Consolidated Financial Statements

for the Years Ended December 31, 2017 and 2016.

2017

PARK LAWN
CORPORATION

Independent Auditors' Report

To the Shareholders of Park Lawn Corporation

We have audited the accompanying consolidated financial statements of Park Lawn Corporation, which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of earnings, comprehensive income, 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 Consolidated 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 auditors' 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

MNP LLP

Mississauga, Ontario
March 28, 2018

Chartered Professional Accountants
Licensed Public Accountants

MNP LLP

PARK LAWN CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017 AND DECEMBER 31, 2016

	December 31, 2017	December 31, 2016
Assets		
Current assets		
Cash	$ 12,736,498	$ 23,891,672
Accounts receivable	4,932,227	1,922,342
Pre-need receivables, current portion (Note 4)	13,480,868	5,591,591
Inventories, current portion (Note 5)	4,810,926	4,282,024
Prepaid expenses and other current assets	1,155,131	598,918
	37,115,650	36,286,547
Non-current assets		
Pre-need receivables, net of current portion (Note 4)	36,027,923	16,305,661
Inventories, net of current portion (Note 5)	35,701,660	35,102,816
Land held for development (Note 8)	7,433,352	4,033,096
Property and equipment (Note 9)	42,749,947	21,616,144
Investment properties (Note 10)	209,285	199,956
Care and maintenance trust fund investments (Note 11)	110,007,638	87,545,830
Pre-need merchandise and service trust fund investments (Note 12)	96,018,172	63,881,008
Deferred tax assets, net (Note 28)	2,982,205	1,715,840
Employee share plan loan (Note 29)	3,169,899	3,299,327
Debentures receivable	-	150,000
Receivable on sale of discontinued operations	216,234	276,895
Goodwill and intangibles (Note 6 and 14)	85,962,618	19,172,958
Deferred financing fee (Note 17)	724,260	341,226
Other assets	762,409	413,487
	421,965,602	254,054,244
TOTAL ASSETS	$ 459,081,252	$ 290,340,791
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 15)	$ 10,177,423	$ 9,830,094
Dividends payable	583,176	421,639
Current portion of long term debt (Note 16)	553,807	503,980
Current portion of notes payable (Note 18)	832,382	800,000
	12,146,788	11,555,713
Non-current liabilities		
Long-term debt, net of current portion (Note 16)	2,674,940	3,107,795
Notes payable, net of current portion (Note 18)	334,679	283,989
Deferred revenue (Note 19)	54,786,871	25,188,834
Contingent payments (Note 20)	1,061,949	1,410,709
Care and maintenance trusts' corpus (Note 11)	110,007,638	87,545,830
Deferred pre-need receipts held in trust (Note 12)	96,018,172	63,881,008
	264,884,249	181,418,165
Shareholders' Equity		
Share capital (Note 23)	179,775,963	92,709,116
Contributed surplus (Note 27)	1,133,771	292,881
Accumulated other comprehensive loss	(1,654,092)	(46,725)
Retained earnings	1,691,930	3,632,754
	180,947,572	96,588,026
Non-controlling interest	1,102,643	778,887
	182,050,215	97,366,913
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 459,081,252	$ 290,340,791

Commitments and Contingencies (Note 35)

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, 2017 AND 2016

	2017	2016
Revenue		
Sales	$ 79,246,523	$ 61,541,899
Income from care and maintenance funds (Note 11)	6,026,868	4,263,401
Interest and other income	2,016,406	1,445,785
	87,289,797	67,251,085
Costs	20,077,319	17,618,819
Gross profit	67,212,478	49,632,266
Operating expenses		
General and administrative (Note 25)	25,313,541	17,747,005
Maintenance (Note 25)	17,771,045	14,267,842
Advertising and selling (Note 25)	13,554,017	11,213,327
Interest expense (Note 26)	384,026	624,051
Share based incentive compensation (Note 27)	878,321	370,211
	57,900,950	44,222,436
Earnings from operations	9,311,528	5,409,830
Acquisition and integration costs (Note 6)	(4,054,265)	(904,621)
Foreign exchange gain (loss) (Note 21)	(1,007,500)	333,871
Other income (expenses) (Note 34)	423,384	(234,726)
Change in fair value of contingent payments (Note 20)	268,965	3,466,271
Gain on sale of properties (Note 9 and Note 31)	-	438,159
Contract termination payment (Note 32)	-	(719,628)
Gain on extinguishment of debt (Note 33)	-	378,711
Earnings before income taxes	4,942,112	8,167,867
Income tax expense (Note 28)	421,542	312,108
Net earnings for the year	$ 4,520,570	$ 7,855,759
Net earnings attributable to:		
Equity holders of PLC	$ 4,196,814	$ 7,490,132
Non-controlling interest	323,756	365,627
	$ 4,520,570	$ 7,855,759
Net earnings per share - basic		
Attributable to equity holders of PLC	$ 0.315	$ 0.941
Net earnings per share - diluted		
Attributable to equity holders of PLC	$ 0.314	$ 0.939
Weighted average number of common shares:		
- basic	13,335,587	7,962,053
- diluted	13,362,840	7,977,471

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, 2017 AND 2016

	2017	2016
Net income for the year	$ 4,520,570	$ 7,855,759
Item of other comprehensive income to be subsequently reclassified to net income		
Foreign currency translation of foreign operations	(1,607,367)	(46,725)
Comprehensive income	$ 2,913,203	$ 7,809,034

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, 2017 AND 2016

	# of Common Shares Issued and Outstanding	Share Capital	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Non Controlling Interest	Shareholders' Equity
Balance at January 1, 2016	5,844,272	$ 22,883,002	$ 2,348	$ 306,763	$ -	$ 562,544	$ 23,754,657
Dividends declared (Note 22)	-	-	-	(3,725,315)	-	-	(3,725,315)
Shares issued:							
Subscription offering, net of costs (Note 23)	2,105,400	22,174,139	-	-	-	-	22,174,139
Dividend reinvestment plan (Note 23)	9,006	117,134	-	-	-	-	117,134
Equity incentive plan (Note 27)	-	-	290,533	-	-	-	290,533
Private placement, net of costs (Note 23 and Note 33)	262,092	3,679,579	-	-	-	-	3,679,579
Prospectus financing, net of costs (Note 23)	2,875,000	43,855,262	-	-	-	-	43,855,262
Acquisition of non-controlling interest (Note 7)	-	-	-	(438,826)	-	(149,284)	(588,110)
Other comprehensive loss	-	-	-	-	(46,725)	-	(46,725)
Net earnings for the year	-	-	-	7,490,132	-	365,627	7,855,759
Balance at December 31, 2016	11,095,770	$ 92,709,116	$ 292,881	$ 3,632,754	$ (46,725)	$ 778,887	$ 97,366,913
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 22)	-	-	-	(6,189,817)	-	-	(6,189,817)
Shares issued:							
Dividend reinvestment plan (Note 23)	13,212	231,791	-	-	-	-	231,791
Equity incentive plan (Note 27)	-	-	840,890	-	-	-	840,890
Prospectus financing, net of costs (Note 23)	4,237,750	76,976,730	-	-	-	-	76,976,730
Contingent equity consideration (Note 23)	-	9,858,326	-	-	-	-	9,858,326
Acquisition of non-controlling interest (Note 7)	-	-	-	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

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, 2017 AND 2016

	2017	2016
Cash provided by (used in):		
Operating activities		
Net earnings for the year	$ 4,520,570	$ 7,855,759
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Acquisition and integration costs	4,054,265	-
Foreign exchange gain/loss relating to acquisitions and other strategic transaction	1,007,500	-
Depreciation of property and equipment, investment properties and amortization of intangibles	2,560,341	1,622,481
Amortization of cemetery property	4,162,086	3,755,565
Loss (Gain) on sale of investment property and assets held for sale	-	(438,159)
Dividend reinvestment plan	231,791	117,134
Share based incentive compensation	840,890	290,533
Gain on extinguishment of debt	-	(378,711)
Gain on change in fair value of contingent payments	(268,965)	(3,466,271)
Termination of lease contract	149,125	-
Changes in operating assets and liabilities that provided (required) cash:		
Accounts receivable	(2,131,639)	(140,273)
Pre-need receivables	(614,686)	(2,537,389)
Prepaid expenses and other current assets	(353,524)	(122,109)
Deferred tax asset/expense	(1,266,365)	(1,553,704)
Employee loan	129,428	129,780
Insurance proceeds recoverable	-	650,702
Accounts payable and accrued liabilities	(2,330,391)	(348,139)
Deferred revenue	(1,345,120)	789,300
Cash provided by (used in) operating activities	9,345,306	6,226,499
Investing activities		
Acquisition and integration costs	(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	(76,179,735)	(25,665,233)
Proceeds from sale of investment property and assets held for sale	-	1,047,202
Acquisition of property and equipment	(2,822,532)	(4,502,259)
Acquisition of land held for development	(3,464,596)	(800,000)
Proceeds on disposal of property and equipment	-	14,921
Investment in inventories	(2,585,818)	(6,789,876)
Investment in other assets	(327,472)	(137,507)
Cash provided by (used in) investing activities	(90,381,257)	(36,832,752)
Financing activities		
Proceeds (repayment) from loan receivable	123,600	(3,600)
Repayment of long-term debt	(530,605)	(20,484,963)
Repayment of note payable	(309,767)	(5,838,100)
Note payable for land held for development	-	800,000
Proceeds from issuance of long-term debt	54,427	14,100,835
Proceeds from private placement, net of costs	-	3,679,579
Proceeds from financing, net of costs	76,976,730	43,855,262
Dividends and distributions paid	(6,189,817)	(3,725,315)
Proceeds from issuance of subscritption receipts	-	20,778,070
Deferred financing fee	(383,034)	633,198
Cash paid for acquisition of non-controlling interest	52,179	(588,110)
Cash held in escrow	-	1,396,069
Cash provided by (used in) financing activities	69,793,713	54,602,925
Translation adjustment on cash	87,064	(269,515)
Net increase (decrease) in cash	(11,155,174)	23,727,157
Cash, beginning of year	23,891,672	164,515
Cash, end of year	$ 12,736,498	$ 23,891,672
Supplemental disclosures:		
Income taxes paid	$ 773,215	$ 429,227
Interest expenses paid	$ 298,595	$ 791,900

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 Ontario, Quebec, Manitoba, Saskatchewan, British Columbia, Canada and Michigan, Kentucky, Texas, Illinois, 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 28, 2018.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

c. Functional currency - continued

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

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

d. Basis of consolidation - continued

Investment entities - continued

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 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.

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

Revenue is measured at the fair value of the consideration received or receivable.

Pre-need cemetery interment rights, merchandise and services

Sales of pre-need cemetery interment rights are recognized as revenue when the interment right sales price can be reasonably collected and the interment right has been transferred to the customer. Contracts for the sale of pre-need cemetery interment rights can be cancelled by the customer prior to burial. Cancellation estimates have been provided for based on historical experience and current trends.

Sales of pre-need cemetery merchandise and services and related costs are deferred and recognized when the merchandise is delivered or the service is performed. Contracts for the sale of pre-need cemetery merchandise and services can be cancelled by the customer prior to delivery.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

f. Revenue recognition – continued

Funeral sales

Sales of at-need funeral merchandise and services are recognized as revenue at the date of delivery of the merchandise or performance of the service. Sales of pre-need funeral merchandise and services are deferred and recognized in earnings when the merchandise is delivered or the service is performed.

Investment and other income

Investment income, including interest and dividends, related to the care and maintenance funds, is recognized by the Company in investment and other income as earned by the funds. The income is withdrawn from the funds by the Company as earned and is used to defray cemetery maintenance costs, which are expensed as incurred.

Finance charges

Finance charges on the uncollected balance of instalment accounts receivable are recognized in 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 merchandise is delivered. Costs related to cemetery and funeral merchandise and services are based on actual costs incurred.

Obtaining costs

Obtaining costs related to all sales contracts are expensed as incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

g. Financial instruments

Recognition and measurement

Financial assets and financial liabilities, including derivatives, are recognized in the consolidated statements of financial position when the Company becomes a party to the contractual provisions of a financial instrument or non-financial derivative contract. All financial instruments are required to be measured at fair value on initial recognition. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities classified as fair value through profit or loss ("FVTPL") are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified as FVTPL are recognized immediately in net earnings.

The Company classifies financial instruments, at the time of initial recognition, according to their characteristics and Management's choices and intentions related thereto for the purposes of ongoing measurement. Classification choices for financial assets include: a) FVTPL; b) held-to-maturity; c) available-for-sale; and d) loans and receivables. Classification choices for financial liabilities include: a) FVTPL and b) other liabilities.

Subsequent measurement of these assets and liabilities is based on either fair value or amortized cost using the effective interest method, depending upon their classification.

Financial assets and liabilities are offset and the net amount presented in the consolidated statements of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company's financial assets and financial liabilities are generally classified and measured as follows:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

g. Financial instruments – continued

Recognition and measurement - continued

Asset/Liability	Category	Measurement
Cash	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Pre-need receivables	Loans and receivables	Amortized cost
Employee loans and employee share loan plan receivable	Loans and receivables	Amortized cost
Insurance proceeds recoverable	Loans and receivables	Amortized cost
Pre-need trust fund investments	Available-for-sale	Fair value
Care and maintenance trust fund investments	Available-for-sale	Fair value
Debenture receivable	Loans and receivables	Amortized cost
Loan receivable	Loans and receivables	Amortized cost
Receivable from sale of discontinued operations	Loans and receivables	Amortized cost
Trade payables and accrued liabilities	Other liabilities	Amortized cost
Dividends payable	Other liabilities	Amortized cost
Long-term debt	Other liabilities	Amortized cost
Notes payable	Other liabilities	Amortized cost
Pre-need trust liabilities	Other liabilities	Fair value
Care and maintenance trust liabilities	Other liabilities	Fair value
Contingent payment	FVTPL	Fair value

Financial instruments at fair value through profit or loss

Financial instruments are classified as FVTPL when the financial instrument is either held-for-trading or designated as such upon initial recognition. Financial assets are classified as held-for-trading if acquired principally for the purpose of selling in the near future or if part of an identified portfolio of financial instruments that the Company manages together and has a recent actual pattern of short-term profit-making. Financial instruments classified as FVTPL are measured at fair value, with changes in fair value recorded in net income in the period in which they arise.

Held-to-maturity

Debt instruments are classified as held-to-maturity if the Company has the positive intent and ability to hold the instruments to maturity. Subsequent to initial recognition held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale and prevent the Company from classifying financial assets as held-to-maturity for the current and the following two financial years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

g. Financial instruments – continued

Available-for-sale

Financial instruments classified as available-for-sale financial assets are measured at fair value with changes in fair value recognized in the trust corpus on the statement of financial position. Dividend income from available-for-sale financial assets is recognized in net earnings when the Company's right to receive payments is established. Interest income on available-for-sale financial assets, calculated using the effective interest method, is recognized in the consolidated statements of earnings and comprehensive income.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment, with gains and losses recognized in the consolidated statements of earnings and comprehensive income in the period that the asset is derecognized or impaired.

Other liabilities

Subsequent to initial recognition other financial liabilities are measured at amortized cost using the effective interest method with gains and losses recognized in the consolidated statements of earnings and comprehensive income in the period that the liability is derecognized.

