GENESIS LAND DEVELOPMENT CORP.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 and 2013

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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 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/ **Bruce Rudichuk**
President & Chief Executive Officer

/s/ **Mark Scott**
Executive Vice President &
Chief Financial Officer

March 26, 2015

Independent Auditors' Report

To the Shareholders of Genesis Land Development Corp.:

We have audited the accompanying consolidated financial statements of Genesis Land Development Corp. and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2014 and 2013, and the consolidated statements of comprehensive income (loss), 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 financial position of Genesis Land Development Corp. and its subsidiaries as at December 31, 2014 and 2013, and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

MNP LLP

Calgary, Alberta
March 26, 2015

Chartered Accountants

MNP LLP

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

	Notes	December 31, 2014	December 31, 2013
Assets			
Real estate held for development and sale	4	**240,123**	257,420
Investment in joint venture	16	**3,560**	7,894
Amounts receivable	5	**17,660**	23,342
Other operating assets	6	**13,993**	7,115
Deferred tax assets	7	**1,358**	397
Cash and cash equivalents		**33,048**	17,678
Total assets		**309,742**	313,846
Liabilities			
Loans and credit facilities	8	**23,892**	50,373
Customer deposits		**5,515**	5,228
Accounts payable and accrued liabilities		**22,683**	16,759
Income taxes payable	7	**4,433**	3,112
Provision for future land development costs		**21,945**	20,448
Total liabilities		**78,468**	95,920
Commitments and contingencies	14		
Equity			
Share capital	9, 10	**56,393**	56,122
Contributed surplus		**5,349**	5,011
Retained earnings		**146,359**	134,350
Shareholders' equity		**208,101**	195,483
Non-controlling interest	20	**23,173**	22,443
Total equity		**231,274**	217,926
Total liabilities and equity		**309,742**	313,846

See accompanying notes to the consolidated financial statements

Subsequent events (note 21)

ON BEHALF OF THE BOARD:

/s/ **Stephen Griggs**
Chair of the Board

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

GENESIS LAND DEVELOPMENT CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands of Canadian dollars except per share amounts)

	Notes	Year ended December 31, 2014	2013
Revenues			
Sales revenue		**133,667**	95,788
Other revenue		**578**	289
		134,245	96,077
Direct cost of sales		**(99,421)**	(68,660)
Recovery (write-down) of real estate held for development and sale	4	**4,177**	(16,282)
		(95,244)	(84,942)
Gross margin		**39,001**	11,135
Income from joint venture	16	**4,580**	6,038
General and administrative	11	**(13,272)**	(14,359)
Selling and marketing	12	**(5,451)**	(3,646)
		(14,143)	(11,967)
Operating earnings (loss) from continuing operations		**24,858**	(832)
Finance income		**367**	508
Finance expense	13	**(1,108)**	(1,526)
Earnings (loss) before income taxes		**24,117**	(1,850)
Income tax expense	7	**(5,992)**	(1,963)
Net earnings (loss) being comprehensive earnings		**18,125**	(3,813)
Attributable to non-controlling interest	20	**730**	(9,526)
Attributable to equity shareholders		**17,395**	5,713
Net earnings per share – basic and diluted		**0.39**	0.13

See accompanying notes to the consolidated financial statements

GENESIS LAND DEVELOPMENT CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2014 and 2013
(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, 2012	44,765,728	55,844	5,109	128,637	189,590	36,719	226,309
Share-based payments	95,472	278	(98)	-	180	-	180
Distributions[1]	-	-	-	-	-	(4,750)	(4,750)
Net earnings (loss)[2]	-	-	-	5,713	5,713	(9,526)	(3,813)
At December 31, 2013	44,861,200	56,122	5,011	134,350	195,483	22,443	217,926
At December 31, 2013	44,861,200	56,122	5,011	134,350	195,483	22,443	217,926
Share-based payments	70,000	271	338	-	609	-	609
Dividends[3]	-	-	-	(5,386)	(5,386)	-	(5,386)
Net earnings[2]	-	-	-	17,395	17,395	730	18,125
At December 31, 2014	44,931,200	56,393	5,349	146,359	208,101	23,173	231,274

