



Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2012 and 2011
(Unaudited)

Genesis Land Development Corp.

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(Unaudited)

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Genesis Land Development Corp.
Condensed Consolidated Interim Balance Sheets
(In thousands of Canadian dollars)

	Note	September 30, 2012	December 31, 2011
		(Unaudited)	
Assets			
Real estate held for development and sale	3	299,701	299,916
Amounts receivable	4	56,387	43,451
Other operating assets		18,075	20,942
Deferred income taxes		-	2,859
Cash and cash equivalents		2,551	10,850
Total assets		376,714	378,018
Liabilities			
Financings	5	77,241	88,231
Customer deposits		8,666	7,582
Accounts payable and accrued liabilities		15,013	16,415
Income taxes payable		5,285	12,970
Deferred income taxes		827	-
Land development service costs		20,507	16,201
Total liabilities		127,539	141,399
Commitments and contingencies	8		
Equity			
Share capital	6	55,723	55,122
Contributed surplus		4,982	4,950
Retained earnings		135,763	119,776
Shareholders' equity		196,468	179,848
Non-controlling interest		52,707	56,771
Total equity		249,175	236,619
Total liabilities and equity		376,714	378,018

Related party transactions (note 11)

Subsequent event (note 12)

See accompanying notes to the condensed consolidated interim financial statements

Genesis Land Development Corp.
Condensed Consolidated Interim Statements of Comprehensive Income
(Unaudited)
(In thousands of Canadian dollars except per share amounts)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Revenues				
Residential lot sales	12,192	4,581	43,463	25,601
Development land sales	10,550	5,890	14,150	18,048
Residential home sales	7,366	11,119	25,547	26,052
Other revenue	114	134	716	391
	<u>30,222</u>	<u>21,724</u>	<u>83,876</u>	<u>70,092</u>
Cost of sales				
Residential lots	5,727	3,498	20,137	16,497
Development lands	6,128	2,039	8,889	9,646
Residential homes	5,853	7,873	20,014	19,096
	<u>17,708</u>	<u>13,410</u>	<u>49,040</u>	<u>45,239</u>
Gross margin	12,514	8,314	34,836	24,853
General and administrative	4,302	4,082	11,154	10,338
Other expense	55	602	856	1,021
Gain on sale of land to joint venture	-	-	-	(2,201)
	<u>4,357</u>	<u>4,684</u>	<u>12,010</u>	<u>9,158</u>
Operating earnings from continuing operations	8,157	3,630	22,826	15,695
Finance income	199	168	624	464
Finance expense	(568)	(1,336)	(1,582)	(4,184)
Earnings before income taxes	7,788	2,462	21,868	11,975
Income taxes	1,726	558	5,501	3,307
Net earnings being Comprehensive Income	<u>6,062</u>	<u>1,904</u>	<u>16,367</u>	<u>8,668</u>
Attributable to:				
Equity holders of the parent	4,956	1,877	15,987	9,003
Non-controlling interest	1,106	27	380	(335)
Net earnings being Comprehensive Income	<u>6,062</u>	<u>1,904</u>	<u>16,367</u>	<u>8,668</u>
Net earnings per share attributable to common shareholders - basic and diluted	<u>0.11</u>	<u>0.04</u>	<u>0.36</u>	<u>0.20</u>

See accompanying notes to the condensed consolidated interim financial statements

Genesis Land Development Corp.
Condensed Consolidated Interim Statements of Changes in Equity
For the nine months ended September 30, 2012 and 2011

(Unaudited)

(In thousands of Canadian dollars except number of shares)

	Common shares - Issued		Contributed surplus	Retained Earnings	Total shareholders' equity	Non-controlling Interest	Total Equity
	Number of shares	Amount					
At December 31, 2010	44,379,448	54,798	4,575	108,716	168,089	58,922	227,011
Share-based transactions	104,839	324	319	-	643	-	643
Cash paid out	-	-	-	-	-	(286)	(286)
Net earnings being comprehensive income for the period	-	-	-	9,003	9,003	(335)	8,668
At September 30, 2011	44,484,287	55,122	4,894	117,719	177,735	58,301	236,036
At December 31, 2011	44,484,287	55,122	4,950	119,776	179,848	56,771	236,619
Share-based transactions	253,316	601	32	-	633	-	633
Cash paid out	-	-	-	-	-	(4,444)	(4,444)
Net earnings being comprehensive income for the period	-	-	-	15,987	15,987	380	16,367
At September 30, 2012	44,737,603	55,723	4,982	135,763	196,468	52,707	249,175

