2004
Annual Report

ARBOR MEMORIAL SERVICES INC.

TABLE OF CONTENTS

CORPORATE PROFILE

Arbor Memorial Services Inc. ("Arbor" or the "Company") is a Canadian market leader in providing interment rights, cremations, funerals and associated merchandise and services to customers across Canada. At October 31, 2004, Arbor owned 41 cemeteries, 27 crematoria, 2 reception centres and 87 funeral homes in communities in eight provinces of Canada. The Company's cemeteries and funeral homes have been successful in developing and providing customized products and services to many ethnic and religious groups in Canada.

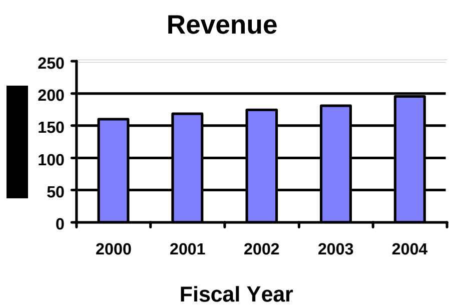
Cover:

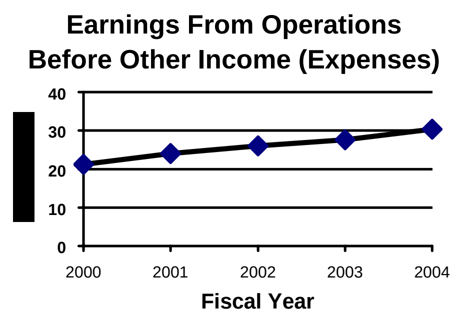
Part of a Maya royal raiment, the jade pendant on the front cover comes from a mid-7th century AD tomb at Altun Ha, Belize, excavated by a Royal Ontario Museum team in 1968.

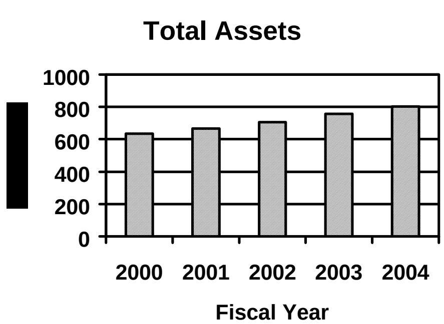
COMPANY HIGHLIGHTS

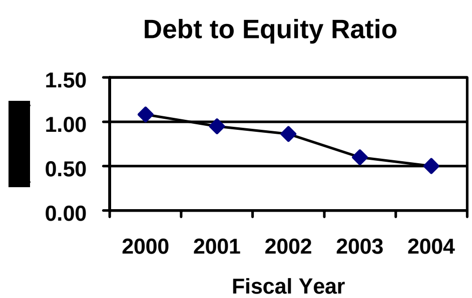
Years Ended October 31	**<u>2004</u>** **(53 Weeks)**	<u>2003</u> (52 Weeks)
RESULTS OF OPERATIONS		
Revenue ($000)	**195,371**	180,509
Earnings from operations before other income (expenses) ($000)	**30,350**	27,667
Net earnings ($000) (1)	**19,284**	25,368
Basic and diluted earnings per share – Class A Voting and Class B Non-Voting ($) (1)	**1.82**	2.39
FINANCIAL CONDITION		
Assets ($000) (2)	**802,339**	757,494
Long-term financial liabilities ($000)	**77,471**	83,164
Debt to equity ratio	**0.50:1**	0.60:1
LOCATIONS		
Cemeteries	**41**	41
Crematoria	**27**	27
Reception centres	**2**	1
Funeral homes	**87**	91

(1) Net earnings excluding unusual items for 2004 were $17.5 million or $1.65 per share (2003 - $14.0 million or $1.31 per share). Unusual items included the impact of other income (expenses) from both years.
(2) Total assets were restated to conform to current year's presentation.









REPORT TO SHAREHOLDERS

Arbor Memorial Services Inc. achieved record performance in sales and earnings in 2004, while continuing to invest for the future. Overall, it was another excellent year.

2004 Performance

- Total revenue reached a record $195.4 million, up 8% from 2003. Both the cemetery and funeral divisions contributed to the increase.

- Record investment income of $14.1 million, up 6% from 2003.

- Earnings per share, excluding unusual items increased 26% to $1.65 from $1.31 in 2003. Over the last 4 years, earnings per share excluding unusual items increased by 114%.

	2004	2003	2002	2001	2000
Earnings per share excluding unusual items	**$1.65**	$1.31	$1.21	$1.11	$0.77

- Earnings per share including unusual items were $1.82 in 2004 compared to $2.39 in 2003. Unusual items included gains/losses on asset dispositions, asset impairment provisions, net interest income from prior years' income tax reassessments, goodwill amortization and the impact future income tax changes. The decline in income from unusual items in 2004 to $0.17 from $1.08 in 2003 was due primarily to a $10.1 million after-tax gain on the sale of 97 acres of surplus land in Markham, Ontario in 2003.

- Long-term debt declined by $5.7 million or 7% in 2004. Over the last 4 years, long-term debt has declined by $21.7 million or 22%.

	2004	2003	2002	2001	2000
Long-term debt ($000)	**77,471**	83,164	96,767	97,338	99,172

- Shareholders' equity increased 14% to $156.3 million from $137.6 million in 2003. Over the last 4 years shareholders' equity has increased by 70%.

	2004	2003	2002	2001	2000
Shareholders' equity ($000)	**156,178**	137,636	113,010	102,128	92,033

- Share prices continued to increase in 2004. Over a 4-year period, the price of Class A shares increased by 156% while Class B shares advanced by 197%.

			October 31		
	2004	2003	2002	2001	2000
Market Price - Class A Voting	**$17.95**	$14.50	$12.50	$12.00	$7.00
- Class B Non-Voting	**$16.50**	$13.50	$12.50	$12.50	$5.55

Building for the Future

While we are very proud of Arbor's consistent year over year increases in revenue and earnings per share excluding unusual items, our primary focus is on strengthening our competitive position, capitalizing on the projected market growth for our services, investing for the future, and enhancing long-term shareholder value.

In 2004, the company made a number of major investments that will have a significant positive impact on future performance.

- Pre-need cemetery arrangements contracted during the year achieved a new record of $67 million, up 7% from 2003. The total undelivered pre-need cemetery contracts and associated investment income accumulated at the end of 2004 was $292.8 million, the equivalent of 3.3 years of 2004 cemetery sales. While pre-need merchandise and services sales and certain interment right sales that do not meet minimum deposit requirements are not included immediately in the Company's reported sales until delivery or installation, they do contribute to building future market share and future reported sales.

- Pre-need funeral arrangements contracted during the year achieved a new record of $44 million, up 3% from 2003. Since these contracts are not included in the Company's reported sales until the funerals are performed, they have no immediate impact. However, they do contribute to building future market share, and increasing future reported sales. The total undelivered pre-need funeral contracts and associated investment income accumulated at the end of 2004 was $297.8 million, the equivalent of 3.3 years of 2004 funeral sales.

- The company substantially completed construction of a "state of the art" computer system that will replace the existing cemetery and funeral operating systems. Implementation of the new system is expected to be complete by the end of fiscal 2005.

- An 18,000 square foot chapel and reception centre, and a 726-crypt and 700-niche mausoleum addition were opened at Glen Oaks Memorial Gardens in Oakville, Ontario.

- A 20,375 square foot funeral home was opened in Richmond, British Columbia, to replace an outdated facility.

- Construction commenced on a 23,500 square foot funeral home in Markham, Ontario. This facility will be opened in mid-2005.

- Construction also commenced on a 17,700 square foot funeral home in Cap-de-la-Madeleine, Quebec. The new structure will replace 6 separate facilities for visitation, garage space, preparation and office space. Completion is expected early in calendar 2005.

- A 910-crypt addition to the mausoleum at Rideau Memorial Gardens in Dollard-des-Ormeaux, Québec was completed.

- In September 2004, construction began on a 705-crypt addition to the mausoleum at Pleasantview Memorial Gardens in Fonthill, Ontario.

Outlook

While changing consumer preferences, cost increases especially for construction of new facilities, and a more competitive environment represent challenges, we remain confident we can maintain our current momentum over the long-term and look forward with optimism.

- Statistics Canada is projecting that our prime customer group, those aged over 65 will grow by 97% from 2001 to 2026.

- As the market leader in Canada, Arbor is in an excellent position to capitalize on this market growth.

- Arbor is the only company with a broad scale presence in both the funeral and cemetery sectors of the industry, which results in considerable synergy that is not available to other industry participants.

- Over the years, Arbor has placed major emphasis on pre-need sales for future delivery, significant investment in new facilities and other initiatives to participate in the growth of the total market and increase market share.

- Arbor is in sound financial condition, has a strong and experienced management team, and is well positioned for continued growth in revenue, earnings and shareholder returns.

I want to thank our Board of Directors for their continued wisdom and guidance and the Company's over 1500 employees across Canada for their loyalty and dedication over the years.

We also thank you, our shareholders, for your continued support.

On behalf of the Board,

RICHARD D. INNES
President and Chief Executive Officer

Management's Discussion and Analysis has been prepared for the fiscal year ended October 31, 2004 and includes material information available up to December 10, 2004. The financial data provided has been prepared in accordance with Canadian generally accepted accounting principles and all figures provided are in Canadian dollars. Management's Discussion and Analysis herewith provided is the responsibility of the Company's management. The Board of Directors is responsible for reviewing and approving Management's Discussion and Analysis. Additional information relating to Arbor Memorial Services Inc., including the Company's Annual Information Form, can be found on SEDAR at www.sedar.com.

Certain statements contained in this Annual Report, including but not limited to, information regarding the status and progress of the Company's operating and capital activities, the plans and objectives of the Company and assumptions regarding the Company's future performance and plans are forward-looking statements. The words "believe", "may", "estimate", "continues", anticipate", "intend", "expect" and similar expressions identify these forward-looking statements. These forward-looking statements are made subject to certain risks and uncertainties that could cause actual results to differ materially from those stated. Risks and uncertainties that could cause or contribute to such differences include, but are not limited to, those discussed elsewhere in this Annual Report and particularly under "Risks, Events and Uncertainties". The Company undertakes no obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

COMPANY AND CORE BUSINESSES

Arbor Memorial Services Inc. is a Canadian company incorporated in Ontario which, through wholly owned subsidiaries, is a market leader in providing interment rights, cremations, funerals and associated merchandise and services to customers across Canada. The Company owns 41 cemeteries, 27 crematoria, 2 reception centres and 87 funeral homes in communities in eight provinces of Canada.

Arbor is the successor to a business formed in 1947 to establish a national system of garden cemeteries in which memorials were set flush with the ground. In the 1980's, Arbor began to provide funeral services. The Company's cemeteries and funeral homes have developed and provided customized products and services for many ethnic and religious groups in Canada.

The Company sells all of its products and services on a "pre-need" basis or prior to death in addition to selling on an "at-need" basis. Pre-need sales allow customers to make their cemetery and/or funeral arrangements in advance, thereby avoiding additional emotional and financial stress during a time of bereavement. The Company believes that it is an industry leader in marketing pre-need cemetery and funeral arrangements, an integral part of Arbor's long-term business strategy.

Cemetery Operations

Cemetery operations offer interment rights (traditional ground burial, cremation ground burial, mausolea, columbaria and other cremation products including benches and pedestals), bronze memorials, upright monuments, vaults, urns, interment services, cremation services and other related merchandise and services. The Company offers a complete range of options for personalized memorialization and provides the highest quality products and services to its customers. In fiscal 2004, cemetery operations sales accounted for 46% of the Company's total revenues and cemetery investment and other income accounted for an additional 5% of total revenues.

The cemetery properties range in size from approximately 15 to 240 acres and are staffed by permanent maintenance, administrative and sales personnel. At October 31, 2004, the Company's developed and undeveloped cemetery land totalled approximately 2,600 acres and 39% of the total acreage was available for future development.

Of the Company's 41 cemeteries, 24 have a crematorium on site, 13 have a funeral home on site and 2 have a reception centre on site. The Company's growth in the cemetery segment is focused on development of new cemeteries and reception centres and expanding existing locations where warranted.

Funeral Operations

Funeral homes provide a range of services that includes embalming, registration of death, the use of funeral home facilities for visitation, memorial services, funeral receptions, transportation services, cremation and the sale of caskets, urns, flowers and other related merchandise. Most Arbor funeral homes have reception lounges with fully equipped kitchens and extensive seating. In fiscal 2004, funeral operations sales accounted for 46% of the Company's total revenues and funeral investment and other income accounted for an additional 2% of total revenues.

The Company's growth in the funeral segment is focused on construction of new funeral homes and expanding or replacing existing facilities where warranted.

Almost all of the Company's facilities are owned by its subsidiaries rather than being leased.

DEATH CARE INDUSTRY AND COMPETITION

CEMETERY OPERATIONS

In Canada, cemetery operations are owned by a large number of religious, ethnic and fraternal organizations, municipal governments and other "not-for-profit" organizations in addition to commercial owners. Two large multi-national firms own a small number of cemeteries in Canada; however, their presence in the cemetery business is significantly less than in the funeral business. In addition, the Company competes with monument dealers and other providers of cemetery products and services in certain of its markets. Cemeteries range in size from under one acre to over 200 acres.

Only a small number of organizations have developed large modern cemeteries and even fewer provide a full range of services due to the significant barriers to entry. Specifically, entry into the cemetery industry can be difficult due to:

- complex cemetery regulations and zoning restrictions;
- the significant capital investment required and high land values particularly in metropolitan areas;
- land for new cemetery development being difficult to locate; and
- the desire for families to return to the same cemetery for generations.

Arbor competes in the cemetery segment by presenting well-maintained premises and a wide variety of burial space selection. In addition, the Company strives to provide products and services that appeal to the different cultural backgrounds of its customers. There is active competition in every major community in which Arbor operates cemeteries. Arbor is highly competitive in every market in which it operates.

FUNERAL OPERATIONS

Although Arbor competes with two large multi-national firms that operate funeral homes in Canada, small independently owned firms, controlling one or two funeral homes, account for the largest number of funeral home operators in Canada. The Company also competes with casket retailers, discount funeral providers and other providers of funerary products and services in certain of its markets. The Company estimates that it performs approximately 8% of all funeral services provided in Canada.

Barriers to entry are high due to the significant capital investment required, increasing regulatory complexity and the importance of an established reputation in competing for market share.

Throughout most of the 1980's and 1990's, the Company and its competitors engaged in the acquisition of independently owned firms. However, this trend slowed in early 1999 when the Company and its competitors generally applied lower valuation criteria and many potential sellers withdrew their businesses from the market rather than pursuing transactions at lower prices.

Arbor competes in the funeral segment by providing unique, personalized funeral services and by offering well-maintained, attractive facilities that cater to its customers' requirements. The Company's objective is to be first or second in terms of market share in every market in which it competes. In large part, the Company has been able to achieve this objective.

INDUSTRY TRENDS

Establishment of new cemeteries: The establishment of individual cemeteries by religious, ethnic and fraternal organizations and municipal governments has declined. Many existing religious cemeteries are nearing full capacity and few religious organizations have the funds to acquire new cemetery facilities. In general, the interest of municipal governments in fulfilling the requirement for cemetery facilities has been declining.

Cremation: There has been a growing acceptance of cremation as an alternative to traditional burial in Canada and internationally. In 1995, the number of cremations represented 38% of total Canadian deaths. This percentage grew to 47% in 2002 and is expected to grow to at least 55% by 2010.

While cremation was originally seen as a less costly alternative to traditional burial, it is increasingly accompanied by traditional funeral services and memorialization. Cremation also provides the Company with an opportunity to better serve its families by offering unique products and services. Arbor has been developing cremation gardens in a number of its cemeteries. These gardens are landscaped with flowers, trees, shrubs, walkways, waterfalls and ponds and provide the Company's customers with alternatives for burial or scattering, and can be accompanied by various other memorial products such as benches, pedestals, rocks, trees and memorial walls.

Need for products and services: There is an inevitable need for the products and services the industry offers. In addition, the number of deaths in Canada is expected to increase at a steady, moderate pace. Annual population estimates by Statistics Canada indicate that Canada's population is growing by approximately 1% annually. More specifically, the number of seniors aged 65 and older is expected to grow by 97% over the 25-year period from 2001 to 2026.

ARBOR'S STRATEGY

KEY OBJECTIVES

Arbor has four key objectives:

- to generate a return to shareholders that exceeds the Company's cost of capital;
- to maintain Arbor's Canadian market leadership position in combined cemetery/funeral revenue;
- to generate consistent growth in earnings per share with a limited risk profile; and
- to achieve operational excellence.

COMPETITIVE STRENGTHS

Industry leader: Arbor is the leading provider of combined funeral and cemetery products and services in Canada and has been in business for over 55 years.

Experienced senior management team: Arbor's senior management team has been with the Company for an average of 23 years and has a wealth of knowledge and history with the Company.

Focus on high quality customer service and facilities: Arbor has been providing its customers with high quality service for many years. The Company believes that it operates one of the premier death care facilities in each of its principal markets and that it provides superior funeral and cemetery services that exceed customer expectations.

