Consolidated Financial Statements
December 31, 2011 and 2010

Genesis Land Development Corp.

Consolidated Financial Statements
December 31, 2012 and 2011

Contents

Management's Report

To the Shareholders of
Genesis Land Development Corp.

The consolidated financial statements and all information in the Management's Discussion and Analysis are the responsibility of management. The consolidated financial statements have been prepared by management in accordance with the accounting policies in the notes to the consolidated financial statements. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality, and are in accordance with International Financial Reporting Standards appropriate in the circumstances. The financial information elsewhere in the Management's Discussion and Analysis has been reviewed to ensure consistency with that in the consolidated financial statements.

Management maintains appropriate systems of internal control. Policies and procedures are designed to give reasonable assurance that transactions are properly authorized, assets are safeguarded and financial records properly maintained to provide reliable information for the preparation of consolidated financial statements.

The consolidated financial statements have been further examined by the Board of Directors and by its Audit Committee which meets regularly with the auditors and management to review the activities of each. The Audit Committee, which is comprised of three independent directors, reports to the Board of Directors.

MNP LLP, an independent firm of chartered accountants, was engaged to audit the consolidated financial statements in accordance with Canadian generally accepted auditing standards and provide an independent auditors' opinion.

Jeff Blair
Interim Chief Executive Officer

Simon Fletcher
Chief Financial Officer

March 5, 2012

Independent Auditors' Report

To the shareholders of **Genesis Land Development Corp**.:

We have audited the accompanying consolidated financial statements of Genesis Land Development Corp. and its subsidiaries, which comprise the balance sheets as at December 31, 2011 and 2010 and January 1, 2010, and the consolidated statement of earnings, comprehensive income and retained earnings, and consolidated statement of cash flows for the years ended December 31, 2011 and 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes assessing the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe the audit evidence obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Genesis Land Development Corp. and its subsidiaries as at December 31, 2011 and 2010 and January 1, 2010, and their financial performance and their cash flows for the years ended December 31, 2010 and December 31, 2011 in accordance with International Financial Reporting Standards.

MNP LLP

Calgary, Alberta
March 5, 2012

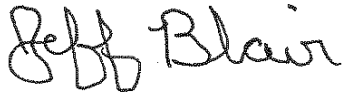
Chartered Accountants

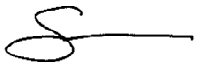
MNP

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

	Note	December 31, 2011	December 31, 2010[1]	January 1, 2010[1]
Assets				
Real estate held for development and sale	*4*	299,916	304,634	302,598
Property and equipment	*6*	448	544	568
Amounts receivable	*7*	43,451	27,021	15,384
Other operating assets	*8*	20,494	15,812	17,000
Deferred income taxes	*9*	2,859	-	2,213
Cash and cash equivalents		10,850	2,455	4,578
Total assets		378,018	350,466	342,341
Liabilities				
Financings	*13*	88,231	81,320	115,210
Customer deposits		7,582	8,388	4,985
Accounts payable and accrued liabilities		16,415	13,025	8,351
Income taxes payable		12,970	6,988	11,139
Deferred income taxes	*9*	-	3,387	-
Land development service costs		16,201	10,347	8,300
Total liabilities		141,399	123,455	147,985
Commitments and contingencies	*16*			
Equity				
Share capital	*14*	55,122	54,798	54,097
Contributed surplus		4,950	4,575	3,973
Retained earnings		119,776	108,716	75,202
Shareholders' equity		179,848	168,089	133,272
Non-controlling interest	*5*	56,771	58,922	61,084
Total equity		236,619	227,011	194,356
Total liabilities and equity		378,018	350,466	342,341

Related party transactions (note 18 and 20)
Subsequent events (note 21)
See accompanying notes to the consolidated financial statements
[1] Refer to Note 3 for the effects of adoption of IFRS





Jeff Blair
Interim Chief Executive Officer

Simon Fletcher
Chief Financial Officer

Genesis Land Development Corp.
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2011 and 2010
(In thousands of Canadian dollars except per share amounts)

