



**Genesis Land Development Corp.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**For the three and nine months ended September 30, 2013 and 2012**

**(Unaudited)**

November 7, 2013

**Genesis Land Development Corp.**

**Condensed Consolidated Interim Financial Statements  
For the three and nine months ended September 30, 2013 and 2012  
(Unaudited)**

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**Genesis Land Development Corp.**  
**CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS**  
(Unaudited)  
(In thousands of Canadian dollars)

	Notes	September 30, 2013	December 31, 2012 <sup>(1)</sup>	January 1, 2012 <sup>(1)</sup>
<b>Assets</b>				
Real estate held for development and sale	5	255,411	264,184	290,512
Investment in joint venture	3, 11	9,170	10,680	9,648
Amounts receivable		26,192	73,239	34,386
Other operating assets		10,694	16,233	20,936
Deferred tax assets		-	-	2,859
Cash and cash equivalents		11,514	10,005	10,850
<b>Total assets</b>		<b>312,981</b>	<b>374,341</b>	<b>369,191</b>
<b>Liabilities</b>				
Loans and credit facilities	6	48,906	97,224	86,066
Customer deposits		4,854	4,352	7,582
Accounts payable and accrued liabilities		21,883	23,559	14,383
Income taxes payable		466	4,617	12,970
Deferred tax liabilities		576	60	-
Land development service costs		19,012	18,220	11,571
<b>Total liabilities</b>		<b>95,697</b>	<b>148,032</b>	<b>132,572</b>
Commitments and contingencies	9			
<b>Equity</b>				
Share capital	7	56,122	55,844	55,122
Contributed surplus		4,982	5,109	4,950
Retained earnings		129,370	128,637	119,776
Shareholders' equity		190,474	189,590	179,848
Non-controlling interest		26,810	36,719	56,771
<b>Total equity</b>		<b>217,284</b>	<b>226,309</b>	<b>236,619</b>
<b>Total liabilities and equity</b>		<b>312,981</b>	<b>374,341</b>	<b>369,191</b>

Related party transactions (note 13)

<sup>(1)</sup> Refer to note 3 for change in accounting policy  
See accompanying notes to the condensed consolidated interim financial statements

**Genesis Land Development Corp.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE (LOSS)**  
**INCOME**

(Unaudited)

(In thousands of Canadian dollars except per share amounts)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2013	2012 <sup>(1)</sup>	2013	2012 <sup>(1)</sup>
<b>Revenues</b>					
Residential lot sales		2,766	5,365	16,005	35,270
Development land sales		-	10,550	6,668	10,550
Residential home sales		16,912	7,366	46,892	25,547
Other revenue		56	114	181	716
		<u>19,734</u>	<u>23,395</u>	<u>69,746</u>	<u>72,083</u>
<b>Cost of sales</b>					
Residential lots		1,532	2,479	6,870	16,306
Development lands		183	7,879	5,795	8,268
Residential homes		12,795	5,919	37,460	20,136
Impairment (recovery) of real estate held for development and sale		11,141	(1,468)	12,127	(1,069)
		<u>25,651</u>	<u>14,809</u>	<u>62,252</u>	<u>43,641</u>
<b>Gross margin</b>		(5,917)	8,586	7,494	28,442
Equity (income) from joint venture	3, 11	(1,805)	(3,144)	(2,825)	(4,782)
General and administrative		5,507	2,444	11,787	7,135
Selling and marketing		774	1,039	1,822	2,320
Other expenses		24	55	198	856
		<u>6,305</u>	<u>3,538</u>	<u>13,807</u>	<u>10,311</u>
<b>Operating (loss) earnings from continuing operations</b>		(10,417)	8,192	(3,488)	22,913
Finance (income)		(110)	(164)	(447)	(554)
Finance expense		181	568	1,294	1,599
		<u>(10,488)</u>	<u>7,788</u>	<u>(4,335)</u>	<u>21,868</u>
<b>(Loss) earnings before income taxes</b>		(10,488)	7,788	(4,335)	21,868
Income taxes (recovery)		(1,372)	1,726	91	5,501
		<u>(11,860)</u>	<u>9,514</u>	<u>(4,244)</u>	<u>27,369</u>
<b>Net (loss) earnings being comprehensive (loss) income</b>		(9,116)	6,062	(4,426)	16,367
Attributable to non-controlling interest		(4,472)	1,106	(5,159)	380
		<u>(13,588)</u>	<u>7,168</u>	<u>(9,585)</u>	<u>16,747</u>
<b>Attributable to equity shareholders</b>		(4,644)	4,956	733	15,987
<b>Net (loss) earnings per share</b>					
- basic and diluted		(0.10)	0.11	0.02	0.36

<sup>(1)</sup> Refer to note 3 for change in accounting policy

See accompanying notes to the condensed consolidated interim financial statements

**Genesis Land Development Corp.**

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY**

(Unaudited)

**For the nine months ended September 30, 2013 and 2012**

(In thousands of Canadian dollars except number of shares)

	<b>Equity attributable to Corporation's shareholders</b>					Non-Controlling Interest	Total Equity
	<u>Common shares - Issued</u>		Contributed Surplus	Retained Earnings	Total Shareholders Equity		
	Number of Shares	Amount					
<b>At January 1, 2012</b> <sup>(1)</sup>	44,484,287	55,122	4,950	119,776	179,848	56,771	236,619
Share-based payments	253,316	601	32	-	633	-	633
Distributions <sup>(2)</sup>	-	-	-	-	-	(4,444)	(4,444)
Net earnings <sup>(3)</sup>	-	-	-	15,987	15,987	380	16,367
<b>At September 30, 2012</b>	44,737,603	55,723	4,982	135,763	196,468	52,707	249,175
Share-based payments	28,125	121	127	-	248	-	248
Net (loss) <sup>(3)</sup>	-	-	-	(7,126)	(7,126)	(15,988)	(23,114)
<b>At December 31, 2012</b> <sup>(1)</sup>	44,765,728	55,844	5,109	128,637	189,590	36,719	226,309
Share-based payments	95,472	278	(127)	-	151	-	151
Distributions <sup>(2)</sup>	-	-	-	-	-	(4,750)	(4,750)
Net earnings <sup>(3)</sup>	-	-	-	733	733	(5,159)	(4,426)
<b>At September 30, 2013</b>	44,861,200	56,122	4,982	129,370	190,474	26,810	217,284

