



# ANNUAL REPORT

2021



PARK LAWN  
CORPORATION



Citadel

Credible Cremation  
Services



Cavill-Turner Funeral Home



Reynolds Funeral Home ~ Turner Chapel







# EXECUTIVE OFFICERS & DIRECTORS

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## J. BRAD GREEN - CEO & DIRECTOR



J. Bradley Green was President of PLC from May of 2018 through March 31, 2020 wherein he was appointed the Interim Chief Executive Officer and officially appointed Chief Executive Officer effective June 22, 2020. Mr. Green has over 14 years of experience in the funeral and cemetery profession. Prior to joining PLC, Mr. Green served as a founder, owner and the Chief Executive Officer of Signature. Prior to founding Signature, he was the Executive Vice President and General Counsel of another publicly traded funeral and cemetery industry consolidator. During that time, he was responsible for many corporate functions, including acquisitions. In addition to his industry experience, Mr. Green is a licensed attorney with an extensive legal background, including work at two international law firms and serving as the General Counsel for a large, international transportation company.

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## JAY D. DODDS - PRESIDENT, COO & DIRECTOR

Jay Dodds has over 39 years of experience in the funeral and cemetery profession. He holds a funeral directors and embalmers license in both Texas and New Mexico. In addition, he is a certified cremation operator. Jay served as founder, owner and President/COO of the Signature Group. Prior to founding Signature, he was the Executive Vice President and Chief Operating Officer of another U.S. publicly traded company where he served in a senior operations leadership role for 17 years. Over his career he has directly managed businesses in every region of the country. Jay is the immediate Past President of the International Cemetery Cremation and Funeral Association, Trustee Emeritus for the Funeral Service Foundation, Trustee of the ICCFA Educational Foundation and a board member of the Pierce Mortuary Colleges.



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## DANIEL MILLETT – CFO



Daniel Millett formerly served as Chief Financial Officer of Agellan Commercial REIT and, prior to that, a Senior Manager, at KPMG LLP, in their building, construction and real estate industry group. He has proven expertise in financial controls, risk management, financial reporting, and financial modeling for mergers and acquisitions in a public company setting. In addition, Daniel has cross-border experience in Canada and the United States and has been involved in over \$3 billion of real estate and capital markets transactions. He holds a Chartered Professional Accountant, Chartered Accountant designation, and earned a Bachelor of Business Administration from Wilfrid Laurier University.

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## JENNIFER HAY - GENERAL COUNSEL

Jennifer Hay joined PLC in 2018 as Associate General Counsel and was appointed General Counsel in February of 2020. She has been a licensed attorney since 2001 and has approximately 7 years of experience working directly within the funeral and cemetery industry. Ms. Hay has a wide-breadth of legal expertise with over 10 years of in-house experience advising and serving as counsel for public companies including two international companies. Prior to joining PLC, she served in numerous capacities for Whole Foods Market, Inc., LDR Spine USA, Inc. and Carriage Services, Inc. In these roles, she has developed, led and had oversight over various functions including Legal, Human Resources and Safety and Risk Management.





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## JEFF PARKER - CTO



Jeff Parker joined PLC in June of 2018. Jeff brings over 40 years of IT experience and 20 years of funeral and cemetery experience to the table. He began his IT career with IBM in the late 70s, wrote code to guide Maverick Missiles in the 80s, joined his father in the energy industry in the 90s, and started in the funeral and cemetery business at the urging of a friend that was providing hardware to one of the largest publicly traded death care consolidators in the industry in 1998. Jeff's 20 years in the industry includes roles as Manager of Offsite Systems, Manager of Application Development, and Director of Information Systems. Jeff was the principal architect of the software system that currently runs one of the largest public funeral and cemetery businesses in the US.

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## LORIE JOHNSON - VP, HUMAN RESOURCES

Lorie Johnson has over a decade of experience in the funeral and cemetery profession, and she joined Signature in 2014 as its Chief Administrative Officer. Lorie has over 30 years of experience in all aspects of organizational administration, human resources, training and people development. At Park Lawn, her role is to lead, facilitate and participate in organizational development and effectiveness across an employee's full life cycle with the company. In this role, she has oversight over all aspects of Human Resources, Training, Safety and Risk Management, as well as Administration and Information Technology. Lorie is an HRCI and SHRM certified Senior Human Resource Professional.



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## CLARK HARLOW - VP, FINANCE – USA

Clark Harlow joined PLC as VP, Finance-USA in May of 2018. Mr. Harlow has over 27 years of experience in various accounting and executive roles across several industries, of which 20 years have been in the funeral and cemetery profession. He joined Signature Group in 2015 as an owner and its Chief Financial Officer. Mr. Harlow had previously led the finance, accounting and M&A functions in private and publicly listed companies.

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## LINDA GILBERT - VP, FINANCE & ADMINISTRATION

Linda Gilbert joined PLC as the Director of Finance in September, 2014, and in March 2016 was appointed the VP, Finance and Administration. Ms. Gilbert is a chartered accountant and brings over 20 years of finance experience in public companies. Prior to joining PLC, she was an Independent Director of Envoy Capital Group and acted as a member of the Audit Committee, Compensation Committee and Nominating Committee and as Chair of the Corporate Governance Committee. She has previously held the positions of Vice President and Chief Financial Officer and Director of Finance at Envoy Communications Group Inc. Ms. Gilbert also has experience as an independent consultant and has consulted to various companies on financial management, analysis and reporting.



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## JIM PRICE - SENIOR VP, INDUSTRY RELATIONS



Jim Price has been a member of the Park Lawn team since February of 2016, as CEO of Midwest Memorial Group, LLC., a Park Lawn Corporation company with 28 cemetery locations throughout the state of Michigan. Prior to joining Park Lawn, Jim co-founded and served as EVP / COO of Foundation Partners Group and formerly co-founded and served as COO of Keystone Group Holdings. Jim currently serves on the International Cemetery, Cremation & Funeral Association (ICCFA) Board of Directors, ICCFA Governmental Affairs Committee and is currently President of the ICCFA Educational Foundation. He also serves on the Advisory Board for the Sykes School of Business, Center for the Study of Ethics, at the University of Tampa in Tampa, Florida. Jim has over 50 years of experience in the funeral profession and is a graduate of the California College of Mortuary Science.

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## PAUL G. SMITH - CHAIRMAN OF THE BOARD



Paul G. Smith was appointed PLC's Chairman of the Board in February 2020 and has been a director of PLC since May 2016. Over his career, Mr. Smith has held the positions of CFO, CEO, director and Chairman. He was Chair of VIA Rail Canada's Board of Directors from 2010 to 2014 after having joined the board in September 2006 and was President and CEO of Equity Financial Holdings Inc. (TSX: EQI), a Canadian financial services firm he co-founded whose principal subsidiary is an OSFI-regulated deposit-taking institution. Mr. Smith is a director of several companies and, before joining the private sector, served as Executive Assistant to the Prime Minister of Canada. Mr. Smith holds a Master of Business Administration from INSEAD (France), a Master of Arts in Public Administration from Carleton University, and undergraduate degrees (Accounting, Political Science) from the University of Ottawa. Mr. Smith completed the Directors' Education Program of the Institute of Corporate Directors (ICD) and holds the ICD.D designation.

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## MARILYN BROPHY – DIRECTOR

Marilyn Brophy is a retired senior investment executive and former Managing Director, Head of Equity Research at CIBC Asset Management, where she served for eight years. Prior to joining CIBC, Ms. Brophy was the Director, Equity Research at UBS Global Asset Management (Canada) Co. for approximately seven years. Ms. Brophy is an accomplished business leader with substantial experience in multiple disciplines including investment management, equity capital markets, company strategic analysis, risk assessment and the development of organizational capability. Most recently, she acted as a builder and leader of one of Canada's largest buy-side equity research teams. Alongside this role, she also co-managed approximately \$5 billion of equity assets on behalf of institutional and retail investors. Ms. Brophy holds a Master of Business Administration from Queen's University, Master of Arts – Economics from McMaster University, Bachelor of Arts – BA, Honours – Economics from Queen's University, Chartered Director designation from The Directors College, and the Chartered Financial Analyst designation from the CFA Institute.



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## AMY FREEDMAN – DIRECTOR



Amy Freedman is the Partner and Head of Engagement Fund Investing at Ewing Morris & Co. Investment Partners Ltd., an independent Canadian boutique investment firm that manages equity and credit strategies with a focus on North American small-capitalization companies and high yield bonds. Prior to joining Ewing Morris & Co. Investment Partners Ltd., Ms. Freedman was the Chief Executive Officer of Kingsdale Advisors, a shareholder services and advisory firm specializing in strategic and defensive advisory, governance advisory, proxy and voting analytics and investor communications. A seasoned capital markets professional, with over 15 years of experience in investment banking, Ms. Freedman began her career at Morgan Stanley in New York where she spent approximately four years executing lead managed equity transactions and client coverage. Thereafter, Ms. Freedman moved back to Toronto with National Bank Financial and most recently served as Managing Director, Equity Capital Markets for Stifel where she spent eight years with the organization and its predecessors. Ms. Freedman has extensive experience leading transaction management and positioning companies for success in the marketplace across a broad spectrum of industries. Ms. Freedman obtained her JD/MBA from the University of Toronto.

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## DEBORAH ROBINSON – DIRECTOR



Deborah Robinson is the founder and President of Bay Street HR, an outsourced human resources service provider to small and mid-sized financial and professional service firms. Prior to founding Bay Street HR, Ms. Robinson was Executive Director at CIBC World Markets, where she oversaw human resources for global Investment Banking, Merchant Banking and Loan Products. She also held senior HR positions at Fidelity Investments and American Express in Boston and New York City. Ms. Robinson sits on the board and is the Chair of the Governance and Compensation Committee of Canada Jetlines Ltd. (TSX-V: JET). She previously sat on the board of Frontline Technologies Inc., a TSX-listed company, and was also a member of the Human Resources Committee, of which she was later named Chairperson. From 2014-2017 she was a board director and committee member of the Human Resources and Compensation Committee, and the Corporate Governance, Risk, and Strategy Committee of VIA Rail Canada Inc. Ms. Robinson holds a Bachelor's Degree and is also a graduate of the Directors Education Program at the Institute of Corporate Directors and holds a ICD.D designation.

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## STEVEN R. SCOTT – DIRECTOR

Steven R. Scott has been a director of PLC since April 2014. Mr. Scott is the Chairman and Chief Executive Officer of StorageVault Canada (TSXV: SVI) and an owner and Chief Executive Officer of The Access Group of Companies. He has over 20 years of experience in the ownership, acquisition, development and management of self storage, residential and commercial real estate in Canada. Mr. Scott serves as an Independent Director and Audit Committee Chair of both Timbercreek Financial Corporation (TSX: TF) and Park Lawn Corporation (TSX: PLC). Mr. Scott serves as Director and Treasurer of the Canadian Self Storage Association (CSSA). He holds a Bachelor of Commerce Degree and the CPA and CA designations.



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## JOHN WARD – DIRECTOR



John Ward has been a director of PLC since August 2013. Mr. Ward is a fourth generation Funeral Director and co-owner at Ward Funeral Homes Limited, a highly respected independent funeral operator in the Greater Toronto Area, and is actively involved in the funeral industry in Ontario.

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*J. Bradley Green,  
Chief Executive Officer*

Dear Shareholders,

While 2021 brought another year of COVID-19 related challenges, once again, in the face of adversity, the performance of the Park Lawn team stood out as second to none. Our employees remained steadfast in their commitment to our client families and to our mission of being the indisputable choice for funeral and cemetery services in the communities we serve. It is this hard work and unwavering dedication which has allowed Park Lawn to deliver to you, our shareholders, continued growth and opportunity.

In looking at our overall financial performance and the ongoing refinement of our operations, over the last year, despite a difficult operating environment, we exceeded our own expectations and were able to deliver exceptional results: Net Revenue increased by approximately 14.3%, Adjusted Net Earnings increased by 37.7% and Net Earnings increased by 30.5% over the prior 2020 calendar year.

We also successfully and fully re-engaged our growth strategy both organically and through acquisition. On the organic growth front, we continued the development of our highly successful Eternal Sunset Memorial Park & Cemetery in New Jersey; commenced the development of a 10,000 square foot onsite in Waco, Texas; continued to expand and develop inventory across multiple properties in several jurisdictions; and continued the construction of a new 32,100 square foot on-site funeral visitation and reception center at Westminster Cemetery in Toronto, Ontario which is anticipated to be completed by the end of June, 2022.

With respect to growth through acquisition, we continue to add premier businesses to our portfolio and completed a total of 10 acquisitions and deployed approximately US\$126 million. The combined transactions represent the addition of 6,306 calls, 1,229 interments, 26 stand-alone funeral homes, 7 stand-alone cemeteries and 4 on-sites. In addition, we added a new high-growth market in the state of Georgia.

To support these continuing growth initiatives, we completed a public offering of common shares whereby a total of 4,081,000 common shares were issued at a price of C\$36.40 per common share for total gross proceeds of approximately C\$148.5 million, which includes proceeds from the full exercise of an over-allotment option to purchase an additional 371,000 shares.

To further strengthen our business operations and facilitate additional growth, during the year we launched the roll-out of FaCTS™, a proprietary software platform developed to manage and provide greater visibility into the day-to-day operations of our businesses. We anticipate completing the implementation of the software in all of our businesses by the conclusion of 2022.

Finally, as the year drew to a close, we announced the effective achievement of our previously announced 2018 long-term aspirational goal of achieving C\$100 million (approximately US\$80 million), in pro forma Adjusted EBITDA, which was originally anticipated to be achieved by the end of 2022. Since the end of June 2018, this accomplishment has delivered an increase of over 300% in Adjusted EBITDA and an increase in Adjusted Net Earnings Per Share of 119%.

Acknowledging the effective early achievement of our 2018 long-term aspirational goal, we recently announced a new long-term aspirational target: By the end of 2026, Park Lawn expects to achieve a total of US\$150 million of pro forma Adjusted EBITDA translating into Adjusted Net Earnings exceeding US\$2.00 per share. Through this recommitment to growth, we want our shareholders to understand that Park Lawn is not only committed to remaining an active growth organization, but that we are also committed to delivering shareholder returns through that growth.

In closing, while growth continues at the forefront of our organization and Park Lawn continues to be the fastest growing company in our industry, it is important to point out that, amid this growth, we unapologetically remain true to who we are as an organization – an operating company. And, as operators of funeral and cemetery businesses, we place great emphasis on our culture and core values – respect for the family, respect for the individual and respect for the profession. These values have been a driver of our success and the cornerstone of many social initiatives that are fundamental to the operation of our business. I am extremely proud of the Park Lawn team and their commitment and dedication to the families and communities we serve and thank them for another excellent year. We look forward to continuing to share our success with you, our shareholders.



# PARK LAWN CORPORATION



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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ending December 31, 2021



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The following Management's Discussion and Analysis (this "**MD&A**") of Park Lawn Corporation ("**PLC**" or the "**Company**") should be read in conjunction with the Company's consolidated financial statements and accompanying notes for the year ended December 31, 2021. Information contained in this MD&A is based on information available to management as of March 3, 2022. Unless otherwise stated, all amounts discussed herein are denominated in Canadian 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" or "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, statements regarding the impact of COVID-19 on the Company's business, the Company's expectation that it will modestly exceed its existing growth targets by the end of 2022, the Company's new aspirational growth targets for the end of 2026, 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. The achievement of the 2026 aspirational target is based on the following key assumptions: 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; through organic growth opportunities; through the expansion and addition of new inventory at PLC's existing cemetery properties; and the pursuit of acquisition opportunities in high-growth markets at a rate of US\$75-\$125 per year. 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 those set out under the heading "Outlook" in PLC's management's discussion and analysis for the second quarter of 2018 (filed on SEDAR on August 14, 2018), and that the risk mitigation strategies undertaken with respect to COVID-19 will be effective, 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 current COVID-19 pandemic and the adverse effects from the measures implemented or to be implemented as a result thereof, including labour shortages, supply chain disruptions, as well as other pandemic, epidemic and health risks; the impact of inflation on the Company's business; risks associated with the Company's growth strategy; risks associated with the geographic concentration of the Company's operations; risks associated with the Company's reliance on key personnel; risks associated with the potential to maintain effective internal controls over financial reporting; tax related risks; risks associated with the Company's non-controlled interests; risks associated with relations with the Company's unionized and non-unionized employees; risks associated with self-insurance and insurance coverage and limits; risks associated with the Company's fixed operating costs; risks associated with changing consumer preferences; risks associated with the increasing number of cremations; risks associated with litigation and professional liability practice claims; risks associated with competition in the industry and markets in which the Company operates; risks associated with the capital expenditure requirements of the Company's business; risks associated with unexpected volatility as a result of political conflict; 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 most recent Annual Information Form. 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 contained in this MD&A for periods beyond 2022 involve longer-term assumptions and estimates than forward-looking statements for 2022 and are consequently subject to greater uncertainty. In particular, the Company's new long-term aspirational growth targets of achieving: (a) a total of US\$150M of pro forma Adjusted EBITDA and (b) achieving Adjusted Net Earnings Per Share exceeding US\$2.00 by the end of 2026 assumes its ability to continue to acquire premier independent businesses in both new and existing markets, to obtain the financing required to complete such transactions, recent acquisitions performing as expected, multiples remaining at or below levels paid by PLC for previously announced acquisitions, acquisition and financing markets remaining accessible, to integrate the strategic partners and acquired businesses into the Company's existing operations and the continued high performance of the Company's existing business operations. 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, or to obtain the financing required, 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 2022 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 most recent Annual Information Form 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, monetizations, 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 depends 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, 2021, and accompanying notes have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board, and are presented in Canadian 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 consolidated financial statements for the year ended December 31, 2021.

### Consolidation

The Company's consolidated financial statements for the year ended December 31, 2021, 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 Canadian dollars, which is also the Company's functional currency. The consolidated financial statements of foreign subsidiaries for which the functional currency is not the Canadian dollar are translated into Canadian dollars using the exchange rate in effect at the end of the reporting period for assets and liabilities, and the average exchange rate for the period for net 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.

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

In general, as a majority of the Company's net earnings are a result of U.S. dollar (USD) denominated operations, the Company benefits from a weaker Canadian dollar (CAD) and is adversely impacted by a stronger CAD as net earnings from U.S. operations, USD denominated financings, and USD general and administrative expenses are translated into CAD.

To reduce volatility from exchange rates in the presentation of the Company's financial statements, effective January 1, 2022, the Company is changing its presentation currency from CAD to USD. Given approximately 90% of the Company's revenues are generated from operations in the U.S., the Company considers USD an appropriate currency for reporting purposes.





The following table provides USD:CAD average exchange rates for the three month periods and years ended December 31, 2021, and 2020, as well as period end exchange rates for each of the aforementioned periods.

Exchange Rate	Three month period ended,		Twelve month period ended,	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Average	1.2603	1.3030	1.2535	1.3415
Period End	1.2678	1.2732	1.2678	1.2732

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, an 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 (“CGUs”) for the purpose of goodwill impairment testing as at December 31, 2021. These CGUs consist of the Company’s regional operating units: Northeast, Southeast, 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. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU, using an appropriate valuation model. These calculations are corroborated by calculation multiples or other available fair value indicators. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. Using a five year (and related terminal value) discounted cash flow model, the Company determines the recoverable amount by calculating the value in use. The Company utilized a one-year budgeted cashflow and extrapolated beyond the one-year period using an estimated long-term growth rate of 2%, terminal growth rate of 2% and post-tax discount rate between 7.5% and 8.3%. 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 and uses estimates to test for any potential impairment. The Company’s impairment tests for goodwill and intangible assets are based on the greater of value in use calculations that use a discounted cash flow model over a five-year period and estimated fair value less cost to sell. An increase of 100 basis points in the pre-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 goods sold.