See accompanying notes to the consolidated financial statements

[1] Distributions to unit holders of Limited Partnership 6/7
[2] Net earnings (loss) being comprehensive earnings
[3] A special cash dividend of $5,386 ($0.12 per share) was paid on June 30, 2014

GENESIS LAND DEVELOPMENT CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2014 and 2013
(In thousands of Canadian dollars)

		Year ended December 31,	
	Notes	**2014**	**2013**
Operating activities			
Receipts from residential lot and development land sales		**43,835**	87,532
Receipts from residential home sales		**95,815**	67,508
Other receipts		**600**	1,210
Paid to suppliers for land development		**(20,259)**	(39,143)
Paid to suppliers for land acquisition	14(a)	**(2,500)**	-
Paid to suppliers for residential home construction		**(48,159)**	(39,707)
Paid to other suppliers and employees		**(21,898)**	(20,031)
Interest received		**367**	508
Income taxes paid		**(5,632)**	(3,925)
Cash flows from operating activities		**42,169**	53,952
Investing activities			
Acquisition of property and equipment		**(864)**	(317)
Distribution received from joint venture	16	**8,500**	9,500
Cash flows from investing activities		**7,636**	9,183
Financing activities			
Advances from loans and credit facilities	8	**27,484**	46,511
Repayments of loans and credit facilities		**(55,347)**	(94,214)
Interest and fees paid on loans and credit facilities		**(1,311)**	(2,983)
Distributions to unit holders of limited partnerships		-	(4,750)
Cash settlement of options	10	**(79)**	(237)
Dividends paid		**(5,386)**	-
Issue of share capital	10	**204**	211
Cash (used in) financing activities		**(34,435)**	(55,462)
Change in cash and cash equivalents		**15,370**	7,673
Cash and cash equivalents, beginning of period		**17,678**	10,005
Cash and cash equivalents, end of period		**33,048**	17,678

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 26, 2015.

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 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. 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, 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 (loss) 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, by virtue of a contractual arrangement with another party. The Corporation recognizes its interest in the JV using the equity method of accounting. Under the equity method of accounting the Corporation's share of the net assets of the JV are presented in a single line "Investment in Joint Venture". The financial statements of the JV are prepared for the same reporting period as the Corporation.

All unrealized gains and losses resulting from transactions between the Corporation and the JV are eliminated on consolidation. Losses on transactions are recognized immediately if the loss provides evidence of a reduction in the net realizable value of current assets or an impairment loss.

Profits and losses resulting from the transactions with the JV are recognized in the Corporation's consolidated financial statements only to the extent of interests in the JV that are not related to the Corporation.

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 measured at the lower of cost and estimated net realizable value ("NRV").

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. Non-refundable commission paid to sales or marketing agents on the sale of real estate property is expensed when incurred.

Real estate held for development and sale is reviewed at least annually for impairment or whenever events or changes in circumstances indicate the carrying value may exceed NRV. An impairment loss is recognized in the consolidated statements of comprehensive income (loss) when the carrying value exceeds its 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to prepare for its intended use or sale are capitalized as part of the cost of the respective assets. This generally entails a time period of 12 months or more. 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 capitalized 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 eligible capital assets. Borrowing costs are not capitalized on real estate held for development and sale where no development activity is taking place. Borrowing costs are capitalized from the date of commencement of development work until the date of completion. The capitalization of interest 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**

An item of property and equipment is no longer recognized as an asset upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statements of comprehensive income (loss).

All minor repair and maintenance costs are recognized in the consolidated statements of comprehensive income (loss) as incurred. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

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 using the liability method on all temporary differences at the balance sheet date 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 profit 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.

