# GENESIS LAND DEVELOPMENT CORP.

# CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

**GENESIS LAND DEVELOPMENT CORP.**
**CONSOLIDATED FINANCIAL STATEMENTS**
**December 31, 2021 and 2020**

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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 2, 2022**

# 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, 2021 and December 31, 2020, 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, 2021 and December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

## Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the 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 |
|---|---|
| ***Real Estate Held for Development and Sale***<br><br>As at December 31, 2021, approximately 67% of the Corporation's assets or $218.9 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.<br><br>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. | 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:<br><br>• 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.<br>• We obtained reliance letters from the independent appraisers and confirmed their professional qualifications and their role as specialists.<br>• 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.<br>• 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.<br>• 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. |

***Provision for Future Development Costs***

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.

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.

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:

- 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 management's 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.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the 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.

MNP LLP

Calgary, Alberta

March 2, 2022

Chartered Professional Accountants

**GENESIS LAND DEVELOPMENT CORP.**
**CONSOLIDATED BALANCE SHEETS**
*(In thousands of Canadian dollars)*

| | Notes | December 31, 2021 | December 31, 2020 |
|---|---|---|---|
| **Assets** | | | |
| Real estate held for development and sale | 5 | **218,855** | 193,309 |
| Amounts receivable | 6, 20a | **13,632** | 11,006 |
| Vendor-take-back mortgage receivable | 7 | **-** | 2,719 |
| Investments in land development entities | 8 | **6,170** | 5,608 |
| Other operating assets | 9 | **14,738** | 14,750 |
| Right-of-use assets | 10 | **655** | 712 |
| Deferred tax assets | 11 | **6,904** | 8,088 |
| Income tax recoverable | | **-** | 559 |
| Cash and cash equivalents | | **63,975** | 29,743 |
| **Total assets** | | **324,929** | 266,494 |
| **Liabilities** | | | |
| Loans and credit facilities | 13 | **32,668** | 21,470 |
| Dividend payable | 14d | **-** | 6,280 |
| Customer deposits | | **9,002** | 3,889 |
| Accounts payable and accrued liabilities | 5, 20a | **26,408** | 14,092 |
| Lease liabilities | 10 | **842** | 790 |
| Income taxes payable | | **2,092** | - |
| Provision for future development costs | 12 | **17,979** | 20,213 |
| **Total liabilities** | | **88,991** | 66,734 |
| Commitments and contingencies | 19 | | |
| Subsequent events | 13b, 13c, 13d, 19c, 22 | | |
| **Equity** | | | |
| Share capital | 14 | **82,383** | 52,489 |
| Contributed surplus | 15c | **1,045** | 868 |
| Retained earnings | | **145,196** | 134,319 |
| **Shareholders' equity** | | **228,624** | 187,676 |
| Non-controlling interest | 22 | **7,314** | 12,084 |
| **Total equity** | | **235,938** | 199,760 |
| | | | |
| **Total liabilities and equity** | | **324,929** | 266,494 |

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, 2021 and 2020**
*(In thousands of Canadian dollars except per share amounts)*

| | Notes | Year ended December 31, 2021 | Year ended December 31, 2020 |
|---|---|---|---|
| **Revenues** | | | |
| Sales revenue | | **109,713** | 103,443 |
| Other revenue | | **48** | 490 |
| | 21 | **109,761** | 103,933 |
| Direct cost of sales | | **(82,186)** | (76,581) |
| Reversal of write-down / (write-down) of real estate held for development and sale | 5 | **4,268** | (11,637) |
| | | **(77,918)** | (88,218) |
| **Gross margin** | | **31,843** | 15,715 |
| Gain in investments in land development entities | 8 | **562** | - |
| General and administrative | 16 | **(12,025)** | (10,408) |
| Selling and marketing | 17 | **(5,143)** | (4,463) |
| | | **(16,606)** | (14,871) |
| Earnings from operations | | **15,237** | 844 |
| Finance income | | **338** | 1,497 |
| Finance expense | 18 | **(1,220)** | (2,593) |
| Earnings (loss) before income taxes | | **14,355** | (252) |
| Income tax (expense) recovery | 11 | **(3,375)** | 47 |
| Net earnings (loss) being comprehensive earnings (loss) | | **10,980** | (205) |
| Attributable to non-controlling interest | 22 | **103** | (404) |
| **Attributable to equity shareholders** | | **10,877** | 199 |
| Net earnings per share - basic and diluted | 14b | **0.24** | 0.00 |

See accompanying notes to the consolidated financial statements.

