



Consolidated Interim Financial Statements
For the three and six months ended June 30, 2011 and 2010
(Unaudited)

Genesis Land Development Corp.

Consolidated Interim Financial Statements June 30, 2011 and 2010

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

	Note	June 30, 2011	December 31, 2010⁽¹⁾	January 1, 2010⁽¹⁾
		(Unaudited)	(Unaudited)	
Assets				
Real estate held for development and sale	4	294,112	304,634	302,598
Property and equipment	6	486	544	568
Amounts receivable	7	41,749	27,021	15,384
Other operating assets	8	14,883	15,812	17,000
Deferred income taxes	9	1,567	-	2,213
Cash and cash equivalents		10,454	2,455	4,578
Total assets		363,251	350,466	342,341
Liabilities				
Financings	13	85,437	81,320	115,210
Customer deposits		8,482	8,388	4,985
Accounts payable and accrued liabilities		8,448	13,025	8,351
Income taxes payable		13,247	6,988	11,139
Deferred income taxes	9	-	3,387	-
Land development service costs		13,616	10,347	8,300
Total liabilities		129,230	123,455	147,985
Commitments and contingencies	16			
Equity				
Share capital	14	55,092	54,798	54,097
Contributed surplus		4,812	4,575	3,973
Retained earnings		115,843	108,716	75,202
Shareholders' equity		175,747	168,089	133,272
Non-controlling interest	5	58,274	58,922	61,084
Total equity		234,021	227,011	194,356
Total liabilities and equity		363,251	350,466	342,341

Subsequent events (note 18)

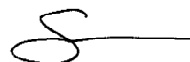
Related party transactions (note 21)

See accompanying notes to the consolidated interim financial statements

⁽¹⁾ Refer to Note 3 for the effects of adoption of IFRS.



Gobi Singh
President and Chief Executive Officer



Simon Fletcher
Chief Financial Officer

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

		Three months ended June 30,		Six months ended June 30,	
	Note	2011	2010 ⁽¹⁾	2011	2010 ⁽¹⁾
Revenues					
Residential lot sales		5,929	5,883	21,020	9,088
Development land sales		4,514	39,062	12,158	39,712
Residential home sales		9,925	21,097	14,933	34,839
Other revenue		128	110	257	518
		<u>20,496</u>	<u>66,152</u>	<u>48,368</u>	<u>84,157</u>
Cost of sales					
Residential lots		2,528	2,511	12,999	4,082
Development lands		2,977	13,360	7,607	13,800
Residential homes		7,254	15,213	11,223	26,459
		<u>12,759</u>	<u>31,084</u>	<u>31,829</u>	<u>44,341</u>
Gross margin		<u>7,737</u>	<u>35,068</u>	<u>16,539</u>	<u>39,816</u>
General and administrative	10	3,660	3,499	6,256	6,061
Other expense	11	208	429	419	293
		<u>3,868</u>	<u>3,928</u>	<u>6,675</u>	<u>6,354</u>
Operating earnings from continuing		<u>3,869</u>	<u>31,140</u>	<u>9,864</u>	<u>33,462</u>
Finance income		(142)	(288)	(296)	(341)
Finance expense	12	1,575	2,402	2,848	5,113
Gain on de-recognition of SPE		-	-	-	(613)
Gain on contribution of land to joint venture	19	(2,201)	-	(2,201)	-
Loss on disposal of property and equipment		-	13	-	7
		<u>4,637</u>	<u>29,013</u>	<u>9,513</u>	<u>29,296</u>
Earnings before income taxes		<u>4,637</u>	<u>29,013</u>	<u>9,513</u>	<u>29,296</u>
Income taxes	9	1,438	7,958	2,748	8,184
		<u>3,199</u>	<u>21,055</u>	<u>6,765</u>	<u>21,112</u>
Earnings being Comprehensive Income for the period		<u>3,199</u>	<u>21,055</u>	<u>6,765</u>	<u>21,112</u>
Attributable to:					
Equity holders of the parent		3,604	21,606	7,127	22,143
Non-controlling interest	5	(405)	(551)	(362)	(1,031)
		<u>3,199</u>	<u>21,055</u>	<u>6,765</u>	<u>21,112</u>
Earnings being Comprehensive Income for the period		<u>3,199</u>	<u>21,055</u>	<u>6,765</u>	<u>21,112</u>
Net earnings per share attributable to common shareholders – basic and diluted	14	<u>0.08</u>	<u>0.49</u>	<u>0.16</u>	<u>0.50</u>

See accompanying notes to the consolidated interim financial statements

⁽¹⁾ Refer to Note 3 for the effects of adoption of IFRS.

Genesis Land Development Corp.
Consolidated Statements of Changes in Equity
For the six months ended June 30, 2011 and 2010
(In thousands of Canadian dollars)

	Common shares - Issued						
	Number of shares	Amount	Contributed surplus	Retained Earnings	Total shareholders' equity	Non- controlling Interest	Total Equity
At January 1, 2010⁽¹⁾	44,111,757	54,097	3,973	75,202	133,272	61,084	194,356
Share-based payment transactions	-	-	202	-	202	-	202
Proceeds from shares issued on exercise of options	195,002	312	-	-	312	-	312
Transferred from contributed surplus on exercise of options	-	126	(126)	-	-	-	-
De-recognition of SPE	-	-	-	-	-	(2,120)	(2,120)
Cash paid out	-	-	-	-	-	(2,886)	(2,886)
Earnings being comprehensive income for the period	-	-	-	22,143	22,143	(1,031)	21,112
At June 30, 2010⁽¹⁾	44,306,759	54,535	4,049	97,345	155,929	55,047	210,976
Share-based payment transactions	-	-	612	-	612	-	612
Proceeds from shares issued on exercise of options	72,689	177	-	-	177	-	177
Transferred from contributed surplus on exercise of options	-	86	(86)	-	-	-	-
Cash paid out	-	-	-	-	-	-	-
Earnings being comprehensive income for the period	-	-	-	11,371	11,371	3,875	15,246
At December 31, 2010⁽¹⁾	44,379,448	54,798	4,575	108,716	168,089	58,922	227,011
Share-based payment transactions	-	-	310	-	310	-	310
Proceeds from shares issued on exercise of options	94,551	221	-	-	221	-	221
Transferred from contributed surplus on exercise of options	-	73	(73)	-	-	-	-
Cash paid out	-	-	-	-	-	(286)	(286)
Earnings being comprehensive income for the period	-	-	-	7,127	7,127	(362)	6,765
At June 30, 2011	44,473,999	55,092	4,812	115,843	175,747	58,274	234,021

See accompanying notes to the consolidated interim financial statements

⁽¹⁾ Refer to Note 3 for the effects of adoption of IFRS.