Funeral homes and reception centres located on cemetery properties: Locating funeral homes and reception centres on cemetery properties allows the Company to provide superior customer service. On-site funeral and reception operations provide families with the convenience of complete death care services at a single location and provide the Company with the ability to share certain costs and resources.

National presence in both the cemetery and funeral sectors of the death care industry: The Company's national presence in both the cemetery and funeral sectors allows for sharing of certain costs and resources and referral opportunities between sectors.

Established base of pre-arranged services: Arbor has a significant history in pre-arrangement of products and services. Pre-need planning enables families to specify their preferred cemetery and funeral products and services in advance and to pre-pay for these products and services. Arbor's focus on pre-need business is also important to the Company's results since these sales generate future revenues. As at October 31, 2004, the Company had deferred revenue to be recognized in future periods of $591 million, of which $293 million was cemetery and $298 million was funeral. Deferred revenue for both the cemetery and funeral divisions represented 3.3 years of current year's sales.

COMPETITIVE WEAKNESSES

Ontario Cemetery and Funeral Regulations: Existing cemetery and funeral regulations in Ontario do not allow the Company to place funeral homes on cemetery properties. While legislation has been passed that will ultimately allow this circumstance to occur, it may be an additional twelve to eighteen months before all of the regulations are changed in accordance with the legislation and the legislation is proclaimed.

Environmental Legislation: Over the last several years, various federal, provincial and municipal government bodies have released environmental legislation that has caused the Company to incur extra cost in order to comply with the legislation. This trend is expected to continue.

BUSINESS STRATEGIES

Customer Service: One of the Company's most important strategies is to meet or exceed customer expectations with respect to the delivery of cemetery and funeral products and services, thereby exceeding the standard set by the competition.

Products and services: The Company strives to provide the entire spectrum of cemetery, funeral and related products and services on a pre-need and an at-need basis and continues to develop new products and services to meet the unique needs of the many cultures the Company serves.

Pricing: The Company largely sets its prices in line with its premium-priced, value-added competitors, however, it also manages a few smaller operations that compete in lower-priced market segments.

Pre-need sales: The Company intends to continue to emphasize pre-need cemetery and funeral arrangements in order to better serve its customers and to generate future revenues.

Cemetery/Funeral Synergy: The Company strives to maximize the benefit of having a national presence in both the cemetery and funeral sectors of the death care industry by encouraging cross-referrals and combining cemetery and funeral operations where possible.

Properties/facilities: Another of Arbor's market strategies is to meet or exceed the major competition in terms of the quality of each cemetery and funeral home it owns and operates. One exception to this basic strategy is where a facility has been specifically designed to service the lower-priced market segment. The Company currently operates few facilities in the lower-priced market segment.

Future investments: The Company's present priorities for future investment are:

- to establish funeral homes and reception centres within its cemeteries or as stand-alone facilities in communities where there is market justification and where the operation will achieve the goal of complete service to customers;
- to acquire property to expand existing cemeteries or develop new cemeteries;
- to continue to develop new products and services that meet the unique needs of the many cultures the Company serves; and
- to establish or expand facilities to service the growing cremation market.

Asset management: Arbor's asset management strategy is to achieve a return that exceeds the Company's cost of capital both on a consolidated basis and a location-by-location basis. Individual branch operations that are achieving only marginal returns are addressed either through return improvement programs or divestiture.

SELECTED ANNUAL INFORMATION

Years Ended October 31	**2004**	2003	2002
	(53 Weeks)	(52 Weeks)	(52 Weeks)
RESULTS OF OPERATIONS			
Revenue ($000) [(1)]	**195,371**	180,509	174,676
Net earnings ($000) [(2)]	**19,284**	25,368	13,769
Cash flow from operating activities ($000) [(1) (2)]	**21,693**	22,322	10,570
Basic and fully-diluted earnings per share – Class A Voting and Class B Non-Voting ($)	**1.82**	2.39	1.30
FINANCIAL CONDITION			
Assets ($000) [(1)]	**802,339**	757,494	706,270
Long-term financial liabilities ($000)	**77,471**	83,164	96,767
Cash dividend per each Class A and Class B share ($)	**0.07**	0.07	0.07
Outstanding Class A Voting and Class B Non-Voting Shares (000)	**10,595**	10,595	10,595

(1) Revenue, assets and cash flow from operating activities for 2002 and 2003 were restated to conform to current year's presentation.

(2) Net earnings from continuing operations and net cash provided by continuing operations do not differ significantly from net earnings and cash flow from operating activities.

Revenue increased by $14.9 million or 8.2% from 2003 to 2004 and by $5.8 million or 3.3% from 2002 to 2003. In 2004, sales in the cemetery division increased by 9.0%, sales in the funeral division increased by 7.8% and investment and other income increased by 6.5%. In 2003, both funeral and cemetery sales grew by 3.0%, while investment and other income grew by 11%.

Sales in 2004 were affected by an increase in the death rate in the year, an extra week compared to 2003, administrative projects in the cemetery division that were related to merchandise and services delivered in prior periods, one-time adjustments to accruals of upright monument and bronze memorial deliveries and an increase in the average sale per funeral service. The total impact on sales of the extra week, the administrative projects and the adjustments to monument and memorial accruals in 2004 was $6.8 million. Sales in 2003 included administrative projects related to merchandise delivered in prior periods of $1.3 million.

The 11% growth in investment and other income in 2003 was largely due to higher care fund income as a result of higher funds on deposit and higher pre-need funeral fund income as a result of improved sales of pre-need funeral contracts deposited under the group annuity program. The 6.5% growth in investment income in 2004 was largely due to higher care fund income as a result of higher funds on deposit.

Net Earnings and earnings per share excluding unusual items for 2004 were $17.5 million or $1.65 per share (2003 - $14.0 million or $1.31 per share; 2002 - $12.9 million or $1.21 per share). Unusual items included the impact of other income (expenses) from all years, and the effect of future income tax changes from 2002. Following is a reconciliation of net earnings to net earnings excluding unusual items.

Years Ended October 31	**2004**	2003	2002
	(53 Weeks)	(52 Weeks)	(52 Weeks)
Net earnings	**19,284**	25,368	13,769
After-tax impact of other (income) expenses:			
Gain on disposal of assets	**(1,443)**	(10,214)	(297)
Provision for asset impairment	**390**	1,061	150
Settlement of prior years' income taxes	**(721)**	(2,251)	(2,552)
	(1,774)	(11,404)	(2,699)
Effect of future income tax changes	**-**	-	1,790
Net earnings excluding unusual items	**17,510**	13,964	12,860

Unusual items from 2002 to 2004 included the following significant items:

- The gain on disposal of assets in 2004 included $1.1 million or $0.10 earnings per share for the disposal of an equity interest in four funeral homes in Ottawa, Ontario.
- The gain on disposal of assets in 2003 included a gain on sale of land in Markham, Ontario of $10.1 million or $0.95 earnings per share.
- The provision for asset impairment in 2003 included $0.5 million or $0.05 earnings per share recognized on the implementation of the new Impairment of Long-Lived Assets accounting standard. The remainder of the provision was related to various cemetery inventory and goodwill impairments.
- The settlement of prior years' income taxes in all years was net interest income related to the settlement of prior years' income tax reassessments with respect to the tax treatment of interment rights.

Net earnings excluding unusual items grew by $3.5 million or 25.4% from 2003 to 2004 and by $1.1 million or 8.6% from 2002 to 2003. The increase in 2004 was due to sales growth in both the cemetery and funeral divisions in excess of cost increases, lower interest expense and a lower income tax rate. The increase in 2003 was largely due to higher sales and investment income in the funeral division, lower corporate costs and a lower income tax rate.

Cash flow from operating activities increased by $11.8 million or 111.3% in 2003 over 2002 due mostly to the receipt of $11.2 million from the settlement of prior years' reassessments of income taxes and an increase in net earnings. Cash flow from operating activities in 2004 decreased by $0.6 million or 2.8% over 2003 due to the receipt of $11.2 million in income taxes receivable in 2003 compared to $3.2 million in 2004. Offsetting this negative variance was an increase in earnings and lower additions to developed land, crypts and niches in 2004.

Assets increased by $44.8 million or 5.9% in 2004 over 2003 and by $51.2 million or 7.3% in 2003 over 2002. The main reason for both increases was growth in pre-need receivables as a result of growth in the underlying trust funds at a higher rate than the deliveries of amounts out of trust. In 2004, pre-need receivables increased by $39.9 million and in 2003, pre-need receivables increased by $40.0 million. Mortgages receivable also had an impact on the 2003 increase, whereby a new $13.5 million mortgage receivable was established as a result of the sale of the land in Markham, Ontario.

Financial long-term liabilities decreased by $13.6 million from 2002 to 2003 due to principal repayments on the bank term loans as a result of the sale of land in Markham, Ontario and the receipt of income taxes receivable related to prior years' reassessments. Financial long-term liabilities decreased by $5.7 million from 2003 to 2004 due to a principal repayment on the bank term loans as a result of the sale of an equity interest in four funeral homes for cash consideration of $6.2 million.

CHANGES IN ACCOUNTING POLICIES

NEW ACCOUNTING POLICIES 2003 AND 2004

Hedging Relationships

In the first quarter of 2004, the Company adopted new Accounting Guideline 13 "Hedging Relationships" issued by the CICA. The Guideline increased the amount of documentation and monitoring of hedging strategies required for the application of hedge accounting. The Guideline required implementation in fiscal years beginning on or after July 1, 2003 on a prospective basis.

In accordance with the Guideline, the Company:

- determined at the beginning of year and at the end of each quarter of 2004 that all of the Company's interest rate swaps were designated as cash flow hedges;
- determined that the critical terms of the swaps did not match the terms of the underlying floating rate debt; and
- used the hypothetical derivative method to perform a quantitative, retrospective assessment of the effectiveness of the swaps at the beginning of the fiscal year and at the end of each fiscal quarter.

The retrospective assessment involved regression analysis of historical interest rates for the floating rate portion of the swaps and historical interest rates for the underlying debt. The result of each quarter's analysis was that the fair value of the cash flows from the interest rates of the swaps was highly effective at offsetting the variability in cash flows from the interest rates of the underlying debt. Therefore, hedge accounting was used to record the swaps and related activity for the year and there was no impact on the Company's financial statements.

Impairment of Long-Lived Assets

In 2003, the Company early-adopted the new accounting standard issued by the Canadian Institute of Chartered Accountants entitled "Impairment of Long-Lived Assets", which established new requirements for the recognition, measurement and disclosure of the impairment of long-lived assets. Under the standard, long-lived assets, which have been assessed as having carrying values that are not recoverable, are written down to estimated fair value. In determining the amount of an impairment loss, long-lived assets are grouped with other assets and liabilities at the lowest level for which cash flows can be identified.

As a result of the implementation of this new standard, the Company recognized an impairment loss in 2003 of $0.8 million. The impairment loss was related to one cemetery operation and a portion of cemetery land held for future development at another cemetery. The loss in value of the cemetery operation was calculated using a discounted cash flow methodology and resulted from the continuing underperformance of the operation. An analysis of the cash flows of the cemetery land held for future development revealed that fair market value of the land was below carrying value. Of the $0.8 million impairment, $0.4 million was in fixed assets, and $0.4 million was in cemetery land held for future development.

In 2004, the Company recognized impairment of the fixed assets of one funeral operation in the amount of $0.3 million before income taxes. The loss in value of the funeral operation was calculated by comparing the estimated market value assessment to the net book value and resulted from continuing underperformance of the operation. This operation was classified as a discontinued operation at October 31, 2004.

FUTURE ACCOUNTING POLICY CHANGES

Variable Interest Entities

In September 2004, the Canadian Accounting Standards Board ("AcSB") re-issued Accounting Guideline 15 "Consolidation of Variable Interest Entities" (AcG-15). This Guideline requires prospective implementation for annual and interim periods beginning on or after November 1, 2004. The Company intends to implement the Guideline in its first fiscal quarter in 2005 on a prospective basis.

The Guideline outlines consolidation principles for certain entities that are subject to control on a basis other than ownership of voting interests. The Company has determined that its cemetery and funeral pre-need trust funds and its cemetery care trust funds are variable interest entities and that the Company is the primary beneficiary. As a result, the Company expects to consolidate these funds in its financial statements. However, since the Company's customers are the legal beneficiaries of the pre-need trust funds and the Company does not have a legal right to access the care funds, the Company will recognize non-controlling interests in its financial statements to reflect third party interests in these trust funds. Currently, cemetery and funeral pre-need trust funds are included under "pre-need receivables" on the balance sheet and cemetery care trust funds are excluded from the balance sheet and disclosed in a note to the financial statements. The Company is still in the process of investigating whether or not the funds invested under the funeral group annuity programs should be consolidated on its balance sheet.

Another change required as a result of AcG-15 is that the company will recognize realized earnings of its cemetery and funeral pre-need trust funds and its cemetery care trust funds in Investment and Other Income in the income statement. The Company will also recognize two corresponding expenses within Investment and Other Income equal to the realized earnings of these trust funds attributable to the non-controlling interest holders and the realized earnings of the trust funds attributable to the company when such earnings have not been earned by the Company through the performance of services or delivery of merchandise.

In the case of cemetery and funeral pre-need trust funds, the Company will also continue to recognize as sales, amounts removed from trust upon the performance of services and delivery of merchandise including realized earnings accumulated in these trust funds. In the case of cemetery care trust funds, the Company will continue to recognize investment earnings in cemetery revenues when such earnings are realized and distributable and are intended to defray cemetery maintenance costs.

The accounting changes associated with this Guideline principally affect classifications within the financial statements and do not affect cash flow or the manner in which the Company recognizes and reports revenue or net income. The Guideline also does not change the legal relationships among the trust funds, the Company and its customers.

Financial Instruments

In 2003, the AcSB issued three exposure drafts concerning financial instruments: Financial Instruments – Recognition and Measurement (Section 3855); Hedges (Section 3865); and Comprehensive Income (Section 1530). In 2004, the AcSB issued re-exposure drafts of Sections 3855 and 3865 and delayed the implementation date for all three standards by one year. According to the re-exposure drafts, the sections will now apply for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2005. Implementation is required on a prospective basis.

Under these standards, the Company will be required to measure its interest rate swaps at fair value with gains and losses recognized in a new account entitled "Other Comprehensive Income". The Company expects to implement these standards in the first quarter of fiscal 2006.

Another change under these standards is that the Company will be required to measure its cemetery and funeral pre-need trust funds and cemetery care trust funds at fair value and present them on this basis in its financial statements.

RESULTS OF OPERATIONS FOR THE YEARS ENDED OCTOBER 31, 2004 AND OCTOBER 31, 2003

TOTAL COMPANY RESULTS

The Company operates on a weekly basis and the financial year of the Company ends on the Sunday that falls on or immediately preceding October 31st. The 2004 fiscal year of the Company was composed of a 53-week period compared to a 52-week period in 2003. In comparisons of 2004 to 2003, for those items affected, the extra week generally contributes 1.9 percentage points to any increase. Significant items that are affected include sales, cost of sales, commissions and employee costs.

The data set forth should be read in conjunction with the Company's consolidated financial statements and accompanying notes to the consolidated financial statements included in the Annual Report. The historical information provided is not necessarily indicative of the results to be expected in the future.

Revenue for the year ended October 31, 2004 was $195.4 million. This represented a $14.9 million or 8.2% increase over 2003. Sales accounted for $14.0 million of the increase, while investment and other income accounted for $0.9 million. Following is a breakdown of total revenue for 2004 and 2003.

	2004		2003	
	$Millions	**% of Total**	$Millions	% of Total
Sales				
Cemetery	**90.1**	**46.1**	82.6	45.8
Funeral	**90.6**	**46.4**	84.0	46.5
Corporate	**0.6**	**0.3**	0.6	0.3
	181.3	**92.8**	167.2	92.6
Investment and other income	**14.1**	**7.2**	13.3	7.4
	195.4	**100.0**	180.5	100.0

Sales in the cemetery division increased by 9.0%, while sales in the funeral division increased by 7.8%. An increase in the death rate and an extra week in 2004 had an impact on sales of both divisions. Statistics Canada has reported that the number of deaths for the twelve months ended June 30, 2004 increased by 3.7% over the prior year. The extra week contributed approximately $3.4 million in total sales in both divisions. In addition, administrative projects and one-time accrual adjustments had an impact on cemetery sales, while an increase in the average sale per funeral service had an impact on funeral sales.

Investment and other income increased by $0.9 million or 6.5% to $14.1 million in 2004. The largest contributor to the increase was care fund income as follows.

	2004 Increase ($Millions)
Care fund income	0.5
Pre-need funeral fund income	0.2
Other income	0.2
Pre-need cemetery fund income	-
	0.9

The increase in care fund income was due to a higher average balance of care funds on deposit in 2004 of $8.5 million.

Operating expenses increased by $11.4 million or 8.1% in 2004 over 2003. Cemetery division expenses increased by $6.7 million or 8.7% due mainly to an increase in cost of sales and selling expenses, while funeral division expenses increased by $4.7 million or 7.4% due mainly to an increase in cost of sales and services expenses. The extra week in 2004 also had an impact on expense growth in 2004, most notably on cost of sales, commissions and employee costs.

