



**GENESIS LAND DEVELOPMENT CORP.**

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**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the three months ended March 31, 2015 and 2014  
(Unaudited)

**FIRST QUARTER**

**GENESIS LAND DEVELOPMENT CORP.**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**For the three months ended March 31, 2015 and 2014**  
(Unaudited)

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

	Notes	March 31, 2015	December 31, 2014
<b>Assets</b>			
Real estate held for development and sale	4	291,208	240,123
Investment in joint venture	10	3,623	3,560
Amounts receivable		13,835	17,660
Other operating assets		11,900	13,993
Deferred tax assets		1,838	1,358
Cash and cash equivalents		8,401	33,048
<b>Total assets</b>		<b>330,805</b>	<b>309,742</b>
<b>Liabilities</b>			
Loans and credit facilities	5	51,164	23,892
Customer deposits		4,910	5,515
Accounts payable and accrued liabilities		22,258	22,683
Income taxes payable		747	4,433
Provision for future land development costs		20,787	21,945
<b>Total liabilities</b>		<b>99,866</b>	<b>78,468</b>
Commitments and contingencies	8		
<b>Equity</b>			
Share capital	6, 7	56,393	56,393
Contributed surplus		5,447	5,349
Retained earnings		146,419	146,359
<b>Shareholders' equity</b>		<b>208,259</b>	<b>208,101</b>
Non-controlling interest	13	22,680	23,173
<b>Total equity</b>		<b>230,939</b>	<b>231,274</b>
<b>Total liabilities and equity</b>		<b>330,805</b>	<b>309,742</b>

See accompanying notes to the condensed consolidated interim financial statements

**GENESIS LAND DEVELOPMENT CORP.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE (LOSS) INCOME**  
(Unaudited)  
**For the three months ended March 31, 2105 and 2014**  
*(In thousands of Canadian dollars except per share amounts)*

	Notes	Three months ended March 31,	
		2015	2014
<b>Revenues</b>			
Sales revenue		15,738	37,802
Other revenue		35	185
		15,773	37,987
Direct cost of sales		(11,082)	(30,149)
<b>Gross margin</b>		<b>4,691</b>	<b>7,838</b>
Income from joint venture	10	172	229
General and administrative		(3,277)	(3,043)
Selling and marketing		(917)	(1,174)
		(4,022)	(3,988)
Operating earnings from continuing operations		669	3,850
Finance income		24	120
Finance expense		(1,022)	(293)
(Loss) earnings before income taxes		(329)	3,677
Income tax expense		(104)	(1,191)
Net (loss) earnings being comprehensive earnings		(433)	2,486
Attributable to non-controlling interest	13	(493)	(454)
<b>Attributable to equity shareholders</b>		<b>60</b>	<b>2,940</b>
Net earnings per share – basic and diluted		0.00	0.07

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, 2015 and 2014**

(In thousands of Canadian dollars except number of shares)

	Equity attributable to Corporation's shareholders					Non-Controlling Interest	Total Equity
	Common shares – Issued						
	Number of Shares	Amount	Contributed Surplus	Retained Earnings	Total Shareholders' Equity		
<b>At December 31, 2013</b>	44,861,200	56,122	5,011	134,350	195,483	22,443	217,926
Share-based payments	-	-	103	-	103	-	103
Net earnings (loss) <sup>(1)</sup>	-	-	-	2,940	2,940	(454)	2,486
<b>At March 31, 2014</b>	44,861,200	56,122	5,114	137,290	198,526	21,989	220,515
<b>At December 31, 2014</b>	44,931,200	56,393	5,349	146,359	208,101	23,173	231,274
Share-based payments	-	-	98	-	98	-	98
Net earnings (loss) <sup>(1)</sup>	-	-	-	60	60	(493)	(433)
<b>At March 31, 2015</b>	44,931,200	56,393	5,447	146,419	208,259	22,680	230,939

See accompanying notes to the condensed consolidated interim financial statements

<sup>(1)</sup> Net earnings (loss) being comprehensive earnings

**GENESIS LAND DEVELOPMENT CORP.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**  
(Unaudited)  
**For the three months ended March 31, 2015 and 2014**  
*(In thousands of Canadian dollars)*

