GENESIS

# GENESIS LAND DEVELOPMENT CORP.

## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three months ended March 31, 2014 and 2013

(Unaudited)

FIRST QUARTER

**GENESIS LAND DEVELOPMENT CORP.**

## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**For the three months ended March 31, 2014 and 2013**
**(Unaudited)**

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**GENESIS LAND DEVELOPMENT CORP.**

## CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS

(Unaudited)

*(In thousands of Canadian dollars)*

| | Notes | March 31, 2014 | December 31, 2013 |
|---|---|---|---|
| **Assets** | | | |
| Real estate held for development and sale | 4 | **241,636** | 257,420 |
| Investment in joint venture | 10 | **7,951** | 7,894 |
| Amounts receivable | 9 | **25,510** | 23,342 |
| Other operating assets | | **7,802** | 7,115 |
| Deferred tax assets | | **297** | 397 |
| Cash and cash equivalents | | **20,168** | 17,678 |
| **Total assets** | | **303,364** | 313,846 |
| **Liabilities** | | | |
| Loans and credit facilities | 5, 9 | **32,968** | 50,373 |
| Customer deposits | | **5,991** | 5,228 |
| Accounts payable and accrued liabilities | 9 | **16,028** | 16,759 |
| Income taxes payable | | **4,234** | 3,112 |
| Provision for future land development costs | | **23,628** | 20,448 |
| **Total liabilities** | | **82,849** | 95,920 |
| Commitments and contingencies | 8 | | |
| **Equity** | | | |
| Share capital | 6, 7 | **56,122** | 56,122 |
| Contributed surplus | | **5,114** | 5,011 |
| Retained earnings | | **137,290** | 134,350 |
| **Shareholders' equity** | | **198,526** | 195,483 |
| Non-controlling interest | 14 | **21,989** | 22,443 |
| **Total equity** | | **220,515** | 217,926 |
| | | | |
| **Total liabilities and equity** | | **303,364** | 313,846 |

See accompanying notes to the condensed consolidated interim financial statements

**GENESIS LAND DEVELOPMENT CORP.**

## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

**For the three months ended March 31, 2014 and 2013**

*(In thousands of Canadian dollars except per share amounts)*

| | | Three months ended March 31, | |
|---|---|---|---|
| | **Notes** | **2014** | **2013** |
| **Revenues** | | | |
| Sales revenue | | **37,802** | 27,560 |
| Other revenue | | **185** | 50 |
| | | **37,987** | 27,610 |
| Cost of sales | | **(30,149)** | (18,858) |
| **Gross margin** | | **7,838** | 8,752 |
| Income from joint venture | 10 | **229** | 211 |
| General and administrative | | **(2,877)** | (3,137) |
| Selling and marketing | | **(1,174)** | (745) |
| Other expenses | | **(166)** | (82) |
| | | **(3,988)** | (3,753) |
| Operating earnings from continuing operations | | **3,850** | 4,999 |
| Finance income | | **120** | 218 |
| Finance expense | | **(293)** | (564) |
| Earnings before income taxes | | **3,677** | 4,653 |
| Income tax expense | | **(1,191)** | (1,317) |
| Net earnings being comprehensive earnings | | **2,486** | 3,336 |
| Attributable to non-controlling interest | 14 | **(454)** | (344) |
| **Attributable to equity shareholders** | | **2,940** | 3,680 |
| Net earnings per share – basic and diluted | | **0.07** | 0.08 |

See accompanying notes to the condensed consolidated interim financial statements

**GENESIS LAND DEVELOPMENT CORP.**

## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

(Unaudited)

