# 21

# Condensed Interim Consolidated Financial Statements

As at and for the six months ending
June 30, 2021 and 2020 | Unaudited

PARK LAWN
CORPORATION

## NOTICE TO READER

Park Lawn Corporation's independent auditor has not performed a review of these unaudited condensed interim consolidated financial statements.

| | |
|---|---|
| (signed) "*Paul G. Smith*" | (signed) "*Steven Scott*" |
| Paul G. Smith | Steven Scott |
| Chairman, Director | Director |

**PARK LAWN CORPORATION**
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
**AS AT JUNE 30, 2021 AND DECEMBER 31, 2020**
**(UNAUDITED)**

| | June 30, 2021 | December 31, 2020 *(Restated, Measurement Period Adjustment - see Note 6)* |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash | $ 23,764,761 | $ 31,475,091 |
| Accounts receivable | 15,611,572 | 14,015,313 |
| Pre-need receivables, current portion (Note 4) | 34,775,282 | 33,120,302 |
| Inventories, current portion (Note 5) | 11,802,716 | 12,103,621 |
| Prepaid expenses and other assets (Note 14) | 9,173,939 | 11,971,945 |
| | 95,128,270 | 102,686,272 |
| Non-current assets | | |
| Pre-need receivables, net of current portion (Note 4) | 75,355,908 | 72,013,545 |
| Inventories, net of current portion (Note 5) | 88,555,768 | 91,959,496 |
| Land held for development (Note 7) | 28,255,188 | 26,624,737 |
| Property and equipment (Note 8) | 231,131,039 | 227,201,137 |
| Care and maintenance trust fund investments (Note 9) | 267,868,836 | 246,001,481 |
| Pre-need merchandise and service trust fund investments (Note 10) | 298,480,157 | 293,048,584 |
| Deferred tax assets | 5,749,201 | 5,142,370 |
| Goodwill and intangibles (Note 6 and 12) | 429,898,233 | 425,592,213 |
| Deferred commissions (Note 13) | 33,296,344 | 32,814,234 |
| Prepaid expenses and other assets (Note 14) | 7,992,746 | 8,097,713 |
| | 1,466,583,420 | 1,428,495,510 |
| TOTAL ASSETS | $ 1,561,711,690 | $ 1,531,181,782 |
| **Liabilities** | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (Note 26) | $ 40,551,234 | $ 45,172,738 |
| Dividends payable (Note 20) | 1,128,967 | 1,123,452 |
| Current portion of long-term debt (Note 15) | 221,495 | 353,389 |
| Current portion of notes payable (Note 16) | 5,715,865 | 2,697,019 |
| Current portion of lease liabilities (Note 17) | 1,665,924 | 2,154,722 |
| | 49,283,485 | 51,501,320 |
| Non-current liabilities | | |
| Long-term debt, net of current portion (Note 15) | 144,383,929 | 143,347,019 |
| Notes payable, net of current portion (Note 16) | 8,371,640 | 7,963,765 |
| Lease liabilities, net of current portion (Note 17) | 4,731,734 | 5,136,666 |
| Senior Unsecured Debentures (Note 18) | 82,326,639 | 81,964,547 |
| Deferred tax liabilities | 11,751,204 | 12,501,714 |
| Deferred revenue (Note 19) | 186,849,826 | 176,216,797 |
| Care and maintenance trusts' corpus (Note 9) | 267,868,836 | 246,001,481 |
| Deferred pre-need receipts held in trust (Note 10) | 298,480,157 | 293,048,584 |
| | 1,004,763,965 | 966,180,573 |
| Shareholders' Equity | | |
| Share capital (Note 21) | 509,176,017 | 505,560,310 |
| Contributed surplus | 11,369,710 | 11,406,852 |
| Accumulated other comprehensive income | (33,643,188) | (16,327,689) |
| Retained earnings | 20,761,701 | 10,673,762 |
| | 507,664,240 | 511,313,235 |
| Non-controlling interest | - | 2,186,654 |
| | 507,664,240 | 513,499,889 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | $ 1,561,711,690 | $ 1,531,181,782 |

**Commitments and Contingencies** (Note 28)
**Subsequent Events** (Note 30)

**Approved by the Board of Directors**

*"Paul G. Smith"*
Paul G. Smith - Chairman, Director

*"Steven Scott"*
Steven Scott, Director

The accompanying notes to the unaudited condensed interim consolidated financial statements are an integral part of these unaudited condensed interim consolidated financial statements.

**PARK LAWN CORPORATION**
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EARNINGS**
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020**
**(UNAUDITED)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| **Net revenue** | | | | |
| Net sales (Note 23) | $ 83,665,695 | $ 77,722,755 | $ 168,938,298 | $ 144,506,467 |
| Income from care and maintenance funds (Note 9) | 3,172,234 | 2,294,211 | 5,696,002 | 5,045,931 |
| Interest and other income | 1,592,653 | 1,514,860 | 3,373,581 | 3,243,365 |
| | 88,430,582 | 81,531,826 | 178,007,881 | 152,795,763 |
| **Cost of sales** | 14,196,932 | 12,948,062 | 28,442,466 | 23,546,630 |
| **Gross profit** | 74,233,650 | 68,583,764 | 149,565,415 | 129,249,133 |
| **Operating expenses** | | | | |
| General and administrative | 37,162,767 | 35,894,713 | 74,955,889 | 68,780,978 |
| Amortization of intangibles (Note 12) | 437,546 | 621,757 | 1,028,213 | 1,270,240 |
| Maintenance | 9,187,245 | 8,949,349 | 17,235,248 | 16,700,838 |
| Advertising and selling | 10,586,294 | 9,206,628 | 20,915,571 | 16,902,741 |
| Finance costs (Note 24) | 2,601,570 | 2,133,827 | 5,144,158 | 4,523,612 |
| Share based incentive compensation (Note 22 and 26) | 1,333,883 | 1,195,402 | 2,289,304 | 2,602,778 |
| | 61,309,305 | 58,001,676 | 121,568,383 | 110,781,187 |
| **Earnings from operations** | 12,924,345 | 10,582,088 | 27,997,032 | 18,467,946 |
| Acquisition and integration costs (Note 6) | (1,601,138) | (809,136) | (2,771,983) | (4,271,989) |
| Other income (expenses) (Note 25) | (831,693) | 143,584 | (884,878) | (2,836,093) |
| Earnings before income taxes | 10,491,514 | 9,916,536 | 24,340,171 | 11,359,864 |
| Income tax expense | 3,360,551 | 3,264,976 | 7,377,415 | 3,901,812 |
| **Net earnings for the period** | $ 7,130,963 | $ 6,651,560 | $ 16,962,756 | $ 7,458,052 |
| Net earnings attributable to: | | | | |
| Equity holders of PLC | $ 7,098,722 | $ 6,632,514 | $ 16,853,013 | $ 7,366,571 |
| Non-controlling interest | 32,241 | 19,046 | 109,743 | 91,481 |
| | $ 7,130,963 | $ 6,651,560 | $ 16,962,756 | $ 7,458,052 |
| Attributable to equity holders of PLC | | | | |
| Net earnings per share - basic | $ 0.237 | $ 0.223 | $ 0.565 | $ 0.248 |
| Net earnings per share - diluted | $ 0.235 | $ 0.223 | $ 0.560 | $ 0.247 |
| Weighted average number of common shares: | | | | |
| - basic | 29,933,752 | 29,686,840 | 29,840,361 | 29,655,319 |
| - diluted | 30,227,882 | 29,797,096 | 30,119,115 | 29,766,372 |

The accompanying notes to the unaudited condensed interim consolidated financial statements are an integral part of these unaudited condensed interim consolidated financial statements.