	Notes	Three months ended March 31,	
		2015	2014
<b>Operating activities</b>			
Receipts from residential lot and development land sales		3,804	22,368
Receipts from residential home sales		15,267	14,015
Other receipts		414	164
Paid for land development		(5,935)	(1,873)
Paid for land acquisition		(10,000)	-
Paid for residential home construction		(12,773)	(9,556)
Paid to suppliers and employees		(5,258)	(4,188)
Interest received		24	120
Income taxes paid		(4,270)	-
<b>Cash flows (used in) from operating activities</b>		<b>(18,727)</b>	<b>21,050</b>
<b>Investing activities</b>			
Acquisition of equipment		(156)	(173)
<b>Cash flows (used in) investing activities</b>		<b>(156)</b>	<b>(173)</b>
<b>Financing activities</b>			
Advances from loans and credit facilities	5	1,964	8,394
Repayments of loans and credit facilities		(7,496)	(26,200)
Interest and fees paid on loans and credit facilities		(232)	(581)
<b>Cash flows (used in) financing activities</b>		<b>(5,764)</b>	<b>(18,387)</b>
<b>Change in cash and cash equivalents</b>		<b>(24,647)</b>	<b>2,490</b>
Cash and cash equivalents, beginning of period		33,048	17,678
<b>Cash and cash equivalents, end of period</b>		<b>8,401</b>	<b>20,168</b>

See accompanying notes to the condensed consolidated interim financial statements

**GENESIS LAND DEVELOPMENT CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

**For the three months ended March 31, 2015 and 2014**

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

**1. DESCRIPTION OF BUSINESS**

Genesis Land Development Corp. (the "Corporation" or "Genesis") was incorporated 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 condensed consolidated interim financial statements of Genesis were approved for issuance by the Board of Directors on May 14, 2015.

**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, 2014 and 2013 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 audited consolidated financial statements and should be read in conjunction with the annual audited consolidated financial statements for the years ended December 31, 2014 and 2013.

**3. STANDARDS AND AMENDMENTS TO EXISTING STANDARDS DURING 2015**

The Corporation adopted no new IFRSs and interpretations during 2015.

**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 9, "Financial instruments"*

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. 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 financial statements.

*IFRS 15, "Revenue from contracts with customers"*

IFRS 15, "Revenue from contracts with customers" will replace existing standards and interpretations on revenue recognition. The standard is effective for annual periods beginning on or after January 1, 2017, 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 financial statements.

**GENESIS LAND DEVELOPMENT CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

**For the three months ended March 31, 2015 and 2014**

(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
<b>Gross book value</b>						
As at December 31, 2014	119,574	65,679	32,165	217,418	74,595	292,013
Transfers	(1,624)	(1,135)	2,759	-	-	-
Acquisitions	-	44,265	-	44,265	-	44,265
Development	4,332	(1,022)	17,412	20,722	-	20,722
Sold	(979)	-	(12,923)	(13,902)	-	(13,902)
As at March 31, 2015	121,303	107,787	39,413	268,503	74,595	343,098
<b>Provision for write-downs</b>						
As at December 31, 2014	641	26,801	-	27,442	24,448	51,890
As at March 31, 2015	641	26,801	-	27,442	24,448	51,890
<b>Net book value</b>						
As at December 31, 2014	118,933	38,878	32,165	189,976	50,147	240,123
As at March 31, 2015	120,662	80,986	39,413	241,061	50,147	291,208

During the three months ended March 31, 2015, interest of \$435 (2014 - \$692) was capitalized in the Development line above.

The Corporation acquired 350 acres of land in southeast Calgary on January 6, 2015. The contract price for this land was \$52,500 with \$12,500 being paid by closing and the remaining \$40,000 to be paid in five annual instalments of \$8,000 each, commencing on January 6, 2016. The carrying value of this land at initial recognition is \$44,265 using an 8% discount rate.