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

		Three months ended June 30,		Six months ended June 30,	
	Note	2011	2010 ⁽¹⁾	2011	2010 ⁽¹⁾
Operating activities					
Cash receipts from residential lot and development land sales		10,852	24,172	20,367	32,330
Cash receipts from residential home sales		9,878	20,854	14,901	34,678
Other cash receipts		239	452	450	966
Cash paid to suppliers for land development		(6,824)	(2,078)	(12,838)	(2,269)
Cash paid to suppliers for residential home construction		(4,456)	(10,488)	(7,859)	(16,801)
Cash paid to other suppliers and employees		(3,793)	(3,580)	(6,478)	(7,398)
Cash generated from operations		5,896	29,332	8,543	41,506
Interest received		182	288	296	341
Income taxes paid		(1,443)	(2,448)	(1,443)	(4,984)
		4,635	27,172	7,396	36,863
Investing activities					
Acquisition of property and equipment	6	-	(153)	(20)	(175)
Increase (decrease) in restricted cash		(126)	298	380	(1,091)
Proceeds on disposal of property and equipment		-	21	-	45
		(126)	166	360	(1,221)
Financing activities					
Advances from financings	13	18,363	35,199	32,321	52,438
Repayments of financings		(18,777)	(58,944)	(28,353)	(81,953)
Interest and financing fees paid		(1,742)	(1,859)	(3,660)	(3,625)
Decrease in non-controlling interest		-	-	-	(1,507)
Non-controlling interest capital repayments		(286)	(2,886)	(286)	(2,886)
Issue of share capital		23	290	221	312
		(2,419)	(28,200)	243	(37,221)
Net change in cash and cash equivalents		2,090	(862)	7,999	(1,579)
Cash and cash equivalents, beginning of period		8,364	3,861	2,455	4,578
Cash and cash equivalents, end of period		10,454	2,999	10,454	2,999

See accompanying notes to the consolidated interim financial statements

⁽¹⁾ Refer to Note 3 for the effects of adoption of IFRS.

Genesis Land Development Corp.
Notes to the Consolidated Interim Financial Statements
For the three and six months ended June 30, 2011 and 2010

(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 consolidated interim financial statements of the Corporation for the period ended June 30, 2011 were authorized for issue in accordance with a resolution of the directors on August 3, 2011.

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 200, 3115 - 12th Street N.E., Calgary, Alberta T2E 7J2.

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 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 consolidated interim financial statements are unaudited and have been prepared in accordance with IAS 34 "Interim Financial Reporting". The Corporation adopted IFRS in accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standards" ("IFRS 1") as discussed in note 3. Consequently, the comparative figures for 2010 and the Corporation's statement of financial position as at January 1, 2010 have been restated from accounting principles generally accepted in Canada ("Canadian GAAP") to comply with IFRS.

(b) Basis of presentation

The consolidated interim financial statements have been prepared under historical cost convention except for the financial assets classified at fair value through profit or loss that have been measured at fair value. The consolidated interim financial statements are presented in Canadian dollars, and all values are rounded to the nearest thousand, except per share values and where otherwise indicated.

The preparation of consolidated interim financial statements requires management to make judgments, estimates and assumptions 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 revenue, 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.

Genesis Land Development Corp.

Notes to the Consolidated Interim Financial Statements

For the three and six months ended June 30, 2011 and 2010

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The most significant estimates relate to net realizable value of real estate held for development and sale, costs to complete, valuation of deferred income tax amounts, impairment testing and the calculation of share-based payments. The most significant judgments relate to recognition of deferred tax assets and liabilities.

(c) Basis of consolidation

The consolidated interim financial statements include the accounts of the Corporation, its wholly-owned subsidiaries, as well as the consolidated revenues, expenses, assets, liabilities and cash flows of limited partnership entities which the Corporation controls. Subsidiaries are fully consolidated from the date of acquisition, being the date on which 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 in the statement of comprehensive income and within equity in the consolidated balance sheet, separately from shareholders' equity. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

Where audited financial accounts are not coterminous with those of the Corporation's consolidated presentation, the financial information has been derived from the last audited accounts available and unaudited management accounts for the period up to the Corporation's balance sheet date.

(d) Interests in joint venture

The Corporation has an interest in a joint venture, which is a jointly controlled entity, by virtue of a contractual arrangement with another party. The Corporation recognizes its interest in the joint venture using the proportionate consolidation method. The Corporation combines its proportionate share of each of the assets, liabilities, income and expenses of the joint venture with similar items, line by line, in the consolidated interim financial statements. The financial statements of the joint venture are prepared for the same reporting period as the Corporation. All intra-group transactions, balances, and unrealized gains and losses resulting from transactions between the Corporation and the joint venture 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.

(e) Revenue recognition

(i) Residential lot and development land sales

Land and lot sales to third parties are recognized when risks and rewards of ownership have been transferred, the Corporation has substantially performed the agreed-to services pertaining to the property, the Corporation has received a minimum 15% non-refundable deposit 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.

Genesis Land Development Corp.

Notes to the Consolidated Interim Financial Statements

For the three and six months ended June 30, 2011 and 2010

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Residential home sales

Revenue is recognized when an agreement is signed and the completed unit 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 units 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.

(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 paid.

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

NRV is the estimated selling price in the ordinary course of the business based on market prices at the balance sheet date less costs to complete and estimated costs of sale.

(g) Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. 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 capitalization rate for the Corporation's non-project specific borrowings, less any investment income arising on temporary investing of funds, to eligible expenditures. 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.

Genesis Land Development Corp.

Notes to the Consolidated Interim Financial Statements

For the three and six months ended June 30, 2011 and 2010

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Depreciation is provided on all operating property and equipment to write-off the cost less estimated residual value based on declining balance method, with the following rates:

• Vehicles and other equipment	30%
• Office equipment and furniture	20% - 30%
• Computer equipment	30%
• Leasehold improvements	20% - 30%

An item of property and equipment is derecognized upon disposal, when held for sale or when no future economic benefits 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 statement of comprehensive income.

All minor repair and maintenance costs are recognized in the statement of comprehensive income 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

(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 by the balance sheet date.

(ii) Deferred income tax

Deferred income tax is provided using the liability method on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income 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 income 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 income tax relating to items that are directly recognized in equity is recognized in equity and not in the statement of comprehensive income.

(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.

Genesis Land Development Corp.

Notes to the Consolidated Interim Financial Statements

For the three and six months ended June 30, 2011 and 2010

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Restricted cash

Restricted cash represents funds owed to the Corporation, at a future indeterminable date, when development of specific lands commences.

(l) Provisions

A provision is a liability of uncertain timing or amount. Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost in the statement of comprehensive income.

(m) Leases

Operating lease payments are recognized as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term.

(n) Share-based payments

The Corporation provides equity-settled share-based payments in the form of a share option plan to its employees, officers, directors and contractors. The Corporation calculates the cost of the stock-based payments by reference to the fair value of the options at the date on which they are granted. The fair values are determined using the Black-Scholes Option-Pricing Model. 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 contributed surplus at the date the options vested, is credited to the share capital.

There is no expense recognized for options that do not ultimately vest. The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings per share.

(o) Financial Assets

All financial assets are initially recognized on the 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. Loans and receivables are recognized on the date of origination. 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 included in the initial carrying amount.

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 balance sheet at fair value with changes in fair value recognized in the statement of comprehensive income. The financial assets classified as FVTPL are cash and cash equivalents; and deposits and restricted cash.

Genesis Land Development Corp.

Notes to the Consolidated Interim Financial Statements

For the three and six months ended June 30, 2011 and 2010

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments classified as loans and receivables and held-to-maturity 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 statement of comprehensive income. Financial assets classified as loans and receivables are amounts receivables.

Financial assets are derecognized 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.

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 which 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.

(p) Financial liabilities

All financial liabilities are initially recognized on the balance sheet at fair value less directly attributable transaction cost 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.

The financial liabilities classified as other financial liabilities are accounts payable and accrued liabilities, customer deposits and financings.

Financial liabilities are derecognized when the contractual obligations are discharged, cancelled or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only 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.

Genesis Land Development Corp.

