



GENESIS LAND DEVELOPMENT CORP.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

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MANAGEMENT'S REPORT

To the Shareholders of **Genesis Land Development Corp.:**

The consolidated financial statements and all information in the Management's Discussion and Analysis ("MD&A") are the responsibility of management. The consolidated financial statements have been prepared by management in accordance with the accounting policies in the notes to the consolidated financial statements. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality, and are in accordance with International Financial Reporting Standards ("IFRS") appropriate in the circumstances. The financial information in the MD&A has been reviewed by management to ensure consistency with the consolidated financial statements.

Management maintains appropriate systems of internal control. Policies and procedures are designed to give reasonable assurance that transactions are properly authorized, assets are safeguarded and financial records properly maintained to provide reliable information for the preparation of consolidated financial statements.

The consolidated financial statements have been further examined by the Board of Directors and by its Audit Committee, which meets regularly with the auditors and management to review the activities of each. The Audit Committee is composed of three independent directors, and reports to the Board of Directors.

MNP LLP, an independent firm of Chartered Professional Accountants, was engaged to audit the consolidated financial statements in accordance with Canadian generally accepted auditing standards and IFRS to provide an independent auditors' opinion.

/s/ Iain Stewart
President and Chief Executive Officer

/s/ Wayne King
Chief Financial Officer

March 1, 2021

Independent Auditor's Report

To the Shareholders of Genesis Land Development Corp.:

Opinion

We have audited the consolidated financial statements of Genesis Land Development Corp. and its subsidiaries (the "Corporation"), which comprise the consolidated balance sheets as at December 31, 2020 and December 31, 2019, and the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at December 31, 2020 and December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matter Description	Audit Response
<p><i>Real Estate Held for Development and Sale</i></p> <p>As at December 31, 2020, approximately 73% of the Corporation's assets or \$193.3 million are comprised of real estate held for development and sale (refer to Note 5). As described in Note 2e, real estate held for development and sale is measured at lower of cost or net realizable value.</p> <p>The determination of the net realizable value of real estate held for development and sale is considered to be a significant estimate. Each valuation requires consideration of various inputs including, but not limited to, the type of real estate, its location, stage of development and comparable market transactions. We therefore considered real estate held for development and sale to be a key audit matter.</p>	<p>We responded to this matter by performing audit procedures in relation to real estate held for development and sale. Our audit work in relation to this included, but was not restricted to, the following:</p> <ul style="list-style-type: none"> • We obtained the independent appraisals completed for the Corporation's real estate holdings. We verified that management had appropriately deducted future development costs and estimated selling costs from the appraised values to determine the net realizable value. We compared the carrying value to the estimated net realizable value. • We obtained reliance letters from the independent appraisers and confirmed their professional qualifications and their role as specialists. • We engaged our internal valuations group to review the independent appraisals to verify that the valuation methodologies used by the independent appraisers was generally accepted. • For real estate held for development and sale in which no appraisal was obtained, we assessed the carrying value based on recent sales made in the various phases. We performed a recalculation using the current year average sales price, multiplied by the number of lots remaining in each phase. We ensured expected future development costs and estimated selling costs were applied to the values in order to analyze the reasonability of net realizable value when compared to the carrying values in the general ledger.

	<ul style="list-style-type: none"> We assessed the appropriateness of the disclosures relating to the assumptions used in real estate held for development and sale in the notes to the consolidated financial statements.
<p>Provision for Future Development Costs</p> <p>As described in Notes 2n) and 12, the Corporation has obligations related to the completion of land under development and housing projects. The Corporation recognizes a liability for the future costs to be incurred.</p> <p>The liability recognized for future land development and housing project costs involves inputs which rely on significant judgment from management, as well as significant reliance on the estimates made by third party engineers and architects. As such, future development and housing project costs have a high degree of subjectivity. We therefore considered the provision for future development costs to be a key audit matter.</p>	<p>We responded to this matter by performing procedures in relation to the provision for future land development and housing project costs. Our audit work in relation to this included, but was not restricted to, the following:</p> <ul style="list-style-type: none"> We obtained copies of the estimated cost reports prepared by independent experts (engineers and architects) engaged by management. We obtained reliance letters from the independent appraisers and confirmed their professional qualifications and their role as specialists. For internally estimated future development costs, we had thorough discussions with managers in the land and home divisions of the Corporation to understand management's estimation process. We assessed the reasonableness of the internal estimates based on known historical and current information. We compared the prior year costs to complete ("CTC") balance to current year CTC by community and analyzed significant variances to ensure that the change in CTC from the prior year is reasonable. We also compared estimates in managements calculation to the reports obtained from independent engineer specialists. In addition, we recalculated the allocation of common land development costs to specific development phases and completed analytical procedures based on the percentage of lots sold to identify unexpected and unusual variances in the expected CTC balance. We performed a look back analysis by comparing the previous provision for future development cost estimates to subsequent actual costs incurred to gain comfort over management's process for determining estimates of future development costs. We assessed the appropriateness of the disclosures relating to the assumptions used in the provision for future land development costs in the notes to the consolidated financial statements.

Other Information

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

- Management's Discussion and Analysis.
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report.

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

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

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

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Stephen Bonnell.

Calgary, Alberta
March 1, 2021


Chartered Professional Accountants

GENESIS LAND DEVELOPMENT CORP.
CONSOLIDATED BALANCE SHEETS

(In thousands of Canadian dollars)

	Notes	December 31, 2020	December 31, 2019
Assets			
Real estate held for development and sale	5	193,309	222,269
Amounts receivable	6	11,006	6,131
Vendor-take-back mortgage receivable	7	2,719	20,558
Investments in land development entities	8	5,608	5,608
Other operating assets	9	14,750	15,251
Right-of-use assets	10	712	192
Deferred tax assets	11	8,088	8,867
Income tax recoverable		559	1,144
Cash and cash equivalents		29,743	16,248
Total assets		266,494	296,268
Liabilities			
Loans and credit facilities	13	21,470	51,546
Dividend payable	14d	6,280	-
Customer deposits		3,889	4,592
Accounts payable and accrued liabilities		14,092	7,900
Lease liabilities	10	790	233
Provision for future development costs	12	20,213	19,102
Total liabilities		66,734	83,373
Commitments and contingencies	19		
Subsequent events	13, 14d, 15a, 19a, 20, 24		
Equity			
Share capital	14	52,489	52,867
Contributed surplus	15c	868	603
Retained earnings		134,319	140,487
Shareholders' equity		187,676	193,957
Non-controlling interest	23	12,084	18,938
Total equity		199,760	212,895
Total liabilities and equity		266,494	296,268

See accompanying notes to the consolidated financial statements

ON BEHALF OF THE BOARD:

/s/ **Stephen J. Griggs**
 Director and Chair

/s/ **Steven Glover**
 Director and Chair of the Audit Committee

GENESIS LAND DEVELOPMENT CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the years ended December 31, 2020 and 2019
(In thousands of Canadian dollars except per share amounts)

		Year ended December 31,	
	Notes	2020	2019
Revenues			
Sales revenue		103,443	67,530
Other revenue		490	567
	22	103,933	68,097
Direct cost of sales		(76,581)	(45,877)
Write-down of real estate held for development and sale	5	(11,637)	(800)
		(88,218)	(46,677)
Gross margin		15,715	21,420
General and administrative	16	(10,408)	(11,220)
Selling and marketing	17	(4,463)	(4,234)
		(14,871)	(15,454)
Earnings from operations		844	5,966
Finance income		1,497	1,489
Finance expense	18	(2,593)	(1,605)
(Loss) earnings before income taxes		(252)	5,850
Income tax recovery (expense)	11	47	(2,815)
Net (loss) earnings being comprehensive (loss) earnings		(205)	3,035
Attributable to non-controlling interest	23	(404)	1,334
Attributable to equity shareholders		199	1,701
Net earnings per share - basic and diluted	14b	0.00	0.04

See accompanying notes to the consolidated financial statements

GENESIS LAND DEVELOPMENT CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2020 and 2019
(In thousands of Canadian dollars except number of shares)