Current and deferred tax, relating to items that are directly recognized in equity, is recognized in equity and not in the consolidated statements of comprehensive income (loss).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Corporation's consolidated financial statements include some entities that are limited partnerships (note 20) 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 (loss) on a straight-line basis over the lease term.

l) Share-based payments

The Corporation provides 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 (loss).

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 (loss).

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.

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

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. The treasury stock method assumes that proceeds received from the exercise of in-the-money stock options are used to repurchase common shares at the average market price over the period.

p) Provision for future land development costs

The provision for future land development costs represents the construction costs expected to be incurred for each project phase currently under development in proportion to the amount of such phase that has been sold. The liability includes all direct construction costs and indirect costs expected to be incurred during the remainder of the construction period net of expected recoveries of certain development costs. The provision for future land development costs are reviewed on a phase by phase basis. 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 land 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 Recognition

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 taxable income and expense already recorded.

(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 land development costs

Changes in the estimated future land development costs 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 as it is based on estimates prepared by independent consultants and management.

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

The Corporation estimates the NRV of real estate held for future 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 and in light of recent market transactions of similar and adjacent lands and housing projects in the same geographic area.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Share-based payments

The Corporation uses an option pricing model to determine the fair value of share-based payments. Inputs to the model are subject to various estimates about volatility, interest rates, dividend yields, forfeiture rates and expected life of the units issued. Fair value inputs are subject to market factors as well as internal estimates. The Corporation considers historic trends together with any new information to determine the best estimate of fair value at the date of grant.

(iv) 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 2014

The Corporation adopted new IFRSs and interpretations during 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.

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

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 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.

iii) 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 is prospectively applying the revised standard on share-based payment transactions, if any, made on or after July 1, 2014.

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.

iv) IAS 24, "Related party disclosures"

"Annual Improvements to IFRSs 2010–2012 Cycle" was issued in December 2013. The amendments to IAS 24, issued in March 2014, clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments require that an entity disclose the amounts incurred for key management personnel services provided by a separate management entity. The amendments affect disclosure and are effective for annual periods beginning on or after July 1, 2014.

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.

3. STANDARDS AND AMENDMENTS TO EXISTING STANDARDS DURING 2014 (continued)

v) IFRS 8, "Operating segments"

"Annual Improvements to IFRSs 2010–2012 Cycle" was issued in December 2013. The amendments to IFRS 8 require that an entity disclose the judgments made by management in applying the aggregation criteria to allow two or more operating segments to be aggregated. The amendments affect disclosure and are effective for annual periods beginning on or after July 1, 2014.

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.

vi) IFRS 3, "Business combinations"

"Annual Improvements to IFRSs 2010–2012 Cycle" was issued in December 2013. The amendments to IFRS 3 clarify the accounting for contingent consideration in a business combination. At each reporting period, an entity measures the contingent consideration classified as an asset or a financial liability at fair value, with changes in fair value recognized in profit or loss. The amendments are effective for business combination for which the acquisition date is on or after July 1, 2014. Additional amendments also clarify that IFRS 3 does not apply to accounting for the formation of all types of joint ventures in the financial statements of the joint arrangements itself. The amendments are effective for annual periods beginning on or after July 1, 2014.

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:

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. 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"

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, 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.

(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	(10,311)	(10,501)	20,812	-	-	-
Development	29,914	4,230	60,443	94,587	-	94,587
Sold	(40,191)	-	(79,985)	(120,176)	-	(120,176)
As at December 31, 2014	119,574	65,679	32,165	217,418	74,595	292,013
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)
(Recovery) of write-downs	(1,035)	(239)	-	(1,274)	(2,903)	(4,177)
As at December 31, 2014	641	26,801	-	27,442	24,448	51,890
Net book value						
As at December 31, 2013	134,371	44,910	30,895	210,176	47,244	257,420
As at December 31, 2014	118,933	38,878	32,165	189,976	50,147	240,123

The Corporation obtained third party appraisals on its real estate held for development and sale as at December 31, 2014. There was a recovery of write-downs previously made to certain properties (2013 – write-down), due to the increasing demand for and the tightening supply of land in the Calgary Metropolitan area.