**For the three months ended March 31, 2014 and 2013**

*(In thousands of Canadian dollars except number of shares)*

| | Equity attributable to Corporation's stakeholders | | | | | | |
|---|---|---|---|---|---|---|---|
| | Common shares - Issued | | | | | | |
| | Number of Shares | Amount | Contributed Surplus | Retained Earnings | Total Shareholders' Equity | Non-Controlling Interest | Total Equity |
| **At December 31, 2012** | 44,765,728 | 55,844 | 5,109 | 128,637 | 189,590 | 36,719 | 226,309 |
| Share-based payments | 47,810 | 127 | 2 | - | 129 | - | 129 |
| Net earnings (loss)(1) | - | - | - | 3,680 | 3,680 | (344) | 3,336 |
| **At March 31, 2013** | 44,813,538 | 55,971 | 5,111 | 132,317 | 193,399 | 36,375 | 229,774 |
| | | | | | | | |
| **At December 31, 2013** | 44,861,200 | 56,122 | 5,011 | 134,350 | 195,483 | 22,443 | 217,926 |
| Share-based payments | - | - | 103 | - | 103 | - | 103 |
| Net earnings (loss)(1) | - | - | - | 2,940 | 2,940 | (454) | 2,486 |
| **At March 31, 2014** | 44,861,200 | 56,122 | 5,114 | 137,290 | 198,526 | 21,989 | 220,515 |

See accompanying notes to the condensed consolidated interim financial statements

(1) *Net earnings (loss) being comprehensive earnings (loss)*

**GENESIS LAND DEVELOPMENT CORP.**

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**

(Unaudited)

**For the three months ended March 31, 2014 and 2013**

*(In thousands of Canadian dollars)*

| | Three months ended March 31, | |
|---|---|---|
| | **2014** | **2013** |
| **Operating activities** | | |
| Receipts from residential lot and development land sales | **22,368** | 51,209 |
| Receipts from residential home sales | **14,103** | 17,643 |
| Other receipts | **164** | 182 |
| Paid to suppliers for land development | **(1,873)** | (4,814) |
| Paid to suppliers for residential home construction | **(9,556)** | (8,426) |
| Paid to other suppliers and employees | **(4,188)** | (4,821) |
| Interest received | **120** | 120 |
| Income taxes paid | **-** | (961) |
| **Cash flows from operating activities** | **21,138** | 50,132 |
| **Investing activities** | | |
| Acquisition of property and equipment | **(173)** | (14) |
| Change in restricted cash | **(88)** | - |
| **Cash (used in) investing activities** | **(261)** | (14) |
| **Financing activities** | | |
| Advances from loans and credit facilities | **8,394** | 4,658 |
| Repayments of loans and credit facilities | **(26,200)** | (52,302) |
| Interest and fees paid on loans and credit facilities | **(581)** | (773) |
| Issue of share capital | **-** | 96 |
| **Cash (used in) financing activities** | **(18,387)** | (48,321) |
| **Change in cash and cash equivalents** | **2,490** | 1,797 |
| Cash and cash equivalents, beginning of period | **17,678** | 10,005 |
| **Cash and cash equivalents, end of period** | **20,168** | 11,802 |

See accompanying notes to the condensed consolidated interim 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 is located at 7315 - 8th Street N.E., Calgary, Alberta T2E 8A2.

The condensed consolidated interim financial statements of Genesis were approved for issuance by the Board of Directors on May 13, 2014.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Corporation are the same as those applied in the Corporation’s annual audited consolidated financial statements for the years ended December 31, 2013 and 2012 except as stated in note 3. These policies have been consistently applied to each of the periods presented, unless otherwise indicated.

The unaudited condensed consolidated interim financial statements (“Statements”) of the Corporation are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These Statements are unaudited and have been prepared in accordance with IAS 34 “Interim Financial Reporting”.

The Statements have been prepared under historical cost convention except for the financial assets classified as fair value through profit or loss that have been measured at fair value.

These Statements do not include all of the information required for annual financial statements and should be read in conjunction with the annual audited consolidated financial statements for the years ended December 31, 2013 and 2012.

## 3. STANDARDS AND AMENDMENTS TO EXISTING STANDARDS EFFECTIVE JANUARY 1, 2014

The Corporation adopted new IFRSs and interpretations as of January 1, 2014, as noted below:

*i) IFRIC 21, “Levies”*

In May 2013, the IASB issued IFRIC 21, “Levies” (“IFRIC 21”) which provides guidance on accounting for levies in accordance with the requirements of IAS 37, “Provisions, Contingent Liabilities and Contingent Assets”. The interpretation clarifies that an entity is to recognize a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is to be accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014 and requires retrospective application.

*ii) IAS 36, “Impairment of Assets” – Amendments to IAS 36*

The amended standard requires entities to disclose the recoverable amount of an impaired cash generating unit (CGU). The amendments to IAS 36 are effective for annual periods beginning on or after January 1, 2014 and require retrospective application.