See accompanying notes to the condensed consolidated interim financial statements

Genesis Land Development Corp.
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited)
(In thousands of Canadian dollars)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Operating activities				
Cash receipts from residential lot and development land sales	26,477	15,435	51,664	35,802
Cash receipts from residential home sales	8,054	11,163	26,368	26,064
Other cash receipts	4,662	4	6,534	454
Cash paid to suppliers for land development	(9,777)	(2,561)	(23,710)	(15,399)
Cash paid to suppliers for residential home construction	(14,477)	(6,636)	(23,955)	(14,495)
Cash paid to other suppliers and employees	(3,434)	(3,812)	(11,531)	(10,290)
	11,505	13,593	25,370	22,136
Interest received	199	168	624	464
Income taxes paid	(5,486)	(2,949)	(9,500)	(4,392)
	6,218	10,812	16,494	18,208
Investing activities				
Acquisition of property and equipment	(487)	(36)	(588)	(55)
Decrease in restricted cash	(5,399)	(4,662)	(5,778)	(4,283)
	(5,886)	(4,698)	(6,366)	(4,338)
Financing activities				
Advances from financings	23,666	31,945	39,621	64,266
Repayments of financings	(23,580)	(42,841)	(50,213)	(71,194)
Interest and financing fees paid	(1,729)	(1,995)	(3,847)	(5,654)
Distributions to unit holders of limited partnerships	(3,744)	-	(4,444)	(286)
Issue of share capital	84	21	456	241
	(5,303)	(12,870)	(18,427)	(12,627)
Change in cash and cash equivalents	(4,971)	(6,756)	(8,299)	1,243
Cash and cash equivalents, beginning of period	7,522	10,454	10,850	2,455
Cash and cash equivalents, end of period	2,551	3,698	2,551	3,698

See accompanying notes to the condensed consolidated interim financial statements

Genesis Land Development Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2012 and 2011

(Unaudited)

(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 and Genesis Land Development Corp. resulted from an amalgamation on January 1, 2002.

The Corporation is engaged in the acquisition, development, subdivision, construction, sale and leasing of land, residential lots and homes and commercial property in Alberta and British Columbia. The Corporation reports its activities as two business segments: land development and home building, both operating in one geographic area. All business activities of Genesis are conducted in Western Canada.

The unaudited condensed consolidated interim financial statements of the Corporation for the three and nine months ended September 30, 2012 were authorized for issue in accordance with a resolution of the directors on November 8, 2012.

The Corporation is listed for trading on the Toronto Stock Exchange under the symbol “GDC”. The registered office of the Corporation is located at Centennial Place, East Tower, 1900, 520 – 3rd Avenue S.W., Calgary, Alberta T2P 0R3. The Corporation’s head office is located at 7315 - 8th Street N.E., Calgary, Alberta T2E 8A2.

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

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, 2011 and 2010. These policies have been consistently applied to each of the periods presented, unless otherwise indicated.

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

The unaudited condensed consolidated interim 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 Corporation changed its depreciation method for property and equipment from declining balance method to straight-line basis ranging from 3 to 7 years useful life depending on asset category. The change is effective January 1, 2012. This change was made to better reflect the systematic amortization of the assets over the economic useful life and their consumption by the Corporation. Under IFRS, this change is considered a change in accounting estimate and accounted for prospectively by amortizing the cumulative changes over the remaining useful life of the related assets. At January 1, 2012, property and equipment decreased by \$232 as a result of this change.

These unaudited condensed consolidated interim financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the annual audited consolidated financial statements for the years ended December 31, 2011 and 2010.