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 net 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, 2020 and ending December 31, 2021.
- **Acquired Operations** – consists of business units or operating locations acquired by the Company during the period from January 1, 2020 and ending December 31, 2021.
- **Total Debt** – consists of the aggregate of the book value of long-term debt, notes payable, lease liabilities and senior unsecured debentures, plus associated deferred financing costs and debt issuance costs.
- **Leverage Ratio** – is calculated as total indebtedness to trailing twelve months Adjusted EBITDA. The Leverage Ratio is defined by the Company’s credit agreement. Total indebtedness as defined by the Company’s credit agreement, 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 Company’s credit agreement and includes Adjusted EBITDA for Acquired Operations in the period relative to a 12 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. Interest Coverage Ratio is defined by and calculated in accordance with the Company’s credit agreement.

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 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 U.S. dollars. 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 December 31, 2021, PLC operated in 3 Canadian provinces and 16 U.S. states. As at the date of this MD&A, the Company and its subsidiaries operate 135 cemeteries and 138 funeral homes (including 29 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 PLCs existing portfolio by allowing certain facility, personnel, and equipment costs to be shared between funeral service and cemetery locations.

## Strategic Direction

Potential factors affecting PLC's operating results include: 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; 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.

Over the next several years, the Company believes that the industry will be largely shaped by the aging of the “Baby Boomer” generation in the North American population, and their move away from a “traditional” funeral service, seeking more meaningful services that are a celebration of life for their loved ones (Sundale Research, September 2021 (16th Edition)). In response to this trend, PLC has invested in resources to provide more personalized services, as well as reception rooms and banquet halls designed to host celebrations based on the demographics and evolving preferences of the communities it serves. Further, while there has been an increased return to in-person funeral service gatherings, it is expected that the interest in virtual presentations and online virtual funeral service planning will continue post-pandemic as client families prefer the convenience of making decisions and purchases from the comfort and safety of their homes. By offering various strategies and technologies to arrange services and flexible and creative product and service bundles, the Company believes it can effectively respond to trends, meet consumer preferences, and drive growth.

To adapt to the rise in cremation rates, PLC offers unique and flexible cremation service packages which give families the option of honouring their loved ones by holding a traditional funeral or celebratory memorialization prior to cremation. The memorialization business continues to grow with demand for mausoleum crypts and permanent placement for cremated remains. Growth for in-ground casket burials remains muted; however, demand is generally consistent as a result of cultural and



religious reasons. A significant portion of the industry remains fragmented resulting in significant opportunity for further consolidation.

During 2021, PLC's operating performance continued to recover from the effects of the COVID-19 pandemic due to PLC's operational execution and the easing of government restrictions put in place to combat the pandemic. As a result, the adverse impacts of the COVID-19 pandemic, on PLC's sequential and year-over-year performance were reduced. Additionally, it has been almost two years since the pandemic began, and PLC has since adapted many aspects of its business to better operate in this environment, including enhanced safety protocols and procedures designed for working with any deceased who may have been infected by COVID-19, safety protocols and procedures in regard to its interactions with customers to protect the health and safety of all concerned, web broadcasting of funeral services and other alternatives to traditional visitations and services and the implementation of different strategies and technologies such as virtual meeting platforms to discuss and arrange service and product offerings with clients. Due to the various measures PLC implemented, and the great work of its people, the COVID-19 pandemic has not, to date, had a materially negative impact on the overall financial performance of the business, and for the year ended December 31, 2021, the Company experienced an increase in services performed in COVID-19 hot spots as well as from a renewed interest in celebrating life. Further, the Company also observed an increase in the pre-planning of funeral and burial services. However, due to uncertainties relating to the severity and duration of the COVID-19 pandemic, including the Omicron surge and possible future variants, and various potential outcomes, it is difficult at this time to estimate the impacts of the COVID-19 pandemic on PLC's business or future financial results and related assumptions. The Company's business and financial results could continue to be significantly and negatively impacted in future periods. The extent to which the COVID-19 pandemic will continue to adversely impact PLC will depend on future developments that are difficult to predict, including the effective distribution of approved vaccines and treatments, and the potential development and distribution of new vaccines and treatments, as well as new information which may emerge concerning the severity, duration and resurgences of the COVID-19 pandemic and the actions required to contain the coronavirus or remedy its impacts, among others.

There has been increased competition from providers specializing in specific services, such as cremations, who offer minimal service and low-end pricing. The Company also faces competition from companies that market products and related merchandise over the internet, non-traditional casket stores in certain markets, and third party vendors like Costco, Wal-Mart and Amazon, enabling price conscious consumers to compare prices, and product and service offerings (Sundale Research, September 2021 (16th Edition)). These competitors have been successful in capturing a portion of the low-end market and product sales. The Company believes that its acquisition, continued development and branding of several low-cost providers in Canada and the U.S. position it to effectively compete with these new entrants. The Company also believes that operating crematoriums in markets where the Company has low-cost providers gives it a competitive advantage over other new entrants who generally need to outsource cremations to third parties.

#### *Update on PLC's Aspirational Growth Targets*

The Company expects to modestly exceed its previously announced aspirational growth target in 2018 of \$100 million in pro-forma Adjusted EBITDA by the end of 2022. To date, PLC's 2018 aspirational growth targets have helped the Company achieve the following significant milestones between June 30, 2018, and December 31, 2021:

- An increase in market capitalization from \$566M to \$1.444B;
- Growth in Adjusted EBITDA attributable to PLC shareholders from \$23.7M to \$95.6M, an increase of over 300%.
- Adjusted Net Earnings Per Share growth of 119% to \$1.511 in Adjusted Net Earnings Per Share; and



- Improvement in Adjusted EBITDA Margin by 430 bps to 25.9%.

As PLC continues to actively pursue its 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 US\$150 million of pro forma Adjusted EBITDA and (b) achieving Adjusted Net Earnings Per Share exceeding US\$2.00 by the end of 2026. 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 implementation and deployment of its proprietary industry software system, FaCTS; the construction of new on-sites at 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 for the year ended December 31, 2021, and the relevant comparable period:

	December 31, 2021	December 31, 2020	December 31, 2019
Cash	\$ 26,352,234	\$ 31,475,091	\$ 21,255,330
Total Assets	\$ 1,782,971,091	\$ 1,530,537,368	\$ 1,375,778,500
Total Non-current liabilities	\$ 1,043,024,274	\$ 965,536,159	\$ 825,218,318
Total Debt <sup>(1)</sup>	\$ 217,748,502	\$ 242,642,512	\$ 189,091,442
Total Shareholder's Equity	\$ 684,654,407	\$ 513,499,889	\$ 514,524,835
Number of Shares Issued and Outstanding	33,930,209	29,564,526	29,354,844
Monthly Dividend Paid per Share	\$ 0.038	\$ 0.038	\$ 0.038
Leverage Ratio	0.98x	1.55x	2.47x
Interest Coverage Ratio	30.63x	12.45x	12.23x

<sup>(1)</sup> 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, 2021 (being an aggregate of \$212,328,894), plus associated deferred financing costs of \$1,877,161 and debt issuance costs of \$3,542,447 and for the year ended December 31, 2020 (being an aggregate of \$236,325,738), plus the face amount of deferred financing costs of \$2,031,321 and debt issuance costs of \$4,285,453.



	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2021	2020	Increase(decrease)	2021	2020	Increase(decrease)
Net Revenue	\$ 99,484,580	\$ 90,366,948	\$ 9,117,632	\$ 369,540,232	\$ 323,430,108	\$ 46,110,124
Gross Profit	\$ 82,111,680	\$ 75,629,209	\$ 6,482,471	\$ 309,133,812	\$ 272,640,663	\$ 36,493,149
Earnings From Operations	\$ 15,018,452	\$ 13,283,003	\$ 1,735,449	\$ 57,721,963	\$ 40,691,482	\$ 17,030,481
Net Earnings, PLC shareholders	\$ 8,959,448	\$ 6,260,955	\$ 2,698,493	\$ 34,866,218	\$ 19,030,564	\$ 15,835,654
Adjusted Net Earnings, PLC shareholders	\$ 12,791,532	\$ 10,522,986	\$ 2,268,546	\$ 47,686,548	\$ 34,625,559	\$ 13,060,989
Adjusted EBITDA, PLC shareholders	\$ 25,151,056	\$ 24,181,865	\$ 969,191	\$ 95,643,804	\$ 79,862,930	\$ 15,780,874
Gross Profit Margin	82.5%	83.7%	(120) bps	83.7%	84.3%	(60) bps
Adjusted EBITDA Margin	25.3%	27.0%	(170) bps	25.9%	24.9%	100 bps
Net Earnings Per Share - Basic	\$ 0.263	\$ 0.210	\$ 0.053	\$ 1.121	\$ 0.640	\$ 0.481
Net Earnings Per Share - Diluted	\$ 0.260	\$ 0.209	\$ 0.051	\$ 1.105	\$ 0.637	\$ 0.468
Adjusted Net Earnings Per Share - Basic	\$ 0.375	\$ 0.352	\$ 0.023	\$ 1.533	\$ 1.165	\$ 0.368
Adjusted Net Earnings Per Share - Diluted	\$ 0.371	\$ 0.351	\$ 0.020	\$ 1.511	\$ 1.158	\$ 0.353
Adjusted EBITDA Per Share - Basic	\$ 0.737	\$ 0.809	\$ (0.072)	\$ 3.074	\$ 2.687	\$ 0.387
Adjusted EBITDA Per Share - Diluted	\$ 0.729	\$ 0.806	\$ (0.077)	\$ 3.032	\$ 2.672	\$ 0.360
Weighted Average Number of Common Shares						
Basic	34,105,883	29,876,804	4,229,079	31,111,308	29,716,980	1,394,328
Diluted	34,483,191	29,999,849	4,483,342	31,549,563	29,894,399	1,655,164

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 2021:

- For the three month period ended December 31, 2021, net revenue increased approximately 10.1% over the three month period ended December 31, 2020.
- For the three month period ended December 31, 2021, net revenue from Comparable Operations, excluding foreign exchange impacts, increased 0.7% over the three month period ended December 31, 2020.
- Diluted net earnings per share to PLC shareholders increased approximately \$0.051 or 24.5% for the three month period ended December 31, 2021, compared to the three month period ended December 31, 2020.
- Diluted Adjusted Net Earnings per share to PLC shareholders increased approximately \$0.020 or 5.7% for the three month period ended December 31, 2021, compared to the three month period ended December 31, 2020.
- Adjusted EBITDA to PLC shareholders increased approximately 4.0% to \$25,151,056 for the three month period ended December 31, 2021, compared to the three month period ended December 31, 2020.
- Adjusted EBITDA margin for the three month period ended December 31, 2021 was 25.3%, a 170 bps decrease over the comparable period in 2020.
- As at December 31, 2021, the Company's Leverage Ratio was 0.98x, and inclusive of the Company's outstanding debentures totaled 1.78x.
- The Company's Interest Coverage Ratio increased 18.18x from December 31, 2020, to 30.63x, and inclusive of interest from the Company's outstanding debentures totaled 12.73x, as of December 31, 2021.





- At December 31, 2021, the Company had \$109,819,903 outstanding on the Credit Facility (as hereinafter defined) including letters of credit, and an undrawn balance of \$190,180,097.
- 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 other locations near Ottawa, Ontario.
- 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.
- On November 15, 2021, the Company purchased substantially all of 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.
- On December 13, 2021, the Company acquired substantially all the assets of Ingram Funeral Home and Crematory, Inc. (the “**Ingram**” business), a business consisting of a stand-alone funeral home located in Cumming, Forsyth County, Georgia.
- The acquisitions of MDB, Pugh, Smith Businesses and Ingram represent 2,207 calls and 305 interments per year and have been financed with funds from the Credit Facility and cash on hand. The businesses are expected to contribute approximately US\$5.7 million in Adjusted EBITDA.
- On December 29, 2021, the Company acquired substantially all the assets, consisting principally of inventory and undeveloped cemetery property, of Lakeland Place Garden Park Cemetery, LLC., Lakeland Place, LLC. and Kelman, LLC. (“**Lakeland Place**”), located in Brandon, Mississippi. Lakeland Place will be combined with Park Lawn’s existing Ott & Lee business also located in Brandon, Mississippi, and the Company intends to further develop the property to support its organic growth initiatives.



## Discussion of Operating Results

### Three Months ended December 31, 2021

#### *Net Revenue*

Net revenue for the three month period ended December 31, 2021, was \$99,484,580 compared to \$90,366,948 in the same period in 2020. This represents an increase of \$9,117,632 or 10.1%, over the same period in 2020.

Net revenue is derived primarily from net sales of property, merchandise and services by the Company's cemetery, funeral and cremation businesses. Net revenue, cost of sales and gross profit for the three month period ended December 31, 2021, and 2020 are as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Net sales	\$ 94,467,362	\$ 85,916,670
Income from care and maintenance funds	3,116,552	2,990,962
Interest income	1,900,666	1,459,316
Net revenue	99,484,580	90,366,948
Cost of sales	17,372,900	14,737,739
Gross profit	<u>\$ 82,111,680</u>	<u>\$ 75,629,209</u>

Net sales for the three month period ended December 31, 2021, were \$94,467,362 compared to \$85,916,670 in the same period of 2020. This represents an increase of \$8,550,692 or 10.0%, over the same period in 2020. The increase in net sales was primarily a result of Acquired Operations, including Harpeth Hills and Family Legacy in the first quarter of 2020, Bowers Funeral Service ("Bowers"), J. F. Floyd Mortuary, Crematory and Cemetery ("J. F. Floyd") and Winscott Funeral Service Corp. ("Winscott") in the fourth quarter of 2020, Wichmann, West and Williams Businesses in the second quarter of 2021, the Mississippi and Williamson Businesses in the third quarter of 2021 and MDB, Pugh, Smith Businesses and Ingram in the fourth quarter of 2021.

In addition, average revenues per call continued to increase year-over-year, although, this was offset by the decrease in at-need call volumes as the impact of the COVID-19 pandemic relative to the comparable period was lessened. Families' desire to remember their loved ones with a service remained paramount and services were less impacted by jurisdictional restrictions than in the comparable quarter. Finally, the pandemic, acting as a trigger event, continued to highlight the need for end of life planning benefiting pre-need sales.

Revenue growth was negatively impacted by the differences in USD:CAD average exchange rates between the three month period ended December 31, 2021, and December 31, 2020, as well as the disposition of the Company's partially owned businesses in Saskatchewan and Manitoba during the three-month period ended June 30, 2021.

Net revenue from Comparable Operations increased 0.7%, excluding foreign exchange translation, and decreased 2.5% when considering the decrease in USD:CAD relative to the fourth quarter of 2020.

Income from care and maintenance funds for the three month period ended December 31, 2021, was \$3,116,552 compared to \$2,990,962 in the same period of 2020, which represents an increase of \$125,590 or 4.2%.



Interest income for the three month period ended December 31, 2021, was \$1,900,666 compared to \$1,459,316 in the same period in 2020, which represents an increase of \$441,350 or 30.2%.

Additionally, during the three month period ended December 31, 2020, the Company benefited from the completion of the construction of three mausoleums contributing \$3,614,125 of revenue from previously deferred sales being recognized on completion of the mausoleums.

Cost of sales for the three month period ended December 31, 2021, was \$17,372,900 compared to \$14,737,739 in the same period in 2020. This represents an increase of \$2,635,161 or 17.9%, over the same period in 2020 and is primarily a result of Acquired Operations and increased net sales activity during the quarter.

The increases in cost of sales were partially offset due to a decrease in the average USD:CAD exchange rate between the three month period ended December 31, 2021, and the three month period ended December 31, 2020. The average exchange rate decreased 3.3% between the periods.

Gross profit for the three month period ended December 31, 2021, increased to \$82,111,680 from \$75,629,209 in the same period in 2020 and gross profit margin for the three month period ended December 31, 2021, decreased to 82.5% compared to 83.7% for the same period in 2020 in part by the sales mix at certain Company's cemetery businesses and the gross margin of Acquired Operations.

### ***Operating Expenses***

Operating expenses for the three month period ended December 31, 2021, were \$67,093,228 compared to \$62,346,206 in the same period in 2020. This represents an increase of \$4,747,022 or 7.6% over the same period in 2020, as indicated below:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
General and administrative	\$ 43,403,626	\$ 39,039,264
Amortization of intangibles	374,879	601,376
Maintenance	9,068,264	9,077,368
Advertising and selling	10,794,287	9,516,424
Finance costs	2,110,114	2,610,030
Share based incentive compensation	1,342,058	1,501,744
	<u><u>\$ 67,093,228</u></u>	<u><u>\$ 62,346,206</u></u>

The overall increase in operating expenses quarter over quarter was due to increases in general and administrative expenses from both Comparable and Acquired Operations, as well as, higher advertising and selling expenses, offset by a decrease in the USD:CAD exchange rate during the three month period ended December 31, 2021.

The Company's general and administrative expenses increased primarily as a result of the Acquired Operations. Additional increases were primarily a result of the pandemic having less impact on operations. Increases relating to travel, conferences and seminars and labour costs, relative to the three month period ended December 31, 2020, were experienced as more traditional operations resumed.



Amortization of intangibles represents the amount of amortization of intangible assets acquired as a result of business combinations. Amortization of intangibles decreased by \$226,497 for the three month period ended December 31, 2021, compared to the same period in 2020.

Advertising and selling expenses increased by \$1,277,863. Increases occurred primarily due to Acquired Operations and incentives for strong cemetery sales achieved in the quarter and throughout the year.

USD denominated costs were all impacted between the three month period ended December 31, 2021 and December 31, 2020 due to the reduction in the USD:CAD exchange rate period to period.

Finance costs for the three month period ended December 31, 2021, primarily include interest expense on the Credit Facility and interest expense on the Debentures. Finance costs decreased by \$499,916 for the three month period ended December 31, 2021, compared to the same period in 2020 as a result of lower borrowings by the Company.

The Company's equity incentive plan (the "EIP") was established in the second quarter of 2016, as a means of compensating directors and designated employees of the Company and its subsidiaries, and of promoting share ownership and 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"). The EIP was amended in May of 2019 and subsequently in June of 2020. Compensation expense associated with these units for the three month period ended December 31, 2021, was \$1,342,058 compared to \$1,501,744 for the same period in 2020 which represents a decrease of \$159,686. Share based incentive compensation expense will vary based on vesting conditions, performance metrics, the value of the underlying security, and the timing of when awards are issued.

As a result of the above, earnings from operations for the three month period ended December 31, 2021, totaled \$15,018,452 compared to \$13,283,003 for the same period in 2020. This represents an increase of \$1,735,449 or 13.1%.

Other income and expenses for the three month period ended December 31, 2021, and 2020 are as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Earnings from operations	\$ 15,018,452	\$ 13,283,003
Acquisition and integration costs	(2,590,640)	(1,729,060)
Other income (expenses)	(422,592)	(1,260,683)
Earnings before income taxes	12,005,220	10,293,260
Income tax expense	3,045,772	3,888,324
Net earnings for the period	<u>\$ 8,959,448</u>	<u>\$ 6,404,936</u>

During the three month period ended December 31, 2021, and 2020, the Company incurred acquisition and integration expenses of \$2,590,640 and \$1,729,060, 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. During the three month period ended December 31, 2021, the Company completed the acquisitions of MDB, Pugh, Smith Businesses and Ingram.