The impact of the application of these standards is set out below.

**Impact of the application of IFRIC 21**

The Corporation has analyzed the impact of IFRIC 21 and concluded that this standard does not have an impact on the Corporation’s financial position or performance.

**Impact of the application of Amendments to IAS 36**

The Corporation has analyzed the impact of the amended standard and concluded that this standard does not have a material impact on the Corporation's financial position or performance.

**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:

*i) IFRS 2, "Share-based payment"*

*"Annual Improvements to IFRSs 2010–2012 Cycle"* was issued in December 2013. The definitions of 'vesting conditions' and 'market condition' were amended and the definitions of 'performance condition' and 'service condition' were added. An entity is required to prospectively apply that amendment to share-based payment transactions for which the grant date is on or after 1 July 2014. The Corporation will apply the revised standard on share-based payment transactions, if any, made on or after July 1, 2014.

*ii) 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 was to be effective for annual periods beginning on or after January 1, 2015. In February 2014, the IASB tentatively decided the mandatory effective date of the final IFRS 9 would now be January 1, 2018. The final standard is expected in mid-2014. 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.

*(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 | Consolidated Total |
|---|---|---|---|---|---|---|
| **Gross book value** | | | | | | |
| As at December 31, 2013 | 140,162 | 71,950 | 30,895 | 243,007 | 74,595 | 317,602 |
| Transfers | (1,469) | (552) | 2,021 | - | - | - |
| Development | 54 | 730 | 12,968 | 13,752 | - | 13,752 |
| Sold | (22,619) | - | (11,032) | (33,651) | - | (33,651) |
| As at March 31, 2014 | 116,128 | 72,128 | 34,852 | 223,108 | 74,595 | 297,703 |
| **Provision for write-downs** | | | | | | |
| As at December 31, 2013 | 5,791 | 27,040 | - | 32,831 | 27,351 | 60,182 |
| Sold | (4,115) | - | - | (4,115) | - | (4,115) |
| As at March 31, 2014 | 1,676 | 27,040 | - | 28,716 | 27,351 | 56,067 |
| **Net book value** | | | | | | |
| As at December 31, 2013 | 134,371 | 44,910 | 30,895 | 210,176 | 47,244 | 257,420 |
| As at March 31, 2014 | 114,452 | 45,088 | 34,852 | 194,392 | 47,244 | 241,636 |

During the three months ended March 31, 2014, interest of $692 (2013 - $859) was capitalized.

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

## 5. LOANS AND CREDIT FACILITIES

| | March 31, 2014 | December 31, 2013 |
|---|---|---|
| **Secured by real estate held for development and sale and agreements receivable** | | |
| I. Land project loans, payable on collection of agreements receivable, bearing interest at rates ranging from prime +1.25% to prime +2.5%, secured by real estate held for development and sale with a carrying value of $101,761, due between December 1, 2014 and December 1, 2015. | **15,623** | 32,759 |
| **Secured by housing projects under development** | | |
| II. 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. | **3,509** | 2,305 |
| III. Project loans, payable on collection of closing proceeds, bearing interest of prime +1.5%, secured by home building projects with a carrying value of $11,713, due by December 10, 2014. | **7,060** | 8,716 |
| | **26,192** | 43,780 |
| **Secured by land held for future development - Limited Partnership** | | |
| IV. Land loan, bearing interest at the greater of 7.5% or prime +4.5% per annum, secured by land held for future development and sale with a carrying value of $15,121 maturing March 1, 2016. | **7,850** | 7,850 |
| | **34,042** | 51,630 |
| Deferred loans and credit facilities fees | **(1,074)** | (1,257) |
| | **32,968** | 50,373 |

The weighted average interest rate of loan agreements was 5.40% (December 31, 2013 – 5.83%), based on March 31, 2014 balances.

During the three months ended March 31, 2014, the Corporation received $8,394 (2013 - $4,658) relating to various new and renewed loan facilities secured by real estate held for development and sale, and agreements receivable, bearing interest ranging from prime + 1.25% to prime + 2.0% per annum, with due dates ranging from December 1, 2014 to October 30, 2015.