**GENESIS LAND DEVELOPMENT CORP.**
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**
**For the years ended December 31, 2021 and 2020**
*(In thousands of Canadian dollars except number of shares)*

| | | Equity attributable to Corporation's shareholders | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Common shares - Issued | | | | | | |
| | **Notes** | **Number of Shares** | **Amount** | **Contributed Surplus** | **Retained Earnings** | **Total Shareholders' Equity** | **Non-Controlling Interest** | **Total Equity** |
| **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 | 22 | - | - | - | - | - | (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 |
| | | | | | | | | |
| **At December 31, 2020** | | 41,863,335 | 52,489 | 868 | 134,319 | 187,676 | 12,084 | 199,760 |
| Share-based payments | 15c | - | - | 177 | - | 177 | - | 177 |
| Issued on rights offering, net | 14e | 15,000,000 | 29,894 | - | - | 29,894 | - | 29,894 |
| Distributions | 5, 22 | - | - | - | - | - | (4,773) | (4,773) |
| Net earnings being comprehensive earnings and other | | - | - | - | 10,877 | 10,877 | 3 | 10,880 |
| **At December 31, 2021** | | **56,863,335** | **82,383** | **1,045** | **145,196** | **228,624** | **7,314** | **235,938** |

See accompanying notes to the consolidated financial statements.

**GENESIS LAND DEVELOPMENT CORP.**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**For the years ended December 31, 2021 and 2020**
*(In thousands of Canadian dollars)*

| | Notes | Year ended December 31, 2021 | 2020 |
|---|---|---|---|
| **Operating activities** | | | |
| Receipts from residential lot sales | | **13,981** | 7,272 |
| Receipts from development land sales | | **8,589** | 33,409 |
| Receipts from residential home sales | | **95,480** | 75,255 |
| Other cash receipts / (payments) | | **777** | (421) |
| Paid for land development | | **(39,868)** | (17,574) |
| Paid for lots / land acquisition | | **(3,993)** | (4,246) |
| Paid for residential home construction | | **(57,323)** | (34,311) |
| Paid to suppliers and employees | | **(16,053)** | (14,309) |
| Interest received | | **338** | 1,497 |
| Income tax refunds | | **460** | 1,411 |
| **Cash flows from operating activities** | | **2,388** | 47,983 |
| **Investing activities** | | | |
| Acquisition of equipment | | **(875)** | (815) |
| Change in restricted cash | | **250** | (256) |
| Contribution made for joint venture | | **(260)** | - |
| **Cash flows used in investing activities** | | **(885)** | (1,071) |
| **Financing activities** | | | |
| Advances from loans and credit facilities | 13 | **61,517** | 17,241 |
| Repayments of loans and credit facilities | | **(40,416)** | (40,539) |
| Repayment of vendor-take-back mortgage payable | 13b | **(9,312)** | (8,000) |
| Interest and fees paid on loans and credit facilities | | **(1,871)** | (1,337) |
| Distributions to unit holders of limited partnerships | 5 | **(803)** | (317) |
| Dividends paid | 14d | **(6,280)** | - |
| Proceeds from rights offering, net | 14e | **29,894** | - |
| Repurchase and cancellation of shares under NCIB | 14c | **-** | (465) |
| **Cash flows from (used in) financing activities** | | **32,729** | (33,417) |
| **Change in cash and cash equivalents** | | **34,232** | 13,495 |
| Cash and cash equivalents, beginning of period | | **29,743** | 16,248 |
| **Cash and cash equivalents, end of period** | | **63,975** | 29,743 |

See accompanying notes to the consolidated financial statements.

## 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.

In March 2020, a global pandemic was declared, and a number health and safety recommendations were enacted by regulatory authorities. The Corporation has had to adapt its operations in both 2020 and 2021 to address the impact of COVID-19 regulations and requirements and ensure all requirements are being followed. The Corporation remains cautious as there is continued uncertainty as to the extent and duration of the economic and regulatory implications of COVID-19 which could have an adverse impact on the Corporation’s financial position, negative impact on the value of it long term assets, future revenue and profitability of ongoing operations.

The consolidated financial statements of Genesis were approved for issuance by the Board of Directors on March 2, 2022.

## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

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.

## 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.

## 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, which is a year or more, 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 |

## 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 22) 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 with an original maturity of three months or less.

j) **Leases**

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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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 (loss). 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 (loss).

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 (loss).

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

## 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.

The calculation of basic and diluted earnings per share for all periods presented is adjusted retrospectively when the number of common shares outstanding increases as a result of a rights offering.

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.

## 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.

## 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) Reversal of write-down / Write-down 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 2021

The Corporation adopted no new IFRSs and interpretations during 2021.