Other income (expenses) comprised of the following:

- \$26,700 of expenses for the three month period ended December 31, 2020, relating to the Company's previously disclosed strategic review of corporate governance matters and executive management transition preparedness, including Board fees, legal, CEO search and other professional fees.
- \$25,010 of expenses for the three month period ended December 31, 2020, in restructuring costs.
- \$1,035,750 of expenses for the three month period ended December 31, 2020, relating to loan forgiveness upon the retirement of Joseph Leeder.
- \$128,348 and \$297,167 of expenses for the three month period ended December 31, 2021, and 2020, respectively, including legal costs for the defence of intellectual property created by the Company and the preservation of certain investments made or authorized by former Company executive, Andrew Clark.
- \$296,038 of impairment on other assets for the three month period ended December 31, 2021.
- Net gain of \$1,794 and net gain of \$123,944 related to sale of property for the three month period ended December 31, 2021, and 2020, respectively.

Income tax expense for the three month period ended December 31, 2021, was \$3,045,772 compared to \$3,888,324 for the same period in 2020. The effective tax rate for the three month period ended December 31, 2021, was 25.4% which approximates 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 deductible expenses for tax purposes. The effective tax rate for the same period in 2020 was 37.8%. The higher effective tax rate for the three month period ended December 31, 2020, was primarily due to unrealized capital gain on loans.

As a result of the above, the Company's after-tax earnings from operations for the three month period ended December 31, 2021, totaled \$8,959,448 compared to \$6,404,936 for the same period in 2020 which represents an increase of \$2,554,512 or 39.9% over the same period in 2020.

### ***Earnings Per Share***

The weighted average diluted number of Common Shares outstanding for the three month period ended December 31, 2021, increased to 34,483,191 compared to 29,999,849 for the same period in 2020, an increase of 4,483,342 or 14.9%. 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 \$36.40 per Common Share for total of gross proceeds of \$148,548,400 (including the exercise of the full over-allotment option), 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 share attributable to PLC shareholders for the three month period ended December 31, 2021, were \$0.260 compared to \$0.209 for the same period in 2020.

### ***Adjusted Net Earnings***

Net earnings for the three month period ended December 31, 2021, and 2020 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, 2021, and 2020 to the Company's net earnings:





	<b>Three Months Ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Net Earnings	\$ 8,959,448	\$ 6,260,955
Adjusted for the impact of:		
Amortization of intangible assets	374,879	601,376
Share based compensation	1,342,058	1,501,744
Acquisition and integration costs	2,590,640	1,729,060
Other (income) expenses	422,592	1,260,683
Tax effect on the above items	(898,085)	(830,832)
<b>Adjusted Net Earnings, PLC shareholders</b>	<b>\$ 12,791,532</b>	<b>\$ 10,522,986</b>
<b>Adjusted Net Earnings - per share</b>		
Basic	\$ 0.375	\$ 0.352
Diluted	\$ 0.371	\$ 0.351
<b>Weighted Average Shares</b>		
Basic	34,105,883	29,876,804
Diluted	34,483,191	29,999,849

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

Adjusted Net Earnings attributable to PLC shareholders for the three month period ended December 31, 2021, was \$12,791,532 and \$0.371 per share, diluted, compared to \$10,522,986 and \$0.351 per share for the same period in 2020. This represents an increase of 21.6% in the Adjusted Net Earnings and 5.7% in the Adjusted Net Earnings per share over the same three month period in 2020.

### ***EBITDA and Adjusted EBITDA***

The table below reconciles EBITDA and Adjusted EBITDA for the three month period ended December 31, 2021, and 2020 to earnings from operations:



	<b>Three Months Ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Earnings from operations	\$ 15,018,452	\$ 13,283,003
Adjusted for the impact of:		
Finance costs	2,110,114	2,610,030
Depreciation and amortization	4,015,598	4,073,309
Amortization of cemetery property	2,664,834	2,908,059
Non-controlling interest	-	(194,280)
<b>EBITDA, PLC shareholders</b>	<b>23,808,998</b>	<b>22,680,121</b>
Share based compensation	1,342,058	1,501,744
<b>Adjusted EBITDA, PLC shareholders</b>	<b>\$ 25,151,056</b>	<b>\$ 24,181,865</b>
<b>EBITDA, PLC shareholders - per share</b>		
Basic	\$ 0.698	\$ 0.759
Diluted	\$ 0.690	\$ 0.756
<b>Adjusted EBITDA, PLC shareholders - per share</b>		
Basic	\$ 0.737	\$ 0.809
Diluted	\$ 0.729	\$ 0.806
<b>Weighted Average Shares Outstanding</b>		
Basic	34,105,883	29,876,804
Diluted	34,483,191	29,999,849

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

Adjusted EBITDA attributable to PLC shareholders for the three month period ended December 31, 2021, was \$25,151,056 compared to \$24,181,865 during the same period in 2020, which represents an increase of \$969,191 or 4.0%. The fully diluted Adjusted EBITDA per share for the three month period ended December 31, 2021, was \$0.729 compared to \$0.806 for the same period in 2020, a quarter over quarter decrease of \$0.077 or 9.6%.

The Adjusted EBITDA profit margin for the three month period ended December 31, 2021, was 25.3% compared to 27.0% for the same period in 2020 a decrease of 170 bps.

## **Twelve Months ended December 31, 2021**

### ***Net Revenue***

Net revenue for the twelve month period ended December 31, 2021, was \$369,540,232 compared to \$323,430,108 in the same period in 2020. This represents an increase of \$46,110,124 or 14.3%, over the same period in 2020.

Net revenue, cost of sales and gross profit for the twelve month periods ended December 31, 2021, and 2020 are as follows:



	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Net sales	\$ 351,505,072	\$ 306,416,620
Income from care and maintenance funds	11,421,541	10,661,812
Interest income	<u>6,613,619</u>	<u>6,351,676</u>
Net revenue	369,540,232	323,430,108
Cost of sales	<u>60,406,420</u>	<u>50,789,445</u>
Gross profit	<u>\$ 309,133,812</u>	<u>\$ 272,640,663</u>

Net sales for the twelve month period ended December 31, 2021, were \$351,505,072 compared to \$306,416,620 in the same period of 2020. This represents an increase of \$45,088,452 or 14.7%, over the same period in 2020. The increase in net sales related primarily to Acquired Operations, in addition to, increased demand in both at-need and pre-need funeral and cemetery services, increased average revenues per service experienced during the twelve month period ended December 31, 2021, as the death rate remained elevated relative to the year ended December 31, 2020, and local restrictions due to COVID-19 were relaxed during the year.

Income from care and maintenance funds for the twelve month period ended December 31, 2021, was \$11,421,541 compared to \$10,661,812 in the same period of 2020, which represents an increase of \$759,729 or 7.1%. The increase reflects the improved financial conditions against the lower interest and dividends earned during the twelve month period ended December 31, 2020, due to the onset and uncertainty of the COVID-19 pandemic.

Interest income for the twelve month period ended December 31, 2021, was \$6,613,619 compared to \$6,351,676 in the same period in 2020, which represents an increase of \$261,943 or 4.1%.

Net revenue from Comparable Operations increased 10.4% excluding foreign exchange translation and 4.2% when considering the significant decrease in USD:CAD relative to the same twelve month period in 2020.

After the early part of 2021 COVID-19 has had a lessened impact on the death rate in the markets Park Lawn operates year-over-year. However, during the year jurisdictional restrictions progressively reduced their impact on the Company's operations supporting a return to normal service offering increasing the average revenue per call in comparison to the previous year. In addition, the pandemic, as a trigger event, has continued to highlight the need for end of life planning.

Net revenue was negatively impacted by the appreciation of the CAD during the twelve months of 2021 relative to 2020 whereby the average exchange rate used in the translation of the Company's USD net revenue decreased approximately 6.6%.

Acquired Operations consist of Harpeth Hills and Family Legacy in the first quarter of 2020, Bowers, J. F. Floyd and Winscott in the fourth quarter of 2020, Wichmann, West and Williams Businesses in the second quarter of 2021, the Mississippi and Williamson Businesses in the third quarter of 2021 and MDB, Pugh, Smith Businesses and Ingram in the fourth quarter of 2021.

Cost of sales for the twelve month period ended December 31, 2021, was \$60,406,420 compared to \$50,789,445 in the same period in 2020. This represents an increase of \$9,616,975 or 18.9%, over the same period in 2020 and is primarily a result of increased net sales activity during the twelve month period, as well as, increased pre-need sales and the sales mix throughout the twelve month period, and increases from Acquired Operations.



Gross profit for the twelve month period ended December 31, 2021, increased to \$309,133,812 from \$272,640,663 in the same period in 2020 and gross profit margin for the twelve month period ended December 31, 2021, decreased slightly to 83.7% compared to 84.3% for the same period in 2020.

### *Operating Expenses*

Operating expenses for the twelve month period ended December 31, 2021, were \$251,411,849 compared to \$231,949,181 in the same period in 2020. This represents an increase of \$19,462,668 or 8.4% over the same period in 2020, as indicated below:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
General and administrative	\$ 157,428,522	\$ 142,827,042
Amortization of intangibles	1,753,930	2,448,031
Maintenance	35,809,085	34,734,406
Advertising and selling	42,065,104	36,815,842
Finance costs	9,580,697	9,853,791
Share based incentive compensation	4,774,511	5,270,069
	<u><u>\$ 251,411,849</u></u>	<u><u>\$ 231,949,181</u></u>

The overall increase in operating expenses period over period was primarily due to Acquired Operations, as well as higher general and administrative expenses, maintenance and advertising and selling expenses from Comparable Operations. These increases were partially offset by appreciation in the CAD during the twelve-month period ended December 31, 2021, relative to the same period in 2020.

The Company's general and administrative expenses increased primarily as a result of the aforementioned acquisitions in 2020 and 2021, additional labour and costs associated with increased at-need services and corporate headcount associated with the Company's growth, as well as costs associated with returning to operations less restricted by the pandemic such as travel, conferences, and seminars.

Amortization of intangibles represents the amount of amortization of intangible assets acquired as a result of business combinations. Amortization of intangibles decreased by \$694,101 for the twelve month period ended December 31, 2021, compared to the same period in 2020.

Advertising and selling expenses, increased primarily as a result of increased sales and the associated sales commissions, as well as increased marketing costs. Additionally, Acquired Operations increased advertising and selling expenses primarily from acquired cemetery businesses.

Maintenance costs increased relative to the same period in 2020 primarily due to increased costs in the second and third quarters of 2021 and Acquired Operations. In the second quarter of 2020 many states and provinces went into lockdown due to the COVID 19 pandemic, and several maintenance projects were put on hold or were unable to be performed. The increase is generally related to a return to more regular maintenance programs and the catch-up of some deferred projects.



Increases in operating expenses were partially offset by the appreciation of the CAD during the twelve month period ended December 31, 2021, relative to 2020 whereby the average exchange rate used in the translation of the Company's USD operating expenses decreased approximately 6.6%.

Finance costs for the twelve month period ended December 31, 2021, primarily include interest expense on the Credit Facility and interest expense on the Debentures. Finance costs decreased by \$273,094 for the twelve month period ended December 31, 2021, compared to the same period in 2020 as a result of lower borrowings by the Company.

As previously stated, the EIP provides for the grant of DSUs, RSUs, PSUs, and Options. Compensation expense associated with these units for the twelve month period ended December 31, 2021, was \$4,774,511 compared to \$5,270,069 for the same period in 2020 which represents a decrease of \$495,558 as a result of the timing of grants under the EIP during 2021. Share based incentive compensation expense will vary based on vesting conditions, performance metrics, the value of the underlying security, and the timing of when awards are issued.

As a result of the above, earnings from operations for the twelve month period ended December 31, 2021, totaled \$57,721,963 compared to \$40,691,482 for the same period in 2020. This represents an increase of \$17,030,481 or 41.9% period over period.

Other income and expenses for the twelve month period ended December 31, 2021, and 2020 are as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Earnings from operations	\$ 57,721,963	\$ 40,691,482
Acquisition and integration costs	(7,187,802)	(6,538,806)
Other income (expenses)	(1,700,635)	(4,588,323)
Earnings before income taxes	48,833,526	29,564,353
Income tax expense	13,857,565	10,226,173
Net earnings for the period	<u>\$ 34,975,961</u>	<u>\$ 19,338,180</u>

During the twelve month period ended December 31, 2021, and 2020, the Company incurred acquisition and integration expenses of \$7,187,802 and \$6,538,806, respectively. As previously mentioned, 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. Further, with the lessening of COVID-19 restrictions during the year ended December 31, 2021, the Company experienced an increased interest in acquisition related activity which resulted in higher execution than the prior period.

Other income (expenses) comprised of the following:

- \$1,174,120 of expenses for the twelve month period ended December 31, 2020, relating to the Company's previously disclosed strategic review of corporate governance matters and executive management transition preparedness, including Board fees, legal, CEO search and other professional fees.
- \$977,604 of expenses for the twelve month period ended December 31, 2020, in restructuring costs.
- \$1,720,734 of expenses for the twelve month period ended December 31, 2020, relating to the transition of Mr. Clark.





- \$257,246 and \$789,662 of expenses for the twelve month period ended December 31, 2021, and 2020, respectively, including legal costs for the defence of intellectual property created by the Company and the preservation of certain investments made or authorized by Mr. Clark.
- \$1,035,750 of expenses for the twelve month period ended December 31, 2020, relating to loan forgiveness upon the retirement of Mr. Leeder.
- In the second quarter of 2020, the Company received \$1,028,872 of other income relating to wages subsidy under the CEWS program. During the second quarter of fiscal 2020, the Government of Canada announced the CEWS for Canadian employers whose businesses were affected by the COVID-19 pandemic. The CEWS provides a wage subsidy of up to 75% on eligible remuneration, subject to certain criteria including demonstration of revenue declines as a result of COVID-19.
- On June 18, 2021, the Company completed the sale of all its outstanding shares of Parkland Funeral Holdings Ltd ("Parkland") which represented a 50% ownership of Parkland. On closing, the Company received \$3,714,853 and a promissory note receivable of \$1,785,147. The note called for an interest rate of 5.0% and matured on December 18, 2021. The promissory note was repaid in the fourth quarter of 2021. The transaction resulted in a net loss of \$847,462. The sale of Parkland did not represent a strategic shift in the Company's business.
- \$602,705 of impairment on other assets for the twelve month period ended December 31, 2021.
- Net gain of \$6,778 and net gain of \$80,675 related to sale of property for the twelve month period ended December 31, 2021, and 2020, respectively.

Income tax expense for the twelve month period ended December 31, 2021, was \$13,857,565 compared to \$10,226,173 for the same period in 2020. The effective tax rate for the twelve month period ended December 31, 2021, was 28.4% which is higher than the Company's statutory tax rates primarily as a result of certain permanent differences in operating expenses that are not deductible expenses for tax purposes, such as share based compensation expenses, offset by non-taxable dividend income. The effective tax rate for the same period in 2020 was 34.6%. The higher effective tax rate for the twelve month period ended December 31, 2020, was primarily due to unrealized capital gain on loans.

As a result of the above, the Company's after-tax earnings from operations for the twelve month period ended December 31, 2021, totaled \$34,975,961 compared to \$19,338,180 for the same period in 2020 which represents an increase of \$15,637,781 or 80.9% over the same period in 2020.

### ***Earnings Per Share***

The weighted average diluted number of Common Shares outstanding for the twelve month period ended December 31, 2021, increased to 31,549,563 compared to 29,894,399 for the same period in 2020, an increase of 1,655,164 or 5.5%. The increase in outstanding Common Shares relates primarily to the 2021 Financing, the issuance of Common Shares under the DRIP and an increase in equity incentive awards that have vested.

Fully diluted earnings per share attributable to PLC shareholders for the twelve month period ended December 31, 2021, were \$1.105 compared to \$0.637 for the same period in 2020.

### ***Adjusted Net Earnings***

Net earnings for the twelve month periods ended December 31, 2021, and 2020 as stated, have been significantly 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, 2021, and 2020 to the Company's net earnings:

	<b>Twelve Months Ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Net Earnings	\$ 34,866,218	\$ 19,030,564
Adjusted for the impact of:		
Amortization of intangible assets	1,753,930	2,448,031
Share based compensation	4,774,511	5,270,069
Acquisition and integration costs	7,187,802	6,538,806
Other (income) expenses	1,700,635	4,588,323
Tax effect on the above items	(2,596,548)	(3,250,234)
<b>Adjusted Net Earnings, PLC shareholders</b>	<b>\$ 47,686,548</b>	<b>\$ 34,625,559</b>
<b>Adjusted Net Earnings - per share</b>		
Basic	\$ 1.533	\$ 1.165
Diluted	\$ 1.511	\$ 1.158
<b>Weighted Average Shares</b>		
Basic	31,111,308	29,716,980
Diluted	31,549,563	29,894,399

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

Adjusted Net Earnings attributable to PLC shareholders for the twelve month period ended December 31, 2021, was \$47,686,548 or \$1.511 per share, diluted, compared to \$34,625,559 or \$1.158 per share for the same period in 2020. This represents an increase of 37.7% in the Adjusted Net Earnings and 30.5% in the Adjusted Net Earnings per share over the same twelve month period in 2020.

### ***EBITDA and Adjusted EBITDA***

The table below reconciles EBITDA and Adjusted EBITDA for the twelve month periods ended December 31, 2021, and 2020 to earnings from operations:



	<b>Twelve Months Ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Earnings from operations	\$ 57,721,963	\$ 40,691,482
Adjusted for the impact of:		
Finance costs	9,580,697	9,853,791
Depreciation and amortization	14,778,000	15,774,272
Amortization of cemetery property	9,023,848	8,915,555
Non-controlling interest	(235,215)	(642,239)
<b>EBITDA, PLC shareholders</b>	<b>90,869,293</b>	<b>74,592,861</b>
Share based compensation	4,774,511	5,270,069
<b>Adjusted EBITDA, PLC shareholders</b>	<b>\$ 95,643,804</b>	<b>\$ 79,862,930</b>
 <b>EBITDA, PLC shareholders - per share</b>		
Basic	\$ 2.921	\$ 2.510
Diluted	\$ 2.880	\$ 2.495
 <b>Adjusted EBITDA, PLC shareholders - per share</b>		
Basic	\$ 3.074	\$ 2.687
Diluted	\$ 3.032	\$ 2.672
 <b>Weighted Average Shares Outstanding</b>		
Basic	31,111,308	29,716,980
Diluted	31,549,563	29,894,399

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

Adjusted EBITDA attributable to PLC shareholders for the twelve month period ended December 31, 2021, was \$95,643,804 compared to \$79,862,930 during the same period in 2020, which represents an increase of \$15,780,874 or 19.8%. The fully diluted Adjusted EBITDA per share for the twelve month period ended December 31, 2021, was \$3.032 compared to \$2.672 for the same period in 2020, a period over period increase of \$0.360 or 13.5%.

The Adjusted EBITDA profit margin for the twelve month period ended December 31, 2021, was 25.9% compared to 24.9% for the same period in 2020, an increase of 100 bps.

## Geographic Information

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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Canada	\$ 220,154,855	\$ 206,887,380
United States	1,458,385,023	1,220,963,716
Total	<u>\$ 1,678,539,878</u>	<u>\$ 1,427,851,096</u>



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

	Twelve Months Ended December 31,	
	2021	2020
Net revenue:		
Net sales:		
Canada	\$ 36,446,465	\$ 34,439,450
United States	315,058,607	271,977,170
Total net sales	351,505,072	306,416,620
Income from care and maintenance funds:		
Canada	5,015,235	4,130,000
United States	6,406,306	6,531,812
Total income from care and maintenance funds	11,421,541	10,661,812
Interest income:		
Canada	971,234	1,171,952
United States	5,642,385	5,179,724
Total interest income	6,613,619	6,351,676
Total net revenue:		
Canada	42,432,934	39,741,402
United States	327,107,298	283,688,706
Total net revenue	\$ 369,540,232	\$ 323,430,108

## 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. The Company had a net working capital of \$49,138,803 as of December 31, 2021, including \$26,352,234 in cash. Net working capital is calculated as the difference between the Company's current assets and its current liabilities.

