

The background of the cover features a network diagram with nodes and connecting lines, overlaid with various stylized leaves in shades of orange, grey, and dark green.

22

Consolidated Financial Statements

For the years ended December 31, 2022 and 2021



PARK LAWN
CORPORATION



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Park Lawn Corporation

Opinion

We have audited the consolidated financial statements of Park Lawn Corporation (the Entity), which comprise

- the consolidated statement of financial position as at December 31, 2022
- the consolidated statement of earnings for the year then ended
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in shareholders' equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matters to be communicated in our auditor's report.

Evaluation of Goodwill Impairment Assessment

Description of the matter

We draw attention to Note 2(n), Note 3(ii) and Note 13 of the financial statements. The goodwill balance is \$417,153,526. Goodwill is tested for impairment at least annually. Assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of cash inflows of other assets or groups of assets. This is referred to as a cash generating unit ("CGU"). The impairment of goodwill is assessed at the CGU, or CGU grouping, level to which it was allocated to. The Entity uses a value in use approach to determine the recoverable amount for its CGUs.

Why the matter is a key audit matter

We identified the evaluation of goodwill impairment assessment as a key audit matter. This matter represented a significant risk of material misstatement due to the high degree of estimation uncertainty in determining the recoverable amount. As a result, significant auditor judgment was required in performing procedures evaluating the Entity's significant assumptions in the estimated future cash flows, which include estimated growth rates, terminal growth rate, and post-tax discount rates.

How the matter was addressed in the audit

The following are the primary procedures we performed to address this key audit matter.

We assessed the Entity's growth rate assumptions by comparing them to evidence of future customer demand, industry reports and historical results.

We involved valuation professionals with specialized skills and knowledge, who assisted in the evaluation of the terminal growth rate and post-tax discount rates. The terminal growth rate was compared to the growth rates used in the discrete forecast period, and further evaluated based on an understanding of the operations and prospects, and long-term estimate of inflation. The discount rates were compared to discount rate ranges that were independently developed using publicly available market data for comparable entities with consideration of the internal rates of return implied in recent acquisitions.



Comparative Information

We draw attention to Notes 4 and 7 to the financial statements, which explains that certain comparative information presented:

- for the year ended December 31, 2021 has been restated; and
- as at January 1, 2021 has been derived from the financial statements for the year ended December 31, 2020 which have been restated (not presented herein).

Notes 4 and 7 explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information.

The financial statements for the year ended December 31, 2021 and December 31, 2020 (not presented herein but from which the comparative information as at January 1, 2021 has been derived), excluding the adjustments that were applied to restate certain comparative information, were audited by another auditor who expressed an unmodified opinion on those financial statements on March 3, 2022 and March 30, 2021, respectively.

As part of our audit of the financial statements for the year ended December 31, 2022, we also audited the adjustments that were applied to restate certain comparative information presented:

- for the year ended December 31, 2021; and
- as at January 1, 2021.

In our opinion, such adjustments are appropriate and have been properly applied.

Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review or apply any procedures to the financial statements:

- for the year ended December 31, 2021;
- for the year ended December 31, 2020 (not presented herein); and
- as at January 1, 2021.

Accordingly, we do not express an opinion or any other form of assurance on those financial statements taken as a whole.

Our opinion is not modified in respect of this matter.



Other Information

Management is responsible for the other information. Other information comprises:

- Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions; and
- the information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "Annual Report 2022."

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "Annual Report 2022" is expected to be made available to us after the date of this auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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

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

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

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.



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- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditor's report is Saqib Jawed.

Toronto, Canada

March 2, 2023

PARK LAWN CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(U.S. dollars unless otherwise stated)

	December 31, 2022	December 31, 2021 <i>(Restated - see Note 4 and Note 7)</i>	January 1, 2021 <i>(Restated - see Note 4)</i>
Assets			
Current assets			
Cash	\$ 30,277,742	\$ 20,785,798	\$ 24,721,246
Accounts receivable (Note 5)	19,856,421	17,965,513	11,007,943
Pre-need receivables, current portion (Note 5)	28,192,812	29,510,544	26,013,432
Inventories, current portion (Note 6)	11,013,722	9,655,131	9,506,457
Prepaid expenses and other assets (Note 14)	3,654,259	4,455,008	9,403,036
	<u>92,994,956</u>	<u>82,371,994</u>	<u>80,652,114</u>
Non-current assets			
Pre-need receivables, net of current portion (Note 5)	71,106,794	62,421,847	56,561,063
Inventories, net of current portion (Note 6)	69,399,807	72,468,737	72,178,199
Land held for development (Note 8)	26,881,392	26,247,318	20,911,669
Property and equipment (Note 9)	270,446,079	225,371,510	178,448,898
Care and maintenance trust fund investments (Note 10)	209,459,602	229,963,783	193,215,112
Pre-need merchandise and service trust fund investments (Note 11)	239,292,825	259,728,034	230,166,968
Deferred tax assets (Note 28)	1,788,714	4,859,502	4,038,934
Goodwill and intangibles (Note 7 and 13)	461,704,757	408,008,591	333,812,451
Deferred commissions	30,881,614	28,724,052	25,773,040
Prepaid expenses and other assets (Note 14)	5,050,925	5,932,818	6,360,126
	<u>1,386,012,509</u>	<u>1,323,726,192</u>	<u>1,121,466,460</u>
TOTAL ASSETS	<u>\$ 1,479,007,465</u>	<u>\$ 1,406,098,186</u>	<u>\$ 1,202,118,574</u>
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	\$ 46,737,441	\$ 37,896,383	\$ 35,479,685
Dividends payable (Note 21)	2,873,446	1,016,996	882,385
Current portion of long-term debt (Note 16)	43,622	168,148	277,560
Current portion of notes payable (Note 17)	14,213,582	3,449,682	2,118,300
Current portion of lease liabilities (Note 18)	1,501,111	1,081,669	1,692,367
	<u>65,369,202</u>	<u>43,612,878</u>	<u>40,450,297</u>
Non-current liabilities			
Long-term debt, net of current portion (Note 16)	150,122,645	84,635,893	112,587,982
Notes payable, net of current portion (Note 17)	10,821,758	9,452,445	6,254,921
Lease liabilities, net of current portion (Note 18)	4,262,169	3,870,299	4,034,453
Senior Unsecured Debentures (Note 19)	61,650,585	65,237,067	64,376,804
Deferred tax liabilities (Note 28)	17,094,252	12,282,702	9,819,128
Deferred revenue (Note 20)	169,338,437	157,281,635	137,898,510
Care and maintenance trusts' corpus (Note 10)	209,459,602	229,963,783	193,215,112
Deferred pre-need receipts held in trust (Note 11)	239,292,825	259,728,034	230,166,968
	<u>862,042,273</u>	<u>822,451,858</u>	<u>758,353,878</u>
Shareholders' Equity			
Share capital (Note 22)	510,337,446	509,011,563	388,447,668
Contributed surplus	11,354,370	11,939,676	8,654,292
Accumulated other comprehensive loss	(7,026,942)	(5,398,833)	(3,466,175)
Retained earnings	36,931,116	24,481,044	7,980,536
	<u>551,595,990</u>	<u>540,033,450</u>	<u>401,616,321</u>
Non-controlling interest	-	-	1,698,078
	<u>551,595,990</u>	<u>540,033,450</u>	<u>403,314,399</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 1,479,007,465</u>	<u>\$ 1,406,098,186</u>	<u>\$ 1,202,118,574</u>

Change in Presentation Currency (Note 4)
Commitments and Contingencies (Note 31)
Subsequent Events (Note 16, 29 and 33)

Approved by the Board of Directors

"Deborah Robinson"

Deborah Robinson - Chair, Director

"Marilyn Brophy"

Marilyn Brophy, 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, 2022 AND 2021
(U.S. dollars unless otherwise stated)

	2022	2021 <i>(Restated - see Note 4)</i>
Revenue		
Sales	\$ 311,687,734	\$ 280,005,819
Income from care and maintenance funds (Note 10)	9,333,384	9,111,625
Interest and other income	5,089,000	5,654,865
	<u>326,110,118</u>	<u>294,772,309</u>
Cost of sales (Note 24)	<u>54,656,639</u>	<u>48,184,582</u>
Revenue less cost of sales	<u>271,453,479</u>	<u>246,587,727</u>
Operating expenses		
General and administrative	156,299,935	128,917,245
Amortization of intangibles (Note 13)	1,184,641	1,399,161
Maintenance	27,650,020	26,314,178
Advertising and selling	32,019,648	32,469,679
Finance costs (Note 25)	8,329,739	7,643,102
Share-based incentive compensation (Note 26 and 29)	4,641,574	3,808,944
	<u>230,125,557</u>	<u>200,552,309</u>
Earnings from operations	41,327,922	46,035,418
Acquisition and integration costs (Note 7)	(7,046,469)	(5,723,392)
Other income (expenses) (Note 27)	<u>1,352,075</u>	<u>(1,356,710)</u>
Earnings before income taxes	35,633,528	38,955,316
Income tax expense (Note 28)	<u>10,508,763</u>	<u>11,054,444</u>
Net earnings for the year	<u>\$ 25,124,765</u>	<u>\$ 27,900,872</u>
Net earnings attributable to		
Equity holders of PLC	\$ 25,124,765	\$ 27,812,866
Non-controlling interest	<u>-</u>	<u>88,006</u>
	<u>\$ 25,124,765</u>	<u>\$ 27,900,872</u>
Attributable to equity holders of PLC		
Net earnings per share - basic	\$ 0.735	\$ 0.894
Net earnings per share - diluted	<u>\$ 0.725</u>	<u>\$ 0.882</u>
Weighted average number of common shares, net of shares held in trust (Note 21):		
- basic	<u>34,173,743</u>	<u>31,111,308</u>
- diluted	<u>34,664,014</u>	<u>31,549,563</u>

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, 2022 AND 2021
(U.S. dollars unless otherwise stated)

	2022	2021 <i>(Restated - see Note 4)</i>
Net earnings for the year	\$ 25,124,765	\$ 27,900,872
Item of other comprehensive income to be subsequently reclassified to net earnings		
Foreign currency translation of foreign operations	(1,628,109)	(1,869,642)
Comprehensive income	<u>\$ 23,496,656</u>	<u>\$ 26,031,230</u>

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, 2022 AND 2021
(U.S. dollars unless otherwise stated)

	# of Common Shares Issued and Outstanding	Share Capital	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income/Loss	Non - Controlling Interest	Shareholders' Equity
Balance at January 1, 2021 (Restated - see Note 4)	29,564,526	\$ 388,447,668	\$ 8,654,292	\$ 7,980,536	\$ (3,466,175)	\$ 1,698,078	\$ 403,314,399
Dividends declared (Note 21) (Restated - see Note 4)	-	-	-	(11,312,358)	-	-	(11,312,358)
Equity incentive plan (Note 26) (Restated - see Note 4)	-	-	6,954,841	-	-	-	6,954,841
Shares issued:							
Dividend reinvestment plan (Note 22) (Restated - see Note 4)	91,600	2,442,205	-	-	-	-	2,442,205
Exercise of Equity incentive plan (Note 26) (Restated - see Note 4)	193,083	3,669,457	(3,669,457)	-	-	-	-
Prospectus financing, net of costs (Note 22ii) (Restated - see Note 4)	4,081,000	114,452,233	-	-	-	-	114,452,233
Other comprehensive income (loss) (Restated - see Note 4)	-	-	-	-	(1,932,658)	63,016	(1,869,642)
Sale of non-strategic business (Note 27) (Restated - see Note 4)	-	-	-	-	-	(1,849,100)	(1,849,100)
Foreign currency translation of foreign operations (Restated - see Note 4)	-	-	-	-	-	-	-
Net earnings for the year (Restated - see Note 4)	-	-	-	27,812,866	-	88,006	27,900,872
Balance at December 31, 2021 (Restated - see Note 4)	33,930,209	\$ 509,011,563	\$ 11,939,676	\$ 24,481,044	\$ (5,398,833)	\$ -	\$ 540,033,450
Balance at January 1, 2022 (Restated - see Note 4)	33,930,209	\$ 509,011,563	\$ 11,939,676	\$ 24,481,044	\$ (5,398,833)	\$ -	\$ 540,033,450
Dividends declared (Note 21)	-	-	-	(11,939,900)	-	-	(11,939,900)
Equity incentive plan (Note 26)	-	-	1,545,973	-	-	-	1,545,973
Shares issued:							
Dividend reinvestment plan (Note 22)	105,387	2,348,834	-	-	-	-	2,348,834
Exercise of Equity incentive plan (Note 26)	104,542	2,265,703	(2,131,279)	-	-	-	134,424
Acquisition of non-controlling interest (Note 22 iii)	-	(270,556)	-	-	-	-	(270,556)
Shares purchased under normal course issuer bid and held in trust for future settlement of share based incentive compensation (Note 21)	(200,985)	(3,018,098)	-	(734,793)	-	-	(3,752,891)
Foreign currency translation of foreign operations	-	-	-	-	(1,628,109)	-	(1,628,109)
Net earnings for the year	-	-	-	25,124,765	-	-	25,124,765
Balance at December 31, 2022	33,939,153	\$ 510,337,446	\$ 11,354,370	\$ 36,931,116	\$ (7,026,942)	\$ -	\$ 551,595,990

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, 2022 AND 2021
(U.S. dollars unless otherwise stated)

	2022	2021 (Restated - see Note 4)
Cash provided by (used in):		
Operating activities		
Net earnings for the year	\$ 25,124,765	\$ 27,900,872
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Loss on the sale of non-strategic business (Note 27)	-	679,601
Acquisition and integration costs (Note 7)	7,046,469	5,723,392
Deferred tax expense (Note 28)	3,043,821	5,415,380
Depreciation of property and equipment, and amortization of intangibles (Note 9 and 13)	13,058,253	11,787,595
Cost of property sales (Note 24)	7,591,380	7,198,142
Deferred financing costs (Note 16 and 25)	453,787	641,764
Accretion expense on Senior Unsecured Debentures (Note 19 and 25)	611,953	592,745
Interest on lease liabilities (Note 18)	326,322	260,013
Share based incentive compensation (Note 26)	4,558,667	3,705,996
Proceeds from exercised stock options	134,424	-
(Gain) loss on disposal of property and equipment (Note 9 and 27)	(1,893,192)	(5,407)
Impairment of other assets (Note 14 and 27)	153,972	480,818
Changes in working capital that provided (required) cash:		
Accounts receivable (Note 5)	(2,077,788)	(5,373,203)
Net receipts on pre-need activity	(986,317)	2,015,718
Merchandise inventories	(194,948)	(277,654)
Prepaid expenses and other current assets (Note 14)	984,421	1,202,014
Accounts payable and accrued liabilities	10,954,040	1,396,108
Cash provided by (used in) operating activities	68,890,030	63,343,894
Investing activities		
Acquisition and integration costs (Note 7)	(7,046,469)	(5,723,392)
Net cash on acquisitions (Note 7)	(78,267,688)	(119,326,741)
Acquisition of non-controlling interest (Note 22)	(270,556)	-
Additions to cemetery property	(4,337,531)	(3,955,061)
Acquisition of property and equipment (Note 9)	(20,051,874)	(18,676,576)
Proceeds on disposal of property and equipment (Note 9)	2,943,215	1,736,180
Net cash from sale of non-strategic business (Note 27)	-	4,117,298
Additions to intangible assets (Note 13)	(865,738)	(699,397)
Cash interest from other assets (Note 14)	181,249	603,872
Disposals (additions) to other assets (Note 14)	-	5,337,988
Cash provided by (used in) investing activities	(107,715,392)	(136,585,829)
Financing activities		
Proceeds from issuance of long-term debt (Note 16)	67,505,236	94,418,281
Repayment of long-term debt (Note 16)	(2,088,239)	(123,124,772)
Proceeds from prospectus financing, net of costs (Note 22)	-	112,919,267
Repayment of note payable (Note 17)	(3,525,367)	(2,825,388)
Repayment of lease liabilities (Note 18)	(1,643,448)	(1,869,148)
Dividends and distributions paid (Note 21)	(7,589,616)	(8,870,153)
Financing costs (Note 25)	(327,377)	(569,272)
Common share purchased and held in trust (Note 22)	(3,752,891)	-
Cash provided by (used in) financing activities	48,578,299	70,078,815
Translation adjustment on cash	(260,992)	(772,328)
Net increase (decrease) in cash	9,491,944	(3,935,448)
Cash, beginning of year	20,785,798	24,721,246
Cash, end of year	\$ 30,277,742	\$ 20,785,798
Supplemental disclosures:		
Income taxes paid	\$ 6,416,317	\$ 7,938,704
Interest expenses paid	\$ 7,253,456	\$ 6,159,765

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

PARK LAWN CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(U.S. dollars unless otherwise stated)

1. NATURE OF OPERATIONS

Park Lawn Corporation (the “Company” or “PLC”), located at 2 St. Clair Ave. East, Suite 705, Toronto, Ontario, M4T 2T5, is an Ontario corporation which owns and operates cemeteries, crematoriums and funeral homes in Canada and the U.S. The Company is publicly traded on Toronto Stock Exchange (the “TSX”) under the stock symbol “PLC” and “PLC.U”, its U.S. denominated ticker symbol, under which purchases and sales of common shares of the Company (“Common Shares”) can be made in U.S. dollars.

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 (the “Board”) on March 2, 2023.

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. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

c. Basis of consolidation – continued

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 trust 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.

Pre-need trust fund

The pre-need merchandise and service trust funds are recorded at fair value and amortized cost, depending on the type of investments. 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, are recorded to deferred pre-need receipts held in trust.

Care and maintenance trust fund

The care and maintenance fund investments are recorded at fair value and amortized cost, depending on the type of investments. Any unrealized net gain or loss resulting from changes in the fair value of the cemetery care and maintenance fund investments, as well as unaccumulated and undistributed income, are recorded to the care and maintenance trusts’ corpus.

Transactions eliminated on consolidation

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

d. Foreign currency translation

The consolidated financial statements are presented in USD. The functional currency of the parent Company and its Canadian subsidiaries is the Canadian dollar (“CAD” or “C\$”). The functional currency of the Company’s U.S. subsidiaries is the U.S. dollar (“USD” or “US\$”).

The financial statements of entities for which the functional currency is not USD are translated into USD 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.

Effective January 1, 2022, the Company changed its presentation currency from the CAD to USD to better reflect the Company’s business activities and provide more relevant reporting of the Company’s financial position, given that a significant portion of the Company’s revenues, expenses, cash flows and assets are USD denominated. All comparative period amounts have been restated to reflect the change in presentation currency. Further details are provided in Note 4 of the consolidated financial statements - Changes in Accounting Policies. Assets and liabilities are translated at the closing rate at the end of each reporting period. Profit or loss items are translated at average exchange rates for all the relevant periods. Equity transactions have been translated at the exchange rates prevailing at the date of the transactions. All resulting translation differences are recognized as a component of other comprehensive income(loss) and as a component of accumulated other comprehensive income(loss) in equity.

f. 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.

g. Revenue recognition

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

g. Revenue recognition - continued

Cemetery property interment rights

The Company's revenue streams are from the sale of cemetery property interment rights, cemetery services and merchandise sales, and funeral services and merchandise sales as described below:

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

The Company is required to deposit certain amounts, pursuant to the requirements of provincial and state regulations, in care and maintenance trust funds relating to the sale of cemetery lots, mausoleum crypts and niches. Revenue is recorded net of these amounts.

Cemetery services

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

Merchandise sales

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

g. Revenue recognition – continued

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

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

Funeral services

Funeral services include arranging and directing funeral services, cremations, and other ancillary funeral services. Funeral service performance obligations are satisfied resulting in the recognition of revenue once control transfers to customer upon the completion of the service.

Investment income – pre-need services and merchandise

The Company is entitled to retain, in certain jurisdictions, the interest, capital gains and dividends within the trusts as earned at the point of time the pre-need contract becomes at-need. The distributions of the above investment income earned are recorded as deferred revenue until the underlying pre-need cemetery or funeral contracts are delivered or performed, respectively. Interest, capital gains, and dividends are recognized in Sales when the contracts are delivered or performed. This investment income is intended to offset inflationary price increases from the time of the pre-need contract to delivery.

Investment income – care and maintenance funds

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

Commission revenue

Where permitted by state or provincial law, the Company may sell a life insurance or annuity policy from third-party insurance companies, for which the Company earns a commission as general agent for the insurance company. These general agent commissions are based on a percentage per contract sold and are recognized as sales when the insurance purchase transaction between the preneed purchaser and third-party insurance provider is completed. All selling costs incurred pursuant to the sales of insurance-funded preneed contracts are expensed as incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

g. Revenue recognition - continued

Finance charges

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

Cost of sales

Costs related to the sale of property interest rights include the property and construction costs specifically identified by the project. Upon completion of the project, construction costs are charged to expense when the property interest right is delivered. Costs such as direct labour, property, merchandise, direct supplies, and perpetual care are recognized when the merchandise or services are delivered.

h. Deferred revenue and deferred commission

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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

i. Financial instruments

Classification

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

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

Amortized cost

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

Fair value through profit or loss

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

Financial assets at fair value through other comprehensive income

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

i. Financial instruments - continued

Measurement

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

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

For financial liabilities measured subsequently at FVTPL, changes in fair value due to credit risk are recorded in other comprehensive income.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

i. Financial instruments - continued

Impairment

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

For accounts receivable and pre-need receivables, the Company applies the simplified approach as permitted by IFRS 9. The approach that the Company has taken for accounts receivable and pre-need receivables is a provisional matrix, whereby lifetime expected credit losses are recognized based on aging characterization and credit worthiness of customers. Specific provisions may be used where there is information that a specific customer's expected credit losses have increased.

IFRS 9		
	Classification	Measurement
Cash	Amortized Cost	Amortized Cost
Accounts receivable	Amortized cost	Amortized cost
Pre-need receivables	Amortized cost	Amortized cost
Pre-need merchandise and service trust fund investments	FVTPL and amortized cost	Fair value and amortized cost
Care and maintenance trust fund investments	FVTPL and amortized cost	Fair value and amortized cost
Other assets	FVTPL	Fair value
Dividends payable	Amortized cost	Amortized cost
Long-term debt	Amortized cost	Amortized cost
Notes payable	Amortized cost	Amortized cost
Senior unsecured debentures	Amortized cost	Amortized cost
Deferred pre-need receipts held in trust	FVTPL	Fair value
Care and maintenance trusts' corpus	FVTPL	Fair value

j. Accounts receivable

Accounts receivable represent amounts due from customers related to at-need cemetery and funeral contracts and miscellaneous current receivables. To assess the credit risk of accounts receivable, the simplified approach is used by the Company as permitted by IFRS 9. The simplified approach to the recognition of expected losses does not require the Company to track the changes in credit risk. Rather, the Company recognizes a loss allowance based on lifetime expected credit losses at each reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

k. Pre-need receivables

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

Where permitted by provincial or state law, customers may arrange their pre-need funeral contracts by purchasing an insurance policy. The pre-need funeral contracts secured by third party insurance policies are not recorded as assets or liabilities of the Company. See Note 12 to the consolidated financial statements for further information.

l. 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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

m. 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 straight line method. Depreciation begins when the property and equipment become available for use. Depreciation is charged to the consolidated statements of earnings.

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:

	<u>Annual rates</u>
Building, cemetery and funeral property	20-40 years
Machinery, equipment and automotive	3-7 years
Cemetery improvements	15-20 years

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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

n. Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, the asset is then tested for impairment by comparing its recoverable amount to its carrying value. Goodwill and indefinite life intangible assets are tested for impairment at least annually.

Assets, including right-of-use assets, are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of cash inflows of other assets or groups of assets. This is referred to as a cash generating unit (“CGU”). The impairment of goodwill is assessed at the CGU, or CGU grouping level to which it was allocated to.

Corporate assets, which include head office facilities, do not generate separate cash inflows. Corporate assets are tested for impairment at the minimum grouping of CGUs to which the corporate assets can be reasonably and consistently allocated. Goodwill arising from a business combination is tested for impairment at the minimum grouping of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of a CGU, or CGU grouping, is the higher of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows from the CGU, or CGU grouping, discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU, or CGU grouping. If the CGU, or CGU grouping, includes right-of-use assets in its carrying amount, the post-tax discount rate reflects the risks associated with the exclusion of lease payments from the estimated future cash flows. The fair value less costs to sell is based on the best information available to reflect the amount that could be obtained from the disposal of the CGU, or CGU grouping, in an arm’s length transaction between knowledgeable and willing parties, net of estimates of the costs of disposal.

An impairment loss is recognized if the carrying amount of a CGU, or CGU grouping, exceeds its recoverable amount. For asset impairments other than goodwill, the impairment loss reduces the carrying amounts of the non-financial assets in the CGU on a pro-rata basis, up to an asset’s individual recoverable amount. Any loss identified from goodwill impairment testing is first applied to reduce the carrying amount of goodwill allocated to the CGU grouping, and then to reduce the carrying amounts of the other non-financial assets in the CGU, or CGU grouping, on a pro-rata basis. Impairment losses and reversals are recognized separately from operations in the consolidated statement of loss.

For assets other than goodwill, an impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss in respect of goodwill is not reversed.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

o. 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 with an indefinite life 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.

	Annual rates
Brand	Indefinite life
Non-compete agreements	Straight-line over term

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 in the period in which they occur.

q. 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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

q. Taxation - continued

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit and is accounted for using the asset and liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill that had no initial tax cost 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 statements of earnings, 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.

r. Share based incentive compensation payments

Deferred share units (a “DSU”), performance share units (a “PSU”) and restricted share units (a “RSU”) are payments settled for shares or cash, as applicable, which are measured at fair value at the grant date. For DSUs and RSUs, compensation cost is measured at the fair value of the underlying Common Share and is expensed over the award’s vesting period. Compensation expense is recognized in the consolidated statements of earnings with a corresponding increase in contributed surplus. At this time, the Company plans to settle DSUs and RSUs for Common Shares, and upon the applicable settlement date, the corresponding amounts previously credited to contributed surplus are transferred to share capital.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

r. Share based incentive compensation payments – continued

In addition, the Company plans to credit all DSUs, PSUs, and RSUs with dividend equivalents in the form of additional DSUs, PSUs, 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, PSUs, and RSUs that are dilutive as at the reporting date are considered in the calculation of diluted earnings per share.

Additionally, the Company has granted options to acquire Common Shares (“Options”), including certain performance Options to senior executives, officers, and employees. Each tranche of a performance Option is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche is measured at the date of grant using the Black-Scholes option-pricing model and estimating the probability of performance targets being met. Compensation expense is recognized over each tranche’s vesting period, based on the number of awards expected to vest, with the offset credited to contributed surplus. When Options are exercised, the amount received is credited to share capital and the fair value attributed to these Options is transferred from contributed surplus to share capital. The impact of a revision of the original estimate is recognized in the consolidated statements of earnings such that the cumulative expense reflects the revised estimate.

The Company also issues Options with no performance criteria. The accounting treatment for these Options are consistent with the performance Options, except that performance targets are not considered in the valuation.

s. Business combinations

The Company applies 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.

The 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. The consideration transferred also includes the fair value of any contingent and deferred consideration.

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 and included in the consolidated statements of earnings as acquisition and integration costs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

t. IFRS 16 - Leases

Accounting by the lessee

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

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

- (i) the amount of the initial measurement of the lease liability;
- (ii) any lease payments made at or before the commencement date, less any lease incentives; and
- (iii) any initial direct costs incurred by the lessee.

After the commencement date, the right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any re-measurement of the lease liability. Depreciation is calculated using the straight-line method over the estimated useful life of the asset or over the term of the respective lease. If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date, which is comprised of:

- (i) fixed payments, less any lease incentives receivable;
- (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (iii) amounts expected to be payable by the lessee under residual value guarantees;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

t. IFRS 16 – Leases - continued

Accounting by the lessee – continued

- (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate on the underlying asset. Generally, the Company uses its incremental borrowing rate on the underlying asset as the discount rate. The lease liability is subsequently measured at amortized cost using the effective interest method.

The lease term determined by the Company is comprised of:

- (i) non-cancellable period of lease contracts;
- (ii) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
- (iii) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

Accounting by the lessor

There are no contracts based in which the Company is acting as a lessor.

3. CRITICAL ESTIMATES AND JUDGEMENTS

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 could result in a material adjustment to the carrying amounts of assets, liabilities, and equity in the event that actual results differ from assumptions.

- i) During the year ended December 31, 2022, PLC's operating performance continued to normalize as the COVID-19 pandemic trends towards endemic, resulting in a decrease in call volumes and at-need sales. As a result, the impacts of the COVID-19 pandemic on PLC's sequential and year-over-year performance were reduced. Although management expects revenue from Comparable Operations to decrease year-over-year in the first quarter of 2023 as mortality rates normalize, due to uncertainties relating to the magnitude and outcome of the COVID-19 pandemic, including possible future resurgences in the number of COVID-19 cases, and the appearance of other COVID-19 variants, it is difficult at this time to estimate the full extent of any future impacts of the COVID-19 pandemic on PLC's business or future financial results and related assumptions. While the number of COVID-19 cases declined in 2022, it is possible that future developments relating to COVID-19 could adversely impact the Company's business, operations, financial condition and cashflows, the extent of which, cannot be predicted with confidence as at the date hereof.

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3. CRITICAL ESTIMATES AND JUDGEMENTS - continued

Use of estimates - continued

- ii) Under IFRS, the Company must determine its cash-generating units grouping (“CGUs”) for the purpose of goodwill impairment testing as at December 31, 2022. These CGUs consist of the Company’s regional operating units monitored for internal management purposes: Northeast, Central, Midwest, South, West, and Canada. The Company’s impairment tests for goodwill and intangible assets are based on the greater of value in use calculations that use a discounted cash flow model and estimated fair value less cost to sell. The Company uses a value in use approach to determine the recoverable amount for its CGUs. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGUs, using an appropriate valuation model. These calculations are corroborated by calculation multiples or other available fair value indicators. The recoverable amount is most sensitive to the post-tax discount rate used for the discounted cash flow model as well as the estimated growth rates and terminal growth rate. Using a five year (and related terminal value) discounted cash flow model, the Company determines the recoverable amount by calculating the value in use. The cash flow forecasts were extrapolated beyond the one year period using an estimated growth rate between 3.0% and 5.3%, terminal growth rate of 3.0% and post-tax discount rates between 9.5% and 10.3% (the equivalent pre-tax discount rates were between 10.5% and 12.9%). The Company has determined that the discount rates reasonably reflect the risks associated with the cash flow projections for the CGUs. The Company allocates the carrying value of goodwill and intangibles acquired from acquisitions to CGUs. An increase of 100 basis points in the post-tax discount rate would not result in an impairment charge.
- iii) 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 judgement 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.
- iv) In determining an allowance for sales returns, the Company estimates 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.