		Equity attributable to Corporation's shareholders						
		Common shares - Issued		Contributed Surplus	Retained Earnings	Total Shareholders' Equity	Non-Controlling Interest	Total Equity
Notes	Number of Shares	Amount						
At December 31, 2018		42,183,621	52,898	259	138,813	191,970	17,799	209,769
Share-based payments	15c	-	-	344	-	344	-	344
Normal course issuer bid	14c	(23,694)	(31)	-	(27)	(58)	-	(58)
Distributions		-	-	-	-	-	(518)	(518)
Net earnings being comprehensive earnings and other		-	-	-	1,701	1,701	1,657	3,358
At December 31, 2019		42,159,927	52,867	603	140,487	193,957	18,938	212,895

At December 31, 2019		42,159,927	52,867	603	140,487	193,957	18,938	212,895
Share-based payments	15c	-	-	265	-	265	-	265
Normal course issuer bid	14c	(296,592)	(378)	-	(87)	(465)	-	(465)
Dividends declared	14d	-	-	-	(6,280)	(6,280)	-	(6,280)
Distributions	5, 23	-	-	-	-	-	(6,409)	(6,409)
Net earnings (loss) being comprehensive earnings (loss) and other		-	-	-	199	199	(445)	(246)
At December 31, 2020		41,863,335	52,489	868	134,319	187,676	12,084	199,760

See accompanying notes to the consolidated financial statements

GENESIS LAND DEVELOPMENT CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2020 and 2019
(In thousands of Canadian dollars)

		Year ended December 31,	
	Notes	2020	2019
Operating activities			
Receipts from residential lot sales		7,272	12,334
Receipts from development land sales		33,409	550
Receipts from residential home sales		75,255	60,543
Other cash (payments) / receipts		(421)	856
Paid for land development		(17,574)	(20,503)
Paid for lots / land acquisition		(4,246)	(5,101)
Paid for residential home construction		(34,311)	(25,082)
Paid to suppliers and employees		(14,309)	(14,405)
Interest received		1,497	1,489
Income tax refunds / (payments)		1,411	(1,144)
Cash flows from operating activities		47,983	9,537
Investing activities			
Acquisition of equipment		(815)	(242)
Change in restricted cash	9	(256)	(10,364)
Investments in land development entities	8	-	(5,608)
Cash flows used in investing activities		(1,071)	(16,214)
Financing activities			
Advances from loans and credit facilities		17,241	39,847
Repayments of loans and credit facilities		(40,539)	(31,295)
Payment on vendor-take-back mortgage payable	13b	(8,000)	(8,000)
Interest and fees paid on loans and credit facilities		(1,337)	(1,093)
Distributions to unit holders of limited partnerships	5	(317)	(518)
Repurchase and cancellation of shares under NCIB	14c	(465)	(58)
Cash flows used in financing activities		(33,417)	(1,117)
Change in cash and cash equivalents		13,495	(7,794)
Cash and cash equivalents, beginning of period		16,248	24,042
Cash and cash equivalents, end of period		29,743	16,248

See accompanying notes to the consolidated financial statements

GENESIS LAND DEVELOPMENT CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

(All tabular amounts and amounts in footnotes to tables are in thousands of Canadian dollars except number of shares)

1. DESCRIPTION OF BUSINESS

Genesis Land Development Corp. (the "Corporation" or "Genesis") was incorporated under the Business Corporation Act (Alberta) on December 2, 1997.

The Corporation is engaged in the acquisition, development and sale of land, residential lots and homes primarily in the greater Calgary area. The Corporation reports its activities as two business segments: land development and home building.

The Corporation is listed for trading on the Toronto Stock Exchange under the symbol "GDC". Genesis' head office and registered office are located at 6240, 333 - 96 Ave. NE, Calgary, AB T3K 0S3.

Despite limited impact in 2020, the Corporation remains cautious going forward as the extent and duration of the current economic conditions as a result of regulatory aspects of COVID-19 are unpredictable and unknown.

In response to COVID-19, the Corporation has been able to adapt its operations, capital investments and marketing approaches to address current conditions and had positive results from these activities in 2020. The Corporation is continuing to focus on managing cash, protecting the value of its assets and limiting financing risks while ensuring that all health and safety recommendations of regulatory authorities are being followed and, when feasible, exceeded.

The consolidated financial statements of Genesis were approved for issuance by the Board of Directors on March 1, 2021.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Corporation are set out below. These policies have been consistently applied to each of the years presented, unless otherwise indicated.

a) **Statement of compliance**

The consolidated financial statements of the Corporation are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

b) **Basis of presentation**

The consolidated financial statements have been prepared under the historical cost convention except for the financial assets classified as fair value through profit or loss and stock options and deferred share units that have been measured at fair value. The consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency, and all values are rounded to the nearest thousand, except per share values and where otherwise indicated.

GENESIS LAND DEVELOPMENT CORP.
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(All tabular amounts and amounts in footnotes to tables are in thousands of Canadian dollars except number of shares)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Basis of consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries, as well as the consolidated revenues, expenses, assets, liabilities and cash flows of limited partnership entities that the Corporation controls. When the Corporation has less than 50% equity ownership in these limited partnership entities, the Corporation may still have control over these entities' activities, projects, financial and operating policies due to contractual arrangements. Accordingly, the accounts of the limited partnerships have been consolidated in the Corporation's financial statements.

Controlled entities are fully consolidated from the date of acquisition, being the date on which the Corporation obtains control, and continues to be consolidated until the date when such control ceases. Control exists when the Corporation has the power, directly or indirectly, to govern the financial and operating policies of an entity. All intra-group transactions, balances, dividends and unrealized gains and losses resulting from intra-group transactions are eliminated on consolidation.

Non-controlling interests represent the portion of profit or loss and net assets not owned by the Corporation and are presented separately from shareholders' equity in the consolidated statements of comprehensive income (loss) and within equity in the consolidated balance sheets. Losses within a controlled entity are attributed to the non-controlling interest even if that results in a deficit balance.

d) Revenue recognition

(i) Residential lot sales

Lot sales to third parties are recognized when the Corporation's performance obligations are satisfied, and transfer of control has passed to the purchaser.

Performance obligations are considered satisfied when the Corporation has the ability to release the lot to the purchaser after agreed to services pertaining to the property have been substantially performed.

Indicators of transfer of control to a purchaser include a present right to payment at the closing date of the contract, the purchaser having full access to the lot and the purchaser's ability to obtain a building permit from the relevant authority, all indicating that significant risk and rewards of ownership have been transferred to the purchaser who has signed a contract and has made a minimum 15% non-refundable deposit. In order to mitigate credit risk, the Corporation does not transfer title to sold residential lots until full payment is received.

Deposits received upon signing of contracts for purchases of lots on which revenue recognition criteria have not been met are recorded as customer deposits.

(ii) Development land sales

Development land sales to third parties are recognized when the Corporation's performance obligations are satisfied, and transfer of control has passed to the purchaser.

Performance obligations are satisfied after agreed to services pertaining to the property have been substantially performed.

Indications of transfer of control to a purchaser include registering the subdivision plan with the land titles office and transferring title of the land to the purchaser on receipt of full payment, all indicating significant risk and rewards of ownership are transferred to the purchaser. In situations where extended payment terms are provided to a purchaser, an appropriate rate of interest is included, and the Corporation secures appropriate security for the remaining unpaid portion before title to the land is transferred to the purchaser.

Deposits received upon signing of contracts for purchases of land on which revenue recognition criteria have not been met are recorded as customer deposits.

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(All tabular amounts and amounts in footnotes to tables are in thousands of Canadian dollars except number of shares)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Residential home sales

Home sales to third parties are recognized when the Corporation's performance obligations are satisfied, and transfer of control has passed to the purchaser.

Performance obligations are considered satisfied when title to the completed home is conveyed to the purchaser, at which time all proceeds are received or collection is reasonably assured.

Deposits received from customers upon signing of contracts for purchases of completed homes for which revenue recognition criteria have not been met are recorded as customer deposits.

(iv) Finance income

Finance income is recognized as it accrues using the effective interest rate method.