## 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 2021 and 2022.

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

## 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, 2020 | 48,699 | 141,812 | 16,738 | 207,249 | 11,995 | (4,194) | 215,050 |
| Development activities | 3,430 | 30,851 | 41,596 | 75,877 | 317 | - | 76,194 |
| Transfer | 20,811 | (20,811) | - | - | - | - | - |
| Acquisition | - | - | 12,804 | 12,804 | - | - | 12,804 |
| Sold | (31,048) | - | (42,268) | (73,316) | (2,748) | - | (76,064) |
| As at December 31, 2021 | **41,892** | **151,852** | **28,870** | **222,614** | **9,564** | **(4,194)** | **227,984** |
| **Provision for write-downs** | | | | | | | |
| As at December 31, 2020 | 5,169 | 14,135 | 548 | 19,852 | 1,889 | - | 21,741 |
| Sold | (5,907) | - | (548) | (6,455) | (1,889) | - | (8,344) |
| Transfer | 5,855 | (5,855) | - | - | - | - | - |
| Reversal of write-down of real estate held for development and sale | (715) | (3,553) | - | (4,268) | - | - | (4,268) |
| As at December 31, 2021 | **4,402** | **4,727** | **-** | **9,129** | **-** | **-** | **9,129** |
| **Net book value** | | | | | | | |
| As at December 31, 2020 | 43,530 | 127,677 | 16,190 | 187,397 | 10,106 | (4,194) | 193,309 |
| As at December 31, 2021 | **37,490** | **147,125** | **28,870** | **213,485** | **9,564** | **(4,194)** | **218,855** |

During the year ended December 31, 2021, the Corporation closed the sales of four parcels of development land for $5,870 (2020 - $16,628). This included the sale of a 463.2-acre parcel of development land, located in British Columbia, belonging to a limited partnership for $925. The limited partnership made a distribution of $803 to its unit holders from the proceeds of this sale.

During the year ended December 31, 2021, the Corporation entered into binding agreements to acquire 98 residential lots in the Calgary Metropolitan Area for $12,804. The Corporation paid non-refundable deposits of $3,678, with the balance of $9,126, due on closing which is scheduled between February 2022 and April 2023. This amount is included in accounts payable and accrued liabilities as at December 31, 2021 (December 31, 2020 - $Nil).

During the year ended December 31, 2021, interest of $166 (2020 - $Nil) was capitalized as a component of development activities.

During the year ended December 31, 2021, the Corporation recorded reversals of write-downs of $4,268 related to write-downs previously taken on real estate held for development and sale. The reversals of the write-downs were taken to reflect the estimated returns realizable on completion of development and sale of these lands.

During the year ended December 31, 2020, the Corporation recorded write-downs of $11,637. A net write-down of $10,822 was taken on three parcels of land inventory and a parcel of land held for development and a write-down of $815 was taken on a townhouse project.

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

## 6. AMOUNTS RECEIVABLE

| | 2021 | 2020 |
|---|---|---|
| Agreements receivable | **12,135** | 10,466 |
| Other receivables | **1,497** | 540 |
| | **13,632** | 11,006 |

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 and after agreed to services pertaining to the property have been substantially performed, 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 (see note 20a). Certain agreements receivable and mortgages receivable, if any, are interest bearing.

## 7. VENDOR-TAKE-BACK MORTGAGE RECEIVABLE

| | 2021 | 2020 |
|---|---|---|
| Vendor-take-back mortgage receivable | **-** | 2,719 |
| | **-** | 2,719 |

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 was 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 was paid on December 15, 2021. Interest totaling $132 was received during 2021 (2020 - $127).

## 8. INVESTMENTS IN LAND DEVELOPMENT ENTITIES

| | 2021 | 2020 |
|---|---|---|
| Investment in land development limited partnership – 5% interest | **1,890** | 1,850 |
| Investment in land development joint venture – 8% interest | **4,280** | 3,758 |
| | **6,170** | 5,608 |

The fair value of investments in land development entities are based on the market approach method which were obtained from external third-party appraisals. This method uses prices and other relevant information that have been generated by market transactions involving identical or comparable assets. The Corporation recorded $562 as a gain in investment in land development entities during 2021 (2020 - $Nil).

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

## 9. OTHER OPERATING ASSETS

| | **2021** | 2020 |
|---|---|---|
| Deposits | **6,676** | 5,960 |
| Prepayments | **589** | 480 |
| Restricted cash | **5,992** | 7,351 |
| Property, equipment and other | **1,481** | 959 |
| | **14,738** | 14,750 |

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 19a for additional information). Deposits also include amounts paid towards purchase of lots and land. Restricted cash includes amounts that has been placed in trust pending distribution to LPLP2007 unit holders (refer to note 19c for additional information).