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. A financial liability is derecognized when its contractual obligations are discharged, cancelled or expire.

h. Cash and cash equivalents

Cash and cash equivalents include short-term investments, such as money market deposits, certificates of deposit or similar type highly-liquid instruments with a maturity of three months or less from the date of purchase.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

i. Accounts receivable

Accounts receivable represent amounts due from customers related to at-need cemetery and funeral contracts and miscellaneous current receivables. At need receivables are considered past due after 30 days. Collections are generally managed by the locations until a receivable is considered delinquent at which time it is fully reserved.

j. 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 cost at the time a contract is signed, net of a provision for cancellations. The Company provides a cancellation reserve for cemetery receivables. This allowance is based on an analysis of historical trends of collection and cancellation activity. Where permitted by provincial or state law, customers may arrange their preneed funeral contracts by purchasing an insurance policy. The preneed funeral contracts secured by third party insurance policies are not recorded as assets or liabilities of the Company. See note 13 to the consolidated financial statements for further information.

k. 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.

l. 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.

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%

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

l. Property and equipment - continued

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.

m. Investment properties

Investment properties are properties held to earn rental income or appreciation of capital or both. Investment properties are recorded separately in the consolidated statements of financial position. Investment properties are measured at cost less accumulated depreciation and any impairment, if any, in the same manner as property and equipment. Investment properties are depreciated using the declining-balance method at an annual rate of 4%.

n. 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

o. Impairment of assets

At the end of each reporting period, the Company assesses whether there is an indication that an asset or cash-generating unit ("CGU") may be impaired. If any indication exists, or when annual impairment testing for an asset or CGU is required, 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. 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.

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

For assets excluding goodwill, an assessment is made at the end of each reporting period as to whether there is any indication that previously recognized impairment losses no longer exist or may be decreased. If such indication exists, the Company estimates the asset's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of earnings and comprehensive income.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU to which goodwill relates. Where the recoverable amount of the CGU, including goodwill, is less than its carrying value, an impairment loss is recognized. 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. This reversal is immediately recognized in the consolidated statements of earnings and comprehensive income and is limited to the carrying amount that would have been determined, net of any depreciation, had no impairment been recognized in prior years. After such a reversal, any depreciation is adjusted prospectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

p. 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.

q. 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.

r. 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.

s. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

t. 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 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.

Current and deferred tax are recognized as an expense or income in the consolidated statement 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

u. 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 net earnings 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.

v. 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 IAS 39, with the corresponding gain or loss being recognized in profit or loss.

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.

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. The Company is assessing the impact on its consolidated financial statements as a result of adopting the following new standards:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

w. Future Accounting Policy Changes - continued

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

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

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

The new standard, requires that the Company recognizes revenue in the amount to which the Company expects to be entitled for delivery of promised goods and services to the Company's customers. The new standard will also result in enhanced revenue-related disclosures, including any significant judgments and changes in judgments.

The Company has analyzed the impact on the Company's contract portfolio by reviewing the Company's revenue streams and current policies and procedures to identify potential differences that would result from applying the requirements of the new standard to the contracts.

The standard primarily impacts the manner in which the Company recognizes incremental costs to acquire new preneed funeral trust contracts and preneed and at need cemetery contracts (i.e., selling costs) in the Company's US operations. The new standard requires the deferral of incremental selling costs to the period in which the underlying revenue is recognized.

The effect of transition to IFRS 15 on the Company's consolidated statements of earnings for the year ended December 31, 2017, would be a change to the commission expense which is included in the Company's adverting and selling line item. The effect of transition to IFRS 15 on the Company's consolidated statement of financial position as at December 31, 2017, would be a change to the Company's current and non-current assets relating to the deferral of incremental selling costs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

w. Future Accounting Policy Changes – continued

IFRS 16 – "Leases", effective for annual periods beginning on or after January 1, 2019. The most significant change introduced by IFRS 16 is a single lessee accounting model, bringing leases on-balance sheet for lessees. Management anticipates that this standard will be adopted in the Company's consolidated financial statements for the year beginning January 1, 2019 and has not yet considered the potential impact of the adoption of IFRS 16.

3. CRITICAL ESTIMATES AND JUDGMENTS

Use of estimates

The preparation of these consolidated financial statements requires management to make certain estimates, judgements and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported expenses during the period. Actual results could differ from these estimates. Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets, liabilities, and equity in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

i) The carrying value of goodwill and intangibles acquired from acquisitions and estimates on any applicable impairment. The Company's impairment tests for goodwill and intangible assets are based on the greater of value in use calculations that use a discounted cash flow model over a five-year period and estimated fair value less cost to sell.

The value-in-use calculations employ the following key assumptions: future cash flows, growth projections including economic risk assumptions and estimates of achieving key operating metrics. The cash flows are derived from the Company's budget for the future and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset base of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The estimated fair value less cost to sell is based on assessment of comparable company multiples and precedent transactions. Refer to Note 14 for more details on the current year impairment analysis.

ii) In a business combination, substantially all identifiable assets, liabilities and contingent liabilities acquired are recorded at the date of acquisition at their respective fair values. One of the most significant areas of judgment and estimation relates to the determination of the fair value of these assets and liabilities, including the fair value of contingent consideration, if applicable. If any intangible assets are identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent external valuation expert may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. These valuations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied. In certain circumstances where estimates have been made, the Company may obtain third-party valuations of certain assets, which could result in further refinement of the fair-value allocation of certain purchase prices and accounting adjustments.

3. CRITICAL ESTIMATES AND JUDGMENTS - continued

Use of estimates – continued

iii) In determining an allowance for sales returns the Company provides various allowances and/or cancellation reserves for cemetery receivables. These allowances are based on the analysis of historical trends and include, where applicable collection and cancellation activity.

4. PRE-NEED RECEIVABLES

	December 31, 2017	December 31, 2016
Within 1 year	$ 13,480,868	$ 5,591,591
Over 1 year to 2 years	13,364,255	3,599,358
Over 2 years to 3 years	10,037,971	2,830,346
Over 3 years to 4 years	6,998,381	2,008,737
Over 4 years to 5 years	5,627,316	7,867,220
Total	$ 49,508,791	$ 21,897,252

The above is net of an allowance for sales returns of $5,684,949 (at December 31, 2016 - $3,665,135). The increase in the pre-need receivables and allowance for sales returns is primarily a result of the acquisition of Saber during the third quarter of 2017.

Based on the review of the status of the individual pre-need receivables at the end of each reporting period, the Company's management believes that an allowance for doubtful accounts receivable is not required.

5. INVENTORIES

	December 31, 2017	December 31, 2016
Merchandise inventories	$ 1,007,286	$ 760,252
Cemetery lots	9,638,965	10,290,895
Crypts and niches	29,822,159	28,333,693
Construction in progress	44,176	-
Total	40,512,586	39,384,840
Current portion	4,810,926	4,282,024
Non-current portion	$ 35,701,660	$ 35,102,816

The increase in inventories is primarily a result of the acquisition of Saber during the third quarter of 2017. There has been a reclassification between current and non-current inventory to better reflect the timing of property sales.

5. INVENTORIES - continued

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

	December 31, 2017	December 31, 2016
Merchandise	$ 8,359,503	$ 6,907,202
Cemetery lots, crypts and niches (cost of property)	4,162,086	3,755,565
Total	$ 12,521,589	$ 10,662,767

The increase in cost of sales is primarily a result of the acquisition of Saber during the third quarter of 2017.

6. BUSINESS COMBINATION

Korban

On January 11, 2016, Parkland Funeral Holdings Limited completed the business acquisition of the assets of Korban Funeral Chapel in Winnipeg, Manitoba ("Korban"). On closing the Company, through its controlled subsidiary paid $1,400,000 for the assets of Korban. In connection with this transaction, the Company has incurred transaction and integration costs to date of $22,002 ($22,002 in 2016) (see Note 14).

Mundell

Effective February 10, 2016 the Company completed the acquisition of 80% ownership interest in the common shares of Mundell Funeral Homes Limited ("Mundell"). On closing, the Company paid $3,350,000 for 80% of the common shares. In connection with this transaction, the Company has incurred transaction and integration costs to date of $28,254 ($17,746 in 2016) (see Note 14).

MMG

Effective March 1, 2016 the Company completed the acquisition of 100% ownership interest in the common shares of Midwest Memorial Group, LLC ("MMG"). MMG owns 26 cemeteries (including nine with crematoria) and manages two cemeteries all located in the state of Michigan. The acquisition of MMG significantly increases the number of cemeteries in the Company's portfolio, and geographically diversifies the Company's assets outside of Canada. On closing, the Company paid $22,537,598 ($16,657,500 USD) for 100% of the common shares. In connection with this transaction, the Company has incurred transaction and integration costs to date of $901,001 ($646,343 in 2016) (see Note 14).

6. BUSINESS COMBINATION - continued

Reynolds-TFFH

Effective February 1, 2017 the Company completed the acquisition of 100% ownership interest in the common shares of Reynolds Funeral Home ("Reynolds") and Turner Family Funeral Home Inc. ("TFFH"). On closing, the Company paid $4,730,000 for 100% of the common shares. In connection with this transaction, the Company has incurred transaction and integration costs to date of $79,743 ($54,941 in 2017).

The table below summarizes the final allocation of the purchase price of the assets acquired and the liabilities assumed at the acquisition date. The allocation was finalized in the fourth quarter of 2017 to reflect the final determination of the fair value of assets and liabilities acquired.

Assets acquired:		
Cash	$	63,985
Accounts receivable		89,255
Inventories		65,287
Prepaid expenses		14,589
Property and equipment		1,511,166
Investment properties		15,865
Pre-need trust fund investments		2,850,316
Goodwill		3,095,885
Other intangibles		20,000
Total assets	$	7,726,348
Liabilities assumed:		
Accounts payable and accrued liabilities		52,882
Long-term debt		93,150
Deferred pre-need receipts held in trust		2,850,316
	$	2,996,348
Fair value of consideration transferred:		
Cash consideration		4,730,000
	$	4,730,000

Since the date of acquisition in 2017, Reynolds-TFFH has contributed $1,402,701 in revenue and $403,063 in net earnings in 2017. The Company has used a significant amount of judgment and simplifying assumptions in estimating the revenue and net earnings of Reynolds-TFFH had the business occurred at the beginning of the year. If acquired at the beginning of the year, the Company has estimated that Reynolds-TFFH would have contributed approximately $1,530,000 in revenue and $440,000 in net earnings.

6. BUSINESS COMBINATION – continued

Jennett-Innisfil

Effective February 1, 2017 the Company completed the acquisition of 100% ownership interest in the common shares of Jennett Funeral and Cremation Centre Ltd. ("Jennett") and Innisfil Funeral Home Limited ("Innisfil"). On closing, the Company paid $2,053,000 for 100% of the common shares. In connection with this transaction, the Company has incurred transaction and integration costs to date of $70,185 ($46,364 in 2017).

The table below summarizes the final allocation of the purchase price of the assets acquired and the liabilities assumed at the acquisition date. The allocation was finalized in the fourth quarter of 2017 to reflect the final determination of the fair value of assets and liabilities acquired.

Assets acquired:		
Cash	$	88,057
Accounts receivable		129,214
Inventories		63,750
Prepaid expenses		33,116
Property and equipment		71,302
Pre-need trust fund investments		1,409,472
Goodwill		1,840,840
Other intangibles		20,000
Other assets		308
Total assets	$	3,656,059
Liabilities assumed:		
Accounts payable and accrued liabilities		193,587
Deferred pre-need receipts held in trust		1,409,472
	$	1,603,059
Fair value of consideration transferred:		
Cash consideration		2,053,000
	$	2,053,000

Since the date of acquisition in 2017, Jennett-Innisfil has contributed $942,843 in revenue and $93,843 in net earnings in 2017. The Company has used a significant amount of judgment and simplifying assumptions in estimating the revenue and net earnings of Jennet-Innisfil had the business occurred at the beginning of the year. If acquired at the beginning of the year, the Company has estimated that Jennet-Innisfil would have contributed approximately $1,029,000 in revenue and $102,000 in net earnings.

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

6. BUSINESS COMBINATION – continued

PFHC-CCSL

Effective February 1, 2017 the Company completed the acquisition of 100% ownership interest in the common shares of Providence Funeral Homes & Crematorium ("PFHC") and Credible Cremation Services Limited ("CCSL"). On closing, the Company paid $1,896,650 for 100% of the common shares. The Company will be making additional payments of $500,000 to be paid over ten years. The deferred cash payment is repayable in monthly installments of $4,167. The estimated present value of the deferred cash consideration was calculated at $392,839. In connection with this transaction, the Company has incurred transaction and integration costs to date of $43,981 ($33,685 in 2017).

The table below summarizes the final allocation of the purchase price of the assets acquired and the liabilities assumed at the acquisition date. The allocation was finalized in the fourth quarter of 2017 to reflect the final determination of the fair value of assets and liabilities acquired.

Assets acquired:		
Cash	$	67,217
Accounts receivable		90,007
Inventories		22,358
Prepaid expenses		8,572
Property and equipment		2,109,103
Pre-need trust fund investments		2,172,556
Other intangibles		200,000
Other assets		9,300
Total assets	$	4,679,113
Liabilities assumed:		
Accounts payable and accrued liabilities		217,068
Deferred pre-need receipts held in trust		2,172,556
	$	2,389,624
Fair value of consideration transferred:		
Deferred cash consideration		392,839
Cash consideration		1,896,650
	$	2,289,489

Since the date of acquisition in 2017, PFHC-CCSL has contributed $1,415,369 in revenue and $302,319 in net earnings in 2017. The Company has used a significant amount of judgment and simplifying assumptions in estimating the revenue and net earnings of PFHC-CCSL had the business occurred at the beginning of the year. If acquired at the beginning of the year, the Company has estimated that PFHC-CCSL would have contributed approximately $1,540,000 in revenue and $330,000 in net earnings.

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

6. BUSINESS COMBINATION - continued

TCS

Effective May 1, 2017 the Company completed the acquisition of 100% ownership interest in the common shares of TCS Funeral Services ("TCS"). On closing, the Company paid $3,660,000 for 100% of the common shares. In connection with this transaction, the Company has incurred transaction and integration costs to date of $45,334 ($45,334 in 2017).

The table below summarizes the final allocation of the purchase price of the assets acquired and the liabilities assumed at the acquisition date. The allocation was finalized in the fourth quarter of 2017 to reflect the final determination of the fair value of assets and liabilities acquired.

Assets acquired:		
Cash	$	571,900
Accounts receivable		315,249
Inventories		11,986
Prepaid expenses		3,016
Property and equipment		1,410,153
Goodwill		2,142,487
Other assets		6,941
Total assets	$	4,461,732
Liabilities assumed:		
Accounts payable and accrued liabilities		131,324
	$	131,324
Fair value of consideration transferred:		
Working capital adjustment		670,408
Cash consideration		3,660,000
	$	4,330,408

Since the date of acquisition in 2017, TCS has contributed $969,876 in revenue and $82,535 in net earnings in 2017. The Company has used a significant amount of judgment and simplifying assumptions in estimating the revenue and net earnings of TCS had the business occurred at the beginning of the year. If acquired at the beginning of the year, the Company has estimated that TCS would have contributed approximately $1,450,000 in revenue and $123,000 in net earnings.

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

6. BUSINESS COMBINATION - continued

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 $61,677,761 (US$49,044,021), 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 at 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 acquisition adds 19 cemeteries and 4 funeral homes in Kentucky, Illinois and Texas and further expands operations in the United States. Saber's acquisition significantly increases the number of cemeteries in the Company's portfolio, adds funeral home assets into the U.S. operations and geographically diversifies the Company's U.S. operations.

In connection with this transaction, the Company has incurred transaction and integration costs to date of $2,325,684 ($2,322,506 in 2017).

The table below summarizes the preliminary estimated fair value of the assets acquired and the liabilities assumed at the acquisition date. A further assessment will need to be completed by management to assess if the goodwill needs to be allocated to other tangible or intangible assets.

