GENESIS LAND DEVELOPMENT CORP.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

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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/ Stephen J. Griggs,
Interim Chief Executive Officer

/s/ Kirsten Richter
Interim Chief Financial Officer

March 21, 2017

Independent Auditors' Report

To the Shareholders of Genesis Land Development Corp.

We have audited the accompanying consolidated financial statements of Genesis Land Development Corp. which comprise the consolidated balance sheets as at December 31, 2016 and 2015, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Genesis Land Development Corp. as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

MNP LLP

Calgary, Alberta
March 21, 2017

Chartered Professional Accountants

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

	Notes	December 31, 2016	December 31, 2015
Assets			
Real estate held for development and sale	4	**242,000**	288,291
Investment in joint venture	16	**-**	2,854
Amounts receivable	5	**21,059**	17,234
Other operating assets	6	**5,019**	7,574
Deferred tax assets	7	**6,557**	3,693
Income tax recoverable		**42**	-
Cash and cash equivalents		**14,318**	11,399
Total assets		**288,995**	331,045
Liabilities			
Loans and credit facilities	8	**43,295**	63,819
Customer deposits		**2,587**	3,820
Accounts payable and accrued liabilities		**10,195**	19,219
Income taxes payable		**-**	270
Provision for future development costs	2(p)	**21,253**	18,926
Total liabilities		**77,330**	106,054
Commitments and contingencies	14		
Equity			
Share capital	9,10	**54,888**	55,591
Contributed surplus	10	**-**	5,577
Retained earnings		**150,863**	150,957
Shareholders' equity		**205,751**	212,125
Non-controlling interest	19	**5,914**	12,866
Total equity		**211,665**	224,991
Total liabilities and equity		**288,995**	331,045

See accompanying notes to the consolidated financial statements

Consolidated entities (note 19)
Subsequent events (note 20)

ON BEHALF OF THE BOARD:

/s/ **Stephen J. Griggs**
Director and Chair of the Board

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

GENESIS LAND DEVELOPMENT CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2016 and 2015
(In thousands of Canadian dollars except per share amounts)

	Notes	Year ended December 31, 2016	2015
Revenues			
Sales revenue		**115,179**	118,769
Other revenue		**778**	319
		115,957	119,088
Direct cost of sales		**(80,674)**	(84,189)
Write-down of real estate held for development and sale	4	**(8,665)**	(12,390)
		(89,339)	(96,579)
Gross margin		**26,618**	22,509
Income from joint venture	16	**86**	4,238
General and administrative	11	**(11,930)**	(13,521)
Selling and marketing	12	**(4,382)**	(5,405)
		(16,226)	(14,688)
Earnings from operations		**10,392**	7,821
Finance income		**71**	86
Finance expense	13	**(2,999)**	(3,864)
Earnings before income taxes		**7,464**	4,043
Income tax expense	7	**(1,532)**	(3,336)
Net earnings being comprehensive earnings		**5,932**	707
Attributable to non-controlling interest	19	**26**	(10,307)
Attributable to equity shareholders		**5,906**	11,014
Net earnings per share – basic and diluted	9	**0.13**	0.25

See accompanying notes to the consolidated financial statements

Consolidated entities (note 19)
Subsequent events (note 20)

GENESIS LAND DEVELOPMENT CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2016 and 2015
(In thousands of Canadian dollars except number of shares)

	Equity attributable to Corporation's shareholders						
	Common shares – Issued						
	Number of Shares	Amount	Contributed Surplus	Retained Earnings	Total Shareholders' Equity	Non-Controlling Interest	Total Equity
At December 31, 2014	44,931,200	56,393	5,349	146,359	208,101	23,173	231,274
Share-based payments	-	-	228	-	228	-	228
Cancellation of shares	(5,000)	-	-	-	-	-	-
Repurchase and cancellation of shares [(1)]	(628,598)	(802)	-	(1,085)	(1,887)	-	(1,887)
Dividends [(3)]	-	-	-	(5,331)	(5,331)	-	(5,331)
Net earnings (loss) [(2)]	-	-	-	11,014	11,014	(10,307)	707
At December 31, 2015	44,297,602	55,591	5,577	150,957	212,125	12,866	224,991
At December 31, 2015	44,297,602	55,591	5,577	150,957	212,125	12,866	224,991
Share-based payments	-	-	76	-	76	-	76
Repurchase and cancellation of shares [(1)]	(551,796)	(703)	-	(717)	(1,420)	-	(1,420)
Distributions [(4)]	-	-	-	-	-	(6,978)	(6,978)
Transferred to retained earnings [(5)]	-	-	(5,653)	5,653	-	-	-
Dividends [(3)]	-	-	-	(10,936)	(10,936)	-	(10,936)
Net earnings [(2)]	-	-	-	5,906	5,906	26	5,932
At December 31, 2016	43,745,806	54,888	-	150,863	205,751	5,914	211,665

See accompanying notes to the consolidated financial statements

[(1)] Repurchased and cancelled under normal course issuer bid ("NCIB"). Refer to note 9c
[(2)] Net earnings (loss) being comprehensive earnings (loss)
[(3)] Special cash dividends of $0.25 and $0.12 per share were paid in 2016 and 2015 respectively.
[(4)] Distribution to unit holders of Genesis Limited Partnership #6 and Genesis Limited Partnership #7. Refer to note 4
[(5)] Transferred to retained earnings on cancellation of all outstanding stock options. Refer to note 10

GENESIS LAND DEVELOPMENT CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2016 and 2015
(In thousands of Canadian dollars)