## 10. LEASES

| **Right-of-Use Assets** | **Photocopiers** | **Office Building** | **Trucks** | **Showhomes Leaseback** | **Total** |
|---|---|---|---|---|---|
| As at January 1, 2021 | 60 | 630 | 22 | - | 712 |
| Additions | 9 | - | - | 140 | 149 |
| Depreciation charge for the year [(1)] | (19) | (102) | (13) | (72) | (206) |
| As at December 31, 2021 | **50** | **528** | **9** | **68** | **655** |
| As at December 31, 2020 | 60 | 630 | 22 | - | 712 |

| **Lease Liabilities** | **Photocopiers** | **Office Building** | **Trucks** | **Showhomes Leaseback** | **Total** |
|---|---|---|---|---|---|
| As at January 1, 2021 | 62 | 705 | 23 | - | 790 |
| Additions | 9 | - | - | 163 | 172 |
| Lease payments | (21) | (40) | (14) | (86) | (161) |
| Interest for the year [(1)] | 3 | 34 | 1 | 3 | 41 |
| As at December 31, 2021 | **53** | **699** | **10** | **80** | **842** |
| As at December 31, 2020 | 62 | 705 | 23 | - | 790 |

| **Lease Liabilities – undiscounted cash flows** | **Photocopiers** | **Office Building** | **Trucks** | **Showhomes Leaseback** | **Total** |
|---|---|---|---|---|---|
| January 1, 2022 to December 31, 2022 | 22 | 63 | 10 | 81 | 176 |
| January 1, 2023 to February 27, 2027 | 34 | 741 | - | - | 775 |
| As at December 31, 2021 | **56** | **804** | **10** | **81** | **951** |
| As at December 31, 2020 | 67 | 844 | 24 | - | 935 |

*[(1)] Discount rate used ranged between 3.26% and 4.84%.*

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

## 10. LEASES (continued)

| **Amounts recognized in statements of comprehensive income** | **Photocopiers** | **Office Building** | **Trucks** | **Showhomes Leaseback** | **Total** |
|---|---|---|---|---|---|
| Interest on lease liabilities | 3 | 34 | 1 | 3 | 41 |
| Total for the year ended December 31, 2021 | **3** | **34** | **1** | **3** | **41** |
| Total for the year ended December 31, 2020 | 3 | 23 | 1 | - | 27 |

| **Amounts recognized in the statement of cash flows** (2) | **Photocopiers** | **Office Building** | **Trucks** | **Showhomes Leaseback** | **Total** |
|---|---|---|---|---|---|
| Interest paid | 3 | 34 | 1 | 3 | 41 |
| Payment of lease liabilities | 18 | 6 | 13 | 83 | 120 |
| Total for the year ended December 31, 2021 | **21** | **40** | **14** | **86** | **161** |
| Total for the year ended December 31, 2020 | 20 | 144 | 14 | - | 178 |

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

## 11. INCOME TAXES

a) Income tax was recognized in the consolidated statements of comprehensive income (loss) as follows:

| | **2021** | 2020 |
|---|---|---|
| Current income tax expense (recovery) | **2,191** | (826) |
| Deferred income tax expense | **1,184** | 779 |
| Income tax expense (recovery) | **3,375** | (47) |

b) Income tax expense differed from that which would be expected from applying the combined statutory Canadian federal and provincial income tax rates of 23.00% (2020 - 24.00%) to earnings before income taxes. The difference resulted from the following:

| | **2021** | 2020 |
|---|---|---|
| Earnings (loss) before income taxes | **14,355** | (252) |
| Statutory tax rate | **23.00%** | 24.00% |
| Expected income tax expense (recovery) | **3,302** | (60) |
| Change in tax rate impact on future tax | **-** | 201 |
| Share-based compensation | **135** | 172 |
| Other | **(38)** | (457) |
| Non-controlling interest | **(24)** | 97 |
| Tax expense (recovery) for the year | **3,375** | (47) |

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

| | **2021** | 2020 |
|---|---|---|
| Deferred tax assets | **7,672** | 8,911 |
| Deferred tax liabilities | **(768)** | (823) |
| Net deferred tax assets | **6,904** | 8,088 |

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

## 11. INCOME TAXES (continued)

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

| | **2021** | 2020 |
|---|---|---|
| Real estate held for development and sale | **4,542** | 5,417 |
| Reserves from land sales | **(598)** | (555) |
| Unamortized financing costs | **2,810** | 2,740 |
| Other temporary differences | **150** | 486 |
| Net deferred tax assets | **6,904** | 8,088 |