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3. CRITICAL ESTIMATES AND JUDGEMENTS - continued

Use of estimates - continued

- v) In calculating the share-based compensation expense, key estimates such as the rate of forfeiture of awards granted, probability of achieving performance conditions, the expected life of the award, the volatility of the Company's stock price and the risk-free interest rate are used.
- vi) In calculating income tax expense, the Company makes significant judgements in interpreting tax rules and regulations. Judgements are made to evaluate whether or not we can recover a deferred tax asset based on our assessment of existing tax laws, estimates of future profitability, and tax planning strategies.

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4. CHANGES IN ACCOUNTING POLICIES

Presentation Currency

Effective January 1, 2022, the Company changed its presentation currency from CAD to USD. This change will provide shareholders with a better reflection of the Company's business activities and provide more relevant reporting of the Company's financial position, given that a significant portion of the Company's expenses, cash flows, assets and revenues are denominated in USD. The change in presentation currency represents a voluntary change in accounting policy. The Company has applied the presentation currency change retrospectively. All periods presented in the consolidated financial statements have been translated into the new presentation currency, in accordance with the guidance in IAS 21, The Effects of Changes in Foreign Exchange Rates.

The consolidated statements of earnings and the consolidated statements of cash flows have been translated into the presentation currency using the average exchange rates prevailing during each reporting period. In the consolidated statements of financial position, all assets and liabilities have been translated using the period-end exchange rates, and all resulting exchange differences have been recognized in accumulated other comprehensive income (loss). Asset and liability amounts previously reported in CAD have been translated into USD as at January 1, 2021, and December 31, 2021, using the period-end exchange rates below and shareholders' equity balances have been translated using historical rates in effect on the date of the transactions.

CAD/USD Exchange Rate			
	December 31, 2022	December 31, 2021	January 1, 2021
Closing rate at the reporting date	0.7383	0.7888	0.7854
Average rate for the period	0.7689	0.7978	0.7461

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4. CHANGES IN ACCOUNTING POLICIES – continued

Presentation Currency - continued

The change in presentation currency resulted in the following impact on January 1, 2021, opening consolidated statement of financial position:

At January 1, 2021	<i>Previously reported in CAD</i>	<i>Presentation currency change</i>	<i>Reported in USD (Restated)</i>
Assets			
Current assets			
Cash	\$ 31,475,091	\$ (6,753,845)	\$ 24,721,246
Accounts receivable	14,015,313	(3,007,370)	11,007,943
Pre-need receivables, current portion	33,120,302	(7,106,870)	26,013,432
Inventories, current portion	12,103,621	(2,597,164)	9,506,457
Prepaid expenses and other assets	11,971,945	(2,568,909)	9,403,036
	<u>102,686,272</u>	<u>(22,034,158)</u>	<u>80,652,114</u>
Non-current assets			
Pre-need receivables, net of current portion	72,013,545	(15,452,482)	56,561,063
Inventories, net of current portion	91,897,283	(19,719,084)	72,178,199
Land held for development	26,624,737	(5,713,068)	20,911,669
Property and equipment	227,201,137	(48,752,239)	178,448,898
Care and maintenance trust fund investments	246,001,481	(52,786,369)	193,215,112
Pre-need merchandise and service trust fund investments	293,048,584	(62,881,616)	230,166,968
Deferred tax assets	5,142,370	(1,103,436)	4,038,934
Goodwill and intangibles	425,010,012	(91,197,561)	333,812,451
Deferred commissions	32,814,234	(7,041,194)	25,773,040
Prepaid expenses and other assets	8,097,713	(1,737,587)	6,360,126
	<u>1,427,851,096</u>	<u>(306,384,636)</u>	<u>1,121,466,460</u>
TOTAL ASSETS	<u>\$ 1,530,537,368</u>	<u>\$ (328,418,794)</u>	<u>\$ 1,202,118,574</u>
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	\$ 45,172,738	\$ (9,693,053)	\$ 35,479,685
Dividends payable	1,123,452	(241,067)	882,385
Current portion of long-term debt	353,389	(75,829)	277,560
Current portion of notes payable	2,697,019	(578,719)	2,118,300
Current portion of lease liabilities	2,154,722	(462,355)	1,692,367
	<u>51,501,320</u>	<u>(11,051,023)</u>	<u>40,450,297</u>
Non-current liabilities			
Long-term debt, net of current portion	143,347,019	(30,759,037)	112,587,982
Notes payable, net of current portion	7,963,765	(1,708,844)	6,254,921
Lease liabilities, net of current portion	5,136,666	(1,102,213)	4,034,453
Senior Unsecured Debentures	81,964,547	(17,587,743)	64,376,804
Deferred tax liabilities	12,501,714	(2,682,586)	9,819,128
Deferred revenue	175,572,383	(37,673,873)	137,898,510
Care and maintenance trusts' corpus	246,001,481	(52,786,369)	193,215,112
Deferred pre-need receipts held in trust	293,048,584	(62,881,616)	230,166,968
	<u>965,536,159</u>	<u>(207,182,281)</u>	<u>758,353,878</u>
Shareholders' Equity			
Share capital	505,560,310	(117,112,642)	388,447,668
Contributed surplus	11,406,852	(2,752,560)	8,654,292
Accumulated other comprehensive loss	(16,327,689)	12,861,514	(3,466,175)
Retained earnings	10,673,762	(2,693,226)	7,980,536
	<u>511,313,235</u>	<u>(109,696,914)</u>	<u>401,616,321</u>
Non-controlling interest	2,186,654	(488,576)	1,698,078
	<u>513,499,889</u>	<u>(110,185,490)</u>	<u>403,314,399</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 1,530,537,368</u>	<u>\$ (328,418,794)</u>	<u>\$ 1,202,118,574</u>

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4. CHANGES IN ACCOUNTING POLICIES – continued

Presentation Currency - continued

The change in presentation currency resulted in the following impact on the December 31, 2021, consolidated statement of financial position:

At December 31, 2021	<i>Previously reported in CAD</i>	<i>Presentation currency change</i>	<i>Reported in USD</i>	<i>Measurement period adjustment - see Note 7</i>	<i>Reported in USD (Restated)</i>
Assets					
Current assets					
Cash	\$ 26,352,234	\$ (5,566,436)	\$ 20,785,798	\$ -	\$ 20,785,798
Accounts receivable	22,776,678	(4,811,165)	17,965,513	-	17,965,513
Pre-need receivables, current portion	37,413,467	(7,902,923)	29,510,544	-	29,510,544
Inventories, current portion	12,240,775	(2,585,644)	9,655,131	-	9,655,131
Prepaid expenses and other assets	5,648,059	(1,193,051)	4,455,008	-	4,455,008
	<u>104,431,213</u>	<u>(22,059,219)</u>	<u>82,371,994</u>	<u>-</u>	<u>82,371,994</u>
Non-current assets					
Pre-need receivables, net of current portion	79,130,324	(16,714,861)	62,415,463	6,384	62,421,847
Inventories, net of current portion	91,863,119	(19,404,435)	72,458,684	10,053	72,468,737
Land held for development	33,523,293	(7,081,194)	26,442,099	(194,781)	26,247,318
Property and equipment	285,357,503	(60,276,652)	225,080,851	290,659	225,371,510
Care and maintenance trust fund investments	291,548,084	(61,584,301)	229,963,783	-	229,963,783
Pre-need merchandise and service trust fund investments	329,283,202	(69,555,168)	259,728,034	-	259,728,034
Deferred tax assets	6,160,876	(1,301,374)	4,859,502	-	4,859,502
Goodwill and intangibles	518,540,441	(109,532,366)	409,008,075	(999,484)	408,008,591
Deferred commissions	36,071,847	(7,619,530)	28,452,317	271,735	28,724,052
Prepaid expenses and other assets	7,061,189	(1,491,548)	5,569,641	363,177	5,932,818
	<u>1,678,539,878</u>	<u>(354,561,429)</u>	<u>1,323,978,449</u>	<u>(252,257)</u>	<u>1,323,726,192</u>
TOTAL ASSETS	<u>\$ 1,782,971,091</u>	<u>\$ (376,620,648)</u>	<u>\$ 1,406,350,443</u>	<u>\$ (252,257)</u>	<u>\$ 1,406,098,186</u>
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	\$ 48,045,036	(10,148,653)	37,896,383	\$ -	\$ 37,896,383
Dividends payable	1,289,348	(272,352)	1,016,996	-	1,016,996
Current portion of long-term debt	213,178	(45,030)	168,148	-	168,148
Current portion of notes payable	4,373,507	(923,825)	3,449,682	-	3,449,682
Current portion of lease liabilities	1,371,341	(289,672)	1,081,669	-	1,081,669
	<u>55,292,410</u>	<u>(11,679,532)</u>	<u>43,612,878</u>	<u>-</u>	<u>43,612,878</u>
Non-current liabilities					
Long-term debt, net of current portion	107,301,385	(22,665,492)	84,635,893	-	84,635,893
Notes payable, net of current portion	11,983,810	(2,531,365)	9,452,445	-	9,452,445
Lease liabilities, net of current portion	4,378,120	(924,799)	3,453,321	416,978	3,870,299
Senior Unsecured Debentures	82,707,553	(17,470,486)	65,237,067	-	65,237,067
Deferred tax liabilities	16,198,927	(3,421,732)	12,777,195	(494,493)	12,282,702
Deferred revenue	199,623,193	(42,166,816)	157,456,377	(174,742)	157,281,635
Care and maintenance trusts' corpus	291,548,084	(61,584,301)	229,963,783	-	229,963,783
Deferred pre-need receipts held in trust	329,283,202	(69,555,168)	259,728,034	-	259,728,034
	<u>1,043,024,274</u>	<u>(220,320,159)</u>	<u>822,704,115</u>	<u>(252,257)</u>	<u>822,451,858</u>
Shareholders' Equity					
Share capital	656,492,583	(147,481,020)	509,011,563	-	509,011,563
Contributed surplus	15,571,541	(3,631,865)	11,939,676	-	11,939,676
Accumulated other comprehensive loss	(18,769,656)	13,370,823	(5,398,833)	-	(5,398,833)
Retained earnings	31,359,939	(6,878,895)	24,481,044	-	24,481,044
	<u>684,654,407</u>	<u>(144,620,957)</u>	<u>540,033,450</u>	<u>-</u>	<u>540,033,450</u>
Non-controlling interest	-	-	-	-	-
	<u>684,654,407</u>	<u>(144,620,957)</u>	<u>540,033,450</u>	<u>-</u>	<u>540,033,450</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 1,782,971,091</u>	<u>\$ (376,620,648)</u>	<u>\$ 1,406,350,443</u>	<u>\$ (252,257)</u>	<u>\$ 1,406,098,186</u>

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4. CHANGES IN ACCOUNTING POLICIES – continued

Presentation Currency - continued

The change in presentation currency resulted in the following impact on the year ended December 31, 2021, consolidated statements of earnings:

For the Year Ended December 31, 2021	<i>Previously reported in CAD</i>	<i>Presentation currency change</i>	<i>Reclassifications - see Note 34</i>	<i>Reported in USD (Restated)</i>
Revenue				
Sales	\$ 351,505,072	(71,120,381)	(378,872)	\$ 280,005,819
Income from care and maintenance funds	11,421,541	(2,309,916)	-	9,111,625
Interest and other income	6,613,619	(1,337,626)	378,872	5,654,865
	369,540,232	(74,767,923)	-	294,772,309
Cost of sales	60,406,420	(12,221,838)	-	48,184,582
Revenue less cost of sales	309,133,812	(62,546,085)	-	246,587,727
Operating expenses				
General and administrative	157,428,522	(31,850,582)	3,339,305	128,917,245
Amortization of intangibles	1,753,930	(354,769)	-	1,399,161
Maintenance	35,809,085	(7,242,309)	(2,252,598)	26,314,178
Advertising and selling	42,065,104	(8,508,718)	(1,086,707)	32,469,679
Finance costs	9,580,697	(1,937,595)	-	7,643,102
Share based incentive compensation	4,774,511	(965,567)	-	3,808,944
	251,411,849	(50,859,540)	-	200,552,309
Earnings from operations	57,721,963	(11,686,545)	-	46,035,418
Acquisition and integration costs	(7,187,802)	1,464,410	-	(5,723,392)
Other income (expenses)	(1,700,635)	343,925	-	(1,356,710)
Earnings before income taxes	48,833,526	(9,878,210)	-	38,955,316
Income tax expense	13,857,565	(2,803,121)	-	11,054,444
Net earnings for the year	<u>\$ 34,975,961</u>	<u>\$ (7,075,089)</u>	<u>\$ -</u>	<u>\$ 27,900,872</u>
Net earnings attributable to:				
Equity holders of PLC	\$ 34,866,218	\$ (7,053,352)	\$ -	\$ 27,812,866
Non-controlling interest	109,743	(21,737)	-	88,006
	<u>\$ 34,975,961</u>	<u>\$ (7,075,089)</u>	<u>\$ -</u>	<u>\$ 27,900,872</u>
Attributable to equity holders of PLC				
Net earnings per share - basic	<u>\$ 1.121</u>	<u>\$ (0.227)</u>	<u>\$ -</u>	<u>\$ 0.894</u>
Net earnings per share - diluted	<u>\$ 1.105</u>	<u>\$ (0.224)</u>	<u>\$ -</u>	<u>\$ 0.882</u>
Weighted average number of common shares:				
- basic	31,111,308	31,111,308	-	31,111,308
- diluted	31,549,563	31,549,563	-	31,549,563

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4. CHANGES IN ACCOUNTING POLICIES – continued

Presentation Currency - continued

The change in presentation currency resulted in the following impact on the year ended December 31, 2021, consolidated statements of comprehensive income:

For the Year Ended December 31, 2021	<i>Previously reported in CAD</i>	<i>Presentation currency change</i>	<i>Reported in USD (Restated)</i>
Net earnings for the year	<u>\$ 34,975,961</u>	<u>\$ (7,075,089)</u>	<u>\$ 27,900,872</u>
Item of other comprehensive income to be subsequently reclassified to net earnings	(2,441,967)	572,325	(1,869,642)
Foreign currency translation of foreign operations			
Comprehensive income (loss)	<u><u>\$ 32,533,994</u></u>	<u><u>\$ (6,502,764)</u></u>	<u><u>\$ 26,031,230</u></u>

The change in presentation currency resulted in the following impact on the year ended December 31, 2021, consolidated statements of changes in shareholder's equity:

<i>Previously reported in CAD</i>	Share Capital	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income/Loss	Non - Controlling Interest	Shareholders' Equity
Balance at January 1, 2021	\$ 505,560,310	\$ 11,406,852	\$ 10,673,762	\$ (16,327,689)	\$ 2,186,654	\$ 513,499,889
Dividends declared	-	-	(14,180,041)	-	-	(14,180,041)
Equity incentive plan	-	8,764,353	-	-	-	8,764,353
Shares issued:						
Dividend reinvestment plan	3,061,304	-	-	-	-	3,061,304
Exercise of Equity incentive plan	4,599,664	(4,599,664)	-	-	-	-
Prospectus financing, net of costs	143,271,305	-	-	-	-	143,271,305
Other comprehensive income (loss)	-	-	-	(2,441,967)	-	(2,441,967)
Sale of non-strategic business	-	-	-	-	(2,296,397)	(2,296,397)
Foreign currency translation of foreign operations	-	-	-	-	-	-
Net earnings for the year	-	-	34,866,218	-	109,743	34,975,961
Balance at December 31, 2021	<u>\$ 656,492,583</u>	<u>\$ 15,571,541</u>	<u>\$ 31,359,939</u>	<u>\$ (18,769,656)</u>	<u>\$ -</u>	<u>\$ 684,654,407</u>

<i>Presentation currency change</i>	Share Capital	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income/Loss	Non - Controlling Interest	Shareholders' Equity
Balance at January 1, 2021	\$ (117,112,642)	\$ (2,752,560)	\$ (2,693,226)	\$ 12,861,514	\$ (488,576)	\$ (110,185,490)
Dividends declared	-	-	2,867,683	-	-	2,867,683
Equity incentive plan	-	(1,809,512)	-	-	-	(1,809,512)
Shares issued:						
Dividend reinvestment plan	(619,099)	-	-	-	-	(619,099)
Exercise of Equity incentive plan	(930,207)	930,207	-	-	-	-
Prospectus financing, net of costs	(28,819,072)	-	-	-	-	(28,819,072)
Other comprehensive income (loss)	-	-	-	509,309	63,016	572,325
Sale of non-strategic business	-	-	-	-	447,297	447,297
Foreign currency translation of foreign operations	-	-	-	-	-	-
Net earnings for the year	-	-	(7,053,352)	-	(21,737)	(7,075,089)
Balance at December 31, 2021	<u>\$ (147,481,020)</u>	<u>\$ (3,631,865)</u>	<u>\$ (6,878,895)</u>	<u>\$ 13,370,823</u>	<u>\$ -</u>	<u>\$ (144,620,957)</u>

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4. CHANGES IN ACCOUNTING POLICIES – continued

Presentation Currency - continued

<i>Reported in USD (Restated)</i>	Accumulated					
	Share Capital	Contributed Surplus	Retained Earnings	Other Comprehensive Income/Loss	Non - Controlling Interest	Shareholders' Equity
Balance at January 1, 2021	\$ 388,447,668	\$ 8,654,292	\$ 7,980,536	\$ (3,466,175)	\$ 1,698,078	\$ 403,314,399
Dividends declared	-	-	(11,312,358)	-	-	(11,312,358)
Equity incentive plan	-	6,954,841	-	-	-	6,954,841
Shares issued:						
Dividend reinvestment plan	2,442,205	-	-	-	-	2,442,205
Exercise of Equity incentive plan	3,669,457	(3,669,457)	-	-	-	-
Prospectus financing, net of costs	114,452,233	-	-	-	-	114,452,233
Other comprehensive income (loss)	-	-	-	(1,932,658)	63,016	(1,869,642)
Sale of non-strategic business	-	-	-	-	(1,849,100)	(1,849,100)
Foreign currency translation of foreign operations	-	-	-	-	-	-
Net earnings for the year	-	-	27,812,866	-	88,006	27,900,872
Balance at December 31, 2021	<u>\$ 509,011,563</u>	<u>\$ 11,939,676</u>	<u>\$ 24,481,044</u>	<u>\$ (5,398,833)</u>	<u>\$ -</u>	<u>\$ 540,033,450</u>

The change in presentation currency resulted in the following impact on the year ended December 31, 2021, consolidated statements of cash flows:

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4. CHANGES IN ACCOUNTING POLICIES – continued

Presentation Currency - continued

For the Year Ended December 31, 2021

	<i>Previously reported in C.A.D.</i>	<i>Presentation currency change</i>	<i>Reported in USD (Restated)</i>
Cash provided by (used in):			
Operating activities			
Net earnings for the period	\$ 34,975,961	\$ (7,075,089)	\$ 27,900,872
Adjustments to reconcile net income to cash provided by (used in) operating activities:			
Loss on the sale of non-strategic business	847,462	(167,861)	679,601
Acquisition and integration costs	7,187,802	(1,464,410)	5,723,392
Deferred tax expense (recovery)	6,788,179	(1,372,799)	5,415,380
Depreciation of property and equipment, and amortization of intangibles	14,778,000	(2,990,404)	11,787,596
Amortization of cemetery property	9,023,848	(1,825,706)	7,198,142
Amortization of deferred commissions	9,906,520	(2,002,890)	7,903,630
Amortization of deferred financing costs	804,451	(162,687)	641,764
Accretion expense on senior unsecured debentures	743,006	(150,261)	592,745
Interest on lease liabilities	325,926	(65,913)	260,013
Share based incentive compensation	4,645,466	(939,470)	3,705,996
(Gain) loss on disposal of property and equipment	(6,778)	1,371	(5,407)
Impairment on other assets	602,705	(121,887)	480,818
Changes in working capital that provided (required) cash:			
Accounts receivable	(6,712,640)	1,339,437	(5,373,203)
Net receipts on pre-need activity	5,528,740	(1,148,763)	4,379,977
Merchandise inventories	(366,108)	88,454	(277,654)
Prepaid expenses and other current assets	1,506,725	(304,711)	1,202,014
Deferred commissions	(12,870,807)	2,602,918	(10,267,889)
Accounts payable and accrued liabilities	1,732,516	(336,409)	1,396,107
Cash provided by (used in) operating activities	79,440,974	(16,097,079)	63,343,895
Investing activities			
Acquisition and integration costs	(7,187,802)	1,464,410	(5,723,392)
Net cash on acquisitions	(150,212,042)	30,885,301	(119,326,741)
Additions to cemetery property	(5,073,611)	1,118,550	(3,955,061)
Acquisition of property and equipment	(23,412,064)	4,735,488	(18,676,576)
Proceeds on disposal of property and equipment	2,069,697	(333,517)	1,736,180
Net cash from sale of non-strategic business	5,113,273	(995,975)	4,117,298
Additions to computer software	(876,694)	177,297	(699,397)
Cash interest from other assets	756,954	(153,082)	603,872
Disposals (additions) to prepaid expenses and other assets	6,467,972	(1,129,984)	5,337,988
Cash provided by (used in) investing activities	(172,354,317)	35,768,489	(136,585,829)
Financing activities			
Proceeds from issuance of long-term debt	118,351,700	(23,933,419)	94,418,281
Repayment of long-term debt	(154,901,417)	31,776,645	(123,124,772)
Proceeds from prospectus financing, net of costs	141,349,732	(28,430,465)	112,919,267
Proceeds (repayment) of note payable	(3,420,003)	594,615	(2,825,388)
Proceeds (repayment) of lease liabilities	(2,196,565)	327,417	(1,869,148)
Dividends and distributions paid	(11,118,737)	2,248,584	(8,870,153)
Financing costs	(720,437)	151,165	(569,272)
Cash provided by (used in) financing activities	87,344,273	(17,265,458)	70,078,815
Translation adjustment on cash	446,213	(1,218,541)	(772,328)
Net increase (decrease) in cash	(5,122,857)	1,187,409	(3,935,448)
Cash, beginning of year	31,475,091	(6,753,845)	24,721,246
Cash, end of year	\$ 26,352,234	\$ (5,566,436)	\$ 20,785,798
Supplemental disclosures:			
Income taxes paid	\$ 9,951,165	\$ (2,012,461)	\$ 7,938,704
Interest expenses paid	\$ 7,721,266	\$ (1,561,501)	\$ 6,159,765

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5. ACCOUNTS RECEIVABLE AND PRE-NEED RECEIVABLES

	December 31, 2022	December 31, 2021		December 31, 2021
		<i>Previously reported in CAD</i>	<i>Presentation currency change and measurement period adjustment - see Note 4 and Note 7</i>	<i>Reported in USD (Restated)</i>
Accounts receivable	\$ 19,856,421	\$ 22,776,678	\$ (4,811,165)	\$ 17,965,513
Pre-need receivables, current portion	28,192,812	37,413,467	(7,902,923)	29,510,544
Pre-need receivables, net of current portion	71,106,794	79,130,324	(16,708,477)	62,421,847

Included in the figures above are allowances for doubtful accounts as shown in the table below:

	December 31, 2022
Beginning of the period	\$ 3,458,600
Additions to allowances	2,823,751
Cancellations	(300,414)
Foreign currency translation	(20,869)
End of period	<u>\$ 5,961,068</u>

Allowance for doubtful accounts of \$5,961,068 is included in accounts receivable.

Included in the figures above are allowances for sales returns as shown in the table below:

	December 31, 2022
Beginning of the period	\$ 8,666,042
Additions to allowances	3,848,169
Cancellations	(3,311,788)
Foreign currency translation	-
End of period	<u>\$ 9,202,423</u>

Allowance for sales returns of \$9,202,423 is included in pre-need receivables.

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6. INVENTORIES

	December 31, 2022	December 31, 2021		December 31, 2021
			<i>Presentation currency change and measurement period adjustment - see Note 4 and Note 7</i>	<i>Reported in USD (Restated)</i>
		<i>Previously reported in CAD</i>		
Merchandise inventories	\$ 4,772,801	\$ 5,022,413	\$ (1,084,783)	\$ 3,937,630
Cemetery lots	40,408,284	44,892,181	(9,456,435)	35,435,746
Crypts and niches	30,298,259	44,789,129	(9,453,191)	35,335,938
Construction in progress	4,934,185	9,400,171	(1,985,617)	7,414,554
Total	\$ 80,413,529	\$ 104,103,894	\$ (21,980,026)	\$ 82,123,868
Current portion	11,013,722	12,240,775	(2,585,644)	9,655,131
Non-current portion	<u>\$ 69,399,807</u>	<u>\$ 91,863,119</u>	<u>\$ (19,394,382)</u>	<u>\$ 72,468,737</u>

There were no inventory write-downs in either year.

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7. BUSINESS COMBINATIONS

Acquisitions completed in fiscal 2022

	Preliminary Q2 Acquisitions	Preliminary Q3 Acquisitions Farris	Preliminary Q3 Acquisitions Shackelford	Preliminary Q4 Acquisitions	Total
Assets acquired:					
Accounts receivable	\$ 12,189	\$ -	\$ 9,932	\$ -	\$ 22,121
Inventories	246,817	935,421	562,705	282,508	2,027,451
Land held for development	200,000	90,000	9,812	633,200	933,012
Property and equipment	5,495,282	4,204,772	15,585,841	14,358,743	39,644,638
Care and maintenance trust fund investments	168,435	1,301,249	784,454	1,690,951	3,945,090
Pre-need merchandise and service trust fund investments	143,103	2,533,482	1,451,039	7,970,099	12,097,722
Goodwill	8,392,795	3,567,109	10,904,096	21,700,507	44,564,507
Intangibles	1,498,000	1,127,000	3,249,918	4,525,140	10,400,058
Total assets	<u>\$ 16,156,621</u>	<u>\$ 13,759,033</u>	<u>\$ 32,557,796</u>	<u>\$ 51,161,149</u>	<u>\$ 113,634,598</u>
Liabilities assumed:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 9,932	\$ -	\$ 9,932
Lease liabilities	20,306	-	81,447	248,490	350,243
Deferred revenue	11,208	1,231,472	2,048,662	-	3,291,343
Care and maintenance trusts' corpus	168,435	1,301,249	784,454	1,690,951	3,945,090
Deferred pre-need receipts held in trust	143,103	2,533,482	1,451,039	7,970,099	12,097,722
	<u>343,053</u>	<u>5,066,203</u>	<u>4,375,534</u>	<u>9,909,541</u>	<u>19,694,330</u>
Fair value of consideration transferred:					
Cash consideration	14,800,000	8,250,000	27,305,000	27,912,688	78,267,688
Deferred cash consideration	1,013,569	442,830	877,262	13,338,920	15,672,581
	<u>15,813,569</u>	<u>8,692,830</u>	<u>28,182,262</u>	<u>41,251,608</u>	<u>93,940,269</u>
Total liabilities and considerations	<u>\$ 16,156,621</u>	<u>\$ 13,759,033</u>	<u>\$ 32,557,796</u>	<u>\$ 51,161,149</u>	<u>\$ 113,634,598</u>

- (i) On April 18, 2022, the Company acquired substantially all the assets of Chancellor Funeral Home and Garden of Memories ("Chancellor"), a business consisting of one stand-alone funeral home and one combination funeral home and cemetery property located in Byram and Florence, Mississippi.
- (ii) On June 6, 2022, the Company acquired substantially all the assets of Hudson Funeral Home & Cremation Services ("Hudson"), a business consisting of one stand-alone funeral home located in Durham, North Carolina.

The collective purchase price for Chancellor and Hudson was \$15,813,569.

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7. BUSINESS COMBINATIONS – continued

Acquisitions completed in fiscal 2022 - continued

- (iii) On August 8, 2022, the Company acquired substantially all the assets of Farris Funeral Service, Inc. and Affiliated Service Group, Inc. (“Farris”), a group of businesses consisting of one stand-alone funeral home and one on-site funeral home and cemetery located in Abingdon, Virginia for a purchase price of \$8,692,830.
- (iv) On September 12, 2022, the Company acquired substantially all the assets of Shackelford Corporation (“Shackelford”), a group of businesses consisting of eight stand-alone funeral homes, two stand-alone cemeteries and one on-site funeral home and cemetery located in and around the Savannah, Tennessee area for a purchase price of \$28,182,262.
- (v) On October 5, 2022, the Company acquired substantially all the assets of Ertel Funeral Home & Crematory (“Ertel”), a stand-alone funeral home located in Cortez, Colorado.
- (vi) On November 2, 2022, the Company acquired substantially all the assets of Brown’s Cremation & Funeral Service (“Brown’s”), a stand-alone funeral home located in Grand Junction, Colorado.
- (vii) On November 7, 2022, the Company acquired substantially all the assets of Taylor Funeral Home (“Taylor”) consisting of three stand-alone funeral homes and one on-site funeral home and cemetery combination located in Delta, Cedaredge, Hotchkiss and Paonia, Colorado.
- (viii) On November 14, 2022, the Company acquired substantially all the assets of Muehlebach Funeral Care, Skradski-Pierce Funeral Home and Assurance Cremation Society (collectively “Muehlebach”), a business consisting of three stand-alone funeral home located in Kansas City, Missouri.
- (ix) On November 28, 2022, the Company acquired substantially all the assets of Park Lawn Funeral Home and Memorial Park Cemetery & Green Lawn Cemetery, Park Lawn Northland Chapel and Glenridge Cemetery in Kansas City and Liberty, Missouri (collectively “Park Lawn Missouri”), a business consisting of one on-site, one stand-alone funeral home and one stand-alone cemetery located in Kansas City, Missouri.
- (x) On December 12, 2022, the Company acquired substantially all the assets of Schrader, Aragon & Jacoby Funeral Home, Mountain View Memorial Park and Bustard & Jacoby Funerals, Cremation, Monuments and Receptions (collectively “Jacoby”) consisting of two stand-alone funeral homes and one stand-alone cemetery located in Cheyenne and Casper, Wyoming.

The collective purchase price for Ertel, Brown’s, Taylor, Muehlebach, Park Lawn Missouri and Jacoby was \$41,251,608.