	Notes	Year ended December 31, 2016	2015
Operating activities			
Receipts from residential lot and development land sales		**27,795**	15,708
Receipts from residential home sales		**83,100**	101,025
Other receipts		**2,910**	5,083
Paid for land development		**(13,921)**	(36,092)
Paid for land acquisition		**-**	(10,000)
Paid for residential home construction		**(37,425)**	(65,592)
Paid to suppliers and employees		**(14,869)**	(18,709)
Interest received		**71**	86
Income taxes paid		**(4,709)**	(9,834)
Cash flows from (used in) operating activities		**42,952**	(18,325)
Investing activities			
Acquisition of equipment		**(61)**	(1,187)
Distribution received from joint venture	16	**3,200**	3,800
Disposal of equipment		**-**	10
Cash flows from investing activities		**3,139**	2,623
Financing activities			
Advances from loans and credit facilities	8	**42,462**	45,524
Repayments of loans and credit facilities		**(57,800)**	(42,719)
Payment on vendor-take-back mortgage		**(8,000)**	-
Interest and fees paid on loans and credit facilities		**(500)**	(1,475)
Cash settlement of options		**-**	(59)
Dividends paid		**(10,936)**	(5,331)
Repurchase and cancellation of shares under NCIB	9	**(1,420)**	(1,887)
Distribution to unit holders of limited partnerships		**(6,978)**	-
Cash flows (used in) financing activities		**(43,172)**	(5,947)
Change in cash and cash equivalents		**2,919**	(21,649)
Cash and cash equivalents, beginning of period		**11,399**	33,048
Cash and cash equivalents, end of period		**14,318**	11,399

See accompanying notes to the consolidated financial statements

1. DESCRIPTION OF BUSINESS

Genesis Land Development Corp. (the "Corporation" or "Genesis") was incorporated as Genesis Capital Corp. 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 7315 - 8th Street N.E., Calgary, Alberta T2E 8A2.

The consolidated financial statements of Genesis were approved for issuance by the Board of Directors on March 21, 2017.

2. SIGNIFICANT ACCOUNTING POLICIES

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

a) Statement of compliance

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

b) Basis of presentation

The consolidated financial statements have been prepared under the historical cost convention except for the financial assets classified as fair value through profit or loss 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.

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.

Subsidiaries 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 so as to obtain benefit from its activities. 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 held by the Corporation and are presented separately from shareholders' equity in the consolidated statements of comprehensive income and within equity in the consolidated balance sheets. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) **Interest in joint venture**

The Corporation has an interest in a joint venture, Kinwood Communities Inc., (the "JV") which is a jointly controlled entity. The Corporation recognizes its interest in the JV using the equity method of accounting.

e) **Revenue recognition**

(i) Residential lot and development land sales

Land and lot sales to third parties are recognized when the risks and rewards of ownership have been transferred, the agreed-to services pertaining to the property have been substantially performed, a minimum 15% non-refundable deposit has been received, and the collection of the remaining unpaid balance is reasonably assured. 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) Residential home sales

Revenue is recognized 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.

(iii) Interest income

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

(iv) 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.

f) **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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Borrowing costs

The acquisition or construction of real estate assets necessarily takes a substantial period of time to prepare 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. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs incurred in connection with the borrowing of the funds.

The borrowing costs are determined first by reference to borrowings specific to the project, where relevant, and secondly by applying a weighted average interest rate for the Corporation's non-project specific borrowings, less any investment income arising on temporary investing of funds, to qualifying inventory. Borrowing costs are recorded as inventory from the date of commencement of development work until the date of completion. The recording of interest as inventory is suspended if the project development is suspended for a prolonged period.

h) 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 equipment — 3 years
- Computer software — 3 years
- Showhome furniture — 3 years
- Leasehold improvements — Lesser of 5 years or remaining term of the lease

i) Income taxes

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Corporation's consolidated financial statements include some entities that are limited partnerships (note 19) and are not subject to income taxes. The income or loss for Canadian tax purposes is attributable to the taxable income of the 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 partners that form part of the non-controlling interest.

j) **Cash and cash equivalents**

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

k) **Leases**

Operating lease payments are recognized as an operating expense in the consolidated statements of comprehensive income on a straight-line basis over the lease term.

l) **Share-based payments**

Prior to 2016, the Corporation provided equity-settled share-based payments in the form of a share option plan to its employees, officers and directors. The share options issued are either regular options or performance options. The costs of share-based payments are calculated by reference to the fair value of the options at the date on which they are granted. The fair values of regular options are determined using the Black-Scholes Option-Pricing Model while the fair values of performance options are determined using the Black-Scholes Option-Pricing Model incorporating the Monte Carlo simulation. 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 at the discretion of the Corporation and are accounted for as equity-settled plans. When options are settled in cash, the cash paid reduces the contributed surplus to the extent of previously recognized liability. Amounts paid in excess of previously recognized liability are expensed.

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

m) **Financial assets**

All financial assets are initially recognized on the consolidated balance sheet at fair value and designated at inception into one of the following classifications: at fair value through profit or loss ("FVTPL"); and loans and receivables. All financial assets are recognized initially on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

Transaction costs related to financial assets classified as FVTPL are expensed, and for all other financial assets they are included in the initial carrying amount.

The financial assets classified as FVTPL are cash and cash equivalents, and deposits and restricted cash. Financial assets at FVTPL include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets at FVTPL are carried on the consolidated balance sheet at fair value with changes in fair value recognized in the consolidated statements of comprehensive income.

Financial assets classified as loans and receivables are amounts receivable. Financial assets classified as loans and receivables 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.

Financial assets are no longer recognized 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets are assessed at each reporting date in order to determine whether objective evidence exists that the assets are impaired as a result of one or more events that have had a negative effect on the estimated future cash flows of the asset.