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):

| | |
|---|---|
| April 1, 2014 to March 31, 2015 | 20,148 |
| April 1, 2015 to March 31, 2016 | 13,894 |
| | 34,042 |

The Corporation has various covenants in place with its lenders with respect to certain contracted credit facilities. Such covenants include: other 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 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 its construction and serviced lot operations. This line has a financial covenant requiring that Genesis Builders Group Inc., ("GBG") maintain a net worth of at least $11.5 million at all times. Net worth, a non-IFRS financial measure, is defined as "Retained Earnings plus Shareholders Loans plus Due to Related Parties (excluding lot payables to related parties) minus Due from Related Parties".

As at March 31, 2014 and as at December 31, 2013, the Corporation and its subsidiaries were in compliance with all covenants.

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

## 6. SHARE CAPITAL

### (a) Authorized

Unlimited number of common shares
Unlimited number of preferred shares

### (b) Weighted average number of shares

The following table sets forth the weighted average number of common shares outstanding for the three months ended March 31, 2014 and 2013:

| | Three months ended March 31, | |
|---|---|---|
| | **2014** | **2013** |
| Basic | **44,861,200** | 44,790,299 |
| Effect of dilutive securities – stock options | **75,847** | 119,208 |
| Diluted | **44,937,047** | 44,909,507 |

In calculating diluted earnings per share for the three months ended March 31, 2014, the Corporation did not exclude any options (2013 – 100,000) as their exercise prices were greater than the average market price of the Corporation's shares during those periods.

The Corporation has not issued any preferred shares.

## 7. STOCK OPTIONS

The Corporation has established a stock option plan for employees, officers, and directors of the Corporation 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.

The options must be issued at not less than the fair market value of the common shares at the date of grant and are issued with terms not exceeding five years from the date of grant.

### Regular options

Details of outstanding regular options were as follows:

| | Three months ended March 31, | | | |
|---|---|---|---|---|
| | 2014 | | 2013 | |
| | Number of Options | Weighted Average Exercise Price | Number of Options | Weighted Average Exercise Price |
| Outstanding – beginning of period | 1,060,500 | $3.32 | 1,231,722 | $3.21 |
| Options exercised | - | - | (47,810) | $2.01 |
| Options expired | - | - | (45,000) | $6.30 |
| Options forfeited | - | - | (36,500) | $3.49 |
| Outstanding – end of period | 1,060,500 | $3.32 | 1,102,412 | $3.13 |
| Exercisable – end of period | 695,499 | $3.28 | 864,912 | $3.06 |

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

## 7. STOCK OPTIONS (Continued)

| Range of Exercise Prices ($) | Outstanding | | Exercisable | | Weighted Average Remaining Contractual Life in Years |
|---|---|---|---|---|---|
| | Number at March 31, 2014 | Weighted Average Exercise Price | Number at March 31, 2014 | Weighted Average Exercise Price | |
| 0.01 – 3.00 | 51,500 | $2.01 | 51,500 | $2.01 | 0.66 |
| 3.01 – 4.00 | 1,009,000 | $3.40 | 643,999 | $3.38 | 3.21 |
| | 1,060,500 | $3.32 | 695,499 | $3.28 | 3.08 |

**Performance options**

The Board of Directors granted performance options to the senior executives of the Corporation in respect of long term compensation. These performance options would reward the executives only if the Corporation's share price achieves and sustains certain prescribed levels. Performance options vest on a time basis, equally over three years commencing from January 1, 2015.

Details of outstanding performance options were as follows:

| | Three months ended March 31, | | | |
|---|---|---|---|---|
| | 2014 | | 2013 | |
| | Number of Options | Exercise Price | Number of Options | Exercise Price |
| Outstanding – beginning of period | - | - | - | - |
| Options granted | 1,272,000 | $3.35 | - | - |
| Outstanding – end of period | 1,272,000 | $3.35 | - | - |
| Exercisable – end of period | - | - | - | - |

| Exercise Price ($) | Outstanding | | Exercisable | | Weighted Average Remaining Contractual Life in Years |
|---|---|---|---|---|---|
| | Number at March 31, 2014 | Exercise Price | Number at March 31, 2014 | Exercise Price | |
| 3.35 | 1,272,000 | $3.35 | - | - | 4.76 |

There were 1,272,000 performance options granted during the three months ended March 31, 2014 (2013 – Nil) with a fair value of $0.30 per share (2013 - $Nil) and an exercise price of $3.35 per share.