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7. BUSINESS COMBINATIONS – continued

Acquisitions completed in fiscal 2022 - continued

Since the date of acquisition in 2022, the above mentioned acquisitions have contributed \$9,049,236 in revenue and \$1,920,082 in net earnings in 2022. If acquired at the beginning of the year, the Company has estimated that the above mentioned acquisitions would have contributed approximately \$28,400,000 in revenue and approximately \$6,000,000 in net earnings.

The fair value allocations for the above mentioned acquisitions are based on preliminary purchase allocations conducted by management. As the acquisitions are within the measurement period under IFRS 3 they are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The Company is gathering information to finalize the fair value of inventories, land held for development, property and equipment, goodwill and intangibles and deferred revenue.

The above acquisitions include deferred cash consideration which primarily relates to non-compete agreements and other seller notes. In relation to these acquisitions, the Company incurred expenses on legal services, financial and tax due diligence, post closing audits, preparation of independent valuation reports to substantiate purchase price allocations, preparation of reports for regulatory compliance purposes, and internal compensation. External acquisition costs were \$4,232,141 and internal acquisition cost were \$2,814,328 for the year ended December 31, 2022.

For the above acquisitions, goodwill encompasses qualitative factors such as location heritage and workforce synergies.

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7. BUSINESS COMBINATIONS – continued

Acquisitions completed in fiscal 2021 – continued

The Company has restated the comparative figures in the consolidated statement of financial position based on the measurement period adjustments related to the purchase price allocations for the acquisitions of Williams Businesses, Mississippi Businesses, Williamson Businesses, Pugh, Smith Businesses and Ingram, described below. The following table summarizes the effects of the change on the line items of the consolidated statement of financial position for the year ended December 31, 2021.

	December 31, 2021		December 31, 2021		December 31, 2021
	<i>Previously reported in CAD</i>	<i>Presentation currency change - see Note 4</i>	<i>Reported in USD (Restated)</i>	<i>Measurement period adjustment - see Note 7</i>	<i>Restated</i>
Pre-need receivables, net of current portion	\$ 79,130,324	\$ (16,714,861)	\$ 62,415,463	\$ 6,384	\$ 62,421,847
Inventories, net of current portion	91,863,119	(19,404,435)	72,458,684	10,053	72,468,737
Land held for development	33,523,293	(7,081,194)	26,442,099	(194,781)	26,247,318
Property and equipment	285,357,503	(60,276,652)	225,080,851	290,659	225,371,510
Goodwill and intangibles	518,540,441	(109,532,366)	409,008,075	(999,484)	408,008,591
Deferred commission	36,071,847	(7,619,530)	28,452,317	271,735	28,724,052
Prepaid expenses and other assets	7,061,189	(1,491,549)	5,569,640	363,176	5,932,816
Lease liabilities, net of current portion	(4,378,120)	924,799	(3,453,321)	(416,978)	(3,870,299)
Deferred tax liabilities	(16,198,927)	3,421,732	(12,777,195)	494,493	(12,282,702)
Deferred revenue	(199,623,193)	42,166,816	(157,456,377)	174,743	(157,281,634)
Total	\$ 831,347,476	\$ (175,607,240)	\$ 655,740,236	\$ -	\$ 655,740,236

PARK LAWN CORPORATION
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7. BUSINESS COMBINATIONS – continued

Acquisitions completed in fiscal 2021 – continued

The following table summarizes the statement of financial position impact on the acquisition date of the Company's business combinations that occurred in the year ended December 31, 2021:

	Preliminary Other	Preliminary Mississippi Businesses	Total
<i>Previously reported in CAD</i>			
Assets acquired:			
Cash	\$ 153,716	\$ 766,984	\$ 920,700
Accounts receivable	127,606	222,156	349,762
Pre-need receivables	660,230	2,510,418	3,170,648
Inventories	5,452,201	456,868	5,909,069
Land held for development	4,549,366	699,585	5,248,951
Property and equipment	37,640,401	17,242,472	54,882,873
Care and maintenance trust fund investments	11,065,630	793,053	11,858,683
Pre-need merchandise and service trust fund investments	12,423,034	5,091,212	17,514,246
Goodwill	61,170,561	18,570,822	79,741,383
Intangibles	12,944,694	5,044,848	17,989,542
Deferred commissions	326,949	63,189	390,138
Prepaid expenses and other assets	-	-	-
Total assets	<u>\$ 146,514,388</u>	<u>\$ 51,461,607</u>	<u>\$ 197,975,995</u>
Liabilities assumed:			
Accounts payable and accrued liabilities	\$ 48,403	\$ 193,308	\$ 241,711
Lease liabilities	78,115	-	78,115
Deferred revenue	5,132,294	2,918,629	8,050,923
Deferred tax liabilities	398,870	1,690,334	2,089,204
Care and maintenance trusts' corpus	11,065,630	793,053	11,858,683
Deferred pre-need receipts held in trust	12,423,034	5,091,212	17,514,246
	<u>29,146,346</u>	<u>10,686,536</u>	<u>39,832,882</u>
Fair value of consideration transferred:			
Cash consideration	110,357,671	40,775,071	151,132,742
Deferred cash consideration	7,010,371	-	7,010,371
Working capital	-	-	-
	<u>117,368,042</u>	<u>40,775,071</u>	<u>158,143,113</u>
Total liabilities and considerations	<u>\$ 146,514,388</u>	<u>\$ 51,461,607</u>	<u>\$ 197,975,995</u>

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7. BUSINESS COMBINATIONS – continued

Acquisitions completed in fiscal 2021 – continued

	Preliminary Other	Preliminary Mississippi Businesses	Total
<i>Presentation currency change and measurement period adjustment - see Note 4 and Note 7</i>			
Assets acquired:			
Cash	\$ (28,530)	\$ (139,475)	\$ (168,005)
Accounts receivable	171,598	101,604	273,203
Pre-need receivables	(122,761)	(2,294,333)	(2,417,094)
Inventories	(1,173,882)	(19,868)	(1,193,750)
Land held for development	(953,524)	(343,435)	(1,296,959)
Property and equipment	(7,258,369)	(3,650,625)	(10,908,994)
Care and maintenance trust fund investments	(2,053,071)	(161,893)	(2,214,964)
Pre-need merchandise and service trust fund investments	(2,466,464)	(1,039,312)	(3,505,777)
Goodwill	(12,615,029)	(2,349,711)	(14,964,739)
Intangibles	(3,889,766)	(2,203,848)	(6,093,614)
Deferred commissions	161,229	35,386	196,615
Prepaid expenses and other assets	-	134,660	134,660
Total assets	<u>\$ (30,228,568)</u>	<u>\$ (11,930,851)</u>	<u>\$ (42,159,418)</u>
Liabilities assumed:			
Accounts payable and accrued liabilities	\$ (8,985)	\$ 183,601	\$ 174,617
Lease liabilities	178,365	222,667	401,032
Deferred revenue	(1,644,138)	(1,934,598)	- 3,578,736
Deferred tax liabilities	(182,827)	(730,759)	- 913,586
Care and maintenance trusts' corpus	(2,053,071)	(161,893)	- 2,214,964
Deferred pre-need receipts held in trust	(2,466,464)	(1,039,312)	- 3,505,777
	<u>(6,177,120)</u>	<u>(3,460,294)</u>	<u>(9,637,413)</u>
Fair value of consideration transferred:			
Cash consideration	(22,746,686)	(8,325,071)	- 31,071,757
Deferred cash consideration	(1,304,762)	-	- 1,304,762
Working capital	-	(145,485)	- 145,485
	<u>(24,051,448)</u>	<u>(8,470,556)</u>	<u>(32,522,004)</u>
Total liabilities and considerations	<u>\$ (30,228,568)</u>	<u>\$ (11,930,851)</u>	<u>\$ (42,159,418)</u>

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7. BUSINESS COMBINATIONS – continued

Acquisitions completed in fiscal 2021 – continued

<i>Reported in USD (Restated)</i>	Final Other	Final Mississippi Businesses	Total
Assets acquired:			
Cash	\$ 125,186	\$ 627,509	\$ 752,695
Accounts receivable	299,204	323,760	622,965
Pre-need receivables	537,469	216,085	753,554
Inventories	4,278,319	437,000	4,715,319
Land held for development	3,595,842	356,150	3,951,992
Property and equipment	30,382,032	13,591,847	43,973,879
Care and maintenance trust fund investments	9,012,559	631,160	9,643,719
Pre-need merchandise and service trust fund investments	9,956,570	4,051,900	14,008,469
Goodwill	48,555,532	16,221,111	64,776,644
Intangibles	9,054,928	2,841,000	11,895,928
Deferred commissions	488,178	98,575	586,753
Prepaid expenses and other assets	-	134,660	134,660
Total assets	<u>\$ 116,285,820</u>	<u>\$ 39,530,756</u>	<u>\$ 155,816,577</u>
Liabilities assumed:			
Accounts payable and accrued liabilities	\$ 39,418	\$ 376,909	\$ 416,327
Lease liabilities	256,480	222,667	479,148
Deferred revenue	3,488,156	984,031	4,472,187
Deferred tax liabilities	216,043	959,575	1,175,618
Care and maintenance trusts' corpus	9,012,559	631,160	9,643,719
Deferred pre-need receipts held in trust	9,956,570	4,051,900	14,008,469
	<u>22,969,226</u>	<u>7,226,242</u>	<u>30,195,469</u>
Fair value of consideration transferred:			
Cash consideration	87,610,985	32,450,000	120,060,985
Deferred cash consideration	5,705,609	-	5,705,609
Working capital		(145,485)	(145,485)
	<u>93,316,594</u>	<u>32,304,515</u>	<u>125,621,109</u>
Total liabilities and considerations	<u>\$ 116,285,820</u>	<u>\$ 39,530,756</u>	<u>\$ 155,816,577</u>

- (xi) On April 1, 2021, the Company completed the acquisition of Wichmann Funeral Home & Crematory, Inc., BDB Company LLP and 312 Milwaukee Street, LLC in Appleton, Menasha, Kaukauna and Kimberly, Wisconsin (collectively the “Wichmann Businesses”). The Wichmann Businesses consist of five funeral homes and one cremation business in the Madison area.

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7. BUSINESS COMBINATIONS – continued

Acquisitions completed in fiscal 2021 – continued

- (xii) On April 22, 2021, the Company completed the acquisition of the assets of West Funeral Home, Inc., West Monument Company and Cemetery, Inc. and Sky View Memorial Park, Inc., in Asheville and Weaverville, North Carolina (collectively the “West Businesses”). The West Businesses consist of one funeral home, three cemeteries and one monument company.
- (xiii) On May 1, 2021, the Company completed the acquisition of all the issued and outstanding membership interests of Cremation Society of Tennessee and Family Care Services, LLC, as well as all the issued and outstanding stock of Polk Memorial Gardens Corporation and Williams Funeral Home, Inc. with businesses located in Columbia, Mt. Pleasant and Pulaski, Tennessee (collectively the “Williams Businesses”). The Williams Businesses consist of two funeral homes, three cemeteries and one cremation business in Middle, Tennessee.
- (xiv) On August 9, 2021, the Company purchased one on-site funeral home/cemetery property and ten stand-alone funeral homes in Mississippi (collectively the “Mississippi Businesses”). The Company purchased all the outstanding stock and membership interests of the Mississippi Businesses. These businesses both complement the Company’s existing operations in Jackson, as well as represent new expansion into the Gulf Coast market. The purchase price for the Mississippi Businesses was \$32,450,000 (as previously presented C\$40,775,071, adjusted for foreign currency change and measurement period adjustment of \$8,325,071).
- (xv) On September 1, 2021, the Company acquired substantially all the assets of Williamson Memorial Funeral Home & Cremation Services and Spring Hill Memorial Park, Funeral Home & Cremation Services in Franklin and Spring Hill, Tennessee, (collectively the “Williamson Businesses”). These properties consist of two combination funeral home and cemetery properties.
- (xvi) On October 1, 2021, the Company acquired substantially all the assets of Malcolm, Deavitt & Binhammer Funeral Home Limited (“MDB”), a funeral home located in Pembroke, Ontario. The MDB funeral home complements the Company’s existing locations near Ottawa.
- (xvii) On October 25, 2021, the Company acquired substantially all the assets of Pugh Funeral Homes and New Hope Memorial Gardens (collectively the “Pugh”), a business consisting of five funeral homes and one cemetery located in central North Carolina.
- (xviii) On November 15, 2021, the Company purchased substantially all the assets of Smith Funeral & Cremation Service, Life & Legacy Cremation Center and Smith Event Centers, as well as Grandview Cemetery and Cremation by Grandview (collectively the “Smith Businesses”), comprised of one funeral home, one combination funeral home and cemetery property and five event centers in Maryville, Tennessee.

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7. BUSINESS COMBINATIONS – continued

Acquisitions completed in fiscal 2021 – continued

- (xix) On December 13, 2021, the Company acquired substantially all the assets of Ingram Funeral Home and Crematory, Inc. (“Ingram” business), a business consisting of a stand-alone funeral home located in Cumming, Forsyth County, Georgia.

The collective purchase price for Wichmann, West, Williams, Williamson Businesses, Pugh, Smith Businesses and Ingram was \$90,798,347 (as previously presented C\$114,181,452, adjusted for foreign currency change and measurement period adjustment of \$23,383,105) and for MDB \$2,518,247 (as previously presented C\$3,186,590, adjusted for foreign currency change and measurement period adjustment of \$668,343).

The purchase price allocation for Wichmann and West Businesses acquisitions was finalized in the fourth quarter of 2021, Williams Businesses in the first quarter of 2022, Mississippi Businesses and MDB in the second quarter of 2022, Williamson Businesses, Pugh and Smith Businesses in the third quarter of 2022 and Ingram in the fourth quarter of 2022.

For the above acquisitions, goodwill encompasses qualitative factors such as location heritage and workforce synergies.

Canadian acquisition transactions are initially recognized in USD at the rates of exchanges in effect on the transaction dates. Subsequently, the assets and liabilities are translated at the rate in effect at the consolidated statement of financial position date.

PARK LAWN CORPORATION
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8. LAND HELD FOR DEVELOPMENT

Land held for development represents land held for future cemetery, funeral, and other development opportunities.

	January 1, 2022	Acquired in business combinations	Additions	Transferred to inventory	Disposals	Foreign currency translation	December 31, 2022
Cost:							
Land held for development	26,247,318	933,012	126,383	(221,627)	-	(203,695)	26,881,392
Total	<u>\$ 26,247,318</u>						<u>\$ 26,881,392</u>

<i>Previously reported in CAD</i>	January 1, 2021	Acquired in business combinations	Additions	Transferred to inventory	Disposals	Foreign currency translation	December 31, 2021
Cost:							
Land held for development	26,624,737	5,248,951	1,949,832	(233,376)	-	(66,851)	33,523,293
Total	<u>\$ 26,624,737</u>						<u>\$ 33,523,293</u>

<i>Presentation currency change and measurement period adjustment - see Note 4 and Note 7</i>	January 1, 2021	Acquired in business combinations	Additions	Transferred to inventory	Disposals	Foreign currency translation	December 31, 2021
Cost:							
Land held for development	(5,713,068)	(1,296,959)	- 394,322	47,197	-	81,177	(7,275,975)
Total	<u>\$ (5,713,068)</u>						<u>\$ (7,275,975)</u>

<i>Reported in USD (Restated)</i>	January 1, 2021	Acquired in business combinations	Additions	Transferred to inventory	Disposals	Foreign currency translation	December 31, 2021
Cost:							
Land held for development	20,911,669	3,951,992	1,555,510	(186,179)	-	14,326	26,247,318
Total	<u>\$ 20,911,669</u>						<u>\$ 26,247,318</u>

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9. PROPERTY AND EQUIPMENT

	January 1, 2022	Acquired in business combinations	Additions	Transfers	Disposals	Foreign currency translation	December 31, 2022
Cost:							
Land	\$ 56,891,055	3,982,000	357,120	3,372,505	(271,560)	(208,845)	\$ 64,122,275
Buildings, cemetery and funeral property	149,959,754	31,281,836	13,344,944	1,192,282	(685,735)	(1,599,061)	193,494,020
Machinery, equipment and automotive	29,040,173	4,030,559	4,017,934	-	(710,801)	(266,288)	36,111,577
Cemetery improvements	14,598,994	-	692,120	(4,564,787)	(214,839)	(208,322)	10,303,166
Right-of-use asset	8,296,058	350,243	3,597,438		(3,455,613)	(327,270)	8,460,856
Total	258,786,034	39,644,638	22,009,556	-	(5,338,548)	(2,609,786)	312,491,894
Accumulated depreciation:							
Buildings, cemetery and funeral property	14,849,055	-	5,025,954	-	(469,096)	(215,728)	19,190,185
Machinery, equipment and automotive	11,328,757	-	4,376,967	-	43,647	(147,672)	15,601,699
Cemetery improvements	3,622,149	-	728,288	-	(41,802)	(67,257)	4,241,378
Right-of-use asset	3,614,563	-	1,742,403	-	(2,247,031)	(97,382)	3,012,553
Total	33,414,524	-	11,873,612	-	(2,714,282)	(528,039)	42,045,815
Net book value	\$ 225,371,510						\$ 270,446,079

	January 1, 2021	Acquired in business combinations	Additions	Disposals	Foreign currency translation	December 31, 2021
<i>Previously reported in CAD</i>						
Cost:						
Land	\$ 59,669,959	14,354,652	177,899	(1,835,374)	(109,515)	\$ 72,257,621
Buildings, cemetery and funeral property	147,177,921	34,587,910	16,137,807	(7,355,365)	(112,767)	190,435,507
Machinery, equipment and automotive	25,019,932	5,862,196	7,248,226	(1,636,284)	35,117	36,529,187
Cemetery improvements	17,208,805	-	1,342,355	(815)	(41,740)	18,508,605
Right-of-use asset	10,556,446	78,115	429,201	(1,055,083)	(19,581)	9,989,098
Total	259,633,063	54,882,873	25,335,488	(11,882,921)	(248,486)	327,720,018
Accumulated depreciation:						
Buildings, cemetery and funeral property	13,913,121	-	6,235,148	(1,356,163)	20,514	18,812,620
Machinery, equipment and automotive	10,912,426	-	4,212,558	(767,133)	4,748	14,362,599
Cemetery improvements	4,066,661	-	546,444	-	(7,934)	4,605,171
Right-of-use asset	3,539,718	-	2,029,920	(985,947)	(1,567)	4,582,124
Total	32,431,926	-	13,024,070	(3,109,243)	15,761	42,362,514
Net book value	\$ 227,201,137					\$ 285,357,504

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9. PROPERTY AND EQUIPMENT - continued

<i>Presentation currency change and measurement period adjustment - see Note 4 and Note 7</i>	January 1, 2021	Acquired in business combinations	Additions	Disposals	Foreign currency translation	December 31, 2021
Cost:						
Land	\$ (12,803,826)	(3,042,717)	(35,978)	357,498	158,457	\$ (15,366,566)
Buildings, cemetery and funeral property	(31,581,055)	(7,300,044)	(3,263,136)	1,446,890	221,592	(40,475,752)
Machinery, equipment and automotive	(5,368,717)	(967,265)	(1,466,818)	326,948	(13,162)	(7,489,014)
Cemetery improvements	(3,692,623)	-	(271,349)	165	54,196	(3,909,611)
Right-of-use asset	(2,265,176)	401,032	(86,860)	212,092	45,872	(1,693,040)
Total	(55,711,397)	(10,908,994)	(5,124,141)	2,343,593	466,955	(68,933,983)
Accumulated depreciation:						
Buildings, cemetery and funeral property	(2,934,469)	-	(1,303,362)	267,549	6,718	(3,963,564)
Machinery, equipment and automotive	(2,392,531)	-	(801,050)	152,654	7,085	(3,033,842)
Cemetery improvements	(872,613)	-	(120,773)	-	10,364	(983,022)
Right-of-use asset	(759,545)	-	(410,121)	198,420	3,685	(967,561)
Total	(6,959,158)	-	- 2,635,306	618,623	27,852	(8,947,989)
Net book value	<u>\$ (48,752,239)</u>					<u>\$ (59,985,994)</u>

<i>Reported in USD (Restated)</i>	January 1, 2021	Acquired in business combinations	Additions	Disposals	Foreign currency translation	December 31, 2021
Cost:						
Land	\$ 46,866,133	11,311,935	141,921	(1,477,876)	48,942	\$ 56,891,055
Buildings, cemetery and funeral property	115,596,866	27,287,866	12,874,671	(5,908,475)	108,825	149,959,754
Machinery, equipment and automotive	19,651,215	4,894,931	5,781,408	(1,309,336)	21,955	29,040,173
Cemetery improvements	13,516,182	-	1,071,006	(650)	12,456	14,598,994
Right-of-use asset	8,291,270	479,147	342,341	(842,991)	26,291	8,296,058
Total	203,921,666	43,973,879	20,211,347	(9,539,328)	218,469	258,786,034
Accumulated depreciation:						
Buildings, cemetery and funeral property	10,978,652	-	4,931,786	(1,088,614)	27,231	14,849,055
Machinery, equipment and automotive	8,519,895	-	3,411,508	(614,479)	11,833	11,328,757
Cemetery improvements	3,194,048	-	425,671	-	2,430	3,622,149
Right-of-use asset	2,780,173	-	1,619,799	(787,527)	2,118	3,614,563
Total	25,472,768	-	10,388,764	(2,490,620)	43,612	33,414,524
Net book value	<u>\$ 178,448,898</u>					<u>\$ 225,371,510</u>

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9. PROPERTY AND EQUIPMENT - continued

Property and equipment depreciation expense amounted to \$11,873,612 and \$10,388,764 (as previously presented, amounted to C\$13,024,070, presentation currency adjustment \$2,635,306) for the years ended December 31, 2022, and 2021, respectively. Depreciation expense is included in general and administrative expenses on the consolidated statements of earnings.

Included in additions at December 31, 2022, are \$5,493,530 of additions at Canadian cemeteries and funeral sites (at December 31, 2021 - \$8,332,442; as previously presented amounted to C\$10,444,716, presentation currency adjustment \$2,112,274) and \$16,516,026 of additions at U.S. cemeteries and funeral sites (at December 31, 2021 - \$11,878,905; as previously presented amounted to C\$14,890,772, presentation currency adjustment \$3,011,867).

The amount of interest capitalized to development costs on property was \$359,675 for the year ended December 31, 2022, and the capitalization rate used to determine the amount of borrowing costs eligible for capitalization was 2.3% for the year ended December 31, 2022.

During the year ended December 31, 2022, the Company disposed of land and miscellaneous equipment for a sale price of \$2,943,215 realizing a net gain of \$1,893,192.

During the year ended December 31, 2021, the Company disposed of miscellaneous equipment for a sale price of \$1,736,180 (as previously presented amounted to C\$2,069,697, presentation currency adjustment \$333,517) realizing a net gain of \$5,407 (as previously presented amounted to C\$6,778, presentation currency adjustment \$1,371).

The gains and losses described above on the sale of property and equipment are included in other income (expenses).

The disposal in 2021 of \$5,317,935 (as previously presented amounted to C\$6,598,789, presentation currency adjustment \$1,280,854) relates to the sale of Parkland Funeral Holdings Ltd. ("Parkland"), a non-strategic business located in Manitoba and Saskatchewan.

Management has not identified any indicators of impairment in the value of the property and equipment.

10. 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. Under provincial and state law these trusts are legally separate from the Company.

Pursuant to the requirements of provincial and state regulations, the Company is required to deposit a portion of the proceeds received in respect of the sale of cemetery lots, mausoleum crypts and niches into trust. Such amounts are netted against net sales 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 accumulated income associated with trust holdings. The corpus generally remains in perpetuity, and the income can be withdrawn from the trusts to defray the maintenance costs incurred by the cemetery based on state and provincial regulations. In the United States and Canada, many jurisdictions require capital gains and losses to be held in perpetuity in these trusts, however, certain jurisdictions allow net capital gains and losses to be included in the income that is paid to the Company. Additionally, some jurisdictions allow a total return distribution to the Company which may contain income, net capital appreciation, and principal.

Provincial and state regulations allow for periodic withdrawals of income from the care and maintenance trust funds and the Company generally requests that the trustee distribute allowable income monthly. The trustees of the care and maintenance trust funds provide a monthly statement that includes an accounting of interest, dividends, realized capital gains/losses, and unrealized capital gains/losses. The Company accrues income at the end of a reporting period when the income will not be distributed until the beginning of the next period to the extent it has expenses, as defined by applicable state and provincial regulations, in excess of the income generated by the trust.

Annually, in accordance with certain provincial and state regulations, the Company provides, to the respective governing bodies, a reconciliation of income withdrawn relative to allowable costs.

The Company defers any income from the care and maintenance trust funds to the extent it does not incur any allowable expenses.

Investment income recognized in operations amounted to \$9,333,384 and \$9,111,625 (as previously presented amounted to C\$11,421,541 presentation currency adjustment \$2,309,916) for the year ended December 31, 2022, and 2021, respectively.

For the year ended December 31, 2022, the Company contributed \$9,777,138 to the care and maintenance trust funds.

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10. CARE AND MAINTENANCE TRUST FUND INVESTMENTS - continued

Care and maintenance trust fund investments consist of the following:

	Fair Value and Amortized Cost				Cost			
	December 31, 2022	December 31, 2021		December 31, 2021	December 31, 2022	December 31, 2021		December 31, 2021
	<i>Previously reported in CAD</i>	<i>Presentation currency change</i>		<i>Reported in USD (Restated)</i>	<i>Previously reported in CAD</i>	<i>Presentation currency change</i>		<i>Reported in USD (Restated)</i>
Cash and cash equivalents	\$ 7,865,262	\$ 12,577,136	\$ (2,656,694)	\$ 9,920,442	\$ 7,865,262	\$ 12,574,799	\$ (2,656,201)	\$ 9,918,598
Fixed Income								
<i>Canadian</i>								
Corporate	4,236,363	5,975,628	(1,262,244)	4,713,384	4,805,071	6,587,252	(1,391,439)	5,195,813
Government	143,646	222,206	(46,937)	175,269	128,955	174,665	(36,895)	137,770
<i>US</i>								
Corporate	718,745	4,876,271	(1,030,025)	3,846,246	829,476	4,908,630	(1,036,860)	3,871,770
Government	929,496	-	-	-	1,061,705	-	-	-
Equities								
<i>Canadian</i>	49,517,250	65,508,058	(13,837,402)	51,670,656	42,925,182	50,878,861	(10,747,246)	40,131,615
<i>US</i>	62,946	21,159,132	(4,469,487)	16,689,645	18,731	17,194,791	(3,632,091)	13,562,700
<i>Canadian Preferred</i>	2,575,322	4,276,475	(903,329)	3,373,146	2,553,175	3,458,182	(730,479)	2,727,703
<i>US Preferred</i>	82,424	4,135,349	(873,518)	3,261,831	102,624	4,181,781	(883,326)	3,298,455
Mutual Funds/ETFs								
Equity	36,323,989	43,852,298	(9,263,011)	34,589,287	38,574,050	41,594,416	(8,786,074)	32,808,342
Fixed Income	51,938,733	65,067,701	(13,744,384)	51,323,317	60,932,657	65,515,549	(13,838,984)	51,676,565
Preferred	23,392,118	33,440,401	(7,063,685)	26,376,716	30,764,692	33,927,627	(7,166,602)	26,761,025
Alternative	31,673,308	30,457,429	(6,433,585)	24,023,844	31,015,692	26,601,065	(5,618,998)	20,982,067
	<u>\$ 209,459,602</u>	<u>\$ 291,548,084</u>	<u>\$ (61,584,301)</u>	<u>\$ 229,963,783</u>	<u>\$ 221,577,272</u>	<u>\$ 267,597,618</u>	<u>\$ (56,525,195)</u>	<u>\$ 211,072,423</u>

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11. 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, for pre-arranged services.

The trustees of the pre-need and service trust funds provide a monthly statement that includes an accounting of interest, dividends, realized capital gains/losses, and unrealized capital gains/losses. The interest, dividends, and realized capital gains/losses are then allocated, on a pro-rata basis, over the principal amount held in trust for each contract and for each line item of the contract that is not yet delivered. When the contract becomes at-need and the performance obligations are met, the principal and accumulated earnings relating to the delivered items on the contract are withdrawn from the trust fund and recognized as income in accordance with relevant revenue recognition standards.

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

	Fair Value and Amortized Cost				Contribution of Cost			
	December 31, 2022	December 31, 2021		December 31, 2021	December 31, 2022	December 31, 2021		December 31, 2021
		<i>Previously reported in C.A.D.</i>	<i>Presentation currency change</i>	<i>Reported in USD (Restated)</i>		<i>Previously reported in C.A.D.</i>	<i>Presentation currency change</i>	<i>Reported in USD (Restated)</i>
Cash and cash equivalents	\$ 34,221,250	\$ 23,560,123	\$ (4,976,653)	\$ 18,583,470	\$ 34,239,751	\$ 23,559,302	\$ (4,976,480)	\$ 18,582,822
GIC's	24,540,120	33,183,504	(7,009,420)	26,174,084	24,540,120	33,183,504	(7,009,420)	26,174,084
Fixed Income								
<i>Canadian</i>								
Corporate	-	25,706	(5,430)	20,276	-	24,879	(5,255)	19,624
Government	-	23,143	(4,889)	18,254	-	23,352	(4,933)	18,419
<i>US</i>								
Corporate	5,767,732	11,269,798	(2,380,543)	8,889,255	5,894,672	11,190,826	(2,363,861)	8,826,965
Government	1,268,055	-	-	-	1,477,244	-	-	-
Equities								
<i>Canadian</i>	194,708	235,828	(49,814)	186,014	142,512	166,787	(35,231)	131,556
<i>US</i>	1,707,553	16,075,831	(3,395,731)	12,680,100	1,529,347	12,663,047	(2,674,841)	9,988,206
<i>Canadian Preferred</i>	5,177	-	-	-	6,295	-	-	-
<i>US Preferred</i>	308,328	2,929,821	(618,872)	2,310,949	392,128	2,883,150	(609,014)	2,274,136
Mutual Funds/ETFs								
Equity	80,465,512	129,784,467	(27,414,639)	102,369,828	101,710,959	132,947,429	(28,082,759)	104,864,670
Fixed Income	38,596,985	72,993,006	(15,418,463)	57,574,543	44,288,872	71,982,441	(15,204,999)	56,777,442
Preferred	-	-	-	-	-	-	-	-
Alternative	52,217,405	39,201,975	(8,280,714)	30,921,261	47,639,746	35,310,644	(7,458,740)	27,851,904
	<u>\$ 239,292,825</u>	<u>\$ 329,283,202</u>	<u>\$ (69,555,168)</u>	<u>\$ 259,728,034</u>	<u>\$ 261,861,646</u>	<u>\$ 323,935,361</u>	<u>\$ (68,425,533)</u>	<u>\$ 255,509,828</u>

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12. PREARRANGED FUNERAL INSURANCE CONTRACTS

In addition to trust funded pre-arranged funeral service contracts, the Company also has pre-arranged funeral service contracts which are funded by insurance. As of December 31, 2022, the current face amount of pre-funded policies was \$532,083,602 (as at December 31, 2021 – \$437,843,714; as previously presented amounted to C\$555,098,260 presentation currency adjustment \$117,254,546). Families who have pre-arranged with the Company will receive a refund to the extent that the face amount of the policy exceeds the current retail value of the merchandise and services to be provided. The insurance funded contracts are not included in the consolidated financial statements as the Company is not the beneficiary of the policy. Amounts funded through insurance are available to the Company when the funeral services are performed.