**GENESIS LAND DEVELOPMENT CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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**For the three months ended March 31, 2015 and 2014**

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**5. LOANS AND CREDIT FACILITIES**

	March 31, 2015	December 31, 2014
<b>Secured by real estate held for development and sale and agreements receivable</b>		
I. Land project loans, payable on collection of agreements receivable, bearing interest at prime +1.25% per annum, secured by real estate held for development and sale with a carrying value of \$9,843, due on October 30, 2015.	2,385	8,750
<b>Secured by real estate held for development and sale</b>		
II. Vendor-take-back mortgage ("VTB") of \$40,000 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, reflecting current market conditions for instruments with similar terms and risks. The VTB was assumed on January 6, 2015 for the purchase of southeast Calgary lands and is secured by these lands with a carrying value of \$44,265. The VTB is to be paid in five annual installments of \$8,000 each, commencing January 6, 2016 and ending January 6, 2020.	40,000	-
Unamortized portion of the discount on the VTB	(7,652)	-
III. 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 \$11,711	-	-
<b>Secured by housing projects under development</b>		
IV. 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.	4,051	2,839
V. Capital project loans, payable on collection of closing proceeds, bearing interest at prime +1.5% per annum, secured by home building projects with a carrying value of \$7,958 due by September 11, 2015.	4,655	4,979
	<b>43,439</b>	<b>16,568</b>
<b>Secured by land held for future development - Limited Partnership</b>		
VI. 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
	<b>51,289</b>	<b>24,418</b>
Deferred fees on loans and credit facilities	(125)	(526)
	<b>51,164</b>	<b>23,892</b>

The weighted average interest rate of loan agreements with various financial institutions was 5.62% (December 31, 2014 – 5.57%) based on March 31, 2015 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 \$660 for the three months ended March 31, 2015 (2014 - \$Nil).

During the three months ended March 31, 2015, the Corporation received cash advances of \$1,964 (2014 - \$8,394) relating to an existing revolving line of credit facility secured by real estate held for development and sale, and agreements receivable, bearing interest of prime + 1.5% per annum, repayable on demand.

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**5. 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):

April 1, 2015 to March 31, 2016	26,471
April 1, 2016 to March 31, 2017	6,959
April 1, 2017 to March 31, 2018	6,430
April 1, 2018 to March 31, 2019	5,942
April 1, 2019 to March 31, 2020	5,487
	51,289

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 March 31, 2015 and at December 31, 2014, the Corporation and its subsidiaries were in compliance with all covenants.

**6. SHARE CAPITAL**

**(a) Authorized**

Unlimited number of common shares without par value  
 Unlimited number of preferred shares without par value

**(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, 2015 and 2014:

	Three months ended March 31,	
	2015	2014
Basic	44,931,200	44,861,200
Effect of dilutive securities – stock options	-	75,847
Diluted	44,931,200	44,937,047

In calculating diluted earnings per share for the three months ended March 31, 2015, the Corporation excluded 2,691,000 options (2014 – nil) as their exercise price was greater than the average market price of the Corporation's shares during those periods.

The Corporation has not issued any preferred shares.

**GENESIS LAND DEVELOPMENT CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

**For the three months ended March 31, 2015 and 2014**

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**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,			
	2015		2014	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding – beginning of period	1,419,000	\$3.86	1,060,500	\$3.32
Outstanding – end of period	1,419,000	\$3.86	1,060,500	\$3.32
Exercisable – end of period	940,663	\$3.63	695,499	\$3.28

Range of Exercise Prices (\$)	Outstanding		Exercisable		Weighted Average Remaining Contractual Life in Years
	Number at March 31, 2015	Weighted Average Exercise Price	Number at March 31, 2015	Weighted Average Exercise Price	
3.01 – 4.00	919,000	\$3.40	773,999	\$3.40	2.39
4.01 – 5.00	500,000	\$4.71	166,664	\$4.71	4.56
	1,419,000	\$3.86	940,663	\$3.63	3.15

**Performance options**

The Corporation 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,			
	2015		2014	
	Number of Options	Exercise Price	Number of Options	Exercise Price
Outstanding – beginning of period	1,272,000	\$3.35	-	-
Options granted	-	-	1,272,000	\$3.35
Outstanding – end of period	1,272,000	\$3.35	1,272,000	\$3.35
Exercisable – end of period	179,740	\$3.35	-	-
Weighted average remaining contractual life		3.76 years		4.76 years

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.