(v) Other revenue

Rental income is recognized on a straight-line basis over the term of the rental agreement. Rental income is incidental to ownership of real estate and does not result in classification of real estate as investment property. All real estate is classified as inventory. Deposits forfeited are recognized as income.

e) Real estate held for development and sale

Land under development, land held for future development and housing projects under construction are inventory and are measured at the lower of cost and estimated net realizable value ("NRV"). NRV is the estimated selling price in the ordinary course of the business at the balance sheet date, less costs to complete and estimated selling costs.

Cost includes land acquisition costs, other direct costs of development and construction, borrowing costs, property taxes and legal costs. These costs are allocated to each phase of the project in proportion to saleable acreage.

f) Borrowing costs

Borrowing costs consist of interest and other costs incurred in connection with the borrowing of the funds. The acquisition or construction of real estate assets takes a substantial period of time to develop it for its intended use or sale. Borrowing costs attributable to real estate held for development and sale are recorded as part of the respective inventory carrying cost from the date of commencement of development work until the date of completion. All other borrowing costs are expensed in the period in which they are incurred. The recording of interest to inventory is suspended if the project's development is suspended for a prolonged period.

g) Property and equipment

Property and equipment is stated at cost, net of any accumulated depreciation and accumulated impairment losses. Depreciation is provided on all operating property and equipment based on the straight-line method over the estimated useful lives of the property and equipment. The useful lives of the properties are as follows:

- Vehicles and other equipment 5 years
- Office equipment and furniture 7 years
- Computer hardware and software 3 years
- Showhome furniture 3 years
- Leasehold improvements Lesser of useful life of the improvement or the lease term

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(All tabular amounts and amounts in footnotes to tables are in thousands of Canadian dollars except number of shares)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Income taxes

Income tax is recognized in the consolidated statements of comprehensive income (loss) except to the extent that it related to items recognized directly in equity, in which case it is recognized in equity.

Income taxes comprise the following:

(i) Current income tax

Current income tax assets and liabilities are measured at the amount expected to be paid to tax authorities, net of recoveries, using tax rates and laws that are enacted or substantively enacted as at the balance sheet date.

(ii) Deferred tax

Deferred tax is provided at the balance sheet date using the liability method on all temporary differences between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognized to the extent that it is probable that taxable income will be available, against which deductible temporary differences, carried forward tax credits or tax losses can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

The Corporation's consolidated financial statements include some entities that are limited partnerships (note 23) and are not subject to income taxes. The income or loss for Canadian tax purposes is attributable to the taxable income of the limited partners in accordance with the provisions of the Income Tax Act (Canada). The calculation of income tax expense reflects the exclusion of taxable income allocated to limited partners that form part of the non-controlling interest.

i) Cash and cash equivalents

Cash and cash equivalents consist of cash held with banks and short-term deposits of original maturity of three months or less.

j) Leases

The Corporation adopted IFRS 16, "Leases" as of January 1, 2019 and elected to use the modified retrospective approach in its adoption of IFRS 16. Prior to that, operating lease payments were recognized as an operating expense in the consolidated statements of comprehensive income (loss) on a straight-line basis over the lease term.

The modified retrospective method does not require restatement of prior period financial information as the Corporation may recognize the cumulative effect as an adjustment to opening retained earnings and applies the standard prospectively.

The Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee, or if the Corporation changes its assessment of whether it will exercise a purchase, extension or termination option.

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For the years ended December 31, 2020 and 2019

(All tabular amounts and amounts in footnotes to tables are in thousands of Canadian dollars except number of shares)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Corporation applied the following practical expedients:

- (i) The Corporation elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery with a lease term of 12 months or less and leases of low-value assets. The Corporation recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.
- (ii) The Corporation used hindsight in determining the lease term where the contract contained an option to extend or terminate the lease.

k) Financial assets

Financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The three primary measurement categories for financial assets are: amortized cost, fair value through profit and loss ("FVTPL"), and fair value through other comprehensive income ("FVOCI").

Financial assets measured at amortized cost are assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial instruments classified as amortized cost are initially measured at fair value plus directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest rate method, less impairment. The amortization and losses arising from impairment are recognized in the consolidated statements of comprehensive income (loss).

Financial assets at FVOCI are assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at FVTPL are assets that do not meet the criteria for amortized cost or FVOCI. Financial assets classified as FVTPL are carried on the balance sheet at fair value with changes in fair value recognized in the consolidated statements of comprehensive income. Transaction costs are expensed as incurred.

Financial assets are derecognized when the contractual rights to the cash flows from the asset expire, or the Corporation transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in transferred financial assets that is created or retained is recognized as a separate asset or liability.

Loss allowance for trade receivables is calculated using the expected lifetime credit loss model and recorded at the time of initial recognition. Title to land sold is typically transferred on receipt of full payment from the purchaser. In situations where extended payment terms are provided to a purchaser, the Corporation secures adequate security for the remaining unpaid portion before title to the land is transferred to the purchaser. The Corporation experiences no material impact of the loss allowance for trade receivables due to the above. The expected loss allowance using the lifetime credit loss approach, has no material impact on the consolidated financial statements.

The Corporation recognizes bad debt expense or recovery relating to amounts receivable on sold lots, net of the value of the related sold lots, on the termination of the relevant agreement, which are taken back into the Corporation's lot inventory. Bad debt expense or recovery is included in the Corporation's general and administrative expenses.

l) Financial liabilities

The classification of financial liabilities is determined by the Corporation at initial recognition. The classification categories are: amortized cost and FVTPL.

Financial liabilities classified as amortized cost are financial liabilities initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method. Interest expense is recognized in the consolidated statements of comprehensive income.

Financial liabilities measured at FVTPL are financial liabilities measured at fair value with changes in fair value and interest expense recognized in the consolidated statements of comprehensive income.

Financial liabilities are derecognized when the contractual obligations are discharged, cancelled or expire.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and financial liabilities are offset, and the net amount presented on the balance sheet when, and only when, the Corporation has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Corporation's financial instruments (assets and liabilities) are classified as follows:

• Cash	FVTPL
• Cash equivalents	Amortized cost
• Deposits	Amortized cost
• Equity investments in land development entities	FVTPL
• Restricted cash	FVTPL
• Amounts receivable	Amortized cost
• Vendor-take-back mortgage receivable	Amortized cost
• Accounts payable and accrued liabilities	Amortized cost
• Loans and credit facilities	Amortized cost

m) Earnings per share

The amount of basic earnings per share is calculated by dividing the comprehensive earnings attributable to equity holders by the weighted average number of shares outstanding during the period. The diluted earnings per share amount is calculated giving effect to the potential dilution that would occur if stock options were exercised. The treasury stock method is used to determine the dilutive effect of stock options.

n) Provision for future development costs

The Corporation sells land, lots and homes for which it is responsible to pay for future development costs. For land development, the provision for future development costs represents the estimated remaining construction costs related to previously sold land, including all direct and indirect costs expected to be incurred during the remainder of the servicing period, net of expected recoveries. The provision is reviewed periodically and, when the estimate is known to be different from the actual costs incurred or expected to be incurred, an adjustment is made to the provision for future development costs and a corresponding adjustment is made to land under development and/or cost of sales. For home building, the provision for future development costs represents the costs likely to be incurred on remaining seasonal work and estimated warranty charges over the one-year warranty period.

o) Share-based compensation

The Corporation has a long-term incentive plan comprised of a stock option plan and a deferred share unit ("DSU") plan.

(i) Stock options

The Corporation's stock option plan allows for the recipients to purchase common shares. Vesting provisions and exercise prices are set at the time of issuance by the Board of Directors. Options vest over a number of years on various anniversary dates from the date of the original grant. Options are issued with exercise prices not less than the fair market value of the common shares at the date of grant and with terms not exceeding ten years from the date of grant.

The fair value of share-based payments related to the stock options granted is calculated at the grant date using the Black-Scholes Option-Pricing Model. The costs of the share-based payments are recognized on a proportionate basis over the related vesting period of each tranche of the grant as an expense with recognition of the corresponding increase in contributed surplus. Any consideration paid on the exercise of stock options, together with any related contributed surplus, is credited to the share capital account.