6. BUSINESS COMBINATION - continued

Saber - continued

	Preliminary
Assets acquired:	
Cash	$ 125,326
Accounts receivable	240,042
Pre-need receivables	27,989,962
Inventories	3,622,830
Prepaid expenses	103,702
Property and equipment	15,313,296
Care and maintenance trust fund investments	16,680,824
Pre-need trust fund investments	26,087,659
Goodwill	58,608,732
Total assets	$ 148,772,373
Liabilities assumed:	
Accounts payable and accrued liabilities	2,169,018
Care and maintenance trusts' corpus	16,680,824
Deferred pre-need receipts held in trust	26,087,659
Deferred revenue	32,298,785
	$ 77,236,286
Fair value of consideration transferred:	
Cash consideration	61,677,761
Contingent equity consideration	9,858,326
	$ 71,536,087

Since the date of acquisition in 2017, Saber has contributed $10,728,657 in revenue and $2,442,205 in net earnings in 2017. The Company has used a significant amount of judgment and simplifying assumptions in estimating the revenue and net earnings of Saber had the business occurred at the beginning of the year. If acquired at the beginning of the year, the Company has estimated that Saber would have contributed approximately $26,400,000 in revenue and $5,300,000 in net earnings.

Vita

On September 29, 2017, Parkland Funeral Holdings Limited completed the business acquisition of the assets of Vita Funeral Home in Vita, Manitoba ("Vita"). On closing the Company, through its controlled subsidiary paid $375,000 for the assets of Vita. In connection with this transaction, the Company has incurred transaction and integration costs to date of $1,000 ($1,000 in 2017).

6. BUSINESS COMBINATION - continued

Vita - continued

The table below summarizes the preliminary estimated fair value of the assets acquired at the acquisition date. A further assessment will need to be completed by management to assess if the goodwill needs to be allocated to other tangible or intangible assets.

	Preliminary
Assets acquired:	
Property and equipment	$ 305,000
Goodwill	70,000
Total assets	$ 375,000

The above funeral home acquisition will expand and strengthen service operations in the province of Manitoba.

Christie's

Effective December 1, 2017, the Company completed the acquisition of 100% ownership interest in the common shares of Christie's Funeral Home and Crematorium ("Christie's") through Parkland Funeral Holdings Limited, a partially-owned subsidiary. On closing, the Company paid $1,966,600 for 100% of the common shares. In connection with this transaction, the Company has incurred transaction and integration costs to date of $13,250 ($13,250 in 2017).

The table below summarizes the preliminary estimated fair value of the assets acquired and the liabilities assumed at the acquisition date. A further assessment will need to be completed by management to assess if the goodwill needs to be allocated to other tangible or intangible assets.

6. BUSINESS COMBINATION - continued

Christie's - continued

		Preliminary
Assets acquired:		
Cash	$	27,281
Accounts receivable		14,479
Inventories		29,492
Prepaid expenses		13,294
Property and equipment		509,900
Goodwill		1,438,206
Other assets		9,326
Total assets	$	2,041,978
Liabilities assumed:		
Accounts payable and accrued liabilities		75,378
	$	75,378
Fair value of consideration transferred:		
Cash consideration		1,966,600
	$	1,966,600

The investment in Christie's increases our presence in the local market and builds upon our existing operations in Manitoba and Saskatchewan.

7. CAPITAL TRANSACTIONS

On September 1, 2016, the Company announced that it had exercised its rights to purchase all the remaining outstanding shares in Amety Limited, which owns Tubman and Cadieux funeral homes in the Ottawa, Ontario area and Outaouais, Quebec for $588,110. In connection with the purchase, the Company repaid $929,013 of indebtedness owing to the vendor. In accordance with IFRS 10, Consolidated Financial Statements, the Company accounted for the acquisition of the remaining 50% as a capital transaction, since control of Amety had been attained on February 1, 2014. In 2014, the Company purchased 50% of Amety Limited with the ability to purchase the remaining shares at a future date. The acquisition was accounted for using the acquisition method in accordance with IFRS 3, Business Combinations, with the results of operations consolidated with those of PLC beginning on February 1, 2014. As of September 1, 2016, the Company owns 100% of Amety Limited.

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

8. LAND HELD FOR DEVELOPMENT

	December 31, 2017	December 31, 2016
Land at Westminster Cemetery	$ 2,902,281	$ 2,902,281
Land held by Amety	330,815	330,815
Land at Pine Valley	800,000	800,000
Land at Royal York	1,049,246	-
Land held by Saber	2,351,010	-
Total	$ 7,433,352	$ 4,033,096

Land at Westminster Cemetery

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

Land held by Amety

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

Land at Pine Valley

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

Land at Royal York

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

Land held by Saber

This represents land the Company purchased on September 29, 2017, the 15 acres of cemetery-zoned land immediately adjacent to Forest Lawn Cemetery in Houston, Texas, making it available for future cemetery use.

9. PROPERTY AND EQUIPMENT

	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)	(177,444)	25,369,947
Machinery, equipment and automotive	4,280,163	1,451,134	908,555	-	(53,760)	6,586,092
Cemetery improvements	4,726,761	804,394	98,650	(77,491)	(50,608)	5,501,706
Total	25,220,037	21,229,920	2,822,532	(149,125)	(270,811)	48,852,553
Accumulated depreciation:						
Buildings, cemetery and funeral	1,464,795	-	865,016	-	-	2,329,811
Machinery, equipment and automotive	1,416,408	-	960,822	-	-	2,377,230
Cemetery improvements	722,690	-	672,875	-	-	1,395,565
Total	3,603,893	-	2,498,713	-	-	6,102,606
Net Book Value	$ 21,616,144					$ 42,749,947

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

9. PROPERTY AND EQUIPMENT – continued

Property and equipment depreciation expense charged to operations amounted to $2,498,713 and $1,597,837 in 2017 and 2016, respectively. Increase in expense is primarily due to the acquisition of MMG during the first quarter of 2016 and Saber during the third quarter of 2017.

Included in buildings, cemetery and funeral additions at December 31, 2017 are $499,439 of buildings additions at Westminster Cemetery (at December 31, 2016 - $26,903), $10,745 of buildings additions at Park Lawn Cemetery (at December 31, 2016 - $1,856,248), $354,897 of crematorium additions (at December 31, 2016 - $282,858), $365,661 of leasehold improvements related to a new head office location (at December 31, 2016 - $nil), $813,711 of buildings, machinery and equipment, and cemetery improvements additions at U.S. cemeteries (at December 31, 2016 - $652,036), and $140,369 (at December 31, 2016 - $958,415) relating to the construction of the funeral home and cremation facility located in Dauphin, Manitoba which was destroyed by fire in 2014.

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

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

10. INVESTMENT PROPERTIES

Investment property amounted to $209,285 as at December 31, 2017 (at December 31, 2016 - $199,956). This increase relates to the investment property acquired in conjunction with business acquisition of Reynolds-TFFH (see Note 6). Investment property depreciation expense charged to operations amounted to $10,961 and $10,644 in 2017 and 2016, respectively.

11. CARE AND MAINTENANCE TRUST FUND INVESTMENTS

The Company's care and maintenance trust funds were established, as required by provincial and state regulations, to receive principal contributions from the Company upon the sale of cemetery lots, mausoleum crypts and niches.

Pursuant to the requirements of provincial and state regulations, the Company is required to deposit a portion of the proceeds received in respect of pre-need contracts into trust. Such amounts are treated as a cost of sale at the time of the sale.

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

11. CARE AND MAINTENANCE TRUST FUND INVESTMENTS - continued

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

Investment income recognized in operations amounted to $6,026,868 and $4,263,401 in 2017 and 2016, respectively. If the income earned by the trusts should exceed eligible care and maintenance expenses incurred by the Company, the excess would be added to the capital of the trusts and would not be eligible for pay out to the Company in the future.

Care and maintenance trust fund investments consist of the following:

	Fair Value		Cost	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Cash and cash equivalents	$ 4,175,229	$ 3,698,407	$ 4,175,229	$ 3,698,407
Equities	72,135,402	60,633,564	65,341,806	52,111,328
Fixed income	27,430,236	18,084,119	26,709,048	18,145,370
Preferred stocks	6,266,771	5,129,740	5,742,057	4,848,126
	$ 110,007,638	$ 87,545,830	$ 101,968,140	$ 78,803,231

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

The increase in care and maintenance trust funds is primarily a result of the acquisition of Saber during the third quarter of 2017.

12. PRE-NEED MERCHANDISE AND SERVICE TRUST FUND INVESTMENTS

Pre-need merchandise and service trust funds were established as required by provincial and state regulations to hold funds paid in advance of need, to purchase when required at-need supplies and services such as 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.

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

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

	Fair value		Cost	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Cash and cash equivalents	$ 5,413,120	$ 3,038,475	$ 5,413,120	$ 3,038,475
GIC's	30,720,956	26,739,188	30,720,956	26,184,879
Equities	20,935,148	15,554,371	20,133,526	15,861,010
Fixed income	38,948,948	18,548,974	38,942,122	17,605,185
	$ 96,018,172	$ 63,881,008	$ 95,209,724	$ 62,689,549

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

The increase in pre-need merchandise and service trust funds is primarily a result of the acquisition of Saber during the third quarter of 2017.

13. PREARRANGED FUNERAL INSURANCE CONTRACTS

The Company has prearranged funeral services contracts, which are funded by insurance. As of December 31, 2017, and 2016, the current face amounts of pre-funded policies were approximately $53 million and $24 million, respectively. The increase is primarily a result of the acquisition of Saber during the third quarter of 2017. 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. None of the insurance funded balances are included in the accompanying financial statements. Amounts funded through insurance are available to the Company when the funeral services are performed.

14. GOODWILL AND INTANGIBLES

	Total
Goodwill	
Balance January 1, 2016	$ 2,753,258
Additions:	
Korban	150,000
Mundell	2,016,022
MMG	14,302,852
Other	1,361
Foreign currency translation	(94,535)
Balance December 31, 2016	$ 19,128,958
Intangibles	
Balance January 1, 2016	58,000
Amortization	(14,000)
Balance December 31, 2016	$ 44,000
Goodwill and Intangibles	
Balance December 31, 2016	$ 19,172,958

14. GOODWILL AND INTANGIBLES - continued

	Total
Goodwill	
Balance January 1, 2017	$ 19,128,958
Additions:	
Reynolds-TFFH	3,095,885
Jennett-Innisfil	1,840,840
TCS	2,142,487
Saber	58,608,732
Vita	70,000
Christie's	1,438,206
Other	94,082
Foreign currency translation	(689,905)
Balance December 31, 2017	$ 85,729,285
Intangibles	
Balance January 1, 2017	$ 44,000
Additions:	
Reynolds-TFFH	20,000
Jennett-Innisfil	20,000
PFHC-CCSL	200,000
Amortization	(50,667)
Balance December 31, 2017	$ 233,333
Goodwill and Intangibles	
Balance December 31, 2017	$ 85,962,618

The increase in goodwill is primarily a result of the acquisition of Saber during the third quarter of 2017.

The impairment testing was completed as at December 31, 2017 and no impairment was recognized.

For the purposes of the goodwill impairment test, the Company considered MMG, Saber, and each of the groups of funeral homes as a separate Cash Generating Unit ("CGU"). Using a five year (and related terminal value) discounted future cash flow model, the Company determined the recoverable amount by calculating the value in use. The recoverable amounts of each of the CGUs were determined to be above the carrying values as at December 31, 2017 for all CGUs. The key assumptions used in the discounted future cash flow models in fiscal 2017 for MMG and Saber included projections surrounding market trends and growth rates. The models used average annual growth rates of approximately 2% to 5% and post-tax discount rates between 9.8% and 11.3%. The analysis concluded there was no impairment on the MMG and Saber CGU's. The Company has determined that the discount rates reasonably reflect the risks associated with cash flow projections for the CGUs. A similar analysis was completed for the remaining CGUs with similar assumptions, and it was determined that there was no impairment for all other CGUs.

15. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2017	December 31, 2016
Trade payables and accrued liabilities	$ 10,418,339	$ 9,695,886
Income taxes payable	(240,916)	131,340
Unclaimed distributions/dividends	-	2,868
	$ 10,177,423	$ 9,830,094

The average credit period on trade payables is 30 to 60 days in 2017 and 2016.

Included in trade payables and accrued liabilities are $nil (at December 31, 2016 - $1,425,212) relating to the construction of the Mausoleums and $nil (at December 31, 2016 - $475,669) relating to share issuance costs.

The increase in accounts payable and accrued liabilities is primarily a result of the acquisition of Saber during the third quarter of 2017.

16. LONG-TERM DEBT

	December 31, 2017	December 31, 2016
Mortgages on:		
Swan Valley Funeral Services Ltd.	$ 123,734	$ 134,895
Sneath and Strilchuk Funeral Services, Ltd.	1,560,788	1,852,091
Korban Funeral Chapel Inc.	1,259,982	1,334,006
Finance lease obligations	284,243	290,783
Total	3,228,747	3,611,775
Current portion	553,807	503,980
Non-current portion	$ 2,674,940	$ 3,107,795

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 financing arrangement has a term of five years and increases the Company's borrowing capacity to $125 million ($75 million committed credit facility and additional $50 million accordion facility). The additional credit will provide the Company with further flexibility as it continues to pursue its growth strategy. In particular, the revolving credit facility is expected to support the Company's ability to capitalize on organic projects and acquisition opportunities as they arise while maintaining a prudent approach to leverage.

At December 31, 2017 there was $nil outstanding under the credit facility (at December 31, 2016 - $nil).

16. LONG-TERM DEBT - continued

Swan Valley Funeral Services Ltd.

Parkland has secured the mortgage by a promissory note for $600,000, corporate guarantees and general security agreements. The loan bears interest at prime plus 2% and is being amortized over 10 years. The loan matures on September 30, 2022. This mortgage is repayable in monthly blended installments of $6,400. During the three month period ended March 31, 2017, as part of the purchase of the remaining shares of Swan Valley, a subsidiary of Parkland, the Company assumed an additional mortgage loan of $54,427.

Sneath and Strilchuk Funeral Services Ltd.

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

Korban Funeral Chapel

Parkland has secured the mortgage by a promissory note for $1,400,000, corporate guarantees and general security agreements. The loan bears interest at 3.75% and is being amortized over 15 years. The loan matures on January 31, 2021. This mortgage is repayable in monthly blended installments of $10,200.

Finance lease and car loan obligations

Finance leases relate to automotive equipment and are secured by the vehicles. These leases have interest rates ranging from 3.0% to 12.0% and remaining terms of 2 to 5 years.

Finance lease obligations are payable as follows:

	December 31, 2017	December 31, 2016
Future minimum lease payments		
Due in less than one year	$ 109,411	$ 109,585
Due between one and two years	87,500	84,479
Due between two and three years	79,360	58,875
Due thereafter	36,013	77,339
Interest	(28,041)	(39,495)
Present value of minimum lease payments	$ 284,243	$ 290,783

*Debt covenants*The Company has provided covenants to certain of its lenders. The Company was in compliance with all of its covenants in 2017 and 2016.

16. LONG-TERM DEBT - continued

Summary of principal repayments by year

	2018	2019	2020	2021	2022	Thereafter	Total
Mortgages							
Swan Valley Funeral Services Ltd.	$ 72,542	$ 51,192	$ -	$ -	$ -	$ -	$ 123,734
Sneath and Strilchuk Funeral Services Ltd.	308,493	328,173	348,947	371,368	203,807	-	1,560,788
Korban Funeral Chapel Inc.	76,466	79,383	82,296	85,552	88,816	847,469	1,259,982
Finance lease obligations	96,306	78,334	75,900	33,703	-	-	284,243
Total	$ 553,807	$ 537,082	$ 507,143	$ 490,623	$ 292,623	$ 847,469	$ 3,228,747

17. DEFERRED FINANCING FEE

Deferred financing fee consist of costs of $724,260, relating to the credit facility which are capitalized and amortized over the term of five years (at December 31, 2016 – $341,226).