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 \$50 million to \$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**"). The Credit Facility bears variable interest at the banker's acceptance rate plus an applicable margin based on a leverage ratio calculation. As part of the amendment, the interest spread of the variable interest rate was reduced, and the Company has the ability, through a U.S. subsidiary, to borrow funds in U.S. dollars.

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

In July 2020, the Company raised \$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 Company intends to use the enhanced borrowing capacity under the Credit Facility to fund future acquisitions and for general corporate purposes.



The Credit Facility required the Company to maintain a Leverage Ratio of less than 3.75 times for the period beginning on June 30, 2021, and ending on September 31, 2021, and thereafter to maintain a Leverage Ratio of not more than 3.5 times. As a part of the amendment to the Credit Facility on August 31, 2021, the leverage ratio was increased to 3.75 times for the 5 year term. It also requires the Company to maintain an Interest Coverage Ratio of greater than 3 times. As of December 31, 2021, the Company was in compliance with both covenant tests with the Leverage Ratio being 0.98 times and the Interest Coverage Ratio being 30.63 times.

At December 31, 2021, the Company had \$109,819,903 outstanding on the Credit Facility including letters of credit totaling \$764,023. The Company has an undrawn balance on its Credit Facility of \$190,180,097 and \$26,352,234 in cash on hand as at December 31, 2021.

As at December 31, 2021, the Company had other debt of \$16,693,161 comprised of vehicle loans and notes payable to former business owners supporting non-compete and warranty agreements and related to the financing of the general business insurance policies. Further, the Company had \$5,749,461 in lease liabilities, and the Debentures balance as at December 31, 2021, was \$82,707,553, net of debt issuance costs and accretion expense of \$3,542,447.





### Summary of principal repayments by year

	2022	2023	2024	2025	2026	Thereafter	Total
Revolving loan facility	\$ -	\$ -	\$ -	\$ -	\$ 109,055,880	\$ -	\$ 109,055,880 <sup>(1)</sup>
Other debt	213,178	122,666	-	-	-	-	335,844
	213,178	122,666	-	-	109,055,880	-	109,391,724
Deferred financing costs	-	-	-	-	(1,877,161)	-	(1,877,161)
Total	\$ 213,178	\$ 122,666	\$ -	\$ -	\$ 107,178,719	\$ -	\$ 107,514,563

<sup>(1)</sup> Excludes letters of credit issued of \$764,023.

	2022	2023	2024	2025	2026	Thereafter	Total
Notes payable	\$ 4,373,507	\$ 2,209,545	\$ 1,513,129	\$ 1,077,801	\$ 750,655	\$ 6,432,680	\$ 16,357,317

### Lease liabilities

	December 31, 2021	December 31, 2020
Future minimum lease payments		
Due in less than one year	\$ 1,537,878	\$ 2,277,776
Due between one and two years	1,242,029	1,430,314
Due between two and three years	968,060	1,128,935
Due thereafter	2,989,002	3,741,628
Interest	(987,508)	(1,287,265)
Present value of minimum lease payments	5,749,461	7,291,388
Current portion	1,371,341	2,154,722
Non-current portion	\$ 4,378,120	\$ 5,136,666

### Construction Commitments

As at the date hereof, the Company has 13 ongoing construction commitments (the “**Construction Commitments**”) with the remaining aggregate balance of \$6,850,288, primarily for the construction of the Westminster Cemetery (the “**Westminster Project**”), funeral visitation and reception centre in Toronto, Ontario and for funeral homes, mausoleums, and cemetery development in the United States. To date, the Company has spent \$29,366,965 on the Construction Commitments in progress.

The Westminster Project consists of a 32,100 square foot on-site funeral visitation and reception centre at Westminster Cemetery in Toronto, Ontario. To date, the Company has spent \$14.5 million on the Westminster Project and the remaining balance of \$1.5 million will be spent in the spring 2022, when the project is expected to be completed.

From December 2013 to December 2021, the Company raised approximately \$653,000,000 from the issuance of Common Shares to fund various growth initiatives, including the Construction Commitments. The Company may use additional Common Share or debenture offerings to fund future growth initiatives if, and when, such opportunities arise.



## 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, 2021, and 2020 compared to its dividend payout:

	Three Months Ended		Twelve Months Ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Cash provided by (used in) operating activities	\$ 25,312,103	\$ 14,407,226	\$ 79,440,974	\$ 62,966,228
Maintenance capital expenditures	(4,375,212)	(2,260,660)	(10,492,628)	(5,676,291)
Inventory additions	(887,635)	(1,586,450)	(4,087,656)	(4,609,566)
Lease payments	(421,846)	(698,829)	(2,196,565)	(2,248,475)
Free Cash Flow	<u>\$ 19,627,410</u>	<u>\$ 9,861,287</u>	<u>\$ 62,664,125</u>	<u>\$ 50,431,896</u>
Free Cash Flow per common share-diluted	<u>\$ 0.569</u>	<u>\$ 0.329</u>	<u>\$ 1.986</u>	<u>\$ 1.687</u>
Dividends per common share	<u>\$ 0.114</u>	<u>\$ 0.114</u>	<u>\$ 0.456</u>	<u>\$ 0.456</u>
Payout ratio	<u>20%</u>	<u>35%</u>	<u>23%</u>	<u>27%</u>
Weighted average shares outstanding - diluted	<u>34,483,191</u>	<u>29,999,849</u>	<u>31,549,563</u>	<u>29,894,399</u>

Free Cash Flow is a non-IFRS measure. See "Description of non-IFRS measures".

As calculated above, the Company's Free Cash Flow was \$19,627,410 for the three month period ended December 31, 2021, compared to \$9,861,287 for the same period in 2020. This represents Free Cash Flow per fully diluted common share of \$0.569 and \$0.329 for the three month periods ended December 31, 2021, and 2020, respectively. The Company paid dividends of \$0.114 per common share for the three month periods ended December 31, 2021, and 2020. The dividends paid represent 20% and 35% of Free Cash Flow for the three month periods ended December 31, 2021, and 2020, respectively.

As calculated above, the Company's Free Cash Flow from operations was \$62,664,125 for the twelve month period ended December 31, 2021, compared to \$50,431,896 for the same period in 2020. This represents Free Cash Flow per fully diluted common share of \$1.986 and \$1.687 for the twelve month periods ended December 31, 2021, and 2020, respectively. The Company paid dividends of \$0.456 per common share for the twelve month periods ended December 31, 2021, and 2020. The dividends paid represent 23% and 27% of Free Cash Flow for the twelve month periods ended December 31, 2021, and 2020, respectively.

For the twelve month period ended December 31, 2021, and December 31, 2020, the Company declared dividends to shareholders totaling \$0.456 per share. The following table sets forth the per share amounts of monthly dividends declared and paid by the Company since January 1, 2021.



Month	Dividend Record Date	Payment Date	Per Share
December, 2021	December 31, 2021	January 14, 2022	0.038
November, 2021	November 30, 2021	December 15, 2021	0.038
October, 2021	October 31, 2021	November 15, 2021	0.038
September, 2021	September 30, 2021	October 15, 2021	0.038
August, 2021	August 31, 2021	September 15, 2021	0.038
July, 2021	July 31, 2021	August 16, 2021	0.038
June, 2021	June 30, 2021	July 15, 2021	0.038
May, 2021	May 31, 2021	June 15, 2021	0.038
April, 2021	April 30, 2021	May 14, 2021	0.038
March, 2021	March 31, 2021	April 15, 2021	0.038
February, 2021	February 28, 2021	March 15, 2021	0.038
January, 2021	January 31, 2021	February 15, 2021	0.038
Total dividends per share			<u>\$ 0.456</u>

The Company previously used “adjusted cash flow” as a measure of, among other things, the sustainability of its dividend (see, for example, the Company’s MD&A for the year ended December 31, 2020). Management believes Free Cash Flow is more useful than adjusted cash flow to assess the Company’s ability to strengthen its balance sheet, repay its debt obligations, pay cash dividends, and fund organic growth initiatives and acquisitions. Both adjusted cash flow and Free Cash Flow are non-IFRS measures. See “Description of non-IFRS measures”.

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 on each of the Common Shares of the Company to shareholders of record on the last business day of each quarter and 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 \$0.114 per Common Share per quarter.

### Care and Maintenance Trust Funds

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 year ended December 31, 2021, the Company contributed \$11,626,922 to the trust funds compared to \$9,344,776 during the same period in 2020. The Care and Maintenance Trust Fund assets are included in the Consolidated Statement of Financial Position at market value. As of December 31, 2021, the balance of the trust funds was \$291,548,084 compared to \$246,001,481 as at December 31, 2020. The increase is primarily a result of contributions to the trust funds, acquisitions and investment gains 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, 2021, the Company had net unrealized gains in the Care and Maintenance Trust Funds of \$23,950,466, which represents an 8.9% net unrealized gain to the original cost basis.

### Pre-Need Merchandise and Service Trust Funds

The Company maintains Pre-Need Merchandise and Service Trust Funds for the deposit of cash received for the purchase of pre-need merchandise and services to be delivered at some future date. When the merchandise is delivered and the services are performed, the Company receives the current market value for the service from the Pre-Need Merchandise and Service Trust Funds. The Pre-Need Merchandise and Service Trust Fund assets are included in the Consolidated Statement of Financial Position at market value. The assets within the trust funds had a market value at December 31, 2021, of \$329,283,202 compared



to \$293,048,584 as at December 31, 2020. The increase in fair value since December 31, 2020, is a result of acquisitions and investment gains 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, 2021, the Company had net unrealized gains in the Pre-Need Merchandise and Service Trust Funds of \$5,347,841, which represents a 1.7% net unrealized gain to the original cost basis. The unrealized gains are muted because of the higher cash positions and the Canadian GIC's. Adjusting for those items the net unrealized gain at December 31, 2021, on the other investments was 2.0%.

### **Preadvanced Funeral Insurance Contracts**

In addition to trust funded preadvanced funeral services contracts, the Company also has preadvanced funeral services contracts that are funded by insurance. At December 31, 2021, and December 31, 2020, the current face amounts of pre-funded policies were \$555,098,260 and \$368,903,733, respectively. Families who have preadvanced 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 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 where allowed by state law. 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 pre-need contract that would otherwise be required to be trusted, in accordance with state law. The obligations underlying these surety bonds are recorded as deferred revenue. At December 31, 2021, and December 31, 2020, the Company had surety bonds in place having an aggregate face value of \$35,771,452 and \$37,621,704, respectively.



## Quarterly and Annual Information in CAD

	2021 Q4	2021 Q3	2021 Q2	2021 Q1	Year Ending Dec 31, 2021
Net revenue <sup>(1)</sup>	\$99,484,580	\$92,047,771	\$88,430,582	\$89,577,299	\$369,540,232
Gross profit	\$82,111,680	\$77,456,717	\$74,233,650	\$75,331,765	\$309,133,812
Operating expenses	\$67,093,228	\$62,750,238	\$61,309,305	\$60,259,078	\$251,411,849
Earnings from operations	\$15,018,452	\$14,706,479	\$12,924,345	\$15,072,687	\$57,721,963
Net earnings, PLC shareholders	\$8,959,448	\$9,053,757	\$7,098,722	\$9,754,291	\$34,866,218
Adjusted net earnings, PLC shareholders <sup>(2)</sup>	\$12,791,532	\$12,086,952	\$10,763,046	\$12,045,018	\$47,686,548
Adjusted EBITDA, PLC shareholders <sup>(3)</sup>	\$25,151,056	\$23,524,226	\$22,724,411	\$24,244,111	\$95,643,804
Gross profit margin	82.5%	84.1%	83.9%	84.1%	83.7%
Adjusted EBITDA margin <sup>(1), (3)</sup>	25.3%	25.6%	25.8%	27.2%	25.9%
Net earnings per share - basic, PLC shareholders <sup>(4)</sup>	\$0.263	\$0.291	\$0.237	\$0.327	\$1.121
Net earnings per share - diluted, PLC shareholders <sup>(4)</sup>	\$0.260	\$0.288	\$0.235	\$0.324	\$1.105
Adjusted Net Earnings per share - basic, PLC shareholders <sup>(2), (4)</sup>	\$0.375	\$0.389	\$0.360	\$0.404	\$1.533
Adjusted Net Earnings per share - diluted, PLC shareholders <sup>(2), (4)</sup>	\$0.371	\$0.384	\$0.356	\$0.400	\$1.511
Adjusted EBITDA per share - basic, PLC shareholders <sup>(3), (4)</sup>	\$0.737	\$0.757	\$0.759	\$0.812	\$3.074
Adjusted EBITDA per share - diluted, PLC shareholders <sup>(3), (4)</sup>	\$0.729	\$0.748	\$0.752	\$0.805	\$3.032

  

	2020 Q4	2020 Q3	2020 Q2	2020 Q1	Year Ending Dec 31, 2020
Net revenue <sup>(1)</sup>	\$90,366,948	\$80,267,397	\$81,531,826	\$71,263,937	\$323,430,108
Gross profit	\$75,629,209	\$67,762,321	\$68,583,764	\$60,665,369	\$272,640,663
Operating expenses	\$62,346,206	\$58,821,788	\$58,001,676	\$52,779,511	\$231,949,181
Earnings from operations	\$13,283,003	\$8,940,533	\$10,582,088	\$7,885,858	\$40,691,482
Net earnings, PLC shareholders	\$6,260,955	\$5,403,038	\$6,632,514	\$734,057	\$19,030,564
Adjusted net earnings, PLC shareholders <sup>(2)</sup>	\$10,522,986	\$7,748,660	\$8,784,310	\$7,569,603	\$34,625,559
Adjusted EBITDA, PLC shareholders <sup>(3)</sup>	\$24,181,865	\$19,102,935	\$19,488,043	\$17,090,087	\$79,862,930
Gross profit margin	83.7%	84.4%	84.1%	85.1%	84.3%
Adjusted EBITDA margin <sup>(1), (3)</sup>	27.0%	24.0%	24.1%	24.2%	24.9%
Net earnings per share - basic, PLC shareholders <sup>(4)</sup>	\$0.210	\$0.181	\$0.223	\$0.025	\$0.640
Net earnings per share - diluted, PLC shareholders <sup>(4)</sup>	\$0.209	\$0.180	\$0.223	\$0.025	\$0.637
Adjusted Net Earnings per share - basic, PLC shareholders <sup>(2), (4)</sup>	\$0.352	\$0.260	\$0.296	\$0.255	\$1.165
Adjusted Net Earnings per share - diluted, PLC shareholders <sup>(2), (4)</sup>	\$0.351	\$0.259	\$0.295	\$0.255	\$1.158
Adjusted EBITDA per share - basic, PLC shareholders <sup>(3), (4)</sup>	\$0.809	\$0.641	\$0.656	\$0.577	\$2.687
Adjusted EBITDA per share - diluted, PLC shareholders <sup>(3), (4)</sup>	\$0.806	\$0.638	\$0.654	\$0.576	\$2.672

<sup>(1)</sup> The Company has made an accounting presentation change to present the contributions to care and maintenance trust funds from costs of sales to net revenue in fiscal 2021. The comparative amounts in the statement of earnings have also been reclassified for consistency. Please see note 23 to the consolidated financial statements as at and for the twelve months ending December 31, 2021, for further details.

<sup>(2)</sup> 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.

<sup>(3)</sup> Adjusted EBITDA is non-IFRS measure. See “Discussion of Operating Results – Adjusted EBITDA” for reconciliation of the Company’s Adjusted EBITDA.

<sup>(4)</sup> 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. The Company’s business is not seasonal in nature but can be generally subject to some seasonal fluctuations. The Company’s consolidated financial statements are reported in Canadian dollars. Accordingly, the quarterly results are directly affected by fluctuations in exchange rates for the United States currency.



## Quarterly and Annual Information in USD

Given the currency presentation change in the first quarter of 2022, the Company has presented selected financial information in USD below:

	2021 Q4	2021 Q3	2021 Q2	2021 Q1	Year Ending Dec 31, 2021
Net revenue <sup>(1)</sup>	\$78,949,931	\$73,038,015	\$72,028,203	\$70,756,160	\$294,772,309
Gross profit	\$65,158,558	\$61,458,992	\$60,466,413	\$59,503,764	\$246,587,727
Operating expenses	\$53,243,926	\$49,797,635	\$49,912,740	\$47,598,008	\$200,552,309
Earnings from operations	\$11,914,632	\$11,661,357	\$10,553,673	\$11,905,756	\$46,035,418
Net earnings, PLC shareholders	\$7,113,666	\$7,186,518	\$5,807,871	\$7,704,811	\$27,812,866
Adjusted net earnings, PLC shareholders <sup>(2)</sup>	\$10,150,171	\$9,586,000	\$8,782,108	\$9,514,232	\$38,032,511
Adjusted EBITDA, PLC shareholders <sup>(3)</sup>	\$19,954,978	\$18,654,959	\$18,524,474	\$19,150,167	\$76,284,577
Gross profit margin	82.5%	84.1%	83.9%	84.1%	83.7%
Adjusted EBITDA margin <sup>(1), (3)</sup>	25.3%	25.6%	25.8%	27.2%	25.9%
Net earnings per share - basic, PLC shareholders <sup>(4)</sup>	\$0.209	\$0.231	\$0.194	\$0.258	\$0.894
Net earnings per share - diluted, PLC shareholders <sup>(4)</sup>	\$0.206	\$0.229	\$0.192	\$0.256	\$0.882
Adjusted Net Earnings per share - basic, PLC shareholders <sup>(2), (4)</sup>	\$0.298	\$0.308	\$0.293	\$0.319	\$1.222
Adjusted Net Earnings per share - diluted, PLC shareholders <sup>(2), (4)</sup>	\$0.294	\$0.305	\$0.291	\$0.316	\$1.205
Adjusted EBITDA per share - basic, PLC shareholders <sup>(3), (4)</sup>	\$0.585	\$0.600	\$0.619	\$0.642	\$2.452
Adjusted EBITDA per share - diluted, PLC shareholders <sup>(3), (4)</sup>	\$0.579	\$0.593	\$0.613	\$0.636	\$2.418

  

	2020 Q4	2020 Q3	2020 Q2	2020 Q1	Year Ending Dec 31, 2020
Net revenue <sup>(1)</sup>	\$69,057,488	\$60,256,285	\$58,854,996	\$52,946,084	\$241,114,853
Gross profit	\$57,801,399	\$50,868,794	\$49,508,239	\$45,074,056	\$203,252,489
Operating expenses	\$47,663,075	\$44,157,186	\$41,869,397	\$39,219,467	\$172,909,126
Earnings from operations	\$10,138,324	\$6,711,608	\$7,638,842	\$5,854,589	\$30,343,363
Net earnings, PLC shareholders	\$4,782,068	\$4,056,030	\$4,787,782	\$553,845	\$14,179,726
Adjusted net earnings, PLC shareholders <sup>(2)</sup>	\$8,039,335	\$5,816,876	\$6,341,089	\$5,621,886	\$25,819,185
Adjusted EBITDA, PLC shareholders <sup>(3)</sup>	\$18,436,803	\$14,340,466	\$14,067,742	\$12,696,718	\$59,541,729
Gross profit margin	83.7%	84.4%	84.1%	85.1%	84.3%
Adjusted EBITDA margin <sup>(1), (3)</sup>	27.0%	24.0%	24.1%	24.2%	24.9%
Net earnings per share - basic, PLC shareholders <sup>(4)</sup>	\$0.160	\$0.136	\$0.161	\$0.019	\$0.477
Net earnings per share - diluted, PLC shareholders <sup>(4)</sup>	\$0.159	\$0.135	\$0.161	\$0.019	\$0.474
Adjusted Net Earnings per share - basic, PLC shareholders <sup>(2), (4)</sup>	\$0.269	\$0.195	\$0.214	\$0.190	\$0.869
Adjusted Net Earnings per share - diluted, PLC shareholders <sup>(2), (4)</sup>	\$0.268	\$0.194	\$0.213	\$0.189	\$0.864
Adjusted EBITDA per share - basic, PLC shareholders <sup>(3), (4)</sup>	\$0.617	\$0.481	\$0.474	\$0.428	\$2.004
Adjusted EBITDA per share - diluted, PLC shareholders <sup>(3), (4)</sup>	\$0.615	\$0.479	\$0.472	\$0.428	\$1.992

<sup>(1)</sup> The Company has made an accounting presentation change to present the contributions to care and maintenance trust funds from costs of sales to net revenue in fiscal 2021. The comparative amounts in the statement of earnings have also been reclassified for consistency. Please see note 23 to the consolidated financial statements as at and for the twelve months ending December 31, 2021, for further details.