<sup>(1)</sup> Refer to note 3 for change in accounting policy

<sup>(2)</sup> Distributions to unitholders of limited partnerships

<sup>(3)</sup> Net (loss) earnings being comprehensive (loss) earnings

See accompanying notes to the condensed consolidated interim financial statements

**Genesis Land Development Corp.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**  
(Unaudited)  
**For the three and nine months ended September 30, 2013 and 2012**  
(In thousands of Canadian dollars)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2013	2012	2013	2012
<b>Operating activities</b>				
Cash receipts from residential lot and development land sales <sup>(2)</sup>	14,235	17,805	75,027	39,977
Cash receipts from residential home sales	17,653	8,289	50,600	26,603
Other cash receipts	56	4,410	313	6,595
Cash paid to suppliers for land development	(10,714)	(9,285)	(26,224)	(17,550)
Cash paid to suppliers for residential home construction	(11,778)	(11,970)	(27,255)	(20,828)
Cash paid to other suppliers and employees	(4,393)	(2,962)	(15,704)	(11,400)
Interest received	110	164	349	554
Income taxes paid	(2,631)	(5,486)	(3,727)	(9,500)
	<u>2,538</u>	<u>965</u>	<u>53,379</u>	<u>14,451</u>
<b>Investing activities</b>				
Acquisition of property and equipment	(143)	(487)	(166)	(588)
Change in restricted cash	(239)	(5,399)	(513)	(5,784)
Distribution received from joint venture	1,500	-	4,500	-
	<u>1,118</u>	<u>(5,886)</u>	<u>3,821</u>	<u>(6,372)</u>
<b>Financing activities</b>				
Advances from loans and credit facilities	18,897	22,482	31,858	34,189
Repayments of loans and credit facilities	(17,997)	(17,123)	(80,637)	(42,729)
Interest and fees paid on loans and credit facilities	(646)	(1,749)	(2,158)	(3,850)
Distributions to unit holders of limited partnerships	(4,250)	(3,744)	(4,750)	(4,444)
Cash settlement of options	(23)	-	(215)	-
Issue of share capital	-	84	211	456
	<u>(4,019)</u>	<u>(50)</u>	<u>(55,691)</u>	<u>(16,378)</u>
<b>Change in cash and cash equivalents</b>	<u>(363)</u>	<u>(4,971)</u>	<u>1,509</u>	<u>(8,299)</u>
Cash and cash equivalents, beginning of period	11,877	7,522	10,005	10,850
<b>Cash and cash equivalents, end of period</b>	<u>11,514</u>	<u>2,551</u>	<u>11,514</u>	<u>2,551</u>

<sup>(1)</sup> Refer to note 3 for change in accounting policy.

<sup>(2)</sup> Cash receipts for the nine months ended September 30, 2013 included \$32,526 relating to the sale of sites 1 and 2 in Sage Hill Crossing in December 2012.

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, 2013 and 2012**  
(Unaudited)

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

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**1. DESCRIPTION OF BUSINESS**

Genesis Land Development Corp. (the "Corporation" or "Genesis") was incorporated as Genesis Capital Corp. under the Business Corporation Act (Alberta) on December 2, 1997. Genesis Land Development Corp. resulted from an amalgamation on January 1, 2002.

The Corporation is engaged in the acquisition, development, and sale of land, residential lots and homes in the greater Calgary area. The Corporation reports its activities as two business segments: land development and home building. All business activities of Genesis are conducted in Western Canada, with development lands held primarily in and around the cities of Calgary and Airdrie.

The Corporation is listed for trading on the Toronto Stock Exchange under the symbol "GDC". Genesis' head office and registered office is located at 7315 - 8th Street N.E., Calgary, Alberta T2E 8A2.

**2. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies of the Corporation are the same as those applied in the Corporation's annual audited consolidated financial statements for the years ended December 31, 2012 and 2011 except as stated in note 3 and note 4. These policies have been consistently applied to each of the periods presented, unless otherwise indicated.

The unaudited condensed consolidated interim financial statements of the Corporation are 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.

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, 2012 and 2011.

**3. CHANGE IN ACCOUNTING POLICY**

The Corporation changed accounting for its interest in a joint venture from proportionately consolidated accounting to the equity method of accounting beginning January 1, 2013. This is required under IFRS 11, "Joint Arrangements" ("IFRS 11"), issued on May 12, 2011, which replaces IAS 31, "Interest in Joint Ventures" ("IAS 31"). The standard is effective for annual periods beginning on or after January 1, 2013. The new standard redefines joint operations and joint ventures, requiring joint operations to be proportionately consolidated and joint ventures to be equity accounted. Under IAS 31, joint ventures could be proportionately consolidated. The Corporation has applied IFRS 11 beginning on January 1, 2013 with retrospective application from the date of earliest period presented which is January 1, 2012. This change in accounting policy reduced total assets, total liabilities, revenues and expenses but had no impact on the Corporation's net assets, net earnings, cash flows or earnings per share.

Refer to note 16 for the summarized the adjustments made to the Corporation's condensed consolidated interim statements of comprehensive income and cash flows for the three months and nine months ended September 30, 2012.

**Genesis Land Development Corp.**  
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**4. STANDARDS AND AMENDMENTS TO EXISTING STANDARDS EFFECTIVE JANUARY 1, 2013**

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Corporation's annual consolidated financial statements for the year ended December 31, 2012, except for the adoption of new IFRSs and interpretations as of January 1, 2013, noted below:

*i) Application of new and revised IFRSs on consolidation, joint arrangements, associates and disclosures*

The Corporation has applied the requirements of IFRS 10 "Consolidated Financial Statements" ("IFRS 10"), IFRS 11 and IFRS 12 "Disclosures of Interests in Other Entities" ("IFRS 12") as well as the consequential amendments to IAS 27 (as revised in 2011) "Separate Financial Statements" ("IAS 27") and IAS 28 (as revised in 2011) "Investments in Associates" ("IAS 28") in the current period.

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

Impact of the application of IFRS 10

As a result of the adoption of IFRS 10, the Corporation has changed its accounting policies with respect to determining whether it has control over and consequently consolidates its investees. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In accordance with the transitional provisions of IFRS 10, the Corporation has re-assessed the control conclusion for its investees at January 1, 2013 and concluded that the new standard will not change its control conclusion in respect of its investment in its subsidiaries.

Impact of the application of IFRS 11

Refer to note 3, Change in Accounting Policy, for a description of and the impact of the adoption of IFRS 11.

Impact of the application of IFRS 12

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of IFRS 12 has resulted in additional disclosures in the condensed consolidated interim financial statements.