General and administrative expenses increased by $0.8 million or 6.3% to $13.1 million, largely due to higher employee costs and one-time refunds of legal fees and Québec capital taxes in 2003. As a percentage of revenue, general and administrative expenses decreased to 6.7% from 6.8% in 2003.

Earnings from operations before other income (expenses) were $30.4 million, which represented an increase of $2.7 million or 9.7% over 2003. The increase was mostly attributable to sales increases in excess of cost increases in both the cemetery and funeral divisions.

Other income (expenses) in 2004 and 2003 included a net gain on the disposal of assets, a provision for impairment of assets and net interest income on the settlement of prior years' income tax reassessments. Overall, this balance decreased by $14.6 million over 2003. The main reason for the decrease was the $15.9 million gain on the sale of approximately 97 acres of surplus land in Markham, Ontario in 2003. Net interest income on the settlement of prior years' income taxes and provisions for impairment of assets were also lower in 2004 by $1.7 million and $1.3 million respectively.

The land in Markham was sold in 2003 for $20.0 million including cash proceeds of $6.5 million and vendor financing of $13.5 million. The net gain on sale of land after income taxes and selling expenses was $10.1 million. Included in the $1.8 million gain on disposal of assets in 2004 was a gain on the sale of an equity investment in four funeral homes of $1.3 million. The equity investment was sold for $6.2 million in cash proceeds and the after-tax gain was $1.1 million. Also included in the 2004 gain on disposal of assets was $0.3 million in gains on the sale of two parcels of excess cemetery land in the fourth quarter.

The net interest income of $2.4 million recorded in connection with the settlement of prior years' reassessments of income taxes in 2003 was related to reserves claimed on the sale of interment rights for fiscal years 1987 to 2000 and was in addition to the $4.7 million recorded in 2002. The additional income was mainly due to credit interest on funds placed on deposit in excess of what was required pursuant to the settlement as well as a delay in the receipt of refunds from the federal and provincial taxation authorities. In 2004, Canada Revenue Agency ("CRA") completed the calculation of offsetting non-deductible interest expense against taxable refund interest effective January 1, 2000 and the financial impact was a credit of $0.8 million, as compared to the estimate of $0.2 million and the Company therefore recognized an additional $0.6 million in the year. In addition, the Company recorded $0.1 million as a result of various other adjustments for a total of $0.7 in net interest income recognized in the year.

The provision for asset impairment in 2003 of $1.6 million included $0.8 million due to the early adoption of the "Impairment of Long-Lived Assets" accounting standard. This provision was related to the operations of one cemetery and a portion of cemetery land held for future development at another cemetery. The loss in value of the cemetery resulted from the continuing underperformance of the operation and an analysis of the cash flows of the cemetery land held for future development revealed that the fair market value of the land was below carrying value. The provision for asset impairment also included $0.4 million related to the carrying value of goodwill of three funeral home operations and $0.4 million related to the carrying value of cemetery crypt and niche inventory. In 2004, the Company recognized impairment of the goodwill of two funeral homes of $0.3 million and cemetery crypts and niches of $0.1 million. The loss in value of goodwill of the two funeral homes resulted from the continued underperformance of the operations and increased competition in the funeral homes' marketplace.

Interest expense, which included interest rate swap costs, decreased by $0.7 million or 15.2% to $4.1 million in 2004 due to a lower average long-term debt balance outstanding, lower floating interest rates in the year and despite a higher ratio of fixed to floating rate debt throughout the year. With respect to swap costs, since actual floating interest rates before bank margins averaged 3% during the year, the swaps caused the Company's interest expense to be higher in 2004 by $1.6 million (2003 - $1.1 million) than would otherwise have been the case if the Company had maintained all floating-rate debt. The weighted-average rate of interest on long-term debt for the year was 5.2% compared to 5.3% in 2003 and excluding swap costs, the average rate was 3.2% (2003 – 4.1%). The proportion of fixed rate debt at the end of 2004 was 72% compared to 55% at the end of 2003.

Income taxes for 2004 resulted in an effective tax rate of 31.6%, compared to 35.8% in 2003. The 4.2 percentage point reduction in the effective tax rate was largely due to a 3.2 percentage point decrease in the combined federal and provincial statutory tax rate due largely to a lower federal rate and a corporate reorganization at the end of the first quarter of 2004. The recovery of a 2003 over-provision of the large corporations tax and the non-taxable portion of the sale of an equity interest in four funeral homes also had an impact on the reduction in the rate.

Net earnings and earnings per share on a comparative basis, excluding unusual items from both years, were $17.5 million and $1.65 per share in 2004 compared to $14.0 million and $1.31 per share in 2003. Unusual items included other income (expenses) in both years. The $3.5 million increase in net earnings was due to an improvement in earnings from operations in both the funeral and cemetery divisions, a reduction in interest expense and a decrease in the income tax rate.

Subsequent event: Subsequent to October 31, 2004, the company completed the acquisition of the land and building of an existing funeral operation in Toronto, Ontario for $0.7 million. The amount of depreciation on these assets will not be significantly different from the amount previously expended on the operating lease. The Company also anticipates that there will be no significant impact on its financial condition as a result of this transaction.

CEMETERY DIVISION

Cemetery sales in 2004 increased by $7.4 million or 9.0% over 2003 to $90.1 million. Sales in the year, net of cancellation allowances where applicable, consisted of:

- $30.9 million (2003 - $29.7 million) of pre-need sales of interment rights;
- $25.6 million (2003 - $22.6 million) of pre-need sales of merchandise and services at the point when merchandise was delivered or services were performed, including income earned on pre-need trust funds;
- $33.5 million (2003 - $30.3 million) of at-need sales of interment rights and deliveries of at-need merchandise and services.

Following is a breakdown of the $7.4 million increase in total cemetery sales (in $millions):

Pre-Need	
Interment rights	1.2
Merchandise	2.7
Services	0.3
	4.2
At-Need	
Interment rights	1.0
Merchandise	1.0
Services	1.2
	3.2
	7.4

The increase in the sale pre-need interment rights of $1.2 million was mostly due to an increase in the sale of traditional burial lots and 69% of the increase occurred in the fourth quarter. The extra week in 2004 contributed approximately $0.6 million to pre-need interment right sales.

The increase in the delivery of pre-need merchandise of $2.7 million was affected by administrative projects that the Company continues to undertake in order to improve delivery and installation dates on the system. In 2004, pre-need merchandise deliveries included $1.6 million of sales recognized as a result of administrative projects that were related to merchandise delivered in prior years and one-time adjustments to accruals of upright monument and bronze memorial deliveries. Sales in 2003 included $0.4 of similar administrative project amounts. The extra week in 2004 contributed approximately $0.4 million to pre-need merchandise sales.

Management believes that an overall increase in the death rate across Canada in 2004 was partially responsible for the $3.2 million increase in at-need sales in the year. In addition, $1.4 million of the increase in at-need merchandise and services sales was due to administrative projects undertaken in the year to update delivery and installation dates on the system and thereby recognize these sales in revenue. This compared to $0.9 million recognized in 2003. Finally, the extra week in 2004 added approximately $0.6 million to at-need sales.

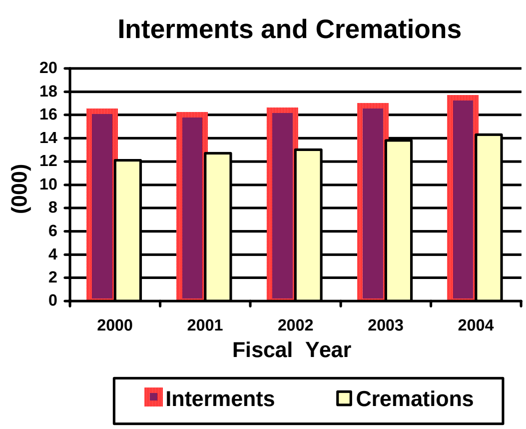
In total, cemetery sales in 2004 increased by $3.6 million or 4.5% excluding the impact of administrative projects and accrual adjustments from both years and the extra week from 2004.

The following table provides a percentage breakdown of total cemetery sales.

	2004	2003
	%	%
Interment rights		
Traditional burial lots	**19**	19
Crypts and niches	**25**	26
	44	45
Merchandise		
Memorials, bases and monuments	**33**	33
Vaults and liners	**4**	4
Urns	**3**	3
Other	**2**	3
	42	43
Services	**14**	12
Total	**100**	100

Total pre-need cemetery sales contracts written in the year were $66.6 million, compared to $62.5 million in 2003. This represented an increase of $4.1 million or 6.6%. While pre-need merchandise and services sales and certain interment right sales that do not meet minimum deposit requirements are not included immediately in the Company's reported sales until delivery or installation, they do contribute to building future market share and future reported sales.

In 2004, the number of interments performed by the Company increased by 4.4% to 17,503 and the number of cremations increased by 3.7% to 14,303. This compared to increases of 2.4% and 6.3% respectively in 2003 and was contrary to the trend in interment and cremation growth over the prior three years. Over the prior three years (2001 to 2003), interments on average increased by only 1.0%, while cremations increased on average by 4.7%. The Company does anticipate that the trend toward cremation will continue and has focused on enhancing cremation memorialization by offering additional products and services.



Accumulated deferred pre-need cemetery revenue at October 31, 2004 was $292.8 million, which represented a $12.1 million or 4.3% increase over 2003. The accumulation of deferred revenue to be recognized in future years equates to 3.3 years of 2004 sales (2003 – 3.4 years).

Cemetery investment income increased by $0.5 million or 6.3% over 2003 to $9.0 million in 2004. Growth in care fund income as a result of higher average funds in trust was the main reason for the increase. The average balance of care funds increased by $8.5 million or 7.1%, while the return on the funds remained consistent in both 2003 and 2004 at 5.7%. Investment income on pre-need cemetery trust funds earned or realized in the year as a result of the delivery of the underlying merchandise and services increased only marginally. However, unrealized investment income on pre-need cemetery funds increased by $0.3 million or 4.4%. The average balance of pre-need cemetery funds increased by $17.7 million or 13.5%, while the average rate of return on the funds decreased by 0.4 of a percentage point to 4.4%.

Cemetery expenses for the year increased by $6.8 million or 8.7% as follows (in millions):

Cost of sales	3.4
Selling	1.7
Care and maintenance	0.6
Administrative and other	0.9
Depreciation	0.2
	6.8

The increase in cost of sales expense of $3.4 million was largely related to the increase in sales. The cost of sales percentage was lower by 0.3 of a percentage point in 2004 compared to 2003 but was consistent with the percentage in 2002.

The increase in selling expenses was due to higher employee costs as a result of regular annual increases and the extra week in 2004, higher benefit costs, higher managerial commissions due to the increase in sales, and higher marketing expenses due partially to the opening of the Glen Oaks Memorial Chapel & Reception Centre in Oakville, Ontario. The increases in care and maintenance and administrative and other expenses were driven by higher employee costs as a result of regular annual increases and the extra week in 2004.

Earnings from cemetery operations before other income (expenses) increased by $1.2 million or 9.1% in 2004, which was the net impact of an increase of $7.4 million in sales, a $0.5 million increase in investment income and a $6.8 million increase in expenses. Administrative projects related to merchandise and services delivered in prior years and accrual adjustments contributed $1.1 million to earnings from cemetery operations before other income (expenses).

Other income (expenses) in 2004 in the cemetery division was a net gain of $0.4 million, compared to a net gain of $14.7 million in 2003. The net gain in 2004 was largely the result of the sale of two parcels of surplus land. The net gain in 2003 was the result of the sale of land in Markham, Ontario. However, the gain in 2003 was offset by a $1.2 million provision for asset impairment.

Earnings from cemetery operations for the year ended October 31, 2004 were $14.7 million. This represented a decrease of $13.1 million from 2003.

FUNERAL DIVISION

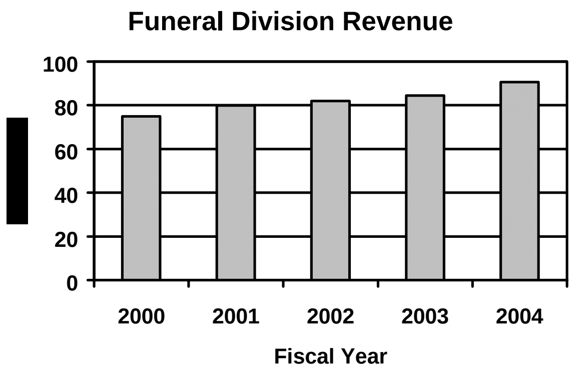
As at October 31, 2004, the Company wholly-owned 87 funeral homes. In the year, the Company disposed of its equity interest in four funeral homes. In 2003, the Company disposed of one funeral home in St. Georges, Québec and its equity interest in a second funeral home in Port Colborne, Ontario.

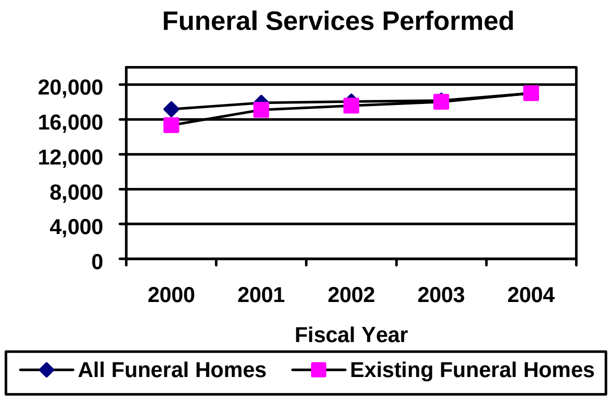
In the fourth quarter of 2004, the assets of one funeral home met the criteria for being classified as “held for sale” according to the provisions of the CICA Handbook. As a result, the 2003 and 2004 sales and expenses have been presented excluding the results of this funeral home. Revenue associated with this branch in 2004 was $0.4 million (2003 - $0.4 million) and net loss after income taxes was $0.1 million (2003 – less than $0.1 million). Loss before income taxes in 2004 included a provision for impairment of long-lived assets of $0.3 million.

Funeral sales in 2004 increased by $6.5 million or 7.8% over 2003, to $90.6 million. The improvement was attributable to a 4.7% increase in the number of funeral services performed and a 2.9% increase in the average sale per funeral service. The improvement in the number of calls was higher than normal and was partially due to an improvement in the death rate and the extra week in 2004. Statistics Canada has reported that the number of deaths for the twelve months ended June 30, 2004 had increased by 3.7% over the prior year. The extra week contributed approximately $1.7 million to funeral sales in 2004. The comparative average increase in the number of calls for 2000 to 2003 was 1.3%.

The increase in the average sale per funeral service was the result of the Company's continued efforts to provide customers with value-added merchandise and services and regular price increases. The 2.9% increase in 2004 exceeded the average increase from 2000 to 2003 of 2.1%.
Sales in the year consisted of:

- $64.1 million (2003 - $59.6 million) of at-need sales of funeral merchandise and services;
- $26.2 million (2003 - $24.2 million) from the fulfilment of merchandise and services sales that were arranged on a pre-need basis; and
- $0.3 million (2003 - $0.2 million) of flower shop sales.





The Company's focus on pre-need funeral arrangement growth caused deferred revenue, including investment income on trust and group annuity funds, to increase by $19.0 million or 6.8% over 2003, for a total of $297.8 million at October 31, 2004. The total undelivered pre-need funeral sales accumulated at the end of 2004 and 2003 translated to 3.3 years of current year sales. Pre-need contracts written in 2004 totalled $44.3 million compared to $43 .2 million in 2003, an increase of $1.1 million or 2.5%.

Investment and other income in the funeral division increased by $0.1 million or 1.9% to $4.4 million in 2004. The improvement was attributable to an increase in the fees received from the deposit of pre-need funeral funds under the group annuity program.

Funeral expenses in 2004 increased by $4.6 million or 7.4% as follows (in $millions):

Cost of sales	1.4
Services	2.2
Depreciation	0.7
Other	0.3
	4.6

Of the $1.4 million increase in cost of sales, $1.0 million was related to the increase in sales and $0.3 million was related to additional pre-need funeral commissions expensed in the year related to prior years. The cost of sales percentage increased by 0.4 of a percentage over 2003. The reason for the increase was the additional pre-need funeral commissions expensed in the year.

The majority of the increase in service expenses was due to higher employee costs as a result of regular annual increases and the extra week in 2004, higher bonus accruals based on the improved earnings for the period and the increased cost associated with servicing the higher number of calls. The increase in depreciation was due largely to accelerated depreciation related to the assets of two funeral homes. The assets that were subject to accelerated depreciation have been or will be replaced by new assets. Accelerated depreciation expensed in 2004 was $0.5 million.

Earnings from funeral operations before other income (expenses) increased by $2.0 million or 7.7%, to $27.7 million in 2004. The improvement was largely attributable to the growth in sales.

Other income (expenses) in the funeral division in 2004 of $1.1 million included $1.4 million in gains on disposal of assets and a $0.3 million goodwill impairment charge related to two funeral homes. The gains on disposal of assets included $1.3 million for the disposal of the Company's equity interest in four funeral homes. In 2003, other income (expenses) included $0.4 million in impairment charges and $0.1 million in gains on disposal of assets.

Earnings from funeral operations for the year ended October 31, 2004 increased by $3.4 million or 13.2% to $28.8 million.