If there is objective evidence that a financial asset has become impaired, the amount of the impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows from the asset, discounted at its original effective interest rate. Impairment losses are recorded in earnings. If the amount of the impairment loss decreases in a subsequent period and the decrease can be objectively related to an event occurring after the impairment was recognized, the impairment loss is reversed up to the original carrying value of the asset. Any reversal is recognized in earnings.

n) **Financial liabilities**

The financial liabilities classified as other financial liabilities are accounts payable and accrued liabilities, and loans and credit facilities.

All financial liabilities are initially recognized on the consolidated balance sheet at fair value less directly attributable transaction costs, and designated at inception as other financial liabilities.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities are no longer recognized as a liability when the contractual obligations are discharged, cancelled or expire.

o) **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.

p) **Provision for future development costs**

The Corporation sells land, lots and homes for which it is responsible to pay for future development costs. For the home building segment, the provision for future development costs represents the costs likely to be incurred on seasonal work and estimated warranty charges over the one year warranty period. For the land development segment, the provision for future development costs represents the estimated construction costs related to sold land. This includes all direct construction costs and indirect costs expected to be incurred during the remainder of the construction 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.

q) **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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Judgments

(i) *Revenue Recognitio*n

Revenue recognition for development lands requires judgment to determine when the risks and rewards of ownership have been transferred. The Corporation reviews each contract and evaluates all the factors to determine the appropriate transfer date.

(ii) *Consolidation*

The Corporation applies judgment in determining control over certain limited partnerships where the Corporation holds less than 50% equity ownership. The judgment is 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 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 from independent real estate appraisers and in light of recent market transactions of similar and adjacent lands and housing projects in the same geographic area.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Valuation of amounts receivables

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.

3. STANDARDS AND AMENDMENTS TO EXISTING STANDARDS DURING 2016

The Corporation adopted no new IFRSs and interpretations during 2016.

RECENT ACCOUNTING PRONOUNCEMENTS

The Corporation has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Corporation:

IFRS 15, "Revenue from contracts with customers"

On May 28, 2014 the IASB issued IFRS 15, "Revenue from contracts with customers". IFRS 15 will replace existing standards and interpretations on revenue recognition. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The standard outlines a single comprehensive model for entities for revenue recognition arising from contracts with customers. The Corporation has not yet considered the impact of IFRS 15 on its consolidated financial statements. The Corporation will assess the impact, if any, and report on this in its 2017 financial statements.

IFRS 9, "Financial instruments"

On November 12, 2009, the IASB issued IFRS 9, "Financial instruments" ("IFRS 9"), which will replace IAS 39 "Financial Instruments: Recognition and Measurement" ("IAS 39"). The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. IFRS 9 applies to classification and measurement of financial assets as defined in IAS 39. It uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. The Corporation has not yet considered the impact of IFRS 9 on its consolidated financial statements. The Corporation will assess the impact, if any, and report on this in its 2017 financial statements.

IFRS 16, "Leases"

On January 13, 2016, the IASB published a new standard, IFRS 16, "Leases". The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted but only if the entity is also applying IFRS 15, "Revenue from contracts with customers". Under the new standard, a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The liability accrues interest. The Corporation has not yet considered the impact of IFRS 16 on its consolidated financial statements.

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

4. REAL ESTATE HELD FOR DEVELOPMENT AND SALE

	Land Under Development	Land Held for Future Development	Home Building	Total	Limited Partnerships	Intra-segment Elimination	Consolidated Total
Gross book value							
As at December 31, 2015	138,518	107,495	30,768	276,781	79,997	(5,381)	351,397
Transfers between categories	(22,923)	(2,632)	25,555	-	-	-	-
Development	29,822	296	34,615	64,733	244	-	64,977
Sold	(22,521)	(6,466)	(71,538)	(100,525)	(8,212)	1,187	(107,550)
As at December 31, 2016	122,896	98,693	19,400	240,989	72,029	(4,194)	308,824
Less provision for write-downs							
As at December 31, 2015	-	30,633	-	30,633	32,473	-	63,106
Sold	-	(4,947)	-	(4,947)	-	-	(4,947)
Write-down of real estate held for development and sale	4,000	1,990	-	5,990	2,675	-	8,665
As at December 31, 2016	4,000	27,676	-	31,676	35,148	-	66,824
Net book value							
As at December 31, 2015	138,518	76,862	30,768	246,148	47,524	(5,381)	288,291
As at December 31, 2016	118,896	71,017	19,400	209,313	36,881	(4,194)	242,000

During the year ended December 31, 2016, interest of $500 (2015 - $623) was capitalized as a component of the Development costs above.

During the year ended December 31, 2016, $876 of pre-construction work in progress, relating to certain townhouse projects in the home building segment, that are not expected to proceed, was expensed to cost of sales in the home building segment. The Corporation does not intend to build on these townhouse sites but rather has listed the relevant land parcels for sale to third parties.

Land under development: The Corporation closed the sale of a 7 acre development land parcel in September 2016 for $9,437.

Land held for future development: The Corporation closed the sale of a 1,653 acre non-core parcel of land in June 2016. The sale was contracted for gross proceeds of $1,650.

Land under development: The Corporation closed the sale of a 14 acre development land parcel during the three months ended March 31, 2016 for $10,150. The Corporation owned a direct 10% undivided interest. This parcel was the final land holding of Genesis Limited Partnership #6 ("LP6").

During the year ended December 31, 2016, the Corporation recorded the following write-downs on parcels of land located in and around Calgary, Alberta: a write-down of $4,000 on land under development to reflect the estimated returns realizable from completion of development and sale of this land, a write-down of $1,990 to reflect the market value of a non-core undeveloped land parcel and a write-down of $2,675 to reflect the market value of a non-core undeveloped land parcel belonging to a limited partnership.