Impact of the application of IAS 28

IAS 28 was amended in 2011 and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. Under IFRS 11, the Corporation determined that its joint venture has to be consolidated under the equity method as described by IAS 28. This change in accounting policy reduced total assets, total liabilities, revenues and expenses but had no impact on the Corporation's net assets, net earnings, cash flows or earnings per share.

*ii) Application of IFRS 13 "Fair Value Measurement"*

The Corporation has applied the requirements of IFRS 13 "Fair Value Measurement" ("IFRS 13") in the current period. IFRS 13 improves consistency and reduces complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. In general, the application of IFRS 13 has resulted in additional disclosures in the condensed consolidated interim financial statements as set out in note 10.



**Genesis Land Development Corp.**  
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**4. STANDARDS AND AMENDMENTS TO EXISTING STANDARDS EFFECTIVE JANUARY 1, 2013 (continued)**

There are no other standards, interpretations or amendments to existing standards that are effective that would be expected to have a significant impact on the Corporation.

**Recent accounting pronouncements**

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

*i) IFRS 9, "Financial Instruments"*

On November 12, 2009, the IASB issued IFRS 9, "Financial Instruments" ("IFRS 9"), which will replace IAS 39 "Financial Instruments: Recognition and Measurement" ("IAS 39"). The standard is effective for annual periods beginning on or after January 1, 2015. It 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 is currently evaluating the impact of IFRS 9 on its financial statements.

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

	<b>Land Under Development</b>	<b>Land Held for Future Development</b>	<b>Home Building</b>	<b>Total</b>
<b>Gross book value</b>				
As at January 1, 2012 <sup>(1)</sup>	145,652	145,192	10,422	301,266
Acquisitions and transfers	1,938	(1,938)	19,331	19,331
Development	39,195	3,168	34,284	76,647
Sold	(55,739)	-	(33,407)	(89,146)
As at December 31, 2012 <sup>(1)</sup>	131,046	146,422	30,630	308,098
Acquisitions and transfers	(177)	177	10,216	10,216
Development	15,752	3,945	28,490	48,187
Sold	(14,258)	-	(40,791)	(55,049)
As at September 30, 2013	132,363	150,544	28,545	311,452
<b>Provision for write-down</b>				
As at January 1, 2012	4,058	6,696	-	10,754
Write-downs for the year	1,087	32,073	-	33,160
As at December 31, 2012	5,145	38,769	-	43,914
Write-downs for the period	2,243	9,884	-	12,127
As at September 30, 2013	7,388	48,653	-	56,041
<b>Net book value</b>				
As at January 1, 2012 <sup>(1)</sup>	141,594	138,496	10,422	290,512
As at December 31, 2012 <sup>(1)</sup>	125,901	107,653	30,630	264,184
As at September 30, 2013	124,975	101,891	28,545	255,411

<sup>(1)</sup>2012 information has been restated to reflect the changes due to the adoption of IFRS 11 as summarized in note 3.

During the three months and nine months ended September 30, 2013, interest of \$1,088 and \$2,721 (2012 - \$1,149 and \$3,428) and other carrying costs of \$Nil (2012 - \$346 and \$380), respectively, were capitalized.

As at September 30, 2013, land held for future development of \$49,752 (December 31, 2012 - \$52,411) and land under development of \$6,615 (December 31, 2012 - \$8,212) were held in the limited partnerships controlled by Genesis.

During the three and nine months ended September 30, 2013 the Corporation recognized write-downs of \$11,141 and \$12,127 (2012 – recoveries of \$1,468 and \$1,069) relating to the impairment of carrying value of certain real estate held for development and sale of which \$4,256 (2012 – recovery of \$762) is related to lands held under a limited partnership.

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**6. LOANS AND CREDIT FACILITIES**

	<b>September 30,</b>	<b>December 31,</b>
	<b>2013</b>	<b>2012 <sup>(1)</sup></b>
<b>Secured by land held for future development</b>		
I. Land loan, bearing interest at the greater of 7.2% or prime + 4.2% per annum, secured by land held for development and sale with a carrying value of \$18,963, maturing March 1, 2014. This loan is held by a limited partnership.	7,850	7,850
<b>Secured by land under development and agreements receivable</b>		
II. Land project loans, payable on collection of agreements receivable, bearing interest at rates ranging from prime + 1.25% to the greater of 10.5% or prime + 7.5%, secured by land held for development and sale with a carrying value of \$120,972, due between November 1, 2013 and December 1, 2015.	34,808	82,918
<b>Secured by housing projects under development</b>		
III. Demand operating line of credit up to \$3,000, bearing interest at prime + 1.5% per annum, secured by a general security agreement over assets of the home building division.	1,225	2,281
IV. Project loans, payable on collection of closing proceeds, bearing interest ranging from prime + 1.25% to the greater of 5.25% or prime + 2% per annum, secured by home building projects with a carrying value of \$9,436, due by October 30, 2013.	6,443	6,487
	<u>50,326</u>	<u>99,536</u>
Deferred loans and credit facilities fees	<u>(1,420)</u>	<u>(2,312)</u>
	<u>48,906</u>	<u>97,224</u>

<sup>(1)</sup>2012 information has been restated to reflect the changes due to the adoption of IFRS 11 as summarized in note 3.

The weighted average interest rate of loan agreements was 6.09% (December 31, 2012 - 6.25%), based on September 30, 2013 balances.

During the three and nine months ended September 30, 2013, the Corporation received advances of \$18,897 and \$31,858 (2012 - \$22,482 and \$34,189) 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 the greater of 10.5% or prime + 7.5% per annum, with due dates ranging from October 30, 2013 to December 1, 2015.

Based on the contractual terms, the Corporation's loans and credit facilities are to be repaid within the following time periods (excluding deferred financing fees):

October 1, 2013 to September 30, 2014	31,338
October 1, 2014 to September 30, 2015	17,427
October 1, 2015 to September 30, 2016	1,561
	<u>50,326</u>

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**6. LOANS AND CREDIT FACILITIES (continued)**

The Corporation has various covenants in place with its lenders with respect to certain contracted credit facilities. Such covenants include: other credit usage restrictions; cancellation, prepayment, confidentiality and cross default clauses; sales coverage requirements; conditions precedent for funding; and other general understandings such as, but not limited to, maintaining contracted lot prices, restrictions on encumbrances, liens and charges, material changes to project plans, and changes in the Corporation's ownership structure.

As at September 30, 2013 and at December 31, 2012, the Corporation was in compliance with all covenants.