## 12. PROVISION FOR FUTURE DEVELOPMENT COSTS

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

| | **Land Development** | **Home Building** | **Total** |
|---|---|---|---|
| As at December 31, 2020 | 18,737 | 1,476 | 20,213 |
| Additions | 5,253 | 11,758 | 17,011 |
| Changes to estimates | (67) | (416) | (483) |
| Development activities | (8,827) | (9,935) | (18,762) |
| **As at December 31, 2021** | **15,096** | **2,883** | **17,979** |

| | **Land Development** | **Home Building** | **Total** |
|---|---|---|---|
| As at December 31, 2019 | 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) |
| As at December 31, 2020 | 18,737 | 1,476 | 20,213 |

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

## 13. LOANS AND CREDIT FACILITIES

| | 2021 | 2020 |
|---|---|---|
| **Secured by agreements receivable and real estate held for development and sale**<br>a) Demand land project servicing loan from a major Canadian chartered bank, payable on collection of agreements receivable, bearing interest at prime +0.50% per annum, secured by real estate held for development and sale with a carrying value of $11,583. The loan matures on May 12, 2024. | **5,794** | - |
| **Secured by real estate held for development and sale**<br>b) 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 $36,483. The VTB is repayable in two installments of approximately $9,312 each in May 2021 and 2022. The first installment of $9,312 was paid in May 2021. Subsequent to December 31, 2021, in January 2022, the final installment of $9,312 was paid. | **9,312** | 18,624 |
| **Secured by specific dedicated lands and a general corporate charge on all assets of the Corporation**<br>c) Corporate revolving line of credit up to $50,000 with a major Canadian financial institution at an interest rate per annum equal to the higher of prime +1.90% or 4.35%. Subsequent to December 31, 2021, in February 2022, the loan was renewed and matures on February 1, 2025. | **16,237** | - |
| **Secured by housing projects under development**<br>d) 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. Subsequent to December 31, 2021, in January 2022, the loan was amended to increase the operating line of credit facility up to $10,000. | **1,917** | 1,662 |
| e) Demand project specific townhouse construction loans from a major Canadian chartered bank, 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 $2,797. One loan was closed in June 2021 and the other loan matures on August 28, 2022. | **-** | 1,185 |
| | **33,260** | 21,471 |
| Deferred fees on loans and credit facilities | **(592)** | (1) |
| | **32,668** | 21,470 |

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 3.92% (December 31, 2020 - 3.26%) based on December 31, 2021 balances.

During the year ended December 31, 2021, the Corporation received advances of $61,517 (2020 - $17,241) relating to various loan facilities. These are secured by real estate held for development and sale, housing projects under development, specific dedicated lands and a general corporate charge on all assets of the Corporation. These loan facilities bear interest ranging from prime +0.50% to the higher of prime +1.90% or 4.35% per annum, with maturity dates ranging from August 28, 2022 to May 12, 2024. During the year ended December 31, 2021, the Corporation incurred interest expenses of $1,096 directly related to these loans (2020 - $2,232).

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, 2021 and 2020, the Corporation and its subsidiaries were in compliance with all loan covenants.

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

## 13. LOANS AND CREDIT FACILITIES (continued)

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, 2022 to December 31, 2022 | 11,229 |
| January 1, 2023 to December 31, 2023 | - |
| January 1, 2024 to December 31, 2024 | 22,031 |
| | 33,260 |

## 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, 2021 and 2020:

| | Year ended December 31, | |
|---|---|---|
| | **2021** | **2020** |
| Basic | **44,642,895** | 44,385,301 |
| Effect of dilutive securities - stock options | **-** | - |
| Diluted | **44,642,895** | 44,385,301 |

All 855,000 options outstanding at the year ended December 31, 2021 (2020 - 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.

Basic and diluted earnings per share and weighted average number of shares for prior periods have been recalculated to account for the impact of the Corporation's share issue pursuant to a rights offering (note 14e) that closed on December 17, 2021.

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

## 14. SHARE CAPITAL (continued)

### c) Normal course issuer bid ("NCIB")

The Corporation's NCIB expired on October 12, 2021. This NCIB allowed the Corporation to purchase for cancellation up to 2,098,885 common shares.

The following table sets forth the number of common shares repurchased and cancelled during the year ended December 31, 2021 and 2020 under the NCIB.

| | Year ended December 31, | |
|---|---|---|
| | **2021** | **2020** |
| Number of shares repurchased and cancelled | - | 296,592 |
| Reduction in share capital | - | 378 |
| Change in retained earnings | - | 87 |
| Reduction in shareholders' equity | - | 465 |
| Average purchase price per share | - | 1.58 |

### d) Dividends paid

No dividends were declared during the year ended December 31, 2021. Cash dividends of $6,280 ($0.15 per share), declared on December 9, 2020, were paid on January 11, 2021.