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

4. REAL ESTATE HELD FOR DEVELOPMENT AND SALE (continued)

The following table summarizes the sale of the 7 acre development land parcel and the 1,653 acre non-core land parcel.

	Land Under Development	Land Held for Future Development	Total
Sales revenue	9,437	1,650	11,087
Direct cost of sales	(5,936)	(1,533)	(7,469)
Gross margin	3,501	117	3,618
Sales commission and misc. expenses/recoveries	(186)	(76)	(262)
Net margin	3,315	41	3,356

The following table summarizes the 14 acre development land sale transaction.

	Genesis	LP 6/7 Group	Total
Sales revenue, net of $100 rebate	1,015	9,135	10,150
Direct cost of sales	(2,124)	(8,212)	(10,336)
Deferred gain from the original sale of these lands to LP6	1,187	-	1,187
Gross margin	78	923	1,001
Sales commission and misc. expenses	(25)	(238)	(263)
Management fees	669	(669)	-
Net margin	722	16	738
Genesis' 11.75% interest in LP 6	2	(2)	-
	724	14	738

Genesis Limited Partnership #6 and Genesis Limited Partnership #7 paid a total distribution of $6,978 to their unit holders during the year ended December 31, 2016.

5. AMOUNTS RECEIVABLE

	2016	2015
Agreements receivable	**19,778**	16,312
Other receivables	**1,281**	922
	21,059	17,234

Agreements receivable for lot sales are secured by the underlying real estate assets and have various terms of repayment. Purchasers generally have between 6 and 24 months to pay the balance owing for the purchased lots. Certain agreements receivable and mortgages receivable, if any, are interest bearing.

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

6. OTHER OPERATING ASSETS

	2016	2015
Deposits	**2,497**	3,485
Prepayments	**262**	309
Restricted cash	**1,353**	2,127
Property and equipment	**907**	1,653
	5,019	7,574

Deposits include amounts paid to development authorities as security to guarantee the completion of construction projects under development and deposits on future land acquisitions. 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 as security to guarantee the completion of certain construction projects (see note 14 for additional information). Restricted cash is held in trust accounts.

7. INCOME TAXES

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

	2016	2015
Current income tax	**4,397**	5,671
Deferred tax relating to origination and reversal of temporary differences	**(2,865)**	(2,335)
	1,532	3,336

b) Income tax expense differed from that which would be expected from applying the combined statutory Canadian federal and provincial income tax rates of 27.00% (2015 – 26.01%) to earnings before income taxes. The difference resulted from the following:

	2016	2015
Earnings before income taxes	**7,464**	4,043
Statutory tax rate	**27.00%**	26.01%
Expected income tax expense	**2,015**	1,052
Utilization of previously recognized tax losses	**-**	(160)
Benefit of losses not recognized	**63**	-
Effect of tax rate change	**-**	(190)
Share-based payment transactions	**20**	75
Change in estimate of a deferred tax component	**(533)**	-
Others	**78**	(122)
Non-controlling interest	**(7)**	2,681
Non-taxable item	**(104)**	-
Tax expense for the year	**1,532**	3,336

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

7. INCOME TAXES (continued)

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

	2016	2015
Deferred tax assets	**8,461**	6,694
Deferred tax liabilities	**(1,904)**	(3,001)
	6,557	3,693

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

	2016	2015
Real estate held for development and sale	**5,562**	4,589
Non-capital loss carry-forwards*	**212**	182
Reserves from land sales	**(1,690)**	(2,974)
Unamortized financing costs	**2,419**	1,923
Other temporary differences	**54**	(27)
	6,557	3,693

**Non-capital losses carry-forward amounts expire between 2032 and 2036*

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

8. LOANS AND CREDIT FACILITIES

	2016	2015
Secured by agreements receivable and real estate held for development and sale		
(a) Land project loan, payable on collection of agreements receivable, bearing interest ranging from prime +0.75% to prime +1.25% per annum, secured by real estate held for development and sale with a carrying value of $35,711, due between September 18, 2017 and November 5, 2017.	**5,566**	16,609
Secured by real estate held for development and sale		
(b) Vendor-take-back mortgage ("VTB") of $32,000 at 0% per annum is measured at amortized cost and whose fair value is based on discounted future cash flows, using an 8% discount rate. The VTB was assumed on January 6, 2015 for $40,000 for the purchase of southeast Calgary lands and is secured by these lands with a carrying value of $44,334. The VTB is to be paid in five annual installments of $8,000 each, commencing January 6, 2016 and ending January 6, 2020. The second installment of $8,000 was paid in January 2017.	**32,000**	40,000
Unamortized portion of the discount on the VTB.	**(3,494)**	(5,679)
(c) Demand operating line of credit up to $10,000, bearing interest at prime +1.0% per annum, secured by real estate held for development and sale with a carrying value of $13,058.	**-**	-
Secured by housing projects under development		
(d) Demand operating line of credit up to $6,500, bearing interest at prime +1.5% per annum, secured by a general security agreement over assets of the home building division.	**-**	1,427
(e) Lot purchase loan, payable on collection of closing proceeds, bearing interest at prime +1.5% per annum, secured by home building projects with a carrying value of $1,473 due on September 11, 2017.	**903**	3,767
	34,975	56,124
Secured by land held for future development - Limited Partnership		
(f) Land loan, bearing interest at the greater of 7.25% or prime +3% per annum, secured by land held for future development and sale with a carrying value of $26,121 maturing July 1, 2017.	**8,531**	8,125
	43,506	64,249
Deferred fees on loans and credit facilities	**(211)**	(430)
	43,295	63,819

The weighted average interest rate of loan agreements with financial institutions was 5.77% (December 31, 2015 - 4.75%) based on December 31, 2016 balances. The VTB at 0% per annum is measured at amortized cost and its fair value is based on discounted future cash flows using an 8% discount rate, resulting in interest expense of $2,185 (2015 - $2,633) for the year ended December 31, 2016.