18. NOTES PAYABLE

	December 31, 2017	December 31, 2016
Loan from non-controlling shareholders of Parkland	$ -	$ 283,989
DeMarco Funeral Home note	800,000	800,000
Deferred cash consideration PFHC-CCSL	367,061	-
Total	1,167,061	1,083,989
Current portion	832,382	800,000
Non current portion	$ 334,679	$ 283,989

Loan from non-controlling shareholder of Parkland

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

DeMarco Funeral Home note

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

Deferred cash consideration PFHC-CCSL

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

19. DEFERRED REVENUE

Deferred revenue represents the amount of unperformed pre-arranged cemetery contracts. The components of deferred revenue consist of the following:

	December 31, 2017	December 31, 2016
Cemetery merchandise	$ 40,811,330	$ 15,952,409
Cemetery services	13,975,541	9,236,425
Total	$ 54,786,871	$ 25,188,834

The increase in deferred revenue is primarily a result of the acquisition of Saber during the third quarter of 2017.

20. CONTINGENT PAYMENTS

MMG

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

The Company will be making additional payments to the extent that earnings before interest, taxes, depreciation and amortization ("EBITDA") during calendar years 2016, 2017, and 2018 ("the Earn-out Periods") equals or exceeds pre-established targets. Using a discounted cash flow approach the estimated present value of the contingent payments was calculated to be $1,061,949 (US$842,817) (at December 31, 2016 - $1,410,709). The minimum estimated amount of contingent payments to be made in the third quarter following the applicable Earn-out Periods are 10%, 33% and 57%. There was no contingent payment made for the first and second earn-out period in 2016 and 2017. The key assumptions used in the calculation is a three year EBITDA projection which management believes the discount rate reasonably reflects the risks associated with projections for the business.

The fair value of the liability in connection with the contingent consideration is revalued at each reporting date and any changes in fair value of the estimated liability in future periods will be recorded in the consolidated statement of earnings. For the year ended December 31, 2017, the Company recognized an adjustment to the fair value of the contingent consideration of $268,965 (at December 31, 2016 - $3,466,271).

21. FOREIGN EXCHANGE GAIN AND LOSS

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

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.

22. 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, 2017 and 2016 was $6,189,817 or $0.456 per share and $3,725,315 or $0.456 per share, respectively. The monthly dividend was $0.038 per share in all periods.

23. SHARE CAPITAL

Authorized

<u>Common shares</u>

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.

23. SHARE CAPITAL - continued

Shares issued and outstanding

	Number of Common Shares	Amount
Balance December 31, 2015	5,844,272	$ 22,883,002
Shares issued pursuant to:		
Dividend Reinvestment Plan *(i)*	9,006	117,134
Subscription offering, net of costs *(ii)*	2,105,400	22,174,139
Private placement *(iii)*	262,092	3,679,579
Prospectus financing, net of costs *(iv)*	2,875,000	43,855,262
Balance December 31, 2016	11,095,770	92,709,116
Shares issued pursuant to:		
Dividend Reinvestment Plan *(i)*	13,212	231,791
Prospectus financing, net of costs *(iv)*	4,237,750	76,976,730
Contingent equity consideration *(v)*	-	9,858,326
Balance December 31, 2017	15,346,732	$ 179,775,963

(i) Dividend Reinvestment Plan

On October 13, 2015, the Company announced the implementation of a dividend reinvestment plan ("DRIP"). The DRIP allows eligible shareholders of PLC to reinvest their cash dividends into additional common shares of PLC, which will be issued from treasury or purchased on the open market on the applicable dividend payment date. If common shares are issued from treasury, the price at which such common shares are issued will be the volume weighted trading price of the Company's common shares over the five business days immediately preceding such dividend payment date less a discount, if any, of up to 5%, at the Company's election. The Company has determined to set the initial discount for purchases under the DRIP at 3%. The Company may, subject to the terms of the DRIP, alter or eliminate any discount at any time. As at December 31, 2017, 13,212 common shares were issued under the DRIP (at December 31, 2016 – 9,006).

(ii) Subscription Offering

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

23. SHARE CAPITAL - continued

(iii) Private Placement

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

(iv) Prospectus Financings

On November 21, 2016, the Company completed a bought deal short form prospectus offering of 2,875,000 common shares at a price of $16.00 per common share for a total of gross proceeds of $46,000,0000, including the exercise in full of the over-allotment option. The Company used the net proceeds of the offering to repay indebtedness under the Company's credit facility, which will provide additional borrowing capacity to fund the Company's continued growth strategy, including both organic growth and acquisition opportunities, and for general corporate purposes. The issuance included transaction costs of $2,144,738 inclusive of $220,500 after tax in management compensation.

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.

(v) 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 which are allotted but not issued at December 31, 2017 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).

24. 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.

25. COSTS AND OPERATING EXPENSES BY NATURE

	December 31, 2017	December 31, 2016
Personnel expenses	$ 37,243,713	$ 29,057,411
Cost of sales - merchandise inventories, cemetery lots, crypts and niches (Note 5)	12,521,589	10,662,767
Cost of sales - contributions to care and maintenance trust funds	3,926,608	3,899,519
Maintenance	7,227,561	6,010,428
Advertising and selling	2,128,310	1,515,043
Depreciation of property and equipment, investment properties and amortization of intangibles (Notes 9, 10, and 14)	2,560,341	1,622,481
Others	11,986,121	8,449,555
Total of costs, operating, general and administrative, maintenance, advertising and selling expenses	$ 77,594,243	$ 61,217,204

Personnel expenses include salaries, wages, commissions and incentive compensation. The increase in costs and operating expenses is primarily a result of the acquisition of MMG during the first quarter of 2016, Saber during the third quarter of 2017 and other funeral home acquisitions during the year.

26. INTEREST EXPENSE

	December 31, 2017	December 31, 2016
Interest on:		
Note payable to Park Lawn Company Limited	$ -	$ 191,519
Loans payable	-	379,287
Mortgages payable	161,333	176,738
Other debt	120,458	24,347
Interest capitalized to construction	-	(236,139)
Amortization of finance fees and transaction costs	102,235	88,299
Total	$ 384,026	$ 624,051

27. 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.

27. 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 29).

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, 2017	December 31, 2016
Outstanding, beginning of the year	6,278	-
Awarded	13,384	6,239
Dividend equivalents	322	39
Outstanding, end of the year	19,984	6,278

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.

27. 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, 2017	December 31, 2016
Outstanding, beginning of the year	62,331	-
Awarded	38,258	61,810
Dividend equivalents	1,878	521
Outstanding, end of the year	102,467	62,331

The compensation expense in respect of DSUs and RSUs was $878,321 in 2017 and $370,211 in 2016, 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.

28. INCOME TAXES

Income taxes

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

	December 31, 2017	December 31, 2016
Current tax expense	$ 412,382	$ 71,688
Deferred tax expense	9,160	240,420
Total	$ 421,542	$ 312,108

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, 2017 and 2016 is as follows:

28. INCOME TAXES – continued

Income taxes - continued

	December 31, 2017	December 31, 2016
Earnings before income taxes	$ 4,942,112	$ 8,167,867
Combined Canadian Federal and provincial statutory rates	26.50%	26.50%
Income taxes based on Combined Canadian statutory income tax rates	$ 1,309,660	$ 2,164,485
Difference in foreign tax rates	30,750	12,810
Tax rate changes and other adjustments	211,522	(137,202)
Share based compensation and other non-deductible expenses	137,830	(821,405)
Non-taxable exempt surplus dividend	(935,900)	(341,030)
Capital gain on disposal of capital property	65,560	(72,660)
Unrealized foreign exchange	-	(88,490)
Impact of non-taxable dividend income	(492,620)	(404,400)
Change in tax benefits not recognized	94,740	-
Income tax (recovery) expense	$ 421,542	$ 312,108

Deferred tax assets and liabilities

	December 31, 2017	December 31, 2016
Deferred Tax Assets		
Intangible asset	$ 79,530	$ 123,220
Future deductible interest	1,100	92,120
Share issuance and finance costs	1,962,570	1,328,247
Non-capital losses carried forward-Canada	1,335,280	552,190
Capital losses carried forward	-	16,620
Net operating losses carried forward - US	-	83,520
Pre-need sales adjustment	1,294,370	-
Other deferred tax assets	380,805	25,360
Deferred Tax Liabilities		
Property and equipment	(745,600)	(279,907)
Goodwill	(1,325,850)	(225,530)
Net deferred income tax asset	$ 2,982,205	$ 1,715,840

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.

28. INCOME TAXES – continued

Movement in net deferred tax asset

	December 31, 2017	December 31, 2016
Balance at the beginning of the year	$ 1,715,840	$ 162,136
Recognized in profit/loss	(9,160)	(240,320)
Recognized in equity	1,275,525	1,607,204
Recognized in deferred financing fees	-	186,820
Balance at the end of the year	$ 2,982,205	$ 1,715,840

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.

29. RELATED PARTY TRANSACTIONS

Management fees

The Company, through its subsidiary had a consulting contract with Edgemark Developments Ltd. ("Edgemark"), a company controlled by a former director. For the year ended December 31, 2017, the Company paid a total of $nil (at December 31, 2016 - $215,888) in respect of consulting services provided to the Company by the director relating to the planning and development of the new mausoleums at Westminster Cemetery and Park Lawn Cemetery, which have been capitalized to inventory during 2016. Once the two new mausoleums were substantially complete, the services were no longer required and the Company cancelled the contract and was required to pay a termination payment. The termination payment has been included in the consolidated statement of earnings in 2016 (see Note 32).

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 (2016 - $375,000) to Nine Two Seven Limited for such services provided to the Company. 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.

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 6% per annum payable upon maturity and will mature on August 27, 2023;

29. RELATED PARTY TRANSACTIONS - continued

Employee share loan plan - continued

- 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 3.97% 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 4.56% per annum payable upon maturity and will mature on January 7, 2025.

Total loans outstanding under the ESLP, including accrued interest amounted to $3,169,899 at December 31, 2017 (at December 31, 2016 - $3,299,327). Interest income earned by the Company for the years ended December 31, 2017 and 2016 was $157,079 and $165,538, 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 $252,000 at December 31, 2017 (at December 31, 2016 - $112,292).

Key management compensation

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

	December 31, 2017	December 31, 2016
Directors' fees and management compensation	$ 1,196,375	$ 969,784

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Fair value of financial instruments

Cash, accounts receivable, pre-need receivables, employee share loan, contingent payments, debenture receivable, receivable on sale of discontinued operations, trade payables and accrued liabilities, dividends payable, long-term debt and notes payable are financial instruments whose fair values approximate their carrying values due to their short-term maturity, variable interest rates or current market rates for instruments with fixed rates.

The fair value hierarchy under which the Company's financial instruments are valued is as follows:

- Level 1 includes unadjusted quoted prices in active markets for identical assets or liabilities;

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT – continued

Fair value of financial instruments – continued

- 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, 2017, the fair value of the care and maintenance and pre-need merchandise and service trust funds and related liabilities are valued under Level 1 and Level 3.

As at December 31, 2017, the fair value of the contingent payments is valued under Level 3 (see Note 20).

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

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	72,135,402	-	-	72,135,402
Fixed income	26,709,048	13,798,026	-	13,632,210	27,430,236
Preferred stocks	5,742,057	6,266,771	-	-	6,266,771
	$ 101,968,140	$ 96,375,428	$ -	$ 13,632,210	$ 110,007,638

Care and maintenance trust fund investments at December 31, 2016

	Cost	Level 1 Quoted market price	Level 2 Valuation technique - observable market inputs	Level 3 Valuation technique - non-observable market inputs	Total fair value
Cash and cash equivalents	$ 3,698,407	$ 3,698,407	$ -	$ -	$ 3,698,407
Equities	52,111,328	60,633,564	-	-	60,633,564
Fixed income	18,145,370	4,832,711	-	13,251,408	18,084,119
Preferred stocks	4,848,126	5,129,740	-	-	5,129,740
	$ 78,803,231	$ 74,294,422	$ -	$ 13,251,408	$ 87,545,830

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT – continued

Fair value of financial instruments – continued

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	20,133,526	20,935,148	-	-	20,935,148
Fixed income	38,942,122	19,065,828	-	19,883,120	38,948,948
	$ 95,209,724	$ 76,135,052	$ -	$ 19,883,120	$ 96,018,172

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

	Cost	Level 1 Quoted market price	Level 2 Valuation technique - observable market inputs	Level 3 Valuation technique - non-observable market inputs	Total fair value
Cash and cash equivalents	$ 3,038,475	$ 3,038,475	$ -	$ -	$ 3,038,475
GIC's	26,184,879	26,739,188	-	-	26,739,188
Equities	15,861,010	15,554,371	-	-	15,554,371
Fixed income	17,605,185	1,015,692	-	17,533,282	18,548,974
	$ 62,689,549	$ 46,347,726	$ -	$ 17,533,282	$ 63,881,008

(i) Credit risk

The Company's exposure to credit risk relates to its accounts receivables, pre-need receivables, debenture receivable, receivable on sale of discontinued operations, and 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 contracts are not delivered until customer balances are paid in full. In the opinion of management, none of the amounts comprising accounts receivable, pre-need receivables, debenture receivable, and sale of discontinued operations 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, 2017 the allowance for doubtful accounts was $525,324 (at December 31, 2016 - $320,157). 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.

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT – continued

Fair value of financial instruments – continued

(ii) Investment risk

The assets of the pre-need merchandise and service trust funds and care and maintenance trust funds and other funds are invested according to the Company's investment policy. In the case of the pre-need merchandise and service trusts and care and maintenance trusts, the investment policy is established to comply with legislative requirements for these trusts.

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.

(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

In the opinion of management, the Company has minimal interest rate risk with respect to the pre-need merchandise and service trusts 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.

Care and maintenance trust funds

In the opinion of management, the investments in fixed-rate securities have minimal interest rate risk as they are invested in fixed-rate securities with varying maturities and an average period to maturity of 8 years. Only investment income received 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.

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT – continued

Fair value of financial instruments – continued

(vi) Market risk - continued

The other investments in the care and maintenance trusts include Canadian and foreign equities and a portfolio of Canadian income trusts. The income derived from equities is more uncertain than interest from fixed-rate securities. However, the Company has taken steps to minimize market risk. The income trust and dividend paying portfolio is managed by a portfolio manager specializing in this sector of equity investment. The portfolio is highly diversified with no single investment exceeding 10% of this portfolio. The other Canadian and foreign equities are managed by a portfolio manager with considerable expertise in the management of fixed rate and equity portfolios. The investment guidelines set limits on the percentage of the portfolio to be invested in Canadian and foreign equities and a limit of no more than 10% of Canadian or foreign equities can be invested in one corporation.

(v) Foreign exchange risk

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.

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

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

The Company's exposure to foreign exchange risk is limited as it affects only interest and dividend revenue which comprises a minor portion of the portfolio. Any interest rate change affecting the principal of investments in US and other foreign funds does not affect the consolidated statements of earnings and comprehensive income as such investments are held in trust and consequently the principal is not available for operations.

The allocation of trust assets by country and asset class can be summarized as follows:

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT - continued

Fair value of financial instruments - continued

	December 31, 2017	December 31, 2016
Care and maintenance trust funds		
Canadian		
Cash	2%	1%
Equities	54%	61%
Preferred shares	3%	5%
Fixed income	4%	6%
United States		
Cash	2%	4%
Equities	11%	14%
Preferred shares	3%	0%
Fixed income	21%	9%
	100%	100%
Pre-need trust funds		
Canadian		
Cash	1%	1%
Equities	2%	2%
Fixed income	1%	2%
Government investment certificates	31%	41%
United States		
Cash	5%	5%
Equities	20%	22%
Fixed income	40%	27%
Government investment certificates	0%	0%
	100%	100%

(vi) Interest rate risk

The Company manages its interest rate risk on its long-term loan and mortgages payable through a combination of fixed and floating rate borrowings with varying maturity dates. As a consequence, interest rate risk on Company borrowings has been minimized. Based on the loan balances at December 31, 2017, a 1% increase or decrease in the variable market interest rate would not have a significant impact on the Company's annual interest expense.