### e) Rights offering

On November 10, 2021, the Corporation announced the offering of rights (the "Rights Offering") to eligible holders of its common shares (the "Common Shares") at the close of business on the record date of November 18, 2021, on the basis of one right (a "Right") for each Common Share held. Each whole Right entitled the holder to subscribe for 0.3583088 of a Common Share upon payment of the subscription price of $2.00 per Common Share. The Rights Offering closed on December 17, 2021, and all Rights were exercised in exchange for 15,000,000 Common Shares. The Corporation received gross proceeds of $30,000 and paid issuance costs of $106. The net proceeds of $29,894 are shown in the Statements of Changes in Equity.

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

## 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, | | | |
|---|---|---|---|---|
| | 2021 | | 2020 | |
| | Number of Options | Weighted Average Exercise Price | Number of Options | Weighted Average Exercise Price |
| Outstanding - beginning of period | **2,535,000** | **$3.31** | 2,535,000 | $3.31 |
| Options cancelled pursuant to revised long-term incentive plan | **(1,680,000)** | **$3.31** | - | - |
| Outstanding - end of period | **855,000** | **$3.31** | 2,535,000 | $3.31 |
| Exercisable - end of period | **641,250** | **$3.31** | 1,072,500 | $3.34 |

| | Outstanding | | Exercisable | | |
|---|---|---|---|---|---|
| Range of Exercise Prices ($) | Number at December 31, 2021 | Weighted Average Exercise Price | Number at December 31, 2021 | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life in Years |
| 3.12 - 3.48 | 855,000 | $3.31 | 641,250 | $3.31 | 3.85 |

No stock options were issued during the year ended December 31, 2021 (2020 - Nil).

### b) Deferred Share Unit Plan ("DSU")

The Corporation's cash settled DSU plan provides for DSUs to be issued to directors and designated employees. DSUs are issued with various vesting terms, currently ranging between three to four years. Details of outstanding DSUs are as follows:

| | Year ended December 31, | |
|---|---|---|
| | 2021 | 2020 |
| Outstanding - beginning of period | **354,258** | 70,941 |
| DSUs granted | **334,033** | 283,317 |
| DSUs cancelled | **(114,548)** | - |
| Outstanding - end of period | **573,743** | 354,258 |
| Vested - end of period | **115,490** | 92,068 |

The outstanding liability related to cash settled DSUs as at December 31, 2021 was $947 (December 31, 2020 - $537) 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.

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

## 15. SHARE-BASED COMPENSATION (continued)

### 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:

| | Year ended December 31, | |
|---|---|---|
| | **2021** | **2020** |
| Stock options | **177** | 265 |
| Deferred share units related to grants which are to be cash settled | **410** | 453 |
| Total share-based compensation expense | **587** | 718 |

## 16. GENERAL AND ADMINISTRATIVE

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

| | Years ended December 31, | |
|---|---|---|
| | **2021** | 2020 |
| Compensation and benefits | **7,359** | 6,855 |
| Share-based compensation | **587** | 718 |
| Corporate administration | **2,291** | 1,775 |
| Professional services | **1,788** | 1,060 |
| | **12,025** | 10,408 |

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, | |
|---|---|---|
| | **2021** | 2020 |
| Salaries, wages and benefits | **2,112** | 1,951 |
| Share-based compensation | **587** | 718 |
| | **2,699** | 2,669 |

## 17. SELLING AND MARKETING

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

| | Years ended December 31, | |
|---|---|---|
| | **2021** | 2020 |
| Advertising and marketing | **3,114** | 2,786 |
| Sales commissions | **2,029** | 1,677 |
| | **5,143** | 4,463 |

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

## 18. FINANCE EXPENSE

Finance expense of the Corporation consisted of the following:

| | Years ended December 31, | |
|---|---|---|
| | **2021** | 2020 |
| Interest incurred | **479** | 1,329 |
| Interest relating to VTB (note 13) | **658** | 931 |
| Financing fees amortized | **249** | 333 |
| Interest and financing fees capitalized (note 5) | **(166)** | - |
| | **1,220** | 2,593 |

## 19. COMMITMENTS AND CONTINGENCIES

a) 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, 2021, these amounted to $7,747 (December 31, 2020 - $3,666).

b) 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 future payments:

| | |
|---|---|
| January 1, 2022 to December 31, 2022 | 4,942 |
| January 1, 2023 to December 31, 2023 | 5,255 |
| January 1, 2024 to December 31, 2024 | 1,697 |
| | 11,894 |

c) The Corporation was named as a co-defendant in an action brought by three limited partners of LPLP 2007 and its affiliated RRSP limited partnerships. In December 2021, the parties reached a final settlement of the litigation. The settlement was approved by the Court, which certified a class consisting of all remaining unitholders in LPLP 2007 or its affiliated RRSP limited partnerships at that time. The settlement is binding on all class members. An amount of $523 was included in accounts payable and accrued liabilities as at December 31, 2021. Subsequent to December 31, 2021, a total settlement of $523 has been paid out to the plaintiffs.