13. GOODWILL AND INTANGIBLES

The changes in the carrying amount of goodwill and intangible assets as at December 31, 2022, were:

	January 1, 2022	Acquired in business combinations	Additions	Disposals	Foreign currency translation	December 31, 2022
Cost:						
Goodwill	\$ 373,510,820	44,564,507	-	-	(921,801)	417,153,526
Non-compete agreements	12,907,091	2,954,192	73,360	(503,000)	(41,498)	15,390,145
Brand	25,140,500	7,445,866	-	-	-	32,586,366
Computer software	2,006,281	-	792,378	-	-	2,798,659
Total	413,564,692	54,964,564	865,738	(503,000)	(963,299)	467,928,695
Accumulated amortization:						
Non-compete agreements	5,556,101	-	1,051,066	(503,000)	(13,804)	6,090,363
Computer software	-	-	133,575	-	-	133,575
Total	5,556,101	-	1,184,641	(503,000)	(13,804)	6,223,938
Net book value	\$ 408,008,591					\$ 461,704,757

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13. GOODWILL AND INTANGIBLES - continued

The changes in the carrying amount of goodwill and intangible assets as at December 31, 2021, were:

<i>Previously reported in CAD</i>	January 1, 2021	Acquired in business combinations	Additions	Disposals	Foreign currency translation	December 31, 2021
Cost:						
Goodwill	\$ 395,344,495	79,741,383	-	(2,295,458)	(1,028,461)	471,761,959
Non-compete agreements	12,597,984	5,121,927	-	-	(33,925)	17,685,986
Brand	20,974,607	12,867,615	-	-	28,021	33,870,243
Computer software	1,663,925	-	876,694	-	2,944	2,543,563
Total	430,581,011	97,730,925	876,694	(2,295,458)	(1,031,421)	525,861,751
Accumulated amortization:						
Non-compete agreements	5,570,999	-	1,753,930	-	(3,619)	7,321,310
Computer software	-	-	-	-	-	-
Total	5,570,999	-	1,753,930	-	(3,619)	7,321,310
Net book value	<u>\$ 425,010,012</u>					<u>\$ 518,540,441</u>

<i>Presentation currency change and measurement period adjustment - see Note 4 and Note 7</i>	January 1, 2021	Acquired in business combinations	Additions	Disposals	Foreign currency translation	December 31, 2021
Cost:						
Goodwill	\$ (84,832,011)	(14,964,739)	-	447,114	1,098,497	(98,251,139)
Non-compete agreements	(2,608,910)	(2,205,499)	-	-	35,514	(4,778,895)
Brand	(4,813,607)	(3,888,115)	-	-	(28,021)	(8,729,743)
Computer software	(357,041)	-	(177,297)	-	(2,944)	(537,282)
Total	(92,611,569)	(21,058,353)	(177,297)	447,114	1,103,046	(112,297,059)
Accumulated amortization:						
Non-compete agreements	(1,414,008)	-	(354,769)	-	3,568	(1,765,209)
Computer software	-	-	-	-	-	-
Total	(1,414,008)	-	(354,769)	-	3,568	(1,765,209)
Net book value	<u>\$ (91,197,561)</u>					<u>\$ (110,531,850)</u>

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13. GOODWILL AND INTANGIBLES – continued

<i>Reported in USD (Restated)</i>	<u>January 1, 2021</u>	<u>Acquired in business combinations</u>	<u>Additions</u>	<u>Disposals</u>	<u>Foreign currency translation</u>	<u>December 31, 2021</u>
Cost:						
Goodwill	\$ 310,512,484	64,776,644	-	(1,848,344)	70,036	373,510,820
Non-compete agreements	9,989,074	2,916,428	-	-	1,589	12,907,091
Brand	16,161,000	8,979,500	-	-	-	25,140,500
Computer software	<u>1,306,884</u>	<u>-</u>	<u>699,397</u>	<u>-</u>	<u>-</u>	<u>2,006,281</u>
Total	<u>337,969,442</u>	<u>76,672,572</u>	<u>699,397</u>	<u>(1,848,344)</u>	<u>71,625</u>	<u>413,564,692</u>
Accumulated amortization:						
Non-compete agreements	4,156,991	-	1,399,161	-	(51)	5,556,101
Computer software	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>4,156,991</u>	<u>-</u>	<u>1,399,161</u>	<u>-</u>	<u>(51)</u>	<u>5,556,101</u>
Net book value	<u>\$ 333,812,451</u>					<u>\$ 408,008,591</u>

The disposal of \$1,848,344 (as previously presented amounted to C\$2,295,458, presentation currency adjustment \$447,114) relates to the sale of Parkland, a non-strategic business (see Note 27).

At December 31, 2022, the Company had approximately \$222,000,000 (at December 31, 2021 – approximately \$199,000,000; as previously presented amounted to C\$252,000,000, presentation currency adjustment \$53,000,000) of goodwill that is being amortized for tax purposes over 15 years.

The carrying amount of goodwill and brand attributed to each CGU was as follows:

	<u>December 31, 2022 Goodwill</u>	<u>December 31, 2022 Brand</u>
Canada	19,373,053	-
Northeast	31,564,911	-
Midwest	65,356,609	3,143,000
Central	71,103,230	5,432,866
South	119,828,548	11,035,000
West	<u>99,816,255</u>	<u>12,963,000</u>
Total	<u>\$ 407,042,606</u>	<u>\$ 32,573,866</u>

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14. PREPAID EXPENSES AND OTHER ASSETS

	December 31, 2022	December 31, 2021 <i>Previously reported in CAD</i>	<i>Presentation currency change - see Note 4</i>	December 31, 2021 <i>Reported in USD (Restated)</i>
Total current prepaid expenses and other assets	<u>\$ 3,654,259</u>	<u>\$ 5,648,059</u>	<u>\$ (1,193,051)</u>	<u>\$ 4,455,008</u>
	December 31, 2022	<i>Previously reported in CAD</i>	<i>Presentation currency change and measurement period adjustment - see Note 4 and Note 7</i>	December 31, 2021 <i>Reported in USD (Restated)</i>
Secured convertible debt investment	\$ 4,634,678	\$ 6,200,000	\$ (1,309,639)	\$ 4,890,361
Prepaid expenses and other assets	416,247	861,189	181,268	1,042,457
Total non-current prepaid expenses and other assets	<u>\$ 5,050,925</u>	<u>\$ 7,061,189</u>	<u>\$ (1,128,371)</u>	<u>\$ 5,932,818</u>

Non-current prepaid expenses and other assets

Included in non-current prepaid expenses and other assets is a secured debt investment in Humphrey Funeral Home A. W. Miles – Newbigging Chapel Limited (“Humphrey”) which is measured at fair value. The debenture bears interest at 5% and is convertible into equity of Humphrey on maturity, on November 9, 2023, at the option of the Company. The debenture is due on demand after a period of five years. The fair value of the secured debt investment approximates the book value.

The Company recognized an impairment on other assets of \$153,972 and \$480,818 (as previously presented amounted to C\$602,705, presentation currency adjustment \$121,887) for the year ended December 31, 2022, and 2021, respectively. The impairment was included in other income (expenses).

15. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2022	December 31, 2021 <i>Previously reported in CAD</i>	<i>Presentation currency change - see Note 4</i>	December 31, 2021 <i>Reported in USD (Restated)</i>
Trade payables and accrued liabilities	\$ 45,855,430	\$ 48,067,653	\$ (10,153,430)	\$ 37,914,223
Income taxes (receivable) payable	882,011	(22,617)	4,777	(17,840)
	<u>\$ 46,737,441</u>	<u>\$ 48,045,036</u>	<u>\$ (10,148,653)</u>	<u>\$ 37,896,383</u>

The average credit period on trade payables was 30 to 60 days in 2022 and 2021.

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16. LONG-TERM DEBT

	December 31, 2022	December 31, 2021		December 31, 2021
		<i>Previously reported in CAD</i>	<i>Presentation currency change - see Note 4</i>	<i>Reported in USD (Restated)</i>
Revolving loan facility	\$ 151,377,460	\$ 109,055,880	\$ (23,036,098)	\$ 86,019,782
Other debt	91,540	335,844	(70,941)	264,903
Deferred financing costs	(1,302,733)	(1,877,161)	396,517	(1,480,644)
Total	150,166,267	107,514,563	(22,710,522)	84,804,041
Current portion	43,622	213,178	(45,030)	168,148
Non-current portion	\$ 150,122,645	\$ 107,301,385	\$ (22,665,492)	\$ 84,635,893

Credit Facility

On August 31, 2021, the Company entered into a third amended and restated credit agreement with a syndicate of lenders led by National Bank of Canada, to increase its overall borrowing capacity by C\$50 million to C\$300 million on a cost neutral basis with a maturity date of August 31, 2026 (as amended, amended and restated, renewed, extended, supplemented, replaced or otherwise modified from time to time, the “Credit Facility”). Based on the borrowing currency, the Credit Facility bears variable interest at the banker’s acceptance rate (borrowing currency CAD) or secured overnight financing rate (borrowing currency USD) plus an applicable margin based on a leverage ratio calculation. As part of the amendment, the Company has the ability, through a U.S. subsidiary, to borrow funds in USD.

On July 12, 2022, the Company entered into an amendment to the Credit Facility, transitioning its borrowing capacity from C\$300 million to US\$240 million and extending the maturity date to August 31, 2027.

In January 2023, commencing February 21, 2023, in order to provide the Company additional financial flexibility, the Company added a \$60 million tranche to its existing credit facility for a term of one-year. All amounts borrowed may be repaid at any time and re-borrowed, subject to certain terms and conditions. PLC’s obligations are guaranteed by each of the Company’s wholly owned material subsidiaries. The Credit Facility also includes certain financial and non-financial covenants that PLC must comply with.

Effective February 27, 2023, the Company, through one of its subsidiaries, entered into an interest rate swap transaction with one of the Company’s syndicate lenders of the Credit Facility whereby, the parties have agreed to exchange at specified intervals, fixed and variable interest amounts calculated by reference to a notional amount of \$50 million. The term of the interest rate swap is three years with a variable to fixed interest rate swap arrangement at 4.372%.

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16. LONG-TERM DEBT – continued

Credit Facility - continued

As at December 31, 2022, there was \$151,377,460 outstanding under the Credit Facility (as at December 31, 2021 - \$86,019,782; as previously presented amounted to C\$109,055,880, presentation currency adjustment \$23,036,098). Deferred financing costs have been capitalized and are being amortized over the term of the Credit Facility. For the year ended December 31, 2022, and 2021, the amortization of deferred financing costs was \$453,787 and \$641,764 (as previously presented amounted to C\$804,451, presentation currency adjustment \$162,687), respectively. As at December 31, 2022, standby letters of credit issued utilizing \$564,078 of the credit line (as at December 31, 2021 - \$602,637; as previously presented amounted to C\$764,023, presentation currency adjustment \$161,386).

Other debt

Other debt relates to equipment and is secured by the vehicles. This debt has interest rates ranging from 3% to 9% and remaining terms of 1 to 5 years.

Debt covenants

The Company was in compliance with all its debt covenants pursuant to the Credit Facility and the Debentures.

Summary of principal repayments by year

	2023	2024	2025	2026	2027	Thereafter	Total
Revolving loan facility	\$ -	\$ -	\$ -	\$ 4,577,460		\$ 146,800,000	\$ 151,377,460
Other debt	43,623	29,332	13,245	5,340	-	-	91,540
	43,623	29,332	13,245	4,582,800	-	146,800,000	151,469,000
Deferred financing costs	-	-	-	(633,673)		(669,060)	(1,302,733)
Total	\$ 43,623	\$ 29,332	\$ 13,245	\$ 3,949,127	\$ -	\$ 146,130,940	\$ 150,166,267

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17. NOTES PAYABLE

	December 31, 2022	December 31, 2021 <i>Previously reported in CAD</i>	<i>Presentation currency change - see Note 4</i>	December 31, 2021 <i>Reported in USD (Restated)</i>
Notes payable	\$ 25,035,340	\$ 16,357,317	\$ (3,455,190)	\$ 12,902,127
Current portion	14,213,582	4,373,507	(923,825)	3,449,682
Non-current portion	\$ 10,821,758	\$ 11,983,810	\$ (2,531,365)	\$ 9,452,445

Notes payable

- i) The Company has an outstanding note payable of \$1,071,075 (as at December 31, 2021 - \$1,071,075; as previously presented amounted to C\$1,357,909, presentation currency adjustment \$286,834) to the former owner of real estate acquired by a cemetery. The note calls for yearly payments of \$50,000 at 0% interest until the note matures in 2113. Payments of principal are allowed to be deferred until the cemetery achieves positive cash flow. The note was discounted upon recognition to reflect an imputed interest rate of 5%. The note is nonrecourse and is subject to a development agreement that can be terminated by either party after May 9, 2023. The loan can be prepaid at any time without penalty.
- ii) The Company has outstanding notes payable of \$23,964,265 (as at December 31, 2021 - \$11,831,052; as previously presented amounted to C\$14,999,408, presentation currency adjustment \$3,168,356) to former owners of previously acquired businesses, primarily for the deferred consideration (see Note 7). Included in the notes payable is deferred consideration of \$11,499,341 which was paid in January 2023 for the Jacoby acquisition. These notes payable have imputed interest rates ranging from 2% to 6% and remaining terms of up to 10 years.

Summary of principal repayments by year

	2023	2024	2025	2026	2027	Thereafter	Total
Notes payable	\$ 14,212,404	\$ 1,822,919	\$ 1,623,515	\$ 1,402,079	\$ 1,313,711	\$ 4,660,713	\$ 25,035,340

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18. LEASE LIABILITIES

Lease liabilities relate to office space, machinery, and equipment.

	December 31, 2022
Future minimum lease payments	
Due in less than one year	\$ 1,763,512
Due between one and two years	1,186,609
Due between two and three years	858,187
Due between three and four years	899,430
Due between four and five years	460,358
Due thereafter	1,684,587
Total	6,852,683
Interest	(1,089,403)
Present value of minimum lease payments	5,763,280
Current portion	1,501,111
Non-current portion	\$ 4,262,169

Lease liabilities interest expense charged to operations amounted to \$326,322 and \$260,013 (as previously presented amounted to C\$325,926, presentation currency adjustment \$65,913) for the year ended December 31, 2022, and 2021, respectively.

	December 31, 2021		December 31, 2021
	<i>Previously reported in CAD</i>	<i>Presentation currency change and measurement period adjustment - see Note 4 and Note 7</i>	<i>Reported in USD (Restated)</i>
Future minimum lease payments			
Due in less than one year	\$ 1,537,878	\$ (324,849)	\$ 1,213,029
Due between one and two years	1,242,029	(262,356)	979,673
Due between two and three years	968,060	(204,486)	763,574
Due thereafter	2,989,002	(214,395)	2,774,607
Total	6,736,969	(1,006,086)	5,730,883
Interest	(987,508)	208,593	(778,915)
Present value of minimum lease payments	5,749,461	(797,493)	4,951,968
Current portion	1,371,341	(289,672)	1,081,669
Non-current portion	\$ 4,378,120	\$ (507,821)	\$ 3,870,299

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19. SENIOR UNSECURED DEBENTURES

On July 14, 2020, the Company completed a bought deal offering of Senior Unsecured Debentures (“Debentures”) due December 31, 2025. A total of C\$75,000,000 aggregate principal amount of Debentures were issued at a price of C\$1,000 per Debenture. PLC also granted the underwriters an option to purchase up to an additional C\$11,250,000 aggregate principal amount of Debentures, on the same terms and conditions. This option was exercised in full following the closing of the offering for total gross proceeds of C\$86,250,000. The issuance included transaction costs of C\$4,615,199. The net proceeds from the offering were used to pay down the Credit Facility to free up capacity to fund potential future acquisition opportunities and for general corporate purposes.

The Debentures bear interest at a rate of 5.75% per annum, payable semi-annually in arrears on June 30 and December 31 of each year commencing on December 31, 2020, and will mature on December 31, 2025.

The Debentures are measured at amortized cost using the effective interest method over the life of the Debenture.

The balance of the Debentures as at December 31, 2022, consists of the following:

	December 31, 2022 <i>(Restated - see Note 4)</i>
Balance at December 31, 2021 <i>(Restated - see Note 4)</i>	\$ 65,237,067
Accretion expense in 2022	611,953
Foreign currency translation	<u>(4,198,435)</u>
Balance at December 31, 2022	<u>\$ 61,650,585</u>

	December 31, 2021 <i>Previously reported in C.A.D</i>	<i>Presentation currency change - see Note 4</i>	December 31, 2021 <i>Reported in USD (Restated)</i>
Balance at December 31, 2020	81,964,547	(17,587,743)	64,376,804
Accretion expense in 2021	743,006	(150,261)	592,745
Foreign currency translation	-	267,518	267,518
Balance at December 31, 2021 <i>(Restated - see Note 4)</i>	<u>\$ 82,707,553</u>	<u>\$ (17,470,486)</u>	<u>\$ 65,237,067</u>

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19. SENIOR UNSECURED DEBENTURES - continued

The Debentures may not be redeemed by the Company prior to December 31, 2023 (the “First Call Date”). On or after the First Call Date and prior to December 31, 2024, the Debentures may be redeemed by the Company, in whole or in part from time to time, on not more than 60 days and not less than 30 days prior notice at a redemption price equal to 102.875% of the principal amount of the Debentures redeemed plus accrued and unpaid interest, if any, up to but excluding the date set for redemption.

On or after December 31, 2024, and prior to December 31, 2025, the Debentures may be redeemed by the Company, in whole or in part from time to time, on not more than 60 days and not less than 30 days prior notice at a redemption price equal to the principal amount of the Debentures redeemed plus accrued and unpaid interest, if any, up to but excluding the date set for redemption.

Interest expense on the Debentures amounted to \$3,813,263 and \$3,956,398 (as previously presented amounted to C\$4,959,345, presentation currency adjustment \$1,002,947) for the year ended December 31, 2022, and 2021, respectively. Accretion expense amounted to \$611,953 and \$592,745 (as previously presented amounted to C\$743,006, presentation currency adjustment \$150,261) for the year ended December 31, 2022, and 2021, respectively. The transactions costs are amortized over the life of the Debentures, as of December 31, 2022, the total unamortized portion of the transaction costs was \$1,934,086.

The Company has the right, at its sole discretion, to redeem or repay outstanding principal amounts thereunder at redemption or maturity of the Debentures by issuing Common Shares rather than the payment of cash. The Common Shares will be valued at the 20-day volume weighted average price (“VWAP”), less a 5% discount. If such option is exercised by the Company, holders of Debentures will become holders of equity securities of PLC and will, consequently, be subject to the general risks and uncertainties affecting equity shareholders, including the ability to claim an entitlement only in its capacity as a shareholder.

20. DEFERRED REVENUE

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

	December 31, 2022	December 31, 2021		December 31, 2021
		<i>Previously reported in C\$AD</i>	<i>Presentation currency change and measurement period adjustment - see Note 4 and Note 7</i>	<i>Reported in USD (Restated)</i>
Cemetery and funeral merchandise, lots, crypts, and niches	\$ 99,232,160	\$ 112,538,669	\$ (24,160,043)	\$ 88,378,626
Cemetery and funeral services	70,106,277	87,084,524	(18,181,515)	68,903,009
Total	<u>\$ 169,338,437</u>	<u>\$ 199,623,193</u>	<u>\$ (42,341,558)</u>	<u>\$ 157,281,635</u>

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21. DIVIDENDS

The Company declared and paid cash dividends on a quarterly basis to shareholders. The total amount of dividends declared by the Company for the year ended December 31, 2022, and 2021 were C\$15,528,545 (US\$11,939,900) or C\$0.456 per share and as previously stated amounted to C\$14,180,041, presentation currency adjustment \$2,867,683 (US\$11,312,358) or C\$0.456 per share, respectively. On December 20, 2021, the Company announced that it moved from a monthly to a quarterly dividend payment schedule, with dividends to be declared on each of the Common Shares of the Company to shareholders of record on the last business day of each quarter, subject to approval of the Board of Directors. The dividend rate will remain the same at C\$0.114 per Common Share per quarter.

22. SHARE CAPITAL

Authorized

Common shares

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

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22. SHARE CAPITAL - continued

Shares issued and outstanding

	Number of Common Shares	Amount
Balance December 31, 2021 <i>(Restated - see Note 4)</i>	33,930,209	509,011,563
Shares issued pursuant to:		
Dividend reinvestment plan (i)	105,387	2,348,834
Equity incentive plan (Note 23)	104,542	2,265,703
Acquisition of non-controlling interest (iii)	-	(270,556)
Shares purchased under normal course issuer bid and held in trust for future settlement of share based incentive compensation	(200,985)	(3,018,098)
Balance December 31, 2022	33,939,153	510,337,446

	Number of Common Shares	Amount		
		<i>Previously reported in CAD</i>	<i>Presentation currency change - see Note 4</i>	<i>Reported in USD (Restated)</i>
Balance January 1, 2021 <i>(Restated - see note 4)</i>	29,564,526	\$ 505,560,310	\$ (117,112,642)	\$ 388,447,668
Shares issued pursuant to:				
Dividend reinvestment plan (i)	91,600	3,061,304	(619,099)	2,442,205
Equity incentive plan (Note 23)	193,083	4,599,664	(930,207)	3,669,457
Prospectus financing, net of costs (ii)	4,081,000	143,271,305	(28,819,072)	114,452,233
Balance December 31, 2021 <i>(Restated - see Note 4)</i>	33,930,209	656,492,583	(147,481,020)	509,011,563

(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, 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 VWAP of the Common Shares over the five business days immediately preceding such dividend payment date less a discount, if any, of up to 5%, at the Company’s election. The Company has determined to set the initial discount for purchases under the DRIP at 3%. The Company may, subject to the terms of the DRIP, alter or eliminate any discount at any time. For the year ended December 31, 2022, 105,387 Common Shares were issued under the DRIP (for the year ended December 31, 2021 – 91,600).

(ii) Prospectus financings

On September 3, 2021, the Company completed a bought deal financing, issuing an aggregate of 4,081,000 Common Shares at a price of C\$36.40 per Common Share for total of gross proceeds of C\$148,548,400, including the exercise in full of the over-allotment option (the “2021 Financing”). The 2021 Financing included transaction costs of C\$5,277,095. The Company recognized a deferred tax asset of C\$1,902,626 from the transaction costs.

22. SHARE CAPITAL - continued

(iii) Acquisition of non-controlling interest

On January 25, 2022, the Company purchased an additional 20% of the issued and outstanding equity of one of its subsidiaries for a total consideration of \$270,556. This transaction was accounted for as an equity transaction in accordance with IFRS 10 and attributed to the Company's equity holders.

Shares purchased under normal course issuer bid ("NCIB") and held in trust for future settlement of share-based incentive compensation

On August 11, 2022, the Company received approval from the TSX to implement an NCIB. Under the NCIB, the Company may, during the twelve-month period commencing August 17, 2022, and ending August 16, 2023, purchase up to a maximum of 3,385,439 Common Shares, representing 10% of its public float of issued and outstanding Common Shares as at August 8, 2022. All Common Shares purchased by the Company under the NCIB will be cancelled or transferred to and held by a trust established by PLC (the "Trust") for the settlement of awards issued under the EIP. Purchases made by the Company will be made on the open market through the facilities of the TSX and or alternative Canadian trading systems, in accordance with applicable TSX and other applicable trading system rules. The actual number of Common Shares purchased under the NCIB and the timing of any such purchases will be at PLC's discretion. Daily purchases will be limited to 17,507 Common Shares, other than block purchase exceptions.

Additionally, PLC entered into an automatic securities purchase plan ("ASPP") with its designated broker in connection with the NCIB to facilitate the purchase of Common Shares during times when PLC would ordinarily not be permitted to purchase Common Shares due to regulatory restrictions or self-imposed black-out periods. Before entering a black-out period, PLC may, but is not required to, instruct the broker to make purchases under the NCIB based on parameters set by PLC in accordance with the ASPP, TSX rules and applicable securities laws. Since its inception, PLC has not directed its broker to make any automatic purchases of Common Shares under the ASPP.

PLC established the Trust to hold Common Shares purchased under the NCIB for the purpose of settling awards (other than Options granted to Canadian Taxpayers) under the EIP. In conjunction with the EIP, the Company may make contributions to the Trust, which contributions will be used by the Trust to acquire Common Shares for the benefit of the participants under EIP.

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22. SHARE CAPITAL - continued

Shares purchased under normal course issuer bid ("NCIB") and held in trust for future settlement of share-based incentive compensation – continued

The Trust is considered SE and is consolidated in the Company's financial statements with the cost of the acquired shares recorded at book value as a reduction to share capital. Any premium on the acquisition of the Common Shares above book value is applied to retained earnings until the Common Shares are issued to settle RSU and PSU awards.

	2022
Common shares repurchased under the NCIB and held in trust (number of shares)	200,985
Cash consideration paid	\$ 3,752,891

During the year ended December 31, 2022, the Company purchased 200,985 Common Shares for a consideration of \$3,752,891 (C\$5,061,488).

	2022
Common shares repurchased under the NCIB and held in trust (number of shares)	200,985
Cash consideration paid	\$ 3,752,891
Premium charged to retained earnings	734,793
Reduction in common share capital	3,018,098

Basic and diluted net earnings per share

	2022
Net earnings for the year	\$ 25,124,765
Basic weighted average number of common shares, net of shares held in trust	34,173,743
Dilutive effect of equity incentive plan (Note 26)	490,271
Diluted weighed average number of common shares, net of shares held in trust	34,664,014
Net earnings per share - basic	\$ 0.735
Net earnings per share - diluted	\$ 0.725

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23. 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 manages the dividend policy and approves the Company's strategic plan 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.

24. COST OF SALES

	2022		
Cost of sales - merchandise	\$ 38,822,791		
Cost of sales - cemetery lots, crypts and niches (cost of property)	7,591,380		
Cost of sales - services	5,400,329		
Cost of sales - labour	2,842,139		
Total cost of sales	<u>\$ 54,656,639</u>		
	2021		2021
	<i>Previously reported in</i>	<i>Presentation currency</i>	<i>Reported in USD</i>
	<i>CAD</i>	<i>change - see Note 4</i>	<i>(Restated)</i>
Cost of sales - merchandise	\$ 41,605,158	\$ (8,418,842)	\$ 33,186,316
Cost of sales - cemetery lots, crypts and niches (cost of property)	9,023,848	(1,825,706)	7,198,142
Cost of sales - services and labour	9,777,414	(1,977,290)	7,800,124
Total cost of sales	<u>\$ 60,406,420</u>	<u>\$ (12,221,838)</u>	<u>\$ 48,184,582</u>

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25. FINANCE COSTS

	2022	2021		2021
		<i>Previously reported in</i>	<i>Presentation currency</i>	<i>Reported in USD</i>
		<i>CAD</i>	<i>change - see Note 4</i>	<i>(Restated)</i>
Finance costs:				
Interest on revolving loan facility (Note 15)	\$ 3,054,865	\$ 2,546,656	\$ (515,020)	\$ 2,031,636
Interest on Senior Unsecured Debentures (Note 18)	3,813,263	4,959,345	(1,002,947)	3,956,398
Interest on mortgages, other debt and notes payable (Note 15 and 16)	452,839	652,202	(131,952)	520,250
Interest on lease liabilities (Note 17)	326,322	325,926	(65,913)	260,013
Amortization of deferred financing costs (Note 15)	453,787	804,451	(162,687)	641,764
Accretion expense on senior unsecured debentures (Note 18)	611,953	743,006	(150,261)	592,745
Interest capitalized to construction	(359,675)	(401,769)	81,251	(320,518)
Unrealized foreign exchange on finance costs	(23,615)	(49,120)	9,934	(39,186)
Total	<u>\$ 8,329,739</u>	<u>\$ 9,580,697</u>	<u>\$ (1,937,595.00)</u>	<u>\$ 7,643,102</u>

Interest capitalized to construction relates to long-term inventory and property, plant and equipment construction projects.

26. EQUITY INCENTIVE PLAN

On June 22, 2020, the shareholders of the Company approved a second amended and restated omnibus equity incentive plan (as amended, amended and restated, renewed, extended, supplemented, replaced or otherwise modified from time to time, the “EIP”). The EIP provides for the grant of deferred share units (“DSUs”), restricted share units (“RSUs”), performance share units (“PSUs”), and options to acquire Common Shares (“Options”).

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 as long-term investments and proprietary interests in the Company.

On June 1, 2022, the shareholders of the Company approved an increase to the aggregate maximum number of Common Shares that may be issued upon settlement of awards granted under the EIP by 700,000. The maximum number of Common Shares that may be issued upon the settlement of awards granted under the EIP may not exceed 3,100,000 Common Shares of the Company.

Unless otherwise set forth in the particular award agreement, awards of all DSUs, RSUs and PSUs include a right for such awards to be credited with dividend equivalents in the form of additional DSUs, RSUs and PSUs, as applicable. Dividend equivalents vest in proportion to and settle in the same manner as, the awards to which they relate.

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26. EQUITY INCENTIVE PLAN - continued

Deferred share units

With the exception of the Chair of the Board, all non-executive directors of the Company are required to receive at least 50% of their annual Board retainers in equity, although they may elect to receive a greater percentage pursuant to the terms of the EIP. Non-executive directors will receive such equity in the form of DSUs. Provided, however, in lieu of DSUs, a non-executive director may elect to receive the equity portion of their retainer in cash which then must be used to purchase an equivalent amount of equity on the open market. As it pertains to the Chair of the Board, the Chair is required to receive at least 35% of the Chair's annual board retainer in the form of equity, although the Chair may elect to receive a greater percentage pursuant to the terms of the EIP. The Chair will receive such equity in the form of DSUs. Provided, however, in lieu of DSUs, the Chair may elect to receive the equity portion of his retainer in cash which then must be used to purchase an equivalent amount of equity on the open market.