The fair value of each performance option granted was estimated on the date of grant using the Black-Scholes Option-Pricing Model incorporating the Monte Carlo simulation. The following assumptions were used in estimating the fair value of options granted:

| | **2014** | 2013 |
|---|---|---|
| Risk-free interest rate | 1.10% | N/A |
| Estimated term period prior to exercise (years) | 2.50 | N/A |
| Volatility in the price of the Corporation's common shares | 31.88% | N/A |
| Forfeiture rate | 24.22% | N/A |
| Dividend yield rate | 0.00% | N/A |

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

## 8. COMMITMENTS AND CONTINGENCIES

Other than the commitments and contingencies discussed below and in the notes to the audited consolidated financial statements for the years ended December 31, 2013 and 2012, there were no other material commitments or contingencies as at March 31, 2014.

(a) The Corporation has been named as a co-defendant in a statement of claim filed on May 10, 2011 in the province of Ontario (the "Action"). The plaintiff asserts that they contributed funds to a third party entity (one of the co-defendants), and through that entity, has an interest in LPLP 2007 (note 22). The plaintiff is seeking $10,700 plus punitive damages relating to the ownership interests of LPLP 2007. The Corporation recognizes LPLP 2007's non-controlling interest in these consolidated financial statements. The Action against the Corporation has been discontinued pursuant to a court order in the Action dated February 12, 2014 and issuance of a signed release from all claims relating to the Action by the plaintiff. A cross claim against the Corporation by the third party co-defendant for $400 remains extant. The amount of additional liability, if any, which exceeds the non-controlling interest, is currently indeterminate.

(b) The Corporation has entered into a memorandum of understanding with the Northeast Community Society, whereby the Corporation will contribute $5,000 for the naming rights to "Genesis Centre for Community Wellness", a recreation complex in northeast Calgary ($500 each year, terminating October 31, 2021). The first three installments totaling $1,500 were made through 2014.

(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 of March 31, 2014, the letters of credit amounted to $6,209 (December 31, 2013 – $6,279).

(d) Pursuant to the terms of a participating mortgage that was repaid during 2002, the former mortgage holders have the right to a 20% participation in the profits from the development of approximately 39 acres of land under development. A liability for the payment has been recorded. The Corporation is selling lots in the last phase covered under this development. The payout will be made on completion of the sale of lots in the last phase and collection of related proceeds along with an accounting of all related costs.

(e) The Corporation has office and other operating leases with the following annual payments: not later than one year - $898; later than one year but not later than five years - $2,086; and later than five years - $Nil.

## 9. FINANCIAL INSTRUMENTS

Fair value measurements recognized in the condensed consolidated interim balance sheet 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).

For financial assets and liabilities not measured at fair value at March 31, 2014, the following table compares their carrying value with their established fair value:

| | March 31, 2014 | |
|---|---|---|
| | Carrying Value | Estimated Fair Value |
| **Loans and receivables** | | |
| Amounts receivable | **25,510** | **24,625** |
| **Other financial liabilities** | | |
| Accounts payable and accrued liabilities | **16,028** | **16,028** |
| Loans and credit facilities, excl. deferred loans and credit facilities fees (note 5) | **34,042** | **33,713** |

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

## 9. FINANCIAL INSTRUMENTS (Continued)

Cash and cash equivalents, deposits, and restricted cash are classified under Level 1 of the hierarchy and their fair value approximates the carrying value due to the short term nature of the financial instruments.

The fair values of the Corporation's amounts receivable and 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 three months ended March 31, 2014 and 2013, no transfers were made between the levels in the fair value hierarchy.

## 10. JOINT VENTURE

The Corporation formed a joint venture ("JV") on April 30, 2010, for the purpose of acquiring, developing and selling certain real estate.