Genesis Land Development Corp.
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3. REAL ESTATE HELD FOR DEVELOPMENT AND SALE

	Gross	Provision for write-down	Net
Land held for future development	145,650	(6,728)	138,922
Land under development	145,363	(2,971)	142,392
Housing projects under construction	18,387	-	18,387
Balance - September 30, 2012	<u>309,400</u>	<u>(9,699)</u>	<u>299,701</u>
Land held for future development	147,295	(6,696)	140,599
Land under development	153,246	(4,058)	149,188
Housing projects under construction	10,129	-	10,129
Balance - December 31, 2011	<u>310,670</u>	<u>(10,754)</u>	<u>299,916</u>

During the three and nine months ended September 30, 2012, interest of \$1,149 and \$3,428 (2011 - \$736 and \$2,112) was capitalized.

As at September 30, 2012, land held for future development of \$68,007 (December 31, 2011 - \$67,952) and land under development of \$8,211 (December 31, 2011 - \$10,584) are held in the limited partnerships controlled by Genesis.

During the three and nine months ended September 30, 2012, the Corporation recognized recoveries of land previously written down of \$1,469 and \$1,070 (2011 - \$1,153 and \$1,129) relating to impairment of carrying value of certain real estate held for development and sale of which recoveries of \$762 (2011 - \$1,153) related to lands held under limited partnerships.

4. AMOUNTS RECEIVABLE

During the three and nine months ended September 30, 2012, the Corporation recognized bad debt expense of \$Nil and \$314 (2011 - \$471 and \$502).

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5. FINANCINGS

	September 30, 2012	December 31, 2011
Secured by land held for future development		
I. Land loan, maturing March 1, 2014, bearing interest at the greater of prime + 4.2% or 7.2% per annum, secured by land held for development and sale with a carrying value of \$32,448.	7,850	7,850
II. Other mortgages payable, bearing interest at 7% per annum, payable on demand.	-	688
Secured by land under development and agreements receivable		
III. Land project loans, payable on collection of agreements receivable, bearing interest at rates ranging from prime + 1.25% to the greater of 8%, secured by land held for development and sale with a carrying value of \$153,675, due between February 2, 2013 and October 1, 2014.	70,288	80,197
Secured by housing projects under development		
IV. Demand operating line of credit up to \$3,000 subject to a certain level of assets with a sublimit of \$600 and a construction loan payable on collection of net proceeds from sale of homes, bearing interest at rates ranging from prime + 1.25% to prime + 1.5% per annum, secured by a general security agreement over assets of the home building division and land under construction with a carrying value of \$1,362.	338	1,254
Finance Lease Obligation		
V. The finance lease obligation is payable in monthly instalments of \$4 from September 2012 to August 2017 with an interest rate of 7.64% secured by underlying assets.	216	-
	<u>78,692</u>	<u>89,989</u>
Deferred financing fees	<u>(1,451)</u>	<u>(1,758)</u>
	<u>77,241</u>	<u>88,231</u>

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6. SHARE CAPITAL

(a) Authorized:

Unlimited number of common shares

Unlimited number of preferred shares

(b) Weighted average number of shares

The following table sets forth the weighted average number of common shares outstanding for the net earnings per share calculation purposes for the three and nine months ending ended September 30, 2012 and 2011:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Basic	44,698,817	44,480,028	44,630,801	44,455,651
Effect of dilutive securities - stock options	110,601	267,636	98,210	318,493
Diluted	44,809,418	44,747,664	44,729,011	44,774,144

In calculating diluted earnings per share for the three and nine months ended September 30, 2012, the Corporation excluded 460,000 options (2011 – 1,196,000) as the exercise price was greater than the average market price of its shares during those periods.

7. STOCK OPTIONS

The Corporation has established a stock option plan for certain employees, officers, directors and contractors 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 generally not exceeding 5 years from the date of grant.

Details of outstanding stock options are as follows:

	Nine months ended			
	September 30, 2012		September 30, 2011	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding - beginning of period	1,788,221	\$ 3.60	2,262,934	\$ 3.73
Options granted	400,000	\$ 3.35	-	-
Options exercised	(253,316)	\$ 1.80	(104,839)	\$ 2.01
Options expired	(186,500)	\$ 6.51	(130,000)	\$ 8.48
Options forfeited	(177,623)	\$ 3.53	(185,874)	\$ 2.01
Outstanding - end of period	1,570,782	\$ 3.49	1,842,221	\$ 3.74
Exercisable - end of period	1,153,135	\$ 3.60	1,217,322	\$ 4.01

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7. STOCK OPTIONS (continued)