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 VWAP (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. Currently, the Board settles DSUs with the issuance of Common Shares. Subject to the terms of an award agreement, DSUs will vest immediately at the date of grant. DSUs will be granted to non-executive directors of the Company every three months for services rendered. The DSU costs are expensed to share based incentive compensation as granted. The fair value of the DSU is determined based on the fair value of the Common Shares on the date of issuance.

Pursuant to the EIP, the following DSUs were granted by the Company and are outstanding. Each dividend equivalent represents one Common Share.

	December 31, 2022	December 31, 2021
Outstanding, beginning of the period	47,748	38,068
Awarded	14,825	14,095
Redemptions	(16,476)	(5,014)
Dividend equivalents	680	599
Outstanding, end of the period	<u>46,777</u>	<u>47,748</u>

Restricted share units

An 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.

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26. EQUITY INCENTIVE PLAN – continued

Restricted share units - continued

RSUs vest according to the terms of the applicable award agreement. All RSUs awarded to date vest within three years of their grant date.

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. Currently, the Board's practice has been to settle RSUs with the issuance of Common Shares.

Pursuant to the EIP, the following RSUs were granted by the Company and are outstanding. Each dividend equivalent represents one Common Share. As at December 31, 2022, 159,922 of the awarded and outstanding RSUs have vested.

The RSU costs are expensed to share based incentive compensation when the RSUs vest. The fair value of the RSU is determined based on the fair value of the Common Shares on the date of issuance. As at December 31, 2022, 183,774 of the awarded and outstanding RSUs have vested. The weighted average issuance price for the year ended December 31, 2022, was \$26.19 or C\$34.06 (for the year ended December 31, 2021 - \$27.84; as previously presented amounted to C\$34.90, presentation currency adjustment \$7.06).

	December 31, 2022	December 31, 2021
Outstanding, beginning of the period	250,738	260,840
Awarded	69,527	171,933
Forfeited	(918)	(6,389)
Redemptions	(51,119)	(178,371)
Dividend equivalents	3,296	2,725
Outstanding, end of the period	<u>271,524</u>	<u>250,738</u>

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26. EQUITY INCENTIVE PLAN – continued

Performance Share Units

A PSU is a unit equivalent in value to a Common Share credited by means of a bookkeeping entry in the books of the Company. PSUs vest according to the terms of the applicable award agreement. The actual number of share units earned with respect to the three-year performance period is subject to a multiplier (of between 0 and 1.5 times) and based on the average “bonus score” (which itself is determined with reference to the Board-approved annual bonus score card) obtained over a three-year performance period. The PSU costs are expensed to share based incentive compensation when the PSUs vest. The fair value of the PSU is determined based on the fair value of the Common Shares on the date of issuance multiplied by the bonus score.

Pursuant to the EIP, the following PSUs were granted by the Company and are outstanding. Each dividend equivalent represents one Common Share. As at December 31, 2022, 62,052 of the awarded and outstanding PSUs have vested. The weighted average issuance price for the year ended December 31, 2022, was \$18.31 or C\$23.81.

	December 31, 2022	December 31, 2021
Outstanding, beginning of the period	112,226	24,537
Awarded	115,983	86,632
Forfeited	-	-
Redemptions	(36,929)	-
Dividend equivalents	1,120	1,057
Outstanding, end of the period	192,400	112,226

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26. EQUITY INCENTIVE PLAN – continued

Options and Performance Options

Grant Date	Expiry Date	Exercise		31-Dec-22	Vested	Unvested
		Price				
May 30, 2019	June 30, 2023	\$ 18.84		680,000	680,000	-
July 15, 2019	June 30, 2023	\$ 21.76		320,000	320,000	-
May 21, 2020	May 21, 2025	\$ 15.06		381,667	-	381,667
October 5, 2020	October 30, 2024	\$ 20.88		80,000	-	80,000
				1,461,667	1,000,000	461,667
Weighted Average Exercise Price		\$		18.60	\$ 19.77	\$ 18.60

As presented in the comparative period:

Grant Date	Expiry Date	Exercise		1-Jan-20	Granted	Exercised	Expired	Forfeited	31/12/2021	Vested	Unvested
		Price									
May 30, 2019	June 30, 2023	\$ 25.43		1,058,000	-	-	-	(378,000)	680,000	-	680,000
July 15, 2019	June 30, 2023	\$ 28.37		320,000	-	-	-	-	320,000	-	320,000
May 21, 2020	May 21, 2025	\$ 20.98		-	390,000	(8,333)	-	-	381,667	-	381,667
October 5, 2020	October 30, 2024	\$ 27.70		-	80,000	-	-	-	80,000	-	80,000
				1,378,000	470,000	(8,333)	-	(378,000)	1,461,667	-	1,461,667
Weighted Average Exercise Price		\$		26.11	\$ 22.12	\$ 20.98	\$ -	\$ 25.43	\$ 25.04	\$ -	\$ 25.04

The compensation expenses in respect of EIP awards amounted to \$4,641,574 and \$3,808,944 (as previously presented amounted to C\$4,774,511, presentation currency adjustment \$965,567) for the year ended December 31, 2022, and 2021, respectively. Included in the compensation expenses are \$82,907 and \$102,948 (as previously presented amounted to C\$129,045, presentation currency adjustment \$26,097) for the year ended December 31, 2022, and 2021, respectively, of legal and administrative fees related to the issuance of EIP awards. The counterpart has been reflected in contributed surplus. Management plans to settle all DSUs, RSUs, PSUs and Options by issuing Common Shares. When the DSUs, RSUs, PSUs and Options are settled for Common Shares, the amounts previously credited to contributed surplus are transferred to share capital.

Included in contributed surplus is \$3,012,695 of tax expense related to share based payments (at December 31, 2021 - \$3,248,978 of tax benefits, as previously presented amounted to C\$4,118,887, presentation currency adjustment \$869,909). The Company receives a tax deduction in the US for payroll expense relating to share based awards for US employees.

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27. OTHER INCOME (EXPENSES)

	2022	2021		2021
		<i>Previously reported in CAD</i>	<i>Presentation currency change - see Note 4</i>	<i>Reported in USD (Restated)</i>
Legal and other costs (i)	\$ (387,145)	\$ (257,246)	\$ 55,548	\$ (201,698)
Loss on sale of non-strategic business (ii)	-	(847,462)	167,861	(679,601)
Gain (Loss) on disposal of property and equipment (Note 9)	1,893,192	6,778	(1,371)	5,407
Impairment on other assets (Note 14)	(153,972)	(602,705)	121,887	(480,818)
	<u>\$ 1,352,075</u>	<u>\$ (1,700,635)</u>	<u>\$ 343,925</u>	<u>\$ (1,356,710)</u>

- (i) Legal and other costs were \$387,145 and \$201,698 (as previously presented amounted to C\$257,246, presentation currency adjustment \$55,548) for the year ended December 31, 2022, and 2021, respectively. Legal and other costs relate to the preservation of certain historical investments and obligations associated with those investments, as well as costs for the defense of intellectual property created by the Company.
- (ii) On June 18, 2021, the Company completed the sale of all its outstanding shares of Parkland which represented a 50% ownership of Parkland. On closing, the Company received C\$3,714,853 and a promissory note receivable of C\$1,785,147. The note bears interest at a rate of 5% per annum and matured on December 18, 2021. The transaction resulted in a net loss of \$679,601 (as previously presented amounted to C\$847,462, presentation currency adjustment \$167,861). The sale of Parkland did not represent a strategic shift in the Company's business and did not have a major effect on its operation and financial results.

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28. INCOME TAXES

Income taxes

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

	2022	2021 <i>Previously reported in CAD</i>	<i>Presentation currency change - see Note 4</i>	2021 <i>Reported in USD (Restated)</i>
Current tax expense	\$ 7,413,834	\$ 7,069,386	\$ (1,430,322)	\$ 5,639,064
Deferred tax expense	3,094,929	6,788,179	(1,372,799)	5,415,380
Total	<u>\$ 10,508,763</u>	<u>\$ 13,857,565</u>	<u>\$ (2,803,121)</u>	<u>\$ 11,054,444</u>

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, 2022, and 2021 is as follows:

	2022	2021 <i>Previously reported in CAD</i>	<i>Presentation currency change - see Note 4</i>	2021 <i>Reported in USD (Restated)</i>
Earnings before income taxes	<u>\$ 35,633,528</u>	<u>\$ 48,833,526</u>	<u>\$ (9,878,210)</u>	<u>\$ 38,955,316</u>
Combined Canadian federal and provincial statutory rates	<u>26.50%</u>	<u>26.50%</u>	<u>26.50%</u>	<u>26.50%</u>
Income taxes based on combined Canadian statutory income tax rates	\$ 9,442,885	\$ 12,940,884	\$ (2,617,726)	\$ 10,323,159
Unrealized capital gain	491,124	430,910	(87,144)	343,766
Share based compensation	830,794	75,437	(15,256)	60,181
Tax exempt entities	(61,519)	68,567	(13,867)	54,700
Difference in foreign tax rates	(409,121)	(257,643)	52,092	(205,551)
Impact of non-taxable dividend income	(611,276)	(795,000)	160,776	(634,224)
Disposal of non-strategic business and other assets	19,866	500,170	(101,151)	399,019
Non-deductible transaction costs	-	293,736	(59,404)	234,332
Other non-deductible expenses	806,010	600,504	(121,442)	479,062
Income tax expense	<u>\$ 10,508,763</u>	<u>\$ 13,857,565</u>	<u>\$ (2,803,122)</u>	<u>\$ 11,054,444</u>

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28. INCOME TAXES - continued

Deferred tax assets and liabilities

	December 31, 2022
<hr/>	
Deferred Tax Assets (Liabilities)- Canada	
Non-capital losses carried forward-Canada	\$ 5,379,533
Share issuance and finance costs	1,064,896
Property and equipment	(817,823)
Unrealized capital gain	(3,837,892)
	<hr/>
Net deferred income tax asset	<u><u>\$ 1,788,714</u></u>
	 December 31, 2022
<hr/>	
Deferred Tax Assets (Liabilities) - US	
Net operating losses carried forward	\$ 265,253
Stock Based Compensation	1,203,188
Other deferred tax assets	580,263
Allowance for Cancellations and Bad Debt	2,655,865
Accrued expenses	2,833,470
Deferred revenue	13,791,153
Property and equipment	(11,582,108)
Right-of-use asset	(437,408)
Inventories	(3,656,426)
Goodwill and intangibles	(15,410,881)
Deferred commission	(7,336,622)
	<hr/>
Net deferred income tax liability	<u><u>\$ (17,094,252)</u></u>

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28. INCOME TAXES – continued

Movement in net deferred tax asset – Canada

	December 31, 2021 <i>Previously reported in CAD</i>	<i>Presentation currency change - see Note 4</i>	December 31, 2021 <i>Reported in USD (Restated)</i>
Deferred Tax Assets (Liabilities)- Canada			
Non-capital losses carried forward-Canada	\$ 6,901,662	\$ (1,457,852)	\$ 5,443,810
Share issuance and finance costs	2,651,581	(560,099)	2,091,482
Property and equipment	(828,236)	174,950	(653,286)
Unrealized capital gain	(2,564,131)	541,627	(2,022,504)
Net deferred income tax asset	<u>\$ 6,160,876</u>	<u>\$ (1,301,374)</u>	<u>\$ 4,859,502</u>
	December 31, 2021 <i>Previously reported in CAD</i>	<i>Presentation currency change - see Note 4</i>	December 31, 2021 <i>Reported in USD (Restated)</i>
Deferred Tax Assets (Liabilities) - US			
Net operating losses carried forward	\$ 337,660	\$ (71,325)	\$ 266,335
Stock Based Compensation	5,558,416	(1,174,116)	4,384,300
Other deferred tax assets	2,230,357	(471,123)	1,759,234
Accrued expenses	2,172,661	(458,936)	1,713,725
Deferred revenue	13,689,425	(2,891,645)	10,797,780
Property and equipment	(11,560,827)	2,442,017	(9,118,810)
Right-of-use asset	-	-	-
Inventories	(4,943,659)	1,044,259	(3,899,400)
Goodwill and intangibles	(15,321,139)	3,730,808	(11,590,331)
Deferred commission	(8,361,821)	1,766,286	(6,595,535)
Net deferred income tax liability	<u>\$ (16,198,927)</u>	<u>\$ 3,916,225</u>	<u>\$ (12,282,702)</u>

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.

	December 31, 2022	December 31, 2021
Balance at the beginning of the year	\$ 4,859,502	\$ 4,038,934
Recognized in profit/loss	(1,451,556)	(1,100,097)
Recognized in other comprehensive income/loss	(1,473,800)	1,517,849
Disposition of non-strategic business	-	394,777
Foreign currency translation	(145,432)	8,039
Balance at the end of the year	<u>\$ 1,788,714</u>	<u>\$ 4,859,502</u>

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 AND BALANCES

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

Directors' fees and key management compensation included in share-based incentive were \$3,348,237 and \$1,879,489 (as previously presented amounted to C\$2,355,940, presentation currency adjustment \$476,451) for the year ended December 31, 2022, and 2021, respectively. Key management compensation included in acquisition and integration costs were \$670,000 for the year ended December 31, 2022. As at December 31, 2022, included in accounts payable and accrued liabilities are directors' fees and key management compensation of \$1,038,245 (as at December 31, 2021 - \$2,026,128; as previously presented amounted to C\$2,568,725, presentation currency adjustment \$542,597).

The Company entered into an agreement for the purchase of four industrial units of property in Mississauga, Ontario, Canada (the “Haines Properties”). A purchase and sale agreement for the Haines Properties was entered into by a limited partnership formed by a subsidiary of the Company as general partner, and a trustee on behalf of certain Care and Maintenance Trust Funds, as limited partners (the “Haines LP”) for an aggregate purchase price of C\$3,331,885. The Haines Properties are currently leased by one of the Company’s funeral homes from an arm’s length third party. On closing of the transaction, which is expected to occur during the second quarter of 2023, the Haines Properties will be leased by the Haines LP to the funeral home on substantially the same terms as the existing lease, with necessary increases to rent to align with market terms.

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Fair value of financial instruments

Cash, accounts receivable, current portion of pre-need receivables, accounts payable and accrued liabilities, dividends payable, long-term debt and notes payable are financial instruments whose fair values approximate their carrying values due to their short-term maturity, variable interest rates or current market rates for instruments with fixed rates.

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

- Level 1 includes unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 includes inputs other than quoted prices included in Level 1 that are observable for the assets or liability, either directly or indirectly;
- Level 3 includes inputs for the assets or liability that are not based on observable market data.

As at December 31, 2022, the secured debt investment in Humphrey's (see Note 14) is valued under Level 3. The fair value of the secured debt investment approximates the book value.

As at December 31, 2022, the senior unsecured debentures (see Note 19) are valued under Level 2 and have a fair value of \$63,041,591.

As at December 31, 2022, the care and maintenance and pre-need merchandise and service trust funds and related liabilities are carried at fair value under Level 1, Level 2, Level 3, and amortized cost.

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30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT - continued

Fair value of financial instruments - continued

The trust assets are valued as follows:

Care and maintenance trust fund investments at December 31, 2022

		Level 1	Level 2	Level 3	Amortized	
	Cost	Quoted market price	Valuation technique - observable market inputs	Valuation technique - non-observable market inputs	cost	Total fair value
Cash and cash equivalents	\$ 7,865,262	\$ -	\$ -	\$ -	\$ 7,865,262	\$ 7,865,262
Fixed Income						
<i>Canadian</i>						
Corporate	4,805,071	544,863	-	-	3,691,500	4,236,363
Government	128,955	143,646	-	-	-	143,646
<i>US</i>						
Corporate	829,476	666,452	-	-	52,293	718,745
Government	1,061,705	929,496	-	-	-	929,496
Equities						
<i>Canadian</i>	42,925,182	49,517,250	-	-	-	49,517,250
<i>US</i>	18,731	62,946	-	-	-	62,946
<i>Canadian Preferred</i>	2,553,175	2,575,322	-	-	-	2,575,322
<i>US Preferred</i>	102,624	82,424	-	-	-	82,424
Mutual Funds/ETFs						
Equity	38,574,050	36,323,989	-	-	-	36,323,989
Fixed Income	60,932,657	51,938,733	-	-	-	51,938,733
Preferred	30,764,692	23,392,118	-	-	-	23,392,118
Alternative	31,015,692	-	-	31,673,308	-	31,673,308
	<u>\$ 221,577,272</u>	<u>\$ 166,177,239</u>	<u>\$ -</u>	<u>\$ 31,673,308</u>	<u>\$ 11,609,055</u>	<u>\$ 209,459,602</u>

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30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT - continued

Fair value of financial instruments - continued

Care and maintenance trust fund investments at December 31, 2021						
<i>Previously reported in CAD</i>						
	Cost	Quoted market price	Level 1	Level 2 Valuation technique - observable market inputs	Level 3 Valuation technique - non-observable market inputs	Amortized cost
						Total fair value
Cash and cash equivalents	\$ 12,574,799	\$ 12,577,136		\$ -	\$ -	\$ -
Fixed Income						\$ 12,577,136
<i>Canadian</i>						
Corporate	6,587,252	896,666		-	-	5,078,962
Government	174,665	222,206		-	-	-
<i>US</i>						
Corporate	4,908,630	4,876,271		-	-	-
Government	-	-		-	-	-
Equities						
<i>Canadian</i>	50,878,861	65,508,058		-	-	-
<i>US</i>	17,194,791	21,159,132		-	-	-
<i>Canadian Preferred</i>	3,458,182	4,276,475		-	-	-
<i>US Preferred</i>	4,181,781	4,135,349		-	-	-
Mutual Funds/ETFs						
Equity	41,594,416	43,852,298		-	-	-
Fixed Income	65,515,549	65,067,701		-	-	-
Preferred	33,927,627	33,440,401		-	-	-
Alternative	26,601,065	-		-	30,457,429	-
	<u>\$ 267,597,618</u>	<u>\$ 256,011,693</u>		<u>\$ -</u>	<u>\$ 30,457,429</u>	<u>\$ 5,078,962</u>
						<u>\$ 291,548,084</u>

Care and maintenance trust fund investments at December 31, 2021						
<i>Presentation currency change - see Note 4</i>						
	Cost	Quoted market price	Level 1	Level 2 Valuation technique - observable market inputs	Level 3 Valuation technique - non-observable market inputs	Amortized cost
						Total fair value
Cash and cash equivalents	\$ (2,656,201)	\$ (2,656,694)		\$ -	\$ -	\$ -
Fixed Income						\$ (2,656,694)
<i>Canadian</i>						
Corporate	(1,391,439)	(189,404)		-	-	(1,072,840)
Government	(36,895)	(46,937)		-	-	-
<i>US</i>	-	-				
Corporate	(1,036,860)	(1,030,025)		-	-	-
Government	-	-		-	-	-
Equities						
<i>Canadian</i>	(10,747,246)	(13,837,402)		-	-	-
<i>US</i>	(3,632,091)	(4,469,487)		-	-	-
<i>Canadian Preferred</i>	(730,479)	(903,329)		-	-	-
<i>US Preferred</i>	(883,326)	(873,518)		-	-	-
Mutual Funds/ETFs						
Equity	(8,786,074)	(9,263,011)		-	-	-
Fixed Income	(13,838,984)	(13,744,384)		-	-	-
Preferred	(7,166,602)	(7,063,685)		-	-	-
Alternative	(5,618,998)	-		-	(6,433,585)	-
	<u>\$ (56,525,195)</u>	<u>\$ (54,077,876)</u>		<u>\$ -</u>	<u>\$ (6,433,585)</u>	<u>\$ (1,072,840)</u>
						<u>\$ (61,584,301)</u>

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30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT - continued

Fair value of financial instruments - continued

Care and maintenance trust fund investments at December 31, 2021						
<i>Reported in USD (Restated)</i>						
	Level 1	Level 2	Level 3	Amortized cost		
	Quoted market price	Valuation technique - observable market inputs	Valuation technique - non-observable market inputs			
	Cost				Total fair value	
Cash and cash equivalents	\$ 9,918,598	\$ 9,920,442	\$ -	\$ -	\$ -	\$ 9,920,442
Fixed Income						
<i>Canadian</i>						
Corporate	5,195,813	707,262	-	-	4,006,122	4,713,384
Government	137,770	175,269	-	-	-	175,269
<i>US</i>						
Corporate	3,871,770	3,846,246	-	-	-	3,846,246
Government	-	-	-	-	-	-
Equities						
<i>Canadian</i>						
US	40,131,615	51,670,656	-	-	-	51,670,656
<i>US</i>						
Canadian Preferred	13,562,700	16,689,645	-	-	-	16,689,645
US Preferred	2,727,703	3,373,146	-	-	-	3,373,146
<i>US Preferred</i>						
Alternative	3,298,455	3,261,831	-	-	-	3,261,831
Mutual Funds/ETFs						
Equity	32,808,342	34,589,287	-	-	-	34,589,287
Fixed Income	51,676,565	51,323,317	-	-	-	51,323,317
Preferred	26,761,025	26,376,716	-	-	-	26,376,716
Alternative	20,982,067	-	-	24,023,844	-	24,023,844
	<u>\$ 211,072,423</u>	<u>\$ 201,933,817</u>	<u>\$ -</u>	<u>\$ 24,023,844</u>	<u>\$ 4,006,122</u>	<u>\$ 229,963,783</u>

	January 1, 2022 (Restated - see Note 4)	Investment purchases	Investment dispositions	Capital distributions	Foreign exchange	Change in fair value	December 31, 2022
Alternative	24,023,844	17,883,681	(9,228,133)	-	(466,755)	(539,329)	31,673,308
Total	<u>\$ 24,023,844</u>						<u>\$ 31,673,308</u>

The Company's trust funds have investments in alternative investments, they relate to direct limited partnerships in real estate properties, private funds with interests in, private market real estate, infrastructure, and private debt. Some of these investments are more liquid than others. The trust funds cannot redeem interests of indirect limited partnerships unless the underlying asset is sold. The general partners of such direct limited partnerships have not communicated the timing of any immediate liquidations.

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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, 2022

		Level 1	Level 2	Level 3	Amortized	
	Cost	Quoted market price	Valuation technique - observable market inputs	Valuation technique - non-observable market inputs	cost	Total fair value
Cash and cash equivalents	\$ 34,239,751	\$ -	\$ -	\$ -	\$ 34,221,250	\$ 34,221,250
GIC's	24,540,120	-	24,540,120	-	-	24,540,120
Fixed Income						
<i>Canadian</i>						
Corporate	-	-	-	-	-	-
Government	-	-	-	-	-	-
<i>US</i>						
Corporate	5,894,672	5,767,732	-	-	-	5,767,732
Government	1,477,244	1,268,055	-	-	-	1,268,055
Equities						
<i>Canadian</i>	142,512	194,708	-	-	-	194,708
<i>US</i>	1,529,347	1,707,553	-	-	-	1,707,553
<i>Canadian Preferred</i>	6,295	5,177	-	-	-	5,177
<i>US Preferred</i>	392,128	308,328	-	-	-	308,328
Mutual Funds/ETFs						
Equity	101,710,959	80,465,512	-	-	-	80,465,512
Fixed Income	44,288,872	38,596,985	-	-	-	38,596,985
Preferred	-	-	-	-	-	-
Alternative	47,639,746	-	-	52,217,405	-	52,217,405
	<u>\$ 261,861,646</u>	<u>\$ 128,314,050</u>	<u>\$ 24,540,120</u>	<u>\$ 52,217,405</u>	<u>\$ 34,221,250</u>	<u>\$ 239,292,825</u>

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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, 2021						
<i>Previously reported in C.A.D.</i>						
	Level 1	Level 2	Level 3	Amortized cost		
	Quoted market price	Valuation technique - observable market inputs	Valuation technique - non-observable market inputs			
	Cost				Total fair value	
Cash and cash equivalents	\$ 23,559,302	\$ 23,560,123	\$ -	\$ -	\$ -	\$ 23,560,123
GIC's	33,183,504	33,183,504	-	-	-	33,183,504
Fixed Income						
<i>Canadian</i>						
Corporate	24,879	25,706	-	-	-	25,706
Government	23,352	23,143	-	-	-	23,143
<i>US</i>						
Corporate	11,190,826	11,269,798	-	-	-	11,269,798
Government	-	-	-	-	-	-
Equities						
<i>Canadian</i>						
Equity	166,787	235,828	-	-	-	235,828
<i>US</i>						
Equity	12,663,047	16,075,831	-	-	-	16,075,831
<i>Canadian Preferred</i>	-	-	-	-	-	-
<i>US Preferred</i>	2,883,150	2,929,821	-	-	-	2,929,821
Mutual Funds/ETFs						
Equity	132,947,429	129,784,467	-	-	-	129,784,467
Fixed Income	71,982,441	72,993,006	-	-	-	72,993,006
Preferred	-	-	-	-	-	-
Alternative	35,310,644	-	-	39,201,975	-	39,201,975
	<u>\$ 323,935,361</u>	<u>\$ 290,081,227</u>	<u>\$ -</u>	<u>\$ 39,201,975</u>	<u>\$ -</u>	<u>\$ 329,283,202</u>

Pre-need merchandise and service trust fund investments at December 31, 2021						
<i>Presentation currency change - see Note 4</i>						
	Level 1	Level 2	Level 3	Amortized cost		
	Quoted market price	Valuation technique - observable market inputs	Valuation technique - non-observable market inputs			
	Cost				Total fair value	
Cash and cash equivalents	\$ (4,976,480)	\$ (4,976,653)	\$ -	\$ -	\$ -	\$ (4,976,653)
GIC's	(7,009,420)	(7,009,420)	-	-	-	(7,009,420)
Fixed Income						
<i>Canadian</i>						
Corporate	(5,255)	(5,430)	-	-	-	(5,430)
Government	(4,933)	(4,889)	-	-	-	(4,889)
<i>US</i>						
Corporate	(2,363,861)	(2,380,543)	-	-	-	(2,380,543)
Government	-	-	-	-	-	-
Equities						
<i>Canadian</i>						
Equity	(35,231)	(49,814)	-	-	-	(49,814)
<i>US</i>						
Equity	(2,674,841)	(3,395,731)	-	-	-	(3,395,731)
<i>Canadian Preferred</i>	-	-	-	-	-	-
<i>US Preferred</i>	(609,014)	(618,872)	-	-	-	(618,872)
Mutual Funds/ETFs						
Equity	(28,082,759)	(27,414,639)	-	-	-	(27,414,639)
Fixed Income	(15,204,999)	(15,418,463)	-	-	-	(15,418,463)
Preferred	-	-	-	-	-	-
Alternative	(7,458,740)	-	-	(8,280,714)	-	(8,280,714)
	<u>\$ (68,425,533)</u>	<u>\$ (61,274,454)</u>	<u>\$ -</u>	<u>\$ (8,280,714)</u>	<u>\$ -</u>	<u>\$ (69,555,168)</u>

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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, 2021						
<i>Reported in USD (Restated)</i>						
		Level 1	Level 2	Level 3	Amortized cost	
	Cost	Quoted market price	Valuation technique - observable market inputs	Valuation technique - non-observable market inputs		Total fair value
Cash and cash equivalents	\$ 18,582,822	\$ 18,583,470	\$ -	\$ -	\$ -	\$ 18,583,470
GIC's	26,174,084	26,174,084	-	-	-	26,174,084
Fixed Income						
<i>Canadian</i>						
Corporate	19,624	20,276	-	-	-	20,276
Government	18,419	18,254	-	-	-	18,254
<i>US</i>						
Corporate	8,826,965	8,889,255	-	-	-	8,889,255
Government	-	-	-	-	-	-
Equities						
<i>Canadian</i>	131,556	186,014	-	-	-	186,014
<i>US</i>	9,988,206	12,680,100	-	-	-	12,680,100
<i>Canadian Preferred</i>	-	-	-	-	-	-
<i>US Preferred</i>	2,274,136	2,310,949	-	-	-	2,310,949
Mutual Funds/ETFs						
Equity	104,864,670	102,369,828	-	-	-	102,369,828
Fixed Income	56,777,442	57,574,543	-	-	-	57,574,543
Preferred	-	-	-	-	-	-
Alternative	27,851,904	-	-	30,921,261	-	30,921,261
	<u>\$ 255,509,828</u>	<u>\$ 228,806,773</u>	<u>\$ -</u>	<u>\$ 30,921,261</u>	<u>\$ -</u>	<u>\$ 259,728,034</u>

	January 1, 2022 (Restated - see Note 4)	Investment purchases	Investment dispositions	Capital Distributions	Foreign exchange	Change in fair value	December 31, 2022
Alternative	<u>30,921,261</u>	<u>25,468,428</u>	<u>-</u>	<u>(206,294)</u>	<u>-</u>	<u>(3,965,990)</u>	<u>52,217,405</u>
Total	<u>\$ 30,921,261</u>						<u>\$ 52,217,405</u>

The Company's trust funds have investments in alternative investments, they relate to direct limited partnerships in real estate properties, private funds with interests in, private market real estate, infrastructure, and private debt. Some of these investments are more liquid than others. The trust funds cannot redeem interests indirect limited partnerships unless the underlying asset is sold. The general partners of such direct limited partnerships have not communicated the timing of any immediate liquidations.

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT – continued

Fair value of financial instruments – continued

(i) Credit risk

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

In the opinion of management, none of the amounts comprising accounts receivable, pre-need receivables and other assets 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 judgement (see Note 5).

(ii) Investment risk

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

The Investment Committee of the Board of 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.

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT – continued

Fair value of financial instruments – continued

(iii) Liquidity risk

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

(iv) Market Risk

Pre-need merchandise and service trust fund investments

The principal objective of the pre-need cemetery and funeral trusts are to preserve the original principal balance invested in the trust and to achieve growth in the principal over time to preserve and increase the purchasing power of the assets. Since pre-need contracts generally take several years to turn at-need, the funds deposited into the pre-need trusts are invested through several investment cycles. The risk profiles of the investments are adjusted to achieve the desired goal and are weighted toward fixed income and equities with both a capital growth and income component. The portfolio is diversified and managed by professional fund managers specialized in this asset class with a long-term view on acceptable risk tolerance.