The Company manages its interest rate risk on securities held in its trusts as noted above in Note 30(iv) and consequently has reduced the interest rate risk to a minimal balance. There has been no change in the Company's risk exposure and processes for risk management and measurement from 2016. 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 because excess interest earned on the accounts is returned to the customer when the pre-need service is provided. Also, a 1% increase or decrease in the variable market interest rate would not affect Company earnings from the care and maintenance trusts because of the policies followed and described in Note 30(iv).

31. GAIN ON SALE OF PROPERTIES

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

32. CONTRACT TERMINATION PAYMENT

On September 16, 2016, the Company terminated consulting service agreements it had with Edgemark Developments Ltd. and Scotchbrook Holdings Inc. The consulting service agreements were to assist with planning and development of two new mausoleums that are substantially complete. Since the services are no longer required, the Company cancelled the contract and was required to pay a termination payment of $719,628. The termination payment has been accrued and recorded in the consolidated statement of earnings.

33. GAIN ON EXTINGUISHMENT OF DEBT

On September 12, 2016, the Company announced that it closed a transaction with Park Lawn Company Limited to acquire the promissory note. In consideration for the acquisition of the promissory note, the Company paid $1,000,000 in cash and issued 262,092 common shares from the treasury. The common shares issued as partial consideration for the promissory note are subject to a contractual hold period which expired on March 17, 2017. The above settlement of shares resulted in a gain on extinguishment of debt of $378,711, based on the fair market value of the shares on the date of the settlement.

34. 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. During the third quarter of 2016, the Company wrote-off unamortized deferred finance costs relating to a revolving credit facility that was replaced in 2016 with a new and expanded $25 million revolving credit facility, and during the third and fourth quarter of 2016, the Company recorded incremental expenses incurred in preparing for the Company's graduation to the TSX main exchange which happened in October, 2016.

35. COMMITMENTS AND CONTINGENCIES

Office Lease

The Company has leased office space in Ontario, Canada and Michigan, USA. The terms of the leases in Ontario and Michigan range from 1 year to 10 years. Future remaining minimum lease payments as at December 31, 2017 are as follows:

35. COMMITMENTS AND CONTINGENCIES - continued

Office Lease - continued

2018	797,150
2019	534,660
2020	473,307
2021	473,307
2022	473,307
Total	$ 2,751,731

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.

36. 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.

Geographic information

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

36. SEGMENTED INFORMATION – continued

Geographic information - continued

	December 31, 2017	December 31, 2016
Canada	$ 183,014,019	$ 155,251,755
United States	238,951,583	98,802,489
Total	$ 421,965,602	$ 254,054,244

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

	December 31, 2017	December 31, 2016
Revenue:		
Sales:		
Canada	$ 34,164,305	$ 28,720,405
United States	45,082,218	32,821,494
Total sales	79,246,523	61,541,899
Income from care and maintenance funds:		
Canada	3,784,999	3,472,000
United States	2,241,869	791,401
Total income from care and maintenance funds	6,026,868	4,263,401
Interest and other income:		
Canada	568,954	532,313
United States	1,447,452	913,472
Total interest and other income	2,016,406	1,445,785
Total revenue	$ 87,289,797	$ 67,251,085

37. SUBSEQUENT EVENTS

On March 7, 2018, the Company announced that it completed the acquisition of 100% ownership interest in the common shares of CMS Mid-Atlantic ("CMS") for a purchase price of approximately $64 million (US$50 million). The purchase price is subject to customary working capital adjustments. The purchase price was funded from PLC's existing credit facility.

CMS currently operates, manages and provides financial services for 6 cemeteries in New Jersey and 1 in New York. Additionally, there is an agreement to purchase Lafayette, New Jersey, which is subject to several State regulatory and Government approvals. The acquisition of CMS increases the scale and geographic diversification in the U.S. market.

37. SUBSEQUENT EVENTS - continued

On March 5, 2018, the Company announced the purchase of Billingsley Funeral Home ("Billingsley") in Huntsville, Ontario for a purchase price of $1.7 million. The purchase of Billingsley further expands the company's presence in the Ontario market and its proximity to the existing operations in the GTA makes this business a great fit to the existing portfolio of assets in Ontario.

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

38. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the December 31, 2017 consolidated financial statements presentation including:

i) Reclassification of certain inventory to non-current in the consolidated statements of financial position to better reflect the long-term nature of the assets.

ii) Reclassifications of acquisition and integration costs and foreign exchange gains/losses relating to the acquisitions from operating to investing activities in the consolidated statements of cash flows, to better reflect changes in cash.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ending December 31, 2017

The following Management's Discussion and Analysis provides a review of corporate and market developments, results of operations and financial position of Park Lawn Corporation ("**PLC**" or the "**Company**") for the year ended December 31, 2017. This discussion should be read in conjunction with the consolidated financial statements for the year ended December 31, 2017 and the accompanying notes contained therein. Information contained in this Management's Discussion and Analysis is based on information available to management as of March 28, 2018.

Forward-Looking Information

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

Forward-looking information in this Management's Discussion and Analysis includes, but is not limited to, statements regarding the Company's business, future development and construction, future financial position and business strategy, the death care industry, potential acquisitions, potential business partnering, litigation, the ability of the Company to procure additional sales from new and existing customers, and the Company's plans and objectives. By their nature, forward-looking information is inherently uncertain, is subject to risk and is based on numerous assumptions, including those regarding present and future business strategies, the environment in which the Company will operate in the future, expected revenues, expansion plans and the Company's ability to achieve its goals. Although management of the Company believes that the expectations represented in such forward-looking information are reasonable, there can be no assurance that such expectations will prove to be correct.

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

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

Overview

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

The Company operates in five Canadian provinces and six U.S. states. The Company and its subsidiaries own and operate 102 businesses including cemeteries, crematoria, funeral homes, chapels, planning offices and a transfer service. PLC's products and services, such as cemetery lots, crypts and funeral services, are sold to clients on a pre-planned basis (pre-need) or at the time of death (at-need).

The Company's growth strategy includes organic initiatives, such as build-out of inventory, and acquisitions in the highly-fragmented death care market.

Financial Statements and Accounting Policies

The Company prepares its financial statements in Canadian dollars in accordance with International Financial Reporting Standards ("**IFRS**") applicable to the preparation of consolidated financial statements. The Company's significant accounting policies are summarized in Note 2 to its consolidated annual financial statements for the year ended December 31, 2017. There have been no changes in significant accounting policies since the Company's audited consolidated annual financial statements for the year ended December 31, 2016. In addition, there have been no changes in the Company's financial instrument risks.

The preparation of the 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:

The carrying value of goodwill and intangibles acquired from acquisitions and estimates on any applicable impairment. The Company's impairment tests for goodwill and intangible assets are based on the greater of value in use calculations that use a discounted cash flow model over a five-year period and estimated fair value less cost to sell.

The value-in-use calculations employ the following key assumptions: future cash flows, growth projections including economic risk assumptions and estimates of achieving key operating metrics. The cash flows are derived from the Company's budget for the future and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset base of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The estimated fair value less cost to sell is based on assessment of comparable company multiples and precedent transactions.

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.

In determining an allowance for sales returns the Company provides various allowances and/or cancellation reserves for cemetery receivables. These allowances are based on the analysis of historical trends and include, where applicable collection and cancellation activity.

Consolidation

The Company's consolidated annual financial statements for the year ended December 31, 2017 include the accounts of the Company and its subsidiaries. All significant accounts and transactions between consolidated entities are eliminated. Should there be a party with a minority interest in a property that the Company controls, that minority interest is reflected as "non-controlling interest" in the consolidated annual financial statements.

Description of Non-IFRS Measures

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

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

Adjusted Net Earnings

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

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

Please see the "Overall Performance, Twelve and Three Months Ended December 31, 2017 - Adjusted Net Earnings" below for a reconciliation of the Company's Net Earnings to Adjusted Net Earnings.

EBITDA

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

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

Commencing in the third quarter of 2017, the Company modified the calculation of EBITDA to include an add back of the cost of cemetery property sold during each period. The cost of cemetery property is reported as "Amortization of cemetery property" in the adjustments to reconcile Net Earnings to EBITDA. EBITDA for prior periods presented in this MD&A has been restated to reflect this change in its composition. This change is intended to conform the Company's presentation of EBITDA to the presentation used by most of the Company's publicly traded competitor peer group. The Company also believes that this change results in EBITDA presenting a more accurate view of the Company's operations and performance.

Adjusted EBITDA

Adjusted EBITDA adjusts EBITDA for the non-recurring, one-time or non-cash income or expense items identified in the Adjusted Net Earnings defined above. The Company believes that the inclusion of Adjusted EBITDA also provides useful supplementary information to investors and other third parties and assists in evaluating the Company's performance and trends. Commencing in the third quarter of 2017, Adjusted EBITDA reflects the change noted above under the heading – "EBITDA", and Adjusted EBITDA for prior periods presented in this MD&A has been restated to reflect this change in its composition.

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

Adjusted Cash Flow

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

Please see the "Discussion of Operating Results, Twelve and Three Months Ended December 31, 2017 - Adjusted Cash Flow" below for a reconciliation of the Company's earnings from operations to Adjusted Cash Flow.

Selected Consolidated Financial Information

The table below summarizes the operating results including Adjusted Net Earnings and Adjusted EBITDA for the years ended December 31, 2017, December 31, 2016 and December 31, 2015:

For the Year Ended December 31,	**2017**	**2016**	**2015**
Total revenue	$ 87,289,797	$ 67,251,085	$ 28,211,636
Earnings from operations	$ 9,311,528	$ 5,409,830	$ 4,447,035
Net earnings, PLC shareholders	$ 4,196,814	$ 7,490,132	$ 2,974,981
Adjusted Net Earnings, PLC shareholders	$ 8,559,921	$ 4,885,779	$ 3,202,475
Adjusted EBITDA, PLC shareholders (see Quarterly Information)	$ 16,630,310	$ 11,076,506	$ 7,069,758
Per share amounts attributable to PLC shareholders			
Net earnings - basic	$ 0.315	$ 0.941	$ 0.512
Net earnings - diluted	$ 0.314	$ 0.939	$ 0.512
Adjusted Net Earnings - diluted	$ 0.641	$ 0.612	$ 0.551
Adjusted EBITDA - diluted (see Quarterly Information)	$ 1.245	$ 1.388	$ 1.217
Weighted average shares outstanding - diluted	13,362,840	7,977,471	5,807,191
Dividends paid to shareholders	$ 6,189,817	$ 3,725,315	$ 2,650,121
Cash	$ 12,736,498	$ 23,891,672	$ 164,515
Total assets	$ 459,081,252	$ 290,340,791	$ 166,640,257
Total non-current liabilities	$ 264,884,249	$ 181,418,165	$ 111,312,348
Total debt	$ 4,395,808	$ 4,695,764	$ 16,496,703

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

Revenue increased quite significantly over the period from 2015 through to 2017. In particular, the increase in 2017 and 2016 is largely attributable to the acquisitions which occurred in these years. Adjusted Net Earnings and Adjusted EBITDA, have also shown significant increase over this period.

The Company's consolidated assets have increased from $166,640,257 as at December 31, 2015 to $290,340,791 and $459,081,252 as at December 31, 2016 and 2017, respectively. As at December 31, 2017 the Company had unrestricted cash totalling $12,736,498 and long term debt of $4,395,808. Approximately $2.9 million of this debt relates to a 50% owned subsidiary company, $800,000 is a demand loan for a parcel of undeveloped cemetery land in Toronto, and the remaining balance is for vehicle and equipment loans.

The weighted average shares outstanding over this period increased largely because of equity financings completed in each year. The most recent equity financing closed in June 2017 resulting in an additional 4,237,750 shares being issued bringing the total number of issued and outstanding common shares to 15,346,732 as at December 31, 2017. The fully diluted weighted average shares outstanding increased to 13,362,840 for fiscal 2017 and 15,449,160 for the three month period ending December 31, 2017.

Management and the Board of Directors understood that the June 2017 equity financing would result in some short term dilution in earnings and cash flow per share amounts until the capital raised has been fully deployed. As a result of this recent equity financing the weighted average shares outstanding for the twelve and three month periods ended December 31, 2017 increased by 5,385,369 and 5,976,666 respectively without the benefit of the capital being fully deployed for the full year.

In 2017 the Company invested approximately $80.2 million (including acquisition costs) on strategic acquisitions described in more detail in the notes to the financial statements and later in this report. In the first quarter of 2018 the Company invested the remaining unrestricted cash and accessed its credit facility on strategic acquisitions described later in this report.

Overall Performance

During 2016 and 2017 the Company announced several important business acquisitions. These included the acquisition of Mundell Funeral Homes Limited ("**Mundell**") and Midwest Memorial Group, LLC ("**MMG**") in the first quarter of 2016, the acquisition of 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**"), and Credible Cremation Services Limited ("**CCSL**") in the first quarter of 2017, the acquisition of TCS Funeral Services ("**TCS**") in the second quarter of 2017 and the acquisition of Saber Management, LLC ("**Saber**") in the third quarter of 2017. The acquisition of MMG, which owns twenty-six cemetery properties and nine cremation facilities, and manages two cemeteries in the State of Michigan, significantly increased the number of cemeteries in the Company's portfolio and geographically diversified the Company's assets outside of Canada. The acquisition of the funeral homes and transfer service business in 2017 expanded the Company's operations in Ontario and the acquisition of PFHC and CCSL marked the first acquisition in British Columbia. The acquisition of Saber, which owns nineteen cemetery properties and four funeral homes, located in Kentucky, Texas, and Illinois, further increased the number of cemeteries in the Company's portfolio, added funeral home assets into its U.S. operations and further diversifies geographically the Company's U.S. operations.

As a result of these acquisitions, the Company achieved improvement in its operating results in 2017 compared to 2016. Revenue increased year over year by 29.8% to $87,289,797 from $67,251,085 in 2016 and revenue for the quarter ended December 31, 2017 increased by 30.8% to $25,929,795 compared to $19,816,511 for the same period in 2016.

After adjusting for the impact of foreign exchange, growth from comparable business units year over year was flat. Excluding the Michigan cemetery business, which experienced softer pre-need sales in 2017, growth from other comparable business units increased 3.3% year over year. The Company introduced new sales initiatives in 2018 to improve pre-need sales in the Michigan market.

Net earnings attributable to PLC shareholders for the year ended December 31, 2017 decreased to $4,196,814 from $7,490,132 for the same period in 2016 and for the three month period ended December 31, 2017 decreased to $2,257,957 from $4,320,546 for the same period in 2016. On a fully diluted per share basis, the net earnings attributable to PLC shareholders was $0.314 and $0.146 for the twelve and three month periods ending December 31, 2017 compared with $0.939 and $0.456 for the same periods in 2016.