Notes to the Consolidated Interim Financial Statements

For the three and six months ended June 30, 2011 and 2010

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Impairment of non-financial assets

The Corporation assesses at each balance sheet date whether there is an indication that an asset may be impaired, if any indication exists, or when annual impairment testing for the asset is required, the Corporation estimates the asset's recoverable amount. Where it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available; if no such transactions are available, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

(r) Earnings per share

The 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 amounts are 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 year.

(s) Land development service costs

The land development service costs liability represents the construction costs to be incurred for each project phase currently under development to the extent that revenue has been recognized. The liability includes all direct construction costs and indirect costs including interest and property taxes expected to be incurred during the remainder of the construction period. The land development service 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 estimated land development service costs and a corresponding adjustment is made to land under development and/or cost of sales.

(t) Significant judgments, accounting estimates and assumptions

The following are the significant judgments, accounting estimates and assumptions made by the Corporation in applying accounting policies:

(i) Net realizable value

NRV for lands and housing projects is estimated with reference to market prices and conditions existing at the balance sheet date and is determined by the Corporation having taken suitable external advice and in the light of recent market transactions of similar and adjacent lands and housing projects in the same geographic area.

Genesis Land Development Corp.

Notes to the Consolidated Interim Financial Statements

For the three and six months ended June 30, 2011 and 2010

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) 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. The uncertainties exist with respect to 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 tax income and expense already recorded.

(iii) Costs to Complete

Changes in the estimated future development cost 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 budgeted numbers prepared by independent consultants and management.

(u) Change in accounting policy

The Corporation amended its accounting policy choice for presenting the statement of cash flows. IAS 7 "Statement of Cash Flows" provides an option to use either the direct or indirect method to present cash flows from operating activities. The Corporation has elected to change the presentation to the direct method. Prior to the change, cash flows from operating activities were presented using the indirect method. The change has been applied to the consolidated interim financial statements for the three and six months ended June 30, 2011 and comparative figures for 2010 have been restated to reflect the change. This amendment improves disclosures of cash flows by major classes and does not have a material impact on the consolidated interim financial statements.

(v) Changes to future accounting policies

(i) IFRS 7: Financial Instruments: Disclosures – Transfer of financial assets (Amendment)

In October 2009, IASB made amendments to IFRS 7, "Financial Instruments: Disclosures" ("IFRS 7"). The amendment is effective for annual periods beginning on or after July 1, 2011. This amendment will result in an increase in disclosure with regards to the transfer of financial assets, especially if there is a disproportionate amount of transfer transactions that take place around the end of a reporting period. This amendment will have no impact on the Corporation after initial application.

(ii) IFRS 9: Financial Instruments: Classification and Measurement

On November 12, 2009, the IASB issued IFRS 9, "Financial Instruments" ("IFRS 9"), which will replace IAS 39. The standard is effective for annual periods beginning on or after January 1, 2013. 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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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) IFRS 10: Consolidated Financial Statements

IFRS 10, "Consolidated Financial Statements", issued by IASB on May 12, 2011, will replace Standing Interpretations Committee 12, "Consolidation – Special Purpose Entities" and the consolidation requirements of IAS 27, "Consolidated and Separate Financial Statements". The standard is effective for annual periods beginning on or after January 1, 2013. The new standard eliminates the current risk and rewards approach and establishes control as the single basis for determining the consolidation of an entity. The Corporation is currently evaluating the impact of IFRS 10 on its financial statements.

(iv) IFRS 11: Joint Arrangements

IFRS 11, "Joint Arrangements", issued on May 12, 2011, will replace IAS 31, "Interest in Joint Ventures". The standard is effective for annual periods beginning on or after January 1, 2013. The new standard redefines joint operations and joint ventures and requires joint operations to be proportionately consolidated and joint ventures to be equity accounted. Under IAS 31, joint ventures could be proportionately accounted. The Corporation is currently evaluating the impact of IFRS 11 on its financial statements.

(v) IFRS 12: Disclosure of Interests in Other Entities

IFRS 12, "Disclosure of Interests in Other Entities", issued by IASB on May 12, 2011, outlines the required disclosures for interests in subsidiaries and joint arrangements. The standard is effective for annual periods beginning on or after January 1, 2013. The new disclosures require information that will assist financial statement users to evaluate the nature, risks and financial effects associated with an entity's interests in subsidiaries and joint arrangements. The Corporation is currently evaluating the impact of IFRS 12 on its financial statements.

(vi) IFRS 13, "Fair Value Measurement",

IFRS 13, "Fair Value Measurement", issued by IASB on May 12, 2011. The standard is effective for annual periods beginning on or after January 1, 2013. The new standard provides a common definition of fair value, establishes a framework for measuring fair value under IFRS and enhances the disclosures required for fair value measurements. The standard applies where fair value measurements are required and does not require new fair value measurements. The Corporation is currently evaluating the impact of IFRS 13 on its financial statements.

(vii) IAS 12: Income Taxes

In December 2010, the IASB made amendments to IAS 12, "Income Taxes" ("IAS 12"), that are applicable to the measurement of deferred tax liabilities and deferred tax assets where investment property is measured using the fair value model in IAS 40, "Investment Property". The amendments introduce a rebuttable presumption that, for the purposes of determining deferred tax consequences associated with temporary differences relating to investment properties, the carrying amount of an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

The amendments to IAS 12 are effective for annual periods beginning on or after January 1, 2012. The Corporation is currently evaluating the impact of the amendments to IAS 12 on its financial statements.

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3. FIRST TIME ADOPTION OF IFRS

The Corporation adopted IFRS effective January 1, 2010 ("transition date"). An opening balance sheet has been prepared effective the transition date. The Corporation followed Canadian Generally Accepted Accounting Principles ("Canadian GAAP") prior to adoption of IFRS.

(a) Exemptions elected

IFRS 1 allows certain optional exemptions from full retrospective application of IFRS. The Corporation applied the following exemptions in the preparation of these consolidated interim financial statements:

(i) Share-based payments

This exemption provides the Corporation with the option of not applying IFRS 2 Share-based Payments ("IFRS 2") to equity-settled share-based payment transactions issued after November 7, 2002 and which have vested before the date of transition. The Corporation has elected to apply the exemption and accordingly IFRS 2 was applied to all equity-settled instruments granted after November 7, 2002 and which have not vested by the transition date.

(ii) Capitalization of borrowing costs

This exemption provides the Corporation with the option of applying IAS 23 Borrowing Costs ("IAS 23") prospectively from the transition date. The Corporation has elected to apply IAS 23 prospectively.

(b) Mandatory exemptions

IFRS 1 requires certain mandatory exemptions from full retrospective application of IFRS. In accordance with IFRS 1, the Corporation has not used hindsight to create or revise estimates.