**PARK LAWN CORPORATION**
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020**
**(UNAUDITED)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| **Net earnings for the period** | $ 7,130,963 | $ 6,651,560 | $ 16,962,756 | $ 7,458,052 |
| Item of other comprehensive income to be subsequently reclassified to net earnings | | | | |
| Foreign currency translation of foreign operations | (9,217,105) | (26,754,196) | (17,315,499) | 30,784,444 |
| **Comprehensive income (loss)** | $ (2,086,142) | $ (20,102,636) | $ (352,743) | $ 38,242,496 |

The accompanying notes to the unaudited condensed interim consolidated financial statements are an integral part of these unaudited condensed interim consolidated financial statements.

**PARK LAWN CORPORATION**
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020**
**(UNAUDITED)**

| | # 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) | - | - | - | (6,714,904) | - | - | (6,714,904) |
| Shares issued: | | | | | | | |
| Dividend reinvestment plan (Note 21) | 43,814 | 1,034,955 | - | - | - | - | 1,034,955 |
| Equity incentive plan (Note 22) | 104,795 | 978,680 | 1,222,078 | - | - | - | 2,200,758 |
| Other comprehensive income (loss) | - | - | - | - | 30,784,444 | - | 30,784,444 |
| Net earnings for the period | - | - | - | 7,366,571 | - | 91,481 | 7,458,052 |
| Balance at June 30, 2020 | 29,503,453 | $ 504,061,465 | $ 8,841,040 | $ 5,742,827 | $ 28,672,289 | $ 1,970,519 | $ 549,288,140 |
| 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) | - | - | - | (6,765,074) | - | - | (6,765,074) |
| Equity incentive plan (Note 22) | - | - | 2,259,198 | - | - | - | 2,259,198 |
| Shares issued: | | | | | | | |
| Dividend reinvestment plan (Note 21) | 42,565 | 1,319,367 | - | - | - | - | 1,319,367 |
| Exercise of Equity incentive plan (Note 22) | 102,563 | 2,296,340 | (2,296,340) | - | - | - | - |
| Other comprehensive income (loss) | - | - | - | - | (17,315,499) | - | (17,315,499) |
| Sale of non-strategic business (Note 25) | - | - | - | - | - | (2,296,397) | (2,296,397) |
| Net earnings for the period | - | - | - | 16,853,013 | - | 109,743 | 16,962,756 |
| Balance at June 30, 2021 | 29,709,654 | $ 509,176,017 | $ 11,369,710 | $ 20,761,701 | $ (33,643,188) | $ - | $ 507,664,240 |

The accompanying notes to the unaudited condensed interim consolidated financial statements are an integral part of these unaudited condensed interim consolidated financial statements.

**PARK LAWN CORPORATION**
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020**
**(UNAUDITED)**

| | Three Months Ended June 30, 2021 | Three Months Ended June 30, 2020 | Six Months Ended June 30, 2021 | Six Months Ended June 30, 2020 |
|---|---|---|---|---|
| **Cash provided by (used in):** | | | | |
| **Operating activities** | | | | |
| Net earnings for the period | $ 7,130,963 | $ 6,651,560 | $ 16,962,756 | $ 7,458,052 |
| Adjustments to reconcile net income to cash provided by (used in) operating activities: | | | | |
| Loss on the sale of non-strategic business (Note 25) | 847,462 | - | 847,462 | - |
| Acquisition and integration costs | 1,601,138 | 809,136 | 2,771,983 | 4,271,989 |
| Deferred tax expense (recovery) | (1,395,969) | 2,395,800 | (534,691) | 2,721,000 |
| Depreciation of property and equipment, and amortization of intangibles (Note 8 and 12) | 3,527,714 | 3,918,934 | 7,238,127 | 7,736,819 |
| Amortization of cemetery property | 2,435,649 | 1,834,266 | 4,535,116 | 3,559,018 |
| Amortization of deferred commissions (Note 13) | 2,095,486 | 1,539,409 | 3,689,721 | 2,307,393 |
| Amortization of deferred financing costs (Note 15 and 24) | 153,982 | 154,993 | 383,891 | 240,548 |
| Accretion expense on senior unsecured debentures (Note 18 and 24) | 183,581 | - | 362,092 | - |
| Interest on lease liabilities (Note 17) | 70,871 | 70,004 | 162,576 | 150,117 |
| Share based incentive compensation (Note 22) | 1,305,713 | 1,158,536 | 2,259,198 | 2,461,187 |
| Loss on forgiveness of loan and other non-cash amounts (Note 25) | - | - | - | 1,511,179 |
| (Gain) loss on disposal of property and equipment (Note 8) | (29,150) | (134,764) | (17,805) | (101,840) |
| (Gain) loss on sale of other assets (Note 14) | - | 57,624 | - | 57,624 |
| Changes in working capital that provided (required) cash: | | | | |
| Accounts receivable | (580,195) | 603,702 | (66,960) | 2,444,631 |
| Net receipts on pre-need activity | 4,430,406 | 2,150,385 | 3,046,734 | (1,042,066) |
| Merchandise inventories | (42,533) | (628,924) | (137,156) | (276,262) |
| Prepaid expenses and other current assets | 952,433 | 968,043 | 943,123 | (846,962) |
| Deferred commissions (Note 13) | (2,784,378) | (1,593,678) | (4,716,306) | (2,813,425) |
| Accounts payable and accrued liabilities | (5,293,939) | (1,948,003) | (3,561,058) | (371,029) |
| **Cash provided by (used in) operating activities** | 14,609,234 | 18,007,023 | 34,168,803 | 29,467,973 |
| **Investing activities** | | | | |
| Acquisition and integration costs | (1,601,138) | (809,136) | (2,771,983) | (4,271,989) |
| Net cash on acquisitions (Note 6) | (30,268,264) | 623,507 | (30,268,264) | (38,733,382) |
| Additions to cemetery property | (1,533,843) | (1,136,921) | (2,594,240) | (3,255,446) |
| Acquisition of property and equipment (Note 8) | (5,185,336) | (4,313,635) | (9,490,976) | (8,055,526) |
| Proceeds on disposal of property and equipment (Note 8) | 182,532 | 167,551 | 1,460,292 | 233,960 |
| Net cash from sale of non-strategic business (Note 25) | 3,328,126 | - | 3,328,126 | - |
| Additions to computer software (Note 12) | (278,632) | - | (452,245) | - |
| Cash interest from other assets (Note 14) | 54,250 | 140,916 | 702,704 | 195,166 |
| Proceeds from sale of other assets (Note 14) | - | 801,460 | - | 747,210 |
| Disposals (additions) to prepaid expenses and other assets | (341,266) | (9,464) | 5,710,633 | (326,339) |
| **Cash provided by (used in) investing activities** | (35,643,571) | (4,535,722) | (34,375,953) | (53,466,346) |
| **Financing activities** | | | | |
| Proceeds from issuance of long-term debt (Note 15) | 13,400,000 | 1,781,509 | 16,700,000 | 46,400,000 |
| Repayment of long-term debt (Note 15) | (7,932,083) | (4,102,763) | (17,048,710) | (5,217,245) |
| Proceeds (repayment) of note payable (Note 16) | (369,363) | (927,475) | (1,444,662) | (599,615) |
| Proceeds (repayment) of lease liabilities (Note 17) | (601,225) | (706,290) | (1,074,894) | (1,136,458) |
| Dividends and distributions paid | (2,630,442) | (2,956,344) | (5,445,707) | (5,679,949) |
| Financing costs (Note 15) | - | (581,847) | (24,975) | (749,284) |
| **Cash provided by (used in) financing activities** | 1,866,887 | (7,493,210) | (8,338,948) | 33,017,449 |
| **Translation adjustment on cash** | 1,593,149 | 460,469 | 835,768 | 4,059,598 |
| **Net increase (decrease) in cash** | (17,574,301) | 6,438,560 | (7,710,330) | 13,078,674 |
| **Cash, beginning of period** | 41,339,062 | 27,895,444 | 31,475,091 | 21,255,330 |
| **Cash, end of period** | $ 23,764,761 | $ 34,334,004 | $ 23,764,761 | $ 34,334,004 |
| **Supplemental disclosures:** | | | | |
| Income taxes paid | $ 6,271,162 | $ 126,998 | $ 6,386,162 | $ 287,229 |
| Interest expenses paid | $ 3,487,689 | $ 1,900,387 | $ 4,310,471 | $ 4,060,842 |

The accompanying notes to the unaudited condensed interim consolidated financial statements are an integral part of these unaudited condensed interim consolidated financial statements.