	Note	2011	2010[1]
Revenues			
Residential lot sales		40,739	35,570
Development land sales		22,523	42,512
Residential home sales		32,054	58,569
Other revenue		444	732
		95,760	137,383
Cost of sales			
Residential lots		25,655	8,985
Development lands		17,885	15,822
Residential homes		23,717	43,604
		67,257	68,411
Gross margin		28,503	68,972
General and administrative	*10*	13,599	12,267
Other expense	*11*	1,338	992
		14,937	13,259
Operating earnings from continuing operations		13,566	55,713
Finance income		(631)	(518)
Finance expense	*12*	5,169	7,631
Gain on de-recognition of SPE	*5(b)*	-	(613)
Gain from joint venture	*18*	(4,610)	-
Loss (gain) on disposal of property and equipment		(3)	10
Earnings before income taxes		13,641	49,203
Income taxes	*9*	4,264	12,845
Net earnings being Comprehensive Income		9,377	36,358
Attributable to:			
Equity holders of the parent		11,060	33,514
Non-controlling interest	*5*	(1,683)	2,844
Net earnings being Comprehensive Income		9,377	36,358
Net earnings per share attributable to common shareholders			
-Basic	*14*	0.25	0.76
-Diluted	*14*	0.25	0.75

See accompanying notes to the consolidated 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 years ended December 31, 2011 and 2010
(In thousands of Canadian dollars except number of shares)

	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	-	-	813	-	813	-	813
Proceeds from shares issued on exercise of options	267,691	490	-	-	490	-	490
Transferred from contributed surplus on exercise of options	-	211	(211)	-	-	-	-
De-recognition of SPE	-	-	-	-	-	(2,120)	(2,120)
Distributions to unit holders of limited partnerships	-	-	-	-	-	(2,886)	(2,886)
Net earnings being comprehensive income	-	-	-	33,514	33,514	2,844	36,358
At December 31, 2010[1]	44,379,448	54,798	4,575	108,716	168,089	58,922	227,011
Share-based payment transactions	-	-	458	-	458	-	458
Proceeds from shares issued on exercise of options	104,839	241	-	-	241	-	241
Transferred from contributed surplus on exercise of options	-	83	(83)	-	-	-	-
Distributions to unit holders of limited partnerships	-	-	-	-	-	(468)	(468)
Net earnings being comprehensive income	-	-	-	11,060	11,060	(1,683)	9,377
At December 31, 2011	44,484,287	55,122	4,950	119,776	179,848	56,771	236,619

See accompanying notes to the consolidated financial statements
[1] Refer to Note 3 for the effects of adoption of IFRS

Genesis Land Development Corp.
Consolidated Statements of Cash Flows
For the years ended December 31, 2011 and 2010
(In thousands of Canadian dollars)

	Note	2011	2010[1]
Operating activities			
Cash receipts from residential lot and development land sales		52,235	70,612
Cash receipts from residential home sales		32,009	57,395
Other cash receipts		667	1,136
Cash paid to suppliers for land development		(35,676)	(40,973)
Cash paid to suppliers for residential home construction		(17,626)	(16,562)
Cash paid to other suppliers and employees		(14,056)	(13,357)
		17,553	58,251
Interest received		631	518
Income taxes paid		(4,528)	(11,396)
		13,656	47,373
Investing activities			
Acquisition of property and equipment	*6*	(68)	(204)
Change in restricted cash		(4,324)	(713)
Proceeds on disposal of property and equipment		4	45
		(4,388)	(872)
Financing activities			
Advances from financings	*13*	91,023	127,298
Repayments of financings		(83,613)	(162,057)
Interest and financing fees paid		(8,056)	(9,962)
Decrease in non-controlling interest		-	(1,507)
Distributions to unit holders of limited partnerships		(468)	(2,886)
Issue of share capital		241	490
		(873)	(48,624)
Change in cash and cash equivalents		8,395	(2,123)
Cash and cash equivalents, beginning of year		2,455	4,578
Cash and cash equivalents, end of year		10,850	2,455

See accompanying notes to the consolidated financial statements
[1] Refer to Note 3 for the effects of adoption of IFRS

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 financial statements of the Corporation for the year ended December 31, 2011 were authorized for issue in accordance with a resolution of the directors on March 5, 2012.

The Corporation is listed for trading on the Toronto Stock Exchange under the symbol "GDC". The registered office of the Corporation is located at Centennial Place, East Tower, 1900, 520 – 3rd Avenue S.W., Calgary, Alberta T2P 0R3. The Corporation's head office is located at 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 financial statements represent the financial statements of the Corporation prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). 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 financial statements have been prepared under historical cost convention except for the financial assets classified as fair value through profit or loss that have been measured at fair value. The consolidated financial statements are presented in Canadian dollars, and all values are rounded to the nearest thousand, except per share values and where otherwise indicated.

The preparation of consolidated 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(c) Basis of consolidation

The consolidated 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 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 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 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.

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.

(iv) Other revenue

Rental income is recognized on straight-line basis over the term of the rental agreement. Deposits forfeited are recognized as incurred.