Share-based payments may be settled in cash or equity at the sole discretion of the Corporation and are accounted for as equity-settled plans.

The dilutive effect of outstanding options is reflected in the computation of earnings per share.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Deferred share unit plan

DSUs are notional common shares of the Corporation that do not settle until the recipient leaves the Corporation. The Corporation's DSU plan allows for the participants to receive cash-settled DSUs. The fair value of DSUs and the cash payment, when made, is based on the common share price of the Corporation at the relevant time. Vesting provisions for DSUs are determined at the time of issuance.

The fair value of the DSUs is recognized as share-based compensation expense, with a corresponding increase in accrued liabilities over the vesting period. The amount recognized as an expense is based on the estimate of the number of DSUs expected to vest. DSUs are measured at their fair value at each reporting period on a mark-to-market basis. The accrued liability is reduced on the cash payout of any DSU.

p) Significant accounting judgments and estimates

The preparation of consolidated financial statements requires management to make judgments and estimates that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. On an ongoing basis, management evaluates its judgments and estimates in relation to revenues, expenses, assets and liabilities. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions.

The following are the most significant accounting judgments and estimates made by the Corporation in applying accounting policies:

Judgments

(i) Revenue recognition

Revenue recognition for development lands requires judgment to determine when performance obligations are satisfied and transfer of control has passed to the purchaser. The Corporation reviews each contract and evaluates all the factors to determine the appropriate date to recognize revenue.

(ii) Consolidation

The Corporation applies judgment in determining control over certain limited partnerships based on a review of all contractual agreements to determine if the Corporation has control over the activities, projects, financial and operating policies of the limited partnerships.

(iii) Income taxes

The Corporation applies judgment in determining the total provision for current and deferred taxes. There are many transactions and calculations for which the ultimate tax determination and timing of payment is uncertain due to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the long-term nature and complexity of the business, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to the provision for current and deferred taxes.

(iv) Net realizable value ("NRV")

NRV for land and housing projects held for development and sale is estimated with reference to market prices and conditions existing at the balance sheet date. This is determined by the Corporation having considered suitable external advice including independent real estate appraisers and recent market transactions of similar and adjacent lands and housing projects in the same geographic area.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Legal contingencies

The Corporation applies judgment as it relates to the outcome of legal proceedings to determine whether a provision and disclosure in the consolidated financial statements is required. Among the factors considered in making such judgments are the nature of litigation, claim or assessment, the legal process and potential level of damages, the progress of the case, the opinions or views of legal advisers and any decision of the Corporation's management as to how it will respond to the litigation, claim or assessment.

Estimates

(i) Provision for future development costs

Changes in estimated future development costs, which are generally provided by third party service providers, directly impact the amount recorded for the future development liability, cost of sales, gross margin and, in some cases, the value of real estate under development and held for sale. This liability is subject to uncertainty due to the long time frames involved, specifically in land development.

(ii) Impairment of real estate held for development and sale

The Corporation estimates the NRV of real estate held for development and sale and investments in land development entities at least annually for impairment or whenever events or changes in circumstances indicate the carrying value may exceed NRV. The estimate is based on valuations conducted by independent real estate appraisers and other third-party advisors and is also based on housing projects in the same geographic area.

(iii) Valuation of amounts receivable and vendor-take-back mortgage receivable

Amounts receivable are reviewed on a regular basis to estimate recoverability of balances. Any amounts becoming overdue and any known issues about the financial condition of debtors are taken into account when estimating recoverability.

(iv) Share-based compensation

The fair values of equity-settled share-based payments are estimated using the Black-Scholes options pricing model. These estimates are based on the Corporation's share price and on several assumptions, including the risk-free interest rate, the future forfeiture rate, time to expiry, and the expected volatility of the Corporation's share price. Accordingly, these estimates are subject to measurement uncertainty.

(v) Investments in land development entities

The fair value of investments in land development entities are based on the market approach method. This method uses prices and other relevant information that have been generated by market transactions involving identical or comparable assets.

3. STANDARDS AND AMENDMENTS TO EXISTING STANDARDS DURING 2020

The Corporation adopted no new IFRSs and interpretations during 2020.

4. NEW ACCOUNTING PRONOUNCEMENTS

There were no new accounting pronouncements or amendments to existing standards that impacted or are expected to impact the Corporation in 2020 and 2021.

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5. REAL ESTATE HELD FOR DEVELOPMENT AND SALE

	Lots, Multi-family & Commercial Parcels	Land Held for Development	Home Building	Total	Limited Partnerships	Intra-segment Elimination	Consolidated Total
Gross book value							
As at December 31, 2019	70,776	134,631	21,365	226,772	13,605	(4,194)	236,183
Development activities	5,679	11,739	30,873	48,291	289	-	48,580
Transfer	2,330	(2,330)	-	-	-	-	-
Sold	(30,086)	(2,228)	(35,500)	(67,814)	(1,899)	-	(69,713)
As at December 31, 2020	48,699	141,812	16,738	207,249	11,995	(4,194)	215,050
Provision for write-downs							
As at December 31, 2019	1,639	8,825	-	10,464	3,450	-	13,914
Sold	-	(1,982)	(267)	(2,249)	(1,561)	-	(3,810)
Transfer	(1,639)	1,639	-	-	-	-	-
Write-down of real estate held for development and sale	5,169	5,653	815	11,637	-	-	11,637
As at December 31, 2020	5,169	14,135	548	19,852	1,889	-	21,741
Net book value							
As at December 31, 2019	69,137	125,806	21,365	216,308	10,155	(4,194)	222,269
As at December 31, 2020	43,530	127,677	16,190	187,397	10,106	(4,194)	193,309

During the year ended December 31, 2020, no interest (2019 - \$158) was capitalized as a component of development activities.

During the year ended December 31, 2020, the Corporation closed the sales of five development land parcels for \$16,628 (2019 - \$550). This included the sale of a 320-acre parcel of development land, located in British Columbia, belonging to a limited partnership for \$320. The limited partnership made a distribution of \$317 to its unit holders from the proceeds of this sale.

The sale of another parcel for \$8,987 was structured as a cash payment of \$3,768 on closing with the remainder being in the form of a \$5,219 vendor-take-back mortgage receivable at an interest rate of 5% per annum. The vendor-take-back mortgage is repayable in three installments. Two installments of \$1,250 each, were paid on March 31, 2020 and June 30, 2020 and the last installment of \$2,719 is due on December 15, 2021.

During the year ended December 31, 2020, the Corporation recorded a net write-down of \$10,822 (2019 - \$800) on three parcels of land inventory and a parcel of land held for development. The write-down was taken based on third-party assessment and offers received to reflect the estimated returns realizable on completion of development and sale of these lands. The Corporation also recorded a write-down of \$815 (2019 - \$Nil) relating to a townhouse project. The write-down was taken to reflect the estimated returns realizable on the sale of completed townhouse units and on the completion of construction and sale of units that are partially constructed.

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6. AMOUNTS RECEIVABLE

	2020	2019
Agreements receivable	10,466	5,515
Other receivables	540	616
	11,006	6,131

Agreements receivable for lot sales have various terms of repayment with purchasers generally having between 6 and 24 months to pay the balance owing for the purchased lots. On receipt of a minimum 15% non-refundable deposit the purchaser is deemed to have control over the lot and is permitted to start construction. In order to mitigate credit risk, the Corporation does not transfer title to sold residential lots until full payment is received. Certain agreements receivable and mortgages receivable, if any, are interest bearing.

7. VENDOR-TAKE-BACK MORTGAGE RECEIVABLE

	2020	2019
Vendor-take-back mortgage receivable – purchased from a limited partnership ⁽¹⁾	-	20,558
Vendor-take-back mortgage receivable – granted on sale of a parcel of land	2,719	-
	2,719	20,558

⁽¹⁾ Includes accrued interest

Limited Partnership Land Pool (“LPLP 2007”), a limited partnership controlled by the Corporation closed the sale of a 319-acre parcel of land on December 15, 2017 for gross proceeds of \$41,000. LPLP 2007 received \$20,500 in cash and a \$20,500 three-year vendor-take-back first mortgage bearing interest at 6.5% per annum. Interest on the vendor-take-back mortgage receivable is payable annually, in arrears. On October 17, 2019, the Corporation completed a transaction with LPLP 2007, whereby the Corporation acquired the third-party, secured vendor-take-back mortgage receivable held by LPLP 2007 for \$22,020. The vendor-take-back mortgage receivable was due by December 15, 2020. The Corporation received the principal amount of \$20,500 along with the interest of \$1,292 (2019 - \$1,333) in December 2020.