CORPORATE DIVISION

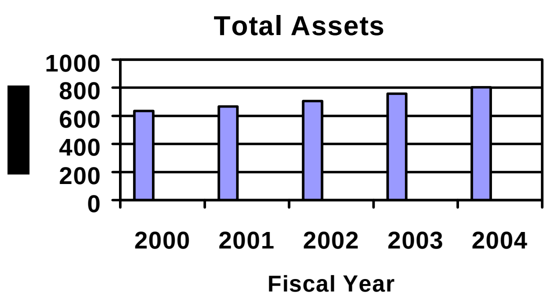
Corporate revenue, consisting of rental income from leasing a portion of the Company's head office building and interest on the Company's bank accounts, short-term investments and mortgages receivable, was $1.4 million in 2004 compared to $1.1 million in 2003. The main reason for the increase was interest income received on the mortgage receivable of $13.5 million, which was established on the sale of land in Markham, Ontario in the third quarter of 2003. The Company's head office building was 100% occupied at October 31, 2004, with the Company occupying 53% of the building.

Corporate expenses increased by $0.8 million or 6.3%, to $13.1 million in 2004, largely due to:
- higher employee costs as a result of regular annual increases and the extra week in 2004;
- higher bonuses due to the improvement in earnings before unusual items;
- the receipt of $0.2 million in 2003 from Service Corporation International due to the settlement in the Company's favour of the costs of defending itself in a prior year's lawsuit; and
- the favourable reassessment of prior and current years' capital taxes in Quebec that reduced capital taxes in 2003 by $0.2 million.

As a percentage of total Company revenue, general and administrative expenses decreased to 6.7% from 6.8% in 2003. This was largely due to the 8.2% improvement in revenue in 2004. General and administrative expenses as a percentage of revenue were 7.4% in 2002 and 7.2% in each of 2001 and 2000.

Interest expense included interest on bank floating-rate term debt, notes payable, a capital lease and the cost of the Company's interest rate swap contracts. Interest expense decreased $0.7 million or 15.2% to $4.1 million in 2004 due to a lower average long-term debt balance, lower floating interest rates in the year and despite a higher ratio of fixed to floating rate date throughout the year. With respect to swap costs, since actual floating interest rates, before bank margins averaged 3% during the year, the swaps caused the Company's interest expense to be higher in 2004 by $1.6 million (2003 - $1.1 million) than would otherwise have been the case if the Company had maintained all floating-rate debt. The weighted average rate of interest on long-term debt for the year was 5.2% compared to 5.3% in 2003 and excluding swap costs, the average rate was 3.2% (2003 – 4.1%). The proportion of fixed rate debt at the end of 2004 was 72% compared to 55% at the end of 2003.

CONSOLIDATED BALANCE SHEETS



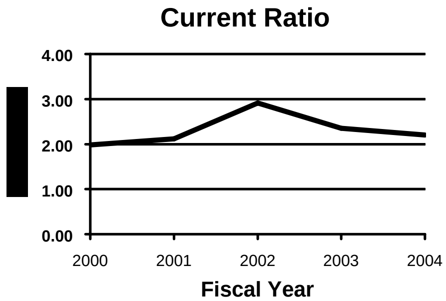
Key financial indicators for the balance sheets as at October 31, 2004 and 2003 were as follows:

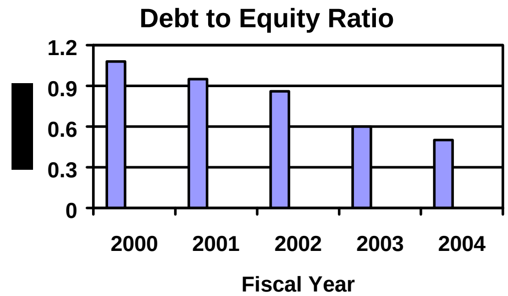
	2004	2003
Current ratio	**2.20**	2.35
Working capital (in $millions)	**41.58**	43.31
Debt to equity ratio	**0.50:1**	0.60:1 [(1)]
Long-term debt to EBITDA [(2)]	**2.00**	2.35
Interest coverage ratio [(2)]	**5.42**	4.35

(1) Restated based on current year's presentation.

(2) Bank covenant. Long-term debt to EBITDA must be less than or equal to 3.5 and interest coverage ratio must equal or exceed 3.25.

The current ratio and working capital decreased by 0.15 and $1.7 million respectively from 2003 to 2004 due largely to an increase in cash of $2.1 million, a reduction in income taxes receivable of $2.5 million and an increase in accounts payable and accrued liabilities of $2.9 million. The decreases in the debt to equity and the long-term debt to EBITDA ratios were due to the repayment of bank term debt in 2004 as a result of the sale of the Company's equity interest in four funeral homes. The increase in the interest coverage ratio was due to the improved earnings in 2004 and the reduction in interest expense.





Working capital requirements: The Company maintains significant inventory of uprights monuments, caskets and cremation urns in order to meet customers' requirements. At the end of the fiscal year, the Company had the following inventory available to meet these requirements (in $millions):

	2004	2003
Upright monuments	**2.7**	2.8
Caskets	**2.1**	2.1
Cremation urns	**1.8**	1.9

The Company offers its customers extended payment terms on pre-need contracts and for certain merchandise purchases included on at-need contracts. Company policy states that payments terms can be extended up to 48 months, however, some contract terms are extended up to 72 months where warranted.

Accounts receivable arising from at-need cemetery sales were paid on average within 47 days at October 31, 2004 (2003 – 51 days). Accounts receivable arising from at-need funeral sales were paid on average within 30 days at October 31, 2004 (2003 – 31 days).

Income taxes receivable decreased by $2.5 million from October 31, 2003 due to the receipt of amounts related to prior years' income tax reassessments with respect to reserves claimed on the sale of interment rights.

Pre-need receivables increased by $39.9 million or 8.9% to $485.8 million at the end of 2004. Following is a breakdown of the increase:

	Increase ($Millions)	%
Amounts due from cemetery trust funds	20.5	14.8
Amounts due from funeral trust funds and third-party insurers	19.4	8.1
Instalment accounts receivable	-	-
	39.9	8.9

The increases in amounts due from cemetery trust funds and funeral trust funds and third-party insurers were due largely to contributions to the funds at a higher rate than deliveries of contracts in the year. The increase in amounts due from cemetery trust funds was also due to additional non-recurring funding made in the year of $5.0 million related to pre-need installation fees for bronze memorials.

Instalment accounts receivable increased marginally in the year to $68.7 million. Approximately 60% (2003 – 59%) of these accounts receivable relate to amounts to be placed in trust and commodity taxes, with the Company retaining the remainder.

Crypt and niche inventory replenishment is essential to ensuring that customers are offered a complete range of burial products and assists the sales force in attaining cemetery sales targets. The construction of large mausolea is essential to ensuring that the Company is able to increase its revenue base.

In 2004, the Company spent $7.7 million on additional crypt and niche inventory including:

- $2.5 million for a mausoleum addition at Rideau Memorial Gardens (Montreal, Québec);
- $2.3 million for a mausoleum addition at Glen Oaks Memorial Gardens (Oakville, Ontario);
- $0.7 million for a mausoleum addition at Pleasantview Memorial Gardens (Fonthill, Ontario);
- $0.5 million for the expansion of an interior niche structure at Chapel Lawn Memorial Gardens (Winnipeg, Manitoba); and
- $1.7 million for other crypt and niche projects.

The Company's average annual expenditure on crypt and niche inventory over the last five years was $6.9 million.

Also in the year, crypt and niche inventory was reduced by $7.5 million for inventory sold and $0.1 million for an additional provision for slow-moving crypts and niches.

Cemetery land, which includes both fully or partially-developed land and land held for future development, decreased by $1.4 million to $28.8 million at the end of 2004. The decrease was mainly due to cost of sales in the year in excess of additions and the transfer of two parcels of land related to cemetery reception centres to fixed assets. The Company spent $0.2 million on the development of land for burial gardens during 2004. This compared to $0.9 million spent on the purchase and development of land in 2003.

Capital expenditures/fixed assets: During the year, the Company incurred capital expenditures of $19.9 million compared to $13.8 million in 2003. Capital expenditures in 2003 included $13.4 million of additions to fixed assets and $0.4 million of additions to other assets. All capital expenditures in 2004 related to fixed assets. Details of capital expenditures by segment follow (in $millions).

	2004	2003
Cemetery division	**5.6**	6.5
Funeral division	**12.7**	6.1
Corporate division	**1.6**	1.2
	19.9	13.8

Cemetery division expenditures in 2004 included:
- $1.8 million for the development of a reception centre at Glen Oaks Memorial Gardens in Oakville, Ontario;
- $1.6 million for furniture, fixtures and equipment;
- $1.4 million for the development or replacement of roads and drainage;
- $0.7 million for expansion, upgrade or development of branch sales offices and service buildings; and
- $0.1 million for other capital expenditures.

Funeral division expenditures in 2004 included:
- $3.9 million to replace an existing funeral home in Richmond, British Columbia;
- $3.4 million on partial construction of a new funeral home in Markham, Ontario;
- $1.8 million on partial construction of a replacement funeral home in Cap-de-la-Madeleine, Québec;
- $1.4 million for professional vehicles;
- $0.8 million for furniture, fixtures and equipment;
- $0.7 million for building renovations; and
- $0.7 million for other capital expenditures.

Corporate division expenditures included $1.2 million for further development of a new computer system for cemetery and funeral operations, $0.3 million for computer hardware and $0.1 for other corporate division projects. The new computer system is a proprietary solution called "Focus" that will integrate all of the Company's operating systems. Accumulated costs on the project at October 31, 2004 totalled $5.2 million and were included in fixed assets under construction in progress. The Company anticipates that the new system will be fully implemented by the end of fiscal 2005.

Goodwill: In 2004, the Company determined that goodwill impairment of $0.3 million (2003 - $0.4 million) existed at two funeral operations. Increased competition and decreasing demand were responsible for the impairment at each operation.

Other assets decreased by $4.7 million due to the sale of an equity interest in four funeral homes in Ottawa, Ontario, which had a balance sheet carrying value of $4.8 million.

Accounts payable and accrued liabilities increased by $2.8 million as follows (in $millions):

Trade accounts payables	2.2
Income taxes payable	(1.9)
Accrued liabilities	1.7
Other accounts payable	0.8
	2.8

Income taxes payable were higher at the end of 2003 due to $1.9 million that was payable on the sale of land in Markham, Ontario and $2.3 million that was payable on the net interest income received in connection with the settlement of prior years' taxes. Offsetting these factors was higher taxes payable at the end of 2004 as a result of the higher net earnings.

Long-term debt at the end of 2004 was $77.5 million compared to $83.2 million at the end of 2003. Almost all of the decrease of $5.7 million was due to an unscheduled principal repayment on the bank term loans. The Company was able to make this repayment due to the sale of its equity interest in four funeral homes in the second quarter for $6.2 million in cash proceeds.

The Company has revolving term loans with two financial institutions under similar terms and conditions. The credit limit under the two facilities totals $125 million. In addition, the Company has access to operating facilities that provide credit in the amount of $14 million. Total unused credit facilities as of October 31, 2004 were $62.5 million.

Prior to the beginning of the fiscal year, the Company had anticipated borrowing $21.0 million in bank variable interest rate debt in order to finance significant capital and cemetery burial space inventory projects. Due to the delay of some of these projects and higher than anticipated cash from operations, the Company did not require any new bank financing in 2004. The Company does not anticipate borrowing any additional funds in 2005.

Net deferred revenue increased $28.3 million or 5.7% to $525.4 million at the end of 2004. Deferred revenue represents contracted arrangements for merchandise and services sold on a pre-need basis where the merchandise and services have yet to be delivered to the customer. Deferred revenue is net of deferred obtaining costs or commissions and stored merchandise. Stored merchandise represents merchandise purchased on behalf of customers under pre-need cemetery contracts and stored by the Company until the merchandise is delivered, and the related revenue is recognized. The merchandise is purchased when payment in full of the sales agreement is received.

Deferred revenue at October 31, 2004, excluding the reduction for deferred obtaining costs and stored merchandise, is equivalent to 3.3 years of 2004 (2003 – 3.4 years) sales for the cemetery and funeral divisions.

Contractual obligations ($millions)

	Payments Due By Period				
	Total	< 1 Year	1-3 Years	4-5 Years	> 5 Years
Bank debt	75.5	2.5	65.8	1.9	5.3
Capital lease obligation	1.9	-	-	1.9	-
Operating leases	3.5	1.8	1.5	0.2	-
Purchase obligations	9.2	9.2	-	-	-
Total contractual obligations	90.1	13.5	67.3	4.0	5.3

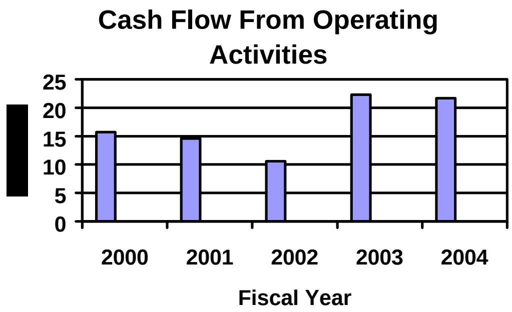
Purchase obligations included $0.5 million for casket inventory, $2.3 million for cemetery burial space inventory projects and $6.4 million for capital projects.

Prior Period Adjustment

In 2001, the Company revised its revenue recognition policies and reflected the adoption on a retroactive basis, restating all prior periods presented and a cumulative adjustment to retained earnings. In 2004, the Company determined that the calculation of future income taxes in respect of certain elements of the 2001 restatement adjustment were incorrect. In calculating future income taxes, the Company had used deferred revenue for earned income from pre-need trust funds rather than using actual cash received. This resulted in an understatement of the future income tax liability and an overstatement of retained earnings by $3.7 million. As a result, opening retained earnings of 2003 and future income taxes have been restated. No adjustments were required to the 2003 or 2004 income statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Cash provided by operating activities in 2004 was $21.7 million compared to $22.3 million in 2003, a decrease of $0.6 million. The decrease was largely due to the receipt of $11.2 million in income taxes receivable in 2003 as a result of the reassessment of prior years' income taxes compared to $3.2 million collected in 2004. Offsetting this negative variance was the increase in earnings after adding back non-cash items of $3.3 million and lower additions to developed land crypts and niches of $4.6 million.



Cash used for investing activities increased by $5.8 million in 2004 due mostly to higher additions to fixed assets of $6.8 million. The main reason for the increase in additions to fixed assets was higher spending on new funeral homes and a new reception centre including: $3.9 million to replace an existing funeral home in Richmond, British Columbia; $3.4 million on partial construction of a new funeral home in Markham, Ontario; $1.8 million to replace an existing funeral home in Cap-de-la-Madeleine, Québec; and $1.8 million for the development of a reception centre at Glen Oaks Memorial Gardens in Oakville, Ontario.

Cash used for financing activities decreased by $7.9 million in 2004 due to lower repayments of bank term debt. In 2003, the Company was able to repay $13.0 million of the bank term debt as a result of the sale of land in Markham, Ontario and the receipt of income taxes receivable related to prior years' income tax reassessments.

Management believes that cash on hand and future cash flow from operating activities are sufficient to sustain ongoing operations as well as the routine maintenance and orderly replacement of the Company's fixed assets.

UNAUDITED QUARTERLY RESULTS

	2004 Fiscal Quarters Ended				**Year Ended**
	Jan-31	**Apr-30**	**Jul-31**	**Oct-31**	**Oct-31**
Total revenue ($millions) [(1)]	**47.1**	**47.7**	**46.3**	**54.6**	**195.7**
Net earnings ($millions)	**4.7**	**6.3**	**3.0**	**5.3**	**19.3**
Basic earnings per share ($) [(2)]	**0.45**	**0.59**	**0.28**	**0.50**	**1.82**

	2003 Fiscal Quarters Ended				Year Ended
	Jan-31	Apr-30	Jul-31	Oct-31	Oct-31
Total revenue ($millions) [(1)]	44.0	43.4	45.6	47.9	180.9
Net earnings ($millions)	3.7	3.3	13.2	5.2	25.4
Basic earnings per share ($) [(2)]	0.35	0.31	1.25	0.48	2.39

[(1)] Total revenue includes revenue from continuing and discontinued operations. Revenue from discontinued operations in 2004 was $0.4 million (2003 - $0.4 million).
[(2)] All earnings per share figures presented are applicable to both Class A and Class B shares. Diluted earnings per share do not differ from basic earnings per share.

Revenue

Revenue in the first two quarters of 2004 and the last two quarters of 2003 was affected by higher than usual sales in both the cemetery and funeral divisions. Statistics Canada reported that the number of deaths in Canada increased by 3.7% for the year ended June 30, 2004, which compared to an average increase in the number of deaths of 0.8% from 2000 to 2003.

Revenue in the fourth quarter of 2004 included an extra week of sales of approximately $3.4 million and cemetery sales recognized as a result of certain administrative projects related to prior years' deliveries and one-time accrual adjustments for bronze memorial and upright monument deliveries of approximately $2.6 million.