During the year ended December 31, 2016, the Corporation received advances of $42,462 for the year (2015 - $45,524) relating to various existing loan facilities secured by agreements receivable and real estate held for development and sale, bearing interest ranging from prime + 0.75% to prime + 1.25% per annum, with due dates ranging from March 31, 2017 to December 31, 2017.

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

8. 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 financing fees):

January 1, 2017 to December 31, 2017	22,990
January 1, 2018 to December 31, 2018	7,383
January 1, 2019 to December 31, 2019	6,822
January 1, 2020 to December 31, 2020	6,311
	43,506

The Corporation has various covenants in place with its lenders with respect to certain contracted credit facilities. Such covenants include credit usage restrictions; cancellation, prepayment, confidentiality and cross default clauses; sales coverage requirements; conditions precedent for funding; and other general understandings 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. In addition, the home building business segment has a secured revolving operating line repayable on demand, to be used for home construction and for the acquisition of serviced lots. As at December 31, 2016 and 2015, the Corporation and its subsidiaries were in compliance with all loan covenants.

9. 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, 2016 and 2015:

	Year ended December 31,	
	2016	**2015**
Basic	**43,969,313**	44,828,422
Effect of dilutive securities – stock options	**-**	-
Diluted	**43,969,313**	44,828,422

In calculating diluted earnings per share for the year ended December 31, 2016, the Corporation excluded all options as they were cancelled effective June 30, 2016 and their exercise price was greater than the average market price during the six months ended June 30, 2016. In calculating the diluted earnings for the year ended December 31, 2015, the Corporation excluded all 2,357,000 options as their exercise price was greater than the average market price of the Corporation's shares during the period.

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

9. SHARE CAPITAL (continued)

c) Normal course issuer bid

On September 7, 2016, the Corporation announced the renewal of its NCIB. The renewed NCIB commenced on September 12, 2016 and terminates on the earlier of (i) September 11, 2017; and (ii) the date on which the maximum number of common shares are purchased pursuant to the bid. The Corporation may purchase for cancellation up to 2,194,320 common shares under the renewed NCIB.

The prior NCIB, which expired on September 9, 2016, allowed the Corporation to purchase for cancellation up to 2,246,310 common shares. The Corporation purchased a total of 1,124,598 common shares at an average price of $2.81 per share under this NCIB.

The following table sets forth the number of common shares repurchased and cancelled during the year ended December 31, 2016 and 2015 under the NCIB.

	Year ended December 31,	
	2016	**2015**
Number of shares repurchased and cancelled	**551,796**	628,598
Reduction in share capital	**703**	802
Reduction in retained earnings	**717**	1,085
Reduction in shareholders' equity	**1,420**	1,887

The average purchase prices per share for the year ended December 31, 2016 was $2.60 (2015 - $3.00).

10. STOCK OPTIONS

The Corporation terminated the stock option plan on March 22, 2016 and all outstanding options were subsequently cancelled. The stock option plan was a plan for employees, officers, and directors of the Corporation to purchase common shares. Vesting provisions and exercise prices were set at the time of issuance by the Board of Directors. Options vested over a number of years on various anniversary dates from the date of the original grant. The options were issued at not less than the fair market value of the common shares at the date of grant and were issued with terms not exceeding five years from the date of grant.

All outstanding stock options were cancelled effective June 30, 2016 and $5,653 of contributed surplus relating to share-based payments was transferred to retained earnings.

Regular options

Details of outstanding regular options were as follows:

	Year ended December 31,			
	2016		2015	
	Number of Options	**Weighted Average Exercise Price**	**Number of Options**	**Weighted Average Exercise Price**
Outstanding – beginning of period	**1,085,000**	**$4.01**	1,419,000	$3.86
Options expired [(1)]	**(918,328)**	**$3.89**	(115,000)	$3.53
Options cancelled	**(166,672)**	**$4.71**	(75,000)	$3.40
Options settled in cash	**-**	**-**	(144,000)	$3.27
Outstanding – end of period	**-**	**-**	1,085,000	$4.01
Exercisable – end of period	**-**	**-**	848,327	$3.93

[(1)] Holders no longer employees of Genesis

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

10. STOCK OPTIONS (continued)

Performance options

Details of outstanding performance options were as follows:

	Year ended December 31,			
	2016		2015	
	Number of Options	**Exercise Price**	**Number of Options**	**Exercise Price**
Outstanding – beginning of period	**1,272,000**	**$3.35**	1,272,000	$3.35
Options expired [(1)]	**(1,272,000)**	**$3.35**	-	-
Outstanding – end of period	**-**	**-**	1,272,000	$3.35
Exercisable – end of period	**-**	**-**	193,900	$3.35
Weighted average remaining contractual life		**-**		3.00 years

[(1)] Holders no longer employees of Genesis

11. GENERAL AND ADMINISTRATIVE

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

	2016	2015
Corporate administration	**2,780**	3,040
Compensation and benefits	**8,131**	9,230
Professional services	**1,019**	1,251
	11,930	13,521

Compensation and benefits of the directors and key management personnel were as follows:

	2016	2015
Salaries, wages and benefits	**1,924**	2,110
Share-based payments	**76**	287
	2,000	2,397