d) The Corporation has contracted to acquire 163 residential lots in the Calgary Metropolitan Area for $24,670 from third-party land developers. The Corporation has paid deposits totaling $2,613 with the remainder being payable as follows:

| | |
|---|---|
| January 1, 2022 to December 31, 2022 | 6,068 |
| January 1, 2023 to December 31, 2023 | 13,651 |
| January 1, 2024 to December 31, 2024 | 2,338 |
| | 22,057 |

e) During the year ended December 31, 2021, the Corporation entered into a binding agreement to acquire approximately 157 acres of future residential development land in the City of Calgary for $29,150. The Corporation paid a non-refundable deposit of $2,186, with the balance of $26,964 to be paid on closing, currently scheduled for April 2022. In addition, the Corporation entered into a binding agreement to acquire approximately 3.56 acres of land adjacent to this land for $663. The Corporation paid a deposit of $132, with the balance of $531 to be paid on closing, currently scheduled for July 2022.

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

## 20. 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, 2021 and December 31, 2020 are presented in the following table:

| | | | Carrying Value | | Fair Value | |
|---|---|---|---|---|---|---|
| | **Fair Value Hierarchy** | **Measurement Basis** | **As at Dec. 31, 2021** | **As at Dec. 31, 2020** | **As at Dec. 31, 2021** | **As at Dec. 31, 2020** |
| **Financial Assets** | | | | | | |
| Cash | Level 1 | FVTPL | **63,975** | 29,743 | **63,975** | 29,743 |
| Investments in land development entities | Level 3 | FVTPL | **6,170** | 5,608 | **6,170** | 5,608 |
| Restricted cash[1] | Level 1 | FVTPL | **5,992** | 7,351 | **5,992** | 7,351 |

[1] *Included in other operating assets.*

During the year ended December 31, 2021 and 2020, no transfers were made between the levels in the fair value hierarchy.

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

## 20. 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, 2021, which comprise greater than 10% of total amounts receivable, totaled $12,135 from three customers (December 31, 2020 - $10,235 from two customers).

Aging of amounts receivable on sold lots was as follows:

| | **2021** | 2020 |
|---|---|---|
| Not past due | **12,135** | 10,466 |
| | **12,135** | 10,466 |

*(ii) Liquidity risk*

The contractual maturities of financial liabilities and other commitments as at December 31, 2021 were as follows:

| | **<1 Year** | **>1 Year** | **Total** |
|---|---|---|---|
| Financial liabilities | | | |
| Accounts payable and accrued liabilities | 24,597 | 1,811 | 26,408 |
| Loans and credit facilities excl. deferred fees on loans and credit facilities (note 13) | 11,229 | 22,031 | 33,260 |
| | 35,826 | 23,842 | 59,668 |
| Commitments | | | |
| Lease obligations (including variable operating costs) | 427 | 1,775 | 2,202 |
| Land and lot purchase contracts (note 19d and note 19e) | 33,563 | 15,989 | 49,552 |
| Levies and municipal fees (note 19b) | 4,942 | 6,952 | 11,894 |
| | 38,932 | 24,716 | 63,648 |
| | **74,758** | **48,558** | **123,316** |

As at December 31, 2021, the Corporation had obligations due within the next 12 months of $74,758 (December 31, 2020 - $39,777). 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. During the year ended December 31, 2021, the Corporation renewed two loans (note 13a and note 13e) and put in place a corporate revolving line of credit of $50,000 (note 13c). Subsequent to December 31, 2021, the Corporation amended to increase the operating line of credit facility from $6,500 to $10,000 (note 13d) and renewed the corporate revolving line of credit (note 13c).

*(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 $239 annually on floating rate loans (2020 - $28).

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

## 20. FINANCIAL INSTRUMENTS (continued)

### b) Capital management

The Corporation's policy is to maintain a sufficient capital base in order to retain investor, creditor and market confidence and to sustain the future development of the business. The Corporation is in compliance with all 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:

| | **2021** | 2020 |
|---|---|---|
| Loans and credit facilities (note 13) | **32,668** | 21,470 |
| Shareholders' equity | **228,624** | 187,676 |
| | **261,292** | 209,146 |