During 2020, the Corporation closed the sale of an 8.17-acre parcel of development land in northwest Calgary for \$8,987 in consideration for a cash payment of \$3,768 and a \$5,219 vendor-take-back mortgage with an interest rate of 5% per annum. The vendor-take-back mortgage is repayable in three installments of which two installments of \$1,250 each were paid on March 31, 2020 and June 30, 2020. The last installment of \$2,719 is due on December 15, 2021. The interest of \$127 was received during 2020 (2019 - \$Nil).

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8. INVESTMENTS IN LAND DEVELOPMENT ENTITIES

	2020	2019
Investment in land development limited partnership – 5% interest	1,850	1,850
Investment in land development joint venture – 8% interest	3,758	3,758
	5,608	5,608

9. OTHER OPERATING ASSETS

	2020	2019
Deposits	5,960	2,357
Prepayments	480	370
Restricted cash	7,351	12,077
Property and equipment	959	447
	14,750	15,251

Deposits include amounts paid to development authorities as security to guarantee the completion of construction projects under development. The deposits are refundable upon completion of the related projects and earn interest at rates approximating those earned on guaranteed investment certificates. The Corporation has also provided letters of credit and surety bonds as security to guarantee the completion of certain construction projects (see note 19b for additional information). Deposits also include amounts paid towards purchase of lots and land. Restricted cash includes \$4,009 which is part of \$10,360 that was previously paid to LPLP 2007 by the Corporation and has been placed in trust pending distribution to its unit holders (refer to note 23 for additional information).

10. LEASES

ROU Assets	Photocopiers	Office Building	Trucks	Total
As at January 1, 2020	78	79	35	192
Additions	-	708	-	708
Depreciation charge for the year ⁽¹⁾	(18)	(157)	(13)	(188)
As at December 31, 2020	60	630	22	712
As at December 31, 2019	78	79	35	192

Lease Liabilities	Photocopiers	Office Building	Trucks	Total
As at January 1, 2020	79	118	36	233
Additions	-	708	-	708
Lease payments	(20)	(144)	(14)	(178)
Interest for the year ⁽¹⁾	3	23	1	27
As at December 31, 2020	62	705	23	790
As at December 31, 2019	79	118	36	233

⁽¹⁾ Depreciation rate used ranged between 4.76% and 4.84%.

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10. LEASES (continued)

Lease liabilities – undiscounted cash flows	Photocopiers	Office Building	Trucks	Total
January 1, 2021 to December 31, 2021	20	40	14	74
January 1, 2022 to February 27, 2027	47	804	10	861
As at December 31, 2020	67	844	24	935
As at December 31, 2019	87	121	38	246
Amounts recognized in statements of comprehensive income	Photocopiers	Office Building	Trucks	Total
Interest on lease liabilities	3	23	1	27
Total for the year ended December 31, 2020	3	23	1	27
Total for the year ended December 31, 2019	3	7	2	12
Amounts recognized in the statement of cash flows ⁽²⁾	Photocopiers	Office Building	Trucks	Total
Interest paid	3	23	1	27
Payment of lease liabilities	17	121	13	151
Total for the year ended December 31, 2020	20	144	14	178
Total for the year ended December 31, 2019	14	73	14	101

⁽²⁾ These amounts are included in the line item Paid to suppliers and employees in the consolidated statements of cash flows

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11. INCOME TAXES

- a) On June 28, 2019, legislation was enacted to decrease the Alberta corporate income tax rate from 12% to 8% with a 1% reduction effective July 1, 2019 and further 1% reductions on each of January 1, 2020, 2021 and 2022. Subsequently, on October 20, 2020 legislation was enacted to decrease the Alberta corporate income tax rate from 10% to 8% effective July 1, 2020. Income tax was recognized in the consolidated statements of comprehensive income (loss) as follows:

	2020	2019
Current income tax (recovery) expense	(826)	2,283
Deferred income tax expense	779	532
Income tax (recovery) expense	(47)	2,815

- b) Income tax expense differed from that which would be expected from applying the combined statutory Canadian federal and provincial income tax rates of 24.00% (2019 - 26.50%) to earnings before income taxes. The difference resulted from the following:

	2020	2019
(Loss) earnings before income taxes	(252)	5,850
Statutory tax rate	24.00%	26.50%
Expected income tax (recovery) expense	(60)	1,550
Change in tax rate impact on future tax	201	1,359
Share-based compensation	172	113
Other	(457)	147
Non-controlling interest	97	(354)
Tax (recovery) expense for the year	(47)	2,815

- c) The deferred tax assets (liabilities) of the Corporation were as follows:

	2020	2019
Deferred tax assets	8,911	9,275
Deferred tax liabilities	(823)	(408)
Net deferred tax assets	8,088	8,867

- d) The components of the net deferred tax asset were as follows:

	2020	2019
Real estate held for development and sale	5,417	5,677
Reserves from land sales	(555)	(209)
Unamortized financing costs	2,740	2,862
Other temporary differences	486	537
Net deferred tax assets	8,088	8,867

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12. PROVISION FOR FUTURE DEVELOPMENT COSTS

The movement in the provision for future development costs is as follows:

	Land Development	Home Building	Total
Opening Balance, January 1, 2020	17,828	1,274	19,102
Additions	7,729	7,008	14,737
Changes to estimates	(554)	(306)	(860)
Development activities	(6,266)	(6,500)	(12,766)
Closing Balance, December 31, 2020	18,737	1,476	20,213

	Land Development	Home Building	Total
Opening Balance, January 1, 2019	20,033	868	20,901
Additions	3,613	4,410	8,023
Changes to estimates	(224)	(247)	(471)
Development activities	(5,594)	(3,757)	(9,351)
Closing Balance, December 31, 2019	17,828	1,274	19,102

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13. LOANS AND CREDIT FACILITIES

	2020	2019
Secured by agreements receivable and real estate held for development and sale		
(a) Demand land project servicing loans from major Canadian chartered banks, payable on collection of agreements receivable, bearing interest at prime +0.75% per annum, secured by real estate held for development and sale with a carrying value of \$8,049. Three loans were closed in December 2020 and the loan agreement for a remaining loan, with \$Nil drawn on it, expires on February 28, 2021.	-	4,145
Secured by real estate held for development and sale		
(b) Vendor-take-back mortgage payable ("VTB") at 0% per annum measured at amortized cost and whose fair value is based on discounted future cash flows, using an 8% discount rate. The final installment of \$8,000 was paid in January 2020.	-	8,000
(c) The VTB bearing interest at 5% per annum was entered into on September 13, 2019 in partial payment for the purchase of approximately 130 acres of future residential development land in north Calgary. The VTB is secured by these lands which have a carrying value of \$27,954. The VTB is to be repaid in two installments of approximately \$9,312 each in May 2021 and 2022.	18,624	18,634
(d) A loan facility for \$15,375 bearing interest at 6.50% per annum, due on December 15, 2020 and is secured by a \$20,500 VTB. The loan was fully repaid on December 4, 2020.	-	14,470
(e) Demand operating line of credit up to \$10,000 from a major Canadian chartered bank bearing interest at prime +1.00% per annum. The loan was closed in December 2020.	-	-
Secured by housing projects under development		
(f) Demand operating line of credit up to \$6,500 from a major Canadian chartered bank, bearing interest at prime +0.75% per annum, secured by a general security agreement over assets of the home building division.	1,662	2,261
(g) Demand project specific townhouse construction loans from a major Canadian chartered bank, both renewed in March 2020, payable on collection of sale and closing proceeds, bearing interest at prime +0.90% per annum, secured by the project with a carrying value of \$5,500. One loan is due on August 28, 2021 and the other is due on September 28, 2021.	1,185	4,370
	21,471	51,880
Deferred fees on loans and credit facilities	(1)	(334)
	21,470	51,546

Subsequent to December 31, 2020, the Corporation arranged a \$50,000 three-year fixed term secured corporate revolving line of credit with MCAP Financial Corporation at an interest rate per annum equal to the higher of prime +1.90% or 4.35%. This is secured by specific dedicated lands and a general corporate charge on all assets of the Corporation.