Care and maintenance trust fund investments

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

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

(v) Foreign exchange risk

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

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT – continued

Fair value of financial instruments – continued

The Company has exposure to the U.S. dollar with respect to amounts repatriated to Canada to fund its interest and principal repayments on its credit facility and to fund its dividend payments. The Company regularly reviews its currency hedging strategy and makes its decision based on market conditions. As at December 31, 2021, the Company did not have any foreign currency hedges in place.

(vi) Interest rate risk

Interest rate risk on trust investments

In the opinion of management, the Company has an acceptable level of interest rate risk with respect to the trust fund investments as the majority of the investments bearing interest are invested in fixed rate securities with varying maturities and an average period to maturity of 5 years or less. There has been no change in the Company's risk exposure and processes for risk management and measurement from 2021. The Company believes that a 1% increase or decrease in the variable market interest rate would not affect Company earnings from pre-need merchandise and service trusts or the perpetual care trust funds.

(vii) Interest rate on Credit Facility

The Credit Facility bears interest at the bankers' acceptance rate plus 1% at December 31, 2022. Based on the loan balances at December 31, 2022, a 1% increase or decrease in the variable market interest rate would have an impact of \$1,513,775 per annum. The Company has the ability to convert the Credit Facility to a fixed term.

(viii) Other Price Risk

Other price risk is the risk that the fair value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in a market.

Unexpected volatility or illiquidity could occur due to legal, political, regulatory, economic or other developments, such as public health emergencies, including an epidemic or pandemic, natural disasters, war and related geopolitical risks, and may impair the portfolio manager's ability to carry out the objectives of the trust funds or cause the trust funds to incur losses. Neither the duration nor ultimate effect of any such market conditions, nor the degree to which such conditions may worsen can be predicted.

The portfolio manager adheres to specified investment constraints in relation to asset class and diversification, thus minimizing exposure to other price risk.

Other assets and liabilities are monetary items that are short-term in nature and not subject to other price risk.

31. COMMITMENTS AND CONTINGENCIES

Litigation

From time to time the Company is subject to legal proceedings and claims arising in the ordinary course of business. Some of the more frequent ordinary routine litigations incidental to our business are based on burial practices claims and employment related matters. Management is of the opinion based upon information presently available, that it is unlikely that any such liability, to the extent not provided for by insurance or otherwise, would have a material adverse effect in relation to the Company's consolidated financial position, liquidity, or results of operations.

Commitments

The Company has 14 ongoing commitments with the remaining balance of \$7,946,504 for the construction of funeral homes and mausoleums, and cemetery development in the United States. To date, the Company spent \$8,016,633 on these commitments.

Included in the commitments is an agreement for the purchase of the Haines Properties (see Note 29).

32. SEGMENTED INFORMATION

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

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.

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32. SEGMENTED INFORMATION - continued

Geographic information

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

	December 31, 2022
Canada	\$ 171,249,043
United States	1,307,758,422
Total	<u>\$ 1,479,007,465</u>

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

	December 31, 2022
Canada	\$ 172,678,576
United States	754,732,899
Total	<u>\$ 927,411,475</u>

As presented in the comparative period for non-current assets, as follows:

	December 31, 2021		December 31, 2021
	<i>Previously reported in CAD</i>	<i>Presentation currency change and measurement period adjustment - see Note 4 and Note 7</i>	<i>Reported in USD (Restated)</i>
Canada	\$ 220,154,855	\$ (46,503,763)	\$ 173,651,092
United States	1,458,385,023	(308,309,923)	1,150,075,100
Total non-current assets	<u>\$ 1,678,539,878</u>	<u>\$ (354,813,686)</u>	<u>\$ 1,323,726,192</u>

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32. SEGMENTED INFORMATION – continued

Geographic information – continued

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

	2022
Revenue:	
Sales:	
Canada	\$ 29,102,171
United States	282,585,563
Total sales	<u>311,687,734</u>
Income from care and maintenance funds:	
Canada	3,668,724
United States	5,664,660
Total income from care and maintenance funds	<u>9,333,384</u>
Interest and other income:	
Canada	363,945
United States	4,725,055
Total interest and other income	<u>5,089,000</u>
Total revenue:	
Canada	33,134,840
United States	292,975,278
Total revenue	<u><u>\$ 326,110,118</u></u>
Total net earnings/loss:	
Canada ⁽¹⁾	(8,033,642)
United States	33,158,407
Total net earnings/loss	<u><u>\$ 25,124,765</u></u>

⁽¹⁾ Canada's net loss includes shared based incentive compensation and public company costs.

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32. SEGMENTED INFORMATION – continued

Geographic information – continued

	2021		2021
	<i>Previously reported in</i>	<i>Presentation currency</i>	<i>Reported in USD</i>
	<i>CAD</i>	<i>change and</i>	<i>(Restated)</i>
		<i>reclassification - see</i>	
		<i>Note 4 and Note 34</i>	
Net revenue:			
Net sales:			
Canada	\$ 36,446,465	\$ (7,370,705)	\$ 29,075,760
United States	315,058,607	(64,128,548)	250,930,059
Total net sales	351,505,072	(71,499,253)	280,005,819
Income from care and maintenance funds:			
Canada	5,015,235	(1,014,250)	4,000,985
United States	6,406,306	(1,295,666)	5,110,640
Total income from care and maintenance funds	11,421,541	(2,309,916)	9,111,625
Interest income:			
Canada	971,234	(196,416)	774,818
United States	5,642,385	(762,338)	4,880,047
Total interest income	6,613,619	(958,754)	5,654,865
Total net revenue:			
Canada	42,432,934	(8,581,371)	33,851,563
United States	327,107,298	(66,186,552)	260,920,746
Total net revenue	\$ 369,540,232	\$ (74,767,923)	\$ 294,772,309

33. SUBSEQUENT EVENTS

On January 26, 2023, PLC entered into a definitive agreement to acquire substantially all of the assets of Carson-Speaks Chapel in Independence, Missouri; Speaks Buckner Chapel in Buckner, Missouri; Speaks Suburban Chapel in Independence Missouri; and Oak Ridge Memory Gardens in Independence, Missouri, expanding PLC's footprint in the Kansas City metropolitan market through the addition of three stand-alone funeral homes and one stand-alone cemetery. The acquisition is anticipated to close in early April 2023 following the receipt of regulatory approval.

34. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the December 31, 2022, consolidated financial statements with no effect on our previously reported results of operations, consolidated financial position, or consolidated cash flows to better reflect the nature of the expenses (see Note 4).



PARK LAWN CORPORATION



MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ending December 31, 2022



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The following Management's Discussion and Analysis (this "**MD&A**") provides a review of corporate and market developments, results of operations and the financial position of Park Lawn Corporation ("**PLC**" or the "**Company**") for the year ended December 31, 2022. This discussion should be read in conjunction with the Company's consolidated financial statements and accompanying notes for the year ended December 31, 2022. Information contained in this MD&A is based on information available to management as of March 2, 2023. Unless otherwise stated, all amounts discussed herein are denominated in U.S. dollars.

Forward-Looking Information

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

Forward-looking information in this MD&A includes, but is not limited to, the Company's aspirational growth targets for the end of 2026, statements regarding the impact of COVID-19 on the Company's business, the EBITDA (as defined below) multiples that the Company generally expects to pay for acquisitions, future earnings generated by recent acquisitions completed by the Company, expected synergies of acquisitions completed by the Company, the Company's business generally, future development and construction, future financial position and business strategy, the deathcare industry, potential acquisitions, potential business partnering, litigation, the ability of the Company to procure additional sales from new and existing customers, and the Company's plans and objectives. By its nature, forward-looking information is inherently uncertain, is subject to risk and is based on numerous assumptions, both general and specific, which give rise to the possibility that actual results or events could differ materially from the Company's expectations expressed in, or implied by, such forward-looking statements and that our business outlook, objectives, plans and strategic priorities may not be achieved. These statements are not guarantees of future performance or events, and readers are cautioned against relying on any of these forward-looking statements. Forward-looking statements are presented in this MD&A for the purpose of assisting investors and others in understanding PLC's objectives, strategic priorities and business outlook as well as its anticipated operating environment. Readers are cautioned, however, that such information may not be appropriate for other purposes. The Company has made certain economic, market and operational assumptions in preparing the forward-looking statements in this MD&A, including that recent acquisitions will perform as expected, PLC will be able to implement business improvements and achieve cost savings, PLC will be able to retain key personnel, there will be no unexpected expenses occurring as a result of the pending or completed acquisitions, multiples will remain at or below levels paid by PLC for previously announced acquisitions, the Canadian dollar to United States dollar exchange rate will remain consistent, the acquisition and financing markets will remain accessible, capital can be obtained at reasonable costs and PLC's current business lines will operate and obtain synergies as expected, as well as risks and assumptions 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. If PLC's assumptions turn out to be inaccurate, its actual results could be materially different from what it expects.

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, risks associated with: the future impacts of the COVID-19



pandemic, as well as other pandemic, epidemic and health risks, and the adverse effects from the measures implemented or to be implemented as a result thereof; the conflict between Russia and Ukraine, including from the economic sanctions imposed or to be imposed as a result thereof, and supply chain disruptions resulting therefrom; adverse economic and financial market conditions; a declining level of commercial activity, and the resulting negative impact on the demand for, and prices of, PLC's products and services; the impact of inflation on the Company's business; supply chain disruptions and product delivery delays; the failure to attract, develop and retain a diverse and talented team capable of furthering PLC's business strategies; the risk that the fair value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in a market; risks associated with the Company's growth strategy; the geographic concentration of the Company's operations; the Company's reliance on key personnel; the ability to maintain effective internal controls over financial reporting; tax related risks; the Company's non-controlled interests; relations with the Company's unionized and non-unionized employees; self-insurance and insurance coverage and limits; the Company's fixed operating costs; changing consumer preferences; the increasing number of cremations; litigation and professional liability practice claims; competition in the industry and markets in which the Company operates; the capital expenditure requirements of the Company's business; regulatory risks; environmental and health and safety risks; cybersecurity risks and the other risk factors described under the heading "Risk Factors" in the Company's Annual Information Form ("AIF") for the year ended December 31, 2022, which is available on SEDAR at www.sedar.com and on the Company's website at www.parklawncorp.com. The Company cautions that such a list of factors is not exhaustive, and other factors could also materially adversely affect its performance. 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.

Forward-looking statements, including those contained in this MD&A for periods beyond 2023 involve longer-term assumptions and estimates than forward-looking statements for 2023 and are consequently subject to greater uncertainty. In particular, in addition to the assumptions set forth above, the Company's long-term aspirational growth targets of achieving: (a) a total of \$150 million of pro forma Adjusted EBITDA (as defined below), and (b) achieving Adjusted Net Earnings per share exceeding \$2.00 by the end of 2026 assumes: the achievement of approximately 70% of growth through acquisitions, and approximately 30% of growth through organic means; the ability to continue to acquire premier independent businesses in both new and existing markets, and to obtain the financing required to complete such acquisitions; the completion of acquisition opportunities in high-growth markets at a rate of \$75-\$125 million per year; the continued successful investments in individual businesses to achieve organic growth and in projects and initiatives which yield improved asset productivity, including mausoleum developments, the development of existing and new cemetery properties, and development of on-site funeral homes; recent and future acquisitions will perform as expected; multiples remaining at or below levels paid by PLC for previously announced acquisitions; acquisition and financing markets will remain accessible; that PLC will continue to effectively integrate the strategic partners and acquired businesses into the Company's existing operations; continued high performance of the Company's existing business operations; that PLC will continue to capitalize on ongoing operational improvements to both existing and acquired businesses through the full implementation, deployment and integration of PLC's proprietary industry software; the achievement of further market share penetration in the markets the Company currently operates in through further community involvement, exceptional customer service and target marketing; no material changes to the Company's earnings prospects; no material adverse impacts to the Company's long-term investments and credit markets; no significant changes to the industry landscape or regulatory environment; continued availability of skilled talent and source materials to execute on the Company's organic growth plans; favorable market conditions for share issuance to support growth financing; interest rates return to historical ten year averages, average supplier prices consistent with external price curves and internal forecasts; no severe and prolonged economic downturn in the markets in which the Company operates; the continued maintenance of the Company's information technology infrastructure and no material breach of cybersecurity; no significant event occurring outside the ordinary course of business such as a natural disaster, pandemic or other calamity; no material changes in the Canadian dollar to U.S. dollar exchange rate; return of inflation to normal trends and average inflation rate based on historical trends; an increase in salaries based on market



average assumptions; and a reduction in corporate costs as a percentage of revenue due to economies of scale. However, there can be no assurance that the Company will be able to identify suitable strategic partners or acquisition targets, to negotiate acceptable terms for such transactions, to obtain the financing required, to effectively implement any strategic partners or acquired businesses into the Company's existing operations, or to capitalize on ongoing operational improvements, with the result that the actual nature and value of the aspirational growth targets, as well as the timing thereof, could materially differ from current expectations. Forward-looking statements for periods beyond 2023 further assume, unless otherwise indicated, that the competitive, regulatory, operational, financial and other risks described above and under the heading "Risk Factors" in the Company's AIF will remain substantially unchanged during such periods, except for an assumed improvement in the risks related to the COVID-19 pandemic and general economic conditions in future years.

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

Additional risks and uncertainties not currently known to the Company or that it currently deems to be immaterial may also have a material adverse effect on its business, financial condition, liquidity, financial results or reputation. From time to time, it considers potential acquisitions, dispositions, mergers, business combinations, investments, monetization, joint ventures and other transactions, some of which may be significant. Except as otherwise indicated by PLC, forward-looking statements do not reflect the potential impact of any such transactions or of special items that may be announced or that may occur after the date hereof. The financial impact of these transactions and special items can be complex and depend on facts particular to each of them. PLC therefore cannot describe the expected impact in a meaningful way, or in the same way it presents known risks affecting its business.

Financial Statements, Accounting Policies and Critical Estimates

The Company's consolidated financial statements for the year ended December 31, 2022 and accompanying notes (the "**Notes**") have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board, and are presented in U.S. dollars, except where otherwise indicated. The Company's significant accounting policies and critical accounting estimates are summarized in Note 2 and Note 3, respectively, to its audited annual consolidated financial statements for the year ended December 31, 2022. Other than as disclosed in Note 4 of the December 31, 2022, consolidated financial statements, there have been no material changes in the Company's significant accounting policies or critical accounting estimates during the year ended December 31, 2022.



Consolidation

The Company's consolidated financial statements for the year ended December 31, 2022, include the accounts of the Company and its subsidiaries. All significant accounts and transactions between consolidated entities are eliminated. A minority interest held by any party in a business that the Company controls is reflected as "non-controlling interest" in the consolidated financial statements.

Currency

The consolidated financial statements are presented in U.S. dollars ("USD" or "US\$") unless otherwise indicated.

Effective January 1, 2022, the Company changed its presentation currency from the Canadian dollar ("CAD" or "C\$") to USD to better reflect the Company's business activities and provide more relevant reporting of the Company's financial position, given the significant portion of the Company's revenues, expenses, cash flows and assets that are USD denominated. The financial statements of entities with a functional currency that is not USD have been translated into USD in accordance with IAS 21 - *The Effects of Changes in Foreign Exchange Rates*. All comparative period amounts prior to January 1, 2022, included in this MD&A have been restated to reflect the change in presentation currency. Further details are provided in Note 4 of the financial statements - Changes in Accounting Policies.

The following table provides the CAD:USD average exchange rates for the three and twelve months ended December 31, 2022, and 2021, as well as period end exchange rates for each of the aforementioned periods, which were used to restate comparative figures.

CAD/USD Exchange Rate	Three months ended,		Twelve months ended,	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Closing rate at the reporting date	0.7383	0.7888	0.7383	0.7888
Average rate for the period	0.7369	0.7935	0.7689	0.7978

The average exchange rates in the table above apply to entities that are owned for the entire period or year end. For entities acquired during the year, the average exchange rate is calculated from their acquisition date to the period end date. The period end exchange rate is the same for all entities owned at the period or year end.

Impairment of Non-Financial Assets

Under IFRS, the Company must determine its cash-generating units grouping ("CGUs") for the purpose of goodwill impairment testing as at December 31, 2022. These CGUs consist of the Company's regional operating units: Northeast, Central, Midwest, South, West, and Canada. The Company's impairment tests for goodwill and intangible assets are based on the greater of value in use calculations that use a discounted cash flow model and estimated fair value less cost to sell. The Company uses a value in use approach to determine the recoverable amount for its CGUs. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGUs, using an appropriate valuation model. These calculations are corroborated by calculation multiples or other available fair value indicators. The recoverable amount is most sensitive to the post-tax discount rate used for the discounted cash flow model as well as the estimated growth rates and terminal growth rate. Using a five year (and related terminal value) discounted cash flow model, the Company determines the recoverable amount by calculating the value in use. The cash flow forecasts were extrapolated beyond the one year period using an estimated growth rate between 3.0% and 5.3%, terminal growth rate of 3.0% and post-tax discount rates between 9.5% and 10.3% (the equivalent pre-tax discount rates were between 10.5% and 12.9%). The Company has determined that the discount rates reasonably reflect the



risks associated with the cash flow projections for the CGUs. The Company allocates the carrying value of goodwill and intangibles acquired from acquisitions to CGUs. An increase of 100 basis points in the post-tax discount rate would not result in an impairment charge.

Business Combinations

The Company applies 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.

The 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. The consideration transferred also includes the fair value of any contingent consideration.

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 and included in the statements of earnings as acquisition and integration costs.

Allowances

In determining an allowance for sales cancellations and/or refunds, 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.

Share-Based Compensation

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

Income Tax Expense

In calculating income tax expense, the Company makes significant judgements in interpreting tax rules and regulations. Judgements are made to evaluate whether or not we can recover a deferred tax asset based on our assessment of existing tax laws, estimates of future profitability, and tax planning strategies.



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 adjust for 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.

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 defines Adjusted Net Earnings as net earnings adjusted for non-recurring, one-time or non-cash income or expense, and other items. 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 that are non-cash in nature and/or do not relate to core 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, amortization of intangibles and other income (expenses).

Please see – “Discussion of Operating Results - 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 finance costs, taxes, depreciation and amortization (including amortization of tangible and intangible assets 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 prior periods and 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 and classified as investing activities in the Company's consolidated statement of cash flows. As sales occur, the Company draws down its inventory by making a non-cash charge to cost of sales.

Please see the “Discussion of Operating Results - EBITDA and Adjusted EBITDA” and “Quarterly and Annual Information” below for a reconciliation of the Company's earnings from operations to EBITDA.

- **Adjusted EBITDA** - Adjusted EBITDA is EBITDA adjusted for non-cash share-based compensation. The Company believes that the inclusion of Adjusted EBITDA also provides useful supplementary information to investors and other



third parties that allows them to assess the operating performance of the Company's ongoing business and to compare its results to prior periods and to the results of its competitors.

Please see the "Discussion of Operating Results - EBITDA and Adjusted EBITDA" and "Quarterly and Annual Information" below for a reconciliation of the Company's EBITDA to Adjusted EBITDA.

- **Adjusted EBITDA Margin** – the Company calculates Adjusted EBITDA Margin as Adjusted EBITDA as a percentage of total revenue. The Company believes the Adjusted EBITDA Margin helps to assess the operating performance of the Company and to compare its results to prior periods and to the results of its competitors.
- **Free Cash Flow** - Free Cash Flow is defined as cash provided by (used in) operating activities less maintenance capital expenditures to maintain its existing operations, inventory additions to its cemetery properties, and lease payments. The Company believes that the inclusion of Free Cash Flow is useful as it relates cash flow from operations to the capital that is spent to continue and improve business operations. Free Cash Flow facilitates our ability to strengthen the Company's balance sheet, repay our debt obligations, pay cash dividends, and fund organic growth initiatives and acquisitions.

Please see "Dividends and Free Cash Flow" below for a reconciliation of the Company's earnings from operations to Free Cash Flow.

- **Comparable Operations** – consists of business units or operating locations owned by the Company for the entire period from January 1, 2021, and ending December 31, 2022.
- **Comparable Cemetery Operations** – means Comparable Operations from the Company's cemetery businesses.
- **Comparable Funeral Operations** – means Comparable Operations from the Company's funeral businesses.
- **Acquired Operations** – consists of business units or operating locations acquired by the Company during the period from January 1, 2021, and ending December 31, 2022.
- **Total Debt** – consists of the aggregate of the book value of long-term debt, notes payable, lease liabilities and senior unsecured debentures (the "**Debentures**"), plus associated deferred financing costs and debt issuance costs.
- **Leverage Ratio** – is defined in the fourth amended and restated credit agreement between the Company and one of its U.S. subsidiaries as borrowers, and a syndicate of lenders led by National Bank of Canada, dated February 21, 2023 (as amended, amended and restated, renewed, extended, supplemented, replaced or otherwise modified from time to time, the "**Credit Facility**"), and is calculated as total indebtedness to trailing twelve months Adjusted EBITDA. Total indebtedness as defined in the Credit Facility, includes the face value of bank debt, mortgages, vehicle loans, notes payable, lease liabilities and letters of credit, and is offset by cash on hand. Trailing twelve months Adjusted EBITDA is calculated in accordance with the Credit Facility and includes Adjusted EBITDA for Acquired Operations in the period relative to a twelve month period (or pro-rated as necessary) prior to acquisition by the Company.

This non-IFRS measure helps to assess the Company's ability to repay the principal of its total indebtedness and assess the Company's use of leverage in the performance of the Company's operations.



- **Interest Coverage Ratio** – is calculated as the ratio of trailing twelve months Adjusted EBITDA to interest expense. The Interest Coverage Ratio is defined by and calculated in accordance with the Credit Facility.

This non-IFRS measure helps to assess the Company's ability to service its ongoing interest payments.



Overview

PLC is an Ontario corporation listed on the Toronto Stock Exchange (the “**TSX**”) under the stock symbol of “PLC” and “PLC.U”, its U.S. denominated ticker symbol, under which purchases and sales of common shares of the Company (“**Common Shares**”) can be made in USD. PLC is the only Canadian publicly listed cemetery, funeral and cremation operating company.

The Company is one of the largest providers of deathcare products and services in North America. The Company sells its products and services both at the time of need (at-need) and on a pre-arranged basis (pre-need). As at the date of this MD&A, PLC and its subsidiaries operate in 3 Canadian provinces and 18 U.S. states, which consist of 109 stand-alone cemeteries and 132 stand-alone funeral homes and 35 on-sites (where a funeral home is located on a cemetery), each of which services different areas and provides a different combination of products and services. The Company's primary products and services are cemetery lots, crypts, niches, monuments, caskets, urns and other merchandise, funeral services, after life celebration services, and cremation services.

PLC strives to be North America's premier funeral, cremation and cemetery provider, and the indisputable choice for funeral and cemetery services in the communities it serves. The Company's growth strategy includes organic initiatives, the optimization of product and service offerings, a focus on streamlining and improving its operational efficiencies, and future acquisitions which align with the Company's culture. Organic initiatives include the build-out of inventory at new or existing cemetery properties, remodeling of existing funeral homes, construction of new stand-alone funeral homes and construction of new funeral homes on existing cemetery properties (referred to as on-sites or combination properties). These projects unlock new sources of revenue for existing businesses while increasing the useful life of PLC's existing portfolio by allowing certain facility, personnel, and equipment costs to be shared between funeral service and cemetery locations.

Potential industry and economic factors affecting PLC's operating results include: a decline in the number of deaths, causing sales of funeral and cemetery services to decline; disruptions in the supply chain, which have led to increased lead times and in some cases, increases in cost in the Company's supply base; rising economic inflation rates; interest rate hikes; general market downturn; the Russia-Ukraine conflict; staff shortages; demographic trends in terms of population growth and average age; establishing and maintaining leading market share positions supported by strong local heritage and relationships; effectively responding to increasing cremation trends by selling complementary services and merchandise; and controlling salary and merchandise costs. A detailed set of risks applicable to the Company are included in the Company's AIF.

During the year ended December 31, 2022, PLC's operating performance continued to normalize as the COVID-19 pandemic trends towards endemic, resulting in a decrease in call volumes and at-need sales. As a result, the impacts of the COVID-19 pandemic on PLC's sequential and year-over-year performance were reduced. Although management expects revenue from Comparable Operations to decrease year-over-year in the first quarter of 2023 as mortality rates normalize, due to uncertainties relating to the magnitude and outcome of the COVID-19 pandemic, including possible future resurgences in the number of COVID-19 cases, and the appearance of other COVID-19 variants, it is difficult at this time to estimate the full extent of any future impacts of the COVID-19 pandemic on PLC's business or future financial results and related assumptions. While the number of COVID-19 cases declined in 2022, it is possible that future developments relating to COVID-19 could adversely impact the Company's business, operations, financial condition and cashflows, the extent of which, cannot be predicted with confidence as at the date hereof.

Although the Company has made significant progress in adapting to conditions resulting from the COVID-19 pandemic, its operations have been and may continue to be disrupted to varying degrees in many markets, from local precautionary legislation that would impact at-need services by restricting the size and number of funeral services, to economic disruptions that would impact the income it receives from its trust funds.



Update on PLC's Aspirational Growth Targets

In 2018, the Company announced its aspirational growth target to reach C\$100 million in pro-forma Adjusted EBITDA by the end of 2022, which it has exceeded. In doing so, the Company has achieved the following significant milestones:

- An increase in market capitalization from C\$566M to C\$896M;
- Growth in Adjusted EBITDA attributable to PLC shareholders from \$18.7M to \$74.9M, an increase of 302%;
- Adjusted Net Earnings Per Share growth of 80.0% to \$0.98 in Adjusted Net Earnings Per Share; and
- Improvement in Adjusted EBITDA Margin by 140 bps to 23.0%.

As PLC continues to actively pursue its strategic growth strategy, PLC has set two new long-term aspirational financial targets to achieve by the conclusion of the 2026 calendar year: (a) a total of \$150 million of pro forma Adjusted EBITDA and (b) Adjusted Net Earnings Per Share exceeding \$2.00. These new long-term aspirational financial targets will require that the Company continue to execute its growth strategy at a high level both through organic growth opportunities as well as by partnering with premier independent businesses. The Company will continue to focus on key considerations such as margin expansion as a result of synergies and ongoing operational improvements; offering of new products and services to its customers; the continued implementation, deployment and enhancement of its proprietary industry software system, FaCTST[™]; the construction of new funeral homes on existing cemetery properties; expansion of inventory at existing cemeteries; and capitalizing on continued strategic acquisition opportunities in high growth markets in both Canada and the U.S.

Financial Highlights

The table below summarizes selected financial information as at December 31, 2022, and the relevant comparable periods:

	December 31, 2022	December 31, 2021	December 31, 2020
Cash	\$ 30,277,742	\$ 20,785,798	\$ 24,721,246
Total Assets	\$ 1,479,007,465	\$ 1,406,098,186	\$ 1,202,118,574
Total Non-Current Liabilities	\$ 862,042,273	\$ 822,451,858	\$ 758,353,878
Total Debt ⁽¹⁾	\$ 245,852,290	\$ 171,504,908	\$ 190,576,902
Total Shareholder's Equity	\$ 551,595,990	\$ 540,033,450	\$ 403,314,399
Number of Shares Issued and Outstanding	33,939,153	33,930,209	29,564,526
Quarterly Dividend Paid per Share (CAD)	\$ 0.114	\$ 0.114	\$ 0.114
Leverage Ratio	1.83x	0.98x	1.55x
Interest Coverage Ratio	21.79x	30.63x	12.45x

⁽¹⁾ Total Debt – consists of the aggregate of the book value of long term debt, notes payable, lease liabilities and senior unsecured debentures, each as shown on the consolidated statement of financial position of the Company for the year ended December 31, 2022 (being an aggregate of \$242,615,471 plus associated deferred financing costs of \$1,302,733 and debt issuance costs of \$1,934,086) and for the consolidated statement of financial position for the year ended December 31, 2021 (being an aggregate of \$167,478,226, plus the face amount of deferred financing costs of \$1,480,644 and debt issuance costs of \$2,546,038) and for the year ended December 31, 2020 (being an aggregate of \$185,615,566, plus the face amount of deferred financing costs of \$1,595,445 and debt issuance costs of \$3,365,891).



The following table provides selected financial information and analysis about PLC's performance in Q4 and YTD 2022 compared with Q4 and YTD 2021.

	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2022	2021	Increase(decrease)	2022	2021	Increase(decrease)
Revenue	\$ 86,143,691	\$ 78,949,931	\$ 7,193,760	\$ 326,110,118	\$ 294,772,309	\$ 31,337,809
Earnings From Operations	\$ 10,687,903	\$ 11,914,633	\$ (1,226,730)	\$ 41,327,922	\$ 46,035,418	\$ (4,707,496)
Net Earnings, PLC shareholders	\$ 5,290,953	\$ 7,113,666	\$ (1,822,713)	\$ 25,124,765	\$ 27,812,866	\$ (2,688,101)
Adjusted Net Earnings, PLC shareholders	\$ 8,272,256	\$ 10,150,172	\$ (1,877,916)	\$ 33,838,416	\$ 38,032,511	\$ (4,194,095)
Adjusted EBITDA, PLC shareholders	\$ 19,772,589	\$ 19,954,979	\$ (182,390)	\$ 74,948,868	\$ 76,284,577	\$ (1,335,709)
Adjusted EBITDA Margin	23.0%	25.3%	(230) bps	23.0%	25.9%	(290) bps
Net Earnings Per Share - Basic	\$ 0.154	\$ 0.209	\$ (0.055)	\$ 0.735	\$ 0.894	\$ (0.159)
Net Earnings Per Share - Diluted	\$ 0.153	\$ 0.206	\$ (0.053)	\$ 0.725	\$ 0.882	\$ (0.157)
Adjusted Net Earnings Per Share - Basic	\$ 0.240	\$ 0.298	\$ (0.057)	\$ 0.990	\$ 1.222	\$ (0.232)
Adjusted Net Earnings Per Share - Diluted	\$ 0.239	\$ 0.294	\$ (0.055)	\$ 0.976	\$ 1.205	\$ (0.229)
Adjusted EBITDA Per Share - Basic	\$ 0.575	\$ 0.585	\$ (0.010)	\$ 2.193	\$ 2.452	\$ (0.259)
Adjusted EBITDA Per Share - Diluted	\$ 0.571	\$ 0.579	\$ (0.008)	\$ 2.162	\$ 2.418	\$ (0.256)
Weighted Average Number of Common Shares						
Basic	34,400,418	34,105,883	294,535	34,173,743	31,111,308	3,062,435
Diluted	34,641,420	34,483,191	158,229	34,664,014	31,549,563	3,114,451

Adjusted Net Earnings, Adjusted EBITDA and Adjusted EBITDA Margin are non-IFRS measures.