The 2017 and the 2016 net earnings as stated have been significantly impacted by certain one-time, non-recurring or non-cash revenue and expense items that management believes should be highlighted to better explain the Company's operating performance for the periods under review on an adjusted basis. The table below summarizes the calculation of Adjusted Net Earnings and Adjusted EBITDA for the three and twelve month reporting periods ended December 31, 2017 and 2016:

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2017	2016	2017	2016
Net earnings, PLC shareholders	$ 2,257,957	$ 4,320,546	$ 4,196,814	$ 7,490,132
Adjusted for after tax impact of:				
Acquisition and integration costs	752,923	83,906	4,054,265	904,621
Foreign exchange (gain) loss	-	-	1,007,500	(333,871)
Share based compensation	322,445	140,308	878,321	370,211
Other (income) expenses	(574,466)	234,726	(423,384)	273,383
Change in fair value of contingent earn-out payments	36,933	(3,466,271)	(268,965)	(3,466,271)
Sale of assets	-	-	-	(438,159)
Contract termination payment	-	-	-	719,628
Gain on extinguishment of debt	-	-	-	(378,711)
Tax effect on the above items	30,263	(135,887)	(884,630)	(255,184)
Adjusted Net Earnings, PLC shareholders	$ 2,826,055	$ 1,177,328	$ 8,559,921	$ 4,885,779
Adjusted EBITDA, PLC shareholders (see Quarterly Information)	$ 5,587,663	$ 3,178,878	$16,630,310	$11,076,506
Per share amounts attributable to PLC shareholders				
Net earnings - basic	$ 0.146	$ 0.456	$ 0.315	$ 0.941
Net earnings - diluted	$ 0.146	$ 0.456	$ 0.314	$ 0.939
Adjusted Net Earnings - diluted	$ 0.183	$ 0.124	$ 0.641	$ 0.612
Adjusted EBITDA - diluted (see Quarterly Information)	$ 0.362	$ 0.336	$ 1.245	$ 1.388
Weighted average shares outstanding - diluted	15,449,160	9,472,494	13,362,840	7,977,471

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

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

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

  During the years ended December 31, 2017 and 2016, the Company incurred expenses of $4,054,265 and $904,621, respectively. During the three month periods ended December 31, 2017 and 2016, the Company incurred expenses of $752,923 and $83,906, respectively. Most of the acquisition and integration costs in 2017 relate to the acquisition of Saber. Included therein is approximately $900,000 in integration costs relating to rationalizing the Company's U.S. business operation post the Saber transaction. As the Company continues to expand in the U.S. market, management believes there will be opportunities for further rationalization of its operations.

- Foreign exchange gain/loss– in connection with the purchase of MMG in the first quarter of 2016, the Company realized a non-taxable foreign exchange gain of $333,871. This accounting gain resulted from the change in the US dollar spot rate versus the Canadian dollar spot rate between the effective date of the transaction of March 1, 2016 and the closing date of March 8, 2016. During the period from announcement of the Saber transaction on June 7, 2017 to the closing date of August 4, 2017 the US dollar spot rate moved from 1.3333 versus the Canadian dollar spot rate to 1.2576. In order to reduce the Company's exposure to the fluctuating exchange rates, management entered into a foreign exchange agreement on June 30, 2017 for the conversion of CDN$32,447,500 to US$25,000,000 (representing a hedge of half of the cash payment required at closing) at the rate of $1.2979. The contract was settled on August 4, 2017 at the rate of $1.2576 resulting in a loss of $1,007,500.

- Share based payments - the Company implemented an Equity Incentive Plan ("**EIP**") consisting of Deferred Share Units ("**DSUs**") and Restricted Share Units ("**RSUs**") which was approved by the Company's shareholders at the annual and special meeting of shareholders on May 31, 2016. The Company recognized $878,321 in non-cash share based compensation expense during the year ended December 31, 2017 compared with $370,211 for the same period in 2016 and $322,445 during the three month period ended December 31, 2017 compared with $140,308 for the same period in 2016. Since the unit obligations are expected to be settled in common shares at some date in the future, the expenses are not deductible for tax purposes.

- 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. During the third quarter of 2016, the Company wrote-off unamortized deferred finance costs relating to a revolving credit facility that was replaced in 2016 with a new and expanded $25 million revolving credit facility, and during the third and fourth quarter of 2016, the Company recorded incremental expenses incurred in preparing for the Company's graduation to the TSX main exchange which happened in October, 2016.

- Change in fair value of contingent earn-out payments - IFRS requires that a contingent earn-out payment is to be revalued at each reporting period based on the current information. At December 31, 2017, management estimated the fair value of the contingent earn-out payment relating to the MMG acquisition to be $1,061,949. The $36,933 loss and $268,965 gain for the three and twelve month periods in 2017 relates to the re-valuation of the contingent earn-out payment. In the fourth quarter of 2016 the Company recorded a gain on the re-valuation of the contingent earn-out payment of $3,466,271. In compliance with IFRS, all future accretion amounts to the contingent payment, as well as any changes resulting from new information, will be recorded through the consolidated statement of earnings as either income or loss.

- Sale of assets - during the first quarter of 2016, the Company sold real estate assets that were no longer being used in its ongoing business. The net impact of these transactions for the year ended December 31, 2016 was a gain of $438,159. There were no asset sales during the year ended December 31, 2017.

- Contract termination expense – on July 31, 2013 the Company retained the services of Scotchbrook Holdings Inc. and Edgemark Developments Ltd. to assist it with the planning and development of two large scale mausoleum construction projects at Westminster Cemetery and at Park Lawn Cemetery. The services provided by the consultants assisted the Company in completing these important projects on a timely and cost effective basis. With the two projects substantially complete at this time, and no other such projects anticipated in the foreseeable future, the Company determined that these consulting services would not be needed after 2016. Accordingly, on September 16, 2016, the Company announced that it had terminated both consulting agreements effective December 31, 2016 and recorded a contract termination expense of $719,628. The liability has been settled in monthly payments throughout 2017.

- Gain on extinguishment of debt - the Company had a promissory note payable to Park Lawn Company Limited in the amount of $5,096,498. Under the terms of the note indenture, the current interest rate of 5.25% would have reset to a market rate of interest on September 16, 2016. Management and the Board of Directors determined that it was in the best interest of the Company to negotiate an early repayment of the promissory note. On September 12, 2016, the Company announced that it closed a transaction with Park Lawn Company Limited to settle the note obligation for a cash payment of $1,000,000 plus 262,092 common shares issued from the treasury. Based on the fair market value of the shares on the date of the settlement the above transaction resulted in a gain of $378,711.

- Income tax – represents an adjustment for the tax impact of the above noted adjustments.

After reflecting the impact of the above items, the Adjusted Net Earnings for the year ended December 31, 2017 was $8,559,921 ($0.641 per share) compared to $4,885,779 ($0.612 per share) for the same period in 2016 and, for the three month period ended December 31, 2017, was $2,826,055 ($0.183 per share) compared to $1,177,328 ($0.124 per share) for the same period in 2016.

Adjusted EBITDA attributable to PLC shareholders for the year ended December 31, 2017 was $16,630,310 ($1.245 per share) compared to $11,076,506 ($1.388 per share) for the same period in 2016 and, for the three month period ended December 31, 2017, was $5,587,663 ($0.362 per share) compared to $3,178,878 ($0.336 per share) for the same period in 2016.

By year end 2017, the Company had not fully deployed the capital raised in the June 2017 prospectus offering. As a result, the 2017 per share earnings amounts were diluted and will be until such time as the cash has been fully invested on future growth initiatives and acquisitions have been fully integrated. As at December 31, 2017, the Company had approximately $12.7 million of cash on hand and had an additional $125 million of bank financing available to fund future growth opportunities that may arise. As discussed later, in early 2018 the Company acquired CMS Mid Atlantic ("**CMS**") for $50 million USD utilizing all of the cash on hand at year end and funded the balance of the purchase price with its credit facility.

In addition to the above items, there were several other factors that contributed to the year over year growth in the Company's business including:

- During the second quarter of 2017 the Company completed construction on the second floor of the Mausoleum of Faith at Westminster Cemetery. The second floor added approximately 1,080 additional crypt spaces to the mausoleum. The cost of this construction was approximately $2.0 million. The mausoleum also has a third floor which will provide an additional 1,080 crypt spaces as and when needed.

- On April 28, 2017, the Company purchased a residential property adjacent to its Riverside Cemetery in Toronto for $1,049,246. The property will be used for future development opportunities.

- Effective June 1, 2017, the Company entered into a new lease in Toronto for its head office to accommodate growth initiatives.

- 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 total 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 of Saber and the remainder will be used for strategic growth initiatives including acquisitions and for general corporate purposes.

- On September 29, 2017, the Company purchased 15 acres of cemetery-zoned land for $2,415,350 immediately adjacent to Forest Lawn Cemetery in Houston, Texas, making it available for future cemetery use.

- During the third quarter the Company completed construction of one of the buildings at Garden Terrace Mausoleum at Ashland Rose Hill Cemetery which adds 216 crypts and 48 niches and garden building of the Lakeside Mausoleum at Murry Memorial Gardens which adds 144 crypts and 48 niches.

- On December 1, 2017, the Company announced that Parkland Funeral Holdings Limited, a partially-owned subsidiary, acquired Christie's Funeral Home and Crematorium ("**Christie's**"), a well established funeral home in Yorkton, Saskatchewan, for a cash payment of $1,966,000. The acquisition of Christie's increases our presence in the local market and builds upon our existing operations in Manitoba and Saskatchewan.

- 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 financing arrangement has a term of five years and more than triples PLC's borrowing capacity to $125 million ($75 million committed credit facility and additional $50 million accordion facility). The additional credit will provide PLC with further flexibility as it continues to pursue its growth strategy. In particular, the revolving credit facility is expected to support PLC's ability to capitalize on organic projects and acquisition opportunities as they arise while maintaining a prudent approach to leverage.

On March 5, 2018, the Company announced the purchase of Billingsley Funeral Home ("**Billingsley**") in Huntsville, Ontario for a purchase price of $1.7 million. The purchase of Billingsley further expands the Company's presence in the Ontario market and its proximity to the existing operations in the GTA makes this business a great fit to the existing portfolio of assets in Ontario.

On March 7, 2018, the Company announced that it completed the acquisition of 100% ownership interest in CMS for a purchase price of approximately $64 million (US$50 million). The purchase price is subject to customary working capital adjustments. The purchase price was funded from cash on hand as well as PLC's existing credit facility. CMS currently operates, manages and provides financial services for 6 cemeteries in New Jersey and 1 in New York State. Additionally, CMS has a letter of agreement to purchase land located in Lafayette, New Jersey which would ultimately become the eight cemetery. The land acquisition is subject to State regulatory approvals. The acquisition of CMS increases the scale and geographic diversification in the U.S. market. Going forward, CMS's experienced management will join the Company's existing U.S. management team, which will help the Company further execute its growth strategy.

Consolidated Statement of Financial Position

Current Assets & Liabilities

Current assets were $37,115,650 at December 31, 2017 compared to $36,286,547 at December 31, 2016. The increase was primarily due to the acquisition of Saber during the third quarter of 2017 and June 2017 Prospectus Offering of $76,976,730 (net of issuance costs) offset by deployment of cash on new strategic acquisitions.
Current liabilities were $12,146,788 at December 31, 2017 compared to $11,555,713 at December 31, 2016. The increase was primarily due to the acquisition of Saber during the third quarter of 2017 offset by a decrease of accounts payable due to the payment of liabilities accrued at December 31, 2016 in connection with the construction of the mausoleum at Park Lawn Cemetery.

Net working capital at December 31, 2017 was $24,968,862 compared to $24,730,834 at December 31, 2016.

The Company changed its presentation of cemetery property inventory from current assets to a combination of current and long term assets. Included in current assets is an estimate of the inventory to be sold within the next twelve months. The remaining inventory is now recorded as a long term asset. The change is meant to better reflect the intended use of the cemetery property inventory and the revised presentation is a more comparable presentation to PLC's peer group.

Care and Maintenance Trust Fund

The Company contributes a portion of all lot, crypt and niche sales to the Care and Maintenance Trust Funds in accordance with the regulatory requirements. During 2017, the Company contributed $3,675,654 to the trust funds compared to $3,447,541 during the same period in 2016. The increase in contributions is primarily due to owning MMG for only one month in the first quarter of 2016, compared to three months for the same period in 2017, and the acquisition of Saber during the third quarter of 2017. The Care and Maintenance Trust Fund assets are included in the Consolidated Statement of Financial Position at market value. As of December 31, 2017, the balance of the trust funds was $110,007,638 compared to $87,545,830 as at December 31, 2016. The increase is primarily a result of the acquisition of Saber during the third quarter of 2017. The Care and Maintenance Trust Fund assets are offset by a corresponding liability for Care and Maintenance Trusts' Corpus.

Pre-Need Merchandise and Service Trust Funds

The Company maintains Pre-Need Merchandise and Service Trust Funds for the deposit of cash received for the purchase of pre-need merchandise and services to be delivered at some future date. When the merchandise is delivered and the services are performed, the Company receives the current market value for the service from the Pre-Need Merchandise and Service Trust Funds. The Pre-Need Merchandise and Service Trust Fund assets are included in the Consolidated Statement of Financial Position at market value. The assets within the trust funds had a market value at December 31, 2017 of $96,018,172 compared to $63,881,008 as at December 31, 2016. The Pre-Need Merchandise and Service Trust Funds are offset by a corresponding liability for Deferred Pre-Need Receipts held in trust. The increase in the Pre-Need Merchandise and Service Trust Funds is primarily due to the recent acquisitions of Saber.

Off-Balance Sheet Arrangements

Prearranged Funeral Insurance Contracts

The Company has prearranged funeral services contracts, which are funded by insurance. As of December 31, 2017, and 2016, the current face amounts of pre-funded policies were approximately $53 million and $24 million, respectively. The increase is primarily a result of the acquisition of Saber during the third quarter of 2017. 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. None of the insurance funded balances are included in the consolidated financial statements. Amounts funded through insurance are available to the Company when the funeral services are performed.

Liquidity and Capital Resources

The Company's principal sources of liquidity are cash provided from operations and from the issuance of debt and equity instruments. As previously mentioned, the Company had net working capital of $24,968,862 as at December 31, 2017.
The Company has a $75 million revolving loan facility as well as an approved $50 million accordion facility which can be used to fund its growth initiatives and for general corporate purposes. At December 31, 2017, the Company had not borrowed under this facility.

Since December 2013, the Company has raised approximately $171 million from the issuance of common shares to fund various growth initiatives. The Company may use additional share offerings as a way to fund future growth initiatives if and when such opportunities arise.

Discussion of Operating Results, Twelve Months Ended December 31, 2017

Total revenue for the year ended December 31, 2017 was $87,289,797, an increase of $20,038,712 or 29.8%, over the same period ended December 31, 2016 ($67,251,085).

Revenue was derived from the following sources:

	December 31, 2017	December 31, 2016
Sales	$ 79,246,523	$ 61,541,899
Income from care and maintenance funds	6,026,868	4,263,401
Interest and other income	2,016,406	1,445,785
	$87,289,797	$ 67,251,085

The Company completed its acquisition of a 100% interest in Reynolds, TFFH, Jennett, Innisfil, PFHC and CCSL effective February 1, 2017, a 100% interest in TCS effective May 1, 2017, and a 100% interest in Saber during the third quarter of 2017. Reynolds, TFFH, Jennett, Innisfil, PFHC, and CCSL revenue relates to the delivery of at-need funeral and cremation services, TCS revenue relates to providing support services to the funeral industry and Saber revenue relates primarily to the sale and delivery of cemetery products and funeral home revenue.

After adjusting for the impact of foreign exchange revenue from comparable business units was flat year over year. In 2017 pre-need sales in the Company's Michigan market were soft resulting in a year over year decline in sales revenue. Excluding Michigan cemetery, revenue from other comparable business units grew by 3.3% year over year. The Company introduced new sales initiatives in 2018 to improve pre-need sales in the

Michigan market. For acquired companies, comparable growth is calculated as the difference between actual revenues achieved by each company in the financial period following acquisition compared to the estimated revenues they achieved in the corresponding financial period preceding the date of acquisition by PLC.