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

## 21. SEGMENTED INFORMATION

The income producing business units of the Corporation reported the following activities for the year ended December 31, 2021 and 2020:

| | Land Development Segment | | | | Home Building Segment | Intersegment Elimination | Total |
|---|---|---|---|---|---|---|---|
| **Year ended December 31, 2021** | **Genesis** | **LP** | **Intrasegment Elimination** | **Total** | | | |
| Revenues | 41,076 | 203 | (184) | 41,095 | 92,416 | (29,620) | **103,891** |
| Revenues - development lands | 4,945 | 925 | - | 5,870 | - | - | **5,870** |
| Direct cost of sales | (30,771) | (845) | - | (31,616) | (80,190) | 29,620 | **(82,186)** |
| Reversal of write-down of real estate held for development and sale | 4,268 | - | - | 4,268 | - | - | **4,268** |
| Gross margin | 19,518 | 283 | (184) | 19,617 | 12,226 | - | **31,843** |
| Gain in investments in land development entities | 562 | - | - | 562 | - | - | **562** |
| G&A, selling & marketing and net finance expense or income | (8,142) | (180) | 184 | (8,138) | (9,912) | - | **(18,050)** |
| Earnings before income taxes and non-controlling interest | 11,938 | 103 | - | 12,041 | 2,314 | - | **14,355** |
| | | | | | | | |
| Segmented assets as at December 31, 2021 | 276,751 | 13,895 | (6,482) | 284,164 | 39,527 | 1,238 | **324,929** |
| Segmented liabilities as at December 31, 2021 (1), (2) | 62,653 | 6,609 | (2,288) | 66,974 | 20,779 | 1,238 | **88,991** |
| Segmented net assets as at December 31, 2021 (1), (2) | 214,098 | 7,286 | (4,194) | 217,190 | 18,748 | - | **235,938** |

| | Land Development Segment | | | | Home Building Segment | Intersegment Elimination | Total |
|---|---|---|---|---|---|---|---|
| **Year ended December 31, 2020** | **Genesis** | **LP** | **Intrasegment Elimination** | **Total** | | | |
| 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 |

*(1) Segmented liabilities under the Genesis land development segment include $3,113 due to the home building segment (December 31, 2020 - $4,118 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 $2,288 (December 31, 2020 -$2,226) due to Genesis.*

## 22. 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.

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, with the net proceeds were placed in the trust account of counsel to LPLP 2007 to be available for pro rata distribution its limited partners.

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

## 22. CONSOLIDATED ENTITIES (continued)

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

| | % equity interest as at | |
|---|---|---|
| **Name** | **December 31, 2021** | **December 31, 2020** |
| **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% |
| Genesis Land Development (Ricardo Ranch) Corp. | 100% | 100% |
| Sage Hill Crest Apartments Corp. | 100% | 0% |
| **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.*

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

## 22. 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, 2021 | | | |
|---|---|---|---|---|
| | LP 4/5 | LP 8/9 | LPLP 2007 | Total |
| **Assets** | | | | |
| Real estate held for development and sale | 9,564 | - | - | **9,564** |
| Amounts receivable | - | - | 6 | **6** |
| Due from related parties | - | 45 | 51 | **96** |
| Other operating assets including restricted cash | - | - | 4,198 | **4,198** |
| Cash and cash equivalents | - | - | 31 | **31** |
| **Total assets** | 9,564 | 45 | 4,286 | **13,895** |
| **Liabilities** | | | | |
| Accounts payable and accrued liabilities | 3 | 45 | 4,273 | **4,321** |
| Due to related parties | 2,288 | - | - | **2,288** |
| **Total liabilities** | 2,291 | 45 | 4,273 | **6,609** |
| **Net assets** | 7,273 | - | 13 | **7,286** |
| **Non-controlling interest (%)** | 100% | 100% | 100% | |

| | 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 | - | 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% | |

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

## 22. CONSOLIDATED ENTITIES (continued)

### SUMMARIZED STATEMENTS OF COMPREHENSIVE INCOME

| | Year ended December 31, 2021 | | | |
|---|---|---|---|---|
| | **LP 4/5** | **LP 8/9** | **LPLP 2007** | **Total** |
| Revenues | 19 | 1,109 | - | **1,128** |
| Net (loss) / earnings | (184) | 211 | 76 | **103** |
| **Non-controlling interest (%)** | 100% | 100% | 100% | |

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

### SUMMARIZED STATEMENT OF CASH FLOWS

| | Year ended December 31, 2021 | | | |
|---|---|---|---|---|
| | **LP 4/5** | **LP 8/9** | **LPLP 2007** | **Total** |
| Cash flows (used in) / from operating activities | - | (13) | 90 | **77** |
| Cash flows used in financing activities | - | - | (74) | **(74)** |
| Net (decrease) / increase in cash and cash equivalents | - | (13) | 16 | **3** |

| | Year ended December 31, 2020 | | | |
|---|---|---|---|---|
| | **LP 4/5** | **LP 8/9** | **LPLP 2007** | **Total** |
| 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** |