**7. SHARE CAPITAL**

(a) Authorized

Unlimited number of common shares  
Unlimited number of preferred shares

(b) Weighted average number of shares

The following table sets forth the weighted average number of common shares outstanding for the three and nine months ended September 30, 2013 and 2012:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2013	2012	2013	2012
Basic	44,861,200	44,698,817	44,830,718	44,630,801
Effect of dilutive securities - stock options	88,724	110,601	68,613	98,210
Diluted	44,949,924	44,809,418	44,899,331	44,729,011

In calculating diluted earnings per share for three and nine months ended September 30, 2013, the Corporation excluded 235,000 options (2012 – 460,000) as their exercise prices were greater than the average market price of the Corporation's shares during those periods.

**8. 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.

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**8. STOCK OPTIONS (continued)**

Details of outstanding stock options were as follows:

	Nine months ended September 30,			
	2013		2012	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding - beginning of period	1,231,722	\$ 3.21	1,788,221	\$ 3.60
Options granted	225,000	\$ 3.49	400,000	\$ 3.35
Options exercised	(95,472)	\$ 2.21	(253,316)	\$ 1.80
Options expired	(60,000)	\$ 6.97	(186,500)	\$ 6.51
Options forfeited	(417,500)	\$ 2.93	(177,623)	\$ 3.53
Outstanding - end of period	883,750	\$ 3.27	1,570,782	\$ 3.49
Exercisable - end of period	648,750	\$ 3.20	1,153,135	\$ 3.60

Range of Exercise Prices (\$)	Outstanding		Exercisable		Weighted Average Remaining Contractual Life in Years
	Number at September 30, 2013	Weighted Average Exercise Price	Number at September 30, 2013	Weighted Average Exercise Price	
0.01 - 3.00	84,750	\$ 2.01	84,750	\$ 2.01	1.15
3.01 - 4.00	799,000	\$ 3.40	564,000	\$ 3.38	3.31
	883,750	\$ 3.27	648,750	\$ 3.20	3.10

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:

	2013	2012
Risk-free interest rate	0.99-1.24%	1.12-1.16%
Estimated term period prior to exercise (years)	2.50	2.50
Volatility in the price of the Corporation's common shares	37.52-38.27%	45.44-51.40%
Forfeiture rate	24.22%	19.42-24.22%
Dividend yield rate	0.00%	0.00%

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**9. 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, 2012 and 2011, there were no other material commitments or contingencies as at September 30, 2013.

- (a) The Corporation has issued letters of credit pursuant to service agreements with municipalities to indemnify them in the event that Genesis does not perform its contractual obligations. As of September 30, 2013, the letters of credit amounted to \$3,801 (December 31, 2012 – \$3,801).
- (b) 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. At September 30, 2013, a liability of approximately \$3,174 (December 31, 2012 - \$3,051) was recorded. The Corporation is selling lots in the last phase covered under this development. The payout to the participants would be made on completion of the sale of lots in the last phase, which is expected in 2014.
- (c) The Corporation has office and other operating leases with the following annual payments: not later than one year - \$847; later than one year but not later than five years - \$2,321; and later than five years - \$Nil.

**10. FINANCIAL INSTRUMENTS**

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).

For financial assets and liabilities not measured at fair value at September 30, 2013, the following table compares their carrying value with their established fair value:

	<b>September 30, 2013</b>	
	<b>Carrying value</b>	<b>Estimated fair value</b>
<b>Loans and receivables</b>		
Amounts receivable	26,192	25,707
<b>Other financial liabilities</b>		
Accounts payable and accrued liabilities	21,883	21,883
Loans and credit facilities, excl. deferred loans and credit facilities fees	50,326	50,182

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.

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**10. FINANCIAL INSTRUMENTS (continued)**

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

During the three months and nine months ended September 30, 2013 no transfers were made between the levels in the fair value hierarchy.

**11. JOINT VENTURE**

Genesis formed a joint venture ("JV") on April 30, 2010, for the purpose of acquiring, developing and selling certain real estate. Refer to note 3 for the effects of change in accounting policy.

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

	<b>September 30, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
<b>Assets</b>			
Real estate held for development and sale	32,728	30,446	40,324
Amounts receivable	17,382	30,722	18,130
Other operating assets	4	8	10
Cash and cash equivalents	5,910	-	-
<b>Total Assets</b>	<b>56,024</b>	<b>61,176</b>	<b>58,464</b>
<b>Liabilities</b>			
Loans and credit facilities	-	10,036	4,330
Accounts payable and accrued liabilities	2,568	2,240	4,064
Land development service costs	23,446	12,416	9,260
<b>Total Liabilities</b>	<b>26,014</b>	<b>24,692</b>	<b>17,654</b>
<b>Net assets</b>	<b>30,010</b>	<b>36,484</b>	<b>40,810</b>
Corporation's share of net assets (50%)	15,005	18,242	20,405
Deferred gain and JV profit	(5,835)	(7,562)	(10,757)
Carrying amount on the consolidated balance sheets	9,170	10,680	9,648

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**11. JOINT VENTURE (continued)**

	<b>Three months ended</b>		<b>Nine months ended</b>		<b>Year ended</b>
	<b>September 30,</b>		<b>September 30,</b>		<b>December 31,</b>
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2012</b>
<b>Revenues</b>					
Residential lot sales	12,290	17,308	18,346	20,040	20,266
Development land sales	-	-	-	7,200	7,860
	<u>12,290</u>	<u>17,308</u>	<u>18,346</u>	<u>27,240</u>	<u>28,126</u>
<b>Cost of sales</b>					
Residential lots	10,248	12,832	15,984	15,088	15,756
Development land	-	-	-	6,634	7,464
	<u>10,248</u>	<u>12,832</u>	<u>15,984</u>	<u>21,722</u>	<u>23,220</u>
General and administrative	86	884	186	1,430	1,538
Finance income	(114)	(68)	(350)	(174)	(306)
<b>Earnings being Comprehensive income</b>	<b><u>2,070</u></b>	<b><u>3,660</u></b>	<b><u>2,526</u></b>	<b><u>4,262</u></b>	<b><u>3,674</u></b>
Corporation's share of earnings and comprehensive income (50%)	1,035	1,830	1,263	2,131	1,837
Deferred gain and JV profit	770	1,314	1,562	2,651	2,668
Amount on statements of comprehensive income	<u>1,805</u>	<u>3,144</u>	<u>2,825</u>	<u>4,782</u>	<u>4,505</u>