Net Earnings and Earnings Per Share

Net earnings and earnings per share in the fourth quarter of 2004 included the impact of the extra week of sales, administrative projects and accrual adjustments. The estimated impact of the extra week on net earnings in 2004 was $1.3 million or $0.13 earnings per share.

Net earnings in the second quarter of 2004 included a gain on the sale of the Company's equity interest in four funeral homes of $1.1 million or $0.10 earnings per share and unusual income of $0.7 million or $0.07 earnings per share related to the settlement of prior years' income tax reassessments.

Net earnings in the third quarter of 2003 included the gain on sale of land in Markham, Ontario of $10.1 million or $0.95 earnings per share.

Net earnings in the fourth quarter of 2003 included net interest income of $2.3 million or $0.21 earnings per share related to the settlement of prior years' income tax reassessments. Offsetting this income in the fourth quarter was $1.0 million or $0.09 earnings per share in provisions for asset impairment.

OUTSTANDING SHARES

The Company has anunlimited number of Preferred Shares, Class A Voting Shares and Class B Non-Voting Shares authorized for issue. The Class A and Class B shares have identical rights and privileges, except that the Class A shares are voting. In certain circumstances, if an offer is made by the Company or a third party to purchase Class A shares from each holder in Ontario, each Class B share is convertible into one Class A share. At October 31, 2004 and 2003, the Company had issued 2,525,497 Class A shares and 8,069,746 Class B shares for $1.7 million and $70.8 million respectively.

FINANCIAL INSTRUMENTS

Pre-need receivables

Pre-need receivables represent instalment accounts receivable due from customers related to pre-need cemetery and funeral contracts and amounts that will be received by the Company from trust or from third-party insurers under group annuity programs upon delivery of pre-need merchandise and performance of pre-need services.

Instalment accounts receivable are recorded net of unearned finance charges, a provision for cancellations and amounts payable in respect of care funds. As instalment accounts receivable are collected, they are placed in trust, remitted to government authorities for commodity taxes or retained by the Company in accordance with provincial regulation. Instalment accounts receivable at October 31, 2004 were $68.7 million (2003 - $68.7 million). The only risk associated with instalment accounts receivable is that amounts may never be collected from customers. The Company has estimated a provision for cancellations of instalment accounts receivable based on historical experience. The fair value of instalment accounts receivable is calculated using a discounted cash flow methodology.

Amounts due from trust are recorded at cost, less a provision for loss in respect of individual investments where market value is below cost and this decline appears to be other than temporary. The trust funds are invested in accordance with the Company's investment guidelines, which are established to comply with legislative requirements for such funds. The Investment Committee of the Board monitors both the compliance against these guidelines and the performance of individual investments.

The trust investments are expected to generate earnings sufficient to offset the inflationary costs of providing the pre-need merchandise and services in the future for the prices that were guaranteed at the time of sale. Management believes that the market value of the amounts due from trust at October 31, 2004 exceeded the expected cost of meeting the obligations to provide merchandise and services for the unperformed contracts. Investment earnings on funds placed into trust accounts are generally accumulated and deferred until each pre-need contract is either utilized upon the death of, or cancelled by, the customer. Until the pre-need contract is utilized or cancelled, any investment earnings are attributed to the individual pre-need contract. These attributed investment earnings (whether distributed or undistributed) are recognized in the consolidated statement of earnings when the merchandise is delivered or the services are performed or when the contract is cancelled and the Company is entitled to retain these earnings. Recognition of the investment earnings is independent of the timing of the receipt of the related cash flows.

If a customer cancels the trust funded pre-need contract, provincial cemetery or funeral law determines the amount of the refund owed to the customer, including in certain situations the amount of the attributed investment earnings. Upon cancellation, the Company receives the amount of principal deposited to trust and previously undistributed net investment earnings and pays the customer the required refund. The Company retains any excess funds and recognizes the attributed investment earnings (net of any investment earnings payable to the customer) in the consolidated statement of earnings. In certain jurisdictions, the Company may be obligated to fund any shortfall if the amounts deposited by the customer exceed the funds in trust.

The fair value of the trust funds is calculated using a discounted cash flow methodology for term deposits and using market rates provided by the Company's trustees for bonds, equities and the equity fund.

Amounts due from third party insurers represent the value that would be received from the third-party insurer if the merchandise or services in the underlying contracts were delivered or performed at the date of the balance sheet. The policy amount of the group annuity contract equals the amount of the pre-need funeral contract. The customer assigns the policy benefits to the Company's funeral homes to pay for the pre-need funeral contract at the time of need.

The group annuity contracts include increasing death benefit provisions, which are expected to offset the inflationary costs of providing the pre-need funeral contract. The increase in pre-need group annuity funeral contracts is recorded in the consolidated balance sheet based on updates from the third-party insurer. Management believes that the value of the insurance funded pre-need funeral contracts at October 31, 2004 exceeded the expected cost of meeting the obligations to provide funeral merchandise and services for the unperformed contracts. If a customer cancels the group annuity contract prior to death maturity, the third-party insurer pays the cash surrender value under the policy directly to the customer. The third-party insurer informs the Company of the cancellation and we reduce the amount of funeral contracts on the balance sheet is reduced accordingly.

The carrying value of amounts due from third-party insurers approximates its fair value since the amounts due are recorded using the value that would be received if the merchandise or services in the underlying contracts were delivered or performed at the date of the balance sheet.

Credit Risk: The Company enters into sales contracts with numerous consumers, including groups, but no one consumer or group accounts for a significant concentration of credit risk. Amounts due from third party insurers represent amounts due to the Company as beneficiary under insurance contracts entered into by its customers. These amounts are due under contracts with three insurance companies, with no single insurance company representing in excess of 10% of all amounts due under pre-need receivables.

Mortgages receivable

Almost all of the mortgages receivable balance at October 31, 2004 was made up of one mortgage for $13.5 million established on the sale of land in Markham, Ontario in 2003. This mortgage earns interest at 5% annually and the principal is due in full in 2007. The fair value of mortgages receivable was calculated using the discounted cash flow methodology. The Company does not anticipate any issue with respect to collection of the principal due to the high credit standing of the mortgagors. In addition, the Company may reclaim the land sold in the event of non-collection under the Agreement of Purchase and Sale.

Care funds

In respect of interment rights, the Company is required to deposit into care funds amounts specified by provincial regulation. The investment income from the care funds is available to the Company to defray the costs of ongoing care and maintenance of cemeteries, mausolea and columbaria. Although the Company is entitled to the investment income earned, the care funds themselves are not assets of the Company and are therefore not recorded on the Company's balance sheet. Funds collected and deposited with third-party trustees for the care and maintenance of cemeteries at October 31, 2004 were $133.3 million (2003 - $124.4 million) at carrying value and $139.2 million (2003 - $129.6 million) at quoted market value.

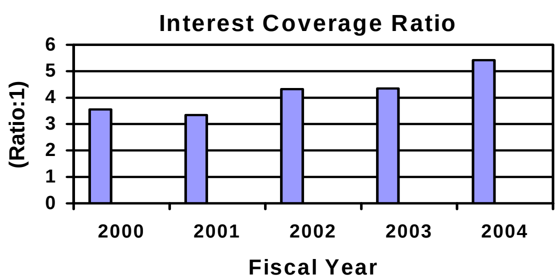
The care funds are invested in accordance with the Company's investment guidelines, which are established to comply with legislative requirements for such funds. The funds are generally invested in medium term government and corporate bonds, which are held to maturity and earn income at fixed rates of return. Significant losses in the care funds are not anticipated due to the small percentage of equity-based investments held and the high proportion of fixed income securities held. At October 31, 2004, 5% of the care fund investments were in equities (2003 – 6%). The fair value of the care funds is the quoted market value.

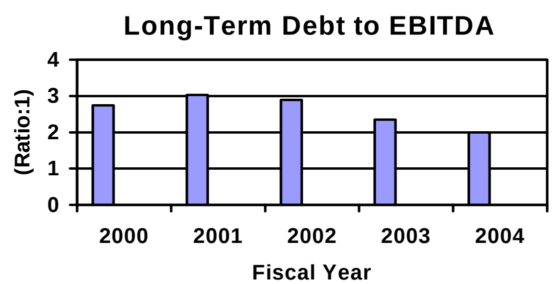
Long-term debt

Long-term debt at October 31, 2004 was $77.5 million (2003 - $83.2 million). Of the $77.5 million, $75.5 million was bank floating rate debt and $1.9 million was an obligation under capital lease. The fair value of the Company's bank term loans approximates the carrying value given their floating rate nature. The fair value of the capital lease is calculated using a discounted cash flow methodology and was $1.5 million (2003 - $1.7 million) at October 31, 2004.

With respect to the bank floating rate debt, the Company is required to request an extension of the conversion date on an annual basis. The renewal date is currently set at April 30, 2005. If no extension is granted, quarterly principal payments commence within three months under one agreement and 15 months under the second agreement. Under both agreements, payments would commence within the appropriate time frame from April 30, 2005. The Company has assumed, for purposes of classifying the current portion of long-term debt, that no extension will be granted in order to present the most conservative view.

The Company has satisfied all of the debt covenants as defined in its bank loan agreements and is in good standing. Two such covenants are interest coverage and debt to EBITDA. There are no risks associated with the capital lease.





The long-term debt to EBITDA ratio must be less than or equal to 3.5:1 and the interest coverage ratio must equal or exceed 3.25:1. The interest coverage ratio is relative to earnings from operations before other income (expenses).

Derivatives

Derivative financial instruments are utilized by the Company in the management of its interest rate exposure on long-term debt. The company does not enter into financial instruments for trading or speculative purposes. Interest rate swap agreements are used as part of the Company's program to manage the fixed and floating interest rate mix of the Company's total debt portfolio and related overall cost of borrowing. The interest rate swap agreements involve the periodic exchange of payments without the exchange of the notional principal amount upon which the payments are based and are recorded as an adjustment of interest expense on the related debt instrument. The related amount payable to or receivable from counter-parties is included as an adjustment to accrued interest.

As of October 31, 2004, the Company's use of interest rate swap agreements was limited to seven (2003 – five) interest rate swaps with a Canadian chartered bank, whereby the Company fixed a portion of its term loan financing at interest rates ranging from 4.6% to 6.2% plus a bank margin. At the end of the year, these swaps had a total notional amount of $53.8 million (2003 - $43.8 million). Swap costs in 2004 were $1.6 million (2003 – $1.1 million).

The fair value of the interest rate swaps is estimated as the discounted unrealized gain or loss calculated based on the market price at October 31, 2004, which generally reflects the estimated amount that the Company would receive or pay to terminate the contracts at the balance sheet date. The fair value is provided to the Company by the chartered bank that is the counter-party to the transactions. The estimated fair value of the interest rate swaps was a loss of $1.9 million (2003 – loss of $2.1 million). Losses due to non-performance by the counter-party are not anticipated due to their high credit standing.

CAPITAL AND CEMETERY BURIAL SPACE INVENTORY PROJECTS

Following are projects on which the Company had expended significant funds prior to October 31, 2004 but that had not yet generated operating revenue as of October 31, 2004.

Highland Funeral Home (Markham Chapel): The Highland Funeral Home (Markham Chapel) is a new funeral operation located in Markham, Ontario that was under construction at the end of fiscal 2004. As at October 31, 2004, the Company had spent $3.6 million on this project. The Company expects to spend an additional $1.9 million to complete the project and expects to have it substantially completed by the end of the second quarter of 2005.

Garneau Funeral Home: The Garneau Funeral Home is a replacement funeral home located in Cap-de-la-Madeleine, Québec that was under construction at the end of fiscal 2004. As at October 31, 2004, the Company had spent $1.8 million on this project. The Company expects to spend an additional $0.5 million to complete this project and expects to have the project substantially completed in the first quarter of fiscal 2005.

Rideau Mausoleum: At October 31, 2004, the Company was in the process of constructing a mausoleum extension at Rideau Memorial Gardens in Montreal, Québec. Total spent on this project to October 31, 2004 was $2.5 million. The Company expects to spend an additional $0.3 million in 2005 to complete this project and expects to have the project substantially completed in the first quarter of 2005.

Pleasantview Mausoleum: At October 31, 2004, the Company was in the process of constructing a mausoleum extension at Pleasantview Memorial Gardens in St. Catharines, Ontario. Total spent to October 31, 2004 was $0.7 million. The Company expects to spend an additional $1.2 million in 2005 to complete this project and to have the project substantially completed in the second quarter of 2005.

Computer Operating System - Focus: At October 31, 2004, the Company had substantially completed the development of a new computer system for cemetery and funeral operations called "Focus". Total spent to October 31, 2004 was $5.2 million. The Company expects to spend an additional $0.3 million in 2005 to complete this project and expects to have the system fully implemented by the end of fiscal 2005.

The Company had committed to the following expenditures for capital and cemetery burial space inventory at October 31, 2004 (in $millions):

New funeral homes	4.5
Land and building of existing funeral operation	0.7
Cemetery burial space inventory	2.3
Cemetery maintenance capital expenditures	1.1
Funeral maintenance capital expenditures	0.1
	8.7

All of these commitments are included under "Purchase obligations" in the summary of contractual obligations. The Company anticipates funding these expenditures from existing cash and cash from operations generated in 2005.

Following is the Company's expected capital and cemetery burial space inventory spending for fiscal 2005 (in $millions).

Maintenance Capital Expenditures	
Cemetery division	6.6
Funeral division	5.0
Corporate division (including information systems)	2.0
	13.6
New Initiatives	
Funeral homes	3.6
Reception centres	2.9
Cemetery land and development	1.7
	8.2
Cemetery Burial Space Inventory	
Mausolea	2.0
Columbaria	1.5
Garden development	1.4
	4.9
Total 2005 capital and cemetery burial space inventory budget	26.7

At October 31, 2004, the Company was in the process of locating a purchaser for one funeral home in Toronto, Ontario. Revenues and net loss attributable to this operation in 2004 were $0.4 million and $0.1 million respectively (2003 - $0.4 million and less than $0.1 million respectively). The Company anticipates that the selling price for this operation will approximate its net book value. The Company anticipates no material impact on its financial condition, results of operations and cash flows as a result of this disposition.

At October 31, 2004, the Board of Directors had also approved the acquisition of the land and building of an existing funeral operation in Toronto, Ontario. Subsequent to the year-end, the acquisition was completed for $0.7 million. The Company anticipates no material impact on its financial condition, results of operations and cash flows as a result of this acquisition.

CRITICAL ACCOUNTING ESTIMATES

Accounts Receivable Allowance for Doubtful Accounts

The Company provides for at-need accounts receivable that it believes will ultimately not be collected in an allowance for doubtful accounts. The allowance for funeral accounts includes all accounts older than two years. In addition, all accounts less than two years old are reviewed in detail to determine whether the accounts are collectible and provided for if necessary. The allowance for cemetery accounts is calculated based on historical experience using a five-year moving average. At October 31, 2004, the allowance for funeral and cemetery at-need accounts was $0.9 million (2003 - $0.8 million).

Cemetery Interment Rights Cancellation Allowance

The customer, prior to burial, can cancel contracts for the sale of pre-need and at-need cemetery interment rights. Cancellation estimates have been provided for in the Company's financial statements based on historical experience using a five-year moving average. The portion of the allowance that relates to unpaid balances is netted against Instalment Accounts Receivable under Pre-need Receivables in the balance sheet, while the portion that relates to paid balances is included in Other Liabilities. At October 31, 2004 the allowance netted against Accounts Receivable was $0.7 million (2003 - $0.6 million) and the allowance included in Other Liabilities was $3.6 million (2003 - $3.3 million).

Crypt and Niche Provision

The company calculates a provision for crypt and niche burial spaces that may never be sold. All crypt and niche structures that are expected to take more than 9 years to sell out are considered in detail by reviewing historical rates of sale to determine an appropriate provision. A general provision based on historical experience is also calculated for those structures that are expected to take less than 10 years to sell out. At October 31, 2004, the provision for crypt and niche burial spaces was $1.2 million (2003 - $1.3 million).

Fixed Assets Useful Lives

Fixed assets are recorded at cost and depreciated using the straight-line method over their estimated useful lives. Estimated useful lives are determined based on historical experience and are disclosed in Note 2 of the Consolidated Financial Statements.

Future Estimated Cash Contribution and Capital Costs Used for Analysis of Carrying Values of Goodwill and Long-Lived Assets

The assessments of the carrying values of goodwill and long-lived assets involve estimating future cash contribution and future capital costs for each cemetery and funeral branch operation. Future cash contribution is estimated by a variety of techniques including review of historical averages, trend forecasting and discussion of an operation's future prospects with senior management. Estimated capital costs for each branch operation are calculated based on historical capital costs incurred for the overall cemetery and funeral divisions.

LIQUIDITY AND CAPITAL RESOURCES

The Company anticipates that it can generate sufficient amounts of cash, in the short and the long term to maintain the Company's capacity and to meet planned growth and development activities. The Company also had access to unused operating lines of credit of $13.0 million and unused floating rate debt facilities of $49.5 million at October 31, 2004. The Company's debt to equity ratio at October 31, 2004 was 0.50:1 (2003 – 0.60:1).