## 1. NATURE OF OPERATIONS

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a. Statement of compliance

The accompanying unaudited condensed interim consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"), including International Accounting Standards 34, Interim Financial Reporting ("IAS 34"), on a basis consistent with policies disclosed in the Company's annual audited consolidated financial statements for the fiscal year ended December 31, 2020 which were prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

Certain information and footnote disclosure normally included in the annual audited consolidated financial statements, prepared in accordance with IFRS, have been omitted or are condensed. These unaudited condensed interim consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements of the Company for the year ended December 31, 2020.

The financial information included herein reflects all adjustments that, in the opinion of management, are necessary for a fair presentation of the results for the interim periods presented. The results of operations for the periods ended June 30, 2021 and 2020 are not necessarily indicative of the results to be expected for the full year.

These unaudited condensed interim consolidated financial statements were approved by the board of directors of the Company (the "Board of Directors") on August 12, 2021.

### b. Basis of presentation

The unaudited condensed interim 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

### c. Basis of consolidation

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

*Investment entities*

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

Pre-need merchandise and service trust fund investments represent amounts set aside in both provincially and state legislated trust funds related to pre-need cemetery and funeral contracts. Care and maintenance 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 trusts' corpus.

*Transactions eliminated on consolidation*

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

### d. Functional currency

The unaudited condensed interim 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.

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.

### 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. 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

### f. Business combinations – continued

Transaction costs that the Company incurs in connection with a business combination, such as finders' fees, legal fees, due diligence fees, and other professional and consulting fees, are expensed in the period as incurred and included in the unaudited condensed interim consolidated statements of earnings as acquisition and integration costs.

## 3. CRITICAL ESTIMATES AND JUDGEMENTS

*Use of estimates*

The preparation of these unaudited condensed interim consolidated financial statements requires management to make certain estimates, judgements and assumptions that affect the reported amounts of assets and liabilities at the date of the unaudited condensed interim 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. These assumptions are disclosed in Note 3 to its audited annual consolidated financial statements for the year ended December 31, 2020.

The Company is continuing to adapt to evolving regulatory measures and health authority guidelines concerning COVID-19 pandemic. The outbreak of this contagious illness continues to pose a threat to the health and economic wellbeing of our employees and their families, the families we serve, our vendors and the Company. In all communities we serve, funeral homes and cemeteries have been classified as essential services and we have remained open to serve our families at their time of need. The pandemic could lead to interruptions in our supply chain and temporary closures of our supplier facilities. The extent to which COVID-19 and its effect on the economy will impact our business is indeterminable, and it is not possible to reliably estimate the length and severity of COVID-19 related impacts on the financial results and operations of the Company. The Company is monitoring the situation closely and will continue to make all efforts to minimize the risk to employees, customers and other stakeholders. Given the Company's ability to continue operating its business, no indicators of impairment were identified in relation to COVID-19.

## 4. PRE-NEED RECEIVABLES

| | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Pre-need receivables, current portion | $ 34,775,282 | $ 33,120,302 |
| Pre-need receivables, net of current portion | 75,355,908 | 72,013,545 |
| Total | $ 110,131,190 | $ 105,133,847 |

The above is net of an allowance for sales returns of $13,541,972 at June 30, 2021 (at December 31, 2020 - $13,101,436).

## 5. INVENTORIES

| | June 30, 2021 | December 31, 2020 *(Restated, Measurement Period Adjustment - see Note 6)* |
|---|---|---|
| Merchandise inventories | $ 4,363,656 | $ 4,365,474 |
| Cemetery lots | 44,198,313 | 46,764,069 |
| Crypts and niches | 43,384,706 | 44,767,103 |
| Construction in progress | 8,411,809 | 8,166,471 |
| Total | 100,358,484 | 104,063,117 |
| Current portion | 11,802,716 | 12,103,621 |
| Non-current portion | $ 88,555,768 | $ 91,959,496 |

There were no inventory write-downs in either period.

## 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 June 30, 2021:

## 6. BUSINESS COMBINATIONS – continued

*Acquisitions completed in fiscal 2021 – continued*

| | Preliminary Other (i) |
|---|---|
| **Assets acquired:** | |
| Cash | $ 153,716 |
| Accounts receivable | 143,857 |
| Pre-need receivables | 314,541 |
| Inventories | 2,275,420 |
| Land held for development | 368,370 |
| Property and equipment | 13,581,905 |
| Care and maintenance trust fund investmen | 3,166,499 |
| Pre-need merchandise and service trust fund investments | 2,648,279 |
| Deferred commissions | 329,820 |
| Goodwill | 15,177,196 |
| Intangibles | 2,862,238 |
| Total assets | $ 41,021,841 |
| **Liabilities assumed:** | |
| Accounts payable and accrued liabilities | $ 48,403 |
| Lease liabilities | 78,115 |
| Care and maintenance trusts' corpus | 3,166,499 |
| Deferred pre-need receipts held in trust | 2,648,279 |
| Deferred revenue | 2,600,811 |
| | 8,542,107 |
| **Fair value of consideration transferred:** | |
| Cash consideration | 30,421,980 |
| Deferred cash consideration | 2,057,754 |
| | 32,479,734 |
| Total liabilities and considerations | $ 41,021,841 |

(i) Effective as of 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 which complements PLC's existing operations in and around the Madison area.

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 and complement PLC's existing North Carolina operations.

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. The addition of the Williams businesses greatly expands PLC's presence in the middle Tennessee market which is widely known as one of the fastest growing regions in the United States.

The purchase price for the above acquisitions was $32,479,734 (US$26,070,410).

## 6. BUSINESS COMBINATIONS – continued

*Acquisitions completed in fiscal 2021 – continued*

The fair value allocations for the above 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 *As previously stated* | *Adjustments* | December 31, 2020 *As restated* |
|---|---|---|---|
| Inventories, net of current portion | $ 95,211,242 | $ (3,251,746) | $ 91,959,496 |
| Land held for development | 26,414,299 | 210,438 | 26,624,737 |
| Goodwill and intangibles | 422,504,504 | 3,087,709 | 425,592,213 |
| Deferred revenue | (176,170,396) | (46,401) | (176,216,797) |
| Total | $ 367,959,649 | $ - | $ 367,959,649 |

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:

## 6. BUSINESS COMBINATIONS – continued

*Acquisitions completed in fiscal 2020 – continued*

| | Final Family Legacy and Harpeth Hills (ii) | Preliminary J.F. Floyd (iv) | Final Other (iii),(v) | Total |
|---|---|---|---|---|
| **Assets acquired:** | | | | |
| Cash | $ 1,814,726 | $ 226,621 | $ - | $ 2,041,347 |
| Accounts receivable | 1,830,190 | 2,397,503 | - | 4,227,693 |
| Pre-need receivables | 3,913,730 | - | - | 3,913,730 |
| Inventories | 7,719,078 | 5,820,399 | 57,328 | 13,596,805 |
| 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 investmer | 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 | 12,118,240 | 2,133,887 | 56,411,128 |
| Intangibles | 6,478,200 | 1,814,883 | 327,220 | 8,620,303 |
| Total assets | $ 115,883,624 | $ 45,162,026 | $ 5,179,369 | $ 166,225,019 |
| **Liabilities assumed:** | | | | |
| 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 | 5,947,329 | - | 25,783,465 |
| | 46,885,336 | 19,924,973 | 2,336,479 | 69,146,788 |
| **Fair value of consideration transferred:** | | | | |
| 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 |
| Total liabilities and considerations | $ 115,883,624 | $ 45,162,026 | $ 5,179,369 | $ 166,225,019 |

(ii) 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 expands 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 existing credit facility.