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Cash flows from operating activities	9,910	10,541	24,946	4,872
Cash flows (used in) financing activities	(4,000)	(10,541)	(19,036)	(4,872)
<b>Net change in cash and cash equivalents</b>	<u>5,910</u>	<u>-</u>	<u>5,910</u>	<u>-</u>



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**11. JOINT VENTURE (continued)**

	<b>Investment in JV</b>	<b>Income from JV</b>
At December 31, 2011	20,405	-
Gain deferred on lands sold to JV	(13,167)	-
Deferred gain recognized	2,410	-
<b>At January 1, 2012</b>	<b>9,648</b>	<b>-</b>
Share of net income in JV	2,131	2,131
Deferred gain recognized	3,128	3,128
Deferred margin from JV on lots sold	-	(477)
<b>At September 30, 2012</b>	<b>14,907</b>	<b>4,782</b>
Share of net (loss) income in JV	(294)	(294)
Deferred gain recognized	67	68
Deferred margin from JV on lots sold	-	(51)
Distribution received	(4,000)	-
<b>At December 31, 2012</b>	<b>10,680</b>	<b>4,505</b>
<b>At January 1, 2013</b>	<b>10,680</b>	<b>-</b>
Share of net income in JV	1,263	1,263
Deferred gain recognized	1,727	1,727
Deferred margin from JV on lots sold	-	(165)
Distribution received	(4,500)	-
<b>September 30, 2013</b>	<b>9,170</b>	<b>2,825</b>

The Corporation's transactions with the JV are limited to the purchase of lots. During the three and nine months ended September 30, 2013 the JV sold 17 and 19 lots (2012 - 20) to Genesis Builders Group Inc. ("GBG"), a wholly owned subsidiary of the Corporation, for \$3,433 (2012 - \$3,655). The Corporation's accounts payable and accrued liabilities as at September 30, 2013 included \$2,621 (December 31, 2012 - \$6,740), representing the amount owed to the JV for the lots purchased.

Genesis deferred \$13,167 when it contributed its share of land to the JV in 2010. As at September 30, 2013, the Corporation had realized \$7,332 of that amount as a result of sales to third parties (2012 - \$5,538). The remaining amount of \$5,835 will be realized on future sale and development of lots and lands by the JV.

**12. 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 segment to the home building 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.

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**12. SEGMENTED INFORMATION (continued)**

The income producing business units of the Corporation reported the following activities for the three and nine months ended September 30, 2013 and 2012:

Three months ended September 30, 2013	Land development segment			Home building segment	Corporate and other segment	Intersegment elimination	Total
	Genesis	LP	Total				
Revenues	7,905	21	7,926	16,915	-	(5,107)	19,734
Cost of sales	(4,958)	(2)	(4,960)	(14,657)	-	5,107	(14,510)
Write-down of real estate	(6,885)	(4,256)	(11,141)	-	-	-	(11,141)
Income from JV	1,805	-	1,805	-	-	-	1,805
Proxy contest costs	(2,825)	-	(2,825)	-	-	-	(2,825)
Other expenses <sup>(1)</sup>	(1,286)	(417)	(1,703)	(1,848)	-	-	(3,551)
Earnings before income taxes and non-controlling interest	(6,244)	(4,654)	(10,898)	410	-	-	(10,488)

Three months ended September 30, 2012 <sup>(2)</sup>	Land development segment			Home building segment	Corporate and other segment	Intersegment elimination	Total
	Genesis	LP	Total				
Revenues	12,847	4,660	17,507	7,366	-	(1,478)	23,395
Cost of sales	(8,076)	(3,458)	(11,534)	(6,368)	-	1,625	(16,277)
Write-down of real estate	692	776	1,468	-	-	-	1,468
Income from JV	3,144	-	3,144	-	-	-	3,144
Other expenses <sup>(1)</sup>	(2,333)	(658)	(2,991)	(804)	-	(147)	(3,942)
Earnings before income taxes and non-controlling interest	6,274	1,320	7,594	194	-	-	7,788

Nine months ended September 30, 2013	Land development segment			Home building segment	Corporate and other segment	Intersegment elimination	Total
	Genesis	LP	Total				
Revenues	32,994	70	33,064	46,902	-	(10,220)	69,746
Cost of sales	(19,204)	(10)	(19,214)	(41,131)	-	10,220	(50,125)
Write-down of real estate	(7,871)	(4,256)	(12,127)	-	-	-	(12,127)
Income from JV	2,825	-	2,825	-	-	-	2,825
Proxy contest costs	(2,825)	-	(2,825)	-	-	-	(2,825)
Other expenses <sup>(1)</sup>	(5,056)	(1,119)	(6,175)	(5,654)	-	-	(11,829)
(Loss) Earnings before income taxes and non-controlling interest	863	(5,315)	(4,452)	117	-	-	(4,335)
Segmented assets	215,341	56,786	272,127	37,119	11,514	(7,779)	312,981
Segmented liabilities	54,940	8,272	63,212	37,868	-	(5,383)	95,697

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**12. SEGMENTED INFORMATION (continued)**

Nine months ended September 30, 2012 <sup>(2)</sup>	Land development segment			Home building segment	Corporate and other segment	Intersegment elimination	Total
	Genesis	LP	Total				
Revenues	47,462	4,743	52,205	25,593	-	(5,715)	72,083
Cost of sales	(24,777)	(3,504)	(28,281)	(22,292)	-	5,863	(44,710)
Write-down of real estate	293	776	1,069	-	-	-	1,069
Income from JV	4,782	-	4,782	-	-	-	4,782
Other expenses <sup>(1)</sup>	(6,100)	(1,408)	(7,508)	(3,700)	-	(148)	(11,356)
(Loss) Earnings before income taxes and non-controlling interest	21,660	607	22,267	(399)	-	-	21,868
Segmented assets	268,598	81,060	349,658	25,307	2,551	(5,868)	371,648
Segmented liabilities	99,800	8,038	107,838	19,513	-	(4,878)	122,473

Year ended December 31, 2012 <sup>(2)</sup>	Land development segment			Home building segment	Corporate and other segment	Intersegment elimination	Total
	Genesis	LP	Total				
Segmented assets	263,661	65,707	329,368	41,092	10,005	(6,124)	374,341
Segmented liabilities	107,005	8,057	115,062	39,110	-	(6,140)	148,032

<sup>(1)</sup> Other expenses include general and administrative, selling and marketing, other expenses, finance income and finance expense.

<sup>(2)</sup> 2012 information has been restated to reflect the changes due to the adoption of IFRS 11 as summarized in note 3.