The following tables summarize the financial information of the JV and reconcile the summarized financial information to the carrying amount of the Corporation's interest in the JV, which is accounted for using the equity method.

| | March 31, 2014 | December 31, 2013 |
|---|---|---|
| **Assets** | | |
| Real estate held for development and sale | **22,885** | 22,478 |
| Amounts receivable | **21,710** | 25,272 |
| Cash and cash equivalents | **-** | 656 |
| **Total assets** | **44,595** | 48,406 |
| **Liabilities** | | |
| Loans and credit facilities | **1,164** | - |
| Accounts payable and accrued liabilities | **504** | 4,228 |
| Provision for future land development costs | **19,443** | 20,640 |
| **Total liabilities** | **21,111** | 24,868 |
| **Net assets** | **23,484** | 23,538 |
| Corporation's share of net assets (50%) | **11,742** | 11,769 |
| Deferred gain | **(3,791)** | (3,875) |
| **Carrying amount on the consolidated balance sheets** | **7,951** | 7,894 |

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

## 10. JOINT VENTURE (continued)

| | March 31, 2014 | March 31, 2013 |
|---|---|---|
| Revenues | - | 884 |
| Cost of sales | (53) | (706) |
| | **(53)** | (706) |
| General and administrative | **(35)** | (52) |
| Finance income | **34** | 180 |
| Earnings being comprehensive loss | **(54)** | 306 |
| Corporation's share of earnings and comprehensive loss (50%) | **(27)** | 153 |
| Deferred gain recognized | **84** | 41 |
| Deferred margin from JV on lots sold | **172** | 17 |
| Amount on condensed consolidated interim statements of comprehensive income | **229** | 211 |

| | Three months ended March 31, | |
|---|---|---|
| | **2014** | **2013** |
| Cash flows (used in) from operating activities | **(1,820)** | 7,336 |
| Cash flows from (used in) financing activities | **1,164** | (7,336) |
| Net change in cash and cash equivalents | **(656)** | - |

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

## 10. JOINT VENTURE (continued)

| | Investment in JV | Income from JV |
|---|---|---|
| At December 31, 2013 | 7,894 | |
| Share of net loss in JV | (27) | (27) |
| Deferred gain recognized | 84 | 84 |
| Deferred margin from JV on lots sold | - | 172 |
| **At March 31, 2014** | 7,951 | 229 |
| | | |
| At December 31, 2012 | 10,680 | |
| Share of net income in JV | 153 | 153 |
| Deferred gain recognized | 41 | 41 |
| Deferred margin from JV on lots sold | - | 17 |
| **At March 31, 2013** | 10,874 | 211 |

**T**he Corporation's transactions with the JV are limited to the purchase of home building lots. During the three months ended March 31, 2014 the JV did not sell any lots (2013 – 2 lots at $406) to GBG, a wholly owned subsidiary of the Corporation. The Corporation's accounts payable and accrued liabilities as at March 31, 2014 included $6,152 (December 31, 2013 - $6,477), related to the purchase of home building lots.

The Corporation deferred $13,167 when it contributed its share of land to the JV in 2010. As at March 31, 2014, the Corporation had realized $9,376 of that amount as a result of sales through GBG and directly to third parties (2013 – $5,646). The remaining amount of $3,791 will be realized on future sale and development of lots and lands by the JV.

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

## 11. SEGMENTED INFORMATION

The Corporation operates in two reportable segments, land development and home building, which represent separately managed strategic business units with distinct marketing strategies. The Corporation evaluates segment performance based on earnings or loss before income taxes. Inter-segment sales are accounted for as if the sale were to third parties at current market prices. Internal lot sales from the land segment to the home building business segment or a limited partnership have been eliminated and are not included in consolidated results until the home is sold to a third party purchaser.

The income producing business units of the Corporation reported the following activities for the three months ended March 31, 2014 and 2013:

| | Land Development Segment | | | | | |
|---|---|---|---|---|---|---|
| **Three months ended March 31, 2014** | **Genesis** | **LP** | **Total** | **Home Building Segment** | **Intersegment Elimination** | **Total[2]** |
| Revenues | 29,017 | 17 | 29,034 | 12,285 | (3,332) | 37,987 |
| Cost of sales | (22,054) | (3) | (22,057) | (10,772) | 2,680 | (30,149) |
| Gross margin | 6,963 | 14 | 6,977 | 1,513 | (652) | 7,838 |
| Income from JV | 229 | - | 229 | - | - | 229 |
| G&A, selling & marketing, other expenses[1] | (1,934) | (159) | (2,093) | (2,297) | - | (4,390) |
| Earnings (loss) before income taxes and non-controlling interest | 5,258 | (145) | 5,113 | (784) | (652) | 3,677 |
| Segmented assets | 224,874 | 53,529 | 278,403 | 53,256 | (28,295) | 303,364 |
| Segmented liabilities | 52,651 | 8,310 | 60,961 | 46,242 | (24,354) | 82,849 |
| Net assets | 172,223 | 45,219 | 217,442 | 7,014 | (3,941) | 220,515 |

| | Land Development Segment | | | | | |
|---|---|---|---|---|---|---|
| **Three months ended March 31, 2013** | **Genesis** | **LP** | **Total** | **Home Building Segment** | **Intersegment Elimination** | **Total[2]** |
| Revenues | 14,636 | 13 | 14,649 | 14,598 | (1,637) | 27,610 |
| Cost of sales | (8,435) | - | (8,435) | (12,491) | 2,068 | (18,858) |
| Gross margin | 6,201 | 13 | 6,214 | 2,107 | 431 | 8,752 |
| Income from JV | 211 | - | 211 | - | - | 211 |
| G&A, selling & marketing, other expenses[1] | (1,765) | (62) | (1,827) | (2,052) | (431) | (4,310) |
| Earnings (loss) before income taxes and non-controlling interest | 4,647 | (49) | 4,598 | 55 | - | 4,653 |
| Segmented assets | 230,139 | 66,181 | 296,320 | 39,945 | (6,176) | 330,089 |
| Segmented liabilities | 56,399 | 8,045 | 64,444 | 39,783 | (3,912) | 100,315 |
| Net assets | 173,740 | 58,136 | 231,876 | 162 | (2,264) | 229,774 |

*[1] Includes other expenses, finance expense and finance income*
*[2] Cash and cash equivalents are no longer managed as a corporate asset and are now presented under the relevant segment. The Corporate segment has therefore been removed.*

## 12. RELATED PARTY TRANSACTIONS

There were no related party transactions for the three months ended March 31, 2014 (2013 - $484).

The Corporation is the general partner in four limited partnership arrangements (note 14) and a 50% partner in the joint venture (note 10).

## 13. COMPARATIVE FIGURES

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

## 14. 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 Genesis controls. The Corporation has less than 50% equity ownership in these limited partnership entities; however, Genesis 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 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, and unrealized gains and losses resulting from intra-group transactions and dividends 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 condensed consolidated interim statement of comprehensive income and within equity in the condensed consolidated interim balance sheet. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. There are no significant restrictions on the Corporation's or its subsidiaries ability to access or use the assets, and settle the liabilities.

LPLP 2007 has a loan amounting to $21,678 (2013 - $21,167) 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)*

## 14. CONSOLIDATED ENTITIES (continued)

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

| | % equity interest as at | |
|---|---|---|
| **Name** | **March 31, 2014** | **December 31, 2013** |
| **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% |
| Polar Hedge Enhanced Income Trust | 100% | 100% |
| New View Consulting Ltd. | 100% | 100% |
| No. 114 Corporate Ventures Ltd. | 100% | 100% |
| Buena Vista Ranches Ltd. | 100% | 100% |
| **Home Building** | | |
| **Single-Family** | | |
| Genesis Builders Group Inc. | 100% | 100% |
| **Multi-Family** | | |
| The Breeze Inc. | 100% | 100% |
| Generations Group of Companies Inc. | 100% | 100% |
| Life at Solana Inc. | 100% | 100% |
| Life at Waterstone Inc. | 100% | 100% |
| Montura Inc. (previously Life at Skye Inc.) | 100% | 100% |
| **Joint Venture** | | |
| Kinwood Communities Inc. | 50% | 50% |
| **Limited Partnerships** | | |
| **LP 4/5 Group** | | |
| Genesis Limited Partnership #4 | 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 | 0.23% | 0.23% |
| 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% | 0% |
| 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% |