## 6. BUSINESS COMBINATIONS – continued

*Acquisitions completed in fiscal 2020 – continued*

(iii) 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 the cash on hand and it expands PLC's presence in British Columbia.

(iv) 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 adds three combination funeral home and cemetery properties, one stand-alone funeral home, six stand-alone cemeteries and one stand-alone crematory. The addition of these businesses strengthens PLC's operational footprint in South Carolina and provides a platform from which it can continue to expand into the southeast region of the U.S.

The fair value allocations for J.F. Floyd's 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 and deferred revenue.

(v) On December 15, 2020, the Company completed the acquisition of the assets of Winscott Funeral Service Corp. ("Winscott"), a business located in Benbrook, Texas for a purchase price of $922,345 (US$725,000). The Winscott acquisition adds one funeral home location. The addition of this business strengthens PLC's operational footprint in the Dallas/Fort Worth region of Texas.

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 | June 30, 2021 |
|---|---|---|---|---|---|---|---|
| Cost: | | | | | | | |
| Land held for development | 26,624,737 | 368,370 | 3,786,990 | (1,922,627) | (1,247) | (601,035) | 28,255,188 |
| Total | $ 26,624,737 | | | | | | $ 28,255,188 |

| | 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 | $ 24,452,997 | | | | | | $ 26,624,737 |

## 8. PROPERTY AND EQUIPMENT

| | January 1, 2021 | Acquired in business combinations | Additions | Disposals | Foreign currency translation | June 30, 2021 |
|---|---|---|---|---|---|---|
| Cost: | | | | | | |
| Land | $ 59,669,959 | 3,562,650 | 177,573 | (1,835,374) | (1,451,306) | $ 60,123,502 |
| Buildings, cemetery and funeral | 147,177,921 | 9,291,589 | 6,010,844 | (6,963,481) | (3,371,182) | 152,145,691 |
| Machinery, equipment and automotive | 25,019,932 | 649,551 | 2,410,134 | (1,054,810) | (658,052) | 26,366,755 |
| Cemetery improvements | 17,208,805 | 78,115 | 942,122 | - | (479,811) | 17,749,231 |
| Right-of-use asset | 10,556,446 | - | 181,723 | (332,790) | (101,453) | 10,303,926 |
| Total | 259,633,063 | 13,581,905 | 9,722,396 | (10,186,455) | (6,061,804) | 266,689,105 |
| Accumulated depreciation: | | | | | | |
| Buildings, cemetery and funeral | 13,913,121 | - | 2,902,800 | (1,252,924) | (387,271) | 15,175,726 |
| Machinery, equipment and automotive | 10,912,426 | - | 1,986,868 | (561,377) | (372,569) | 11,965,348 |
| Cemetery improvements | 4,066,661 | - | 247,962 | - | (199,113) | 4,115,510 |
| Right-of-use asset | 3,539,718 | - | 1,072,284 | (265,021) | (45,499) | 4,301,482 |
| Total | 32,431,926 | - | 6,209,914 | (2,079,322) | (1,004,452) | 35,558,066 |
| Net book value | $ 227,201,137 | | | | | $ 231,131,039 |

## 8. PROPERTY AND EQUIPMENT - continued

| | 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 |

Property and equipment depreciation expense amounted to $6,209,914 and $6,466,579 for the six month period ended June 30, 2021 and 2020, respectively. Property and equipment depreciation expense charged to operations amounted to $3,090,168 and $3,297,177 for the three month period ended June 30, 2021 and 2020, respectively. Depreciation expense is included in general and administrative expenses on the unaudited condensed interim consolidated statements of earnings.

Included in additions at June 30, 2021 are $4,244,580 of additions at Canadian cemeteries and funeral sites (at December 31, 2020 - $6,669,749) and $5,477,817 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 25).

During the six month period ended June 30, 2021, the Company sold property for a sale price of $1,526,149 realizing a net gain of $17,805.

During the six month period ended June 30, 2020, the Company sold property for a sale price of $233,960 realizing a net loss of $44,216.

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.

## 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 treated as a cost of sale at the time of the sale.

The principal of these trusts is recorded in the unaudited condensed interim 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. 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 $5,696,002 and $5,045,931 for the six month period ended June 30, 2021 and 2020, respectively. Investment income recognized in operations amounted to $3,172,234 and $2,294,211 for the three month period ended June 30, 2021 and 2020, respectively. If the income earned by the trusts should exceed eligible care and maintenance expenses incurred by the Company, the excess would be added to the capital of the trusts and would not be eligible for pay out to the Company in the future.

Care and maintenance trust fund investments consist of the following:

| | Fair Value | | Cost | |
|---|---|---|---|---|
| | June 30, 2021 | December 31, 2020 | June 30, 2021 | December 31, 2020 |
| **Cash and cash equivalents** | $ 11,897,458 | $ 9,015,412 | $ 11,887,847 | $ 9,015,429 |
| **Fixed Income** | | | | |
| *Canadian* | | | | |
| Corporate | 9,983,464 | 13,428,138 | 10,508,291 | 10,508,290 |
| Government | 228,467 | 239,812 | 174,665 | 174,665 |
| *US* | | | | |
| Corporate | 3,932,821 | 65,423,372 | 3,967,785 | 67,263,236 |
| Government | - | - | - | - |
| **Equities** | | | | |
| *Canadian* | 63,657,977 | 51,234,037 | 48,171,660 | 42,929,577 |
| *US* | 18,521,460 | 35,821,065 | 18,619,020 | 32,802,514 |
| *Canadian Preferred* | 3,370,336 | 2,704,463 | 2,813,132 | 2,813,131 |
| *US Preferred* | 3,729,036 | - | 3,735,606 | - |
| **Mutual Funds/ETFs** | | | | |
| Equity | 38,234,701 | 18,816,599 | 36,818,154 | 16,993,088 |
| Fixed Income | 57,196,128 | 11,385,245 | 56,755,455 | 11,339,095 |
| Preferred | 29,510,708 | 16,251,948 | 29,148,688 | 15,835,303 |
| **Alternative** | 27,606,280 | 21,681,390 | 23,393,295 | 18,403,284 |
| | $ 267,868,836 | $ 246,001,481 | $ 245,993,598 | $ 228,077,612 |