**GENESIS LAND DEVELOPMENT CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

**For the three months ended March 31, 2015 and 2014**

*(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 annual audited consolidated financial statements for the years ended December 31, 2014 and 2013, there were no other material commitments or contingencies as at March 31, 2015.

- (a) The Corporation signed a memorandum of understanding in 2012 to contribute \$5,000 for the naming rights to the “Genesis Centre for Community Wellness”, a recreation complex in northeast Calgary (\$500 each year, terminating in 2021). The first four installments totaling \$2,000 were paid up to and through to the end of March 2015.
- (b) 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, 2015, the letters of credit amounted to \$2,261 (December 31, 2014 - \$2,641).
- (c) On July 15, 2011, a joint venture (note 10) obtained a credit facility in the amount of \$17,000. The Corporation and a joint venture partner have each provided guarantees for 50% of this facility. The balance of the credit facility as at March 31, 2015 was \$2,449 (December 31, 2014 - \$2,485).
- (d) The Corporation has office and other operating leases with the following annual payments: not later than one year - \$938; later than one year but not later than five years - \$1,353; and later than five years - \$Nil.

**9. FINANCIAL INSTRUMENTS**

Fair value measurements recognized in the condensed consolidated interim 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).

For financial assets and liabilities not measured at fair value at March 31, 2015, the following table compares their carrying value with their estimated fair value:

	March 31, 2015	
	Carrying Value	Estimated Fair Value
<b>Loans and receivables</b>		
Amounts receivable	13,835	13,529
<b>Other financial liabilities</b>		
Accounts payable and accrued liabilities	22,258	22,258
Loans and credit facilities, excl. deferred loans and credit facilities fees (note 5)	51,289	51,261

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 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 three months ended March 31, 2015 and 2014 no transfers were made between the levels in the fair value hierarchy.

**GENESIS LAND DEVELOPMENT CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

**For the three months ended March 31, 2015 and 2014**

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

**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 Corporation is a 50% partner in the JV.

The following tables summarize the financial information of the JV, prepared under the historical cost convention, 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, 2015	December 31, 2014
<b>Assets</b>		
Real estate held for development and sale	6,582	7,199
Amounts receivable	14,037	14,542
Cash and cash equivalents	-	-
<b>Total assets</b>	<b>20,619</b>	<b>21,741</b>
<b>Liabilities</b>		
Loans and credit facilities	2,449	2,485
Accounts payable and accrued liabilities	383	841
Provision for future land development costs	6,719	7,381
<b>Total liabilities</b>	<b>9,551</b>	<b>10,707</b>
<b>Net assets</b>	<b>11,068</b>	<b>11,034</b>
Corporation's share of net assets (50%)	5,534	5,517
Deferred gain	(1,911)	(1,957)
<b>Carrying amount on the consolidated balance sheets</b>	<b>3,623</b>	<b>3,560</b>

	Three months ended March 31,	
	2015	2014
Revenues	-	-
Cost of sales	(4)	(53)
	(4)	(53)
General and administrative	(26)	(35)
Finance income	64	34
Earnings being comprehensive earnings	34	(54)
Corporation's share of earnings and comprehensive earnings (50%)	17	(27)
Deferred gain recognized	46	84
Deferred margin recognized on JV lots sold	109	172
Amount on consolidated statements of comprehensive income	172	229

**GENESIS LAND DEVELOPMENT CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
(Unaudited)

**For the three months ended March 31, 2015 and 2014**

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

**10. JOINT VENTURE (continued)**

	Three months ended March 31,	
	2015	2014
Cash flows from (used in) operating activities	40	(1,820)
Cash flows (used in) from financing activities	(40)	1,164
Net change in cash and cash equivalents	-	(656)
	Investment in JV	Income from JV
At December 31, 2014	3,560	
Share of net income in JV	17	17
Deferred gain recognized	46	46
Deferred margin from JV on lots sold	-	109
<b>At March 31, 2015</b>	<b>3,623</b>	<b>172</b>
At December 31, 2013	7,894	
Share of net income in JV	(27)	(27)
Deferred gain recognized	84	84
Deferred margin from JV on lots sold	-	172
At March 31, 2014	7,951	229