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

## 14. CONSOLIDATED ENTITIES (continued)

The following tables summarize the information relating to the Corporation's subsidiaries that have material non-controlling interests before any intra-group eliminations:

| | March 31, 2014 | | | | |
|---|---|---|---|---|---|
| | LP 4/5 | LP 6/7 | LP 8/9 | LPLP 2007 | Total |
| **Assets** | | | | | |
| Real estate held for development and sale | 7,922 | 6,615 | 4,219 | 33,870 | **52,626** |
| Amounts receivable | - | - | - | 1 | **1** |
| Other operating assets | - | 418 | - | - | **418** |
| Cash and cash equivalents | - | 439 | 1 | 44 | **484** |
| **Total assets** | 7,922 | 7,472 | 4,220 | 33,915 | **53,529** |
| **Liabilities** | | | | | |
| Loans and credit facilities | - | - | - | 7,775 | **7,775** |
| Customer deposits | - | - | - | 2 | **2** |
| Accounts payable and accrued liabilities | - | 418 | 1 | 114 | **533** |
| Due to related parties | 160 | 201 | 472 | 21,678 | **22,511** |
| **Total liabilities** | 160 | 619 | 473 | 29,569 | **30,821** |
| **Net assets** | 7,762 | 6,853 | 3,747 | 4,346 | **22,708** |
| **Non-controlling interest (%)** | 100% | 88.25% | 100% | 100% | |

| | December 31, 2013 | | | | |
|---|---|---|---|---|---|
| | LP 4/5 | LP 6/7 | LP 8/9 | LPLP 2007 | Total |
| **Assets** | | | | | |
| Real estate held for development and sale | 7,922 | 6,615 | 4,219 | 33,870 | **52,626** |
| Other operating assets | - | 418 | - | - | **418** |
| Cash and cash equivalents | - | 439 | 1 | 112 | **552** |
| **Total assets** | 7,922 | 7,472 | 4,220 | 33,982 | **53,596** |
| **Liabilities** | | | | | |
| Loans and credit facilities | - | - | - | 7,843 | **7,843** |
| Customer deposits | - | - | - | 2 | **2** |
| Accounts payable and accrued liabilities | - | 418 | - | 169 | **587** |
| Due to related parties | 160 | 201 | 470 | 21,167 | **21,998** |
| **Total liabilities** | 160 | 619 | 470 | 29,181 | **30,430** |
| **Net assets** | 7,762 | 6,853 | 3,750 | 4,801 | **23,166** |
| **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)*

## 14. CONSOLIDATED ENTITIES (continued)

| | Three months ended March 31, 2014 | | | | |
|---|---|---|---|---|---|
| | **LP 4/5** | **LP 6/7** | **LP 8/9** | **LPLP 2007** | **Total** |
| Revenues | - | - | - | 17 | **17** |
| Net earnings (loss) being comprehensive income (loss) | - | - | (1) | (455) | **(456)** |
| **Non-controlling interest (%)** | 100% | 88.25% | 100% | 100% | |

| | Three months ended March 31, 2013 | | | | |
|---|---|---|---|---|---|
| | **LP 4/5** | **LP 6/7** | **LP 8/9** | **LPLP 2007** | **Total** |
| Revenues | - | 108 | - | 13 | **121** |
| Net earnings (loss) being comprehensive income (loss) | - | 108 | (7) | (432) | **(331)** |
| **Non-controlling interest (%)** | 100% | 88.25% | 100% | 100% | |

| | Three months ended March 31, 2014 | | | | |
|---|---|---|---|---|---|
| | **LP 4/5** | **LP 6/7** | **LP 8/9** | **LPLP 2007** | **Total** |
| Cash flows (used in) operating activities | - | - | (1) | (68) | **(69)** |
| Cash flows used in financing activities | - | - | - | - | **-** |
| Net increase in cash and cash equivalents | - | - | (1) | (68) | **(69)** |

| | Three months ended March 31, 2013 | | | | |
|---|---|---|---|---|---|
| | **LP 4/5** | **LP 6/7** | **LP 8/9** | **LPLP 2007** | **Total** |
| Cash flows from operating activities | - | 74 | - | 7 | **81** |
| Cash flows used in financing activities | - | - | - | - | **-** |
| Net increase in cash and cash equivalents | - | 74 | - | 7 | **81** |