## 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 | |
|---|---|---|---|---|
| | June 30, 2021 | December 31, 2020 | June 30, 2021 | December 31, 2020 |
| **Cash and cash equivalents** | $ 18,730,410 | $ 8,852,595 | $ 18,729,946 | $ 8,852,595 |
| **GIC's** | 29,602,846 | 29,859,660 | 29,602,846 | 29,859,660 |
| **Fixed Income** | | | | |
| *Canadian* | | | | |
| Corporate | 53,254 | 595,082 | 54,451 | 604,138 |
| Government | 23,320 | 23,674 | 23,352 | 23,352 |
| *US* | | | | |
| Corporate | 10,455,032 | 66,746,827 | 10,441,136 | 55,017,818 |
| Government | - | - | - | - |
| **Equities** | | | | |
| *Canadian* | 231,004 | 1,433,234 | 163,290 | 1,511,813 |
| *US* | 13,720,968 | 32,111,836 | 12,944,924 | 27,716,829 |
| *Canadian Preferred* | - | - | - | - |
| *US Preferred* | 3,065,612 | 6,345,448 | 3,054,563 | 6,195,069 |
| **Mutual Funds/ETFs** | | | | |
| Equity | 123,155,059 | 57,794,968 | 117,421,066 | 52,856,057 |
| Fixed Income | 64,905,879 | 49,900,253 | 64,580,861 | 48,984,101 |
| Preferred | - | - | - | - |
| **Alternative** | 34,536,773 | 39,385,007 | 35,156,498 | 32,529,371 |
| | $ 298,480,157 | $ 293,048,584 | $ 292,172,933 | $ 264,150,803 |

## 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 June 30, 2021, the current face amount of pre-funded policies was $413,134,645 (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 unaudited condensed interim consolidated financial statements as the Company is not the beneficiary of the policy. Amounts funded through insurance are available to the Company when the funeral services are performed.

## 12. GOODWILL AND INTANGIBLES

The changes in the carrying amount of goodwill and intangible assets at June 30, 2021 were:

| | January 1, 2021 | Acquired in business combinations | Additions | Disposals | Foreign currency translation | June 30, 2021 |
|---|---|---|---|---|---|---|
| Cost: | | | | | | |
| Goodwill | $ 395,926,696 | 15,177,196 | - | (2,295,458) | (10,077,933) | $ 398,730,501 |
| Non-compete agreements | 12,597,984 | 2,862,238 | - | - | (190,884) | 15,269,338 |
| Brand | 20,974,607 | - | - | - | (546,242) | 20,428,365 |
| Computer software | 1,663,925 | - | 452,245 | - | (46,929) | 2,069,241 |
| Total | 431,163,212 | 18,039,434 | 452,245 | (2,295,458) | (10,861,988) | 436,497,445 |
| Accumulated amortization: | | | | | | |
| Non-compete agreements | 5,570,999 | - | 1,028,213 | - | - | 6,599,212 |
| Computer software | - | - | - | - | - | - |
| Total | 5,570,999 | - | 1,028,213 | - | - | 6,599,212 |
| Net book value | $ 425,592,213 | | | | | $ 429,898,233 |

| | January 1, 2020 | Acquired in business combinations | Additions | Disposals | Foreign currency translation | December 31, 2020 *(Restated, Measurement Period Adjustment - See Note 6)* |
|---|---|---|---|---|---|---|
| Cost: | | | | | | |
| Goodwill | $ 353,316,157 | 56,411,128 | - | - | (13,800,589) | $ 395,926,696 |
| 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 | 65,031,431 | 751,600 | - | (14,515,565) | 431,163,212 |
| 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 | $ 376,772,778 | | | | | $ 425,592,213 |

The disposal of $2,295,458 relates to the sale of Parkland, a non-strategic business (see Note 25).

## 13. DEFERRED COMMISSIONS

| | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Deferred commissions | | |
| Opening balance: | $ 32,814,234 | $ 28,191,067 |
| Acquired in business combinations | 329,820 | 2,730,756 |
| Additions | 4,716,306 | 7,490,472 |
| Amortization | (3,689,721) | (4,675,670) |
| Foreign currency translation | (874,295) | (922,391) |
| Closing balance: | $ 33,296,344 | $ 32,814,234 |

## 14. PREPAID EXPENSES AND OTHER ASSETS

| | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Promissory note | $ 1,785,147 | $ 6,694,170 |
| Prepaid expenses and other | 7,388,792 | 5,277,775 |
| Total current other assets | $ 9,173,939 | $ 11,971,945 |

| | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Secured convertible debt investment | $ 6,445,749 | $ 6,399,249 |
| Prepaid expenses and other | 1,546,997 | 1,698,464 |
| Total non-current other assets | $ 7,992,746 | $ 8,097,713 |

*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. Included in current other assets at June 30, 2021 is a promissory note receivable of $1,785,147 related to sale of Parkland (see Note 25). The note bears interest at a rate of 5% per annum and matures on December 18, 2021.

*ii)* *Non-current other assets*

Included in non-current other assets is a $6,300,000 (at December 31, 2020 - $6,300,000) 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.

## 15. LONG-TERM DEBT

| | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Revolving loan facility | $ 145,750,360 | $ 144,064,440 |
| Mortgages | - | 1,020,781 |
| Other debt | 450,478 | 646,508 |
| Deferred financing costs | (1,595,414) | (2,031,321) |
| Total | 144,605,424 | 143,700,408 |
| Current portion | 221,495 | 353,389 |
| Non-current portion | $ 144,383,929 | $ 143,347,019 |

*Revolving loan facility*

On November 22, 2019, the Company amended its existing syndicated bank financing arrangement to increase its borrowing capacity to $300,000,000 ($250,000,000 committed credit facility and additional $50,000,000 accordion facility). The credit facility has a term of five years with a maturity date of January 18, 2025. The revolving facility bears variable interest at the banker's acceptance rate plus an applicable margin based on a leverage ratio calculation.

In March 2020, as part of the COVID-19 contingency planning process, the Company requested that its lending syndicate increase its leverage ratio from 3.5 times to 4.0 times on a temporary basis from May 8, 2020 through June 29, 2021. The leverage ratio would reduce to 3.75 times on June 30, 2021 and then revert to not more than 3.5 times on September 30, 2021 and thereafter. The financing arrangement amended in March 2020 has a term of five years. In addition, the Company requested a temporary increase of $25,000,000 in credit availability to provide additional liquidity for a period of one year commencing May 8, 2020. The lending syndicate approved both requests effective May 8, 2020. Subsequently, on August 21, 2020, the Company cancelled the temporary increase of $25,000,000.

At June 30, 2021, there was $145,750,360 outstanding under the credit facility including $11,650,360 (US$9,400,000) borrowed under the U.S. credit facility (at December 31, 2020 - $144,064,440 including $2,164,440 (US$1,800,000) borrowed under the U.S. credit facility). Deferred financing costs have been capitalized and are being amortized over the term of 5 years using the effective interest rate method. For the six month period ended June 30, 2021 and 2020, the amortization of deferred financing costs was $383,891 and $240,548, respectively and for the three month period ended June 30, 2021 and 2020, the amortization of deferred financing costs was $153,982 and $154,993, respectively. At June 30, 2021, standby letters of credit issued utilizing $764,023 of the credit line (at December 31, 2020 - $764,023).

*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 covenants in 2021 and 2020.

## 16. NOTES PAYABLE

| | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Notes payable | $ 14,087,505 | $ 10,660,784 |
| Current portion | 5,715,865 | 2,697,019 |
| Non-current portion | $ 8,371,640 | $ 7,963,765 |

*Notes payable*

*i)* The Company has an outstanding note payable of $1,327,491 (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 $12,760,014 (at December 31, 2020 - $9,305,070) 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.