**13. RELATED PARTY TRANSACTIONS**

An ex-director of Genesis, who is an officer of a lender, was considered a related party until September 4, 2013 when the director resigned. As a result, transactions with this lender after September 4, 2013 are no longer considered related party transactions. During the periods July 1, 2013 through September 4, 2013 and January 1, 2013 through September 4, 2013, Genesis paid related party interest and fees to the lender of \$448 and \$1,244 (2012 – \$890 and \$2,753), respectively. During the periods specified above, the Corporation obtained no new financing or re-financing on existing loans (2012 – \$Nil) with the lender. All transactions were under normal commercial terms and conditions.

Genesis is the general partner in four limited partnership arrangements (note 15) and a 50% partner in the joint venture (note 11).

**14. COMPARATIVE FIGURES**

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

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**15. CONSOLIDATED ENTITIES**

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries, as well as the consolidated revenues, expenses, assets, liabilities and cash flows of limited partnership entities that Genesis controls. The Corporation has less than 50% equity ownership in these limited partnership entities; however, Genesis has control over these entities' activities, projects, financial and operating policies due to contractual arrangements. As such, the relationship between the Corporation and the limited partnership entities indicates that they are controlled by the Corporation. Accordingly, the accounts of the limited partnerships have been consolidated in the Corporation's financial statements.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Corporation obtains control, and continues to be consolidated until the date when such control ceases. Control exists when the Corporation has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefit from its activities. All intra-group transactions, balances, and unrealized gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Corporation and are presented separately from shareholders' equity in the statement of comprehensive income and within equity in the consolidated balance sheet. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. There are no significant restrictions on the Corporation's or its subsidiaries ability to access or use the assets, and settle the liabilities.

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**15. CONSOLIDATED ENTITIES (continued)**

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

Name	% equity interest as at	
	September 30, 2013	December 31, 2012
<b>Land Development</b>		
Genpol Inc.	100%	100%
Genpol LP	100%	100%
1504431 Alberta Ltd.	0.0002%	0.0002%
Genesis Sage Meadows Partnership	99.9998%	99.9998%
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%
<u>LP 4/5 group</u>		
Genesis Limited Partnership #4	0.001%	0.001%
Genesis Limited Partnership #5	0%	0%
GLP5 GP Inc.	0%	0%
GLP5 NE Calgary Development Inc.	0%	0%
Genesis Northeast Calgary Ltd.	100%	100%
<u>LP 6/7 group</u>		
Genesis Limited Partnership #6	11.75%	11.75%
Genesis Limited Partnership #7	0%	0%
GP GLP7 Inc.	0%	0%
GLP7 Subco Inc.	0%	0%
<u>LP 8/9 group</u>		
Genesis Limited Partnership #8	0.23%	0.23%
Genesis Limited Partnership #9	0%	0%
GP GLP8 Inc.	100%	100%
GP GLP9 Inc.	0%	0%
GLP9 Subco Inc.	0%	0%
<u>LPLP 2007 group</u>		
Limited Partnership Land Pool (2007)	0%	0%
GP LPLP 2007 Inc.	100%	100%
GP RRSP 2007 Inc.	0%	0%
LPLP 2007 Subco Inc.	0%	0%
GP RRSP 2007 #2 Inc.	0%	0%
LPLP 2007 Subco #2 Inc.	0%	0%
LP RRSP Limited Partnership #1	0%	0%
LP RRSP Limited Partnership #2	0%	0%
<u>Joint Venture</u>		
Kinwood Communities Inc.	50%	50%
<b>Home Building</b>		
<u>Single-family</u>		
Genesis Builders Group Inc.	100%	100%
<u>Multi-family</u>		
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%

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**15. CONSOLIDATED ENTITIES (continued)**

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

	<b>September 30, 2013</b>				
	<b>LP 4/5</b>	<b>LP 6/7</b>	<b>LP 8/9</b>	<b>LPLP 2007</b>	<b>Total</b>
<b>Assets</b>					
Real estate held for development and sale	7,822	6,615	4,219	37,711	56,367
Due from related parties	34	1,060	-	-	1,094
Other operating assets	-	418	-	-	418
Cash and cash equivalents	-	440	1	103	544
<b>Total assets</b>	<b>7,856</b>	<b>8,533</b>	<b>4,220</b>	<b>37,814</b>	<b>58,423</b>
<b>Liabilities</b>					
Loans and credit facilities	-	-	-	7,831	7,831
Customer deposits	-	-	-	2	2
Accounts payable and accrued liabilities	-	419	-	20	439
Due to related parties	95	1,258	468	20,799	22,620
<b>Total liabilities</b>	<b>95</b>	<b>1,677</b>	<b>468</b>	<b>28,652</b>	<b>30,892</b>
<b>Net assets</b>	<b>7,761</b>	<b>6,856</b>	<b>3,752</b>	<b>9,162</b>	<b>27,531</b>
<b>Non-controlling interest (%)</b>	<b>100%</b>	<b>88.77%</b>	<b>100%</b>	<b>100%</b>	

	<b>Three months ended September 30, 2013</b>				
	<b>LP 4/5</b>	<b>LP 6/7</b>	<b>LP 8/9</b>	<b>LPLP 2007</b>	<b>Total</b>
Revenues	7	51	-	13	71
<b>Net earnings (loss) being comprehensive income (loss)</b>	<b>6</b>	<b>(1,550)</b>	<b>(312)</b>	<b>(2,799)</b>	<b>(4,655)</b>
<b>Non-controlling interest (%)</b>	<b>100%</b>	<b>88.25%</b>	<b>100%</b>	<b>100%</b>	

	<b>Three months ended September 30, 2012</b>				
	<b>LP 4/5</b>	<b>LP 6/7</b>	<b>LP 8/9</b>	<b>LPLP 2007</b>	<b>Total</b>
Revenues	40	4,699	-	30	4,769
<b>Net earnings (loss) being comprehensive income (loss)</b>	<b>40</b>	<b>1,692</b>	<b>4</b>	<b>(431)</b>	<b>1,305</b>
<b>Non-controlling interest (%)</b>	<b>100%</b>	<b>88.25%</b>	<b>100%</b>	<b>100%</b>	

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**15. CONSOLIDATED ENTITIES (continued)**