During the year ended December 31, 2014, interest of $1,736 (2013 - $3,763) was capitalized.

5. AMOUNTS RECEIVABLE

	2014	2013
Agreements receivable	**17,122**	21,796
Mortgages receivable	**-**	1,524
Other receivables	**538**	314
	17,660	23,634
Allowance for doubtful accounts	**-**	(292)
	17,660	23,342

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 all mortgages receivable 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

	2014	2013
Deposits (notes 14, 21)	**11,343**	5,004
Prepayments	**146**	151
Restricted cash	**1,360**	1,324
Property and equipment	**1,144**	636
	13,993	7,115

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 further provided letters of credit as security to guarantee the completion of construction projects (see note 14(d) 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 (loss) as follows:

	2014	2013
Current income tax	**6,953**	2,420
Deferred tax relating to origination and reversal of temporary differences	**(961)**	(457)
	5,992	1,963

(b) Income tax expense differed from that which would be expected from applying the combined statutory Canadian federal and provincial income tax rates of 25% (2013 – 25%) to income (loss) before income taxes. The difference resulted from the following:

	2014	2013
Income (loss) before income taxes	**24,117**	(1,850)
Statutory tax rate	**25.0%**	25.0%
Expected income tax expense	**6,029**	(463)
Share-based payment transactions	**116**	52
Other non-deductible expenses (recoveries)	**30**	(8)
Non-controlling interest	**(183)**	2,382
Tax expense for the year	**5,992**	1,963

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

	2014	2013
Deferred tax assets	**4,019**	3,806
Deferred tax liabilities	**(2,661)**	(3,409)
	1,358	397

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

7. INCOME TAXES (continued)

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

	2014	2013
Real estate held for development and sale	**2,587**	2,413
Non-capital loss carry-forwards*	**114**	84
Reserves from land sales	**(2,658)**	(3,409)
Unamortized financing costs	**1,318**	1,299
Other temporary differences	**(3)**	10
	1,358	397

**Non-capital losses carry-forward amounts expire between 2030 and 2044*

8. LOANS AND CREDIT FACILITIES

	2014	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 $20,205, due between February 1, 2015 and October 30, 2015.	**8,750**	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.	**2,839**	2,305
III. Project loans, payable on collection of closing proceeds, bearing interest at prime +1.5%, secured by home building projects with a carrying value of $8,299 (2013 - $13,369) due by September 11, 2015.	**4,979**	8,716
	16,568	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. (note 14 (h)	**7,850**	7,850
	24,418	51,630
Deferred loans and credit facilities fees	**(526)**	(1,257)
	23,892	50,373

The weighted average interest rate of loan agreements was 5.57% (December 31, 2013 – 5.83%), based on December 31, 2014 balances.

During the year ended December 31, 2014, the Corporation received advances of $27,484 (2013 - $46,511) 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 September 11, 2015 to October 30, 2015.

(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, 2015 to December 31, 2015	16,568
January 1, 2016 to December 31, 2016	7,850
	24,418

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 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. This line has a financial covenant requiring that Genesis Builders Group Inc., ("GBG") maintain a net worth of at least $11,500 at all times. Net worth, a non-GAAP 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 December 31, 2014 and at December 31, 2013, the Corporation and its subsidiaries were in compliance with all covenants.

9. 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 year ended December 31, 2014 and 2013:

	Year ended December 31,	
	2014	**2013**
Basic	**44,874,652**	44,838,401
Effect of dilutive securities – stock options	**401,922**	61,920
Diluted	**45,276,574**	44,900,321

In calculating diluted earnings per share for the year ended December 31, 2014, the Corporation excluded 500,000 options (2013 – 235,000) 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.