## 17. LEASE LIABILITIES

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

| | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Future minimum lease payments | | |
| Due in less than one year | $ 1,845,961 | $ 2,277,776 |
| Due between one and two years | 1,276,480 | 1,430,314 |
| Due between two and three years | 1,082,829 | 1,128,935 |
| Due thereafter | 3,319,688 | 3,741,628 |
| Interest | (1,127,300) | (1,287,265) |
| Present value of minimum lease payments | 6,397,658 | 7,291,388 |
| Current portion | 1,665,924 | 2,154,722 |
| Non-current portion | $ 4,731,734 | $ 5,136,666 |

Lease liabilities interest expense charged to operations amounted to $162,576 and $150,117 for the six month period ended June 30, 2021 and 2020, respectively and $70,871 and $70,004 for the three month period ended June 30, 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 Company's existing 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.

## 18. SENIOR UNSECURED DEBENTURES – continued

The balance of the Debentures as at June 30, 2021 consists of the following:

| | June 30, 2021 |
|---|---|
| Face value upon issuance | $ 86,250,000 |
| Debt issuance costs | (4,615,199) |
| Fair value upon issuance | 81,634,801 |
| Accretion expense for 2020 | 329,746 |
| Balance at December 31, 2020 | 81,964,547 |
| Accretion expense for the period | 362,092 |
| Balance at June 30, 2021 | $ 82,326,639 |

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 $2,479,657 and $nil for the six month period ended June 30, 2021 and 2020, respectively and $1,256,798 and $nil for the three month period ended June 30, 2021 and 2020, respectively. Accretion expense amounted to $362,092 and $nil for the six month period ended June 30, 2021 and 2020, respectively and $183,581 and $nil for the three month period ended June 30, 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 of the Company 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.

## 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:

| | | June 30, 2021 | | December 31, 2020 *(Restated, Measurement Period Adjustment - see Note 6)* |
|---|---|---|---|---|
| Cemetery and funeral merchandise, lots, crypts, and niches | $ | 101,396,014 | $ | 97,296,991 |
| Cemetery and funeral services | | 85,453,812 | | 78,919,806 |
| Total | $ | 186,849,826 | $ | 176,216,797 |

## 20. DIVIDENDS

The Company declares and pays cash dividends on a monthly basis to shareholders. The total amount of dividends declared by the Company for the six month period ended June 30, 2021 and 2020 were $6,765,074 or $0.228 per share and $6,714,904 or $0.228 per share, respectively. The total amount of dividends declared by the Company for the three month period ended June 30, 2021 and 2020 were $3,380,516 or $0.114 per share and $3,361,342 or $0.114 per share per share, respectively. The monthly dividend was $0.038 per share in all periods.

## 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.

*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 | 84,377 | | 2,105,158 |
| Equity incentive plan (Note 22) | 125,305 | | 1,407,322 |
| Balance December 31, 2020 | 29,564,526 | $ | 505,560,310 |
| Shares issued pursuant to: | | | |
| Dividend reinvestment plan | 42,565 | | 1,319,367 |
| Equity incentive plan (Note 22) | 102,563 | | 2,296,340 |
| Balance June 30, 2021 | 29,709,654 | $ | 509,176,017 |

## 21. SHARE CAPITAL - continued

*Dividend reinvestment plan*

On October 13, 2015, the Company announced the implementation of a dividend reinvestment plan ("DRIP"). The DRIP allows eligible shareholders of PLC to reinvest their cash dividends into additional common shares of PLC, which will be issued from treasury or purchased on the open market on the applicable dividend payment date. If common shares are issued from treasury, the price at which such common shares are issued will be the volume weighted trading price of the Company's common shares over the five business days immediately preceding such dividend payment date less a discount, if any, of up to 5%, at the Company's election. The Company has determined to set the initial discount for purchases under the DRIP at 3%. The Company may, subject to the terms of the DRIP, alter or eliminate any discount at any time. For the six month period ended June 30, 2021, 42,565 common shares were issued under the DRIP (for the year ended December 31, 2020 – 84,377).

## 22. 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 of the Company 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 deferred share units ("DSUs"), restricted share units ("RSUs"), performance share units ("PSUs"), and options to acquire common shares ("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.

The Board plans to credit all DSUs, RSUs and PSUs with dividend equivalents in the form of additional DSUs and RSUs, 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

## 22. EQUITY INCENTIVE PLAN - continued

*Deferred share units - continued*

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 volume weighted average trading price (the "Market Price"), but their value is tied to the then trading price of PLC's common shares. Upon settlement (typically on termination of service), holders will receive, in respect of each vested DSU, one fully paid and non-assessable common share or cash. At this time, the Board plans to settle DSUs for shares. Subject to the terms of an award agreement, DSUs will vest immediately at the date of grant. DSUs will be granted to directors every three months for services rendered. 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 shares on the date of issuance.

Under the EIP, the following DSUs were granted by the Company and are outstanding. Each dividend equivalent represents one common share.

| | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Outstanding, beginning of the period | 38,068 | 36,860 |
| Awarded | 10,838 | 10,514 |
| Redemptions | (5,013) | (9,982) |
| Dividend equivalents | 215 | 676 |
| Outstanding, end of the period | 44,108 | 38,068 |

*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.

## 22. EQUITY INCENTIVE PLAN – continued

*Restricted share units – continued*

Under the EIP, the following RSUs were granted by the Company and are outstanding. Each dividend equivalent represents one common share. As at June 30, 2021, 125,590 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 shares on the date of issuance. The weighted average issuance price for the six month period ended June 30, 2021 was $34.64 (for the twelve month period ended December 31, 2020 - $28.42).

| | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Outstanding, beginning of the period | 260,840 | 246,200 |
| Awarded | 43,285 | 115,888 |
| Forfeited | (3,376) | (6,148) |
| Redemptions | (99,844) | (99,641) |
| Dividend equivalents | 1,222 | 4,541 |
| Outstanding, end of the period | 202,127 | 260,840 |

*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 PSUs listed below will cliff vest on March 31, 2022. 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 shares on the date of issuance multiplied by the bonus score.

Under 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.

## 22. EQUITY INCENTIVE PLAN – continued

*Performance Share Units - continued*

| | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Outstanding, beginning of the period | 24,537 | 61,266 |
| Awarded | 86,632 | - |
| Forfeited | - | (21,674) |
| Redemptions | - | (15,684) |
| Dividend equivalents | 228 | 629 |
| Outstanding, end of the period | 111,397 | 24,537 |

*Options*

On May 21, 2020, 390,000 options were granted. The trading price of the Company's 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.

*Performance Options*

On October 5, 2020, 80,000 options were granted. The trading price of the Company's shares at the time of the grant was $27.94. 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 0.26%, 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 options were discounted using a Finnerty model, which assumed an estimated term of 7 years and a risk-free rate of 0.26%. The options were then adjusted for non-vesting performance conditions with a weighted average expectancy of 38%.

| Grant Date | Expiry Date | Exercise Price | 01-Jan-20 | Granted | Exercised | Expired | Forfeited | 31-Mar-21 | 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 | - | - | - | 390,000 | - | 390,000 |
| October 5, 2020 | October 30, 2024 | $ 27.70 | - | 80,000 | - | - | - | 80,000 | - | 80,000 |
| | | | 1,378,000 | 470,000 | - | - | (378,000) | 1,470,000 | - | 1,470,000 |
| | Weighted Average Exercise Price | | $ 26.11 | $ 22.12 | $ - | $ - | $ 25.43 | $ 25.01 | $ - | $ 25.01 |

The compensation expense in respect of EIP amounted to $2,289,304 and $2,602,778 for the six month period ended June 30, 2021 and 2020, respectively, and $1,333,883 and $1,195,402 for the three month period ended June 30, 2021 and 2020, respectively. Included in the compensation expense is $30,106 and $141,591 for the six month period ended June 30, 2021 and 2020, respectively, of legal and administrative fees related to the issuance of EIP and $28,170 and $36,866 for the three month period ended June 30, 2021 and 2020, respectively. The counterpart has been reflected in contributed surplus. Management plans to settle all DSUs, RSUs, PSUs and Options by issuing shares. When the DSUs, RSUs, PSUs and Options are settled for shares, the amounts previously credited to contributed surplus are transferred to share capital.