RISKS, EVENTS AND UNCERTAINTIES

RISKS RELATED TO THE COMPANY'S BUSINESS

Interest rates: Increases in interest rates would increase the interest cost of the Company's variable rate long-term debt and have an adverse effect on the Company's net income and earnings per share. As at October 31, 2004, the Company had $21.8 million, or 28.0%, in variable rate long-term debt. Therefore, a 1% increase or decrease in the market interest rate could impact the Company's annual interest expense by approximately $0.2 million.

Market factors: A weakening economy could cause the Company to experience a decline in pre-need arrangements. A decline in pre-need cemetery arrangements would reduce the amount of revenue and net earnings the Company recognizes each year as a result of a decrease in interment right sales. In addition, a decrease in pre-need arrangements of cemetery and funeral products and services would reduce the Company's accumulation of deferred revenue to be recognized in future years.

Competition: Price competition, increased advertising, better marketing or improvements in products and services offered by competitors in any market in which Arbor competes, could reduce the Company's market share or cause the Company to reduce prices or incur increased costs in order to retain or recapture market share, either of which could reduce revenues and margins.

Trust and Care Funds: Earnings from pre-need funeral and cemetery funds and care funds could be reduced by changes in stock and bond prices, and interest and dividend rates. Investment earnings and gains/losses on trust and care funds are affected by financial market conditions that are not within the Company's control. Earnings are also affected by the mix of fixed-income and equity securities that the Company has in the funds, and it may not choose the optimal mix for a particular market condition. A decline in earnings from pre-need trust funds would cause a decrease in future revenues. A decline in earnings from care funds would cause a decrease in current revenues.

Environmental: Various jurisdictions develop new environmental legislation from time to time. This legislation can increase the Company's cost of operations.

RISKS RELATED TO THE COMPANY'S INDUSTRY

Decline in number of deaths*:* A decline in the number of deaths in any of the Company's markets could cause a decrease in revenues. Changes in the number of deaths are not predictable over the short-term or from market to market.

Cremation: The increasing number of cremations in Canada could cause revenues to decline since the average revenue received from a cremation arrangement is generally lower than that received from a traditional arrangement. The Company has, however, been developing new products that are increasing the revenue received from cremation arrangements.

Regulations: Changes in regulations applicable to the Company's business could increase costs, or require changes to business administration or operational practices. The death care industry is subject to extensive regulation and licensing requirements under federal, provincial and local laws. From time to time, various governments and agencies amend or add regulations, which could increase the Company's cost of operations.

SEASONALITY

While the death care industry is fairly stable and predictable, the Company's at-need business and pre-need deliveries of some merchandise and services can be affected by seasonal fluctuations in the death rate. Death rates are generally higher in the winter months. The Company's pre-need cemetery sales of interment rights can also have seasonal fluctuations, whereby sales are generally lower in the winter and summer months.

REGULATION

In November 2002, the results of the Ontario Ministry of Consumer and Business Services ("MCBS") Bereavement Sector Advisory Committee ("BSAC") were presented to the Ontario legislature as Bill 209. On December 13, 2002, the Bill received Royal Assent. The Company has played an active role on the Committee since its formation in April 2001. The legislation provides increased consumer protection as well as fostering a level playing field between participants and suggesting options for a single regulatory regime. The legislation also sets out rules for how "combinations" (funeral homes located on cemetery properties) would be permitted. The impact of combinations for the Company should be positive, as currently, Ontario and Prince Edward Island are the only provinces that do not allow funeral homes on cemetery property. When the Government proclaims the legislation, the Company will further enhance its ability to serve its customers, since 21 of the Company's 41 cemeteries are located in that province. At October 31, 2004, two of the seven regulation segments had been released. While it is difficult to estimate the amount of time to complete the remaining segments, the Company anticipates the completion time to be between twelve and eighteen months. The legislation would be proclaimed shortly thereafter.

The Government of British Columbia enacted new consumer protection legislation in 2004. The Alberta government has also enacted new consumer protection legislation as well as new funeral and cemetery regulations. While neither of these jurisdictions has increased regulatory fees as a result of the new legislation and regulations as yet, the Company anticipates increases in the next year. Any fee increases are not expected to impact the Company as these fees have traditionally been passed on to the customer.

Due to new privacy legislation enacted federally and in British Columbia and Alberta in 2004, the Company adopted new policies, procedures and practices intended to comply with the new legislation. The legislation has not had an impact on the Company's statement of earnings. Other jurisdictions are considering drafting their privacy legislation and it is unknown at this time how such legislation will impact the Company.

ENVIRONMENTAL

Several Canadian cities in Eastern Canada, including the City of Toronto, have developed pesticide by-laws banning or severely restricting pesticide use in cemeteries. The Company and its competitors continue to lobby to obtain exemptions from these by-laws similar to those already received by golf courses. The need for these exemptions is based on the expectations of the cemetery visitor. Any pesticide by-laws implemented could increase the Company's cost of operations.

Environment Canada released new Canada wide standards in 2000 for allowable limits of air emissions from crematoria. Pronouncements and events over the last few years have indicated that provincial legislation will be harmonized with the federal standards; however, nothing has yet been published at the provincial level. While environmental advocates are encouraging significantly higher emission standards, it is unknown at this time how changes to provincial legislation, if any, will impact the operations of the Company.

LITIGATION

In 2003, the Company was charged with three consumer related offences under Alberta's Provincial Fair Trading Act. The charges stemmed from the suspect practices of a former funeral home manager in Calgary from 2000 to 2002. The former manager was also charged with fraud, false pretence and theft under the Criminal Code of Canada. Upon learning of the practices of the former manager in June 2002, the Company immediately terminated the manager's employment with the Company and brought the matter to the attention of the Alberta regulators. The Company also developed a remedial plan for the families involved, including financial restitution. In January 2005, all charges against the Company were either withdrawn or stayed.

MANAGEMENT'S REPORT

The consolidated financial statements, including the notes thereto, and other financial information contained in the annual report are the responsibility of the management of Arbor Memorial Services Inc. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles, using management's best estimates and judgements where appropriate.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Audit Committee of the Board, which is comprised of non-management directors, meets with management and the auditors to satisfy itself that these responsibilities are properly discharged and to review the consolidated financial statements and the report of the auditors. It reports its findings to the Board of Directors, which approves the consolidated financial statements.

Deloitte & Touche LLP, the independent auditors appointed by the shareholders of the Company, have audited the Company's consolidated financial statements in accordance with Canadian generally accepted auditing standards. The independent auditors have full and unrestricted access to the Audit Committee.

Richard D. Innes
President and Chief
Executive Officer

Brian D. Snowdon
Vice-President and
Chief Financial Officer

AUDITORS' REPORT
To the shareholders of Arbor Memorial Services Inc.

We have audited the consolidated balance sheets of Arbor Memorial Services Inc. as at October 31, 2004 and 2003 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants
Toronto, Ontario
December 10, 2004

Arbor Memorial Services Inc.

CONSOLIDATED STATEMENTS OF EARNINGS

	Years Ended October 31	
	2004	***2003***
	($000)	
Revenue		
Sales	**181,234**	167,230
Investment and other income (note 3)	**14,137**	13,279
	195,371	180,509
Expenses		
Operating	**151,948**	140,540
General and administrative	**13,073**	12,302
	165,021	152,842
Earnings from operations before other income (expenses)	**30,350**	27,667
Other income (expenses)		
Gain on disposal of assets (note 20)	**1,807**	16,010
Provision for asset impairment (note 20)	**(354)**	(1,614)
Settlement of prior years' income taxes (note 16)	**721**	2,381
	2,174	16,777
Earnings from operations	**32,524**	44,444
Interest expense	**4,148**	4,889
Earnings before income taxes	**28,376**	39,555
Income taxes (note 16)	**8,978**	14,152
Net earnings from continuing operations	**19,398**	25,403
Net loss from discontinued operations (note 17)	**(114)**	(35)
Net earnings	**19,284**	25,368
Weighted average number of shares outstanding (in thousands)	**10,595**	10,595
Earnings per share - basic and fully diluted (in $)		
Earnings per share from continuing operations	**1.83**	2.39
Loss per share from discontinued operations	**(0.01)**	-
Earnings per share - basic and fully diluted (in $)	**1.82**	2.39

Arbor Memorial Services Inc.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

	Years Ended October 31	
	2004	***2003***
	($000)	
Retained earnings, beginning of year	**65,137**	44,212
Prior period adjustment - future income taxes (note 16)	**-**	(3,701)
Retained earnings, beginning of year as restated	**65,137**	40,511
Net earnings	**19,284**	25,368
Dividends	**(742)**	(742)
Retained earnings, end of year	**83,679**	65,137

Arbor Memorial Services Inc.

CONSOLIDATED BALANCE SHEETS

	As at October 31	
	2004	*2003* (1)
	($000)	
Assets		
Current assets		
Cash	**10,396**	8,271
Accounts receivable	**16,514**	15,994
Merchandise inventories	**9,713**	10,115
Income taxes receivable (note 16)	**-**	2,512
Assets held for sale, current portion (note 17)	**182**	127
Pre-need receivables, current portion (note 4)	**39,309**	38,275
	76,114	75,294
Pre-need receivables (note 4)	**446,506**	407,648
Crypts and niches	**30,779**	30,653
Cemetery land (note 5)	**28,789**	30,211
Fixed assets (note 6)	**159,454**	147,431
Goodwill (note 7)	**44,461**	44,765
Mortgages receivable (note 8)	**13,501**	13,761
Assets held for sale (note 17)	**1,749**	2,058
Other assets (note 9)	**986**	5,673
	802,339	757,494
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**32,052**	29,161
Liabilities associated with assets held for sale, current portion (note 17)	**-**	25
Long-term debt, current portion (note 11)	**2,485**	2,797
	34,537	31,983
Deferred revenue (note 13)	**525,446**	497,097
Long-term debt (note 11)	**74,986**	80,367
Future income taxes (notes 15 and 16)	**3,677**	2,994
Liabilities associated with assets held for sale (note 17)	**493**	530
Other liabilities	**7,022**	6,887
	646,161	619,858
Shareholders' equity		
Share capital (note 14)	**72,499**	72,499
Retained earnings (note 15)	**83,679**	65,137
	156,178	137,636
	802,339	757,494

(1) Restated - see note 15

Arbor Memorial Services Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended October 31	
	2004	***2003***
	($000)	
Cash provided by (used for)		
Operating activities		
Net earnings	**19,284**	25,368
Net loss from discontinued operations (note 17)	**114**	35
Add (deduct) items not affecting cash from operating activities:		
Depreciation	**8,487**	7,663
Gain on disposal of assets (note 20)	**(1,807)**	(16,010)
Provision for asset impairment (note 20)	**354**	1,614
Future income taxes	**516**	4,959
Additions to developed land, crypts and niches	**(7,904)**	(12,503)
Developed land, crypt and niche cost of sales	**8,412**	7,821
Net change in other operating balance sheet items (note 19)	**(5,841)**	3,374
Net cash provided by continuing operations	**21,615**	22,321
Net cash provided by discontinued operations	**78**	1
Investing activities		
Additions to fixed assets	**(19,898)**	(13,112)
Additions to cemetery land held for future development	**(22)**	(83)
Acquisitions (note 20)	**-**	(673)
Proceeds on disposal of assets (note 20)	**6,787**	6,553
Net cash used for continuing operations	**(13,133)**	(7,315)
Financing activities		
Repayments of long-term debt	**(5,693)**	(13,603)
Dividends	**(742)**	(742)
Net cash used for continuing operations	**(6,435)**	(14,345)
Increase in cash	**2,125**	662
Cash, beginning of period	**8,271**	7,609
Cash, end of period	**10,396**	8,271
Supplementary information		
Income taxes paid	**11,304**	6,623
Interest paid	**4,081**	4,928

1. NATURE OF OPERATIONS

Arbor Memorial Services Inc. (the "Company") provides cemetery and funeral products and services in the death care industry in Canada through its subsidiaries and ultimately its branch locations. At October 31, 2004, the Company owned and operated 41 cemeteries, 27 crematoria, 2 reception centres and 87 funeral homes.

The Company sells its cemetery and funeral products and services on both an at-need and a pre-need basis. The Company is required by provincial regulation to deposit specific amounts, received in respect of pre-need contracts, into trust or with third-party insurers under group annuity programs, pending the delivery of products and services. Upon delivery of the products and services, the Company is entitled to receive related amounts placed into trust and accumulated investment income thereon. In respect of interment rights, the Company is required to deposit into care funds amounts specified by provincial regulation. The investment income from the care funds is available to the Company to defray the costs of ongoing care and maintenance of cemeteries, mausolea and columbaria. Although the Company is entitled to the investment income earned, the Company does not legally own the care funds themselves and the Company is not entitled to access the principal balance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements include the accounts of the Company and all corporations that it controls. Investments in associated corporations, in which the Company has significant influence, are accounted for by the equity method and included in other assets.

The financial year of the Company consists of a 52 or 53-week period ending on the Sunday that falls on or immediately preceding October 31st. The 2004 financial year was a 53-week period while the 2003 financial year was a 52-week period.

Recognition of revenue

Cemetery sales

i) At-need cemetery interment rights, merchandise and services

Sales of at-need cemetery interment rights are deferred and recognized as revenue when a minimum of 10% of the interment right sales price has been collected and the interment right has been transferred to the customer. Sales of at-need cemetery merchandise and services and related costs are deferred and recognized when the merchandise is delivered or the service is performed.

Contracts for the sale of at-need cemetery interment rights can be cancelled by the customer prior to burial. Cancellation estimates have been provided for based on historical experience.

ii) Pre-need cemetery interment rights

Sales of pre-need cemetery interment rights and their related costs are deferred and recognized as revenue when a minimum of 10% of the interment right sales price has been collected and the interment right has been transferred to the customer.

Contracts for the sale of pre-need cemetery interment rights can be cancelled by the customer prior to burial. Cancellation estimates have been provided for based on historical experience.

iii) Pre-need cemetery merchandise and services

Sales of pre-need cemetery merchandise and services and related costs are deferred and recognized when the merchandise is delivered or the service is performed.

Investment income on trusted funds related to pre-need cemetery merchandise and services is deferred and recognized as sales revenue when the merchandise is delivered or the service is performed.

The Company has a merchandise storage program for pre-need cemetery sales, whereby certain merchandise is purchased after it has been fully paid by the customer and stored for the customer at the their request until required for use. Once the merchandise has been purchased and stored for the customer, the Company is allowed to withdraw the related funds from trust in accordance with provincial legislation. Certain types of merchandise are considered delivered for the purpose of revenue recognition once the merchandise is provided by the supplier and either installed in the customer's burial space or stored in appropriately segregated facilities. The cost of the merchandise that has been purchased and stored for customers but does not qualify to be recognized in revenue is included as an offset to deferred revenue on the balance sheet.

Funeral sales

Sales of at-need funeral merchandise and services are recognized as revenue at the date of delivery of the merchandise or performance of the service. Sales of pre-need funeral merchandise and services and their related costs are deferred and recognized in earnings when the merchandise is delivered or the service is performed. Investment income on trusted funds related to the merchandise and services is deferred and recognized as revenue when the merchandise is delivered or the service is performed.

Investment and other income

A portion of the proceeds from the sale of cemetery interment rights is required by provincial law to be paid into care trust funds. Investment income related to these care funds is recognized by the Company as earned by the funds and is used to defray cemetery maintenance costs, which are expensed as incurred.

All or a portion of the proceeds from cemetery and funeral merchandise or services sold on a pre-need basis are either deposited into trust or with third-party insurers under group annuity programs, at the direction of the customer and to the extent required by provincial legislation. The Company receives fees on the deposit of pre-need cemetery and funeral funds under the trust and group annuity programs. These fees are recognized as received, net of an allowance for those fees subject to refund.

Finance charges

Finance charges on the uncollected balance of instalment accounts receivable are collectible and included in income over the term of the sales agreement.

Obtaining costs on pre-need contracts

Costs incurred to obtain new pre-need cemetery and pre-need funeral contracts are deferred and recognized when the related sales of interment rights, merchandise and services are recognized as revenue. Deferred obtaining costs include only those costs that vary with and are directly related to the acquisition of new pre-need contracts. Deferred obtaining costs are netted against deferred revenue on the balance sheet.

Valuation of assets and liabilities

Accounts receivable

Accounts receivable represent amounts due from customers related to at-need cemetery and funeral contracts and miscellaneous current receivables, less a provision for doubtful accounts.

Merchandise Inventories

Merchandise inventories are carried at the lower of cost, determined on a first-in, first-out basis, and net realizable value.

Pre-need receivables

Pre-need receivables represent instalment accounts receivable due from customers related to pre-need cemetery and funeral contracts and amounts that will be received by the Company from trust or from third-party insurers under group annuity programs upon delivery of pre-need merchandise and services.

Instalment accounts receivable are recorded at the time a contract is signed and recorded, net of unearned finance charges, a provision for cancellations and amounts payable in respect of care funds.

The amounts due from trust are recorded at cost, less a provision for loss in respect of individual investments where market value is below cost and this decline appears to be other than temporary. The amounts due to the Company under the group annuity programs represent the value that would be received if the merchandise or services under the contracts were delivered or performed at the date of the balance sheet.