	<b>Three months ended September 30, 2013</b>				<b>Total</b>
	<b>LP 4/5</b>	<b>LP 6/7</b>	<b>LP 8/9</b>	<b>LPLP 2007</b>	
Cash flows from operating activities	-	4,900	-	8	4,908
Cash flows used in financing activities	-	(4,484)	-	-	(4,484)
<b>Net increase in cash and cash equivalents</b>	<b>-</b>	<b>416</b>	<b>-</b>	<b>8</b>	<b>424</b>
	<b>Three months ended September 30, 2012</b>				<b>Total</b>
	<b>LP 4/5</b>	<b>LP 6/7</b>	<b>LP 8/9</b>	<b>LPLP 2007</b>	
Cash flows from operating activities	-	4,275	-	25	4,300
Cash flows used in financing activities	-	(3,941)	-	-	(3,941)
<b>Net increase in cash and cash equivalents</b>	<b>-</b>	<b>334</b>	<b>-</b>	<b>25</b>	<b>359</b>
	<b>Nine months ended September 30, 2013</b>				<b>Total</b>
	<b>LP 4/5</b>	<b>LP 6/7</b>	<b>LP 8/9</b>	<b>LPLP 2007</b>	
Revenues	16	265	-	53	334
<b>Net earnings (loss) being comprehensive income (loss)</b>	<b>12</b>	<b>(1,339)</b>	<b>(328)</b>	<b>(3,661)</b>	<b>(5,316)</b>
Non-controlling interest (%)	100%	88.25%	100%	100%	
	<b>Nine months ended September 30, 2012</b>				<b>Total</b>
	<b>LP 4/5</b>	<b>LP 6/7</b>	<b>LP 8/9</b>	<b>LPLP 2007</b>	
Revenues	50	4,935	-	90	5,075
<b>Net earnings (loss) being comprehensive income (loss)</b>	<b>46</b>	<b>1,921</b>	<b>(6)</b>	<b>(1,355)</b>	<b>606</b>
Non-controlling interest (%)	100%	88.25%	100%	100%	
	<b>Nine months ended September 30, 2013</b>				<b>Total</b>
	<b>LP 4/5</b>	<b>LP 6/7</b>	<b>LP 8/9</b>	<b>LPLP 2007</b>	
Cash flows from operating activities	-	5,135	-	24	5,159
Cash flows used in financing activities	-	(5,009)	-	-	(5,009)
<b>Net increase in cash and cash equivalents</b>	<b>-</b>	<b>126</b>	<b>-</b>	<b>24</b>	<b>150</b>

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**15. CONSOLIDATED ENTITIES (continued)**

	<b>Nine months ended September 30, 2012</b>				<b>Total</b>
	<b>LP 4/5</b>	<b>LP 6/7</b>	<b>LP 8/9</b>	<b>LPLP 2007</b>	
Cash flows from operating activities	-	4,393	-	34	4,427
Cash flows used in financing activities	-	(4,676)	-	-	(4,676)
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>-</b>	<b>(283)</b>	<b>-</b>	<b>34</b>	<b>(249)</b>

Refer to note 15 in the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2013 and 2012 for summarized balance sheets of the consolidated entities at January 1, 2012 and December 31, 2012.

**16. CHANGE IN ACCOUNTING POLICY – RECONCILIATIONS**

Refer to note 3 in the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2013 and 2012 for adjustments made to the Corporation's balance sheets at January 1 and December 31, 2012 and its consolidated statement of comprehensive (loss) income for the year ended December 31, 2012.

The following tables summarize the adjustments made to the Corporation's condensed consolidated interim statements of comprehensive income and cash flows for the three months and nine months ended September 30, 2012.



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**16. CHANGE IN ACCOUNTING POLICY – RECONCILIATIONS (continued)**

**Condensed Consolidated Interim Statement of Comprehensive Income**

(Unaudited)

(In thousands of Canadian dollars except per share amount)

	<b>Three months ended September 30, 2012</b>		
	<b>Previously reported</b>	<b>Adjustments</b>	<b>As restated</b>
		(a), (c)	
<b>Revenues</b>			
Residential lot sales	12,192	(6,827)	5,365
Development land sales	10,550	-	10,550
Residential home sales	7,366	-	7,366
Other revenue	114	-	114
	<u>30,222</u>	<u>(6,827)</u>	<u>23,395</u>
<b>Cost of sales</b>			
Residential lots <sup>(1)</sup>	5,727	(3,248)	2,479
Development lands <sup>(1)</sup>	6,128	1,751	7,879
Residential homes <sup>(1)</sup>	5,853	66	5,919
Impairment of real estate held for development and sale <sup>(1)</sup>	-	(1,468)	(1,468)
	<u>17,708</u>	<u>(2,899)</u>	<u>14,809</u>
<b>Gross margin</b>	12,514	(3,928)	8,586
Equity (income) from joint venture	-	(3,144)	(3,144)
General and administrative <sup>(1)</sup>	4,302	(1,858)	2,444
Selling and marketing <sup>(1)</sup>	55	984	1,039
Other expenses	-	55	55
	<u>4,357</u>	<u>(819)</u>	<u>3,538</u>
<b>Operating earnings from continuing operations</b>	8,157	35	8,192
Finance income	(199)	35	(164)
Finance expense	568	-	568
	<u>7,788</u>	<u>-</u>	<u>7,788</u>
<b>Earnings before income taxes</b>	7,788	-	7,788
Income taxes	1,726	-	1,726
	<u>6,062</u>	<u>-</u>	<u>6,062</u>
<b>Net earnings being comprehensive income</b>	6,062	-	6,062
Attributable to non-controlling interest	1,106	-	1,106
	<u>4,956</u>	<u>-</u>	<u>4,956</u>
<b>Attributable to equity shareholders</b>	4,956	-	4,956
<b>Net earnings per share - basic and diluted</b>	0.11	-	0.11

<sup>(1)</sup> Certain comparative figures have been reclassified to conform to the current year's presentation.