12. SELLING AND MARKETING

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

	2016	2015
Advertising and marketing	**2,020**	3,197
Sales commissions	**2,362**	2,208
	4,382	5,405

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13. FINANCE EXPENSE

The finance expense of the Corporation consisted of the following:

	2016	2015
Interest incurred	**1,014**	1,248
Finance expense relating to VTB (note 8)	**2,185**	2,633
Financing fees amortized	**300**	606
Interest and financing fees capitalized (note 4)	**(500)**	(623)
	2,999	3,864

14. COMMITMENTS AND CONTINGENCIES

a) The Corporation has entered into a memorandum of understanding with the Northeast Community Society in 2012, whereby the Corporation will contribute $5,000 over 10 years for 15-year naming rights to “Genesis Centre for Community Wellness”, a recreation complex in northeast Calgary ($500 each year, terminating in 2021). The first five installments totaling $2,500 were paid up to and through to the end of December 2016. The Corporation paid the sixth installment of $500 in February 2017.

b) The Corporation has entered into an agreement with the City of Airdrie in 2008, whereby the Corporation will contribute $2,000 over 10 years for 40-year naming rights to “Genesis Place”, a recreation complex in the city of Airdrie ($200 each year, terminating in 2017). The first nine installments totaling $1,800 were paid up to and through to the end of December 2016.

c) The Corporation has issued letters of credit pursuant to service agreements with municipalities to indemnify them in the event that the Corporation does not perform its contractual obligations. As at December 31, 2016, the letters of credit amounted to $4,429 (December 31, 2015 – $6,309).

d) On July 15, 2011, a joint venture (note 16) obtained a credit facility in the amount of $17,000. The Corporation and a joint venture partner had each provided guarantees for 50% of this facility. The facility was cancelled during 2016.

e) The Corporation has office and other operating leases with the following annual payments: not later than one year - $671; later than one year but not later than five years - $60; and later than five years - Nil.

f) Two former employees have filed a claim against the Corporation on May 27, 2016 alleging wrongful dismissal and seeking damages. The Corporation is vigorously defending these allegations.

g) Limited Partnership Land Pool (2007) has a credit facility in the amount of $8,531 included in loans and credit facilities balance (note 8) in the consolidated financial statements. The Corporation has provided a guarantee for this facility.

15. FINANCIAL INSTRUMENTS

a) Risks associated with financial instruments

(i) Credit risk

As at December 31, 2016, the Corporation carried Nil (2015 - Nil) as allowance for doubtful accounts.

The Corporation recognizes bad debt expense or recovery relating to amounts receivable on sold lots, net of the return of the real estate held for development and sale. These lots are taken back into the Corporation’s lot inventory. The difference between an impaired amount receivable and the related bad debt expense or recovery is the cost of a lot for which impairment has been assessed.

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

15. FINANCIAL INSTRUMENTS (continued)

Recovery of bad debt expense is included in the Corporation's general and administrative expenses. In order to mitigate credit risk, the Corporation retains title to sold residential lots until full payment is received. Individual balances due from customers as at December 31, 2016, which comprise greater than 10% of total amounts receivable, totaled $19,040 from five customers (December 31, 2015 - $15,777 from three customers).

Aging of amounts receivable was as follows:

	2016	2015
Not past due	**20,865**	17,234
Past due	**194**	-
	21,059	17,234

(ii) Liquidity risk

The following were the contractual maturities of financial liabilities and other commitments as at December 31, 2016:

	<1 Year	**>1 Year**	**Total**
Financial liabilities			
Accounts payable and accrued liabilities	10,195	-	10,195
Loans and credit facilities excl. deferred fees (note 8)	22,990	20,516	43,506
	33,185	20,516	53,701
Commitments			
Lease obligations (note 14)	671	60	731
Naming rights (note 14)	700	2,000	2,700
	1,371	2,060	3,431
	34,556	**22,576**	**57,132**

At December 31, 2016, the Corporation had obligations due within the next 12 months of $34,556 (2015 - $34,111). Based on the Corporation' 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.

(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 $150 annually on floating rate loans.

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

15. FINANCIAL INSTRUMENTS

b) **Fair value of financial instruments**

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

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

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 estimated fair value of financial assets and liabilities as at December 31, 2016, are presented in the following table:

	December 31, 2016		December 31, 2015	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Fair value through profit and loss				
Cash and cash equivalents	14,318	14,318	11,399	11,399
Deposits	2,497	2,497	3,485	3,485
Restricted cash	1,353	1,353	2,127	2,127
Loans and receivables				
Amounts receivable	21,059	20,057	17,234	16,106
Other financial liabilities				
Accounts payable and accrued liabilities	10,195	10,195	19,219	19,219
Loans and credit facilities, excluding deferred loans and credit facilities fees (note 8)	43,506	43,506	64,249	64,249

Cash and cash equivalents, deposits, and restricted cash are classified under Level 1 of the hierarchy.

The fair values of the Corporation's amounts receivable and of loans and credit facilities were estimated based on current market rates for loans of the same risk and maturities. These are classified as Level 2 of the hierarchy. Accounts payable and accrued liabilities are classified under Level 2 of the hierarchy and their fair value approximates the carrying value due to the short term nature of the financial instruments.

During the years ended December 31, 2016 and 2015, no transfers were made between the levels in the fair value hierarchy.

c) **Capital management**

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

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

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

15. FINANCIAL INSTRUMENTS (continued)

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

	2016	2015
Loans and credit facilities (note 8)	**43,295**	63,819
Shareholders' equity	**205,751**	212,125
	249,046	275,944

16. JOINT VENTURE

The Corporation formed the JV on April 30, 2010, for the purpose of acquiring, developing and selling certain real estate. The Corporation is a 50% partner in the JV and the following tables summarize the financial information of the JV.