<sup>(2)</sup> 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.

<sup>(3)</sup> Adjusted EBITDA is non-IFRS measure. See “Discussion of Operating Results – Adjusted EBITDA” for reconciliation of the Company’s Adjusted EBITDA.

<sup>(4)</sup> 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.





## Related Party Transactions

As discussed in this section and disclosed elsewhere in the MD&A, the Company's related parties include the following persons and entities: (i) associates, or entities which are controlled or significantly influenced by the Company; (ii) key management personnel, which are comprised of the directors and officers of the Company; and (iii) entities controlled by key management personnel.

### *Employee share loan plan*

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

Amounts issued under the ESLP were as follows:

- On October 7, 2013, the Company loaned \$1,575,000 to Nine Two Seven Limited, to acquire 210,000 Common Shares. Nine Two Seven Limited is owned by former Company executive, Andrew Clark. The loan bore interest at a rate of 3.2% per annum payable upon maturity on August 27, 2023; and
- On January 7, 2015, the Company loaned \$746,200 to Nine Two Seven Limited to acquire 65,000 Common Shares. The loan bore interest at a rate of 3.2% per annum payable upon maturity on January 7, 2025.

The two loans described above were forgiven in the amount of \$1,665,104 on February 17, 2020.

On January 7, 2015, under the ESLP the Company loaned \$1,258,750 to Leeder Holdings Inc. to acquire 125,000 Common Shares of the Company. Leeder Holdings Inc. is owned by retired former executive, Joseph Leeder. The loan bore interest at a rate of 3.2% per annum payable upon maturity on January 7, 2025. The Company agreed to forgive a \$1,035,750 loan provided by the Company to Leeder Holdings Inc. and agreed to accelerated vesting of 4,878 PSUs and 4,878 RSUs on December 31, 2020.

Effective March 30, 2020, Mr. Clark stepped down as CEO of the Company. Upon his departure, the Company and Mr. Clark entered into an agreement, and subsequently amended that agreement, which contained the following financial terms, which total \$1,720,734 (notwithstanding the terms of Mr. Clark's employment agreement):

- forgiveness of a \$1,648,439 loan and accrued interest of \$16,665, provided by the Company to Nine Two Seven Limited under the Company's ESLP;
- the forfeiture of all EIP awards held by Mr. Clark, other than 10,632 PSUs and 1,651 DSUs. Since all the forfeited EIP awards previously issued to Mr. Clark had been previously expensed as part of share-based compensation, this resulted in other income of \$260,429 for the quarter ended June 30, 2020;
- the payment of \$93,000 in legal expenses incurred by Mr. Clark in connection with his departure; and
- other consideration valued in the amount of \$223,059.

### *Key management compensation*

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:



	December 31, 2021	December 31, 2020
Directors' fees and management compensation	<u>\$ 6,993,754</u>	<u>\$ 5,927,829</u>
	December 31, 2021	December 31, 2020
Agreement (Note 27 iii)	\$ -	\$ 1,720,734
Agreement (Note 27 v)	-	1,035,750
	<u>\$ -</u>	<u>\$ 2,756,484</u>

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

### *Internal Controls over Financial Reporting*

The CEO and the CFO have designed, or caused to be designed under their supervision, internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Management conducted its evaluation based on the framework set forth in the Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on its evaluation under this framework, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2021.

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 CEO and CFO have limited the scope of design of disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures of Wichmann, West and Williams Businesses which were acquired in the second quarter of 2021, Mississippi and Williamson Businesses acquired in the third quarter of 2021 and MDB, Pugh, Smith Businesses and Ingram in the fourth quarter of 2021.



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 related to recent acquisitions of Wichmann, West and Williams Businesses in the second quarter of 2021, Mississippi and Williamson Businesses in third quarter of 2021 and MDB, Pugh, Smith Businesses and Ingram in the fourth quarter of 2021:

	December 31, 2021			
	Wichmann	West & Pugh	Williams	Mississippi Businesses
Net revenue	\$ 4,477,056	\$ 2,537,438	\$ 3,508,761	\$ 5,623,257
Net earnings	\$ 1,224,269	\$ 394,013	\$ 396,537	\$ 1,372,061
Current assets	\$ 700,380	\$ 442,785	\$ 106,597	\$ 1,623,174
Non-current assets	\$ 6,893,496	\$ 11,560,378	\$ 12,450,424	\$ 23,204,506
Current liabilities	\$ 877,608	\$ 844,547	\$ 1,135,462	\$ 1,153,972
Non-current liabilities	\$ 573,699	\$ 4,550,834	\$ 7,968,828	\$ 5,315,206

	December 31, 2021		
	MDB	Williamson & Smith	Ingram
Net revenue	\$ 244,070	\$ 3,283,207	\$ 313,836
Net earnings	\$ 18,368	\$ 864,170	\$ 123,598
Current assets	\$ 41,700	\$ 831,551	\$ 233,942
Non-current assets	\$ 5,185,643	\$ 29,898,204	\$ 4,822,273
Current liabilities	\$ -	\$ 1,513,630	\$ 248,164
Non-current liabilities	\$ 3,491,930	\$ 18,963,142	\$ 962,999

### *Changes in Internal Controls over Financial Reporting*

There have been no changes in the Company's internal controls over financial reporting during the 2021 fiscal year that have affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.



## Shares Outstanding

The authorized capital of the Company consists of an unlimited number of Common Shares. As at December 31, 2021, there were 33,930,209 Common Shares issued and outstanding, representing an increase of 4,365,683 Common Shares issued and outstanding since December 31, 2020. The increase in the number of Common Shares is primarily due to the 2021 equity financing and the issuance of Common Shares pursuant to the Company's DRIP and EIP. As at January 31, 2022, there were 33,957,246 Common Shares issued and outstanding. In addition, the Company has 168,539 Common Shares reserved and available for grant and issuance under the EIP. As at December 31, 2021, 1,872,378 DSUs, RSUs, PSUs and Options were outstanding.

## Risks

A detailed set of risks applicable to the Company are included in the Company's AIF for the year ended December 31, 2021, and is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.parklawncorp.com](http://www.parklawncorp.com)

## Additional Information

Additional information relating to the Company, including the Company's AIF, is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.parklawncorp.com](http://www.parklawncorp.com).



# 21

## Consolidated Financial Statements

For the years ended December 31, 2021 and 2020



PARK LAWN  
CORPORATION



## Independent Auditor's Report

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To the Shareholders of Park Lawn Corporation:

### Opinion

We have audited the consolidated financial statements of Park Lawn Corporation and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and December 31, 2020, and the consolidated statements of earnings, comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2021 and December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

### Basis for Opinion

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

### Goodwill Impairment Assessment

#### *Key Audit Matter Description*

As described in Note 12, the Company's goodwill balance was \$471,761,959 as of December 31, 2021, which represented approximately 26% of the total assets. Goodwill is tested for impairment annually during the fourth quarter, or whenever certain events or changes in circumstances indicate that the carrying value of goodwill may be greater than the recoverable amount. For the purpose of impairment testing, 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 (a cash generating unit ("CGU")). Management uses a value in use approach to determine the recoverable amount for all its CGUs. The grouping of CGUs is described in Note 3(ii).

Goodwill impairment assessment of the CGUs is a key audit matter as there was significant judgment made by management when developing the value in use. This in turn led to significant auditor judgment, subjectivity, and effort in performing procedures evaluating management's cash flow projections and significant assumptions, including revenue growth rates (over a five-year period and terminal year), ratio of expense to revenue, sustaining capital expenditures and pre-tax discount rates.

#### *Audit Response*

We responded to this matter by performing procedures over goodwill impairment. Our audit work in relation to this included, but was not restricted to, the following:

- Evaluated the appropriateness of management's CGU grouping through review of management's accounting position paper, management's budgeting process, and corroborative discussions with management's operational leaders.
- Obtained an understanding of management's process for developing the value in use estimate.
- Evaluated the appropriateness of the discounted cash flow model by testing the completeness, accuracy, and relevance of underlying data used in the cash flow model.
- Evaluated the reasonableness of significant assumptions used by management, including the revenue growth rates, ratio of expenses to revenue, sustaining capital expenditures and pre-tax discount rates.
- Evaluated management's assumptions related to the revenue growth rates, ratio of expenses to revenue and sustaining capital expenditures by evaluating whether the assumptions were reasonable considering (i) the current and past performance of the CGU grouping, (ii) the consistency with forecasts per industry data, and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit.
- Evaluated management's assumption related to the pre-tax discount rate by using internal valuation professionals with specialized skill and knowledge.
- Assessed the appropriateness of the disclosures relating to the assumptions used in the impairment assessment in the notes to the consolidated financial statements.



## Other Information

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

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

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

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated 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 report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

*MNP LLP*

Mississauga, Ontario

March 3, 2022

Chartered Professional Accountants

Licensed Public Accountants

**PARK LAWN CORPORATION**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	December 31, 2021	December 31, 2020 <i>(Restated, Measurement Period Adjustment - see Note 6)</i>
<b>Assets</b>		
Current assets		
Cash	\$ 26,352,234	\$ 31,475,091
Accounts receivable	22,776,678	14,015,313
Pre-need receivables, current portion (Note 4)	37,413,467	33,120,302
Inventories, current portion (Note 5)	12,240,775	12,103,621
Prepaid expenses and other assets (Note 13)	5,648,059	11,971,945
	<u>104,431,213</u>	<u>102,686,272</u>
Non-current assets		
Pre-need receivables, net of current portion (Note 4)	79,130,324	72,013,545
Inventories, net of current portion (Note 5)	91,863,119	91,897,283
Land held for development (Note 7)	33,523,293	26,624,737
Property and equipment (Note 8)	285,357,503	227,201,137
Care and maintenance trust fund investments (Note 9)	291,548,084	246,001,481
Pre-need merchandise and service trust fund investments (Note 10)	329,283,202	293,048,584
Deferred tax assets (Note 28)	6,160,876	5,142,370
Goodwill and intangibles (Note 6 and 12)	518,540,441	425,010,012
Deferred commissions	36,071,847	32,814,234
Prepaid expenses and other assets (Note 13)	7,061,189	8,097,713
	<u>1,678,539,878</u>	<u>1,427,851,096</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 1,782,971,091</b></u>	<u><b>\$ 1,530,537,368</b></u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities (Note 14 and 29)	\$ 48,045,036	\$ 45,172,738
Dividends payable (Note 20)	1,289,348	1,123,452
Current portion of long-term debt (Note 15)	213,178	353,389
Current portion of notes payable (Note 16)	4,373,507	2,697,019
Current portion of lease liabilities (Note 17)	1,371,341	2,154,722
	<u>55,292,410</u>	<u>51,501,320</u>
Non-current liabilities		
Long-term debt, net of current portion (Note 15)	107,301,385	143,347,019
Notes payable, net of current portion (Note 16)	11,983,810	7,963,765
Lease liabilities, net of current portion (Note 17)	4,378,120	5,136,666
Senior Unsecured Debentures (Note 18)	82,707,553	81,964,547
Deferred tax liabilities (Note 28)	16,198,927	12,501,714
Deferred revenue (Note 19)	199,623,193	175,572,383
Care and maintenance trusts' corpus (Note 9)	291,548,084	246,001,481
Deferred pre-need receipts held in trust (Note 10)	329,283,202	293,048,584
	<u>1,043,024,274</u>	<u>965,536,159</u>
Shareholders' Equity		
Share capital (Note 21)	656,492,583	505,560,310
Contributed surplus	15,571,541	11,406,852
Accumulated other comprehensive loss	(18,769,656)	(16,327,689)
Retained earnings	31,359,939	10,673,762
	<u>684,654,407</u>	<u>511,313,235</u>
Non-controlling interest	-	2,186,654
	<u>684,654,407</u>	<u>513,499,889</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u><b>\$ 1,782,971,091</b></u>	<u><b>\$ 1,530,537,368</b></u>

**Commitments and Contingencies (Note 31)**

**Approved by the Board of Directors**

*"Paul G. Smith"*

Paul G. Smith - Chairman, Director

*"Steven Scott"*

Steven Scott, 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, 2021 AND 2020**

	2021	2020
<b>Net revenue</b>		
Net sales (Note 23)	\$ 351,505,072	\$ 306,416,620
Income from care and maintenance funds (Note 9)	11,421,541	10,661,812
Interest income	6,613,619	6,351,676
	<u>369,540,232</u>	<u>323,430,108</u>
<b>Cost of sales</b> (Note 24)	<u>60,406,420</u>	<u>50,789,445</u>
<b>Gross profit</b>	<u>309,133,812</u>	<u>272,640,663</u>
<b>Operating expenses</b>		
General and administrative	157,428,522	142,827,042
Amortization of intangibles (Note 12)	1,753,930	2,448,031
Maintenance	35,809,085	34,734,406
Advertising and selling	42,065,104	36,815,842
Finance costs (Note 25)	9,580,697	9,853,791
Share based incentive compensation (Note 26 and 29)	4,774,511	5,270,069
	<u>251,411,849</u>	<u>231,949,181</u>
<b>Earnings from operations</b>	57,721,963	40,691,482
Acquisition and integration costs (Note 6)	(7,187,802)	(6,538,806)
Other income (expenses) (Note 27)	<u>(1,700,635)</u>	<u>(4,588,323)</u>
Earnings before income taxes	48,833,526	29,564,353
Income tax expense (Note 28)	<u>13,857,565</u>	<u>10,226,173</u>
<b>Net earnings for the year</b>	<u><u>\$ 34,975,961</u></u>	<u><u>\$ 19,338,180</u></u>
Net earnings attributable to:		
Equity holders of PLC	\$ 34,866,218	\$ 19,030,564
Non-controlling interest	109,743	307,616
	<u><u>\$ 34,975,961</u></u>	<u><u>\$ 19,338,180</u></u>
Attributable to equity holders of PLC		
Net earnings per share - basic	<u><u>\$ 1.121</u></u>	<u><u>\$ 0.640</u></u>
Net earnings per share - diluted	<u><u>\$ 1.105</u></u>	<u><u>\$ 0.637</u></u>
Weighted average number of common shares:		
- basic	<u><u>31,111,308</u></u>	<u><u>29,716,980</u></u>
- diluted	<u><u>31,549,563</u></u>	<u><u>29,894,399</u></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, 2021 AND 2020**

	2021	2020
<b>Net earnings for the year</b>	\$ 34,975,961	\$ 19,338,180
Item of other comprehensive income to be subsequently reclassified to net earnings		
Foreign currency translation of foreign operations	(2,441,967)	(14,215,534)
<b>Comprehensive income</b>	<u>\$ 32,533,994</u>	<u>\$ 5,122,646</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, 2021 AND 2020**

	# 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, 2020	29,354,844	\$ 502,047,830	\$ 7,618,962	\$ 5,091,160	\$ (2,112,155)	\$ 1,879,038	\$ 514,524,835
Dividends declared (Note 20)	-	-	-	(13,447,962)	-	-	(13,447,962)
Equity incentive plan (Note 26)	-	-	5,455,641	-	-	-	5,455,641
Restructuring cost related to EIP (Note 27)	-	-	(260,429)	-	-	-	(260,429)
Shares issued:							
Dividend reinvestment plan (Note 21i)	84,377	2,105,158	-	-	-	-	2,105,158
Exercise of Equity incentive plan (Note 26)	125,305	1,407,322	(1,407,322)	-	-	-	-
Foreign currency translation of foreign operations	-	-	-	-	(14,215,534)	-	(14,215,534)
Net earnings for the year	-	-	-	19,030,564	-	307,616	19,338,180
Balance at December 31, 2020	29,564,526	\$ 505,560,310	\$ 11,406,852	\$ 10,673,762	\$ (16,327,689)	\$ 2,186,654	\$ 513,499,889
Balance at January 1, 2021	29,564,526	\$ 505,560,310	\$ 11,406,852	\$ 10,673,762	\$ (16,327,689)	\$ 2,186,654	\$ 513,499,889
Dividends declared (Note 20)	-	-	-	(14,180,041)	-	-	(14,180,041)
Equity incentive plan (Note 26)	-	-	8,764,353	-	-	-	8,764,353
Shares issued:							
Dividend reinvestment plan (Note 21i)	91,600	3,061,304	-	-	-	-	3,061,304
Exercise of Equity incentive plan (Note 26)	193,083	4,599,664	(4,599,664)	-	-	-	-
Prospectus financing, net of costs (Note 21ii)	4,081,000	143,271,305	-	-	-	-	143,271,305
Foreign currency translation of foreign operations	-	-	-	-	(2,441,967)	-	(2,441,967)
Sale of non-strategic business (Note 27)	-	-	-	-	-	(2,296,397)	(2,296,397)
Net earnings for the year	-	-	-	34,866,218	-	109,743	34,975,961
Balance at December 31, 2021	33,930,209	\$ 656,492,583	\$ 15,571,541	\$ 31,359,939	\$ (18,769,656)	\$ -	\$ 684,654,407

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, 2021 AND 2020**

	2021	2020
<b>Cash provided by (used in):</b>		
<b>Operating activities</b>		
Net earnings for the year	\$ 34,975,961	\$ 19,338,180
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Loss on the sale of non-strategic business (Note 27)	847,462	-
Acquisition and integration costs	7,187,802	6,538,806
Deferred tax expense (Note 28)	6,788,179	6,190,223
Depreciation of property and equipment, and amortization of intangibles (Note 8 and 12)	14,778,000	15,774,272
Amortization of cemetery property (Note 24)	9,023,848	8,915,555
Amortization of deferred commissions	9,906,520	4,675,670
Amortization of deferred financing costs (Note 15 and 25)	804,451	692,915
Accretion expense on senior unsecured debentures (Note 18 and 25)	743,006	329,746
Interest on lease liabilities (Note 17)	325,926	329,554
Share based incentive compensation (Note 26)	4,645,466	5,112,133
Loss on forgiveness of loan and other non-cash amounts (Note 27)	-	2,440,425
(Gain) on disposal of property and equipment (Note 8)	(6,778)	(136,847)
Loss on sale of other assets (Note 13)	-	56,172
Impairment on other assets (Note 13 and 27)	602,705	-
Changes in working capital that provided (required) cash:		
Accounts receivable	(6,712,640)	3,579,240
Net receipts on pre-need activity	5,528,740	(12,742,102)
Merchandise inventories	(366,108)	697,914
Prepaid expenses and other current assets	1,506,725	(2,392,390)
Deferred commissions	(12,870,807)	(7,490,472)
Accounts payable and accrued liabilities	1,732,516	11,057,234
<b>Cash provided by operating activities</b>	<b>79,440,974</b>	<b>62,966,228</b>
<b>Investing activities</b>		
Acquisition and integration costs	(7,187,802)	(6,538,806)
Net cash on acquisitions (Note 6)	(150,212,042)	(65,157,793)
Additions to cemetery property	(5,073,611)	(7,578,164)
Acquisition of property and equipment (Note 8)	(23,412,064)	(15,286,962)
Proceeds on disposal of property and equipment (Note 8)	2,069,697	947,273
Net cash from sale of non-strategic business (Note 27)	5,113,273	-
Additions to computer software (Note 12)	(876,694)	(751,600)
Cash interest from other assets (Note 13)	756,954	673,558
Proceeds from sale of other assets (Note 13)	-	942,376
Disposals (additions) to other assets (Note 13)	6,467,972	(300,000)
<b>Cash used in investing activities</b>	<b>(172,354,317)</b>	<b>(93,050,118)</b>
<b>Financing activities</b>		
Proceeds from issuance of long-term debt (Note 15)	118,351,700	60,305,152
Repayment of long-term debt (Note 15)	(154,901,417)	(90,331,058)
Proceeds from prospectus financing, net of costs (Note 21)	141,349,732	-
Proceeds from senior unsecured debentures (Note 18)	-	81,634,801
Repayment of note payable (Note 16)	(3,420,003)	(1,206,170)
Repayment of lease liabilities (Note 17)	(2,196,565)	(2,248,475)
Dividends and distributions paid	(11,118,737)	(11,342,804)
Financing costs (Note 15)	(720,437)	(884,129)
<b>Cash provided by financing activities</b>	<b>87,344,273</b>	<b>35,927,317</b>
<b>Translation adjustment on cash</b>	<b>446,213</b>	<b>4,376,334</b>
<b>Net increase (decrease) in cash</b>	<b>(5,122,857)</b>	<b>10,219,761</b>
<b>Cash, beginning of year</b>	<b>31,475,091</b>	<b>21,255,330</b>
<b>Cash, end of year</b>	<b>\$ 26,352,234</b>	<b>\$ 31,475,091</b>
<b>Supplemental disclosures:</b>		
Income taxes paid	\$ 9,951,165	\$ 1,184,895
Interest expenses paid	\$ 7,721,266	\$ 8,551,203

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

**PARK LAWN CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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**1. NATURE OF OPERATIONS**

Park Lawn Corporation (the “**Company**” or “**PLC**”), located at 2 St. Clair Ave. West, Suite 1300, Toronto, Ontario, M4V 1L5, is an Ontario corporation which owns and operates cemeteries, crematoriums and funeral homes in Canada and the U.S. The Company is publicly traded on the TSX 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 3, 2022.