## 23. NET SALES

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Sales | $ 87,095,547 | $ 80,888,591 | $175,459,050 | $ 150,397,340 |
| Contributions to care and maintenance trust funds | (3,429,852) | (3,165,836) | (6,520,752) | (5,890,873) |
| Net sales | $ 83,665,695 | $ 77,722,755 | $168,938,298 | $ 144,506,467 |

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 unaudited condensed interim 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 unaudited condensed interim 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 as to better reflect the economics of sale transactions, to provide comparability among peers and to provide transparency on the impact of the accounting for contributions to care and maintenance trust funds.

## 24. FINANCE COSTS

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Finance costs: | | | | |
| Interest on revolving loan facility (Note 15) | $ 916,248 | $ 1,783,668 | $ 1,674,496 | $ 3,874,063 |
| Interest on senior unsecured debentures (Note 18) | 1,256,798 | - | 2,479,657 | - |
| Interest on mortgages and other debt (Note 15) | 151,571 | 143,715 | 285,043 | 293,250 |
| Interest on lease liabilities (Note 17) | 70,871 | 70,004 | 162,576 | 150,117 |
| Amortization of deferred financing costs (Note 15) | 153,982 | 154,993 | 383,891 | 240,548 |
| Accretion expense on senior unsecured debentures (Note 18) | 183,581 | - | 362,092 | - |
| Interest capitalized to construction | (67,529) | (18,553) | (95,830) | (34,366) |
| Unrealized foreign exchange on finance costs | (63,952) | - | (107,767) | - |
| Total | $ 2,601,570 | $ 2,133,827 | $ 5,144,158 | $ 4,523,612 |

## 25. OTHER INCOME (EXPENSES)

| | Three Months Ended June 30, 2021 | Three Months Ended June 30, 2020 | Six Months Ended June 30, 2021 | Six Months Ended June 30, 2020 |
|---|---|---|---|---|
| Special Committee (i) | $ - | $ (241,700) | $ - | $ (1,147,422) |
| Restructuring costs (ii) | - | (566,448) | - | (952,593) |
| Agreement (iii) | - | - | - | (1,720,734) |
| Legal costs (iv) | (13,381) | - | (55,221) | - |
| CEWS (v) | - | 1,028,872 | - | 1,028,872 |
| Loss on sale of non-strategic business (vi) | (847,462) | - | (847,462) | - |
| Gain (Loss) on sale of property and equipment (Note 8) | 29,150 | (77,140) | 17,805 | (44,216) |
| | $ (831,693) | $ 143,584 | $ (884,878) | $ (2,836,093) |

(i) Special Committee costs were $nil and $241,700 for the three month period ended June 30, 2021 and 2020 and $nil and $1,147,422 for the six month period ended June 30, 2021 and 2020, respectively, 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 $nil and $566,448 for the three month period ended June 30, 2021 and 2020 and $nil and $952,593 for the six month period ended June 30, 2021 and 2020, respectively.

(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 $13,381 and $nil for the three month period ended June 30, 2021 and 2020 and $55,221 and $nil for the six month period ended June 30, 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.

## 25. OTHER INCOME (EXPENSES) - continued

(v) In the second quarter of 2020, the Company received $1,028,872 of 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 renumeration, subject to certain criteria including demonstration of revenue declines as a result of COVID-19.

(vi) 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 bears interest at a rate of 5% per annum and matures on December 18, 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.

## 26. 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 25).

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 has 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 performance share units and 4,878 restricted share units on December 31, 2020.

## 26. RELATED PARTY TRANSACTIONS AND BALANCES – continued

*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:

| | Three Months Ended June 30, 2021 | Three Months Ended June 30, 2020 | Six Months Ended June 30, 2021 | Six Months Ended June 30, 2020 |
|---|---|---|---|---|
| Directors' fees and management compensation | $ 1,771,507 | $ 1,789,285 | $ 3,538,281 | $ 3,030,587 |

| | Three Months Ended June 30, 2021 | Three Months Ended June 30, 2020 | Six Months Ended June 30, 2021 | Six Months Ended June 30, 2020 |
|---|---|---|---|---|
| Agreement (Note 25 iii) | $ - | $ - | $ - | $ 1,720,734 |

Directors' fees and management compensation included in share-based incentive were $1,229,587 and $1,063,669 for the six month period ended June 30, 2021 and 2020 respectively, and $827,246 and $505,100 for the three month period ended June 30, 2021 and 2020 respectively. At June 30, 2021, included in accounts payable and accrued liabilities are directors' fees and management compensation of $950,208 (at December 31, 2020 - $1,525,650).

## 27. 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 June 30, 2021, the fair value of the secured debt investment in Humphrey's (see Note 14) is valued under Level 3.

As at June 30, 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.

## 27. 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 June 30, 2021

| | Cost | Level 1 Quoted market price | Level 2 Valuation technique - observable market inputs | Level 3 Valuation technique - non-observable market inputs | Amortized cost | Total fair value |
|---|---|---|---|---|---|---|
| **Cash and cash equivalents** | $ 11,887,847 | $ 11,897,458 | $ - | $ - | $ - | $ 11,897,458 |
| **Fixed Income** | | | | | | |
| *Canadian* | | | | | | |
| Corporate | 10,508,291 | 4,983,464 | - | - | 5,000,000 | 9,983,464 |
| Government | 174,665 | 228,467 | - | - | - | 228,467 |
| *US* | | | | | | |
| Corporate | 3,967,785 | 3,849,619 | - | - | 83,202 | 3,932,821 |
| Government | - | - | - | - | - | - |
| **Equities** | | | | | | |
| *Canadian* | 48,171,660 | 63,657,977 | - | - | - | 63,657,977 |
| *US* | 18,619,020 | 18,521,460 | - | - | - | 18,521,460 |
| *Canadian Preferred* | 2,813,132 | 3,370,336 | - | - | - | 3,370,336 |
| *US Preferred* | 3,735,606 | 3,729,036 | - | - | - | 3,729,036 |
| **Mutual Funds/ETFs** | | | | | | |
| Equity | 36,818,154 | 38,234,701 | - | - | - | 38,234,701 |
| Fixed Income | 56,755,455 | 57,196,128 | - | - | - | 57,196,128 |
| Preferred | 29,148,688 | 29,510,708 | - | - | - | 29,510,708 |
| **Alternative** | 23,393,295 | - | - | 27,606,280 | - | 27,606,280 |
| | $ 245,993,598 | $ 235,179,354 | $ - | $ 27,606,280 | $ 5,083,202 | $ 267,868,836 |

Care and maintenance trust fund investments at December 31, 2020

| | Cost | Level 1 Quoted market price | Level 2 Valuation technique - observable market inputs | Level 3 Valuation technique - non-observable market inputs | Amortized cost | Total fair value |
|---|---|---|---|---|---|---|
| **Cash and cash equivalents** | $ 9,015,429 | $ 9,015,412 | $ - | $ - | $ - | $ 9,015,412 |
| **Fixed Income** | | | | | | |
| *Canadian* | | | | | | |
| Corporate | 10,508,290 | 4,781,608 | - | - | 8,646,530 | 13,428,138 |
| Government | 174,665 | 239,812 | - | - | - | 239,812 |
| *US* | | | | | | |
| Corporate | 67,263,236 | 65,423,372 | - | - | - | 65,423,372 |
| Government | - | - | - | - | - | - |
| **Equities** | | | | | | |
| *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* | - | - | - | - | - | - |
| **Mutual Funds/ETFs** | | | | | | |
| 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** | 18,403,284 | - | - | 21,681,390 | - | 21,681,390 |
| | $ 228,077,612 | $ 215,673,561 | $ - | $ 21,681,390 | $ 8,646,530 | $ 246,001,481 |