	December 31,	
	2016	2015
Assets		
Amounts receivable	**237**	11,687
Cash and cash equivalents	**1,204**	2,127
Total assets	**1,441**	13,814
Liabilities		
Accounts payable and accrued liabilities	**442**	1,661
Provision for future development costs	**1,787**	6,241
Total liabilities	**2,229**	7,902
Net assets	**(788)**	5,912
Corporation's share of net assets (50%)	**(394)**	2,956
Deferred gain	**(10)**	(102)
Carrying amount on the consolidated balance sheets	**(404)**	2,854

As at December 31, 2016, the carrying amount is grouped with accounts payable and accrued liabilities on the consolidated balance sheets.

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

16. JOINT VENTURE (continued)

	Year ended December 31,	
	2016	2015
Revenues	**32**	12,172
Cost of sales	**(314)**	(9,115)
	(282)	3,057
General and administrative	**(14)**	(679)
Net finance (expense) income	**(4)**	99
(Loss) earnings being comprehensive (loss) earnings	**(300)**	2,477
Corporation's share of (loss) earnings and comprehensive (loss) earnings (50%)	**(150)**	1,239
Deferred gain recognized	**92**	1,855
Deferred margin recognized on JV lots sold	**144**	1,144
Amount on consolidated statements of comprehensive income	**86**	4,238

	Year ended December 31,	
	2016	2015
Cash flows from operating activities	**5,477**	12,212
Cash flows (used in) financing activities	**(6,400)**	(10,085)
Net change in cash and cash equivalents	**(923)**	2,127

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

16. JOINT VENTURE (continued)

	Investment in JV	Income from JV
At December 31, 2015	**2,854**	**-**
Share of net income in JV	**(150)**	(150)
Deferred gain recognized	**92**	92
Deferred margin from JV on lots sold	**-**	144
Distribution received	**(3,200)**	-
At December 31, 2016	**(404)**	86
At December 31, 2014	3,560	-
Share of net income in JV	1,239	1,239
Deferred gain recognized	1,855	1,855
Deferred margin from JV on lots sold	-	1,144
Distribution received	(3,800)	-
At December 31, 2015	2,854	4,238

The Corporation's transactions with the JV are limited to the purchase of home building lots. During the year ended December 31, 2016, the JV sold no lots (2015 - Nil) to Genesis Builders Group Inc., a wholly owned subsidiary of the Corporation. The Corporation's accounts payable and accrued liabilities as at December 31, 2016 was Nil (December 31, 2015 - Nil), related to the purchase of home building lots.

The Corporation deferred $13,167 of gain when it contributed its share of land to the JV in 2010. As at December 31, 2016, the Corporation had realized $13,157 (2015 - $13,065) of that amount as a result of sales through its home building business segment and directly to third parties.

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

17. SEGMENTED INFORMATION

The income producing business units of the Corporation reported the following activities for the year ended December 31, 2016 and 2015:

Year ended December 31, 2016	Land Development Segment				Home Building Segment	Intersegment Elimination	Total
	Genesis	LP	Intrasegment Elimination	Total			
Revenues	49,704	9,204	(705)	58,203	83,249	(25,495)	115,957
Direct cost of sales	(29,696)	(8,244)	1,187	(36,753)	(69,416)	25,495	(80,674)
Write-down of real estate held for	(5,990)	(2,675)	-	(8,665)	-	-	(8,665)
Gross margin	14,018	(1,715)	482	12,785	13,833	-	26,618
Income from JV	86	-	-	86	-	-	86
G&A, selling & marketing and net finance expense or income	(7,277)	(3,135)	669	(9,743)	(9,497)	-	(19,240)
Earnings (loss) before income taxes and non-controlling	6,827	(4,850)	1,151	3,128	4,336	-	7,464
Segmented assets	258,583	36,971	(26,677)	268,877	24,929	(4,811)	288,995
Segmented liabilities(1),(2)	64,658	36,145	(27,543)	73,260	8,692	(4,622)	77,330
Segmented net assets(1),(2)	193,925	826	866	195,617	16,237	(189)	211,665

Year ended December 31, 2015	Land Development Segment				Home Building Segment	Intersegment Elimination	Total
	Genesis	LP	Intrasegment Elimination	Total			
Revenues	35,719	(542)	-	35,177	102,846	(18,935)	119,088
Direct cost of sales	(20,694)	(10)	-	(20,704)	(84,326)	20,841	(84,189)
Write-down of real estate held for development and sale	(4,365)	(8,025)	-	(12,390)	-	-	(12,390)
Gross margin	10,660	(8,577)	-	2,083	18,520	1,906	22,509
Income from JV	4,238	-	-	4,238	-	-	4,238
G&A, selling & marketing and net finance expense or income	(8,662)	(2,082)	-	(10,744)	(11,960)	-	(22,704)
Earnings (loss) before income taxes and non-controlling	6,236	(10,659)	-	(4,423)	6,560	1,906	4,043
Segmented assets as at December 31, 2015	290,431	48,209	(31,801)	306,839	35,683	(11,477)	331,045
Segmented liabilities as at December 31, 2015(1),(2)	86,183	34,794	(26,704)	94,273	22,917	(11,136)	106,054
Segmented net assets as at December 31, 2015(1),(2)	204,248	13,415	(5,097)	212,566	12,766	(341)	224,991

(1) Segmented liabilities under the Genesis land segment include $287 due to the home building segment (December 31, 2015 - $9,095 due from the home building segment to the land development segment)

(2) Segmented liabilities under the LP segment is comprised of accounts payable and accrued liabilities and includes $27,543 (December 31, 2015 - $26,704) due to Genesis.