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13. LOANS AND CREDIT FACILITIES (continued)

A lender has a general security agreement on all property of the Corporation and its subsidiaries, in addition to specific security mentioned above.

The weighted average interest rate of loan agreements with financial institutions was 3.26% (December 31, 2019 - 5.76%) based on December 31, 2020 balances.

During the year ended December 31, 2020, the Corporation received advances of \$17,241 (2019 - \$39,847) relating to various loan facilities. These are secured by agreements receivable, real estate held for development and sale, housing projects under development and a \$20,500 VTB mortgage receivable. These loan facilities bear interest ranging from prime +0.75% to prime +0.90% per annum, with due dates ranging from February 28, 2021 to September 28, 2021.

The VTB at 0% per annum was measured at amortized cost and its fair value was based on discounted future cash flows using an 8% discount rate, resulting in interest expense of \$Nil (2019 - \$613) for the year ended December 31, 2020.

The Corporation and its subsidiaries have various covenants in place with their lenders with respect to credit facilities including credit usage restrictions; cancellation, prepayment, confidentiality and cross default clauses; sales coverage requirements; conditions precedent for funding; and other terms such as, but not limited to, maintaining contracted lot prices, restrictions on encumbrances, liens and charges, material changes to project plans, and material changes in the Corporation's ownership structure. As at December 31, 2020 and 2019, the Corporation and its subsidiaries were in compliance with all loan covenants.

Based on the contractual terms, the Corporation's loans and credit facilities are to be repaid within the following time periods (excluding deferred fees on loans and credit facilities):

January 1, 2021 to December 31, 2021	12,159
January 1, 2022 to December 31, 2022	9,312
	21,471

14. SHARE CAPITAL

a) Authorized

Unlimited number of common shares without par value.

Unlimited number of preferred shares without par value, none issued.

b) Weighted average number of shares

The following table sets forth the weighted average number of common shares outstanding for the year ended December 31, 2020 and 2019:

	Year ended December 31,	
	2020	2019
Basic	42,081,235	42,181,015
Effect of dilutive securities - stock options	-	-
Diluted	42,081,235	42,181,015

All 2,535,000 options outstanding at the year ended December 31, 2020 (2019 - 2,535,000) were excluded in calculating diluted earnings per share as their weighted average exercise price was higher than the average market price of the Corporation's shares during the period.

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14. SHARE CAPITAL (continued)

c) Normal course issuer bid ("NCIB")

The Corporation renewed its NCIB on October 7, 2020. The renewed NCIB commenced on October 13, 2020 and will terminate on the earlier of: (i) October 12, 2021; and (ii) the date on which the maximum number of common shares are purchased pursuant to the bid. The Corporation may purchase for cancellation up to 2,098,885 common shares under the renewed NCIB.

The prior NCIB, which expired on October 9, 2020, allowed the Corporation to purchase for cancellation up to 2,109,016 common shares.

The following table sets forth the number of common shares repurchased and cancelled during the year ended December 31, 2020 and 2019 under the NCIB(s).

	Year ended December 31,	
	2020	2019
Number of shares repurchased and cancelled	296,592	23,694
Reduction in share capital	378	31
Change in retained earnings	87	27
Reduction in shareholders' equity	465	58
Average purchase price per share	1.58	2.41

d) Dividends

Cash dividends of \$6,280 (\$0.15 per share) were declared on December 9, 2020 and paid to shareholders on January 11, 2021. No dividends were declared or paid in 2019.

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15. SHARE-BASED COMPENSATION

a) Stock Option Plan

Share-based payments may be settled in cash or equity at the sole discretion of the Corporation and are accounted for as equity-settled plans. Stock options have a 7-year term and vest 25% on each of the first, second, third and fourth anniversary dates of the grant.

Details of stock options are as follows:

	Year ended December 31,			
	2020		2019	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding - beginning of year	2,535,000	\$3.31	2,025,000	\$3.36
Options forfeited	-	-	(270,000)	\$3.12
Options issued	-	-	780,000	\$3.11
Outstanding - end of year	2,535,000	\$3.31	2,535,000	\$3.31
Exercisable - end of year	1,072,500	\$3.34	438,750	\$3.40

Range of Exercise Prices (\$)	Outstanding		Exercisable		Weighted Average Remaining Contractual Life in Years
	Number at December 31, 2020	Weighted Average Exercise Price	Number at December 31, 2020	Weighted Average Exercise Price	
3.11 - 3.48	2,535,000	\$3.31	1,072,500	\$3.34	4.85

The following assumptions were used in estimating the fair value of options granted using the Black-Scholes Option-Pricing Model:

	2020	2019
Risk-free interest rate	-	1.50 - 1.59%
Estimated term/period prior to exercise (years)	-	5.50
Volatility in the price of the Corporation's common shares	-	28.8 - 29.1%
Forfeiture rate	-	0.00%
Dividend yield rate	-	0.00%

Subsequent to December 31, 2020, 1,680,000 stock options with a weighted average exercise price of \$3.31 were cancelled.

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15. SHARE-BASED COMPENSATION (continued)

b) Deferred Share Unit Plan (“DSU”)

The Corporation’s cash settled DSU plan provides DSUs to be issued to directors and designated employees. DSUs vest 25% on each of the first, second, third and fourth anniversary of the issue date and shall not be redeemed except upon the occurrence of the earlier of any one of the following: the death of a participant; the retirement of a participant; or in the case of an employee, the termination of a participant. Details of the DSUs are as follows:

	Year ended December 31,	
	2020	2019
	Cash settled	Cash settled
Outstanding - beginning of year	70,941	-
DSUs granted	283,317	70,941
Outstanding - end of year	354,258	70,941
Vested - end of year	92,068	-

The outstanding liability related to cash settled DSUs as at December 31, 2020 was \$537 (2019 - \$84) and is recorded in accounts payable and accrued liabilities. DSUs are measured at fair value at each reporting period on a mark-to-market basis.

c) Share-based compensation expense

Share-based compensation was recorded and included as a part of general and administrative expense and is comprised of the following:

	Years ended December 31,	
	2020	2019
Stock options	265	344
Deferred share units - cash settled grants	453	84
Total share-based compensation expense	718	428

16. GENERAL AND ADMINISTRATIVE

The general and administrative expense of the Corporation consisted of the following:

	Years ended December 31,	
	2020	2019
Compensation and benefits	6,855	6,761
Share-based compensation	718	428
Corporate administration	1,775	2,754
Professional services	1,060	1,277
	10,408	11,220

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16. GENERAL AND ADMINISTRATIVE (continued)

Compensation and benefits of the directors and key management personnel, included in the general and administrative expenses above, were as follows:

	Years ended December 31,	
	2020	2019
Salaries, wages and benefits	1,951	1,904
Share-based compensation	718	428
	2,669	2,332

17. SELLING AND MARKETING

Selling and marketing expenses of the Corporation consisted of the following:

	Years ended December 31,	
	2020	2019
Advertising and marketing	2,786	2,970
Sales commissions	1,677	1,264
	4,463	4,234

18. FINANCE EXPENSE

Finance expense of the Corporation consisted of the following:

	Years ended December 31,	
	2020	2019
Interest incurred	1,329	722
Finance expense relating to VTBs (note 13)	931	855
Financing fees amortized	333	186
Interest and financing fees capitalized (note 5)	-	(158)
	2,593	1,605