The following is a reconciliation of the Corporation's total equity as reported under Canadian GAAP to IFRS at the transition date:

	Note	Share capital	Contributed Surplus	Retained Earnings	Total share-holders' equity	Non-controlling Interest	Total Equity
At December 31, 2009 under Canadian GAAP		54,097	4,120	75,055	133,272	-	133,272
Reclassification of non-controlling interest to equity	(i)	-	-	-	-	61,084	61,084
Share-based payments	(ii)	-	(147)	147	-	-	-
At January 1, 2010 under IFRS		54,097	3,973	75,202	133,272	61,084	194,356

Genesis Land Development Corp.
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3. FIRST TIME ADOPTION OF IFRS (continued)

The following is a reconciliation of the Corporation's total equity as reported under Canadian GAAP to IFRS at June 30, 2010:

	Note	Share capital	Contributed Surplus	Retained Earnings	Total share-holders' equity	Non-controlling Interest	Total Equity
At June 30, 2010 under Canadian GAAP		54,535	4,284	99,841	158,660	-	158,660
Reclassification of non-controlling interest to equity	(i)	-	-	-	-	55,892	55,892
Share-based payments	(ii)	-	(235)	235	-	-	-
Borrowing costs	(iii)			(2,731)	(2,731)	(845)	(3,576)
At June 30, 2010 under IFRS		54,535	4,049	97,345	155,929	55,047	210,976

The following is a reconciliation of the Corporation's total equity as reported under Canadian GAAP to IFRS at December 31, 2010:

	Note	Share capital	Contributed Surplus	Retained Earnings	Total share-holders' equity	Non-controlling Interest	Total Equity
At December 31, 2010 under Canadian GAAP		54,798	4,913	111,459	171,170	-	171,170
Reclassification of non-controlling interest to equity	(i)	-	-	-	-	58,920	58,920
Share-based payments	(ii)	-	(338)	338	-	-	-
Borrowing costs	(iii)			(3,722)	(3,722)	(1,512)	(5,234)
Inventory	(iv)			641	641	1,514	2,155
At December 31, 2010 under IFRS		54,798	4,575	108,716	168,089	58,922	227,011

Genesis Land Development Corp.
Notes to the Consolidated Interim Financial Statements
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3. FIRST TIME ADOPTION OF IFRS (continued)

The following is a reconciliation of the Corporation's income being comprehensive income as reported under Canadian GAAP to IFRS for the three and six months ended June 30, 2010 and the year ended December 31, 2010:

	Note	Three months ended June 30, 2010	Six months ended June 30, 2010	Year ended December 31, 2010
GAAP		22,802	24,786	36,404
Share based payments	(ii)	40	88	191
Borrowing costs	(iii)	(1,236)	(2,731)	(3,722)
Inventory	(iv)	-	-	641
Income being comprehensive income under IFRS		21,606	22,143	33,514

(i) Reclassification of non-controlling interest to equity

Non-controlling interest has been classified as a component of equity in accordance with IAS 1, "Presentation of Financial Statements" ("IAS 1").

(ii) Share-based payment

The Corporation applied IFRS 2, "Share-based Payment" ("IFRS 2") retrospectively which resulted in using forfeiture estimates in the calculation of periodic compensation expense. Under Canadian GAAP the Corporation accounted for forfeitures as they occurred.

(iii) Borrowing costs

Borrowing costs not eligible for capitalization in accordance with IAS 23, "Borrowing Costs" ("IAS 23") have been expensed. Non-controlling interest was impacted to the extent the borrowing costs related to interests of limited partnership unitholders.

(iv) Inventory

The carrying value of inventory was reduced below net realizable value due to the application of IAS 23, which resulted in a reversal of write-down to present the inventory at net realizable value in accordance with IAS 2, "Inventories" ("IAS 2").

The first time adoption of IFRS has not impacted the actual cash flows of the Corporation. The changes made to the balance sheet and statement of comprehensive income have resulted in the reclassification of various amounts on the statement of cash flows.

Genesis Land Development Corp.**Notes to the Consolidated Interim Financial Statements****For the three and six months ended June 30, 2011 and 2010**

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4. REAL ESTATE HELD FOR DEVELOPMENT AND SALE

	Gross	Provision for write-down	Net
Land held for future development	148,275	(6,239)	142,036
Land under development	143,874	(2,117)	141,757
Housing projects under construction	12,335	(2,016)	10,319
Balance - June 30, 2011	304,484	(10,372)	294,112
Land held for future development	145,725	(6,239)	139,486
Land under development	158,266	(2,117)	156,149
Housing projects under construction	11,015	(2,016)	8,999
Balance - December 31, 2010	315,006	(10,372)	304,634
Land held for future development	168,676	(12,119)	156,557
Land under development	129,066	(762)	128,304
Housing projects under construction	19,413	(1,676)	17,737
Balance - January 1, 2010	317,155	(14,557)	302,598

During the three and six months ended June 30, 2011, interest of \$617 and \$1,376 (2010 - \$734 and \$1,403) and other carrying costs of \$390 and \$452 (2010 - \$212 and \$234), respectively, were capitalized.

As at June 30, 2011, land held for future development of \$67,794 (December 31, 2010 - \$67,859; January 1, 2010 - \$62,799) and land under development of \$10,584 (December 31, 2010 - \$15,285; January 1, 2010 - \$15,796) are held in the limited partnerships controlled by Genesis (see note 5(a)).

During the three and six months ended June 30, 2011, the Corporation recognized recoveries of \$14 and write-offs of \$23 (2010 - write-offs of \$911 and \$994) directly against carrying value (relating to impairment of certain real estate held for development and sale) and in cost of sales.

5. NON-CONTROLLING INTEREST**(a) Limited Partnerships**

The Corporation is the general partner in four limited partnership arrangements. Genesis ultimately controls each of the limited partnerships thereby requiring their consolidation within the accounts of the Corporation and recognition of a non-controlling interest. Additionally, any profit or charges between the Corporation and the limited partnerships are eliminated on consolidation.

The limited partnership units are non-redeemable and share in the profits, if any, of the associated development held by the partnership. Limited partners cannot be cash-called for further funding with respect to the development.

Genesis Land Development Corp.

Notes to the Consolidated Interim Financial Statements

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5. NON-CONTROLLING INTEREST (continued)

Details of each of the limited partnerships are as follows:

Limited partnerships 4/5 (LP 4/5):

LP 4/5 holds land held for future development located east of Calgary in the Municipal District of Rocky View, adjacent to the Corporation's Taralake lands. No capital repayments are required with respect to LP 4/5.

Genesis is entitled to a management fee of 10% of the future development service costs payable on a per-lot basis as lots are sold.

Limited partnerships 6/7 (LP 6/7):

LP 6/7 holds land under development located in Taralake and Airdrie. All required capital repayments have been made to unit holders in LP 6/7.

Genesis is entitled to management fees of 5% to 10% of land costs to LP 6/7 payable to Genesis as lands and lots are sold. Genesis also owns 11.65% of LP 6/7's units and participates proportionately in the profits of the partnership.

Limited partnerships 8/9 (LP 8/9):

L/P 8/9 holds, among other things, 1,140 acres of raw land near Radium, British Columbia. Genesis held a purchase right to acquire all LP 8/9 units by February 28, 2009, which it did not exercise. Therefore, all LP unit holders are entitled to share in the profits of the development.

The project lands have approval for 272 single-family home sites on 53 acres and 143 acres have been set aside for a golf course. Upon achieving and exceeding 50% gross return to the LP 8/9 unit holders, Genesis is entitled to 50% of the remaining profits on the single-family lots. Genesis is also entitled to 100% of the profit on the golf course, and retains the right to purchase the balance of the lands at the conclusion of the project for a nominal amount. Additionally, Genesis is responsible for securing financing for the project development.

Limited partnerships 2007 (LPLP 2007):

On June 29, 2007, the Land Pool Limited Partnership 2007 was created to raise funds to secure funding for various land acquisitions. At the conclusion of the offering on February 28, 2009, LPLP 2007 had raised insufficient funds to close out the purchase of the lands and settle the land acquisition loan it used to acquire the Delacour Lands. As a result, Genesis has completed the transaction with its own funds and assumed the loan obligations of LPLP 2007.