18. RELATED PARTY TRANSACTIONS

Transactions occurred in the year ended December 31, 2016 with the following related parties:

a) A corporation controlled by an officer and director,

b) A corporation which is a significant shareholder of Genesis.

Genesis incurred costs of $379 from the two entities for the year ended December 31, 2016 (2015 - Nil). For the year ended December 31, 2016, $368 (2015 - Nil) related to fees for services and $11 (2015 - Nil) related to reimbursement of travel and other costs. Of these amounts, Nil (2015 - Nil) is in accounts payable and accrued liabilities as at December 31, 2016.

19. CONSOLIDATED ENTITIES

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. 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. The Corporation is the general partner in four limited partnership group structures.

Limited Partnership Land Pool (2007) ("LPLP 2007") has a loan amounting to $26,590 (2015 - $25,143) due to the Corporation. The loan has been secured by a second mortgage on a property owned by LPLP 2007. The loan agreement has also been registered as a caveat on the titles of two properties held by LPLP 2007.

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

19. CONSOLIDATED ENTITIES (continued)

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

	% equity interest as at	
Name	**December 31, 2016**	**December 31, 2015**
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%
Polar Hedge Enhanced Income Trust	100%	100%
No. 114 Corporate Ventures Ltd., Buena Vista Ranches Ltd.	Dissolved	100%
Home Building		
Single-Family and Townhouses		
Genesis Builders Group Inc.	100%	100%
The Breeze Inc.	100%	100%
Generations Group of Companies Inc.	Dissolved	100%
Laurels by Genesis Inc.	100%	-
Newport at Canals Landing Inc.	100%	100%
Ashbury at Saddlestone Inc.	100%	100%
Hutton at Bayview 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 6/7 Group		
Genesis Limited Partnership #6	11.75%	11.75%
Genesis Limited Partnership #7, GP GLP7 Inc., GLP7 Subco Inc.	0%	0%
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., GP RRSP 2007 #2 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% at December 31, 2016 and 2015 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)

19. 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, 2016				
	LP 4/5	LP6/7	LP 8/9	LPLP 2007	Total
Assets					
Real estate held for development and sale	8,186	-	2,574	26,121	**36,881**
Amounts receivable	-	-	-	-	**-**
Other operating assets	-	-	-	50	**50**
Cash and cash equivalents	-	-	1	39	**40**
Total assets	8,186	-	2,575	26,210	**36,971**
Liabilities					
Loans and credit facilities	-	-	-	8,514	**8,514**
Customer deposits	-	-	-	2	**2**
Accounts payable and accrued liabilities	-	-	-	86	**86**
Due to related parties	427	-	526	26,590	**27,543**
Total liabilities	427	-	526	35,192	**36,145**
Net assets (liabilities)	7,759	-	2,049	(8,982)	**826**
Non-controlling interest (%)	100%	88.25%	100%	100%	

	December 31, 2015				
	LP 4/5	LP6/7	LP 8/9	LPLP 2007	Total
Assets					
Real estate held for development and sale	7,943	8,212	2,574	28,795	**47,524**
Amounts receivable	-	-	-	2	**2**
Other operating assets	-	-	-	197	**197**
Cash and cash equivalents	-	442	1	43	**486**
Total assets	7,943	8,654	2,575	29,037	**48,209**
Liabilities					
Loans and credit facilities	-	-	-	8,062	**8,062**
Customer deposits	-	-	-	2	**2**
Accounts payable and accrued liabilities	-	-	-	26	**26**
Due to related parties	159	895	507	25,143	**26,704**
Total liabilities	159	895	507	33,233	**34,794**
Net assets (liabilities)	7,784	7,759	2,068	(4,196)	**13,415**
Non-controlling interest (%)	100%	88.25%	100%	100%	

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

19. CONSOLIDATED ENTITIES (continued)

SUMMARIZED INCOME STATEMENTS

	Year ended December 31, 2016				
	LP 4/5	LP6/7	LP 8/9	LPLP 2007	Total
Revenues	17	9,137	-	50	**9,204**
Net loss being comprehensive loss	(23)	(21)	(19)	(4,787)	**(4,850)**
Non-controlling interest (%)	100%	88.25%	100%	100%	

	Year ended December 31, 2015				
	LP 4/5	LP6/7	LP 8/9	LPLP 2007	Total
Revenues	19	(615)	-	54	**(542)**
Net earnings (loss) being comprehensive income (loss)	11	(621)	(615)	(9,434)	**(10,659)**
Non-controlling interest (%)	100%	88.25%	100%	100%	

SUMMARIZED STATEMENT OF CASH FLOWS

	Year ended December 31, 2016				
	LP 4/5	LP6/7	LP 8/9	LPLP 2007	Total
Cash flows from (used in) operating activities	-	7,296	-	(4)	**7,292**
Cash flows used in financing activities	-	(7,738)	-	-	**(7,738)**
Net decrease in cash and cash equivalents	-	(442)	-	(4)	**(446)**

	Year ended December 31, 2015				
	LP 4/5	LP6/7	LP 8/9	LPLP 2007	Total
Cash flows from financing activities	-	3	-	6	**9**
Net increase in cash and cash equivalents	-	3	-	6	**9**

20. SUBSEQUENT EVENTS

The Corporation paid the second installment of $8,000 on the VTB in January 2017. The balance on the VTB after this payment, excluding the unamortized portion, is $24,000.

The Corporation amended the term of its head office lease agreement extending the term by 38 months to September 30, 2020. The total basic rent over the extension period is $364.

The Corporation entered into a firm agreement to sell 1,476 acres of non-core land for $9,000. The sale is expected to close in May 2017.