Crypts and niches

Crypts and niches are carried at the lower of cost and net realizable value. The cost of crypts and niches includes all costs related to the construction of the structure including pre-construction and landscaping costs. The costs of a particular structure are allocated to cost of sales on a unit-by-unit basis in a manner expected to reduce the carrying value to nil when all of the units are sold. Provisions for impairment are recorded when crypt and niche structures become slow-moving or difficult to sell.

Cemetery land

Cemetery land is recorded at the lower of cost, which includes original acquisition and subsequent development costs, and net realizable value. Cemetery land costs are allocated to cost of sales on a lot-by-lot basis in a manner expected to reduce the carrying value to nil when all of the lots are sold.

Fixed assets

Fixed assets are recorded at cost, which includes acquisition, construction and improvement costs, and are depreciated using the straight-line method over their estimated useful lives as follows:

Buildings	40 years
Equipment and furniture	3 to 10 years
Automotive equipment	7 to 10 years
Leasehold improvements	over term of lease
Other assets	10 to 25 years
Property under capital lease	40 years

The Company defers software development costs and amortizes these costs over the estimated useful life of the software.

Construction in progress is not depreciated. Upon completion of these projects, the assets are reclassified to one of the above categories and depreciation commences.

Goodwill and long-lived assets

Goodwill and long-lived assets for each reporting unit are reviewed by comparing the carrying value and the fair value on an annual basis at the end of September, or more frequently if impairment indicators arise, to determine if an impairment loss should be recognized. A provision is made for any goodwill that is considered impaired.

Future income taxes

Future income tax assets and liabilities are measured using substantively enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the period of substantive enactment.

Deferred revenue

Deferred revenue represents amounts received in respect of sales of pre-need cemetery interment rights and pre-need cemetery and funeral merchandise and services, the recognition of which is deferred until they meet the requirements of the Company's revenue recognition policies.

Stock options

The Company accounts for stock options using the fair value method. Under the fair value method, compensation expense for stock options that are direct awards of stock is measured at fair value at the grant date using an option-pricing model and recognized over the vesting period.

Earnings per share (basic and diluted)

Earnings per share amounts have been calculated using the weighted average number of shares outstanding during the year of 10,595,243 (2003 – 10,595,243).

The calculations of diluted earnings per share include the potential issuance of shares under stock options that are dilutive. In determining whether options are dilutive or anti-dilutive, each issuance of options is considered separately using the treasury stock method.

Discontinued operations

Assets that meet the criteria of the CICA Handbook Section 3475, paragraph .08 are classified as assets held for sale. Any such assets are recorded at the lower of carrying amount or fair value less estimated cost to sell and are not depreciated while classified as held for sale. The results of operations, balance sheet items and cash flows of any reporting unit that has been identified as held for sale are reported separately under discontinued operations if the enterprise will not have any significant continuing involvement in the operations of the reporting unit after the disposal transaction.

Use of estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company makes estimates in determining the useful lives of fixed assets, provisions for cancellation, bad debts and asset impairment and future cash flows used in assessment of the carrying values of goodwill and fixed and other assets. Actual results may differ from those estimates.

Comparative figures

Certain of the comparative figures have been reclassified to conform to the current year's presentation.

3. INVESTMENT AND OTHER INCOME

	2004	2003
	($000)	
Care funds	**7,460**	6,935
Pre-need funeral funds	**4,231**	4,063
Pre-need cemetery funds	**1,559**	1,535
Other	**887**	746
	14,137	13,279

4. PRE-NEED RECEIVABLES

	2004	2003
	($000)	
Amounts due from cemetery trust funds	**158,812**	138,376
Amounts due from funeral trust funds	**179,246**	172,450
	338,058	310,826
Instalment accounts receivable	**68,688**	68,667
Amounts due from third-party insurers	**79,069**	66,430
	485,815	445,923
Less: current portion of instalment accounts receivable	**39,309**	38,275
	446,506	407,648

Trust funds held by third parties become available to the Company when the related merchandise and services have been delivered. Amounts due from cemetery and funeral trust funds consist of investments with fixed and floating interest rates and equity securities as follows:

	Book Value		Fair Value	
	2004	2003	**2004**	2003
	($000)		($000)	
Cash and term deposits	**202,198**	183,622	**203,782**	185,541
Bonds	**111,245**	110,683	**115,105**	113,787
Equities	**13,694**	13,512	**16,400**	15,362
Equity fund	**10,921**	3,009	**10,823**	3,396
	338,058	310,826	**346,110**	318,086

The cash and term deposits had a weighted average maturity and interest rate of 30 months and 3.9% respectively (2003 – 38 months and 4.1%). The bonds had a weighted average maturity and interest rate of 5 years and 5.6% respectively (2003 – 5 years and 5.9%). Due to interest rate changes, the Company may realize gains and losses on the disposal of term deposits or bonds if sold before their maturity.

Instalment accounts receivable are collectible as follows:

	2004	2003
	($000)	
1st year	**39,309**	38,275
2nd year	**16,607**	17,501
3rd year	**8,092**	8,204
4th year	**3,641**	3,767
5th year and thereafter	**1,039**	920
	68,688	68,667

Instalment accounts receivable was reduced by the amounts payable in respect of care funds of $7.0 million (2003 - $6.8 million). See Note 10 for further detail.

The fair value of the instalment accounts receivable at October 31, 2004 was approximately $68.7 million (2003 - $69.0 million). The carrying value of amounts due from third-party insurers approximates its fair value.

The Company enters into sales contracts with numerous consumers, including groups, but no one consumer or group accounts for a significant concentration of credit risk. Amounts due from third party insurers represent amounts due to the Company as beneficiary under insurance contracts entered into by its customers. These amounts are due under contracts with three insurance companies, with no single insurance company representing in excess of 10% of all amounts due under pre-need receivables.

5. CEMETERY LAND

	2004	2003
	($000)	
Fully or partially developed	**13,138**	13,311
Held for future development	**15,651**	16,900
	28,789	30,211

6. FIXED ASSETS

	Cost		Accumulated Depreciation and Amortization		Net Book Value	
	2004	**2003**	**2004**	**2003**	**2004**	**2003**
			($000)			
Land	**33,239**	32,482	**-**	-	**33,239**	32,482
Buildings	**116,309**	108,263	**39,086**	36,174	**77,223**	72,089
Equipment and furniture	**44,173**	40,758	**33,282**	30,555	**10,891**	10,203
Automotive equipment	**21,050**	20,323	**16,111**	15,204	**4,939**	5,119
Leasehold improvements	**5,547**	5,545	**5,449**	5,364	**98**	181
Other assets	**28,731**	25,533	**9,470**	8,317	**19,261**	17,216
Property under capital lease	**1,999**	1,999	**271**	226	**1,728**	1,773
Construction in progress	**12,075**	8,368	-	-	**12,075**	8,368
	263,123	243,271	**103,669**	95,840	**159,454**	147,431

Included in "Construction in progress" was $5.2 million (2003 - $4.0 million) of deferred software development costs relating to the Company's new computer system called "Focus".

7. GOODWILL

The changes in the carrying amount of goodwill were as follows:

	2004	2003
	($000)	
Opening balance, beginning of year	**44,765**	45,136
Impairment losses	**(304)**	(376)
Acquisition	-	40
Disposal	-	(35)
Closing balance, end of year	**44,461**	44,765

All of the goodwill at October 31, 2004 and October 31, 2003 was related to the funeral segment.

8. MORTGAGES RECEIVABLE

Included in mortgages receivable was a $13.5 million mortgage established on the sale of land in 2003 as described in Note 20. This mortgage earns interest at 5% annually and is due in 2007. The fair value of mortgages receivable at October 31, 2004 was $14.0 million (2003 - $14.4 million).

9. OTHER ASSETS

	2004	2003
	($000)	
Other	**986**	915
Investment in associated corporation	**-**	4,758
	986	5,673

In 2004, the Company disposed of its equity interest in four funeral homes. See Note 20 for further detail.

10. CARE FUNDS

Funds collected and deposited with third-party trustees for the care and maintenance of cemeteries were $133.3 million (2003 - $124.4 million) at carrying value and $139.2 million (2003 - $129.6 million) at quoted market value. The Company has the right to the income from these funds, to the extent that it has incurred cost in the care and maintenance of cemetery properties, which is included in investment and other income. The capital portion of these funds is required to be held in trust to fund the cost of ongoing care and maintenance.

The care funds are invested in accordance with the Company's investment guidelines, which are established to comply with legislative requirements for such funds. The funds are generally invested in medium term government and corporate bonds, which are held to maturity and earn income at fixed rates of return.

11. LONG-TERM DEBT

	2004	2003
	($000)	
Bank term loans	**75,544**	81,120
Obligation under capital lease (maturity date October 2, 2008)	**1,927**	1,939
Notes payable	**-**	105
	77,471	83,164
Less: current portion	**2,485**	2,797
	74,986	80,367

At October 31, 2004, the weighted average interest rate on the bank term loans was 5.2% (2003 – 5.3%) and the interest rate on the capital lease was 6.5% (2003 – 6.5%). At October 31, 2003, the weighted average interest rate on the notes payable was 4.7%.

The Company's credit facilities consist of revolving operating facilities and revolving term loans, both subject to annual renewal in the amount of $14.0 million (2003 - $14.0 million) and $125.0 million (2003 - $125.0 million) respectively. The term loans are subject to floating interest rates based on Bankers' Acceptances.

The operating facility is due on demand. At October 31, 2004, there were $1.0 million in letters of credit recorded against the operating facility (2003 - $0.8 million).

The revolving term loans are automatically converted to term loans repayable in quarterly reductions equal to between 0.625% and 3.125% of the term loan on the conversion date, starting either three months or 15 months from the date of conversion, depending on the facility. The earliest date of conversion is assumed to be the date the facility expires, April 30th, 2005. The Company may request annual extensions to the conversion date. The maturity date for repayment of the remaining principal balance is on the third anniversary of the conversion date for one term loan and on the fifth anniversary for the second one.

Security for the credit facilities consists of a demand debenture constituting a first floating charge over all the Company's present and future book debts, inventory, property and assets as well as a general assignment of book debts.

Fixed rate debt, including interest rate swaps, represented 72% (2003 – 55%) of the total amount of long-term debt outstanding.

The fair value of the Company's bank term loans approximates the carrying value given their floating rate nature. The carrying value of the remainder of the long-term debt is $1.9 million (2003 - $2.0 million) and the estimated fair value is $1.5 million (2003 - $1.7 million).

The amount of principal payable over each of the next five years and thereafter is as follows:

	($000)
2005	2,485
2006	6,263
2007	8,393
2008	51,244
2009	2,835
Thereafter	6,251
	77,471

12. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are utilized by the Company in the management of its interest rate exposure on long-term debt. The Company does not enter into financial instruments for trading or speculative purposes. Interest rate swap agreements are used as part of the Company's program to manage the fixed and floating interest rate mix of the Company's total debt portfolio and related overall cost of borrowing. The interest rate swap agreements involve the periodic exchange of payments without the exchange of the notional principal amount upon which the payments are based and are recorded as an adjustment of interest expense on the related debt instrument. The related amount payable to or receivable from counter-parties is included as an adjustment to accrued interest.

As of October 31, 2004, the Company's use of interest rate swap agreements was limited to seven (2003 – five) interest rate swaps with a Canadian chartered bank, whereby the Company fixed a portion of its term loan financing at interest rates ranging from 4.6% to 6.2% plus a bank margin. At the end of the year, these swaps had a total notional amount of $53.8 million (2003 - $43.8 million). Two of the swaps amortize quarterly on a straight-line basis and will be fully amortized in 2008, while the remaining swaps expire in 2006, 2007, 2008 and 2014. Swap costs in 2004 were $1.6 million (2003 – $1.1 million).

The fair value of the interest rate swaps is estimated as the discounted unrealized gain or loss calculated based on the market price at October 31, 2004, which generally reflects the estimated amount that the Company would receive or pay to terminate the contracts at the balance sheet date. The estimated fair value of the interest rate swaps was a loss of $1.9 million (2003 – loss of $2.1 million). Losses due to non-performance by the counter-party are not anticipated due to their high credit standing.

Effective in fiscal 2004, the Company adopted Accounting Guideline 13 "Hedging Relationships" issued by the CICA in respect of hedging relationships. The Guideline increases the amount of documentation and monitoring of hedging strategies required for the application of hedge accounting. All of the Company's interest rate swaps are designated as cash flow hedges. At October 31, 2004, the critical terms of the swaps did not match the terms of the underlying floating rate debt. Therefore, the hypothetical derivative method was used to perform a quantitative, retrospective assessment of the effectiveness of the swaps. This methodology involved regression analysis of historical interest rates for the floating rate portion of the swaps and historical interest rates for the underlying debt. The result of the analysis was that the fair value of the cash flows from the interest rates of the swaps was highly effective at offsetting the variability in cash flows from the interest rates of the underlying debt. Therefore, hedge accounting was used to record the swaps and related activity for the year.

13. DEFERRED REVENUE

	2004	2003
	($000)	
Deferred pre-need cemetery sales	**292,754**	280,696
Deferred pre-need funeral sales	**297,823**	278,842
Deferred obtaining costs	**(54,346)**	(52,194)
Stored merchandise	**(10,785)**	(10,247)
	525,446	497,097

Stored merchandise represents merchandise purchased on behalf of customers under pre-need cemetery contracts and stored by the Company until the merchandise is delivered, and the related revenue is recognized. The merchandise is purchased when payment in full of the sales agreement is received.

14. SHARE CAPITAL

Authorized

Unlimited number of Preferred Shares
Unlimited number of Class A Voting Shares
Unlimited number of Class B Non-Voting Shares

Issued and outstanding

		2004	2003
		($000)	
2,525,497	Class A Shares	**1,734**	1,734
8,069,746	Class B Shares	**70,765**	70,765
10,595,243		**72,499**	72,499

The Class A and Class B shares have identical rights and privileges, except that the Class A shares are voting. In certain circumstances, if an offer is made by the Company or a third party to purchase Class A shares from each holder in Ontario, each Class B share is convertible into one Class A share. No shares were issued during 2004 or 2003.

There were no dilutive options outstanding and there were no options granted or exercised in either the current or prior period. Following is a summary of the share purchase options issued, outstanding and exercisable at October 31, 2004.

Number of Shares	Exercise Price	Expiry	Exercise Date
112,300	$19.25	June 2, 2005	exercisable currently
45,000	$29.36	January 29, 2007	exercisable currently
131,300	$23.50	December 17, 2007	exercisable currently

The weighted-average exercise price was $22.76 (2003 - $22.76) and the weighted-average remaining contractual life was 2.0 years (2003 – 3.0 years) for the issued, outstanding and exercisable share purchase options at October 31, 2004.

Under the provisions of the Company's 1994 stock option plan, directors, officers, full-time employees and part-time employees are eligible to receive options to purchase Class B Non-Voting shares. According to the plan, the option price cannot be lower than the closing price per share on the Toronto Stock Exchange on the last trading day immediately preceding the granting of the options. Options granted have a maximum term of 10 years and the Board of Directors determines vesting requirements at the time of the grant. The aggregate number of shares for which options may be granted cannot exceed 10% of the aggregate of the issued Class A Voting shares and the issued Class B Non-Voting shares outstanding from time to time. Initially, the 1994 stock option plan was authorized to issue 878,789 options and of that number, 691,000 options have been granted.

The Company will account for any new stock option grants using the fair value method. Under the fair value method, compensation expense for stock options that are direct awards of stock is measured at fair value at the grant date using an option-pricing model and recognized over the vesting period.

15. PRIOR PERIOD ADJUSTMENT – FUTURE INCOME TAXES

In 2001, the Company revised its revenue recognition policies and reflected the adoption on a retroactive basis, restating all prior periods presented and a cumulative adjustment to retained earnings. In 2004, the Company determined that the calculation of future income taxes in respect of certain elements of the 2001 restatement adjustment were incorrect. In calculating future income taxes, the Company had used deferred revenue for earned income from pre-need trust funds rather than using actual cash received. This resulted in an understatement of the future income tax liability and an overstatement of retained earnings by $3.7 million. As a result, opening retained earnings of 2003 and future income taxes have been restated. No adjustments were required to the 2003 or 2004 income statements.

16. INCOME TAXES

Income tax expense

Income tax expense for the years ended October 31 consisted of the following:

	2004	2003
	($000)	
Current tax expense	**8,462**	9,193
Future income tax expense relating to the origination and reversal of temporary differences	**623**	4,826
Future income tax expense (benefit) resulting from change in tax rate	**(107)**	133
Income tax expense	**8,978**	14,152

Effective income tax rate

The reconciliation of the Company's effective income tax rate is as follows:

	2004	2003
	%	%
Combined basic federal and provincial income tax rate	**34.6**	37.8
Increase (decrease) in the basic tax rate resulting from:		
Non-taxable settlement of prior years' income taxes	**(0.9)**	(2.0)
Non-taxable portion of capital gains	**(1.2)**	**-**
Large corporations tax [1]	-	1.1
Dividends/RDTOH	**(0.9)**	(0.8)
Other items	-	(0.3)
Effective income tax rate	**31.6**	35.8

[1] The effect of the large corporations tax in 2004 reflects a recovery of a 2003 over-provision of $0.3 million. Excluding this over-provision, the rate impact would have been 1.1%.