Range of Exercise Prices (\$)	Outstanding		Exercisable		Weighted Average Remaining Contractual Life in Years
	Number at September 30, 2012	Weighted Average Exercise Price	Number at September 30, 2012	Weighted Average Exercise Price	
0.00 - 3.00	290,282	\$ 2.01	244,135	\$ 2.01	2.16
3.01 - 4.00	1,125,500	\$ 3.40	754,000	\$ 3.43	3.40
4.01 - 11.00	155,000	\$ 6.92	155,000	\$ 6.92	0.21
	1,570,782	\$ 3.49	1,153,135	\$ 3.60	2.85

The fair value of each option granted was estimated on the date of grant using the Black-Scholes Option-Pricing Model with the following assumptions:

	2012	2011
Risk-free interest rate	1.12-1.16%	N/A
Estimated term period prior to exercise (years)	2.50	N/A
Volatility in the price of the Corporation's common shares	45.44-51.40%	N/A
Forfeiture rate	19.42-24.22%	N/A
Dividend yield rate	0.00%	N/A

8. COMMITMENTS AND CONTINGENCIES

Other than the commitments and contingencies discussed below and in the notes to the audited consolidated financial statements for the years ended December 31, 2011 and 2010, or in any of the interim financial statements issued thereafter, there were no other material commitments or contingencies as at September 30, 2012.

During the three months ended September 30, 2012, the Corporation entered into an agreement to purchase 31 lots in the community of Evansridge for which \$4,447 will be paid in two installments on November 16, 2012 and December 16, 2013.

The Corporation entered into a contract to lease new premises for its office space. The lease commenced July 1, 2012 and ends on June 30, 2017. The five year lease minimum lease payments for rent and operating costs amount to \$3,232.

9. JOINT VENTURE

The amounts in the following table represent the Corporation's 50% proportionate share of the assets, liabilities, revenue, earnings and cash flow information of a joint venture ("JV") that is proportionately consolidated in these financial statements.

	Assets	Liabilities	Revenue	Earnings (Losses)	CASH FLOW FROM (USED IN)		
					Operating Activities	Investing Activities	Financing Activities
As at and for the nine months ended September 30, 2012	30,855	8,320	13,620	2,131	2,436	-	(2,436)
As at December 31, 2011	29,232	8,827	-	-	-	-	-
For the nine months ended September 30, 2011	-	-	414	(334)	183	-	115

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9. JOINT VENTURE (continued)

The JV sold 20 lots in September 2012 and 30 lots in December 2011 to Genesis Builders Group Inc. (“GBG”), a wholly owned subsidiary of the Corporation, for \$3,655 and \$4,853 respectively. The Corporation's accounts payable and accrued liabilities as at September 30, 2012 include \$3,254 (December 31, 2011 - \$1,941) representing the proportionate amount owed to the JV for the lots purchased.

The Corporation deferred \$13,167 when it contributed its share of land to the JV. As at September 30, 2012, the Corporation has realized \$5,538 of that amount as a result of sales to third parties. \$1,792 and \$3,129 (2011 – Nil) has been recognized during the three and nine months ended September 30, 2012. The remaining amount of \$7,629 will be realized on future sale and development of lots and lands by the JV.

10. SEGMENTED INFORMATION

The Corporation operates in two reportable segments, land development and home building, which represent separately managed strategic business units with distinct marketing strategies. The Corporation evaluates segment performance based on profit or loss from operations 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 division to the home building division or a limited partnership have been eliminated and are not included in consolidated results, until the home is sold to a third party purchaser.

Genesis Land Development Corp.
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10. SEGMENTED INFORMATION (continued)

The income producing business units of the Corporation report the following activities for the three and nine months ended September 30, 2012 and 2011:

Three months ended September 30, 2012	Land development segment			Home building segment	Corporate and other segment	Intersegment elimination	Total
	Genesis	LP	Total				
Revenues	19,674	4,343	24,017	7,365	-	(1,160)	30,222
Cost of sales	(10,796)	(3,457)	(14,253)	(6,303)	-	1,379	(19,177)
Recovery of real estate	707	762	1,469	-	-	-	1,469
Other expenses ⁽¹⁾	(3,056)	(661)	(3,717)	(790)	-	(219)	(4,726)
Earnings before income taxes and non-controlling interest	6,529	987	7,516	272	-	-	7,788
Segmented assets (as at September 30, 2012)	277,019	81,060	358,079	24,710	2,551	(8,626)	376,714
Segmented liabilities (as at September 30, 2012)	107,864	8,038	115,902	20,401	-	(8,764)	127,539
Three months ended September 30, 2011							
Revenues	15,003	20	15,023	11,119	-	(4,418)	21,724
Cost of sales	(8,792)	-	(8,792)	(9,683)	-	3,912	(14,563)
Recovery of real estate	-	1,153	1,153	-	-	-	1,153
Other expenses ⁽¹⁾	(5,012)	(364)	(5,376)	(982)	-	506	(5,852)
Earnings before income taxes and non-controlling interest	1,199	809	2,008	454	-	-	2,462
Segmented assets (as at December 31, 2011)	272,151	83,787	355,938	17,435	10,851	(6,206)	378,018
Segmented liabilities (as at December 31, 2011)	131,156	7,749	138,905	12,769	-	(10,275)	141,399

⁽¹⁾ Other expense items include general and administrative, other expense, gain on sale of land to joint venture, and finance income and expense.

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10. SEGMENTED INFORMATION (continued)

Nine months ended September 30, 2012	Land development segment			Home building segment	Corporate and other segment	Intersegment elimination	Total
	Genesis	LP	Total				
Revenues	59,255	4,426	63,681	25,593	-	(5,398)	83,876
Cost of sales	(31,392)	(3,503)	(34,895)	(22,170)	-	6,955	(50,110)
Recovery of real estate	294	776	1,070	-	-	-	1,070
Other expenses ⁽¹⁾	(6,275)	(1,411)	(7,686)	(3,725)	-	(1,557)	(12,968)
Earnings (loss) before income taxes and non- controlling interest	21,882	288	22,170	(302)	-	-	21,868
Segmented assets (as at September 30, 2012)	277,019	81,060	358,079	24,710	2,551	(8,626)	376,714
Segmented liabilities (as at September 30, 2012)	107,864	8,038	115,902	20,401	-	(8,764)	127,539
Nine months ended September 30, 2011							
Revenues	47,596	6,509	54,105	26,082	-	(10,095)	70,092
Cost of sales	(29,227)	(5,670)	(34,897)	(22,752)	-	11,281	(46,368)
(Write-down) Recovery of real estate	(65)	1,194	1,129	-	-	-	1,129
Other expenses ⁽¹⁾	(6,955)	(1,191)	(8,146)	(3,546)	-	(1,186)	(12,878)
Earnings (loss) before income taxes and non-controlling interest	11,349	842	12,191	(216)	-	-	11,975
Segmented assets (as at December 31, 2011)	272,151	83,787	355,938	17,435	10,851	(6,206)	378,018
Segmented liabilities (as at December 31, 2011)	131,156	7,749	138,905	12,769	-	(10,275)	141,399

⁽¹⁾ Other expense items include general and administrative, other expense, gain on sale of land to joint venture, and finance income and expense.

11. RELATED PARTY TRANSACTIONS

Payments to a former officer under an advisory service agreement for the three and nine months ended September 30, 2012 were Nil and \$29 (2011 - Nil). The agreement ended March 31, 2012.

A director of Genesis, appointed on July 12, 2012, is an officer of a lender. At September 30, 2012, the Corporation had loans totaling \$47,916 (December 31, 2011 – 53,196) outstanding with this lender. During the three and nine months ended September 30, 2012, the Corporation paid interest and fees to the lender of \$890 and \$2,753 (2011 – \$1,932 and \$4,642), respectively. During the three and nine months ended September 30, 2012, the Corporation obtained no new financing or re-financing on existing loans (2011 – \$54,185 and \$70,185) with the lender. All transactions are under normal commercial terms and conditions.

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12. SUBSEQUENT EVENT

On October 30, 2012, the Corporation entered into an arm's length commitment letter for \$71,500 to receive development financing for a commercial development project secured by underlying lands. The loan bears interest ranging from prime + 2% to prime + 7.5% but not less than 10.5% with a term of 36 months through November 30, 2015.

13. COMPARATIVE FIGURES

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