**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. 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. Any unrealized net gain or loss resulting from changes in the fair value of the cemetery care and maintenance fund investments is recorded to the care and maintenance trusts’ corpus.

#### *Transactions eliminated on consolidation*

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

### **d. Functional currency**

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

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

### **d. Functional currency - continued**

Within each entity, transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated to the currency at the exchange rate at that date. Foreign exchange differences arising on translation are recognized in the consolidated statements of earnings. Non-monetary assets and liabilities that are measured at historical cost are translated using the exchange rate at the date of the transaction. To reduce volatility from exchange rates in the presentation of the Company's consolidated financial statements, effective January 1, 2022, the Company is changing its presentation currency from Canadian to US dollar. Given approximately 90% of the Company's revenues are generated from operations in the U.S., the Company considers US dollar an appropriate currency for reporting purposes.

### **e. Earnings per share**

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

### **f. Revenue recognition**

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.

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:

#### *Cemetery property interment rights*

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**f. Revenue recognition - continued**

*Cemetery services*

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

*Merchandise sales*

Merchandise sales for the cemetery business consist primarily of outer burial containers, 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.

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.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

### **f. Revenue recognition - continued**

#### *Funeral services*

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

Sales of funeral services are recognized as revenue at the date of the performance 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, which is considered to be at the point of time the pre-need contract becomes at-need. These amounts are recognized as Net Sales when the merchandise and services on the underlying pre-need cemetery or funeral contracts are delivered or performed, respectively. This investment income is intended to offset inflationary price increases from the time of the pre-need contract to delivery.

In certain jurisdictions, the Company is entitled to retain the interest, capital gains and dividends as earned. These distributions 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 Net Sales when the contracts are delivered or performed.

#### *Investment income – care and maintenance funds*

A portion of the proceeds from the sale of cemetery property interment rights is required by state or provincial law to be paid by the Company into perpetual care trust funds to maintain the cemetery. Investment earnings from these trusts are distributed regularly and recognized in income from care and maintenance funds 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.

#### *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.



## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

### **f. Revenue recognition - continued**

#### *Cost of sales*

Costs related to the sale of property interment 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 interment right is delivered. Costs such as direct labour, property, merchandise, direct supplies, and perpetual care are recognized when the merchandise or services are delivered.

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 a trust. Such amounts are treated as a cost of sales at the time of the sale.

### **g. 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.

### **h. 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.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

### **h. Financial instruments - continued**

#### *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.

#### *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.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

### **h. 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.

	<b>IFRS 9</b>	
	<b>Classification</b>	<b>Measurement</b>
Cash	FVTPL	Fair value
Accounts receivable	Amortized cost	Amortized cost
Pre-need receivables	Amortized cost	Amortized cost
Pre-need merchandise and service trust fund investments	FVTPL 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 and amortized cost	Fair value and amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Dividends payable	Amortized cost	Amortized cost
Long-term debt	Amortized cost	Amortized cost
Notes payable	Amortized cost	Amortized cost
Deferred pre-need receipts held in trust	FVTPL	Fair value
Care and maintenance trusts' corpus	FVTPL	Fair value

### **i. 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.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**j. Pre-need receivables**

Pre-need receivables represent installment accounts receivable due from customers related to pre-need cemetery and funeral contracts. Installment accounts receivable are recorded at 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 11 to the consolidated financial statements for further information.

**k. Inventories**

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

**l. Property and equipment**

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

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the 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	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**

### **m. 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.

For the purpose of impairment testing, 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 grouping is referred to as a cash generating unit ("CGU").

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 pre-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 pre-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.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

### **n. Intangible assets**

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

Intangible assets 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

### **o. Borrowing costs**

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

### **p. 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.

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

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

### **p. Taxation – continued**

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.

### **q. 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.

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.



**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**q. Share based incentive compensation payments – continued**

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.

**r. 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 consolidated statements of earnings as acquisition and integration costs.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

### **s. IFRS 16 - Leases**

#### *Accounting by the lessee*

The Company implemented a single accounting model, requiring lessees to recognize assets and liabilities for all leases excluding exceptions listed in IFRS 16. The Company elected to apply exemptions for short-term leases and for leases for which the underlying asset is of low value. The Company has also elected to apply the practical expedient to not separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether there is a conveyance of the right to control the use of an identified asset for a specified time in exchange for consideration.

Based on the accounting policy applied, the Company recognizes a right-of-use asset and a lease liability at the commencement date of the contract for all leases conveying the right to control the use of an identified 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**

### **s. 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.

### **t. Government grants**

Government subsidies and monetary assistances are recognized when there is a reasonable assurance that the subsidy will be received and that the Company will comply with all required conditions. Government subsidies related to current expenses are recorded as other income. During the year ended December 31, 2020, the Company qualified for the Canada Emergency Wage Subsidy ("CEWS") program by the Government of Canada. The Company did not receive government subsidies in 2021.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

### **u. Future accounting policy changes**

*New standards, amendments, and interpretations not yet adopted*

All recently issued accounting pronouncements are not expected to have a material effect on the consolidated financial statements.

## **3. CRITICAL ESTIMATES AND JUDGEMENTS**

*Use of estimates*

The preparation of these consolidated financial statements require 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) Over the past two years, the Company has continued to adapt to evolving regulatory measures and health authority guidelines concerning the COVID-19 pandemic. In all communities the Company serves, funeral homes and cemeteries have been classified as essential services and the Company has remained open to serve the families at their time of need. To better serve the families, the Company has implemented certain safety protocols and procedures regarding its interactions with customers to protect the health and safety of all concerned, web broadcasting of funeral services and other alternatives to traditional visitations and services and the implementation of different strategies and technologies such as virtual meeting platforms to discuss and arrange service and product offerings with clients. The ongoing pandemic could lead to interruptions in our supply chain and temporary closures of our supplier facilities. Due to uncertainties relating to the severity and duration of the COVID-19 pandemic, including the Omicron surge and possible future variants, and various potential outcomes, it is difficult at this time to estimate the impacts of the COVID-19 pandemic on PLC's business or future financial results and related assumptions. The Company is monitoring the situation closely and will continue to make all efforts to minimize the risk to employees, customers, and other stakeholders. The Company has not had a materially negative impact due to COVID-19 and given the Company's ability to continue operating its business, no indicators of impairment were identified in relation to COVID-19.

### **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, 2021. These CGUs consist of the Company’s regional operating units: Northeast, Southeast, 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. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU, using an appropriate valuation model. These calculations are corroborated by calculation multiples or other available fair value indicators. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. Using a five year (and related terminal value) discounted cash flow model, the Company determines the recoverable amount by calculating the value in use. The cash flow forecasts were extrapolated beyond the one year period using an estimated long-term growth rate of 2%, terminal growth rates of 2% and post-tax discount rates between 7.5% and 8.3%. 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 pre-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.
- 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.

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**3. CRITICAL ESTIMATES AND JUDGEMENTS - continued**

*Use of estimates - continued*

- 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.

**4. PRE-NEED RECEIVABLES**

	December 31, 2021	December 31, 2020
Pre-need receivables, current portion	\$ 37,413,467	\$ 33,120,302
Pre-need receivables, net of current portion	79,130,324	72,013,545
Total	<u>\$ 116,543,791</u>	<u>\$ 105,133,847</u>

The above is net of an allowance for sales returns (see Note 30i).

**5. INVENTORIES**

	December 31, 2021	December 31, 2020 <i>(Restated, Measurement Period Adjustment - see Note 6)</i>
Merchandise inventories	\$ 5,022,413	\$ 4,365,474
Cemetery lots	44,892,181	46,710,091
Crypts and niches	44,789,129	44,758,868
Construction in progress	9,400,171	8,166,471
Total	104,103,894	104,000,904
Current portion	<u>12,240,775</u>	<u>12,103,621</u>
Non-current portion	<u>\$ 91,863,119</u>	<u>\$ 91,897,283</u>

There were no inventory write-downs in either year.

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**6. BUSINESS COMBINATIONS**

*Acquisitions completed in fiscal 2021*

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

	Preliminary Other	Preliminary Mississippi Businesses	Total
<b>Assets acquired:</b>			
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
Total assets	<u>\$ 146,514,388</u>	<u>\$ 51,461,607</u>	<u>\$ 197,975,995</u>
<b>Liabilities assumed:</b>			
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>
<b>Fair value of consideration transferred:</b>			
Cash consideration	110,357,671	40,775,071	151,132,742
Deferred cash consideration	7,010,371	-	7,010,371
	<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>

- (i) 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.
- (ii) 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.
- (iii) On May 1, 2021 the Company completed the acquisition of all of the issued and outstanding membership interests of Cremation Society of Tennessee and Family Care Services, LLC, as well as all of 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.



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**6. BUSINESS COMBINATIONS – continued**

*Acquisitions completed in fiscal 2021 – continued*

- (iv) 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 \$40,775,071 (US\$32,451,310).

Since the date of acquisition in 2021, the Mississippi Businesses have contributed \$5,623,257 in revenue and \$1,372,061 in net earnings in 2021. If acquired at the beginning of the year, the Company has estimated that Mississippi Businesses would have contributed approximately \$13,500,000 in revenue and approximately \$3,300,000 in net earnings.

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

- (v) On September 1, 2021, the Company acquired substantially all of 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.
- (vi) 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.
- (vii) 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.
- (viii) On November 15, 2021, the Company purchased substantially all of 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.
- (ix) 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 Country, Georgia.

The collective purchase price for Wichmann, West, Williams, Williamson Businesses, Pugh, Smith Businesses, Ingram was \$114,181,452 (US\$90,743,717) and for MDB was \$3,186,590.

Since the date of acquisition in 2021, Wichmann, West, Williams, Williamson Businesses, MDB, Pugh, Smith Businesses and Ingram have contributed \$14,364,368 in revenue and \$3,020,955 in net earnings in 2021. If acquired at the beginning of the year, the Company has estimated that above businesses would have contributed approximately \$41,600,000 in revenue and approximately \$9,400,000 in net earnings.

The purchase price allocation for Wichmann and West acquisitions was finalized in the fourth quarter of 2021.

**PARK LAWN CORPORATION**  
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**6. BUSINESS COMBINATIONS – continued**

*Acquisitions completed in fiscal 2021 – continued*

The fair value allocations for Williams, Williamson Businesses, MDB, Pugh, Smith Businesses and Ingram acquisitions are based on preliminary purchase allocations conducted by management. As the acquisitions are within the measurement period under IFRS 10, they continue to be refined. The Company is gathering information to finalize the fair value of inventories, land held for development, property and equipment, 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, premiums for representation and warranty insurance, preparation of independent valuation reports to substantiate purchase price allocations, preparation of reports for regulatory compliance purposes, and internal compensation.

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

*Acquisitions completed in fiscal 2020*

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 J.F. Floyd Mortuary, Crematory, and Cemetery (“J.F. Floyd”), described below. The following table summarize the effects of the change on the line items of the consolidated statement of financial position for the year ended December 31, 2020.

	December 31, 2020		December 31, 2020
	<i>As previously stated</i>	<i>Adjustments</i>	<i>As restated</i>
Inventories, net of current portion	\$ 95,211,242	\$ (3,313,959)	\$ 91,897,283
Land held for development	26,414,299	210,438	26,624,737
Goodwill and intangibles	422,504,504	2,505,508	425,010,012
Deferred revenue	(176,170,396)	598,013	(175,572,383)
Total	<u>\$ 367,959,649</u>	<u>\$ -</u>	<u>\$ 367,959,649</u>

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, 2020:

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**6. BUSINESS COMBINATIONS – continued**

*Acquisitions completed in fiscal 2020 – continued*

	Final Family Legacy and Harpeth Hills (x)	Final J.F. Floyd (xii)	Final Other (xi),(xiii)	Total
<b>Assets acquired:</b>				
Cash	\$ 1,814,726	\$ 226,621	\$ -	\$ 2,041,347
Accounts receivable	1,830,190	1,329,153	-	3,159,343
Pre-need receivables	3,913,730	1,068,350	-	4,982,080
Inventories	7,719,078	5,755,621	57,328	13,532,027
Land held for development	949,857	1,698,597	-	2,648,454
Property and equipment	25,011,093	7,238,852	1,743,995	33,993,940
Care and maintenance trust fund investment	10,556,556	7,959,370	-	18,515,926
Pre-need merchandise and service trust fund investments	13,338,371	4,549,532	916,939	18,804,842
Deferred commissions	2,006,826	723,930	-	2,730,756
Prepaid expenses and other assets	105,996	614,099	-	720,095
Goodwill	42,159,001	11,512,032	2,133,887	55,804,920
Intangibles	6,478,200	1,814,883	327,220	8,620,303
<b>Total assets</b>	<b>\$ 115,883,624</b>	<b>\$ 44,491,040</b>	<b>\$ 5,179,369</b>	<b>\$ 165,554,033</b>
<b>Liabilities assumed:</b>				
Accounts payable and accrued liabilities	\$ 2,214,495	\$ 277,947	\$ -	\$ 2,492,442
Note payable	756,675	-	-	756,675
Lease liabilities	183,103	-	1,419,540	1,602,643
Deferred tax liabilities	-	1,190,795	-	1,190,795
Care and maintenance trusts' corpus	10,556,556	7,959,370	-	18,515,926
Deferred pre-need receipts held in trust	13,338,371	4,549,532	916,939	18,804,842
Deferred revenue	19,836,136	5,276,343	-	25,112,479
	46,885,336	19,253,987	2,336,479	68,475,802
<b>Fair value of consideration transferred:</b>				
Cash consideration	40,156,875	24,326,595	2,715,670	67,199,140
Converted promissory note	27,102,791	-	-	27,102,791
Deferred cash consideration	1,178,037	1,325,700	127,220	2,630,957
Working capital adjustment	560,585	(415,242)	-	145,343
	68,998,288	25,237,053	2,842,890	97,078,231
<b>Total liabilities and considerations</b>	<b>\$ 115,883,624</b>	<b>\$ 44,491,040</b>	<b>\$ 5,179,369</b>	<b>\$ 165,554,033</b>

- (x) On January 31, 2020, the Company completed the acquisition of all the outstanding stock and membership interests of Family Legacy, LLC ("Family Legacy") for a purchase price of \$68,998,288 (US\$51,976,111), a business with 12 locations operating in Nashville, Tennessee, as well as all of the outstanding membership interests in WG-TN and HHMG ("Harpeth Hills") a large combination business located in Nashville, Tennessee. In connection with the Harpeth Hills acquisition, a promissory note of \$27,102,791 (US\$20,416,415) was converted to equity interest in Harpeth Hills. The above acquisition expanded PLC's U.S. operations into the high-growth middle Tennessee metropolitan market by adding four combination funeral home and cemetery properties, seven stand-alone funeral homes and two stand-alone cemeteries. The transaction was funded with proceeds from PLC's revolving loan facility (Note 15).
- (xi) On October 1, 2020, the Company completed the acquisition of the assets of Bowers Funeral Service Ltd. ("Bowers"), a three-location funeral home business located in Salmon Arm, Golden and Revelstoke, British Columbia for a purchase price of \$1,920,545. The Bowers' acquisition was funded with cash on hand.

**PARK LAWN CORPORATION**  
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**6. BUSINESS COMBINATIONS – continued**

*Acquisitions completed in fiscal 2020 – continued*

- (xii) On November 2, 2020, the Company completed the acquisition of all the outstanding stock of J.F. Floyd, a group of businesses located in Spartanburg and Charleston, South Carolina for a purchase price of \$25,237,053 (US\$19,036,776). The J.F. Floyd acquisition added three combination funeral home and cemetery properties, one stand-alone funeral home, six stand-alone cemeteries and one stand-alone crematory.
- (xiii) On December 15, 2020, the Company completed the acquisition of the assets of Winscott Funeral Service Corp. (“Winscott”), a business located in Benbrook, Texas. The Winscott acquisition added one funeral home location in the Dallas/Fort Worth region.

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, premiums for representation and warranty insurance, preparation of independent valuation reports to substantiate purchase price allocations, preparation of reports for regulatory compliance purposes, and internal compensation.