19. COMMITMENTS AND CONTINGENCIES

- a) In 2012, the Corporation entered into a memorandum of understanding with the Northeast Community Society to contribute \$5,000 over 10 years for 15-year naming rights to "Genesis Centre for Community Wellness", a recreation complex in northeast Calgary (\$500 each year, terminating in 2021). The first nine installments totaling \$4,500 have been paid. The tenth and final payment was made in January 2021.
- b) The Corporation has issued letters of credit and surety bonds pursuant to servicing agreements with municipalities to indemnify them in the event that the Corporation does not perform its contractual obligations. As at December 31, 2020, these amounted to \$3,666 (December 31, 2019 - \$4,795).
- c) The Corporation is committed to pay levies and municipal fees relating to signed municipal agreements on commencement of development of certain real estate assets with the following payments:

January 1, 2021 to December 31, 2021	6,415
January 1, 2022 to December 31, 2022	1,433
January 1, 2023 to December 31, 2023	1,910
	9,758

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19. COMMITMENTS AND CONTINGENCIES (continued)

- d) The Corporation is a co-defendant in a statement of claim initiated by limited partners of LPLP 2007 and its affiliated RRSP limited partnerships. The statement of claim is brought as a class action but has not yet been certified as such and is seeking damages of at least \$16,585. Any potential liability to the Corporation and/or the Partnership is indeterminate, and no provision has been made. The Corporation's view is that this action is without merit and is actively contesting it. The Corporation and the limited partners have each applied for summary judgement and the Corporation is contesting the certification of this matter as a class proceeding.

20. SETTLEMENT OF LITIGATION

A settlement has been reached on a statement of claim filed in 2016 by two former employees against the Corporation and a director. The claim alleged wrongful termination of their employment.

21. FINANCIAL INSTRUMENTS

The fair values of cash and cash equivalents, restricted cash, accounts payable and accrued liabilities approximate their carrying values as they are typically expected to be settled within twelve months. The fair value of deposits approximates their carrying value as the terms of deposits are comparable to the market terms for similar instruments.

The fair values of the Corporation's loans and credit facilities, amounts receivable and vendor-take-back mortgage receivable were estimated based on current market rates for loans of the same risk and maturities.

The fair value of investments in land development entities are based on the market approach method. This method uses prices and other relevant information that have been generated by market transactions involving identical or comparable assets.

Fair value measurements recognized in the consolidated balance sheets are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values. The three fair value hierarchy levels are as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that is not based on observable market data (unobservable inputs).

The Corporation's current financial assets are measured at amortized cost or fair value through profit and loss ("FVTPL"). The estimated fair value of financial assets and liabilities measured at FVTPL as at December 31, 2020 and December 31, 2019 are presented in the following table:

	Fair Value Hierarchy	Measurement Basis	Carrying Value		Fair Value	
			As at Dec. 31, 2020	As at Dec. 31, 2019	As at Dec. 31, 2020	As at Dec. 31, 2019
Financial Assets						
Cash	Level 1	FVTPL	29,743	16,248	29,743	16,248
Investments in land development entities	Level 3	FVTPL	5,608	5,608	5,608	5,608
Restricted cash	Level 1	FVTPL	7,351	12,077	7,351	12,077

During the year ended December 31, 2020 and 2019, no transfers were made between the levels in the fair value hierarchy.

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21. FINANCIAL INSTRUMENTS (continued)

a) Risks associated with financial instruments

(i) *Credit risk*

The Corporation recognizes bad debt expense (or recovery) relating to amounts receivable on sold lots, net of the value of the related sold lots which are taken back into the Corporation's lot inventory on the termination of the relevant agreement. Termination could occur when the buyer fails to perform or observe terms of covenants of the relevant agreement. Agreements receivable for lot sales have various terms of repayment with purchasers generally having between 6 and 24 months to pay the balance owing for the purchased lots.

Recovery of bad debt expense is included in the Corporation's general and administrative expenses. In order to mitigate credit risk, the Corporation does not transfer title to sold residential lots until full payment is received. Individual balances due from customers as at December 31, 2020, which comprise greater than 10% of total amounts receivable, totaled \$10,235 from two customers (2019 - \$5,515 from two customers).

Aging of amounts receivable was as follows:

	2020	2019
Not past due	11,006	6,131
	11,006	6,131

(ii) *Liquidity risk*

The contractual maturities of financial liabilities and other commitments as at December 31, 2020 were as follows:

	<1 Year	>1 Year	Total
Financial liabilities			
Accounts payable and accrued liabilities	14,092	-	14,092
Dividend payable (note 14d)	6,280	-	6,280
Loans and credit facilities excl. deferred fees on loans and credit facilities (note 13)	12,159	9,312	21,471
	32,531	9,312	41,843
Commitments			
Lease obligations (including variable operating costs)	331	2,199	2,530
Naming rights (note 19a)	500	-	500
Levies and municipal fees (note 19c)	6,415	3,343	9,758
	7,246	5,542	12,788
	39,777	14,854	54,631

At December 31, 2020, the Corporation had obligations due within the next 12 months of \$39,777 (December 31, 2019 - \$45,708). Based on the Corporation's operating history, its relationship with its lenders and committed sales contracts, management believes that the Corporation has the ability to continue to renew or repay its financial obligations as they come due. The Corporation renewed three loans in 2020 (note 13f and note 13g).

(iii) *Market risk*

The Corporation is exposed to interest rate risk to the extent that certain agreements receivable and certain loans and credit facilities are at a floating rate of interest. A 1% change in interest rates would result in a change in interest incurred of approximately \$28 annually on floating rate loans.

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21. FINANCIAL INSTRUMENTS (continued)

b) Capital management

The Corporation's policy is to maintain a sufficient capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business. The Corporation is not subject to externally imposed capital requirements.

The Corporation manages its capital structure and makes adjustments to it in light of changes in regional economic conditions and the risk characteristics of the underlying real estate industry within that region.

The Corporation considered its capital structure at the following dates to specifically include:

	2020	2019
Loans and credit facilities (note 13)	21,470	51,546
Shareholders' equity	187,676	193,957
	209,146	245,503

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22. SEGMENTED INFORMATION

The income producing business units of the Corporation reported the following activities for the year ended December 31, 2020 and 2019:

Year ended December 31, 2020	Land Development Segment			Total	Home Building Segment	Intersegment Elimination	Total
	Genesis	LP	Intrasegment Elimination				
Revenues	39,140	49	-	39,189	75,025	(26,909)	87,305
Revenues - development lands	16,308	320	-	16,628	-	-	16,628
Direct cost of sales	(37,612)	(338)	-	(37,950)	(65,540)	26,909	(76,581)
Write-down of real estate held for development and sale	(10,822)	-	-	(10,822)	(815)	-	(11,637)
Gross margin	7,014	31	-	7,045	8,670	-	15,715
G&A, selling & marketing and net finance expense or income	(6,971)	(436)	-	(7,407)	(8,560)	-	(15,967)
Earnings (loss) before income taxes and non-controlling interest	43	(405)	-	(362)	110	-	(252)
Segmented assets as at December 31, 2020	232,166	14,701	(6,320)	240,547	23,825	2,122	266,494
Segmented liabilities as at December 31, 2020 ^{(1), (2)}	57,181	2,744	(2,226)	57,699	6,913	2,122	66,734
Segmented net assets as at December 31, 2020 ^{(1), (2)}	174,985	11,957	(4,094)	182,848	16,912	-	199,760

Year ended December 31, 2019	Land Development Segment			Total	Home Building Segment	Intersegment Elimination	Total
	Genesis	LP	Intrasegment Elimination				
Revenues	28,560	511	-	29,071	59,746	(21,270)	67,547
Revenues - development lands	-	550	-	550	-	-	550
Direct cost of sales	(15,129)	(538)	-	(15,667)	(51,480)	21,270	(45,877)
Write-down of real estate held for development and sale	(800)	-	-	(800)	-	-	(800)
Gross margin	12,631	523	-	13,154	8,266	-	21,420
G&A, selling & marketing and net finance expense or income	(7,646)	811	-	(6,835)	(8,735)	-	(15,570)
Earnings (loss) before income taxes and non-controlling interest	4,985	1,334	-	6,319	(469)	-	5,850
Segmented assets as at December 31, 2019	254,898	20,574	(5,804)	269,668	28,940	(2,340)	296,268
Segmented liabilities as at December 31, 2019 ^{(1), (2)}	73,463	1,805	(1,752)	73,516	12,197	(2,340)	83,373
Segmented net assets as at December 31, 2019 ^{(1), (2)}	181,435	18,769	(4,052)	196,152	16,743	-	212,895

⁽¹⁾ Segmented liabilities under the Genesis land development segment include \$4,118 due to the home building segment (December 31, 2019 - \$392 due from the land development segment to the home building segment).