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

10. 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:

	Year ended December 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 granted	500,000	$4.71	435,000	$3.43
Options exercised	(70,000)	$2.91	(95,472)	$2.21
Options expired	-	-	(60,000)	$6.97
Options forfeited	-	-	(61,500)	$3.45
Options settled in cash	(71,500)	$2.71	(389,250)	$2.77
Outstanding – end of period	1,419,000	$3.86	1,060,500	$3.32
Exercisable – end of period	870,663	$3.66	625,500	$3.27

There were 500,000 regular options granted during the year ended December 31, 2014 with an average fair value of $0.72 per option (2013 – 435,000 options with an average fair value of $0.81 per option).

	Outstanding		Exercisable		
Range of Exercise Prices ($)	Number at December 31, 2014	Weighted Average Exercise Price	Number at December 31, 2014	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life in Years
3.01 – 4.00	919,000	$3.40	703,999	$3.41	2.63
4.01 – 5.00	500,000	$4.71	166,664	$4.71	4.81
	1,419,000	$3.86	870,663	$3.66	3.40

(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

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:

	Year ended December 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	-	-	-	-

	Outstanding		Exercisable		Weighted Average Remaining Contractual Life in Years
Exercise Price ($)	Number at December 31, 2014	Exercise Price	Number at December 31, 2014	Exercise Price	
3.35	1,272,000	$3.35	-	-	4.00

There were 1,272,000 performance options granted during the year ended December 31, 2014 (2013 – Nil), with a fair value of $0.30 per option (2013 - $Nil) and an exercise price of $3.35 per option. 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 using the Black-Scholes Option-Pricing Model:

	2014	2013
Risk-free interest rate	1.10-1.13%	0.99-1.24%
Estimated term/period prior to exercise (years)	2.50	2.50
Volatility in the price of the Corporation's common shares	25.13-31.88%	34.46-38.27%
Forfeiture rate	16.93%	24.22%
Dividend yield rate	0.00%	0.00%

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

11. GENERAL AND ADMINISTRATIVE

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

	2014	2013
Corporate administration	**2,645**	2,224
Compensation and benefits	**8,537**	7,656
Professional services	**2,090**	4,479
	13,272	14,359

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

	2014	2013
Salaries, wages and benefits	**2,307**	2,848
Share-based payments	**465**	204
	2,772	3,052

Salaries, wages and benefits for 2013 included an amount of $609 paid out as severance to an-ex CEO of the Corporation.

12. SELLING AND MARKETING

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

	2014	2013
Advertising and marketing	**2,681**	2,358
Sales commissions	**2,770**	1,288
	5,451	3,646

13. FINANCE EXPENSE

The finance expense of the Corporation consisted of the following:

	2014	2013
Interest expense	**1,853**	3,771
Financing fees amortized	**991**	1,518
Interest and financing fees capitalized	**(1,736)**	(3,763)
	1,108	1,526

14. COMMITMENTS AND CONTINGENCIES

(a) The Corporation entered into a firm purchase and sale agreement for the acquisition of approximately 350 acres of land located in southeast Calgary for $52,500 in October 2014. A total of $12,500 was due on closing. The Corporation paid $2,500 during 2014 and $10,000 in January 2015. The transaction closed on January 6, 2015. The remainder of $40,000 is to be paid in 5 installments of $8,000 each, without interest, on the anniversary of the closing date, over five years. Refer to note 21, Subsequent events.

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14. COMMITMENTS AND CONTINGENCIES (continued)

(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 up to and through 2014.

(c) On February 19, 2008, the Corporation entered into an agreement with the City of Airdrie, whereby the Corporation will contribute $2,000 for the naming rights to "Genesis Place", a recreation complex in the city of Airdrie ($200 each year, terminating June 1, 2017). The first seven installments totaling $1,400 were made up to and through 2014.

(d) 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 December 31, 2014, the letters of credit amounted to $2,641 (December 31, 2013 – $6,279).

(e) 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 have each provided guarantees for 50% of this facility. The current balance of the credit facility is $2,485 (2013 - $Nil).

(f) 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 all related proceeds along with an accounting of all related costs. A partial payout was made to the former mortgage holders subsequent to December 31, 2014. Refer to note 21, Subsequent events.