The Corporation's transactions with the JV are limited to the purchase of home building lots. During the three months ended March 31, 2015, the JV sold no lots (2014 – nil) to GBG, a wholly owned subsidiary of the Corporation. The Corporation's accounts payable and accrued liabilities as at March 31, 2015 included \$4,844 (December 31, 2014 - \$4,809), 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 March 31, 2015, the Corporation had realized \$11,256 (2014 – \$9,376) of that amount as a result of sales through its home building business segment and directly to third parties. The remaining amount of \$1,911 will be realized on future sale and development of lots and lands by the JV.

**GENESIS LAND DEVELOPMENT CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

**For the three months ended March 31, 2015 and 2014**

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**11. SEGMENTED INFORMATION**

The Corporation operates in two reportable segments, land development and home building, which represent separately managed strategic business units with aligned but distinct 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, 2015 and 2014:

Three months ended March 31, 2015	Land Development Segment				Home Building Segment	Intersegment Elimination	Total
	Genesis	LP	Intrasegment Elimination	Total			
Revenues	3,220	10	-	3,230	15,301	(2,758)	15,773
Direct cost of sales	(1,557)	(3)	-	(1,560)	(12,785)	3,263	(11,082)
Gross margin	1,663	7	-	1,670	2,516	505	4,691
Income from JV	172	-	-	172	-	-	172
G&A, selling & marketing and net finance expense or income	(1,960)	(499)	-	(2,459)	(2,733)	-	(5,192)
(Loss) before income taxes and non-controlling interest	(125)	(492)	-	(617)	(217)	505	(329)
Segmented assets	271,438	57,064	(31,031)	297,471	50,546	(17,212)	330,805
Segmented liabilities <sup>(1),(2)</sup>	63,416	33,483	(25,650)	71,249	43,054	(14,437)	99,866
Segmented net assets <sup>(1),(2)</sup>	208,022	23,581	(5,381)	226,222	7,492	(2,775)	230,939

Three months ended March 31, 2014	Land Development Segment				Home Building Segment	Intersegment Elimination	Total
	Genesis	LP	Intrasegment Elimination	Total			
Revenues	29,017	17	-	29,034	12,285	(3,332)	37,987
Direct 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 and net finance expense or income	(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 as at December 31, 2014	251,857	57,068	(30,527)	278,398	52,030	(20,686)	309,742
Segmented liabilities as at December 31, 2014 <sup>(1),(2)</sup>	43,607	32,994	(25,146)	51,455	44,314	(17,301)	78,468
Segmented net assets <sup>(1),(2)</sup>	208,250	24,074	(5,381)	226,943	7,716	(3,385)	231,274

<sup>(1)</sup> Segmented liabilities under the home building segment include \$11,252 (December 31, 2014 - \$14,164) due to the land development segment.

<sup>(2)</sup> Segmented liabilities under the LP segment comprises customer deposits and accounts payable and accrued liabilities and includes \$24,590 (December 31, 2014 - \$24,091) due to Genesis.

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**12. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to the current year's presentation. For the three months ended March 31, 2014, the Corporation reclassified \$166 of other expenses to general and administrative expenses as this reflects the classification of expense more accurately.

**13. 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. The Corporation is the general partner in four limited partnership arrangements.

Limited Partnership Land Pool (2007) ("LPLP 2007") has a loan amounting to \$23,674 (December 31, 2014 - \$23,181) 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.