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

**7. LAND HELD FOR DEVELOPMENT**

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

	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>

	January 1, 2020	Acquired in business combinations	Additions	Transferred to inventory	Disposals	Foreign currency translation	December 31, 2020 (Restated, Measurement Period Adjustment - see Note 6)
Cost:							
Land held for development	24,452,997	2,648,454	235,448	(214,716)	-	(497,446)	26,624,737
Total	<u>\$ 24,452,997</u>						<u>\$ 26,624,737</u>

**PARK LAWN CORPORATION**  
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**8. PROPERTY AND EQUIPMENT**

	January 1, 2021	Acquired in business combinations	Additions	Disposals	Foreign currency translation	December 31, 2021
Cost:						
Land	\$ 59,669,959	14,354,652	177,899	(1,835,374)	(109,515)	\$ 72,257,621
Buildings, cemetery and funeral	147,177,921	34,587,910	16,137,807	(7,355,365)	(112,767)	190,435,506
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)	327,720,017
Accumulated depreciation:						
Buildings, cemetery and funeral	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					\$ 285,357,503

	January 1, 2020	Acquired in business combinations	Additions	Disposals	Foreign currency translation	December 31, 2020
Cost:						
Land	\$ 52,698,436	8,057,925	279,240	(101,911)	(1,263,731)	\$ 59,669,959
Buildings, cemetery and funeral	120,933,778	18,210,258	11,498,415	(498,132)	(2,966,398)	147,177,921
Machinery, equipment and automotive	21,199,779	1,659,300	2,987,559	(320,210)	(506,496)	25,019,932
Cemetery improvements	11,301,600	4,468,471	1,846,565	-	(407,831)	17,208,805
Right-of-use asset	8,222,081	1,597,986	1,155,936	(305,842)	(113,715)	10,556,446
Total	214,355,674	33,993,940	17,767,715	(1,226,095)	(5,258,171)	259,633,063
Accumulated depreciation:						
Buildings, cemetery and funeral	7,991,384	-	6,398,064	(116,101)	(360,226)	13,913,121
Machinery, equipment and automotive	7,110,147	-	4,151,264	(68,869)	(280,116)	10,912,426
Cemetery improvements	3,453,310	-	685,756	-	(72,405)	4,066,661
Right-of-use asset	1,740,955	-	2,091,157	(230,700)	(61,694)	3,539,718
Total	20,295,796	-	13,326,241	(415,670)	(774,441)	32,431,926
Net book value	\$ 194,059,878					\$ 227,201,137

**PARK LAWN CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**8. PROPERTY AND EQUIPMENT - continued**

Property and equipment depreciation expense amounted to \$13,024,070 and \$13,326,241 for the years ended December 31, 2021 and 2020, respectively. Depreciation expense is included in general and administrative expenses on the consolidated statements of earnings.

Included in additions at December 31, 2021 are \$10,444,716 of additions at Canadian cemeteries and funeral sites (at December 31, 2020 - \$6,669,749) and \$14,890,772 of additions at U.S. cemeteries and funeral sites (at December 31, 2020 - \$11,097,966).

The disposal of \$6,598,789 relates to the sale of Parkland Funeral Holdings Ltd ("Parkland"), a non-strategic business (see Note 27).

During the year ended December 31, 2021, the Company sold property for a sale price of \$2,069,697 realizing a net gain of \$6,778.

During the year ended December 31, 2020, the Company sold property for a sale price of \$947,273 realizing a net gain of \$136,847.

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

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

**PARK LAWN CORPORATION**  
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**9. CARE AND MAINTENANCE TRUST FUND INVESTMENTS**

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

Pursuant to the requirements of provincial and state regulations, the Company is required to deposit a portion of the proceeds received in respect of 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. The corpus generally remains in perpetuity and the income may be paid to the Company to be used exclusively for eligible care and maintenance of the cemeteries and crematoriums as defined by provincial and state regulations. In the United States, many states require capital gains and losses to be held in perpetuity in these trusts, however, certain states allow net capital gains and losses to be included in the income that is paid to the Company. Additionally, some states allow a total return distribution to the Company which may contain income, net capital appreciation, and principal.

Investment income recognized in operations amounted to \$11,421,541 and \$10,661,812 for the years ended December 31, 2021 and 2020, respectively.

Care and maintenance trust fund investments consist of the following:

	Fair Value		Cost	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
<b>Cash and cash equivalents</b>	\$ 12,577,136	\$ 9,015,412	\$ 12,574,799	\$ 9,015,429
<b>Fixed Income</b>				
<i>Canadian</i>				
Corporate	5,975,628	9,595,556	6,587,252	9,446,129
Government	222,206	239,812	174,665	174,665
<i>US</i>				
Corporate	4,876,271	65,423,372	4,908,630	63,403,595
Government	-	-	-	-
<b>Equities</b>				
<i>Canadian</i>	65,508,058	51,234,037	50,878,861	42,929,577
<i>US</i>	21,159,132	35,821,065	17,194,791	32,802,514
<i>Canadian Preferred</i>	4,276,475	2,704,463	3,458,182	2,813,131
<i>US Preferred</i>	4,135,349	-	4,181,781	-
<b>Mutual Funds/ETFs</b>				
Equity	43,852,298	18,816,599	41,594,416	16,993,088
Fixed Income	65,067,701	11,385,245	65,515,549	11,339,095
Preferred	33,440,401	16,251,948	33,927,627	15,835,303
<b>Alternative</b>	30,457,429	25,513,972	26,601,065	23,325,086
	<u>\$ 291,548,084</u>	<u>\$ 246,001,481</u>	<u>\$ 267,597,618</u>	<u>\$ 228,077,612</u>



**PARK LAWN CORPORATION**  
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**10. PRE-NEED MERCHANDISE AND SERVICE TRUST FUND INVESTMENTS**

Pre-need merchandise and service trust funds were established as required by provincial and state regulations to hold funds paid in advance of need, to purchase when required at-need supplies and services such as funeral services, merchandise, grave and crypt openings. When the services are performed, the Company withdraws the money held in the trust funds to pay for the supplies and services.

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

	Fair value		Cost	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
<b>Cash and cash equivalents</b>	\$ 23,560,123	\$ 8,852,595	\$ 23,559,302	\$ 8,852,595
<b>GIC's</b>	33,183,504	29,859,660	33,183,504	29,859,660
<b>Fixed Income</b>				
<i>Canadian</i>				
Corporate	25,706	595,082	24,879	604,138
Government	23,143	23,674	23,352	23,352
<i>US</i>				
Corporate	11,269,798	66,746,827	11,190,826	55,017,818
Government	-	-	-	-
<b>Equities</b>				
<i>Canadian</i>	235,828	1,433,234	166,787	1,511,813
<i>US</i>	16,075,831	32,111,836	12,663,047	27,716,829
<i>Canadian Preferred</i>	-	-	-	-
<i>US Preferred</i>	2,929,821	6,345,448	2,883,150	6,195,069
<b>Mutual Funds/ETFs</b>				
Equity	129,784,467	57,794,968	132,947,429	52,856,057
Fixed Income	72,993,006	49,900,253	71,982,441	48,984,101
Preferred	-	-	-	-
<b>Alternative</b>	39,201,975	39,385,007	35,310,644	32,529,371
	<u>\$ 329,283,202</u>	<u>\$ 293,048,584</u>	<u>\$ 323,935,361</u>	<u>\$ 264,150,803</u>

**11. PREARRANGED FUNERAL INSURANCE CONTRACTS**

In addition to trust funded prearranged funeral services contracts, the Company also has prearranged funeral services contracts which are funded by insurance. As of December 31, 2021, the current face amount of pre-funded policies was \$555,098,260 (at December 31, 2020 – \$368,903,733). Families who have prearranged with the Company will receive a refund to the extent that the face amount of the policy exceeds the current retail value of the merchandise and services to be provided. The insurance funded contracts are not included in the consolidated financial statements as the Company is not the beneficiary of the policy. Amounts funded through insurance are available to the Company when the funeral services are performed.

**PARK LAWN CORPORATION**  
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**12. GOODWILL AND INTANGIBLES**

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

	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>
						December 31, 2020 (Restated, Measurement Period Adjustment - See Note 6)
	January 1, 2020	Acquired in business combinations	Additions	Disposals	Foreign currency translation	
Cost:						
Goodwill	\$ 353,316,157	55,804,920	-	-	(13,776,582)	\$ 395,344,495
Non-compete agreements	10,441,200	2,260,628	-	-	(103,844)	12,597,984
Brand	15,168,684	6,359,675	-	-	(553,752)	20,974,607
Computer software	969,705	-	751,600	-	(57,380)	1,663,925
Total	379,895,746	64,425,223	751,600	-	(14,491,558)	430,581,011
Accumulated amortization:						
Non-compete agreements	3,122,968	-	2,448,031	-	-	5,570,999
Computer software	-	-	-	-	-	-
Total	3,122,968	-	2,448,031	-	-	5,570,999
Net book value	<u>\$ 376,772,778</u>					<u>\$ 425,010,012</u>

The disposal of \$2,295,458 relates to the sale of Parkland, a non-strategic business (see Note 27).

At December 31, 2021, the Company had approximately \$252,000,000 (approximately US\$199,000,000) (at December 31, 2020 – approximately \$214,000,000, approximately US\$168,000,000) of goodwill that is being amortized for tax purposes over 15 years.

**PARK LAWN CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**13. PREPAID EXPENSES AND OTHER ASSETS**

	December 31, 2021	December 31, 2020
Promissory note	\$ -	\$ 6,694,170
Prepaid expenses and other	5,648,059	5,277,775
Total current other assets	<u>\$ 5,648,059</u>	<u>\$ 11,971,945</u>
	December 31, 2021	December 31, 2020
Secured convertible debt investment	\$ 6,200,000	\$ 6,399,249
Prepaid expenses and other	861,189	1,698,464
Total non-current other assets	<u>\$ 7,061,189</u>	<u>\$ 8,097,713</u>

*i) Current other assets*

Included in current other assets at December 31, 2020 was a promissory note of \$6,500,000 to Serenity Valley Mausoleum Inc. (“Serenity Mausoleum”) and Serenity Valley P. Lawn Management Inc. (“Serenity Management”) which was measured at amortized cost. The promissory note was repaid in the first quarter of 2021.

*ii) Non-current other assets*

Included in non-current 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.

**PARK LAWN CORPORATION**  
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**AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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**13. PREPAID EXPENSES AND OTHER ASSETS - continued**

*ii) Non-current other assets - continued*

In the year ended December 31, 2020, the Company sold other assets resulting in a loss of \$56,172.

During the year ended December 31, 2021, the Company recognized an impairment on other assets of \$602,705. The impairment was included in other income (expenses).

**14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	December 31, 2021	December 31, 2020
Trade payables and accrued liabilities	\$ 48,067,653	\$ 42,322,241
Income taxes (receivable) payable	(22,617)	2,850,497
	<u>\$ 48,045,036</u>	<u>\$ 45,172,738</u>

The average credit period on trade payables was 30 to 60 days in 2021 and 2020.

**15. LONG-TERM DEBT**

	December 31, 2021	December 31, 2020
Revolving loan facility	\$ 109,055,880	\$ 144,064,440
Mortgages	-	1,020,781
Other debt	335,844	646,508
Deferred financing costs	(1,877,161)	(2,031,321)
Total	<u>107,514,563</u>	<u>143,700,408</u>
Current portion	<u>213,178</u>	<u>353,389</u>
Non-current portion	<u>\$ 107,301,385</u>	<u>\$ 143,347,019</u>

*Revolving loan 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 \$50 million to \$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**”). The Credit Facility bears variable interest at the banker’s acceptance rate plus an applicable margin based on a leverage ratio calculation. As part of the amendment the interest spread of the variable interest rate was reduced, the leverage ratio was increased to 3.75% for the 5 year term, and the Company has the ability, through a U.S. subsidiary, to borrow funds in U.S. dollars.

At December 31, 2021, there was \$109,055,880 outstanding under the Credit Facility consisting of US denominated borrowings of \$107,255,880 (US\$84,600,000) and Canadian denominated borrowings of \$1,800,000 borrowed under the Credit Facility (at December 31, 2020 - \$144,064,440 consisting of US denominated borrowings of \$2,164,440 (US\$1,700,000) and Canadian denominated borrowings of \$141,900,000 borrowed under the Credit Facility). Deferred financing costs have been capitalized and are being amortized over the term of the Credit Facility. For the years ended December 31, 2021 and 2020, the amortization of deferred financing costs was \$804,451 and \$692,915, respectively. At December 31, 2021, standby letters of credit issued utilizing \$764,023 of the credit line (at December 31, 2020 - \$764,023).

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**15. LONG-TERM DEBT - continued**

*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 of its debt covenants pursuant to the Credit Facility and the Debentures, in 2021 and 2020.

*Summary of principal repayments by year*

	2022	2023	2024	2025	2026	Thereafter	Total
Revolving loan facility	\$ -	\$ -	\$ -	\$ -	\$ 109,055,880	\$ -	\$ 109,055,880
Other debt	213,178	122,666	-	-	-	-	335,844
	213,178	122,666	-	-	109,055,880	-	109,391,724
Deferred financing costs	-	-	-	-	(1,877,161)	-	(1,877,161)
Total	\$ 213,178	\$ 122,666	\$ -	\$ -	\$ 107,178,719	\$ -	\$ 107,514,563

**16. NOTES PAYABLE**

	December 31, 2021	December 31, 2020
Notes payable	\$ 16,357,317	\$ 10,660,784
Current portion	4,373,507	2,697,019
Non-current portion	\$ 11,983,810	\$ 7,963,765

*Notes payable*

- i) The Company has an outstanding note payable of \$1,357,909 (at December 31, 2020 - \$1,355,804) 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 \$14,999,408 (at December 31, 2020 - \$9,304,980) to former owners of previously acquired businesses, primarily non-compete agreements, and notes related to the financing of the general business insurance policies. These notes payable have interest rates ranging from 2% to 6% and remaining terms of 1 to 10 years.

*Summary of principal repayments by year*

	2022	2023	2024	2025	2026	Thereafter	Total
Notes payable	\$ 4,373,507	\$ 2,209,545	\$ 1,513,129	\$ 1,077,801	\$ 750,655	\$ 6,432,680	\$ 16,357,317

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**17. LEASE LIABILITIES**

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

	December 31, 2021	December 31, 2020
Future minimum lease payments		
Due in less than one year	\$ 1,537,878	\$ 2,277,776
Due between one and two years	1,242,029	1,430,314
Due between two and three years	968,060	1,128,935
Due thereafter	2,989,002	3,741,628
Interest	(987,508)	(1,287,265)
Present value of minimum lease payments	5,749,461	7,291,388
Current portion	1,371,341	2,154,722
Non-current portion	<u>\$ 4,378,120</u>	<u>\$ 5,136,666</u>

Lease liabilities interest expense charged to operations amounted to \$325,926 and \$329,554 for the year ended December 31, 2021 and 2020, respectively.

**18. 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 \$75,000,000 aggregate principal amount of Debentures were issued at a price of \$1,000 per Debenture. PLC also granted the underwriters an option to purchase up to an additional \$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 \$86,250,000. The issuance included transaction costs of \$4,615,199 inclusive of \$250,000 in management compensation. 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.

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**18. SENIOR UNSECURED DEBENTURES – continued**

The balance of the Debentures as at December 31, 2021 consists of the following:

	December 31, 2021
Face value upon issuance	\$ 86,250,000
Debt issuance costs	(4,615,199)
Fair value upon issuance	81,634,801
Accretion expense in 2020	329,746
Balance at December 31, 2020	81,964,547
Accretion expense in 2021	743,006
Balance at December 31, 2021	\$ 82,707,553

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 “Maturity Date”), 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 \$4,959,345 and \$2,323,433 for the years ended December 31, 2021 and 2020, respectively. Accretion expense amounted to \$743,006 and \$329,746 for the years ended December 31, 2021 and 2020, respectively.

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.



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**19. 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, 2021	December 31, 2020 <i>(Restated, Measurement Period Adjustment - see Note 6)</i>
Cemetery and funeral merchandise, lots, crypts, and niches	\$ 112,538,669	\$ 96,652,577
Cemetery and funeral services	87,084,524	78,919,806
Total	<u>\$ 199,623,193</u>	<u>\$ 175,572,383</u>

**20. DIVIDENDS**

For the year ending 2021 and 2020, the Company declared and paid cash dividends on a monthly basis to shareholders. The total amount of dividends declared by the Company for the years ended December 31, 2021 and 2020 were \$14,180,041 or \$0.456 per share and \$13,447,962 or \$0.456 per share, respectively. The monthly dividend was \$0.038 per share in all periods. 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 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 directors of the Company. The dividend rate will remain the same at \$0.114 per Common Share per quarter.

**21. 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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**21. SHARE CAPITAL - continued**

*Shares issued and outstanding*

	Number of Common Shares	Amount
Balance January 1, 2020	29,354,844	\$ 502,047,830
Shares issued pursuant to:		
Dividend reinvestment plan (i)	84,377	2,105,158
Equity incentive plan (Note 26)	125,305	1,407,322
Balance December 31, 2020	29,564,526	\$ 505,560,310
Shares issued pursuant to:		
Dividend reinvestment plan (i)	91,600	3,061,304
Equity incentive plan (Note 26)	193,083	4,599,664
Prospectus financing, net of costs (ii)	4,081,000	143,271,305
Balance December 31, 2021	33,930,209	\$ 656,492,583

*(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, 2021, 91,600 Common Shares were issued under the DRIP (for the year ended December 31, 2020 – 84,377).

*(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 \$36.40 per Common Share for total of gross proceeds of \$148,548,400, including the exercise in full of the over-allotment option (the “2021 Financing”). The 2021 Financing included transaction costs of \$5,277,095 inclusive of \$367,500 in after tax management compensation. The Company recognized a deferred tax asset of \$1,902,626 from the transaction costs.

**22. 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 so as to ensure that there is adequate cash flow to fund the Company’s operations and safeguard the Company’s ability to continue as a going concern so that it can continue to provide returns for shareholders.

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**23. NET SALES**

	Twelve Months Ended December 31,	
	2021	2020
Sales	\$ 364,308,956	\$ 317,139,490
Contributions to care and maintenance trust funds	(12,803,884)	(10,722,870)
Net sales	<u>\$ 351,505,072</u>	<u>\$ 306,416,620</u>

The Company has made an accounting presentation change to present the contributions to care and maintenance trust funds as a separate line below sales in the consolidated statements of earnings. A line item called “Net Sales” had been added.

The Company has reclassified the contributions to care and maintenance previously presented as cost of sales in the December 31, 2020 audited consolidated financial statements to net sales. The reclassification is a presentation change within gross profit on the statement of earnings and has no impact on consolidated shareholders’ equity, consolidated net earnings or the consolidated cash flows. The Company has made this accounting presentation change to better reflect the economics of sale transactions, provide comparability among peers and provide transparency on the impact of the accounting for contributions to care and maintenance trust funds.

**24. COST OF SALES**

	December 31, 2021	December 31, 2020
Cost of sales - merchandise	\$ 41,605,158	\$ 33,282,172
Cost of sales - cemetery lots, crypts and niches (cost of property)	9,023,848	8,915,555
Cost of sales - services	9,777,414	8,591,718
Total cost of sales	<u>\$ 60,406,420</u>	<u>\$ 50,789,445</u>

**25. FINANCE COSTS**

	Twelve Months Ended December 31,	
	2021	2020
Finance costs:		
Interest on revolving loan facility (Note 15)	\$ 2,546,656	\$ 5,917,749
Interest on senior unsecured debentures (Note 18)	4,959,345	2,323,433
Interest on mortgages, other debt and notes payable (Note 15 and 16)	652,202	608,014
Interest on lease liabilities (Note 17)	325,926	329,554
Amortization of deferred financing costs (Note 15)	804,451	692,915
Accretion expense on senior unsecured debentures (Note 18)	743,006	329,746
Interest capitalized to construction	(401,769)	(140,124)
Unrealized foreign exchange on finance costs	(49,120)	(207,496)
Total	<u>\$ 9,580,697</u>	<u>\$ 9,853,791</u>

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

## **26. EQUITY INCENTIVE PLAN**

At the annual and special meeting of shareholders held on May 31, 2016, the shareholders of the Company approved an equity incentive plan, as was subsequently amended and restated in May 2019 (the “EIP”). The purpose of the EIP is to, among other things: (i) provide the Company with a mechanism to attract, retain and motivate qualified directors, officers and employees of the Company, including its subsidiaries, (ii) reward directors, officers and employees that have been granted awards under the EIP for their contributions toward the long-term goals and success of the Company, and (iii) enable and encourage such directors, officers and employees to acquire Common Shares as long-term investments and proprietary interests in the Company.