(g) The Corporation has office and other operating leases with the following annual payments: not later than one year - $934; later than one year but not later than five years - $1,589; and later than five years - $Nil.

(h) LPLP 2007 has a credit facility in the amount of $7,850 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, 2014, the Corporation carried $Nil (2013 - $292) 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.

During the years ended December 31, 2014 and 2013, the Corporation recognized the following bad debt expense and change in allowance for doubtful accounts relating to amounts receivable on sold lots, net of the return of the real estate held for development and sale:

	2014	2013
Balance as at January 1	**292**	1,643
Recovery	**(242)**	(1,269)
Bad debt (recovery)	**(50)**	(82)
	-	292

Recovery of bad debt expense is included in the Corporations general and administrative expenses. In order to mitigate credit risk, the Corporation retains title to sold residential lots until full payment is received.

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

15. FINANCIAL INSTRUMENTS (continued)

Aging of amounts receivable was as follows:

	2014	2013
Not past due	**17,660**	20,405
Past due 0 – 90 days	**-**	1,700
Past due 91 – 120 days	**-**	387
Past due 121 – 270 days	**-**	850
> 270 days	**-**	292
	17,660	23,634
Allowance for doubtful accounts	**-**	(292)
	17,660	23,342

Individual balances due from customers as at December 31, 2014, which comprise greater than 10% of total amounts receivable, totaled $17,122 from four customers (December 31, 2013 - $19,877 from four customers).

(ii) Liquidity risk

The following were the contractual maturities of financial liabilities and other commitments as at December 31, 2014:

	<1 Year	>1 Year	Total
Financial liabilities			
Accounts payable and accrued liabilities	22,683	-	22,683
Loans and credit facilities excl. deferred fees (note 8)	16,568	7,850	24,418
	39,251	7,850	47,101
Commitments			
Land purchase (note 14)	10,000	40,000	50,000
Lease obligations (note 14)	934	1,589	2,523
Naming rights (note 14)	700	3,400	4,100
	11,634	44,989	56,623
	50,885	**52,839**	**103,724**

At December 31, 2014, the Corporation had obligations due within the next 12 months of $50,885 (2013 - $54,487). 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 $244 annually on floating rate loans.

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15. FINANCIAL INSTRUMENTS (continued)

(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 deposits, loans and credit facilities and amounts receivable were estimated based on current market rates for loans of the same risk and maturities.

	December 31, 2014		December 31, 2013	
	Carrying value	Estimated Fair value	Carrying Value	Estimated Fair Value
Fair value through profit and loss				
Cash and cash equivalents	33,048	33,048	17,678	17,678
Deposits	11,342	11,342	5,004	5,004
Restricted Cash	1,360	1,360	1,324	1,324
Loans and receivables				
Amounts receivable	17,660	17,175	23,342	22,750
Other financial liabilities				
Accounts payable and accrued liabilities	22,683	22,683	16,759	16,759
Loans and credit facilities, excl. deferred loans and credit facilities fees	24,418	24,366	51,630	51,554

Fair value measurements recognized in the consolidated 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).

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 years ended December 31, 2014 and 2013 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:

	2014	2013
Loans and credit facilities	**23,892**	50,373
Shareholders' equity	**208,101**	195,483
	231,993	245,856

The Corporation continues to evaluate the need to leverage its land assets to secure sufficient loans and credit facilities to ensure the Corporation is able to meet its financial obligations as they come due.

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.

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.