Additionally, Genesis can earn management fees of up to 50% of the remaining profits of the project upon achieving and exceeding 50% gross return to the LPLP 2007 external unit holders.

Genesis Land Development Corp.**Notes to the Consolidated Interim Financial Statements****For the three and six months ended June 30, 2011 and 2010**

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

5. NON-CONTROLLING INTEREST (continued)

The real estate held within the limited partnerships is as follows:

	Gross	Provision for write-down	Net
Limited Partnership 4&5	7,709	-	7,709
Limited Partnership 6&7	11,346	(762)	10,584
Limited Partnership 8&9	6,717	-	6,717
Limited Partnership Land Pool 2007	57,145	(3,777)	53,368
Balance - June 30, 2011	82,917	(4,539)	78,378
Limited Partnership 4&5	7,766	-	7,766
Limited Partnership 6&7	16,047	(762)	15,285
Limited Partnership 8&9	6,733	-	6,733
Limited Partnership Land Pool 2007	57,137	(3,777)	53,360
Balance - December 31, 2010	87,683	(4,539)	83,144
Limited Partnership 4&5	7,765	-	7,765
Limited Partnership 6&7	16,558	(762)	15,796
Limited Partnership 8&9	6,722	-	6,722
Limited Partnership Land Pool 2007	57,007	(8,695)	48,312
Balance - January 1, 2010	88,052	(9,457)	78,595

(b) Special Purpose Entity ("SPE")

On September 29, 2008, the Corporation entered into an agreement to sell 107 single family lots under development in Airdrie to an entity for gross proceeds totalling \$23,000. The entity paid an initial deposit of \$4,500 which was financed through a loan in the amount of \$5,000.

On January 20, 2009, the Corporation and this entity amended the purchase agreement to include an additional multi-family site in Airdrie for \$6,650 for total proceeds to Genesis of \$29,650. No additional deposits were received, but \$1,000 of the original deposit of \$4,500 was redistributed to this additional parcel of land.

In February 2010, Genesis entered into an agreement whereby the sale of the 107 single family lots as stated above was effectively cancelled and the sale of the multi-family site was retained. As part of the amended transaction, Genesis also agreed to take over the remaining loan balance (\$4,000 at December 31, 2009) that was originally obtained to finance the initial deposit under the terms of the transaction. Repayment of the remaining loan balance was completed on March 26, 2010.

At December 31, 2009, the entity was assessed as a SPE to Genesis by virtue of subordinated financial support provided by the Corporation. In accordance with SIC 12, Consolidation – Special Purpose Entities, as a result of the transaction that closed on March 26, 2010 (see above), Genesis has removed the subordinated financial support from the entity and subsequently de-recognized the entity's financial accounts from its own consolidated accounts. As a result of this de-recognition, the Corporation has removed the assets and liabilities of the entity from the accompanying consolidated interim financial statements and any assets and liabilities of the entity that were eliminated in consolidation are restored at fair value.

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5. NON-CONTROLLING INTEREST (continued)

Prior to March 26, 2010, the entity incurred losses of \$945 and the Corporation has absorbed such losses by consolidating the accounts of the entity. The Corporation however was only liable for a portion of such losses in the amount of \$332 as per the agreed upon terms between the Corporation and the entity. This resulted in a net gain on de-recognition of \$613 recorded as a separate line item in the accompanying consolidated interim financial statements.

6. PROPERTY AND EQUIPMENT

	Vehicles and other equipment	Office equipment and furniture	Computer equipment	Leasehold improvements	Total
Cost					
As at January 1, 2010	589	462	797	129	1,977
Additions	46	25	134	-	205
Disposals	(143)	(15)	(20)	-	(178)
As at December 31, 2010	492	472	911	129	2,004
Additions	-	-	20	-	20
As at June 30, 2011	492	472	931	129	2,024
Accumulated depreciation					
As at January 1, 2010	427	261	635	86	1,409
Depreciation	47	51	63	12	173
Disposals	(114)	(7)	(1)	-	(122)
As at December 31, 2010	360	305	697	98	1,460
Depreciation	20	20	34	4	78
As at June 30, 2011	380	325	731	102	1,538
Net book value					
January 1, 2010	162	201	162	43	568
December 31, 2010	132	167	214	31	544
June 30, 2011	112	147	200	27	486

Genesis Land Development Corp.**Notes to the Consolidated Interim Financial Statements****For the three and six months ended June 30, 2011 and 2010**

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7. AMOUNTS RECEIVABLE

	June 30, 2011	December 31, 2010	January 1, 2010
Agreements receivable	34,296	23,540	27,521
Mortgages receivable	7,297	3,131	-
Other receivables	156	350	754
	41,749	27,021	28,275
Allowance for doubtful accounts	-	-	(12,891)
	41,749	27,021	15,384

Agreements receivable are secured by the underlying real estate assets and have various terms of repayment. Purchasers generally have between six months and one year to pay the balance owing for the purchased lots.

8. OTHER OPERATING ASSETS

	June 30, 2011	December 31, 2010	January 1, 2010
Deposits	10,954	11,307	12,611
Prepayments	2,742	2,938	3,534
Restricted cash	1,187	1,567	855
	14,883	15,812	17,000

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 project and earn interest at rates approximating those earned on guaranteed investment certificates.

Restricted cash is held in trust accounts and also included in the customer deposits liability and represents funds owed to the Corporation, at a future indeterminable date, when development of specific lands commences.

9. INCOME TAXES

(a) Income tax recognized in the statement of comprehensive income:

	Three months ended		Six months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Current tax:				
Current income tax	1,367	1,709	7,702	5,064
Deferred tax:				
Relating to origination and reversal of temporary differences	71	6,249	(4,954)	3,120
	1,438	7,958	2,748	8,184

(b) Income tax expense differs from that which would be expected from applying the combined statutory Canadian federal and provincial income tax rates of 26.5% (2010 - 28%) to income before income taxes.

Genesis Land Development Corp.

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9. INCOME TAXES (continued)

The difference results from the following:

	Three months ended		Six months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Profit from continuing operations	4,637	29,013	9,513	29,296
Statutory tax rate	26.50%	28%	26.50%	28%
Expected income tax expense	1,229	8,124	2,521	8,203
Change in future income taxes resulting from tax rate reduction	120	31	78	97
Share-based payment transactions	36	25	82	57
Other non-deductible expenses	(54)	(377)	(29)	(462)
Non-controlling Interest	107	155	96	289
Tax expense for the period	1,438	7,958	2,748	8,184

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

	June 30, 2011	December 31, 2010	January 1, 2010
Deferred tax assets	6,069	6,746	4,555
Deferred tax liabilities	(4,502)	(10,133)	(2,342)
	<u>1,567</u>	<u>(3,387)</u>	<u>2,213</u>

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

	June 30, 2011	December 31, 2010	January 1, 2010
Real estate held for development and sale	2,702	3,038	3,551
Non-capital loss carry-forwards*	292	114	103
Reserves from land sales	(1,528)	(6,659)	(1,480)
Unamortized financing costs	112	127	50
Other temporary differences	(11)	(7)	(11)
	<u>1,567</u>	<u>(3,387)</u>	<u>2,213</u>

*Non-capital loss carry-forward amounts begin to expire in 2031.