The significant components of future income taxes are net taxable temporary differences amounting to approximately $9.6 million (2003 – $7.7 million – restated as per note 15) arising from: pre-need cemetery and funeral trust income whereby certain provincial jurisdictions have permitted or currently permit the withdrawal of earned income prior to the delivery of the merchandise and services; reserves claimed for amounts received or to be received for the future delivery of certain cemetery merchandise; and the excess of share acquisition costs over book value.

Settlement of prior years' income taxes

In 2002, the Company reached a settlement with Canada Revenue Agency ("CRA") with respect to reserves claimed on the sale of interment rights for the fiscal years 1987 to 2000. Based on the initial notices of reassessment for the years 1987 to 1990, the Company had on deposit an estimate of the income tax and accumulated interest up to 2001, in the event that the Company was unsuccessful in defending its position. The settlement with CRA was expected to result in the Company receiving $11.3 million in 2003, which included $4.7 million of interest income ($7.8 million of interest income net of $3.1 million of interest expense).

During 2003, the Company recognized a further $2.4 million of net interest income due to the receipt of the actual notices of reassessment, and based on the CRA's estimate of $0.2 million from offsetting non-deductible interest expense with taxable refund interest effective January 1, 2000. At October 31, 2003, the Company had a receivable of $2.5 million, principally from the Ontario Ministry of Finance.

In 2004, the actual financial impact of the interest offset was determined to be $0.8 million, as compared to the estimate of $0.2 million and therefore $0.6 million was recognized in the year. In addition, the Company recorded $0.1 million as a result of various other adjustments. During the year, the Company collected in full its receivable balance from the CRA and the various provincial authorities related to the settlement.

17. DISCONTINUED OPERATIONS

In the fourth quarter of 2004, the assets of one funeral branch operation met the criteria for being classified as "held for sale" according to the provisions of CICA Handbook Section 3475 "Disposal of Long-Lived Assets and Discontinued Operations". Earlier in 2004, the Company identified that the expected discounted future cash flows from operating this branch were less than the cash that could be obtained from proceeds on disposal. As a result, the Company began an active program to dispose of this branch and anticipates completing the disposal by the end of fiscal 2005.

Revenue associated with this branch in 2004 was $0.4 million (2003 - $0.4 million) and net loss was $0.1 million (2003 – net loss of less than $0.1 million). Loss before income taxes in 2004 included a provision for impairment of long-lived assets of $0.3 million. The loss in value of the long-lived assets was calculated by comparing the estimated market value assessment to the net book value and resulted from continuing underperformance of the operation.

18. CONTRACTUAL COMMITMENTS

The Company is committed to the following minimum annual payments under operating leases over the next five years for premises and equipment:

	($000)
2005	1,834
2006	1,009
2007	419
2008	134
2009	106
	3,502

The Company is contractually committed to capital and cemetery burial space inventory expenditures of $8.7 million. The Company anticipates that all of these committed expenditures will be incurred in 2005. In addition, the Company is committed to $0.5 million for casket inventory in 2005.

19. NET CHANGE IN OTHER OPERATING BALANCE SHEET ITEMS

	2004	2003
	($000)	
Accounts receivable	**(520)**	(1,268)
Income taxes receivable	**2,512**	8,769
Merchandise inventories	**402**	(584)
Pre-need receivables	**(39,892)**	(39,938)
Accounts payable and accrued liabilities	**2,891**	3,038
Deferred revenue	**28,349**	31,762
Other liabilities	**135**	1,167
Other changes	**282**	428
	(5,841)	3,374

20. ACQUISITIONS, DISPOSITIONS AND ASSET IMPAIRMENT

Acquisitions

In 2003, the Company acquired a flower shop for cash consideration of $0.2 million and certain assets of a funeral home for cash consideration of $0.5 million.

Dispositions

In 2004, the Company sold its equity interest in four funeral homes for cash consideration of $6.2 million. The pre-tax gain on the sale was $1.3 million and the after-tax gain was $1.1 million. Also in 2004, the Company sold two parcels of excess cemetery land for cash consideration of $0.4 million and recognized an after-tax gain of $0.3 million and sold other assets for a pre-tax gain of $0.1 million.

In 2003, the Company completed the sale of approximately 97 acres of land in Markham, Ontario for proceeds of $20.0 million. The sale proceeds were comprised of cash consideration of $6.5 million and vendor financing of $13.5 million for four years at an interest rate of 5%. The pre-tax gain on the sale was $15.9 million and the after-tax gain was $10.1 million. Also in 2003, the Company sold the assets of its equity interest in one funeral operation in Port Colborne, Ontario, closed a funeral operation in Quebec and sold other assets for a pre-tax gain of $0.1 million.

Asset Impairment

In 2004, the Company recognized impairment of the goodwill of two funeral homes of $0.3 million and cemetery crypts and niches of $0.1 million. The loss in value of the goodwill of the two funeral homes resulted from the continued underperformance of the operations and increased competition in the marketplace.

In 2003, the Company early-adopted the new Impairment of Long-Lived Assets accounting standard and as a result identified impairment in certain cemetery assets of $0.8 million. The impairment loss was related to one cemetery operation and a portion of cemetery land held for future development at another cemetery. The loss in value of the cemetery operation was calculated using a discounted cash flow methodology and resulted from the continuing underperformance of the operation. An analysis of the cash flows of the cemetery land held for future development revealed that fair market value of the land was below carrying value. The Company also identified impairment in the carrying value of goodwill in three funeral home operations of $0.4 million and the carrying value of cemetery burial space inventory of $0.4 million for a total provision for asset impairment of $1.6 million.

21. CONTINGENCIES

Legal

In the course of its business, the Company from time to time becomes involved in various claims and legal proceedings. Litigation is subject to many uncertainties and the outcome of individual matters is not predictable. A provision for these claims has been recorded in the financial statements based on management's best estimate of the likely outcome. However, should claims be settled for amounts over and above established accruals, the excess expense will be charged to operations as incurred.

Insurance

The Company carries insurance with coverage and coverage limits that it believes to be adequate. Although there can be no assurance that such insurance is sufficient to protect the Company against all contingencies, management believes that its insurance protection is reasonable in view of the nature and scope of the Company's operations.

Environmental

The Company's operations are subject to numerous environmental laws, regulations and guidelines adopted by various governmental authorities in the jurisdictions in which the Company operates. On a continuing basis, the Company's business practices are designed to assess and evaluate environmental risk and, when necessary, conduct appropriate corrective measures. The Company has not included a provision or liability for future costs related to environmental risk.

22. GUARANTEES

The Company is contingently liable for the pre-need obligations of nine cemeteries that were sold in prior years in the event that the current operator fails to perform its obligations. The Company sold five of these cemeteries in fiscal 1999 and 2000. The Company's best estimate of its maximum potential exposure for these five cemeteries is $4.6 million, which represents the current cost to fulfill these obligations. In the event that the Company does become liable for these pre-need obligations, it will have access to associated trust funds, estimated at $2.6 million. The remaining four cemeteries were sold over 10 years ago and the Company is unable to quantify the maximum potential exposure. No claims have ever been submitted to the Company related to any of the pre-need obligations of previously sold cemeteries.

The Company's by-laws provide for indemnification of its officers and directors against litigious claims arising from their duties as officers and directors of the Company.

23. SUBSEQUENT EVENT

Subsequent to October 31, 2004, the Company completed the acquisition of the land and building of an existing funeral operation in Toronto, Ontario for $0.7 million.

24. SEGMENT DISCLOSURE

The Company has three reportable segments: cemetery, funeral and corporate. The cemetery segment sells interment rights and cemetery merchandise and services. The funeral segment sells funeral merchandise and services. The corporate segment's responsibilities include strategy development, human resource management, capital investment decisions, accounting and finance and performance monitoring of the cemetery and funeral operations.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates performance based on earnings from operations.

The Company's reportable segments are strategic business units that offer different products and services. The nature of these products and services overlap in some instances in the cemetery and funeral segments. However, these segments are managed separately and have different regulatory requirements.

All of the Company's revenues are derived in Canada and all of the Company's capital assets and goodwill are located in Canada.

Industry segments ($millions)

	Cemetery		*Funeral*		*Corporate*		*Consolidated*	
	2004	***2003***	***2004***	***2003***	***2004***	***2003***	***2004***	***2003***
Sales	**90.1**	82.6	**90.6**	84.0	**0.6**	0.6	**181.2**	167.2
Investment and other income	**9.0**	8.5	**4.4**	4.3	**0.8**	0.5	**14.1**	13.3
Revenue	**99.1**	91.1	**94.9**	88.3	**1.4**	1.1	**195.4**	180.5
Interest expense	**-**	-	**-**	-	**4.1**	4.9	**4.1**	4.9
Depreciation	**2.8**	2.6	**4.9**	4.2	**0.8**	0.9	**8.5**	7.7
Earnings (loss) from operations before other income (expenses)	**14.4**	13.1	**27.7**	25.8	**(11.7)**	(11.2)	**30.4**	27.7
Other income (expenses)	**0.4**	14.7	**1.1**	(0.3)	**0.7**	2.4	**2.2**	16.8
Earnings (loss) from operations	**14.7**	27.8	**28.8**	25.5	**(11.0)**	(8.8)	**32.5**	44.5
Identifiable assets	**336.4**	308.6	**438.9**	419.9	**27.1**	29.0	**802.3**	757.5
Capital expenditures	**5.9**	6.5	**12.5**	6.1	**1.5**	1.2	**19.9**	13.8
Developed land, crypt and niche additions	**7.9**	12.5	**-**	-	**-**	-	**7.9**	12.5
Cemetery land held for future development additions	**-**	0.1	**-**	-	**-**	-	**-**	0.1
Pre-need contracts written (1)	**66.6**	62.5	**44.3**	43.2	**-**	-	**110.9**	105.7

(1) Pre-need contracts written for 2003 were adjusted for contract amendments.

FIVE YEAR STATISTICAL REVIEW

Years ended October 31	**2004** (53 weeks)	**2003**[1] (52 weeks)	**2002**[1] (52 weeks) **($000)**	**2001**[1] (52 weeks)	**2000**[1] (52 weeks)
RESULTS					
Revenue [2]	**195,371**	180,509	174,676	168,510	160,009
Earnings from operations before other income (expenses) [2]	**30,350**	27,667	26,022	24,073	21,224
Other income (expenses) [2]	**2,174**	16,777	5,040	(1,059)	638
Earnings before income taxes [2]	**28,376**	39,555	26,622	17,343	15,606
Net earnings	**19,284**	25,368	13,769	10,837	6,746
Earnings ($ per share)					
Class A voting [3]	**1.82**	2.39	1.30	1.02	0.64
Class B non-voting [3]	**1.82**	2.39	1.30	1.02	0.64
FINANCIAL POSITION					
Pre-need receivables	**485,815**	445,923	406,523	376,930	341,513
Total assets [4]	**802,339**	757,494	706,270	66,685	633,879
Long-term debt	**77,471**	83,164	96,767	97,338	99,172
Shareholders' equity	**156,178**	137,636	113,010	102,128	92,033
Debt to equity ratio	**0.50:1**	0.60:1	0.86:1	0.95:1	1.08:1
MAJOR RESOURCES					
Cemeteries	**41**	41	41	40	40
Crematoria	**27**	27	27	27	27
Reception centres	**2**	1	1	1	1
Funeral homes	**87**	91	93	92	95
Care funds ($000)	**133,304**	124,379	116,311	106,379	99,451
Weighted average number of shares outstanding ($000)	**10,595**	10,595	10,595	10,595	10,594

(1) The figures for 2000 to 2003 have been presented after giving retroactive adjustment to future income taxes as explained in note 15 to the consolidated financial statements.

(2) For continuing operations only.

(3) Diluted earnings per share do not differ from basic earnings per share.

(4) Total assets were restated to conform with current year's presentation.

STOCK INFORMATION

The Company's shares have been listed on the Toronto Stock Exchange since 1973. Information concerning its shares follows:

Class of Shares	A (Voting)	B (Non-Voting)
Stock Symbol	ABO.A	ABO.NV.B
Cusip#	038916-10-2	038916-20-1
Market Price (at October 31):		
2004	**$17.95**	**$16.50**
2003	$14.50	$13.50
2002	$12.50	$12.50
2001	$12.00	$12.50
2000	$ 7.00	$ 5.55
1999	$12.00	$12.10

DIRECTORS

Daniel J. Scanlan, Chairman of Arbor Memorial Services Inc., Toronto, Ontario

Richard D. Innes, President and Chief Executive Officer of Arbor Memorial Services Inc., Toronto, Ontario

Joseph M. Scanlan, Vice-Chairman & Senior Vice-President, Sales of Arbor Memorial Services Inc., Toronto, Ontario

Paul F. Scanlan, Cemetery Sales Manager of Arbor Memorial Services Inc., Toronto, Ontario

Philip L. Wilson, Corporate Director, Toronto, Ontario

Roger A. Hall, Corporate Director, Oliver, British Columbia

John C. Clark(1), Corporate Director and President and Chief Executive Officer of J.C. Clark Limited, Toronto, Ontario

Robert E. Rose, Corporate Director and Partner, Clarke Henning LLP, Toronto, Ontario

Brian L. Zenkovich, Corporate Director and Chief Executive Officer and Secretary of Winzen Properties Inc., Toronto, Ontario

Kenneth T. Rosenberg, Corporate Director and Partner with Paliare Roland Rosenberg Rothstein LLP, Toronto, Ontario

(1) Not standing for re-election.

OFFICERS AND CORPORATE MANAGEMENT

Daniel J. Scanlan, Chairman
Richard D. Innes, President and Chief Executive Officer
Gary R. Carmichael, Vice-President, Government and Corporate Affairs and Chief Privacy Officer
Iain A. Robb, Corporate Secretary and Partner with Gowling Lafleur Henderson LLP, Toronto, Ontario
Gillian Mossington, Assistant Secretary

CEMETERY SENIOR MANAGEMENT
Joseph M. Scanlan, Vice-Chairman and Senior Vice-President, Sales
Gary D. Rogerson, Vice-President, Operations
Monica M. Flanagan, Director of Administrative Services

FUNERAL SERVICE SENIOR MANAGEMENT
John S. Earle, Senior Vice-President, Funeral Service
Jeffrey S. Scott, President, Trillium Funeral Service Corporation
John S. Doney, Corporate Development

MARKETING
Michael J. Scanlan, Vice-President, Marketing

HUMAN RESOURCES
Dana J. Dramnitzke, Director, Human Resources

CONSTRUCTION & DEVELOPMENT
Stephen J. Rupert, Vice-President, Construction and Development

FINANCE/TRUST ADMINISTRATION
Brian D. Snowdon, Vice-President and Chief Financial Officer
Laurel L. Ancheta, Director of Finance
Pamela F. Collie, Director of Trust Accounting

INFORMATION SERVICES
Mike Ayres, Vice-President, Information Services

CEMETERY SALES	Robert Lang, Director of Sales, Western Canada David Scanlan, Director of Sales, Ontario
Regional Management	Mark Agate, South Western Ontario Peter Bancroft, Atlantic Canada Gary Boyce, Western Canada Howard Hoidas, Quebec Leonard Marceau, South Eastern Ontario
CEMETERY OPERATIONS Regional Management	William E. Grady, Eastern Canada Kenneth Gurney, Niagara and Thunder Bay Rodger W. Halden, Western Ontario P. Bradley Hunter, Eastern Ontario James Risbey, Alberta and British Columbia Bruce Slack, Central Ontario Terry Bokshowan, Manitoba and Saskatchewan
CEMETERY ADMINISTRATION Regional Management	Barbara E. Weatherdon, Quebec, Eastern Ontario and Atlantic Mary A. Brandoline, Western Ontario Patricia R. Vieira, Toronto East Sylvie A. Furtado, Toronto West Kathleen S. Mackay, Saskatchewan, Manitoba and Thunder Bay Teresa M. Bastin, Edmonton Diane E. Vinje, Calgary and British Columbia
FUNERAL OPERATIONS Regional Management	Terry A. Eccles, South Western Ontario James M. Fletcher, Toronto, Ontario Douglas A. MacDonald, Atlantic Canada Denis Marcoux, Quebec and Acadia Jerry Roberts, Western Canada Jeffrey S. Scott, Central and Eastern Ontario Valerie Scott, Funeral Planning, Ontario
HEAD OFFICE	2 Jane Street, Toronto, Ontario M6S 4W8 Telephone: (416) 763-4531
WEB SITE	www.arbormemorial.com
AUDITORS	Deloitte & Touche LLP
PRINCIPAL BANKERS	TD Bank Financial Group Bank of Montreal
TRANSFER AGENT AND REGISTRAR	Computershare Investor Services Inc. Phone: 514-982-7555 or 1-800-564-6253 Fax: 416-263-9524 or 1-866-249-7775 service@computershare.com
PRINCIPAL TRUSTEES OF FUNDS	TD Canada Trust Company The Bank of Nova Scotia Trust Company
ANNUAL MEETING	The annual meeting of Arbor Memorial Services Inc. will be held in the Brulé Room, The Old Mill, 21 Old Mill Road, Toronto, Ontario, on Thursday, March 10, 2005 at 10:00 a.m. (Toronto time).