On June 22, 2020, the shareholders of the Company approved a second amended and restated omnibus EIP. The amended EIP provides flexibility to the Company to grant equity-based incentive awards in the form of DSUs, RSUs, PSUs and Options. The number of Common Shares that may be issued upon the settlement of awards granted under the EIP may not exceed 2,400,000 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.

### *Deferred share units*

With the exception of the Chair of the Board, all 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. Directors will receive such equity in the form of DSUs. Provided, however, in lieu of DSUs, a 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 his annual board retainer in the form of equity, although he 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. At this time, the Board plans to settle DSUs for shares. Subject to the terms of an award agreement, DSUs will vest immediately at the date of grant. DSUs will be granted to directors 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.

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**26. EQUITY INCENTIVE PLAN – continued**

	December 31, 2021	December 31, 2020
Outstanding, beginning of the year	38,068	36,860
Awarded	14,095	10,514
Redemptions	(5,014)	(9,982)
Dividend equivalents	599	676
Outstanding, end of the year	<u>47,748</u>	<u>38,068</u>

*Restricted share units*

A RSU is a unit equivalent in value to a Common Share credited by means of a bookkeeping entry in the books of the Company which entitles the holder to receive one Common Share for each RSU after a specified vesting period determined by the Plan Administrator (as defined in the EIP), in its sole discretion.

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

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

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, 2021, 100,354 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. The weighted average issuance price for the year ended December 31, 2021 was \$34.90 (for the year ended December 31, 2020 - \$28.42).

	December 31, 2021	December 31, 2020
Outstanding, beginning of the year	260,840	246,200
Awarded	171,933	115,888
Forfeited	(6,389)	(6,148)
Redemptions	(178,371)	(99,641)
Dividend equivalents	2,725	4,541
Outstanding, end of the year	<u>250,738</u>	<u>260,840</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. None of the awarded and outstanding PSUs have vested.

	December 31, 2021	December 31, 2020
Outstanding, beginning of the year	24,537	61,266
Awarded	86,632	-
Forfeited	-	(21,674)
Redemptions	-	(15,684)
Dividend equivalents	1,057	629
Outstanding, end of the year	<u>112,226</u>	<u>24,537</u>

*Options and Performance Options*

On May 21, 2020, 390,000 Options were granted. The trading price of the Company’s Common Shares at the time of the grant was \$22.26. The fair market value of Options was determined using the Black-Scholes valuation model with the following implicit assumptions: average risk-free rate of interest of 0.35%, dividend rate of 2.05%, volatility of 28.03%, forfeiture rate of 0% and an expected life of 5 years.

On October 5, 2020, 80,000 performance Options were granted. The trading price of the Common Shares at the time of the grant was \$27.94. The fair market value of the performance Options was determined using the Black-Scholes valuation model with the following implicit assumptions: average risk-free rate of interest of 0.26%, dividend rate of 1.63%, volatility of 28.23%, forfeiture rate of 0% and an expected life of 4 years. In addition, due to non-vesting conditions the performance Options were discounted using a Finnerty model, which assumed an estimated term of 7 years and a risk-free rate of 0.26%. The performance Options were then adjusted for non-vesting performance conditions with a weighted average expectancy of 38%.

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**26. EQUITY INCENTIVE PLAN – continued**

*Options and Performance Options – continued*

Exercise										
Grant Date	Expiry Date	Price	01-Jan-20	Granted	Exercised	Expired	Forfeited	31/12/2021	Vested	Unvested
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 expense in respect of EIP amounted to \$4,774,511 and \$5,270,069 for the years ended December 31, 2021 and 2020, respectively. Included in the compensation expense is \$129,045 and \$157,936 for the year ended December 31, 2021 and 2020, respectively, of legal and administrative fees related to the issuance of EIP. 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 \$4,118,887 of tax benefits related to share based payments (at December 31, 2020 - \$343,508). The Company receives a tax deduction in the US for payroll expense relating to share based awards for US employees.

**27. OTHER INCOME (EXPENSES)**

	December 31, 2021	December 31, 2020
Special Committee (i)	\$ -	\$ (1,174,120)
Restructuring costs (ii)	-	(977,604)
Agreement (iii)	-	(1,720,734)
Legal costs (iv)	(257,246)	(789,662)
Agreement (v)	-	(1,035,750)
CEWS (vi)	-	1,028,872
Loss on sale of non-strategic business (vii)	(847,462)	-
Impairment on other assets (Note 13)	(602,705)	-
Gain (Loss) on sale of property and equipment and other assets (Note 8 and 13)	6,778	80,675
	<u>\$ (1,700,635)</u>	<u>\$ (4,588,323)</u>

(i) Special Committee costs were \$1,174,120 for the year ended December 31, 2020, relating to the Special Committee's strategic review work, corporate governance matters and executive management transition preparedness as previously referred to, including Board fees, legal, CEO search fees and other professional fees. The Special Committee of the Board was dissolved on May 12, 2020.

(ii) Restructuring costs were \$977,604 for the year ended December 31, 2020.



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**27. OTHER INCOME (EXPENSES) – continued**

- (iii) Agreement is comprised of costs relating to the transition of Mr. Clark, former CEO of the Company, in the first quarter of 2020 of \$1,720,734 (notwithstanding the terms of Mr. Clark's employment agreement) consisting of:

- forgiveness of a \$1,648,439 loan and accrued interest of \$16,665, provided by the Company to the Nine Two Seven Limited;
- the forfeiture of 21,674 PSUs and immediate vesting of 10,632 PSUs which resulted in other expense of \$74,382;
- the forfeiture of 378,000 Options which resulted in other income of \$334,811;
- the payment of \$93,000 in legal expenses incurred by Mr. Clark in connection with his departure and other consideration valued in the amount of \$223,059.

On May 10, 2020, the Company and Mr. Clark entered into an agreement resulting in the Company having no further financial obligations to Mr. Clark. On May 12, 2020, Mr. Clark resigned from the Board.

- (iv) Legal costs were \$257,246 and \$789,662 for the year ended December 31, 2021 and 2020, respectively. Legal costs related to the defense of intellectual property created by the Company and the preservation and recovery of investments made or authorized by Mr. Clark.
- (v) Agreement is comprised of costs of \$1,035,750, relating to a loan forgiveness upon the retirement of Mr. Leeder.
- (vi) In the second quarter of 2020, the Company received \$1,028,872 of wage subsidies under the CEWS program. During the second quarter of fiscal 2020, the Government of Canada announced the CEWS program for Canadian employers whose businesses were affected by the COVID-19 pandemic. The CEWS program provides a wage subsidy of up to 75% on eligible remuneration, subject to certain criteria including demonstration of revenue declines as a result of COVID-19.
- (vii) 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 \$3,714,853 and a promissory note receivable of \$1,785,147. The note bore interest at a rate of 5% per annum and matured on December 18, 2021. The promissory note was repaid in the fourth quarter of 2021. The transaction resulted in a net loss of \$847,462. 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:

	December 31, 2021	December 31, 2020
Current tax expense	\$ 7,069,386	\$ 4,035,950
Deferred tax expense	6,788,179	6,190,223
Total	<u>\$ 13,857,565</u>	<u>\$ 10,226,173</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, 2021 and 2020 is as follows:

	December 31, 2021	December 31, 2020
Earnings before income taxes	<u>\$ 48,833,526</u>	<u>\$ 29,564,353</u>
Combined Canadian federal and provincial statutory rates	<u>26.50%</u>	<u>26.50%</u>
Income taxes based on combined Canadian statutory income tax rates	\$ 12,940,884	\$ 7,834,554
Unrealized capital gain	430,910	2,133,221
Share based compensation	75,437	632,406
Tax exempt entities	68,567	8,120
Difference in foreign tax rates	(257,643)	(351,759)
Impact of non-taxable dividend income	(795,000)	(795,000)
Disposal of non-strategic business and other assets	500,170	-
Non-deductible transaction costs	293,736	515,356
Other non-deductible expenses	600,504	249,275
Income tax expense	<u>\$ 13,857,565</u>	<u>\$ 10,226,173</u>

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**28. INCOME TAXES - continued**

*Deferred tax assets and liabilities*

	December 31, 2021	December 31, 2020
<b>Deferred Tax Assets (Liabilities)- Canada</b>		
Non-capital losses carried forward-Canada	\$ 6,901,662	\$ 5,847,154
Share issuance and finance costs	2,651,581	2,048,192
Other deferred tax and intangible assets		283,622
Property and equipment	(828,236)	(903,377)
Unrealized capital gain	(2,564,131)	(2,133,221)
Net deferred income tax asset	<u>\$ 6,160,876</u>	<u>\$ 5,142,370</u>
<b>Deferred Tax Assets (Liabilities) - US</b>		
Net operating losses carried forward	\$ 337,660	\$ 321,998
Stock Based Compensation	5,558,416	1,569,308
Other deferred tax assets	2,230,357	1,420,568
Accrued expenses	2,172,661	1,963,278
Deferred revenue	13,689,425	10,643,569
Property and equipment	(11,560,827)	(5,958,357)
Inventories	(4,943,659)	(5,947,551)
Goodwill and intangibles	(15,321,139)	(8,968,003)
Deferred commission	(8,361,821)	(7,546,524)
Net deferred income tax liability	<u>\$ (16,198,927)</u>	<u>\$ (12,501,714)</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.

*Movement in net deferred tax asset – Canada*

	December 31, 2021	December 31, 2020
Balance at the beginning of the year	\$ 5,142,370	\$ 5,858,634
Recognized in profit/loss	(1,378,972)	(743,782)
Recognized in equity	1,902,625	27,518
Disposition of non-strategic business	494,853	-
Balance at the end of the year	<u>\$ 6,160,876</u>	<u>\$ 5,142,370</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.

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**28. INCOME TAXES – continued**

*Movement in net deferred tax asset (liability) - US*

	December 31, 2021	December 31, 2020
Balance at the beginning of the year	\$ (12,501,714)	\$ (6,544,817)
Recognized in profit/loss	(5,408,389)	(5,446,441)
Recognized in equity	4,118,887	211,116
Goodwill	(2,089,204)	(1,190,795)
Foreign currency translation	(318,507)	469,223
Balance at the end of the year	<u>\$ (16,198,927)</u>	<u>\$ (12,501,714)</u>

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

2026	\$ 24,093
2028	93,388
2031	27,125
2032	13,008
2034	5,049
2036	1,971,628
2037	2,969,889
2038	2,746,110
2039	6,024,892
2040	8,266,169
2041	4,065,321
	<u>\$26,206,672</u>

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**29. RELATED PARTY TRANSACTIONS AND BALANCES**

*Employee share loan plan*

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

Amounts issued under the ESLP were as follows:

- On October 7, 2013, the Company loaned \$1,575,000 to Nine Two Seven Limited, to acquire 210,000 Common Shares of the Company. Nine Two Seven Limited is owned by a former director and officer of the Company. The loan bore interest at a rate of 3.2% per annum payable upon maturity on August 27, 2023;
- On January 7, 2015, the Company loaned \$746,200 to Nine Two Seven Limited to acquire 65,000 Common Shares of the Company. The loan bore interest at a rate of 3.2% per annum payable upon maturity on January 7, 2025.

The two loans described above were forgiven in the amount of \$1,665,104 on February 17, 2020 (see Note 27).

On January 7, 2015, under the ESLP the Company loaned \$1,258,750 to Leeder Holdings Inc. to acquire 125,000 Common Shares of the Company. Leeder Holding Inc. is owned by a former officer and director of the Company. The loan bore interest at a rate of 3.2% per annum payable upon maturity on January 7, 2025. The Company agreed to forgive a \$1,035,750 loan provided by the Company to Leeder Holdings Inc. and agreed to the accelerated vesting of 4,878 PSUs and 4,878 RSUs on December 31, 2020.

*Key management compensation*

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:

	December 31, 2021	December 31, 2020
Directors' fees and management compensation	<u>\$ 6,993,754</u>	<u>\$ 5,927,829</u>
	December 31, 2021	December 31, 2020
Agreement (Note 27 iii)	<u>\$ -</u>	<u>\$ 1,720,734</u>
Agreement (Note 27 v)	<u>-</u>	<u>1,035,750</u>
	<u>\$ -</u>	<u>\$ 2,756,484</u>

## **29. RELATED PARTY TRANSACTIONS AND BALANCES – continued**

### *Key management compensation*

Directors' fees and management compensation included in share-based incentive were \$2,355,940 and \$2,152,687 for the years ended December 31, 2021 and 2020 respectively. At December 31, 2021, included in accounts payable and accrued liabilities are directors' fees and management compensation of \$2,568,725 (at December 31, 2020 - \$1,525,650).

## **30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**

### *Fair value of financial instruments*

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

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

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

As at December 31, 2021, the fair value of the secured debt investment in Humphrey's (see Note 13) is valued under Level 3.

As at December 31, 2021, 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, 2021						
		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
<b>Cash and cash equivalents</b>	\$ 12,574,799	\$ 12,577,136	\$ -	\$ -	\$ -	\$ 12,577,136
<b>Fixed Income</b>						
Canadian						
Corporate	6,587,252	896,666	-	-	5,078,962	5,975,628
Government	174,665	222,206	-	-	-	222,206
US						
Corporate	4,908,630	4,876,271	-	-	-	4,876,271
Government	-	-	-	-	-	-
<b>Equities</b>						
Canadian	50,878,861	65,508,058	-	-	-	65,508,058
US	17,194,791	21,159,132	-	-	-	21,159,132
Canadian Preferred	3,458,182	4,276,475	-	-	-	4,276,475
US Preferred	4,181,781	4,135,349	-	-	-	4,135,349
<b>Mutual Funds/ETFs</b>						
Equity	41,594,416	43,852,298	-	-	-	43,852,298
Fixed Income	65,515,549	65,067,701	-	-	-	65,067,701
Preferred	33,927,627	33,440,401	-	-	-	33,440,401
Alternative	26,601,065	-	-	30,457,429	-	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, 2020						
		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
<b>Cash and cash equivalents</b>	\$ 9,015,429	\$ 9,015,412	\$ -	\$ -	\$ -	\$ 9,015,412
<b>Fixed Income</b>						
Canadian						
Corporate	9,446,129	949,026	-	-	8,646,530	9,595,556
Government	174,665	239,812	-	-	-	239,812
US						
Corporate	63,403,595	65,423,372	-	-	-	65,423,372
Government	-	-	-	-	-	-
<b>Equities</b>						
Canadian	42,929,577	51,234,037	-	-	-	51,234,037
US	32,802,514	35,821,065	-	-	-	35,821,065
Canadian Preferred	2,813,131	2,704,463	-	-	-	2,704,463
US Preferred	-	-	-	-	-	-
<b>Mutual Funds/ETFs</b>						
Equity	16,993,088	18,816,599	-	-	-	18,816,599
Fixed Income	11,339,095	11,385,245	-	-	-	11,385,245
Preferred	15,835,303	16,251,948	-	-	-	16,251,948
Alternative	23,325,086	-	-	25,513,972	-	25,513,972
	<u>\$ 228,077,612</u>	<u>\$ 211,840,979</u>	<u>\$ -</u>	<u>\$ 25,513,972</u>	<u>\$ 8,646,530</u>	<u>\$ 246,001,481</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

		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
<b>Cash and cash equivalents</b>	\$ 23,559,302	\$ 23,560,123	\$ -	\$ -	\$ -	\$ 23,560,123
<b>GIC's</b>	33,183,504	33,183,504	-	-	-	33,183,504
<b>Fixed Income</b>						
<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	-	-	-	-	-	-
<b>Equities</b>						
<i>Canadian</i>	166,787	235,828	-	-	-	235,828
<i>US</i>	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
<b>Mutual Funds/ETFs</b>						
Equity	132,947,429	129,784,467	-	-	-	129,784,467
Fixed Income	71,982,441	72,993,006	-	-	-	72,993,006
Preferred	-	-	-	-	-	-
<b>Alternative</b>	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, 2020

		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
<b>Cash and cash equivalents</b>	\$ 8,852,595	\$ 8,852,595	\$ -	\$ -	\$ -	\$ 8,852,595
<b>GIC's</b>	29,859,660	29,859,660	-	-	-	29,859,660
<b>Fixed Income</b>						
<i>Canadian</i>						
Corporate	604,138	595,082	-	-	-	595,082
Government	23,352	23,674	-	-	-	23,674
<i>US</i>						
Corporate	55,017,818	66,746,827	-	-	-	66,746,827
Government	-	-	-	-	-	-
<b>Equities</b>						
<i>Canadian</i>	1,511,813	1,433,234	-	-	-	1,433,234
<i>US</i>	27,716,829	32,111,836	-	-	-	32,111,836
<i>Canadian Preferred</i>	-	-	-	-	-	-
<i>US Preferred</i>	6,195,069	6,345,448	-	-	-	6,345,448
<b>Mutual Funds/ETFs</b>						
Equity	52,856,057	57,019,589	-	-	775,379	57,794,968
Fixed Income	48,984,101	49,900,253	-	-	-	49,900,253
Preferred	-	-	-	-	-	-
<b>Alternative</b>	32,529,371	-	-	39,385,007	-	39,385,007
	<u>\$ 264,150,803</u>	<u>\$ 252,888,198</u>	<u>\$ -</u>	<u>\$ 39,385,007</u>	<u>\$ 775,379</u>	<u>\$ 293,048,584</u>

**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. As at December 31, 2021, the allowance for doubtful accounts and allowance for sales returns was \$15,371,622 (at December 31, 2020 - \$14,057,883).

(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.

### **30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT – continued**

*Fair value of financial instruments – continued*

(v) Foreign exchange risk

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

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 2020. The Company believes that a 1% increase or decrease in the variable market interest rate would not affect Company earnings from pre-need merchandise and service trusts or the perpetual care trust funds.

Interest rate on Credit Facility

The Credit Facility bears interest at the bankers' acceptance rate plus 1% at December 31, 2021. Based on the loan balances at December 31, 2021, a 1% increase or decrease in the variable market interest rate would have an impact of \$1,090,559 per annum. The Company has the ability to convert the Credit Facility to a fixed term.

### **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.

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**31. COMMITMENTS AND CONTINGENCIES - continued**

*Construction*

The Company has 13 construction commitments with the remaining balance of \$6,850,288, primarily for the construction of Westminster funeral visitation and reception centre in Toronto, Ontario and for funeral homes, mausoleums, and cemetery development in the United States. To date, the Company has spent \$29,366,965 on these construction commitments in progress.

**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.

*Geographic information*

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

	December 31, 2021	December 31, 2020
Canada	\$ 220,154,855	\$ 206,887,380
United States	1,458,385,023	1,220,963,716
Total	<u>\$ 1,678,539,878</u>	<u>\$ 1,427,851,096</u>

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

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**32. SEGMENTED INFORMATION – continued**

*Geographic information - continued*

	Twelve Months Ended December 31,	
	2021	2020
Net revenue:		
Net sales:		
Canada	\$ 36,446,465	\$ 34,439,450
United States	315,058,607	271,977,170
Total net sales	<u>351,505,072</u>	<u>306,416,620</u>
Income from care and maintenance funds:		
Canada	5,015,235	4,130,000
United States	6,406,306	6,531,812
Total income from care and maintenance funds	<u>11,421,541</u>	<u>10,661,812</u>
Interest income:		
Canada	971,234	1,171,952
United States	5,642,385	5,179,724
Total interest income	<u>6,613,619</u>	<u>6,351,676</u>
Total net revenue:		
Canada	42,432,934	39,741,402
United States	327,107,298	283,688,706
Total net revenue	<u>\$ 369,540,232</u>	<u>\$ 323,430,108</u>

**33. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to the December 31, 2021 consolidated financial statements with no effect on our previously reported results of operations, consolidated financial position, or cash flows.



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