## 27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT – continued

*Fair value of financial instruments – continued*

Pre-need merchandise and service trust fund investments at June 30, 2021

| | Cost | Level 1 Quoted market price | Level 2 Valuation technique - observable market inputs | Level 3 Valuation technique - non-observable market inputs | Amortized cost | Total fair value |
|---|---|---|---|---|---|---|
| **Cash and cash equivalents** | $ 18,729,946 | $ 18,730,410 | $ - | $ - | $ - | $ 18,730,410 |
| **GIC's** | 29,602,846 | 29,602,846 | - | - | - | 29,602,846 |
| **Fixed Income** | | | | | | |
| *Canadian* | | | | | | |
| Corporate | 54,451 | 53,254 | - | - | - | 53,254 |
| Government | 23,352 | 23,320 | - | - | - | 23,320 |
| *US* | | | | | | |
| Corporate | 10,441,136 | 10,455,032 | - | - | - | 10,455,032 |
| Government | - | - | - | - | - | - |
| **Equities** | | | | | | |
| *Canadian* | 163,290 | 231,004 | - | - | - | 231,004 |
| *US* | 12,944,924 | 13,720,968 | - | - | - | 13,720,968 |
| *Canadian Preferred* | - | - | - | - | - | - |
| *US Preferred* | 3,054,563 | 3,065,612 | - | - | - | 3,065,612 |
| **Mutual Funds/ETFs** | | | | | | |
| Equity | 117,421,066 | 123,155,059 | - | - | - | 123,155,059 |
| Fixed Income | 64,580,861 | 64,905,879 | - | - | - | 64,905,879 |
| Preferred | - | - | - | - | - | - |
| **Alternative** | 35,156,498 | - | - | 34,536,773 | - | 34,536,773 |
| | $ 292,172,933 | $ 263,943,384 | $ - | $ 34,536,773 | $ - | $ 298,480,157 |

Pre-need merchandise and service trust fund investments at December 31, 2020

| | Cost | Level 1 Quoted market price | Level 2 Valuation technique - observable market inputs | Level 3 Valuation technique - non-observable market inputs | Amortized cost | Total fair value |
|---|---|---|---|---|---|---|
| **Cash and cash equivalents** | $ 8,852,595 | $ 8,852,595 | $ - | $ - | $ - | $ 8,852,595 |
| **GIC's** | 29,859,660 | 29,859,660 | - | - | - | 29,859,660 |
| **Fixed Income** | | | | | | |
| *Canadian* | | | | | | |
| Corporate | 604,138 | 595,082 | - | - | - | 595,082 |
| Government | 23,352 | 23,674 | - | - | - | 23,674 |
| *US* | | | | | | |
| Corporate | 55,017,818 | 66,746,827 | - | - | - | 66,746,827 |
| Government | - | - | - | - | - | - |
| **Equities** | | | | | | |
| *Canadian* | 1,511,813 | 1,433,234 | - | - | - | 1,433,234 |
| *US* | 27,716,829 | 32,111,836 | - | - | - | 32,111,836 |
| *Canadian Preferred* | - | - | - | - | - | - |
| *US Preferred* | 6,195,069 | 6,345,448 | - | - | - | 6,345,448 |
| **Mutual Funds/ETFs** | | | | | | |
| Equity | 52,856,057 | 57,019,589 | - | - | 775,379 | 57,794,968 |
| Fixed Income | 48,984,101 | 49,900,253 | - | - | - | 49,900,253 |
| Preferred | - | - | - | - | - | - |
| **Alternative** | 32,529,371 | - | - | 39,385,007 | - | 39,385,007 |
| | $ 264,150,803 | $ 252,888,198 | $ - | $ 39,385,007 | $ 775,379 | $ 293,048,584 |

## 27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT – continued

*Fair value of financial instruments – continued*

Market Risk

Pre-need merchandise and service trust funds

The principal objective of the pre-need cemetery and funeral trusts are to preserve the original principal balance invested in the trust and to achieve growth in the principal over time to preserve and increase the purchasing power of the assets. Since pre-need contracts generally take several years to turn at-need, the funds deposited into the pre-need trusts are invested through several investment cycles. The 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.

Perpetual Care trust funds

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

In order to achieve current investment income and some longer-term capital growth, the cemetery perpetual care fund portfolio is weighted more heavily to 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.

## 28. 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.

*Construction*

The Company has 14 construction commitments with the remaining balance of $11,908,067, primarily for the construction of Westminster funeral visitation and reception centre in Toronto, Ontario and for funeral

## 28. COMMITMENTS AND CONTINGENCIES

*Construction - continued*

homes, mausoleums and cemetery development in the United States. To date, the Company has spent $23,986,352 on these construction commitments in progress.

## 29. 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:

| | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Canada | $ 208,981,074 | $ 206,887,380 |
| United States | 1,257,602,346 | 1,221,608,130 |
| Total | $ 1,466,583,420 | $ 1,428,495,510 |

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

## 29. SEGMENTED INFORMATION – continued

*Geographic information - continued*

| | Three Months Ended June 30, 2021 | Three Months Ended June 30, 2020 | Six Months Ended June 30, 2021 | Six Months Ended June 30, 2020 |
|---|---|---|---|---|
| Net revenue: | | | | |
| Net sales: | | | | |
| Canada | $ 9,178,072 | $ 8,722,994 | $ 18,921,375 | $ 16,948,376 |
| United States | 74,487,623 | 68,999,761 | 150,016,923 | 127,558,091 |
| Total net sales | 83,665,695 | 77,722,755 | 168,938,298 | 144,506,467 |
| Income from care and maintenance funds: | | | | |
| Canada | 1,526,842 | 825,000 | 2,629,982 | 1,850,000 |
| United States | 1,645,392 | 1,469,211 | 3,066,020 | 3,195,931 |
| Total income from care and maintenance funds | 3,172,234 | 2,294,211 | 5,696,002 | 5,045,931 |
| Interest and other income: | | | | |
| Canada | 112,781 | 213,601 | 630,222 | 683,625 |
| United States | 1,479,872 | 1,301,259 | 2,743,359 | 2,559,740 |
| Total interest and other income | 1,592,653 | 1,514,860 | 3,373,581 | 3,243,365 |
| Total net revenue: | | | | |
| Canada | 10,817,695 | 9,761,595 | 22,181,579 | 19,482,001 |
| United States | 77,612,887 | 71,770,231 | 155,826,302 | 133,313,762 |
| Total net revenue | $ 88,430,582 | $ 81,531,826 | $ 178,007,881 | $ 152,795,763 |

## 30. SUBSEQUENT EVENTS

Subsequent to the end of the second quarter of 2021, on July 18, 2021, the Company entered into a definitive agreement to purchase two on-site funeral home/cemetery properties in the greater Nashville, Tennessee market. These businesses are the premier businesses in their respective communities, and following the satisfaction of regulatory requirements, the transaction is anticipated to close at the end of August 2021.

Subsequent to the end of the second quarter of 2021, on August 9, 2021, the Company purchased one on-site funeral home/cemetery property and ten stand-alone funeral homes located in Mississippi.

The above acquisitions are expected to be financed with funds from the Company's credit facility and available cash on hand.

## 31. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the June 30, 2021 unaudited condensed interim consolidated financial statements with no effect on our previously reported results of operations, consolidated financial position, or cash flows.