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9. INCOME TAXES (continued)

- (e) The components of the deferred income tax asset (liability) recognized in the statement of comprehensive income as follows:

	Three months ended		Six months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Real estate held for development and sale	(7)	(223)	(336)	(223)
Non-capital loss carry-forwards*	11	9	178	(3)
Reserves from land sales	(80)	(6,010)	5,131	(2,924)
Unamortized financing costs	8	19	(15)	19
Other temporary differences	(3)	(44)	(4)	11
	<u>(71)</u>	<u>(6,249)</u>	<u>4,954</u>	<u>(3,120)</u>

*Non-capital loss carry-forward amounts begin to expire in 2031.

10. GENERAL AND ADMINISTRATIVE

The general and administrative expense of the Corporation is comprised of the following:

	Three months ended		Six months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Corporate administration	1,148	1,084	1,731	1,735
Compensation and benefits	1,249	1,149	2,552	2,195
Professional services	806	834	1,236	1,432
Advertising and marketing	457	432	737	699
	<u>3,660</u>	<u>3,499</u>	<u>6,256</u>	<u>6,061</u>

11. OTHER EXPENSE

Other expense of the Corporation is comprised of the following:

	Three months ended		Six months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Share-based payments	138	87	310	202
Depreciation	39	46	78	85
Bad debt expense	31	296	31	6
	<u>208</u>	<u>429</u>	<u>419</u>	<u>293</u>

Genesis Land Development Corp.**Notes to the Consolidated Interim Financial Statements****For the three and six months ended June 30, 2011 and 2010**

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12. FINANCE EXPENSE

The finance expense of the Corporation is comprised of the following:

	Three months ended		Six months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Interest expense	1,803	2,181	3,484	5,006
Financing fees accretion	389	955	740	1,510
Interest and financing fees capitalized	(617)	(734)	(1,376)	(1,403)
	1,575	2,402	2,848	5,113

Genesis Land Development Corp.**Notes to the Consolidated Interim Financial Statements****For the three and six months ended June 30, 2011 and 2010**

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13. FINANCINGS

	June 30, 2011	December 31, 2010	January 1, 2010
Secured by land held for future development			
I. Land loans, maturing from October 1, 2012 to July 1, 2013, bearing interest at rates ranging from prime + 5% to 9.75% per annum, secured by land held for development and sale with a carrying value of \$48,174.	24,165	18,244	21,420
II. Other mortgages payable, bearing interest at 7% per annum, payable on demand.	673	659	839
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 + 2% to the greater of 10% or prime + 5%, secured by land held for development and sale with a carrying value of \$114,244, due between November 1, 2011 and November 1, 2012.	62,027	63,618	81,127
IV. Other mortgage payable, bearing interest at the greater of 10.25% or prime + 3.25% per annum. The loan has been fully repaid.	-	-	4,000
Secured by housing projects under development			
V. Demand operating line of credit up to \$3,000 subject to certain levels of assets with a sublimit of \$600, bearing interest at prime + 1.5% per annum, secured by a general security agreement over assets of the home building division.	-	442	-
VI. Project loan, payable on collection of closing proceeds, bearing interest at prime + 2.5% per annum due September 30, 2010. The loan has been fully repaid.	-	-	10,253
	86,865	82,963	117,639
Deferred financing fees	(1,428)	(1,643)	(2,429)
	85,437	81,320	115,210

During the three and six months ended June 30, 2011, the Corporation received advances of \$18,363 and \$32,321 and (2010 - \$35,199 and \$52,438) relating to various new and renewed loan facilities secured by real estate held for development and sale and agreements receivable bearing interest ranging from the greater of 7% or prime + 2% to the greater of 9% or prime + 5% per annum with due dates ranging from March 1, 2012 to July 1, 2013.

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13. FINANCINGS (continued)

The weighted average interest rate of loan agreements, based on June 30, 2011 balances, is 8.29% (December 31, 2010 - 8.21%).

The Corporation's financings are to be repaid, based on the contractual terms, within the following time periods (excluding deferred financing fees):

July 1, 2011 to June 30, 2012	39,278
July 1, 2012 to June 30, 2013	31,587
Subsequent	16,000
	<u>86,865</u>

The Corporation has various covenants in place with its lenders with respect to certain contracted credit facilities. Such covenants include among other credit usage restrictions, cancellation, prepayment, confidentiality and cross default clauses, as well as 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 June 30, 2011, the Corporation is not in violation of any covenants with its lenders.

14. 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 shares outstanding for net earnings per share purposes for the three and six months ended June 30, 2011 and 2010:

	Three months ended		Six months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Basic	44,468,099	44,180,116	44,443,261	44,147,828
Effect of dilutive securities				
- stock options	581,211	532,880	512,894	452,470
Diluted	<u>45,049,310</u>	<u>44,712,996</u>	<u>44,956,155</u>	<u>44,600,298</u>

In calculating diluted earnings per share for the three and six months ended June 30, 2011, the Corporation excluded 454,500 options (2010 – 1,157,936) as the exercise price was greater than the average market price of its shares during those periods.

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15. 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:

	Six months ended			
	June 30, 2011		June 30, 2010	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding - beginning of period	2,262,934	\$ 3.73	1,962,750	\$ 3.51
Options exercised	(94,551)	\$ 2.33	(195,002)	\$ 1.60
Options expired	(116,000)	\$ 5.48	-	-
Options forfeited	(90,249)	\$ 4.17	(91,250)	\$ 3.56
Outstanding - end of period	1,962,134	\$ 3.68	1,676,498	\$ 3.73
Exercisable - end of period	1,090,610	\$ 3.94	795,595	\$ 3.91

Range of Exercise Prices (\$)	Outstanding		Exercisable		Weighted Average Remaining Contractual Life in Years
	Number at June 30, 2011	Weighted Average Exercise Price	Number at June 30, 2011	Weighted Average Exercise Price	
0.90 - 4.00	1,507,634	\$ 2.68	715,610	\$ 2.49	3.63
4.01 - 8.00	325,500	\$ 6.20	282,000	\$ 5.97	1.13
8.01 - 10.48	129,000	\$ 8.95	93,000	\$ 8.93	1.26
	1,962,134	\$ 3.68	1,090,610	\$ 3.94	3.06

There were no options granted during the three and six months ended June 30, 2011 and 2010.

16. COMMITMENTS AND CONTINGENCIES

- (a) The Corporation has been named as a co-defendant in a statement of claim filed on May 10, 2011 in the province of Ontario. The plaintiff asserts that they contributed funds to a third party entity (one of the co-defendants), and through that entity, have an interest in LPLP 2007. The plaintiff is seeking \$10,700 plus punitive damages relating to the ownership interests of LPLP 2007. The Corporation recognizes LPLP 2007's non-controlling interest in these consolidated interim financial statements. The amount of additional liability, if any, which exceeds the non-controlling interest, is currently indeterminate.