The gross profit margin was 77.0% for the year ended December 31, 2017 compared to 73.8% for the same year in 2016. There were a number of factors contributing to the improved margins in 2017. Part of the increase in gross profit margin is due to the acquisition of Saber and various funeral home acquisitions during the year. There was a higher proportion of gross profit on the traditional funeral business, which has higher gross profit margins than margins earned on most cemetery and cremation revenue because the cost of products sold is a smaller portion of the total service provided to customers. Saber margins are higher because the required contribution to care and maintenance trust funds is lower than other jurisdictions. During the year ended December 31, 2017, gross profit margins from the Canadian cemetery operations were also higher than the previous year as a result of product mix including the sale of private chapels in 2017 which have higher margins than standard crypt products. Investment income was also higher in 2017 resulting in higher overall gross profit margin.

Operating expenses for the year ended December 31, 2017 totaled $57,900,950 an increase of $13,678,514 over the same year in 2016 ($44,222,436) as indicated below:

	December 31, 2017	**December 31, 2016**
General and administrative	$25,313,541	$17,747,005
Maintenance	17,771,045	14,267,842
Advertising and selling	13,554,017	11,213,327
Interest	384,026	624,051
Share based compensation expense	878,321	370,211
	$57,900,950	$44,222,436

The increase in operating expenses year over year was primarily due to the inclusion of Saber and recent funeral home acquisitions as employees providing funeral services are included in operating expenses whereas the Company's cemetery operations have a higher amount of labour costs included in cost of goods sold.

Excluding expenses related to the acquired business units and two months of MMG and one month of Mundell expenses in the first quarter of 2017, the Company's general and administrative, advertising and selling, and maintenance expenses for the comparable business units for the year ended December 31, 2017 decreased by approximately $220,000 compared with the same period in 2016.

General and administrative expenses for comparable operations increased by approximately $910,000 year over year. Approximately $120,000 of this increase relates to higher expenses in the funeral business relating to the increased revenue in 2017. An additional approximately $265,000 relates to increased depreciation expense associated with cemetery infrastructure projects and other capital projects which were completed and put in use over the last year. The balance of the increase of approximately $525,000 relates to expenses incurred to support the Company's growth initiatives.

Maintenance expenses for comparable operations were lower in 2017 by approximately $335,000, primarily the result of lower repairs and maintenance in the Michigan market, as a result of lower sales activity.

Advertising and selling expenses for comparable operations were lower in 2017 by approximately $795,000, primarily the result of lower commission expenses in the Michigan market, as a result of lower sales activity.

Interest expense was lower in 2017 by $240,025 as a result of the credit facility being repaid out of the proceeds obtained from the Company's equity offering in November, 2016 and the retirement of the note payable to Park Lawn Company in September, 2016.

The Company's EIP was established in the second quarter of 2016, as a means of compensating directors and designated employees of the Company and subsidiaries, and of promoting share ownership and alignment with shareholders' interests. The EIP provides for the grant of both DSUs and RSUs. Compensation expense associated with these units for the year ended December 31, 2017 was $878,321 compared to $370,211 in 2016.
As a result of the above, earnings from operations for the year ended December 31, 2017 totaled $9,311,528, an increase of $3,901,698 or 72.1% over the $5,409,830 earned during the year ended December 31, 2016.

Other income and expense items which are non-operating in nature for the year, and previously discussed, include the following:

- Acquisition and integration costs - the Company expensed $4,054,265 in acquisition and integration costs in 2017 compared to $904,621 in 2016. Most of the acquisition and integration costs in 2017 relate to the acquisition of Saber. Included therein is approximately $900,000 in integration costs relating to rationalizing the Company's U.S. business operation post the Saber transaction. As the Company continues to expand in the U.S. market, management believes there will be opportunities for further rationalization of its operations. As previously mentioned, acquisition expenses will vary from period to period depending on the size and level of acquisition activity. Commensurate with the size and number of transactions in recent months, the acquisition and integration expenses incurred by the Company have increased in the current periods.

- Foreign exchange gain/loss– in connection with the purchase of MMG in the first quarter of 2016, the Company realized a non-taxable foreign exchange gain of $333,871. This accounting gain resulted from the change in the US dollar spot rate versus the Canadian dollar spot rate between the effective date of purchase of March 1, 2016 and the closing date of March 8, 2016. During the period from announcement of the Saber transaction on June 7, 2017 to the closing date of August 4, 2017 the US dollar spot rate moved from 1.3333 versus the Canadian dollar spot rate to 1.2576. In order to reduce the Company's exposure to the fluctuating exchange rates, management entered into a foreign exchange agreement on June 30, 2017 for the conversion of CDN$32,447,500 to US$25,000,000 (representing a hedge of half of the cash payment required at closing) at the rate of $1.2979. The contract was settled on August 4, 2017 at the rate of $1.2576 resulting in a loss of $1,007,500.

- Share based payments - the Company recognized $878,321 in non-cash share based compensation expense during the year ended December 31, 2017 compared to $370,211 in 2016.

- 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. During the third quarter of 2016, the Company wrote-off unamortized deferred finance costs relating to a revolving credit facility that was replaced in 2016 with a new and expanded $25 million revolving credit facility, and during the third and fourth quarter of 2016, the Company recorded incremental expenses incurred in preparing for the Company's graduation to the TSX main exchange which happened in October, 2016.

- Change in fair value of contingent payments - the Company recorded a gain of $268,965 in change of fair value of contingent payments compared to $3,466,271 in 2016.

- Sale of assets - during the first quarter of 2016, the Company sold real estate assets that were no longer being used in its ongoing business. The net impact of these two transactions for the year ended December 31, 2016 was a gain of $438,159. There were no asset sales during the year ended December 31, 2017.

- Contract termination expense – on July 31, 2013 the Company retained the services of Scotchbrook Holdings Inc. and Edgemark Developments Ltd. to assist it with the planning and development of two large scale mausoleum construction projects at Westminster Cemetery and at Park Lawn Cemetery which have been substantially completed at this time. Accordingly, on September 16, 2016, the Company announced that it had terminated both consulting agreements effective December 31, 2016 and recorded a contract termination expense of $719,628. This liability is being settled in monthly payments throughout 2017.

- Gain on extinguishment of debt - the Company had a promissory note payable to Park Lawn Company Limited in the amount of $5,096,498. On September 12, 2016, the Company announced that it closed a transaction with Park Lawn Company Limited to settle the note obligation for a cash payment of $1,000,000 plus 262,092 common shares issued from the treasury. Based on the fair market value of the shares on the date of the settlement the above transaction resulted in a gain of $378,711.

- Income tax – represents an adjustment for the tax impact of the above noted adjustments.

Income tax expense for the year ended December 31, 2017 was $421,542 compared to $312,108 for the same year in 2016.

As a result of the above, the Company's after tax earnings from operations for the year ended December 31, 2017 totaled $4,520,570 compared to $7,855,759 for the same year in 2016.

Earnings per Share

The weighted average number of common shares outstanding for the year ended December 31, 2017 increased to 13,362,840 compared to 7,977,471 for the same year in 2016, an increase of 5,385,369 or 67.5%. The increase in outstanding shares relates to the issuance of shares pursuant to the Company's DRIP and EIP, and June 2017 Prospectus Offering.

Fully diluted earnings per common share attributable to equity holders of PLC for the year ended December 31, 2017 was $0.314 compared to $0.939 for the same year in 2016. The lower earnings per share in 2017 were a result of certain items discussed below.

Adjusted Earnings per Share

The 2017 and 2016 net earnings, as stated, have been significantly impacted by certain one-time, non-recurring or non-cash revenue and expense items that management believes should be highlighted to better reflect the Company's operating performance for the period under review. The table below summarizes the impact of these items for the year ended December 31, 2017 compared to 2016:

	Twelve Months Ended December 31, 2017	2016
Net earnings, PLC shareholders	$ 4,196,814	$ 7,490,132
Adjusted for the impact of:		
Acquisition and integration costs	4,054,265	904,621
Foreign exchange (gain) loss	1,007,500	(333,871)
Share based compensation	878,321	370,211
Other (income) expenses	(423,384)	273,383
Change in fair value of contingent earn-out payments	(268,965)	(3,466,271)
Sale of assets	-	(438,159)
Contract termination payment	-	719,628
Gain on extinguishment of debt	-	(378,711)
Tax effect on the above items	(884,630)	(255,184)
Adjusted Net Earnings, PLC shareholders	$ 8,559,921	$ 4,885,779
Adjusted EBITDA, PLC shareholders (see Quarterly Information)	$ 16,630,310	$ 11,076,506
Per share amounts attributable to PLC shareholders		
Net earnings - basic	$ 0.315	$ 0.941
Net earnings - diluted	$ 0.314	$ 0.939
Adjusted Net Earnings - diluted	$ 0.641	$ 0.612
Adjusted EBITDA - diluted (see Quarterly Information)	$ 1.245	$ 1.388
Weighted average shares outstanding - diluted	13,362,840	7,977,471

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

As indicated in the chart above, although Adjusted Net Earnings to PLC shareholders increased by 75.2% year over year, the fully diluted Adjusted Net Earnings per share for the year ended December 31, 2017 was $0.641 compared to $0.612 for the same year in 2016, a year over year increase of $0.029 or 4.7%. The growth in Adjusted Earnings per share was impacted by the dilution associated with the equity financing completed in June 2017.

Adjusted EBITDA per Share

Adjusted EBITDA attributable to PLC shareholders for the year ended December 31, 2017 was $16,630,310 ($1.245 per share) compared to $11,076,506 ($1.388 per share) for the same year in 2016. Although the Adjusted EBITDA increased by 50.1% year over year, the fully diluted Adjusted EBITDA per share decreased by 10.3%. Once again, the equity financing completed in June 2017 impacted the growth in Adjusted EBITDA per share.

Adjusted Cash Flow

The Company uses Adjusted Cash Flow as measure of, among other things, the sustainability of its dividend. The table below summarizes the calculation of Adjusted Cash Flow from its operations for the year ended December 31, 2017 and 2016 compared to its dividend payout:

	December 31, 2017	**December 31, 2016**
Earnings before income taxes	$4,942,112	$8,167,867
Adjusted for:		
Amortization of cemetery property	4,162,086	3,755,565
Depreciation and amortization	2,560,341	1,622,481
Cash income taxes payable	(200,000)	(102,376)
Foreign exchange (gain) loss	1,007,500	(333,871)
Share based compensation	840,890	290,533
Change in fair value of contingent earn-out payments	(268,965)	(3,466,271)
Adjusted cash flow from operations	13,043,964	9,933,928
Less non controlling interest amounts:		
Net earnings	323,756	365,627
Depreciation and amortization	111,878	110,043
Adjusted cash flow, equity holders of PLC	$12,608,330	$9,458,258
Adjusted cash flow per common share-diluted	$0.944	$1.186
Dividends per common share	$0.456	$0.456
Payout ratio	48%	38%

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

As previously mentioned, the Company's cemetery property inventory is acquired or constructed over many years, if not decades, in advance of its sale. The cash associated with this investing activity is a cash outflow in the period in which the inventory is acquired or constructed. As sales occur, the Company draws down its inventory by making a non-cash charge to cost of goods sold (referred to as amortization of cemetery property). Also, included in earnings before income taxes for the year ended December 31, 2017 and 2016 are a non-recurring, non-cash foreign exchange gain and loss relating to acquisition of MMG and Saber, and change in fair value of contingent payments relating to the acquisition of MMG and non-cash share based compensation costs.

As calculated above, the Company's Adjusted Cash Flow from operations was $12,608,330 for the year ended December 31, 2017 compared to $9,458,258 for the same period in 2016. This represents Adjusted Cash Flow per fully diluted common share of $0.944 and $1.186 for the year ended December 31, 2017 and 2016, respectively.

The Company paid dividends of $0.456 per common share for the years ended December 31, 2017 and 2016. The dividends paid represent 48% and 38% of the Adjusted Cash Flow per common share for the periods ended December 31, 2017 and 2016, respectively.

The increased payout ratio is largely attributable to the increase in acquisition and integration costs in 2017 compared to 2016 and the dilutive impact of the June 2017 Prospectus Offering, as previously discussed.

Discussion of Operating Results, Three Months Ended December 31, 2017

Total revenue for the three month period ended December 31, 2017 was $25,929,795, an increase of $6,113,284 or 30.8%, over the same three month period ended December 31, 2016 ($19,816,511).

Revenue was derived from the following sources:

	December 31, 2017	December 31, 2016
Sales	$ 23,943,362	$ 18,301,134
Income from care and maintenance funds	1,404,169	1,200,325
Interest and other income	582,264	315,052
	$ 25,929,795	$ 19,816,511

As previously mentioned, the Company completed its acquisition of a 100% interest in Reynolds, TFFH, Jennett, Innisfil, PFHC and CCSL effective February 1, 2017, a 100% interest in TCS effective May 1, 2017, and a 100% interest in Saber in the third quarter of 2017. Reynolds, TFFH, Jennett, Innisfil, PFHC, and CCSL revenue relates to the delivery of at-need funeral and cremation services, TCS revenue relates to providing support services to the funeral industry and Saber revenue relates primarily to the sale and delivery of cemetery products and funeral home revenue.

After adjusting for the impact of foreign exchange, revenue from comparable business units in the fourth quarter of 2017 declined 9.5% from the same quarter in 2016. Excluding cemetery operations in Michigan, revenue from comparable business units declined 2.9%.

Soft pre-need sales in the Michigan market continued to impact revenue growth in the fourth quarter. As mentioned, the Company introduced new sales initiatives in 2018 to improve pre-need sales in the Michigan market. In addition, comparable fourth quarter sales in the Ontario cemetery market in 2016 were particularly robust as the Company had just opened its new mausoleum at Park Lawn Cemetery. This resulted in lower comparable revenue in the fourth quarter of 2017 as the 2016 benchmark was a high target.

The gross profit margin was 76.5% for the three month period ended December 31, 2017 compared to 71.5% for the same three month period in 2016. As previously mentioned part of the increase in gross profit margin is due to the acquisition of Saber and various funeral home acquisitions during the year. There was a higher proportion of gross profit on the traditional funeral business, which has higher gross profit margins than margins earned on most cemetery and cremation revenue because the cost of products sold is a smaller portion of the total service provided to customers. Saber margins are higher because the required contribution to care and maintenance trust funds is lower than other jurisdictions.

Operating expenses for the three month period ended December 31, 2017 totaled $16,852,282 an increase of $3,916,667 over the same three month period in 2016 ($12,935,616) as indicated below:

	December 31, 2017	December 31, 2016
General and administrative	$7,784,096	$5,057,195
Maintenance	4,736,949	4,326,461
Advertising and selling	3,908,021	3,345,499
Interest	100,771	66,153
Share based compensation expense	322,445	140,308
	$16,852,282	$12,935,616

As previously mentioned, the increase in operating expenses year over year was primarily due to the inclusion of Saber and recent funeral home acquisitions as employees providing funeral services are included in operating expenses whereas the Company's cemetery operations have a higher amount of labour costs included in cost of goods sold.

The Company's general and administrative, advertising and selling, and maintenance expenses for the comparable business units for the quarter ended December 31, 2017 decreased by approximately $910,000 compared with the same period in 2016.

General and administrative expenses for comparable operations increased by approximately $250,000 period over period. This increase relates to expenses incurred to support the Company's growth initiatives, and timing differences from quarter to quarter.

Maintenance expenses for comparable operations were lower in 2017 by approximately $740,000, primarily the result of lower repairs and maintenance in the Michigan market as a result of lower sales activity. In addition, as previously mentioned the Company received a water expense reduction of approximately $190,000 in the fourth quarter of 2017 relating to the full fiscal year.

Advertising and selling expenses for comparable operations were lower in 2017 by approximately $420,000, primarily the result of lower commission expenses in the Michigan market, as a result of lower sales activity.