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**13. CONSOLIDATED ENTITIES (continued)**

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

Name	% equity interest as at	
	March 31, 2015	December 31, 2014
<b>Land Development</b>		
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%
New View Consulting Ltd.	100%	100%
No. 114 Corporate Ventures Ltd.	100%	100%
Buena Vista Ranches Ltd.	100%	100%
<b>Home Building</b>		
<b>Single-Family</b>		
Genesis Builders Group Inc.	100%	100%
<b>Multi-Family</b>		
The Breeze Inc.	100%	100%
Generations Group of Companies Inc.	100%	100%
Life at Solana Inc., Life at Waterstone Inc., Montura Inc. (previously Life at Skye Inc.)	Dissolved	100%
Newport at Canals Landing Inc.	100%	-
Ashbury at Saddlestpne Inc.	100%	-
Hutton at Bayview Inc.	100%	-
<b>Joint Venture</b>		
Kinwood Communities Inc.	50%	50%
<b>Limited Partnerships</b>		
<b>LP 4/5 Group</b>		
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%
<b>LP 6/7 Group</b>		
Genesis Limited Partnership #6	11.75%	11.75%
Genesis Limited Partnership #7, GP GLP7 Inc., GLP7 Subco Inc.	0%	0%
<b>LP 8/9 Group</b>		
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%
<b>LPLP 2007 Group</b>		
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%

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**13. 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:

**BALANCE SHEETS**

	March 31, 2015				Total
	LP 4/5	LP 6/7	LP 8/9	LPLP 2007	
<b>Assets</b>					
Real estate held for development and sale	7,922	8,212	3,177	36,217	55,528
Amounts receivable	-	3	-	1	4
Cash and cash equivalents	-	439	1	32	472
<b>Total assets</b>	<b>7,922</b>	<b>8,654</b>	<b>3,178</b>	<b>36,250</b>	<b>56,004</b>
<b>Liabilities</b>					
Loans and credit facilities	-	-	-	7,814	7,814
Customer deposits	-	-	-	2	2
Accounts payable and accrued liabilities	-	-	1	16	17
Due to related parties	150	270	496	23,674	24,590
<b>Total liabilities</b>	<b>150</b>	<b>270</b>	<b>497</b>	<b>31,506</b>	<b>32,423</b>
<b>Net assets</b>	<b>7,772</b>	<b>8,384</b>	<b>2,681</b>	<b>4,744</b>	<b>23,581</b>
<b>Non-controlling interest (%)</b>	<b>100%</b>	<b>88.25%</b>	<b>100%</b>	<b>100%</b>	

	December 31, 2014				Total
	LP 4/5	LP 6/7	LP 8/9	LPLP 2007	
<b>Assets</b>					
Real estate held for development and sale	7,922	8,212	3,177	36,217	55,528
Amounts receivable	-	3	-	1	4
Cash and cash equivalents	-	439	1	37	477
<b>Total assets</b>	<b>7,922</b>	<b>8,654</b>	<b>3,178</b>	<b>36,255</b>	<b>56,009</b>
<b>Liabilities</b>					
Loans and credit facilities	-	-	-	7,804	7,804
Customer deposits	-	-	-	2	2
Accounts payable and accrued liabilities	-	10	-	28	38
Due to related parties	151	264	495	23,181	24,091
<b>Total liabilities</b>	<b>151</b>	<b>274</b>	<b>495</b>	<b>31,015</b>	<b>31,935</b>
<b>Net assets</b>	<b>7,771</b>	<b>8,380</b>	<b>2,683</b>	<b>5,240</b>	<b>24,074</b>
<b>Non-controlling interest (%)</b>	<b>100%</b>	<b>88.25%</b>	<b>100%</b>	<b>100%</b>	

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**13. CONSOLIDATED ENTITIES (continued)**

**SUMMARIZED INCOME STATEMENTS**

	Three months ended March 31, 2015				Total
	LP 4/5	LP 6/7	LP 8/9	LPLP 2007	
Revenues	2	-	-	8	10
Net earnings (loss) being comprehensive income (loss)	1	5	(2)	(496)	(492)
<b>Non-controlling interest (%)</b>	100%	88.25%	100%	100%	

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

**SUMMARIZED STATEMENT OF CASH FLOWS**

	Three months ended March 31, 2015				Total
	LP 4/5	LP 6/7	LP 8/9	LPLP 2007	
Cash flows (used in) operating activities	-	-	-	(5)	(5)
Net (decrease) in cash and cash equivalents	-	-	-	(5)	(5)

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