	December 31,	
	2014	**2013**
Assets		
Real estate held for development and sale	**7,199**	22,478
Amounts receivable	**14,542**	25,272
Cash and cash equivalents	**-**	656
Total assets	**21,741**	48,406
Liabilities		
Loans and credit facilities	**2,485**	-
Accounts payable and accrued liabilities	**841**	4,228
Provision for future land development costs	**7,381**	20,640
Total liabilities	**10,707**	24,868
Net assets	**11,034**	23,538
Corporation's share of net assets (50%)	**5,517**	11,769
Deferred gain	**(1,957)**	(3,875)
Carrying amount on the consolidated balance sheets	**3,560**	7,894

(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,	
	2014	**2013**
Revenues	**17,661**	36,276
Cost of sales	**(12,419)**	(28,558)
	5,242	7,718
General and administrative	**(1,140)**	(2,034)
Finance income	**394**	368
Earnings being comprehensive earnings	**4,496**	6,052
Corporation's share of earnings and comprehensive earnings (50%)	**2,248**	3,026
Deferred gain recognized	**1,918**	3,688
Deferred margin recognized on JV lots sold	**414**	(676)
Amount on consolidated statements of comprehensive income	**4,580**	6,038

	Year ended December 31,	
	2014	**2013**
Cash flows from operating activities	**13,858**	29,693
Cash flows used in financing activities	**(14,514)**	(29,037)
Net change in cash and cash equivalents	**(656)**	656

(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, 2013	**7,894**	**-**
Share of net income in JV	**2,248**	**2,248**
Deferred gain recognized	**1,918**	**1,918**
Deferred margin from JV on lots sold	**-**	**414**
Distribution received	**(8,500)**	**-**
At December 31, 2014	**3,560**	**4,580**
At December 31, 2012	10,680	-
Share of net income in JV	3,026	3,026
Deferred gain recognized	3,688	3,688
Deferred margin from JV on lots sold	-	(676)
Distribution received	(9,500)	-
At December 31, 2013	7,894	6,038

The Corporation's transactions with the JV are limited to the purchase of home building lots. During the year ended December 31, 2014, the JV sold 32 lots at $5,998 (2013 – 44 lots at $8,096) to GBG, a wholly owned subsidiary of the Corporation. The Corporation's accounts payable and accrued liabilities as at December 31, 2014 included $4,809 (2013 - $6,477), 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, 2014, the Corporation had realized $11,210 (2013 – $9,292) of that amount as a result of sales through its home building business segment and directly to third parties. The remaining amount of $1,957 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)

17. 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 year ended December 31, 2014 and 2013:

	Land Development Segment				Home Building Segment	Intersegment Elimination	Total[2]
Year ended December 31, 2014	**Genesis**	**LP**	**Intrasegment Elimination**	**Total**			
Revenues	58,929	97	-	59,026	96,029	(20,810)	134,245
Cost of sales	(38,705)	(10)	-	(38,715)	(79,985)	19,279	(99,421)
Recovery of real estate write-down	1,274	2,903	-	4,177	-	-	4,177
Gross margin	21,498	2,990	-	24,488	16,044	(1,531)	39,001
Income from JV	4,580	-	-	4,580	-	-	4,580
G&A, selling & marketing, other expenses[1]	(6,449)	(2,079)	-	(8,528)	(10,936)	-	(19,464)
Earnings before income taxes and non-controlling interest	19,629	911	-	20,540	5,108	(1,531)	24,117
Segmented assets	246,476	57,068	(25,146)	278,398	52,030	(20,686)	309,742
Segmented liabilities[3],[4]	43,607	32,994	(25,146)	51,455	44,314	(17,301)	78,468
Segmented net assets[3],[4]	202,869	24,074	-	226,943	7,716	(3,385)	231,274

	Land Development Segment				Home Building Segment	Intersegment Elimination	Total[2]
Year ended December 31, 2013	**Genesis**	**LP**	**Intrasegment Elimination**	**Total**			
Revenues	47,380	105	-	47,485	63,570	(14,978)	96,077
Direct cost of sales	(27,902)	(10)	-	(27,912)	(54,543)	13,795	(68,660)
Write-down of real estate	(8,185)	(8,097)	-	(16,282)	-	-	(16,282)
Gross margin	11,293	(8,002)	-	3,291	9,027	(1,183)	11,135
Income from JV	6,038	-	-	6,038	-	-	6,038
G&A, selling & marketing, other expenses[1]	(9,752)	(1,681)	-	(11,433)	(8,773)	1,183	(19,023)
Earnings (loss) before income taxes and non-controlling interest	7,579	(9,683)	-	(2,104)	254	-	(1,850)
Segmented assets as at December 31, 2013	263,401	53,596	(23,054)	293,943	47,338	(27,435)	313,846
Segmented liabilities as at December 31, 2013[3],[4]	69,237	31,487	(23,054)	77,670	43,410	(25,160)	95,920
Segmented net assets[3],[4]	194,164	22,109	-	216,273	3,928	(2,275)	217,926

(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.