Interest expense was higher in 2017 by $34,618 due to increased standby charges related to a new credit facility.

The Company's EIP was established in the second quarter of 2016, as a means of compensating directors and designated employees of the Company and subsidiaries, and of promoting share ownership and alignment with shareholders' interests. The EIP provides for the grant of both DSUs and RSUs. Compensation expense associated with these units for the three month period ended December 31, 2017 was $322,445, compared to $140,308 in the comparable period.

As a result of the above, earnings from operations for the three month period ended December 31, 2017 totaled $2,984,817, an increase of $1,760,716 or 143.8% over the same three month period ended December 31, 2016 ($1,224,100).

Other income and expense items which are non-operating in nature for the year, and previously discussed, include the following:

- Acquisition and integration costs - the Company expensed $752,923 in acquisition and integration costs during the quarter ended December 31, 2017 compared to $83,906 in 2016. Most of the acquisition and integration costs in 2017 relate to the acquisition of Saber. As the Company continues to expand in the U.S. market, management believes there will be opportunities for further rationalization of its operations. As previously mentioned, acquisition expenses will vary from period to period depending on the size and level of acquisition activity. Commensurate with the size and number of transactions in recent months, the acquisition and integration expenses incurred by the Company have increased in the current periods.

- Share based payments - the Company recognized $322,445 in non-cash share based compensation expense during the quarter ended December 31, 2017 compared to $140,308 in 2016.

- 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. During the fourth quarter of 2016, the Company recorded incremental expenses incurred in preparing for the Company's graduation to the TSX main exchange which happened in October, 2016.

- Change in fair value of contingent payments - the Company recorded a loss of $36,933 in change of fair value of contingent payments compared to a gain of $3,466,271 in 2016.

- Income tax – represents an adjustment for the tax impact of the above noted adjustments.

Income tax expense for the three month period ended December 31, 2017 was $415,595 compared to $(27,625) for the same three month period in 2016.

As a result of the above, the Company's after tax earnings from operations for the three month period ended December 31, 2017 totaled $2,353,832 compared to $4,399,364 for the same three month period in 2016.

Earnings per Share

The weighted average number of common shares outstanding for the three month period ended December 31, 2017 increased to 15,449,160 compared to 9,472,494 for the same three month period in 2016, an increase of 5,976,666. The increase in outstanding shares is because of the issuance of shares pursuant to the Company's DRIP and EIP, and June 2017 Prospectus Offering.

Fully diluted earnings per common share attributable to equity holders of PLC for the three month period ended December 31, 2017 was $0.146 compared to $0.456 for the same three month period in 2016. The lower earnings per share in 2017 were a result of certain items discussed below.

Adjusted Earnings per Share

The 2017 and 2016 net earnings, as stated have been significantly impacted by certain one-time, non-recurring or non-cash revenue and expense items that management believes should be highlighted to better reflect the Company's operating performance for the period under review. The table below summarizes the impact of these items for the three month period ended December 31, 2017 compared to 2016:

	Three Months Ended December 31, 2017	2016
Net earnings, PLC shareholders	$ 2,257,957	$ 4,320,546
Adjusted for the impact of:		
Acquisition and integration costs	752,923	83,906
Share based compensation	322,445	140,308
Other (income) expenses	(574,466)	234,726
Change in fair value of contingent earn-out payments	36,933	(3,466,271)
Tax effect on the above items	30,263	(135,887)
Adjusted Net Earnings, PLC shareholders	$ 2,826,055	$ 1,177,328
Adjusted EBITDA, PLC shareholders (see Quarterly Information)	$ 5,587,663	$ 3,178,878
Per share amounts attributable to PLC shareholders		
Net earnings - basic and diluted	$ 0.146	$ 0.456
Adjusted Net Earnings - diluted	$ 0.183	$ 0.124
Adjusted EBITDA - diluted (see Quarterly Information)	$ 0.362	$ 0.336
Weighted average shares outstanding - diluted	15,449,160	9,472,494

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

As indicated in the chart above, Adjusted Net Earnings to PLC shareholders increased by 140.0% year over year. Fully diluted Adjusted Net Earnings per share for the three month period ended December 31, 2017 was $0.183 compared to $0.124 for the same three month period in 2016. This represents a year over year increase of $0.059 or 47.6%.

Adjusted EBITDA per Share

Adjusted EBITDA attributable to PLC shareholders for the three month period ended December 31, 2017 was $5,587,663 ($0.362 per share) compared to $3,178,878 ($0.336 per share) for the same three month period in 2016. The Adjusted EBITDA increased by 75.8% period over period and the fully diluted Adjusted EBITDA per share increased by 7.7%.

Adjusted Cash Flow

The Company uses Adjusted Cash Flow as measure of, among other things, the sustainability of its dividend. The table below summarizes the calculation of Adjusted Cash Flow from its operations for the three month period ended December 31, 2017 and 2016 compared to its dividend payout:

	December 31 2017	December 31 2016
Earnings before income taxes	$ 2,769,427	$ 4,371,739
Adjusted for:		
Amortization of cemetery property	1,613,629	1,370,561
Depreciation and amortization	722,927	490,862
Cash income taxes payable	(5,000)	(62,603)
Share based compensation	313,306	124,515
Change in fair value of contingent earn-out payments	36,933	(3,466,271)
Adjusted cash flow from operations	5,451,222	2,828,803
Less non controlling interest amounts:		
Net earnings	95,875	78,818
Depreciation and amortization	12,119	21,781
Adjusted cash flow, equity holders of PLC	$5,343,228	$2,728,204
Adjusted cash flow per common share-diluted	$0.346	$0.288
Dividends per common share	$0.114	$0.114
Payout ratio	33%	40%

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

As previously mentioned, the Company's cemetery property inventory is acquired or constructed over many years, if not decades, in advance of its sale. The cash associated with this investing activity is a cash outflow in the period in which the inventory is acquired or constructed. As sales occur, the Company draws down its inventory by making a non-cash charge to cost of goods sold (referred to as amortization of cemetery property). Also, included in earnings before income taxes for the three month period ended December 31, 2017 and 2016 are change in fair value of contingent payments relating to the acquisition of MMG and non-cash share based compensation costs.

As calculated above, the Company's Adjusted Cash Flow from operations was $5,343,228 for the three month period ended December 31, 2017 compared to $2,728,204 for the same period in 2016. This represents Adjusted Cash Flow per fully diluted common share of $0.346 and $0.288 for the three month period ended December 31, 2017 and 2016, respectively.

The Company paid dividends of $0.114 per common share for the periods ended December 31, 2017 and 2016. The dividends paid represent 33% and 40% of the Adjusted Cash Flow per common share for the periods ended December 31, 2017 and 2016, respectively.

Quarterly Information

	*2017 Q4	*2017 Q3	*2017 Q2	*2017 Q1	Year Ending Dec 31, 2017
Revenue	$25,929,795	$22,418,725	$20,138,853	$18,802,424	$87,289,797
Earnings from operations	$2,984,817	$2,288,011	$2,172,760	$1,865,940	$9,311,528
Net earnings for the period	$2,353,832	$ (167,247)	$911,603	$1,422,382	$4,520,570
Net earnings, PLC shareholders	$2,257,957	$ (171,116)	$812,444	$1,297,529	$4,196,814
Net earnings per share - basic, PLC shareholders	**$0.146	**$(0.011)	**$0.072	**$0.117	**$0.315
Net earnings per share - diluted, PLC shareholders	**$0.146	**$(0.011)	**$0.072	**$0.117	**$0.314
Earnings from operations (per above)	2,984,817	2,288,011	2,172,760	1,865,940	9,311,528
Interest expense	100,771	92,476	92,608	98,171	384,026
Depreciation and amortization	722,927	755,788	560,456	521,170	2,560,341
Amortization of cemetery property	1,613,629	802,968	902,522	842,967	4,162,086
Share based compensation	322,445	179,681	193,356	182,839	878,321
Adjusted EBITDA, non-controlling interest	(156,926)	(87,396)	(239,976)	(181,694)	(665,992)
Adjusted EBITDA, PLC shareholders	***$5,587,663	***$4,031,528	***$3,681,726	***$3,329,393	***$16,630,310
Adjusted EBITDA margin	****22.2%	****18.4%	****19.5%	****18.7%	****19.8%
Adjusted EBITDA per share - diluted, PLC shareholders	***$0.362	***$0.261	***$0.325	***$0.299	***$1.245

	*2016 Q4	*2016 Q3	*2016 Q2	*2016 Q1	Year Ending Dec 31, 2016
Revenue	$19,816,511	$17,338,406	$18,813,863	$11,282,305	$67,251,085
Earnings from operations	$1,224,100	$1,329,173	$1,565,340	$1,291,217	$5,409,830
Net earnings for the period	$4,399,364	$872,382	$1,147,660	$1,436,353	$7,855,759
Net earnings, PLC shareholders	$4,320,546	$749,505	$1,033,465	$1,386,616	$7,490,132
Net earnings per share - basic, PLC shareholders	**$0.456	**$0.094	**$0.130	**$0.217	**$0.941
Net earnings per share - diluted, PLC shareholders	**$0.456	**$0.094	**$0.130	**$0.217	**$0.939
Earnings from operations (per above)	1,224,100	1,329,173	1,565,340	1,291,217	5,409,830
Interest expense	66,153	198,699	160,553	198,646	624,051
Depreciation and amortization	490,862	444,326	401,045	286,248	1,622,481
Amortization of cemetery property	1,370,561	481,722	1,072,792	830,490	3,755,565
Share based compensation	140,308	158,288	71,615	-	370,211
Adjusted EBITDA, non-controlling interest	(113,106)	(170,157)	(210,157)	(212,212)	(705,632)
Adjusted EBITDA, PLC shareholders	***$3,178,878	***$2,442,051	***$3,061,188	***$2,394,389	***$11,076,506
Adjusted EBITDA margin	****16.6%	****15.1%	****17.4%	****23.1%	****17.5%
Adjusted EBITDA per share - diluted, PLC shareholders	***$0.336	***$0.305	***$0.385	***$0.375	***$1.388

*Certain revenues and costs have been reclassified in the 2016 and 2017 quarterly results to conform to the December 31, 2016 and 2017 consolidated financial statement presentation.
**The sum of the quarterly net earnings attributable to equity holders of PLC per share, basic and diluted, may not equal the period amount due to the rounding and use of weighted average shares outstanding.

***Adjusted EBITDA and Adjusted EBITDA per share have been modified to include amortization of cemetery property in the 2016 and 2017 quarterly results.
****Adjusted EBITDA margin includes amounts attributable to the non-controlling interest.

Dividends

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

For the year ended December 31, 2017 and December 31, 2016, the Company declared dividends to shareholders totaling $0.456 per share. The Company subsequently paid a dividend of $0.038 for December, 2017. The following table sets forth the per share number of monthly dividends declared and paid by the Company since January 1, 2017.

Month	Dividend Record Date	Payment Date	Per Share
December, 2017	December 31, 2017	January 15, 2018	0.038
November, 2017	November 30, 2017	December 15, 2017	0.038
October, 2017	October 31, 2017	November 15, 2017	0.038
September, 2017	September 30, 2017	October 16, 2017	0.038
August, 2017	August 31, 2017	September 15, 2017	0.038
July, 2017	July 31, 2017	August 15, 2017	0.038
June, 2017	June 30, 2017	July 14, 2017	0.038
May, 2017	May 31, 2017	June 15, 2017	0.038
April, 2017	April 30, 2017	May 15, 2017	0.038
March, 2017	March 31, 2017	April 14, 2017	0.038
February, 2017	February 28, 2017	March 15, 2017	0.038
January, 2017	January 31, 2017	February 15, 2017	0.038
Total dividends per share			$ 0.456

Related Party Transactions

The Company's related parties include the following persons and entities: (i) associates, or entities which are controlled or significantly influenced by the Company; (ii) key management personnel, which are comprised of directors and officers by the Company; (iii) entities controlled by key management personnel.

The Company, through its subsidiary had a consulting contract with Edgemark Developments Ltd. ("Edgemark"), a company controlled by a former director. For the year ended December 31, 2017, the Company paid a total of $nil (2016 - $215,888) in respect of consulting services provided to the Company by the director relating to the planning and development of the new mausoleums at Westminster Cemetery and Park Lawn Cemetery, which have been capitalized to inventory during 2016. Once the two new mausoleums were substantially complete, the services were no longer required and the Company cancelled the contract and was required to pay a termination payment. The termination payment has been included in the consolidated statement of earnings in 2016.

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 (2016 - $375,000) to Nine Two Seven Limited for such services provided to the Company. 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.

At the annual and special meeting of shareholders held on June 18, 2013, the shareholders of the Company approved 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 6% 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 3.97% 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 4.56% per annum payable upon maturity and will mature on January 7, 2025.

Total loans outstanding under the ESLP, including accrued interest amounted to $3,169,899 at December 31, 2017 (at December 31, 2016 - $3,299,327). Interest income earned by the Company for the years ended December 31, 2017 and 2016 was $157,079 and $165,538, 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 $252,000 at December 31, 2017 (at December 31, 2016 - $112,292).

Disclosure Controls and Procedures

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

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

Internal Controls over Financial Reporting

The CEO and the CFO have designed, or caused to be designed under their supervision, internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Management conducted its evaluation based on the framework set forth in the Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on its evaluation under this framework, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2017.

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

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal controls over financial reporting during Fiscal 2017 that have affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

IFRS Issued Standards Not Yet Adopted

The IASB has issued the following standards, amendments and interpretations which have not been early adopted in these consolidated financial statements. The Company is assessing the impact on its consolidated financial statements as a result of adopting the following new standards:

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

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

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

The new standard, requires that the Company recognizes revenue in the amount to which the Company expects to be entitled for delivery of promised goods and services to the Company's customers. The new standard will also result in enhanced revenue-related disclosures, including any significant judgments and changes in judgments.

The Company has analyzed the impact on the Company's contract portfolio by reviewing the Company's revenue streams and current policies and procedures to identify potential differences that would result from applying the requirements of the new standard to the contracts.

The standard primarily impacts the manner in which the Company recognizes incremental obtaining costs to acquire new preneed funeral trust contracts and preneed and at need cemetery contracts, largely commissions.

The new standard requires the deferral of incremental obtaining costs to the period in which the underlying revenue is recognized.

The effect of transition to IFRS 15 on the Company's consolidated statements of earnings for the year ended December 31, 2017, would be a change to the commission expense which is included in the Company's adverting and selling line item. The effect of transition to IFRS 15 on the Company's consolidated statement of financial position as at December 31, 2017, would be a change to the Company's current and non-current assets relating to the deferral of incremental selling costs.

IFRS 16 – "Leases", effective for annual periods beginning on or after January 1, 2019. The most significant change introduced by IFRS 16 is a single lessee accounting model, bringing leases on-balance sheet for lessees. Management anticipates that this standard will be adopted in the Company's consolidated financial statements for the year beginning January 1, 2019 and has not yet considered the potential impact of the adoption of IFRS 16.

Shares Outstanding

The authorized capital of the Company consists of an unlimited number of common shares. As at December 31, 2017, there were 15,346,732 common shares issued and outstanding, representing an increase of 4,250,962 common shares issued and outstanding since December 31, 2016. The increase in the number of common shares is the result of the issuance of shares pursuant to the Company's DRIP and the June 2017 Prospectus Offering. As at March 28, 2018, there were 15,352,101 common shares issued and outstanding. In addition, the Company has 640,000 common shares reserved and available for grant and issuance of the EIP. Of these 640,000 common shares, 480,000 are reserved for the issuance to employees and 160,000 common shares are reserved for issuance to directors. As at December 31, 2017, 93,907 restricted share units and 19,984 deferred share units were awarded.

Additional Information

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