⁽²⁾ Segmented liabilities under the LP segment is comprised of accounts payable and accrued liabilities and includes \$2,226 (December 31, 2019 - \$1,752) due to Genesis.

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23. CONSOLIDATED ENTITIES

The Statements include the accounts of the Corporation and its wholly-owned subsidiaries, as well as the consolidated revenues, expenses, assets, liabilities and cash flows of limited partnership entities that the Corporation controls. The Corporation has less than 50% equity ownership in these limited partnership entities; however, the Corporation has control over these entities' activities, projects, financial and operating policies due to contractual arrangements. As such, the relationship between the Corporation and the limited partnership entities indicates that they are controlled by the Corporation. Accordingly, the accounts of the limited partnerships have been consolidated in the Corporation's financial statements. Subsidiaries of the Corporation are general partners in three limited partnership group structures.

The Corporation is a co-defendant in a statement of claim initiated by a limited partner of Limited Partnership Land Pool ("LPLP 2007") and its affiliated RRSP limited partnerships. The statement of claim seeks to be certified as a class action and is seeking damages of \$60,000. Any potential liability to the Corporation and/or the Partnership is indeterminate, and no provision has been made.

LPLP 2007 is a limited partnership controlled by the Corporation. In 2019 the Corporation completed a transaction with LPLP 2007, whereby the Corporation acquired the third-party, secured vendor-take-back mortgage receivable held by LPLP 2007. Consideration paid to LPLP 2007 included a cash payment of \$10,360 to LPLP 2007 by the Corporation, which was placed in trust pending pro rata distribution to its unit holders. Early in 2020 limited partners were given the option to receive their pro rata distribution of the amount held in trust, provided the limited partner signed a letter of transmittal in which the limited partner released LPLP 2007, Genesis and related entities from any liabilities in respect of the statement of claim described above. During the year ended December 31, 2020, unitholders holding 25,619,829 (58.4%) limited partnership units submitted such transmittal letters, and \$6,092 of the available trust funds have been distributed. The offer to the limited partners expired on September 18, 2020. All remaining funds which are held in trust will be used by LPLP 2007 to fund its operations, including its share of any costs incurred in respect of the proposed class action.

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23. CONSOLIDATED ENTITIES (continued)

All entities are incorporated in Canada and are listed in the following table:

Name	% equity interest as at	
	December 31, 2020	December 31, 2019
Land Development		
Genpol Inc.	100%	100%
Genpol LP	100%	100%
1504431 Alberta Ltd.	0.0002%	0.0002%
Genesis Sage Meadows Partnership	99.9998%	99.9998%
Genesis Land Development (Southeast) Corp.	100%	100%
Genesis Keystone Ltd.	100%	100%
Polar Hedge Enhanced Income Trust	100%	100%
Home Building		
Genesis Builders Group Inc.	100%	100%
The Breeze Inc.	100%	100%
Joint Venture		
Kinwood Communities Inc.	50%	50%
Limited Partnerships		
LP 4/5 Group		
Genesis Limited Partnership #4 ⁽¹⁾	0.001%	0.001%
Genesis Limited Partnership #5, GLP5 GP Inc., GLP5 NE Calgary Development Inc.	0%	0%
Genesis Northeast Calgary Ltd.	100%	100%
LP 8/9 Group		
Genesis Limited Partnership #8 ⁽¹⁾	53.63%	53.63%
Genesis Limited Partnership #9, GP GLP9 Inc., GLP9 Subco Inc.	0%	0%
GP GLP8 Inc.	100%	100%
LPLP 2007 Group		
Limited Partnership Land Pool (2007)	0.023%	0.023%
GP LPLP 2007 Inc.	100%	100%
GP RRSP 2007 Inc., LPLP 2007 Subco Inc.	0%	0%
LPLP 2007 Subco #2 Inc., LP RRSP Limited Partnership #1	0%	0%
LP RRSP Limited Partnership #2	0%	0%

⁽¹⁾ The allocation of profit or loss is 0% in accordance with the terms of the limited partnership agreement.

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23. CONSOLIDATED ENTITIES (continued)

The following tables summarize the information relating to the Corporation's subsidiaries that have material non-controlling interests and may include inter-group balances that are eliminated on consolidation and become a component of the net non-controlling interest:

BALANCE SHEETS

	December 31, 2020			
	LP 4/5	LP 8/9	LPLP 2007	Total
Assets				
Real estate held for development and sale	9,263	844	-	10,107
Amounts receivable	-	-	8	8
Other operating assets including restricted cash (refer to note 9)	-	100	4,458	4,558
Cash and cash equivalents	-	13	15	28
Total assets	9,263	957	4,481	14,701
Liabilities				
Customer deposits	-	100	-	100
Accounts payable and accrued liabilities	-	17	401	418
Due to related parties	1,805	248	173	2,226
Total liabilities	1,805	365	574	2,744
Net assets	7,458	592	3,907	11,957
Non-controlling interest (%)	100%	100%	100%	

	December 31, 2019			
	LP 4/5	LP 8/9	LPLP 2007	Total
Assets				
Real estate held for development and sale	8,980	1,176	-	10,156
Amounts receivable	-	1	5	6
Other operating assets including restricted cash (refer to note 9)	-	30	10,364	10,394
Cash and cash equivalents	-	9	9	18
Total assets	8,980	1,216	10,378	20,574
Liabilities				
Customer deposits	-	30	-	30
Accounts payable and accrued liabilities	-	2	21	23
Due to related parties	1,400	246	106	1,752
Total liabilities	1,400	278	127	1,805
Net assets	7,580	938	10,251	18,769
Non-controlling interest (%)	100%	100%	100%	

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23. CONSOLIDATED ENTITIES (continued)

SUMMARIZED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31, 2020			Total
	LP 4/5	LP 8/9	LPLP 2007	
Revenues	19	350	-	369
Net loss	(122)	(30)	(252)	(404)
Non-controlling interest (%)	100%	100%	100%	

	Year ended December 31, 2019			Total
	LP 4/5	LP 8/9	LPLP 2007	
Revenues	19	550	492	1,061
Net (loss) earnings	(92)	(22)	1,448	1,334
Non-controlling interest (%)	100%	100%	100%	

SUMMARIZED STATEMENT OF CASH FLOWS

	Year ended December 31, 2020			Total
	LP 4/5	LP 8/9	LPLP 2007	
Cash flows from operating activities	-	4	125	129
Cash flows used in financing activities	-	-	(119)	(119)
Net increase in cash and cash equivalents	-	4	6	10

	Year ended December 31, 2019			Total
	LP 4/5	LP 8/9	LPLP 2007	
Cash flows from operating activities	-	8	1,454	1,462
Cash flows used in financing activities	-	-	(1,454)	(1,454)
Net increase in cash and cash equivalents	-	8	-	8

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24. SUBSEQUENT EVENTS

Subsequent to December 31, 2020, the following occurred:

- a) The Corporation arranged a \$50,000 three-year fixed term secured corporate revolving line of credit with MCAP Financial Corporation at an interest rate per annum equal to the higher of prime +1.90% or 4.35%. This is secured by specific dedicated lands and a general corporate charge on all assets of the Corporation.
- b) The Corporation entered into a binding agreement to acquire approximately 157 acres of future residential development land in the City of Calgary. The Corporation has paid a non-refundable deposit of \$2,186, with the balance of \$26,964 to be paid on closing, currently scheduled for April 2022.
- c) The Corporation settled an ongoing litigation. Refer to note 20 for additional information.
- d) The Corporation entered into a sale agreement to sell a 463.2-acre parcel of land in BC, belonging to a limited partnership, for a cash consideration of \$925. The transaction closed in February 2021.