(3) Segmented liabilities under the home building segment include $14,164 (December 31, 2013 - $19,187) due to the land development segment.

(4) Segmented liabilities under the LP segment comprises customer deposits and accounts payable and accrued liabilities and includes $24,091 (December 31, 2013 - $21,998) due to Genesis.

18. RELATED PARTY TRANSACTIONS

There were no related party transactions for the year ended December 31, 2014 (2013 - $1,244).

19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation. For the year ended December 31, 2013, the Corporation re-classed $1,288 from direct cost of sales to selling and marketing expenses and $3,187 of other expenses to general and administrative expenses as this reflects the classification of expense more accurately.

20. 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 $23,181 (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)

20. CONSOLIDATED ENTITIES (continued)

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

	% equity interest as at	
Name	**December 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%
Genesis Land Development (Southeast) Corp.	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%
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)

20. 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

	December 31, 2014				
	LP 4/5	**LP 6/7**	**LP 8/9**	**LPLP 2007**	**Total**
Assets					
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**
Total assets	7,922	8,654	3,178	36,255	**56,009**
Liabilities					
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**
Total liabilities	151	274	495	31,015	**31,935**
Net assets	7,771	8,380	2,683	5,240	**24,074**
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)

20. CONSOLIDATED ENTITIES (continued)

SUMMARIZED INCOME STATEMENTS

	Year ended December 31, 2014				
	LP 4/5	LP 6/7	LP 8/9	LPLP 2007	Total
Revenues	19	-	-	78	**97**
Net earnings (loss) being comprehensive income (loss)	10	1,527	(1,064)	438	**911**
Non-controlling interest (%)	100%	88.25%	100%	100%	

	Year ended December 31, 2013				
	LP 4/5	LP 6/7	LP 8/9	LPLP 2007	Total
Revenues	19	265	-	86	**370**
Net earnings (loss) being comprehensive income (loss)	12	(1,342)	(331)	(8,022)	**(9,683)**
Non-controlling interest (%)	100%	88.25%	100%	100%	

SUMMARIZED STATEMENT OF CASH FLOWS

	Year ended December 31, 2014				
	LP 4/5	LP 6/7	LP 8/9	LPLP 2007	Total
Cash flows from (used in) operating activities	-	-	-	(75)	**(75)**
Net increase (decrease) in cash and cash equivalents	-	-	-	(75)	**(75)**

	Year ended December 31, 2013				
	LP 4/5	LP 6/7	LP 8/9	LPLP 2007	Total
Cash flows from operating activities	-	5,134	-	33	**5,167**
Cash flows (used in) financing activities	-	(5,009)	-	-	**(5,009)**
Net increase in cash and cash equivalents	-	125	-	33	**158**

21. SUBSEQUENT EVENTS

In January 2015, Genesis paid $10,000 towards the acquisition of 350 acres of land located in southeast Calgary. This transaction closed on January 6, 2015. See note 14(a) for additional information.

In January 2015, the Corporation paid $1,777 to the former mortgage holders of a participating mortgage as a partial payout of the 20% participation in profits of a development activity. See note 14(f) for additional information.

In February 2015, the Corporation signed a commitment letter for a loan facility of $10,000 to be used for general corporate purposes. The annual interest rate on this facility is prime + 1% and is secured by a continuing collateral mortgage representing a first charge on certain properties held by the Corporation and a general security agreement representing a first charge on all the Corporation's personal property.