See "Description of non-IFRS measures".

Fourth Quarter Summary

The following points summarize PLC's financial and operational highlights from Q4 2022:

- For the three month period ended December 31, 2022, revenue increased by 9.1% to \$86,143,691 compared to the three month period ended December 31, 2021. Revenue growth was supported by strong sales at the Company's Acquired Operations, which increased by \$39,449,931. Revenue growth from Comparable Operations experienced a slight decrease of \$6,365,684, primarily due to decreases in at-need services at the Company's funeral and cemetery properties as mortality rates continue to normalize.
- Net earnings attributable to shareholders of PLC (the "Shareholders") decreased by 25.6% to \$5,290,953 for the three month period ended December 31, 2022, compared to \$7,113,666 for the three month period ended December 31, 2021, due to decreases in revenue from Comparable Operations, increased operating costs for labour, utilities, and maintenance, and corporate costs associated with the Company's growth.
- Net earnings margin for the three month period ended December 31, 2022, was 6.1% compared to 9.0% margin for the three month period ended December 31, 2021.
- Earnings from operations decreased by 10.3% to \$10,687,903 compared to the three month period ended December 31, 2021, due primarily to a decrease in revenue from a declining year-over-year mortality rate, and an increase in operating expenses as a result of the Company's growth and cost pressures due in-part to inflation.
- Diluted net earnings per Common Share to Shareholders decreased by \$0.053 or 25.8% for the three month period ended December 31, 2022, compared to the three month period ended December 31, 2021.



- Diluted Adjusted Net Earnings per Common Share to Shareholders decreased by \$0.055 or 18.7% for the three month period ended December 31, 2022, compared to the three month period ended December 31, 2021.
- Adjusted EBITDA decreased by 0.9% to \$19,772,589 for the three month period ended December 31, 2022, compared to the three month period ended December 31, 2021.
- Adjusted EBITDA margin for the three month period ended December 31, 2022, was 23%, a 230 bps decrease over the comparable period in 2021.
- As at December 31, 2022, the Company's Leverage Ratio (as such term is defined in the third amended and restated credit agreement between the Company and a syndicate of lenders led by National Bank of Canada, dated August 31, 2021) was 1.83x, and inclusive of the Company's outstanding debentures was 2.59x.
- The Company's Interest Coverage Ratio (as such term is defined in the third amended and restated credit agreement between the Company and a syndicate of lenders led by National Bank of Canada, dated August 31, 2021) decreased by 8.84x from December 31, 2021, to 21.79x on December 31, 2022, and inclusive of interest from the Company's outstanding debentures, totaled 10.92x as of December 31, 2022.
- On December 31, 2022, the Company had \$151,941,538 outstanding on the Credit Facility including letters of credit, and an undrawn balance of \$88,058,462.
- During the quarter the Company acquired substantially all of the assets of:
 - October 5, 2022 – Ertel Funeral Home & Crematory ("**Ertel**"), a stand-alone funeral home located in Cortez, Colorado, serving the families of Dolores and Montezuma Counties and the Ute Mountain and Navajo tribes.
 - November 2, 2022 – Brown's Cremation & Funeral Service ("**Brown's**"), a stand-alone funeral home located in Grand Junction, Colorado.
 - November 7, 2022 – Taylor Funeral Home ("**Taylor**") consisting of three stand-alone funeral homes and one on-site funeral home and cemetery combination located in Delta, Cedaredge, Hotchkiss and Paonia, Colorado.

Highlights of the Ertel, Brown's and Taylor transactions include:

- The addition of five stand-alone funeral homes; and one on-site funeral home and cemetery.
- Combined volumes of 1,738 calls per year and 35 interments.
- Following the closing and integration of all three businesses, the Ertel, Brown's and Taylor' acquisitions are expected to add approximately US\$1,618,000 in Adjusted EBITDA annually.
- The agreed upon purchase price multiple for each of the transactions is within PLC's publicly stated targeted Adjusted EBITDA multiple range for its historical transactions.
- On November 14, 2022, the Company acquired substantially all of the assets of Muehlebach Funeral Care in Kansas City, Missouri, Skradski-Pierce Funeral Home in Kansas City, Kansas and Assurance Cremation Society in Kansas City, Missouri (collectively, "**Muehlebach**"), expanding its footprint in the Kansas City metropolitan market.

Highlights of the transaction include:

- The addition of three stand-alone funeral homes.
- Volumes of 627 calls per year.
- Following the closing and integration of the transaction, the Muehlebach acquisition is expected to add approximately US\$616,000 in Adjusted EBITDA annually.
- The agreed upon purchase price multiple for the transaction is within PLC's publicly stated targeted Adjusted EBITDA multiple range for its historical transactions.



- On November 28, 2022, the Company acquired substantially all of the assets of Park Lawn Funeral Home and Memorial Park Cemetery & Green Lawn Cemetery, Park Lawn Northland Chapel and Glenridge Cemetery in Kansas City and Liberty, Missouri (collectively “**Park Lawn Missouri**”). The Park Lawn Missouri acquisition further expands PLC’s footprint in and around the Kansas City metropolitan market through the addition of one on-site, one stand-alone funeral home and one stand-alone cemetery.

Highlights of the transaction includes:

- Volumes of 657 calls per year and 404 interments per year.
 - The Park Lawn Missouri acquisition is expected to add approximately US\$1,256,990 in Adjusted EBITDA annually.
 - The agreed upon purchase price multiple for the transaction is within PLC’s publicly stated targeted Adjusted EBITDA multiple range for its historical transactions.
- On December 12, 2022, the Company acquired substantially all of the assets of Schrader, Aragon & Jacoby Funeral Home, Mountain View Memorial Park and Bustard & Jacoby Funerals, Cremation, Monuments and Receptions (collectively “**Jacoby**”) consisting of two stand-alone funeral homes and one stand-alone cemetery located in Cheyenne and Casper, Wyoming.

Highlights of the transaction include:

- Volumes of 1,146 calls per year and 30 interments.
- Following the closing and integration, the Jacoby businesses are expected to add approximately US\$2,000,343 in Adjusted EBITDA annually.
- The agreed upon purchase price multiple for the transaction is within PLC’s publicly stated targeted Adjusted EBITDA multiple range for its historical transactions.

Subsequent Events

On January 26, 2023, PLC entered into a definitive agreement to acquire substantially all the assets of Carson-Speaks Chapel in Independence, Missouri; Speaks Buckner Chapel in Buckner, Missouri; Speaks Suburban Chapel in Independence, Missouri; and Oak Ridge Memory Gardens in Independence, Missouri, expanding PLC’s footprint in the Kansas City metropolitan market through the addition of three stand-alone funeral homes and one stand-alone cemetery. The acquisition is anticipated to close in early April 2023 following the receipt of regulatory approval.

On March 1, 2023, PLC completed and opened a new build funeral home, Waco Memorial Funeral Home, which is located on-site at Waco Memorial Park in Waco, Texas.



Discussion of Operating Results

Three Months ended December 31, 2022

Revenue less Cost of Sales

Revenue less cost of sales for the three month period ended December 31, 2022, was \$70,905,798 compared to \$65,158,558, in the same period in 2021. This represents an increase of \$5,747,240 or 8.8%, over the same period in 2021.

Revenue is derived primarily from sales of property, merchandise and services by the Company's cemetery, funeral and cremation businesses. Revenue and cost of sales for the three month period ended December 31, 2022, and 2021 are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Sales	\$ 82,693,860	\$ 74,965,836
Income from care and maintenance funds	2,342,930	2,474,528
Interest and other income	<u>1,106,901</u>	<u>1,509,567</u>
Revenue	86,143,691	78,949,931
Cost of sales	<u>15,237,893</u>	<u>13,791,373</u>
Revenue less cost of sales	<u><u>\$ 70,905,798</u></u>	<u><u>\$ 65,158,558</u></u>

Revenue for the three month period ended December 31, 2022, was \$86,143,691 compared to \$78,949,931 in the same period in 2021. This represents an increase of \$7,193,760 or 9.1%, over the same period in 2021.

Total revenue increased 10.9% due to Acquired Operations offset by a decrease in Comparable Operations of 2.0%, primarily due to a decline in call volumes and averages at the Company's funeral home properties which decreased by 3.9% and 3.8% respectively year-over-year. These decreases were partially offset by strong pre-need cemetery sales during the three month period ended December 31, 2022.

The decrease in Comparable Operations call volumes year-over-year is due to a decline in mortality rates year-over-year, and decreases in averages were due, in part, to higher cremation services as well as heightened demand during the COVID pandemic particularly in the Company's southern states.

Pre-need property sales increased by \$2,851,007, in part due to large group sales in certain cemetery businesses. This was partially offset by a decrease in at-need property sales and services as mortality rates continue to normalize.

Income from the Company's care and maintenance trust funds (the "**Care and Maintenance Trust Funds**") for the three month period ended December 31, 2022, was \$2,342,930 compared to \$2,474,528 in the same period of 2021, which represents a decrease of \$131,598 or 5.3%. Income from the Company's Care and Maintenance Trust Funds may vary based on market returns, timing of capital gains and other distributions, along with income from trust funds obtained from Acquired Operations.

Interest and other income for the three month period ended December 31, 2022, was \$1,106,901 compared to \$1,509,567 in the same period in 2021, which represents a decrease of \$402,666 or 26.7%. This decrease is due to the timing of imputed interest being recorded on large long-term property contracts.



Cost of sales for the three month period ended December 31, 2022, was \$15,237,893 compared to \$13,791,373 in the same period in 2021. This represents an increase of \$1,446,520 or 10.5% over the same period in 2021. The increase was primarily a result of Acquired Operations which increased the cost of sales by \$1,202,686 as well as inflationary pressures relating to the cost of merchandise.

Operating Expenses

Operating expenses for the three month period ended December 31, 2022, were \$60,217,895 compared to \$53,243,925 in the same period in 2021. This represents an increase of \$6,973,970 or 13.1% over the same period in 2021, as indicated below:

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
General and administrative	\$ 42,194,516	\$ 35,045,269
Amortization of intangibles	320,406	296,934
Maintenance	6,339,451	6,782,017
Advertising and selling	7,722,039	8,381,057
Finance costs	2,839,058	1,672,814
Incentive compensation	802,425	1,065,834
	<u>\$ 60,217,895</u>	<u>\$ 53,243,925</u>

The Company's general and administrative expenses increased by \$7,149,247 the majority of which is attributable to increases in Acquired Operations of \$5,180,590 and increases in corporate costs by \$1,716,719. The increases in corporate costs are due to rising labour rates, additional IT infrastructure development and maintenance required from the recent and expected growth, additional audit and tax compliance fees, and increases in conference and travel costs. Comparable Operations increased by \$251,938 which is attributed primarily to increases in rising labour costs and other inflationary costs such as utilities, vehicle expenses and other miscellaneous costs such as fees for the use of crematories.

Maintenance expenses decreased by \$442,566 or 6.5% of which \$676,246 relates to Comparable Operations offset by \$233,680 from Acquired Operations. The decrease from Comparable Operations is primarily due to labour improvements at the Company's cemetery businesses including contract labour, as well as reduced repair and maintenance expenses year-over-year.

Advertising and selling expenses decreased by \$659,018 or 7.9%. Advertising and selling expenses decreased at Comparable Operations by \$907,217 offset by an increase of \$245,523 in advertising and selling expenses from Acquired Operations. The decrease from Comparable Operations is due to reduced commissions resulting from decreased at-need cemetery sales, commission rates on group sales and the restructure of sales incentive plans year-over-year.

Finance costs increased by \$1,166,244 or 69.7% as a result of \$65,357,678 more debt outstanding on the Company's Credit Facility year-over-year and an increase in interest rates year-over-year. On December 31, 2022, the interest rate on the Credit Facility was 5.2% compared to 1.1% on December 31, 2021.

The Company's second amended and restated omnibus equity incentive plan dated June 22, 2022 (as amended, amended and restated, renewed, extended, supplemented, replaced or otherwise modified from time to time, the "EIP") was established as a means of compensating directors and designated employees of the Company and its subsidiaries, and to promote share ownership and ensure alignment with Shareholders' interests. The EIP provides for the grant of deferred share units ("DSUs"), restricted share units ("RSUs"), performance share units ("PSUs"), and options to acquire Common Shares ("Options").



Compensation expenses associated with awards granted under the EIP for the three month period ended December 31, 2022, were \$802,425 compared to \$1,065,834 for the same period in 2021, which represents a decrease of \$263,409. Share-based incentive compensation expenses will vary based on vesting conditions, performance metrics, the market value of the underlying security, and the timing of when awards are issued. Included in this quarter was an \$868,332 reversal of share-based incentive compensation expenses due to certain performance targets not being met as of December 31, 2022. The offsetting increase in compensation expenses of \$604,923 was due to additional units awarded in the second and fourth quarters of 2022, offset in part by the vesting of Options during 2022.

As a result of the above, earnings from operations for the three month period ended December 31, 2022, totaled \$10,687,903 compared to \$11,914,633 for the same period in 2021. This represents a decrease of \$1,226,730 or 10.3%.

Acquisition and integration costs, other income (expenses) and income tax expense for the three month period ended December 31, 2022, and 2021 are as follows:

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Earnings from operations	\$ 10,687,903	\$ 11,914,633
Acquisition and integration costs	(2,455,264)	(2,050,013)
Other income (expenses)	<u>(86,346)</u>	<u>(335,338)</u>
Earnings before income taxes	8,146,293	9,529,282
Income tax expense	<u>2,855,340</u>	<u>2,415,616</u>
Net earnings for the year	<u>\$ 5,290,953</u>	<u>\$ 7,113,666</u>

During the three month period ended December 31, 2022, and 2021, the Company incurred acquisition and integration expenses of \$2,455,264 and \$2,050,013, respectively. Acquisition expenses will vary from period to period depending on the size and level of acquisition activity, and include expenses relating to legal, financial and tax due diligence, post-closing audits, representation and warranty insurance premiums, preparation of independent valuation reports, the preparation of reports for regulatory compliance purposes, and internal compensation.



Other income (expenses) comprised of the following:

- \$127,382 and \$101,033 of expenses for the three month period ended December 31, 2022, and 2021, respectively, including legal costs relating to the preservation of certain historical investments and obligations associated with those investments, as well as costs for the defence of intellectual property created by the Company.
- \$235,729 of impairment on other assets for the three month period ended December 31, 2021.
- Net gain of \$41,036 related to the disposition of miscellaneous equipment for the three month period ended December 31, 2022, and net gain of \$1,424 related to the disposition of miscellaneous equipment for the period ended December 31, 2021.

Income tax expense for the three month period ended December 31, 2022, was \$2,855,340 compared to \$2,415,616 for the same period in 2021. The effective tax rate for the three month period ended December 31, 2022, was 35.1% which is higher than the Company's statutory tax rates. The effective tax rate will differ from the Company's statutory tax rates primarily due to certain permanent differences in operating expenses that are not tax deductible, offset by non-taxable dividend income. The effective tax rate for the same period in 2021 was 25.3%.

As a result of the above, the Company's net earnings for the three month period ended December 31, 2022, totaled \$5,290,953 compared to \$7,113,666 for the same period in 2021, which represents a decrease of \$1,822,713 or 25.6% over the same period in 2021.

Earnings Per Share

The weighted average diluted number of Common Shares outstanding for the three month period ended December 31, 2022, increased to 34,641,420 compared to 34,483,191 for the same period in 2021, an increase of 158,229 or 0.5%. The increase in outstanding Common Shares relates primarily to the issuance of Common Shares pursuant to the Company's dividend reinvestment plan ("DRIP") and an increase in awards that have vested and were awarded pursuant to the EIP.

Fully diluted earnings per Common Share attributable to Shareholders for the three month period ended December 31, 2022, were \$0.153 compared to \$0.206 for the same period in 2021.

Adjusted Net Earnings

Net earnings for the three month period ended December 31, 2022, and 2021 as stated, have been impacted by certain one-time, non-recurring or non-cash revenue and expense, and other 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 reconciles Adjusted Net Earnings for the three month period ended December 31, 2022, and 2021 to the Company's net earnings:



	Three Months Ended December 31,	
	2022	2021
Net Earnings	\$ 5,290,953	\$ 7,113,666
Adjusted for the impact of:		
Amortization of intangible assets	320,406	296,934
Share based compensation	802,425	1,065,834
Acquisition and integration costs	2,455,264	2,050,013
Other (income) expenses	86,346	335,338
Tax effect on the above items	(683,138)	(711,613)
Adjusted Net Earnings, PLC shareholders	\$ 8,272,256	\$ 10,150,172
Adjusted Net Earnings - per share		
Basic	\$ 0.240	\$ 0.298
Diluted	\$ 0.239	\$ 0.294
Weighted Average Shares		
Basic	34,400,418	34,105,883
Diluted	34,641,420	34,483,191

Adjusted Net Earnings is non-IFRS measure. See "Description of non-IFRS measures".

Adjusted Net Earnings attributable to Shareholders for the three month period ended December 31, 2022, was \$8,272,256 and \$0.239 per share, diluted, compared to \$10,150,172 and \$0.294 per share, diluted, for the same period in 2021. This represents a decrease of 18.5% in the Adjusted Net Earnings and 18.7% in the Adjusted Net Earnings per share over the same three month period in 2021.



EBITDA and Adjusted EBITDA

The table below reconciles EBITDA and Adjusted EBITDA for the three month period ended December 31, 2022, and 2021 to earnings from operations:

	Three Months Ended December 31,	
	2022	2021
Earnings from operations	\$ 10,687,903	\$ 11,914,633
Adjusted for the impact of:		
Finance costs	2,839,058	1,672,814
Depreciation and amortization	3,097,311	3,185,581
Amortization of cemetery property	2,345,892	2,116,117
EBITDA, PLC shareholders	18,970,164	18,889,145
Share based compensation	802,425	1,065,834
Adjusted EBITDA, PLC shareholders	\$ 19,772,589	\$ 19,954,979
EBITDA, PLC shareholders - per share		
Basic	\$ 0.551	\$ 0.554
Diluted	\$ 0.548	\$ 0.548
Adjusted EBITDA, PLC shareholders - per share		
Basic	\$ 0.575	\$ 0.585
Diluted	\$ 0.571	\$ 0.579
Weighted Average Shares Outstanding		
Basic	34,400,418	34,105,883
Diluted	34,641,420	34,483,191

EBITDA and Adjusted EBITDA are non-IFRS measures. See "Description of non-IFRS measures".

Adjusted EBITDA attributable to Shareholders for the three month period ended December 31, 2022, was \$19,772,589 compared to \$19,954,979 during the same period in 2021, which represents a decrease of \$182,390 or 0.9%. The fully diluted Adjusted EBITDA per share for the three month period ended December 31, 2022, was \$0.571 compared to \$0.579 for the same period in 2021, a quarter over quarter decrease of \$0.008 or 1.4%.

The Adjusted EBITDA profit margin for the three month period ended December 31, 2022, was 23.0% compared to 25.3% for the same period in 2021, representing a 230 bps decrease.

Twelve months ended December 31, 2022

Revenue less Cost of Sales

Revenue less cost of sales for the twelve month period ended December 31, 2022, was \$271,453,479 compared to \$246,587,727 in the same period in 2021. This represents an increase of \$24,865,752 or 10.1%, over the same period in 2021.

Revenue is derived primarily from sales of property, merchandise and services by the Company's cemetery, funeral and cremation businesses. Revenue and cost of sales for the twelve months period ended December 31, 2022, and 2021 are as follows:



	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Sales	\$ 311,687,734	\$ 280,005,819
Income from care and maintenance funds	9,333,384	9,111,625
Interest and other income	<u>5,089,000</u>	<u>5,654,865</u>
Revenue	326,110,118	294,772,309
Cost of sales	<u>54,656,639</u>	<u>48,184,582</u>
Revenue less cost of sales	<u><u>\$ 271,453,479</u></u>	<u><u>\$ 246,587,727</u></u>

Revenue for the twelve month period ended December 31, 2022, was \$326,110,118 compared to \$294,772,309 in the same period of 2021. This represents an increase of \$31,337,809 or 10.6%, over the same period in 2021.

Revenue increased primarily due to Acquired Operations, which increased \$39,449,931 year-over-year, offset by a 2.3% decrease in revenue from Comparable Operations and the disposition of the Company's Manitoba and Saskatchewan businesses during the second quarter of 2021.

Revenue from Comparable Operations declined by 2.3% when compared to the same period in 2021, primarily due to lower call volumes at the Company's funeral businesses and decreases in at-need cemetery sales from declining mortality rates. The decrease in at-need cemetery sales was offset by strong pre-need cemetery sales primarily in the Company's Northeast region.

Comparable Funeral Operations experienced a 3.6% decrease in call volumes and at-need sales from Comparable Cemetery Operations decreased by approximately 6.1% primarily due to decreases in mortality rates following the height of the COVID-19 pandemic.

Income from the Care and Maintenance Trust Funds for the twelve month period ended December 31, 2022, was \$9,333,384 compared to \$9,111,625 in the same period of 2021, which represents an increase of \$221,759 or 2.4%. This increase is primarily driven from income contributions from Acquired Operations, which contributed \$409,349 of additional income offset by Comparable Operations which decreased \$187,590 primarily due to the timing and nature of distributions from the trust.

Interest and other income for the twelve month period ended December 31, 2022, was \$5,089,000 compared to \$5,654,865 in the same period in 2021, which represents a decrease of \$565,865 or 10.0%. This decrease relates primarily to the special distributions from certain real estate investments of the pre-need trust fund in the state of Michigan of \$679,238 in the second quarter of 2021, to a loan relating to a land investment being repaid during the first quarter of 2021 of \$316,319, and reduced corporate income of \$398,906 due to certain debt investments maturing in 2021, offset by an increase in imputed interest recorded on large property contracts with no stated interest and an increase from Acquired Operations of \$175,840.

Cost of sales for the twelve month period ended December 31, 2022, was \$54,656,639 compared to \$48,184,582 in the same period in 2021. This represents an increase of \$6,472,057 or 13.4%, over the same period in 2021. Cost of sales increased by 13.2% as a result of Acquired Operations, as well as, higher inflationary costs from operations, including merchandise and food catering services.



Operating Expenses

Operating expenses for the twelve month period ended December 31, 2022, were \$230,125,557 compared to \$200,552,309 in the same period in 2021. This represents an increase of \$29,573,248 or 14.7% over the same period in 2021, as indicated below:

	December 31, 2022	December 31, 2021
General and administrative	\$ 156,299,935	\$ 128,917,245
Amortization of intangibles	1,184,641	1,399,161
Maintenance	27,650,020	26,314,178
Advertising and selling	32,019,648	32,469,679
Finance costs	8,329,739	7,643,102
Share based incentive compensation	4,641,574	3,808,944
	\$ 230,125,557	\$ 200,552,309

A majority of the increase in operating expenses compared to the same period in 2021 was due to increases in general and administrative expenses from both Acquired Operations and corporate activities.

General and administrative expenses increased by \$27,382,690 or 21.2%. The increase from Acquired Operations was \$20,564,407 which represents 16.0% of the overall increase. Corporate costs increased by \$4,909,556 which is primarily associated with the recent and expected growth of the Company, rising labour rates, additional IT infrastructure development and maintenance required from the recent and expected growth, additional audit and tax compliance fees, and increases in conference and travel costs. These increases were partially offset due to a reduction in incentive compensation for corporate employees. General and administrative costs from Comparable Operations increased by \$2,719,856 predominantly due to increased labour costs and other inflationary costs such as utilities and vehicle costs. Other decreases of \$811,130 were a result of the sale of the Company's Manitoba and Saskatchewan businesses during the second quarter of 2021.

Maintenance expenses increased by \$1,335,842 or 5.1%. The increase from Acquired Operations was \$1,417,242, whereas Comparable Operations decreased year-over-year primarily due to labour improvements and cost reductions at the cemetery businesses in the fourth quarter to offset rising utilities and vehicles costs noted across the Company in throughout the year.

Advertising and selling expenses decreased by \$450,031 or 1.4%. The increase from Acquired Operations was \$1,928,167, offset by Comparable Operations which decreased by \$2,027,490, primarily due to a reduction in commissions expense associated with decreased at-need cemetery sales commissions on group sales, as well as the reorganizing of incentive plans at certain businesses.

Finance costs for the twelve month period ended December 31, 2022, primarily include interest expense on the Credit Facility and on the Debentures. Finance costs increased by \$686,637 for the twelve month period ended December 31, 2022, compared to the same period in 2021 as a result of \$65,357,678 more debt outstanding on the Company's Credit Facility year-over-year and an increase in interest rates year-over-year. On December 31, 2022, the interest rate on the Credit Facility was 5.2% compared to 1.1% on December 31, 2021.

Compensation expenses associated with awards granted under the EIP for the twelve month period ended December 31, 2022, were \$4,641,574 compared to \$3,808,944 for the same period in 2021, which represents an increase of \$832,630. Share-based incentive compensation expenses will vary based on vesting conditions, performance metrics, the market value of the underlying



security, and the timing of when awards are issued. Included in this quarter was an \$868,332 reversal of share-based incentive compensation expenses due to performance targets not being met as of December 31, 2022. The offsetting increase in compensation expenses of \$1,700,962 was due to additional awards issued pursuant to the EIP in the second and fourth quarters of 2022 and the fourth quarter of 2021, offset in-part by the vesting of Options during 2022.

As a result of the above, earnings from operations for the twelve month period ended December 31, 2022, totaled \$41,327,922 compared to \$46,035,418 for the same period in 2021. This represents a decrease of \$4,707,496 or 10.2%.

Acquisition and integration costs, other income (expenses) and income tax expense, for the twelve month period ended December 31, 2022, and 2021 are as follows:

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Earnings from operations	\$ 41,327,922	\$ 46,035,418
Acquisition and integration costs	(7,046,469)	(5,723,392)
Other income (expenses)	<u>1,352,075</u>	<u>(1,356,710)</u>
Earnings before income taxes	35,633,528	38,955,316
Income tax expense	<u>10,508,763</u>	<u>11,054,444</u>
Net earnings for the year	<u><u>\$ 25,124,765</u></u>	<u><u>\$ 27,900,872</u></u>

During the twelve month period ended December 31, 2022, and 2021, the Company incurred acquisition and integration expenses of \$7,046,469 and \$5,723,392, respectively. Acquisition expenses will vary from period to period, depending on the size and level of acquisition activity, and include expenses relating to legal, financial and tax due diligence, post-closing audits, representation and warranty insurance premiums, preparation of independent valuation reports, the preparation of reports for regulatory compliance purposes, and internal compensation.

Other income (expenses) is comprised of the following:

- \$387,145 and \$201,698 of expenses for the twelve month periods ended December 31, 2022, and 2021, respectively, which includes legal costs relating to the preservation of certain historical investments and obligations associated with those investments, as well as costs for the defence of intellectual property created by the Company.
- The sale of the Company's Manitoba and Saskatchewan businesses on June 18, 2021, whereby, the Company received C\$3,714,853 and a promissory note receivable of C\$1,785,147, which carried an interest rate of 5% and matured on December 18, 2021. The transaction resulted in a net loss of \$679,601, for the year ended December 31, 2021. The disposition of these businesses did not represent a strategic shift in the Company's business and did not have a major effect on its operational or financial results.
- \$153,972 and \$480,818 of impairment on other assets during the twelve month period ended December 31, 2022, and 2021, respectively.
- Net gain of \$1,893,192 related to the disposition of land and miscellaneous equipment for the twelve month period ended December 31, 2022, and a net gain of \$5,407 related to the disposition of miscellaneous equipment for the period ended December 31, 2021.

Income tax expense for the twelve month period ended December 31, 2022, was \$10,508,763 compared to \$11,054,444 for the same period in 2021. The effective tax rate for the twelve month period ended December 31, 2022, was 29.5% which is higher



than the Company's statutory tax rates. The effective tax rate will differ from the Company's statutory tax rates primarily as a result of certain permanent differences in operating expenses that are not tax deductible, offset by non-taxable dividend income. The effective tax rate for the same period in 2021 was 28.4%.

As a result of the above, the Company's net earnings for the twelve month period ended December 31, 2022, totaled \$25,124,765 compared to \$27,900,872 for the same period in 2021, which represents a decrease of \$2,776,107 or 9.9% over the same period in 2021.

Earnings Per Share

The weighted average diluted number of Common Shares outstanding for the twelve month period ended December 31, 2022, increased to 34,664,014 compared to 31,549,563 for the same period in 2021, representing an increase of 3,114,451 or 9.9%. The increase in outstanding Common Shares relates primarily to the Company's bought deal financing, which closed on September 3, 2021 (the "**2021 Financing**"), pursuant to which, the Company issued 4,081,000 Common Shares at a price of C\$36.40 per Common Share for total gross proceeds of C\$148,548,400 (including the exercise of the full over-allotment option), the issuance of Common Shares pursuant to the DRIP and an increase in awards that have vested and were awarded pursuant to the EIP.

Fully diluted earnings per Common Share attributable to Shareholders for the twelve month period ended December 31, 2022, were \$0.725 compared to \$0.882 for the same period in 2021.



Adjusted Net Earnings

Net earnings for the twelve month period ended December 31, 2022, and 2021 as stated, have been impacted by certain one-time, non-recurring or non-cash revenue and expense, and other 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 reconciles Adjusted Net Earnings for the twelve month period ended December 31, 2022, and 2021 to the Company's net earnings:

	Twelve Months Ended December 31,	
	2022	2021
Net Earnings	\$ 25,124,765	\$ 27,812,866
Adjusted for the impact of:		
Amortization of intangible assets	1,184,641	1,399,161
Share based compensation	4,641,574	3,808,944
Acquisition and integration costs	7,046,469	5,723,392
Other (income) expenses	(1,352,075)	1,356,710
Tax effect on the above items	(2,806,958)	(2,068,562)
Adjusted Net Earnings, PLC shareholders	\$ 33,838,416	\$ 38,032,511
Adjusted Net Earnings - per share		
Basic	\$ 0.990	\$ 1.222
Diluted	\$ 0.976	\$ 1.205
Weighted Average Shares		
Basic	34,173,743	31,111,308
Diluted	34,664,014	31,549,563

Adjusted Net Earnings is non-IFRS measure. See "Description of non-IFRS measures".