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16. COMMITMENTS AND CONTINGENCIES (continued)

- (b) The Corporation has been named as a co-defendant to a lawsuit that commenced on December 6, 2001. The lawsuit seeks damages of \$8,000 plus punitive damages of \$1,000. The statement of claim asserts the share price used to convert certain debts of the Corporation into common shares of the Corporation was overstated. The outcome of the claim is unknown at this time and no amounts have been accrued in these consolidated interim financial statements relating to this matter.
- (c) In 2009, the Corporation was served with a statement of claim in the amount of \$250. The statement of claim asserts that the Plaintiff suffered losses because the Corporation did not prevent the spread of dust and soil to the plaintiffs' property. The outcome of the claim is unknown at this time and no amounts have been accrued in these consolidated interim financial statements relating to this matter.
- (d) At June 30, 2011, The Corporation has certain obligations and commitments pursuant to service agreements with municipalities totaling \$19,403 (December 31, 2010 - \$17,251) of which \$13,616 (December 31, 2010 - \$10,347) have been accrued in the consolidated interim financial statements as land development service costs. Pursuant to these obligations, the Corporation has granted irrevocable standby letters of credit, issued by financial institutions, to the municipalities to indemnify them in the event the Corporation does not perform its contractual obligations. As of June 30, 2011, the letters of credit amounted to \$14,723 (December 31, 2010 - \$15,343).
- (e) The Corporation has a commitment pursuant to an agreement to pay \$8,433 for purchase of certain lands due in two equal installments on November 25, 2011 and June 30, 2012.
- (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. At June 30, 2011, a liability of approximately \$1,868 (December 31, 2010 - \$1,772) has been accrued in the records of Genesis in respect of this liability.
- (g) Genesis has entered into a memorandum of understanding with a community society, whereby Genesis will contribute \$5,000 over ten years for the naming rights to a recreation complex. Negotiations are underway to determine when payments will commence.
- (h) On February 19, 2008, Genesis entered into an agreement with the City of Airdrie, whereby Genesis will contribute \$2,000 (\$200 each year, terminating June 1, 2017) for the naming rights to a recreation complex. The first four installments totaling \$800 were made through 2011.
- (i) On June 1, 2011, Genesis entered into an agreement with a third party to pay \$912 on each of June 1 and July 1, 2011, to pay out a contractual commitment on certain of its lands. This resulted in further three acres being available to the Corporation for development. The commitment was fully satisfied on July 1, 2011 with Genesis having no further obligations under the agreement.
- (j) The Corporation has office and other operating leases with the following annual payments: Not later than one year - \$591; later than one year but not later than 5 years - \$118; later than five years - \$Nil.

The operating building lease agreement may be renewed at the option of the Corporation. The Corporation's operating lease agreements do not contain any clauses related to contingent rent, restrictions regarding distributions, further leasing or additional debt. Renewal options are reviewed regularly by management.

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17. FINANCIAL INSTRUMENTS**(a) Risks associated with financial instruments****(i) Credit Risk**

As at June 30, 2011 and December 31, 2010, the Corporation carried no allowance for doubtful accounts.

During the six months ended June 30, 2011 and 2010, the Corporation recognized the following bad debt expense (recovery) 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:

	Bad debt expense (recovery)	Allowance for doubtful accounts
As at January 1, 2010	-	(12,891)
Subsequent collections of previously allowed for lots	(468)	728
Re-sale of previously allowed for lots	-	1,115
Reversal of partial allowance on collections in full	-	10,742
Miscellaneous bad debt expense incurred	474	-
For the six months ended June 30, 2010	6	
As at June 30, 2010		(306)
Reversal of partial allowance on collections in full	-	306
For the year ended December 31, 2010	6	
As at December 31, 2010		-
Miscellaneous bad debt expense incurred	31	
For the six months ended June 30, 2011	31	
As at June 30, 2011		-

Further allowances may be necessary. In order to mitigate credit risk, the Corporation retains title to sold residential lots until full payment is received. Aging of amounts receivable is as follows:

Aging	June 30, 2011	December 31, 2010	January 1, 2010
Not past due	41,593	26,812	15,484
Past due 0-90 days but not impaired	156	209	-
Past due 91-120 days (impaired)	-	-	5,774
Past due 121-270 days (impaired)	-	-	1,681
Past due > 270 days (impaired)	-	-	5,336
	41,749	27,021	28,275
Allowance for doubtful accounts	-	-	(12,891)
	41,749	27,021	15,384

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

17. FINANCIAL INSTRUMENTS (continued)

Individual balances due from customers as at June 30, 2011, which comprise greater than 10% of total trade receivables amount to \$28,330 from 7 customers (December 31, 2010 - \$18,767 from 4 customers; January 1, 2010 - \$3,592 from 1 customer).

(ii) Liquidity Risk

The following are the contractual maturities of financial liabilities and other commitments as at June 30, 2011:

	< 1 Year	> 1 Year	Total
Financial Liabilities			
Accounts payable and accrued liabilities	8,448	-	8,448
Customer deposits	8,482	-	8,482
Financings, excl. deferred financing fees (note 13)	39,278	47,587	86,865
	56,208	47,587	103,795
Commitments			
Purchase of land and other	5,128	4,217	9,345
Lease obligations	591	118	709
Naming rights	200	1,000	1,200
	62,127	52,922	115,049

Land development service costs of \$13,616 (December 31, 2010 - \$10,347; January 1, 2010 - \$8,301) at June 30, 2011 have not been included in the table stated above due to uncertainties of timing of the related payments.

At June 30, 2011, Genesis has obligations due within the next 12 months of \$62,127. If Genesis is unable to generate sufficient sales, renew existing or secure additional financing, it will impact the Corporation's ability to meet its obligations as they become due. Based on Genesis' 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 financings are at a floating rate of interest. The Corporation is also exposed to fair value risk to the extent that certain financings, mortgages receivable and loans receivable are at a fixed rate of interest. A 1% change in interest rates would result in a change in interest incurred of approximately \$862 annually on floating rate loans, with approximately \$683 impacting pre-tax net earnings.

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17. FINANCIAL INSTRUMENTS (continued)

(b) Fair value of financial instruments

The fair value of cash and cash equivalents, amounts receivable, restricted cash, deposits and accounts payable and accrued liabilities approximate their carrying values due to the relatively short periods to maturity.

The fair value of the Corporation's financings and accounts receivable were estimated based on current market rates for loans of the same risk and maturities.

	June 30, 2011		December 31, 2010		January 1, 2010	
	Carrying value	Estimated Fair Value	Carrying value	Estimated Fair Value	Carrying value	Estimated Fair Value
Held for trading						
Cash and cash equivalents	10,454	10,454	2,455	2,455	4,578	4,578
Deposits	10,954	10,954	11,307	11,307	12,611	12,611
Restricted cash	1,187	1,187	1,567	1,567	855	855
Loans and receivables						
Amounts receivable	41,749	39,269	27,021	25,213	15,384	14,882
Other financial liabilities						
Accounts payable and accrued liabilities	8,448	8,448	13,025	13,025	8,351	8,351
Customer deposits	8,482	8,482	8,388	8,388	4,985	4,985
Financings, excl. deferred financing fees	86,865	85,444	82,963	82,692	117,639	115,747

Fair value measurements recognized in the 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 are not based on observable market data (unobservable inputs).

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	June 30, 2011	December 31, 2010	January 1, 2010
	Level 1	Level 1	Level 1
Cash and cash equivalents	10,454	2,455	4,578
Deposits	10,954	11,307	12,611
Restricted cash	1,187	1,567	855

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17. FINANCIAL INSTRUMENTS (continued)**(c) Capital management**

The Corporation's policy is to maintain a strong 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. The Corporation considers its capital structure to specifically include:

	June 30, 2011	December 31, 2010	January 1, 2010
Financings	85,437	81,320	115,210
Shareholders' equity	175,747	168,089	133,272
	<u>261,184</u>	<u>249,409</u>	<u>248,482</u>

In order to maintain or adjust its capital structure, the Corporation may adjust its capital spending to manage current and projected debt levels.

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

18. SUBSEQUENT EVENTS

The Corporation refinanced five of its existing loans amounting to \$55,236 as at June 30, 2011, into three loans amounting to \$54,185. The interest rate on the new loans is the greater of 7.2% or prime + 4.2% with a term of 30 months. The interest rate on original loans ranged from 10% to prime + 5%. The security for the loans is unchanged.

