net accounting and income tax loss of approximately $136,000.

During its 2017 fiscal year, the Company earned dividends of $62,001 from this instrument.

During its 2017 fiscal year, December 31, 2017 the Company sold 210,000 shares of PLC shares in aggregate. The Company realized an accounting gain on the sale of these shares of $709,150, and an unrealized gain on the value of the PLC share of $301,481. (See also Note 16.)

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13. DEMAND LOAN

The credit facility that was available to the Company was repaid as to principal and all terms in full by the Company effective January 31, 2016.

14. INCOME TAXES

In its prior six annual fiscal years, the Company incurred non-capital losses for income tax purposes. Those losses were available to the Company to reduce the current portion of its income taxes payable, if any. The deferred income tax benefit of these losses carried forward ($52,000 as at December 31, 2015) was not recognized in the Company's annual and quarterly consolidated financial statements until the fourth quarter of the Company's 2015 fiscal year due to the uncertainty of the Company being able to apply its non-capital losses against future non-capital earnings. In addition, at the time of the acquisition of the Land during the Company's fiscal 2002 year, the value of the Land was written down by the Company from the acquisition price of approximately $4.189 million to approximately $2.074 million for accounting purposes. Under the Income Tax Act (Canada) no write down was required. Due to the uncertainty of the Company being able to recover its original investment in the Land, including obtaining rezoning approval from the City of Toronto, the effect of the deferred taxable benefit of this difference was not recognized until the closing of the Mattamy transaction.

As at December 31, 2017, the valuation allowance for deferred income taxes was $Nil (2016 - $Nil).

The table below provides a reconciliation between the combined statutory federal and Ontario income tax rates and the Company's average effective tax rates for the fiscal years ended December 31, 2017 and 2016.

		December 31, 2017		December 31, 2016
Net income before incomes taxes for the period	$	841,143	$	5,904,006
Statutory tax rate		26.5%		26.5%
Income tax at statutory rates		222,903		1,564,562
Non-taxable portion of capital gains on disposal of real property and investments		(93,945)		(443,911)
Recognition of benefit between carrying value of land for accounting and income tax purposes		-		(560,475)
Recovery of income taxes on application of non-capital losses carried forward		(49,390)		-
Other		16,932		21,352
Income taxes (recovery) at average effective rates	$	96,500	$	581,528
Current income taxes		-		296,936
Deferred income taxes		96,500		284,592
	$	96,500	$	581,528

15. GAIN ON SALE OF 57 LINELLE STREET, TORONTO, ONTARIO

The gain on the sale of 80% of the Company's interest in the Land located at 57 Linelle Street, Toronto, Ontario to Mattamy is presented on the accompanying consolidated statements of operations net of corresponding legal fees and commissions on the sale. Under the terms of the agreement, the Company received prior to March 31, 2016, 30% of the gross proceeds on this sale and received the additional 10% of the gross proceeds on May 6, 2016. The balance of the gross proceeds (specifically, $4,920,000, cash) is receivable by the Company on or about January 6, 2019. (See Notes 1, 2(c), 2(n)(b), 4 and 10.)

16. SUBSEQUENT EVENTS

Park Lawn Corporation Shares
On March 27, 2018 the Company sold 15,000 of its PLC for proceeds of $27.00 per share before commissions.

Slate Canadian Real Estate Opportunity Fund LP
In March, 2018, the Company made a commitment to invest $545,000 in Slate Canadian Real Estate Opportunity Fund L.P. ("the Fund"), a private equity fund established by Slate Asset Management to invest in real estate opportunities in Canada. At the time of commitment, the Company invested approximately $300,917 in this Fund.