Adjusted Net Earnings attributable to Shareholders for the twelve month period ended December 31, 2022, were \$33,838,416 and \$0.976 per share, diluted, compared to \$38,032,511 and \$1.205 per share, diluted, for the same period in 2021. This represents a decrease of 11.0% in the Adjusted Net Earnings and 19.0% in the Adjusted Net Earnings per share over the same twelve month period in 2021.



EBITDA and Adjusted EBITDA

The table below reconciles EBITDA and Adjusted EBITDA for the twelve month period ended December 31, 2022, and 2021 to earnings from operations:

	Twelve Months Ended December 31,	
	2022	2021
Earnings from operations	\$ 41,327,922	\$ 46,035,418
Adjusted for the impact of:		
Finance costs	8,329,739	7,643,102
Depreciation and amortization	13,058,253	11,787,596
Amortization of cemetery property	7,591,380	7,198,142
Non-controlling interest	-	(188,625)
EBITDA, PLC shareholders	70,307,294	72,475,633
Share based compensation	4,641,574	3,808,944
Adjusted EBITDA, PLC shareholders	\$ 74,948,868	\$ 76,284,577
EBITDA, PLC shareholders - per share		
Basic	\$ 2.057	\$ 2.330
Diluted	\$ 2.028	\$ 2.297
Adjusted EBITDA, PLC shareholders - per share		
Basic	\$ 2.193	\$ 2.452
Diluted	\$ 2.162	\$ 2.418
Weighted Average Shares Outstanding		
Basic	34,173,743	31,111,308
Diluted	34,664,014	31,549,563

EBITDA and Adjusted EBITDA are non-IFRS measures. See "Description of non-IFRS measures".

Adjusted EBITDA attributable to Shareholders for the twelve month period ended December 31, 2022, was \$74,948,868 compared to \$76,284,577 during the same period in 2021, which represents a decrease of \$1,335,709 or 1.8%. The fully diluted Adjusted EBITDA per share for the twelve month period ended December 31, 2022, was \$2.162 compared to \$2.418 for the same period in 2021, a year-over-year decrease of \$0.256 or 10.6%.

The Adjusted EBITDA profit margin for the twelve month period ended December 31, 2022, was 23.0% compared to 25.9% for the same period in 2021, representing a 290 bps decrease.



Geographic Information

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

	December 31, 2022	December 31, 2021 <i>(Restated - see Financial Statements)</i>
Canada	\$ 171,249,043	\$ 186,641,477
United States	1,307,758,422	1,219,456,709
Total	<u>\$ 1,479,007,465</u>	<u>\$ 1,406,098,186</u>

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

	December 31, 2022	December 31, 2021 <i>(Restated - see Financial Statements)</i>
Canada	\$ 172,678,576	\$ 182,810,793
United States	754,732,899	683,253,943
Total	<u>\$ 927,411,475</u>	<u>\$ 866,064,736</u>



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

	Twelve Months Ended December 31,	
	2022	2021 (Restated - see Financial Statements)
Revenue:		
Sales:		
Canada	\$ 29,102,171	\$ 29,075,760
United States	282,585,563	250,930,059
Total sales	<u>311,687,734</u>	<u>280,005,819</u>
Income from care and maintenance funds:		
Canada	3,668,724	4,000,985
United States	5,664,660	5,110,640
Total income from care and maintenance funds	<u>9,333,384</u>	<u>9,111,625</u>
Interest and other income:		
Canada	363,945	774,818
United States	4,725,055	4,880,047
Total interest and other income	<u>5,089,000</u>	<u>5,654,865</u>
Total revenue:		
Canada	33,134,840	33,851,563
United States	292,975,278	260,920,746
Total revenue	<u>\$ 326,110,118</u>	<u>\$ 294,772,309</u>
Total net earnings/loss:		
Canada ⁽¹⁾	(8,033,642)	(8,695,402)
United States	33,158,407	36,596,274
Total net earnings/loss	<u>\$ 25,124,765</u>	<u>\$ 27,900,872</u>

⁽¹⁾ Canada's net loss includes shared based incentive compensation and public company costs.

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. Investment income from the Care and Maintenance Trust Funds are used to defray eligible cemetery care and maintenance expenses. The Company had a net working capital of \$27,625,754 as of December 31, 2022, including \$30,277,742 in cash. Net working capital is calculated as the difference between the Company's current assets and its current liabilities. Fluctuations in operating assets and liabilities between periods may be attributable to the volatility and timing of cash receipts and payments, among other factors.

The Credit Facility has an overall borrowing capacity of \$240 million and a maturity date of August 31, 2027. In January 2023 Commencing February 21, 2023, in order to provide the Company additional financial flexibility, Park Lawn added a \$60 million tranche to its existing credit facility for a term of one-year. Based on the borrowing currency, the Credit Facility bears variable



interest at the banker's acceptance rate (where borrowing currency is Canadian) or secured overnight financing rate (where borrowing currency is U.S.), plus an applicable margin based on the Leverage Ratio.

The Credit Facility requires the Company to maintain a Leverage Ratio of less than 3.75 times and an Interest Coverage Ratio of greater than 3 times. The Company's Leverage Ratio and Interest Coverage Ratio will fluctuate depending on its earnings, interest rates and the amount of its outstanding debt. As of December 31, 2022, the Company was in compliance with both covenant tests (as set out in the third amended and restated credit agreement between the Company and a syndicate of lenders led by National Bank of Canada, dated August 31, 2021) with the Leverage Ratio being 1.83 times and the Interest Coverage Ratio being 21.79 times.

At December 31, 2022, the Company had \$151,941,538 outstanding on the Credit Facility including letters of credit totaling \$564,078. The Company has an undrawn balance on its Credit Facility of \$88,058,462 and \$30,277,742 in cash on hand as at December 31, 2022.

Through the 2021 Financing, the Company raised total gross proceeds of C\$148,548,400, which were used to repay outstanding indebtedness under the Credit Facility and for strategic growth initiatives including acquisitions, organic growth opportunities and general corporate purposes.

In July 2020, the Company raised C\$86,250,000 in gross proceeds from the issuance of publicly traded Debentures. The proceeds were used to repay a portion of the outstanding Credit Facility. For purposes of testing the covenants under the Credit Facility, the Debentures are not included as part of total indebtedness. The Debentures mature on December 31, 2025 and are not redeemable before December 31, 2023.

As at December 31, 2022, the Company had other debt of \$25,126,880 comprised of vehicle loans and notes payable to former business owners supporting non-compete and warranty agreements. Further, the Company had \$5,763,281 in lease liabilities, and the Debentures balance as at December 31, 2022, was \$61,650,585, net of debt issuance costs and accretion expense of \$1,934,086. Included in notes payable is \$11.5 million that was paid to the former business owner in January, 2023.

Effective February 27, 2023, the Company, through one of its subsidiaries, entered into an interest rate swap transaction with one of the Company's syndicate lenders of the Credit Facility, whereby, the parties agreed to exchange at specified intervals, fixed and variable interest amounts calculated by reference to a notional amount of \$50 million. The term of the interest rate swap is three years with a variable to fixed interest rate swap arrangement at 4.372%.

Management believes that cash from operating activities, future debt financings, and the Credit Facility will be sufficient to support the Company's ongoing business operations, growth initiatives and debt repayment obligations. The Company's cash on hand will fluctuate depending on its revenues, timing of receivables, and inflationary pressures resulting in increased expenses and interest rates. Growth through organic initiatives, the optimization of product and service offerings, a focus on streamlining and improving its operational efficiencies and strategic acquisitions may necessitate the raising of funds through debt, equity financings and/or other means. Decisions will be made on a specific transaction basis and will depend on market and economic conditions at the time. However, given potential industry and economic factors that may impact the Company's financial performance and operations, such that capital and credit markets and industry sentiment are adversely affected, it may be more difficult for the Company to access the necessary capital or credit markets or if able to do so, at a higher cost or less advantageous terms than existing borrowings. In addition, reduced revenue, and higher operating costs due to disruptions in the supply chain, increases in cost in the Company's supply base, rising economic inflation rates, labour shortages and a general market downturn may result in reductions or early pre-payments of existing financings if covenants are unable to be met (refer to "Risks").



Contractual Obligations Due by Period

The following charts summarize the Company's contractual obligations, including payments due for each of the next five years and thereafter.

	2023	2024	2025	2026	2027	Thereafter	Total
Revolving loan facility	\$ -	\$ -	\$ -	\$ 4,577,460	\$ 146,800,000	\$ -	\$ 151,377,460 ⁽¹⁾
Other long-term debt	43,623	29,332	13,245	5,340	-	-	91,540
Notes payable	14,212,404	1,822,919	1,623,515	1,402,079	1,313,711	4,660,713	25,035,340 ⁽²⁾
Lease liabilities	1,763,510	1,186,609	858,187	899,430	460,358	1,684,588	6,852,683
Senior Unsecured Debentures	-	-	61,650,585	-	-	-	61,650,585
Construction commitments	7,934,066	12,438	-	-	-	-	7,946,504
Total	\$ 23,953,603	\$ 3,051,298	\$ 64,145,532	\$ 6,884,309	\$ 148,574,069	\$ 6,345,301	\$ 252,954,112

⁽¹⁾ Excludes letters of credit issued of \$564,078.

⁽²⁾ Includes \$11,499,341 of consideration for the Jacoby acquisition which was paid in January 2023.

Commitments

As at December 31, 2022, the Company had 14 ongoing commitments (the “**Commitments**”) with an aggregate balance of \$7,946,504 for the construction of funeral homes, mausoleums, and cemetery development in the United States. To date, the Company spent \$8,016,633 on the Commitments in progress. The construction Commitments relate primarily to Waco Funeral Home, Hollywood Memorial Park and Cemetery, and Forest Lawn Cemetery's Garden of Angels, as described below.

On March 1, 2023, the Company completed and opened the Waco Memorial Funeral Home, a new-build funeral home, located on-site at Waco Memorial Park in Waco, Texas. This new on-site facility offers the first funeral home and cemetery combination in the market and is expected to provide an important part of the Company's organic growth strategy. Included in Commitments at December 31, 2022 for this project are \$984,012 of construction costs.

Hollywood Memorial Park and Cemetery is an 81-acre cemetery property located in Union, New Jersey. Hollywood is constructing a 1,064-casket space garden mausoleum. To date, the company has spent \$80,000 with a remaining project cost of approximately \$1,900,000. The project is expected to be completed in Q4 of 2023.

Forest Lawn Cemetery's Garden of Angels property is located in Houston, Texas and consists of an area containing ground burial spaces, hedged estates, a columbarium and various cremation features. To date, the company has spent \$44,799 on the project and the remaining balance of approximately \$900,000 will be spent in Q2 of 2023, when the project is expected to be completed.

Included in the Commitments is an agreement for the purchase of four industrial units of property in Mississauga, Ontario, Canada (the “**Haines Properties**”). A purchase and sale agreement for the Haines Properties was entered into by a limited partnership formed by a subsidiary of the Company as general partner, and a trustee on behalf of certain Care and Maintenance Trust Funds, as limited partners (“**Haines LP**”) for an aggregate purchase price of C\$3,331,885. The Haines Properties are currently leased by one of the Company's funeral homes from an arm's length third party. On closing of the transaction, which is expected to occur during the second quarter of 2023, the Haines Properties will be leased by Haines LP to the funeral home on substantially the same terms as the existing lease, with necessary adjustments to rent to align with market terms.



Land related to cemetery interment rights that have been sold do not retain any value. All interment or scattering rights related to cemetery lots, including any appreciation or depreciation in value, are held by the purchaser(s). When cemetery interment rights are sold to a customer, the corresponding expense is included in the “Cost of sales” line item on the consolidated statements of earnings and the sold property is removed from inventory on the statement of financial position.

Dividends and Free Cash Flow

The Company uses Free Cash Flow as a measure of, among other things, the sustainability of its dividend. The table below summarizes the calculation of Free Cash Flow for the three and twelve month periods ended December 31, 2022, and 2021 compared to its dividend payout:

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2022	2021	2022	2021
Cash provided by (used in) operating activities	\$ 22,847,830	\$ 19,871,314	\$ 68,890,030	\$ 63,343,894
Maintenance capital expenditures	(5,819,650)	(3,481,815)	(12,418,549)	(8,370,665)
Inventory additions	(230,615)	(703,637)	(2,006,601)	(3,260,994)
Lease payments	(469,280)	(450,848)	(1,643,448)	(1,869,148)
Free cash flow from operations	<u>\$ 16,328,285</u>	<u>\$ 15,235,014</u>	<u>\$ 52,821,432</u>	<u>\$ 49,843,087</u>
Free cash flow from operations per common share-diluted	<u>\$ 0.471</u>	<u>\$ 0.442</u>	<u>\$ 1.524</u>	<u>\$ 1.580</u>
Dividends per common share	<u>\$ 0.090</u>	<u>\$ 0.090</u>	<u>\$ 0.360</u>	<u>\$ 0.360</u>
Payout ratio	<u>19%</u>	<u>20%</u>	<u>24%</u>	<u>23%</u>
Weighted average shares outstanding-diluted	<u>34,641,420</u>	<u>34,483,191</u>	<u>34,664,014</u>	<u>31,549,563</u>

As calculated above, the Company’s Free Cash Flow from operations was \$16,328,285 for the three month period ended December 31, 2022, compared to \$15,235,014 for the same period in 2021. This represents Free Cash Flow per fully diluted Common Share of \$0.471 and \$0.442 for the three month periods ended December 31, 2022, and 2021, respectively. The Company’s Free Cash Flow from operations was \$52,821,432 for the twelve month period ended December 31, 2022, compared to \$49,843,087 for the same period in 2021. This represents Free Cash Flow per fully diluted Common Share of \$1.524 and \$1.580 for the twelve month periods ended December 31, 2022, and 2021, respectively.

The Company paid dividends of \$0.090 per Common Share for the three month periods ended December 31, 2022, and 2021. The dividends paid represent 19% and 20% of Free Cash Flow for the three month periods ended December 31, 2022, and 2021, respectively. The Company paid dividends of \$0.360 per Common Share for the twelve month periods ended December 31, 2022, and 2021. The dividends paid represent 24% and 23% of Free Cash Flow for the twelve month periods ended December 31, 2022, and 2021, respectively.

On December 20, 2021, the Company announced that it was moving from a monthly to a quarterly dividend payment schedule, with dividends to be declared to Shareholders of record on the last business day of each quarter, with dividends expected to be paid in April, July, October, and January of each calendar year, subject to approval of the directors of the Company. The dividend rate remains the same at \$0.090 per Common Share per quarter.

For the three month period ended December 31, 2022, and 2021, the Company declared dividends to Shareholders totaling C\$0.114 per share. The following table sets forth the per Common Share amounts of quarterly dividends declared and paid by the Company since January 1, 2022.



Month	Dividend Record Date	Payment Date	Per Share
March, 2022	March 31, 2022	April 15, 2022	C\$0.114
June, 2022	June 30, 2022	July 15, 2022	C\$0.114
September, 2022	September 30, 2022	October 17, 2022	C\$0.114
December, 2022	December 31, 2022	January 16, 2023	C\$0.114

Care and Maintenance Trust Funds

Provincial and state regulations allow for periodic withdrawals of income from the Care and Maintenance Trust Funds and the Company generally requests that the trustee distribute allowable income monthly. The trustees of the Care and Maintenance Trust Funds provide a monthly statement that includes an accounting of interest, dividends, realized capital gains/losses, and unrealized capital gains. The Company accrues income at the end of a reporting period when the income will not be distributed until the beginning of the next period to the extent it has expenses, as defined by applicable state and provincial regulations, in excess of the income generated by the trust.

Annually, in accordance with certain provincial and state regulations, the Company provides, to the respective governing bodies, a reconciliation of income withdrawn relative to allowable costs.

The Company defers any income from the Care and Maintenance Trust Funds to the extent it does not incur any allowable expenses.

The Company contributes a portion of all lot, crypt and niche sales to the Care and Maintenance Trust Funds in accordance with regulatory requirements. During the twelve month period ended December 31, 2022, the Company contributed \$9,777,138 to the Care and Maintenance Trust Funds. The Care and Maintenance Trust Fund assets are included in the Consolidated Statement of Financial Position at market value. As of December 31, 2022, the aggregate balance of the Care and Maintenance Trust Funds was \$209,459,602 compared to \$229,963,783 as at December 31, 2021. The decrease is primarily a result of investment performance and timing of capital gains and other distributions, offset by contributions to the Care and Maintenance Trust Funds during the current period. The Care and Maintenance Trust Fund assets are offset by a corresponding liability for Care and Maintenance Trusts' Corpus.

As of December 31, 2022, the Company had net unrealized loss in the Care and Maintenance Trust Funds of \$12,117,670, which represents a 5.5% net unrealized loss to the original cost basis.

Pre-Need Merchandise and Service Trust Funds

The Company maintains separate trust funds for the deposit of cash received for the purchase of pre-need merchandise and services to be delivered at some future date (the "**Pre-Need Merchandise and Service Trust Funds**"). The trustees of the Pre-Need Merchandise and Service Trust Funds provide a monthly statement that includes an accounting of interest, dividends, realized capital gains/losses, and unrealized capital gains. The interest, dividends, and realized capital gains/losses are then allocated, on a pro-rata basis, over the principal amount held in trust for each contract and for each line item of the contract that is not yet delivered. When the contract becomes at-need and the performance obligations are met, the principal and accumulated earnings relating to the delivered items on the contract are withdrawn from the trust fund and recognized as income in accordance with relevant revenue recognition standards. 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 Pre-Need Merchandise and Service Trust Funds had a market value of \$239,292,825 on December 31, 2022, compared to \$259,728,034 as at December 31, 2021. The decrease in fair value since December 31, 2021, is a result of investment performance during the current period. The



Pre-Need Merchandise and Service Trust Funds are offset by a corresponding liability for Deferred Pre-Need Receipts held in trust.

As of December 31, 2022, the Company had a net unrealized loss in the Pre-Need Merchandise and Service Trust Funds of \$22,568,820, which represents a 8.6% net unrealized loss to the original cost basis.

P rearranged Funeral Insurance Contracts

In addition to trust funded prearranged funeral services contracts, the Company also has prearranged funeral services contracts that are funded by insurance. As at December 31, 2022, the current face amounts of pre-funded policies totaled \$532,083,602 (\$437,843,714 as at December 31, 2021). Generally, families who have prearranged with the Company will receive a refund to the extent that the face amount of the policy exceeds the current retail value of the merchandise and services to be provided. The insurance funded contracts are not included in the consolidated financial statements as the Company is not the beneficiary of the policy. Amounts funded through insurance are available to the Company when the funeral services are performed.

Finance Assurances

The Company has entered into arrangements with certain surety companies in the United States, whereby such companies agree to issue surety bonds on the Company's behalf as financial assurance. When selling pre-need contracts, the Company may purchase surety bonds in accordance with applicable laws. The surety bonds are used to support the Company's pre-need cemetery merchandise sales activities, in lieu of trusting certain amounts of funds received from the customer. The amount of the bond posted is generally determined by the total amount of a pre-need contract that would otherwise be required to be put in trust, in accordance with applicable laws. The obligations underlying these surety bonds are recorded as deferred revenue. As at December 31, 2022, and December 31, 2021, the Company had surety bonds with an aggregate face value of \$30,186,414 and \$28,215,375, respectively.



Quarterly and Annual Information

	2022 Q4	2022 Q3	2022 Q2	2022 Q1	Year Ending Dec 31, 2022
Revenue	\$86,143,691	\$80,871,605	\$75,921,525	\$83,173,297	\$326,110,118
Operating expenses	\$60,217,895	\$58,414,364	\$55,398,697	\$56,094,601	\$230,125,557
Earnings from operations	\$10,687,903	\$9,440,002	\$7,799,638	\$13,400,379	\$41,327,922
Net earnings, PLC shareholders	\$5,290,953	\$5,323,908	\$5,807,886	\$8,702,018	\$25,124,765
Adjusted net earnings, PLC shareholders ⁽¹⁾	\$8,272,256	\$7,764,988	\$6,624,310	\$11,176,862	\$33,838,416
Adjusted EBITDA, PLC shareholders ⁽²⁾	\$19,772,589	\$18,155,459	\$15,605,747	\$21,415,073	\$74,948,868
Adjusted EBITDA margin ⁽²⁾	23.0%	22.4%	20.6%	25.7%	23.0%
Net earnings per share - basic, PLC shareholders ⁽³⁾	\$0.154	\$0.155	\$0.170	\$0.255	\$0.735
Net earnings per share - diluted, PLC shareholders ⁽³⁾	\$0.153	\$0.153	\$0.167	\$0.250	\$0.725
Adjusted Net Earnings per share - basic, PLC shareholders ^{(1), (3)}	\$0.240	\$0.226	\$0.194	\$0.327	\$0.990
Adjusted Net Earnings per share - diluted, PLC shareholders ^{(1), (3)}	\$0.239	\$0.224	\$0.190	\$0.321	\$0.976
Adjusted EBITDA per share - basic, PLC shareholders ^{(2), (3)}	\$0.575	\$0.529	\$0.456	\$0.627	\$2.193
Adjusted EBITDA per share - diluted, PLC shareholders ^{(2), (3)}	\$0.571	\$0.523	\$0.448	\$0.615	\$2.162

	2021 Q4	2021 Q3	2021 Q2	2021 Q1	Year Ending Dec 31, 2021
Net revenue	\$78,949,931	\$73,038,015	\$72,028,202	\$70,756,161	\$294,772,309
Operating expenses	\$53,243,925	\$49,797,636	\$49,912,740	\$47,598,008	\$200,552,309
Earnings from operations	\$11,914,633	\$11,661,356	\$10,553,673	\$11,905,756	\$46,035,418
Net earnings, PLC shareholders	\$7,113,666	\$7,186,518	\$5,807,870	\$7,704,812	\$27,812,866
Adjusted net earnings, PLC shareholders ⁽¹⁾	\$10,150,172	\$9,585,999	\$8,782,108	\$9,514,232	\$38,032,511
Adjusted EBITDA, PLC shareholders ⁽²⁾	\$19,954,979	\$18,654,958	\$18,524,474	\$19,150,167	\$76,284,577
Adjusted EBITDA margin ⁽²⁾	25.3%	25.5%	25.8%	27.2%	25.9%
Net earnings per share - basic, PLC shareholders ⁽³⁾	\$0.209	\$0.231	\$0.194	\$0.258	\$0.894
Net earnings per share - diluted, PLC shareholders ⁽³⁾	\$0.206	\$0.229	\$0.192	\$0.256	\$0.882
Adjusted Net Earnings per share - basic, PLC shareholders ^{(1), (3)}	\$0.298	\$0.308	\$0.293	\$0.319	\$1.222
Adjusted Net Earnings per share - diluted, PLC shareholders ^{(1), (3)}	\$0.294	\$0.305	\$0.291	\$0.316	\$1.205
Adjusted EBITDA per share - basic, PLC shareholders ^{(2), (3)}	\$0.585	\$0.600	\$0.619	\$0.642	\$2.452
Adjusted EBITDA per share - diluted, PLC shareholders ^{(2), (3)}	\$0.579	\$0.593	\$0.613	\$0.636	\$2.418

⁽¹⁾ Adjusted Net Earnings is non-IFRS measure. See “Discussion of Operating Results – Adjusted Net Earnings” for reconciliation of the Company’s net earnings to Adjusted Net Earnings.

⁽²⁾ Adjusted EBITDA is non-IFRS measure. See “Discussion of Operating Results – Adjusted EBITDA” for reconciliation of the Company’s Adjusted EBITDA.

⁽³⁾ The sum of the quarterly amounts per share, basic and diluted, may not equal the period amount due to the rounding and use of weighted average shares outstanding.

The changes in the Company’s quarter over quarter results are primarily the result of growth in revenue through acquisitions as well as organic growth. Additionally, the Company’s business can be affected by seasonal fluctuations in the death rate. Generally, the number of deaths is higher during the winter months as influenza and pneumonia are generally higher during this period than other periods of the year. Although the COVID-19 pandemic triggered an increase in both pre-need and at-need sales in markets negatively impacted by the pandemic, mortality rates began to normalize in 2022 as the pandemic trended towards endemic, and as a result, call volumes and at-need sales decreased.



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; and (ii) key management personnel, which are comprised of the directors and officers of the Company.

Key management compensation

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

	Twelve Months Ended December 31,	
	2022	2021
		(Restated - see Note 4)
Key management compensation	\$ 5,777,969	\$ 4,919,149
Directors' fees	570,684	660,232
Total	<u>\$ 6,348,653</u>	<u>\$ 5,579,381</u>

Purchase of Haines Properties

The Company entered into an agreement for the purchase of the Haines Properties (see "Liquidity and Capital Resources – Commitments" for further details).

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 and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure.

Subject to the limitations set out below, the Company's management, under the supervision of the Chief Executive Officer and Chief Financial Officer, 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 Chief Executive Officer and Chief Financial Officer 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, 2022.

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

Limitation on Scope of Design

The Chief Executive Officer and Chief Financial Officer have limited the scope of design of disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures of Chancellor and Hudson acquired in the second quarter of 2022, Farris and Shackelford in the third quarter of 2022, and Muehlebach, Ertel, Brown's, Taylor, and Park Lawn Missouri and Jacoby in the fourth quarter of 2022.

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

The following is a summary of certain financial information as at December 31, 2022, related to the above mentioned acquisitions:



	December 31, 2022 Chancellor	December 31, 2022 Hudson	December 31, 2022 Farris	December 31, 2022 Shackelford	December 31, 2022 Ertel
Revenue	\$ 2,147,080	\$ 940,584	\$ 1,422,409	\$ 3,073,255	\$ 282,060
Net earnings	\$ 645,457	\$ 171,795	\$ 336,562	\$ 454,659	\$ 52,486
Current assets	\$ 231,409	\$ -	\$ 13,445	\$ 9,932	\$ -
Non-current assets	\$ 4,327,147	\$ 1,736,138	\$ 9,104,441	\$ 19,026,902	\$ 923,777
Current liabilities	\$ 363,077	\$ -	\$ 334,481	\$ 9,932	\$ -
Non-current liabilities	\$ 443,222	\$ 107,395	\$ 5,334,973	\$ 4,365,602	\$ 37,927
	December 31, 2022 Brown's	December 31, 2022 Taylor	December 31, 2022 Muehlebach	December 31, 2022 Park Lawn Miss.	December 31, 2022 Jacoby
Revenue	\$ 263,863	\$ 184,003	\$ 293,886	\$ 201,020	\$ 241,076
Net earnings	\$ 50,413	\$ 54,383	\$ 27,742	\$ (7,131)	\$ 133,717
Current assets	\$ -	\$ -	\$ -	\$ -	\$ -
Non-current assets	\$ 1,562,227	\$ 2,618,067	\$ 1,629,460	\$ 13,020,112	\$ 5,089,696
Current liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Non-current liabilities	\$ 51,648	\$ 1,308,705	\$ 252,750	\$ 7,645,250	\$ 522,650

Changes in Internal Controls over Financial Reporting

There have been no changes in the Company's internal controls over financial reporting during the 2022 fiscal year that have affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Shares Outstanding

The authorized share capital of the Company consists of an unlimited number of Common Shares. As at December 31, 2022, there were 33,939,153 Common Shares issued and outstanding, net of Common Shares held in trust, representing an increase of 8,944 Common Shares since December 31, 2021. The increase in the number of Common Shares is due to the issuance of Common Shares pursuant to the Company's DRIP and EIP, offset by a decrease due to the 200,985 Common Shares repurchased by the Company pursuant to the Normal Course Issuer Bid (the "NCIB") and currently held in trust for the settlement of awards under the Company's EIP. In addition, the Company has 2,996,892 Common Shares reserved for issuance under the EIP, and 390,519 Common Shares reserved for issuance under the DRIP. As at December 31, 2022, 1,972,368 DSUs, RSUs, PSUs and Options were outstanding. As at March 2, 2023, there were 34,199,063 Common Shares issued and outstanding.

Shares purchased under NCIB and held in trust for future settlement of share-based incentive compensation

On August 11, 2022, the Company received approval from the TSX to implement an NCIB. Under the NCIB, the Company may, during the twelve month period commencing August 17, 2022, and ending August 16, 2023, purchase up to a maximum of 3,385,439 Common Shares, representing 10% of its public float of issued and outstanding Common Shares as at August 8, 2022. All Common Shares purchased by the Company under the NCIB will be cancelled or transferred to and held by a trust



established by PLC (the “**Trust**”) for the settlement of awards issued under the EIP. Purchases made by the Company will be made on the open market through the facilities of the TSX and or alternative Canadian trading systems, in accordance with applicable TSX and other applicable trading system rules. The actual number of Common Shares purchased under the NCIB and the timing of any such purchases will be at PLC's discretion. Daily purchases will be limited to 17,507 Common Shares, other than block purchase exceptions.

Additionally, PLC entered into an automatic securities purchase plan (“**ASPP**”) with its designated broker in connection with the NCIB to facilitate the purchase of Common Shares during times when PLC would ordinarily not be permitted to purchase Common Shares due to regulatory restrictions or self-imposed black-out periods. Before entering a black-out period, PLC may, but is not required to, instruct the broker to make purchases under the NCIB based on parameters set by PLC in accordance with the ASPP, TSX rules and applicable securities laws. Since its inception, PLC has not directed its broker to make any automatic purchases of Common Shares under the ASPP.

PLC established the Trust to hold Common Shares purchased under the NCIB for the purpose of settling awards (other than Options granted to Canadian Taxpayers) under the EIP. In conjunction with the EIP, the Company may make contributions to the Trust, which contributions will be used by the Trust to acquire Common Shares for the benefit of the participants under EIP. The Trust is considered a structured entity and is consolidated in the Company's financial statements with the cost of the acquired shares recorded at book value as a reduction to share capital. Any premium on the acquisition of the Common Shares above book value is applied to retained earnings until the Common Shares are issued to settle RSU and PSU awards.

	Twelve Months Ended December 31, 2022
Common shares repurchased under the NCIB and held in trust (number of shares)	200,985
Cash consideration paid	\$3,752,891

During the twelve months ended December 31, 2022, the Company purchased 200,985 Common Shares for aggregate consideration of \$3,752,891 (C\$5,061,488).

	Twelve Months Ended December 31, 2022
Common shares repurchased under the NCIB and held in trust (number of shares)	200,985
Cash consideration paid	\$ 3,752,891
Premium charged to retained earnings	734,793
Reduction in common share capital	3,018,098

Risks

A detailed set of risks applicable to the Company are included in the Company's AIF for the year ended December 31, 2022 and is available on SEDAR at www.sedar.com and on the Company's website at www.parklawncorp.com.

Additional Information

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