19. JOINT VENTURE

	Assets	Liabilities	Revenue	Earnings (Losses)	CASH FLOW FROM (USED IN)		
					Operating Activities	Investing Activities	Financing Activities
As at and for the six months ended June 30, 2011	18,706	36	414	(333)	273	-	115
As at December 31, 2010	18,914	27					

Genesis Land Development Corp.**Notes to the Consolidated Interim Financial Statements****For the three and six months ended June 30, 2011 and 2010**

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19. JOINT VENTURE (continued)

The above table includes the Corporation's proportionate share of the assets, liabilities, revenue, earnings and cash flow information of a joint venture that is proportionately consolidated in these financial statements. The Corporation's proportionate interest of this joint venture is 50% ownership. A deferred gain of \$2,201 (December 31, 2010 - \$2,201; January 1, 2010 - \$Nil) recognized on initial contribution into the joint venture has been recognized in the statement of comprehensive income for the three months ended June 30, 2011 as a result of maturity of the underlying vendor take-back mortgage on April 30, 2011, for which the Corporation received payment in full.

20. 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.

The income producing business units of the Corporation report the following activities for the three and six months ended June 30, 2011 and 2010:

	Land development segment	Home building segment	Corporate and other segment	Intersegment elimination	Total
Three months ended June 30, 2011					
Revenues	15,420	9,950	-	(4,874)	20,496
Cost of sales ⁽¹⁾	(9,120)	(8,511)	-	4,858	(12,773)
Recovery of real estate	14	-	-	-	14
Other expenses	(1,644)	(1,472)	-	16	(3,100)
Earnings before income taxes and non-controlling interest	4,670	(33)	-	-	4,637
Segmented assets (as at June 30, 2011)	341,788	15,362	10,453	(4,352)	363,251
Three months ended June 30, 2010					
Revenues	54,550	20,653	-	(9,051)	66,152
Cost of sales ⁽¹⁾	(17,695)	(18,185)	-	5,707	(30,173)
Write-down of real estate	(571)	(340)	-	-	(911)
Other expenses	(8,353)	(1,046)	-	3,344	(6,055)
Earnings before income taxes and non-controlling interest	27,931	1,082	-	-	29,013
Segmented assets (as at December 31, 2010)	338,493	15,064	2,455	(5,546)	350,466

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20. SEGMENTED INFORMATION (continued)

	Land development segment	Home building segment	Corporate and other segment	Intersegment elimination	Total
Six months ended June 30, 2011					
Revenues	39,082	14,963	-	(5,677)	48,368
Cost of sales	(26,105)	(13,069)	-	7,369	(31,805)
Write-down of real estate	(24)	-	-	-	(24)
Other expenses ⁽¹⁾	(2,770)	(2,564)	-	(1,692)	(7,026)
Earnings before income taxes and non-controlling interest	10,183	(670)	-	-	9,513
Segmented assets (as at June 30, 2011)	341,788	15,362	10,453	(4,352)	363,251
Six months ended June 30, 2010					
Revenues	62,466	33,872	-	(12,181)	84,157
Cost of sales	(21,690)	(30,786)	-	8,838	(43,638)
Write-down of real estate	(363)	(340)	-	-	(703)
Other expenses ⁽¹⁾	(11,766)	(2,097)	-	3,343	(10,520)
Earnings before income taxes and non-controlling interest	28,647	649	-	-	29,296
Segmented assets (as at December 31, 2010)	338,493	15,064	2,455	(5,546)	350,466
Segmented assets (as at January 1, 2010)	318,311	27,067	4,578	(7,615)	342,341

⁽¹⁾ Other expense Items include general and administrative, other expense, finance income and expense, gain on de-recognition of SPE, gain on contribution of land to joint venture, and gain on disposal of property and equipment.

21. RELATED PARTY TRANSACTIONS

Remuneration of the directors and other members of the key management personnel was as follows:

	Three months ended		Six months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Short-term benefits	561	375	957	778
Share-based payments	95	57	194	111
	656	432	1,151	889

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21. RELATED PARTY TRANSACTIONS (continued)

The Corporation engaged a former officer ("Former Officer") of the Corporation as a Senior Financial Advisor. The amount of payments made to the Former Officer for the three and six months ended June 30, 2011 were \$36 and \$80 (2010 - \$61 and \$105). On October 2, 2009, the Corporation entered into a contract to construct a single-family home ("Residential Property") for the Former Officer at a cost-plus agreed percentage basis for the total value of the Residential Property of \$970 representing terms offered to employees and measured at the exchange amount. The transaction closed on March 16, 2011. Additionally, at June 30, 2011, amounts receivable included \$36 (December 31, 2010 - \$21) from the Former Officer. The Corporation also engaged an entity under control of the Former Officer's spouse to provide interior design services and supply of materials for its home building division.

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22. PRINCIPAL SUBSIDIARIES AND JOINT VENTURE

The financial statements include the financial statements of Genesis Land Development Corp. and its subsidiaries, all of which are incorporated in Canada, listed in the following table:

Name	% equity interest as at		
	June 31, 2011	December 31, 2010	January 1, 2010
Land Development			
Genpol Inc.	100%	100%	100%
Genesis Sage Meadows Partnership	100%	100%	N/A
Polar Hedge Enhanced Income Trust	100%	100%	100%
<u>LP 4/5 group</u>			
Genesis Limited Partnership #4	0.001%	0.001%	0.001%
Genesis Limited Partnership #5	0%	0%	0%
GLP5 GP Inc.	0%	0%	0%
GLP5 NE Calgary Development Inc.	0%	0%	0%
Genesis Northeast Calgary Ltd.	100%	100%	100%
<u>LP 6/7 group</u>			
Genesis Limited Partnership #6	11.65%	11.65%	11.65%
Genesis Limited Partnership #7	0%	0%	0%
GP GLP7 Inc.	0%	0%	0%
GLP7 Subco Inc.	0%	0%	0%
<u>LP 8/9 group</u>			
Genesis Limited Partnership #8	0.23%	0.23%	0.23%
Genesis Limited Partnership #9	0%	0%	0%
GP GLP8 Inc.	100%	100%	100%
GP GLP9 Inc.	0%	0%	0%
GLP9 Subco Inc.	0%	0%	0%
<u>LPLP 2007 group</u>			
Limited Partnership Land Pool (2007)	0%	0%	0%
GP LPLP 2007 Inc.	100%	100%	100%
GP RRSP 2007 Inc.	0%	0%	0%
LPLP 2007 Subco Inc.	0%	0%	0%
GP RRSP 2007 #2 Inc.	0%	0%	0%
LPLP 2007 Subco #2 Inc.	0%	0%	0%
LP RRSP Limited Partnership #1	0%	0%	0%
LP RRSP Limited Partnership #2	0%	0%	0%
<u>Joint Venture</u>			
Kinwood Communities Inc.	50%	50%	N/A
Home Building			
<u>Single-family</u>			
Genesis Builders Group Inc.	100%	100%	100%
<u>Multi-family</u>			
The Breeze Inc.	100%	100%	100%
Generations Group of Companies Inc.	100%	100%	100%
Life at Solana Inc.	100%	100%	100%
Life at Waterstone Inc.	100%	100%	100%
Montura Inc. (previously Life at Skye Inc.)	100%	100%	100%
Life at Watercolors Inc.	100%	100%	100%