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

**16. CHANGE IN ACCOUNTING POLICY – RECONCILIATIONS (continued)**

**Condensed Consolidated Interim Statement of Comprehensive Income**

(Unaudited)

(In thousands of Canadian dollars except per share amount)

	<b>Nine months ended September 30, 2012</b>		
	<b>Previously reported</b>	<b>Adjustments</b>	<b>As restated</b>
		(a), (c)	
<b>Revenues</b>			
Residential lot sales	43,463	(8,193)	35,270
Development land sales	14,150	(3,600)	10,550
Residential home sales	25,547	-	25,547
Other revenue	716	-	716
	<u>83,876</u>	<u>(11,793)</u>	<u>72,083</u>
<b>Cost of sales</b>			
Residential lots <sup>(1)</sup>	20,137	(3,831)	16,306
Development lands <sup>(1)</sup>	8,889	(621)	8,268
Residential homes <sup>(1)</sup>	20,014	122	20,136
Impairment of real estate held for development and sale <sup>(1)</sup>	-	(1,069)	(1,069)
	<u>49,040</u>	<u>(5,399)</u>	<u>43,641</u>
<b>Gross margin</b>	34,836	(6,394)	28,442
Equity (income) from joint venture	-	(4,782)	(4,782)
General and administrative <sup>(1)</sup>	11,154	(4,019)	7,135
Selling and marketing <sup>(1)</sup>	856	1,464	2,320
Other expenses	-	856	856
	<u>12,010</u>	<u>(1,699)</u>	<u>10,311</u>
<b>Operating earnings from continuing operations</b>	22,826	87	22,913
Finance income	(624)	70	(554)
Finance expense	1,582	17	1,599
	<u>21,868</u>	<u>-</u>	<u>21,868</u>
<b>Earnings before income taxes</b>	21,868	-	21,868
Income taxes	5,501	-	5,501
	<u>16,367</u>	<u>-</u>	<u>16,367</u>
<b>Net earnings being comprehensive income</b>	16,367	-	16,367
Attributable to non-controlling interest	380	-	380
<b>Attributable to equity shareholders</b>	15,987	-	15,987
<b>Net earnings per share - basic and diluted</b>	0.36	-	0.36

<sup>(1)</sup> Certain comparative figures have been reclassified to conform to the current year's presentation.

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**16. CHANGE IN ACCOUNTING POLICY – RECONCILIATIONS (continued)**

**Condensed Consolidated Interim Statements of Cash Flows**

(Unaudited)

(In thousands of Canadian dollars except per share amount)

	<b>Three months ended September 30, 2012</b>		
	<b>As previously reported</b>	<b>Adjustments</b>	<b>As restated</b>
<b>Operating activities</b>		(a), (d)	
Cash receipts from residential lot and development land	26,477	(8,672)	17,805
Cash receipts from residential home sales	8,054	235	8,289
Other cash receipts	4,662	(252)	4,410
Cash paid to suppliers for land development	(9,777)	492	(9,285)
Cash paid to suppliers for residential home construction	(14,477)	2,507	(11,970)
Cash paid to other suppliers and employees	(3,434)	472	(2,962)
Interest received	199	(35)	164
Income taxes paid	(5,486)	-	(5,486)
	<u>6,218</u>	<u>(5,253)</u>	<u>965</u>
<b>Investing activities</b>			
Acquisition of property and equipment	(487)	-	(487)
Change in restricted cash	(5,399)	-	(5,399)
	<u>(5,886)</u>	<u>-</u>	<u>(5,886)</u>
<b>Financing activities</b>			
Advances from loans and credit facilities	23,666	(1,184)	22,482
Repayments of loans and credit facilities	(23,580)	6,457	(17,123)
Interest and loans and credit facilities fees paid	(1,729)	(20)	(1,749)
Distributions to unit holders of limited partnerships	(3,744)	-	(3,744)
Issue of share capital	84	-	84
	<u>(5,303)</u>	<u>5,253</u>	<u>(50)</u>
<b>Change in cash and cash equivalents</b>	(4,971)	-	(4,971)
Cash and cash equivalents, beginning of period	7,522	-	7,522
<b>Cash and cash equivalents, end of period</b>	<u>2,551</u>	<u>-</u>	<u>2,551</u>

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**16. CHANGE IN ACCOUNTING POLICY – RECONCILIATIONS (continued)**

**Condensed Consolidated Interim Statements of Cash Flows**

(Unaudited)

(In thousands of Canadian dollars except per share amount)

	<b>Nine months ended September 30, 2012</b>		
	<b>As previously reported</b>	<b>Adjustments</b>	<b>As restated</b>
<b>Operating activities</b>		(a), (d)	
Cash receipts from residential lot and development land	51,664	(11,687)	39,977
Cash receipts from residential home sales	26,368	235	26,603
Other cash receipts	6,534	61	6,595
Cash paid to suppliers for land development	(23,710)	6,160	(17,550)
Cash paid to suppliers for residential home construction	(23,955)	3,127	(20,828)
Cash paid to other suppliers and employees	(11,531)	131	(11,400)
Interest received	624	(70)	554
Income taxes paid	(9,500)	-	(9,500)
	<u>16,494</u>	<u>(2,043)</u>	<u>14,451</u>
<b>Investing activities</b>			
Acquisition of property and equipment	(588)	-	(588)
Change in restricted cash	(5,778)	(6)	(5,784)
	<u>(6,366)</u>	<u>(6)</u>	<u>(6,372)</u>
<b>Financing activities</b>			
Advances from loans and credit facilities	39,621	(5,432)	34,189
Repayments of loans and credit facilities	(50,213)	7,484	(42,729)
Interest and loans and credit facilities fees paid	(3,847)	(3)	(3,850)
Distributions to unit holders of limited partnerships	(4,444)	-	(4,444)
Issue of share capital	456	-	456
	<u>(18,427)</u>	<u>2,049</u>	<u>(16,378)</u>
<b>Change in cash and cash equivalents</b>	(8,299)	-	(8,299)
Cash and cash equivalents, beginning of period	10,850	-	10,850
<b>Cash and cash equivalents, end of period</b>	<u>2,551</u>	<u>-</u>	<u>2,551</u>

(a) This change in accounting policy reduced total assets, total liabilities, revenues and expenses but had no impact on the Corporation's net assets, net earnings, cash flows or earnings per share.

(b) Equity accounting presents the net assets of the joint venture in a single line "Investment in Joint Venture". The change from proportionate consolidation therefore results in the reduction of various asset and liability line items. There has been no change in the Corporation's shareholders equity as a result of adoption of IFRS 11. Note 11 shows the reconciliation of the investment in joint venture from the proportionate method to the Equity method.

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**16. CHANGE IN ACCOUNTING POLICY – RECONCILIATIONS (continued)**

- (c) The changes made to the consolidated statements of comprehensive income has resulted in the removal of various line items that were consolidated under the proportionate method and by bringing in the Corporation's share of the net income of the joint venture into a single line, "Equity income from joint venture". There has been no change in the net earnings or comprehensive income of the Corporation as a result of adoption of IFRS 11. Note 11 shows the reconciliation of equity income from the joint venture from the proportionate method to the equity method.
- (d) The changes made to the consolidated balance sheets and statements of comprehensive income due to the adoption of IFRS 11 has resulted in reclassification of various amounts on the consolidated statements of cash flows but has no impact on actual cash flows of the Corporation.