(f) Real estate held for development and sale

Land under development, land held for future development and housing projects under construction are measured at the lower of cost and estimated net realizable value (“NRV”).

Cost includes land acquisition costs, other direct costs of development and construction, borrowing costs, property taxes and legal costs. These costs are allocated to each phase of the project in proportion to saleable acreage. Non-refundable commission paid to sales or marketing agents on the sale of real estate property is expensed when incurred.

Real estate held for development and sale is reviewed annually for impairment or 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 selling costs.

(g) Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to prepare for its intended use or sale are capitalized as part of the cost of the respective assets. 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.

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, at 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 de-recognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the 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 at 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.

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 share-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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments classified as loans and receivables and FVTPL 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 receivable.

Financial assets are de-recognized when the contractual rights to the cash flows from the asset expire, or the Corporation transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in transferred financial assets that is created or retained is recognized as a separate asset or liability.

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 costs and designated at inception as other financial liabilities.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

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

Financial liabilities are de-recognized when the contractual obligations are discharged, cancelled or expire.

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet 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.

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, 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 expected 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 land parcels 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 considered suitable external advice and in light of recent market transactions of similar and adjacent lands and housing projects in the same geographic area.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the long-term nature and complexity of the business, differences arising between the actual results and the assumptions made, or future changes to such assumptions could necessitate future adjustments to tax income and expense already recorded.

(iii) Costs to complete

Changes in the estimated future development costs directly impact the amount recorded for the future development liability, cost of sales, gross margin and in some cases, the value of real estate under development and held for sale. This liability is subject to uncertainty as it is based on estimates prepared by independent consultants and management.

(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 financial statements for the year ended December 31, 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 financial statements.

(v) Changes to future accounting policies

(i) IAS 1: Presentation of Financial Statements

In June 2011, the IASB issued amendments to IAS 1 requiring items within other comprehensive income that may be reclassified to the profit or loss section of the income statement to be grouped together. The amendments are to be applied retrospectively and will be effective for annual periods commencing on or after July 1, 2012, with earlier application permitted. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) IFRS 10: Consolidated Financial Statements and IAS 27: Consolidated and Separate 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, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

3. FIRST TIME ADOPTION OF IFRS

The Corporation adopted IFRS effective January 1, 2010 ("transition date"). An opening balance sheet has been prepared as of the effective transition date. The Corporation followed 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 financial statements:

(i) Share-based payments

This exemption provides the Corporation with the option of not applying IFRS 2 Share-based Payment ("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.

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 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

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

3. FIRST TIME ADOPTION OF IFRS (continued)

The following is a reconciliation of the Corporation's net earnings being comprehensive income attributable to common shareholders, as reported under Canadian GAAP to IFRS for the year ended December 31, 2010:

	Note	Year ended December 31, 2010
Net earnings being comprehensive income under Canadian GAAP		36,404
Share-based payments	(ii)	191
Borrowing costs	(iii)	(3,722)
Inventory	(iv)	641
Net earnings being comprehensive income under IFRS		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 payments

The Corporation applied 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 have been expensed. Non-controlling interest was impacted to the extent the borrowing costs related to interests of limited partnership unit holders.

(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 sheets and statements of comprehensive income have resulted in the reclassification of various amounts on the statements of cash flows.

4. REAL ESTATE HELD FOR DEVELOPMENT AND SALE

	Gross	Provision for write-down	Net
Land held for future development	147,295	(6,696)	140,599
Land under development	153,246	(4,058)	149,188
Housing projects under construction	10,129	-	10,129
Balance - December 31, 2011	310,670	(10,754)	299,916
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 year ended December 31, 2011, interest of $2,937 (2010 - $3,337) and other carrying costs of $448 (2010 - $381), respectively, were capitalized.

As at December 31, 2011, land held for future development of $67,952 (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)).

The Corporation recognized the following write-downs (recoveries) relating to impairment of carrying value of certain real estate held for development and sale during the years ended December 31, 2011 and 2010:

	2011	2010
Land held for future development	457	(5,670)
Land under development	1,941	1,355
Housing projects under development	-	340
Miscellaneous write-offs directly against carrying value	76	261
Write-down (recovery) of real estate held for development and sale and other	2,474	(3,714)
Less: Miscellaneous write-offs directly against carrying value	(76)	(261)
Adjustment from existing provision to carrying value of asset	(2,016)	(210)
Change in provision for write-down	382	(4,185)

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.

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 has a nominal ownership interest in LP 4 and 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 10% of the gross proceeds of the LP 6 offering memorandum payable to Genesis as lands and lots are sold. Genesis also owns 11.75% 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 has a nominal ownership interest in LP 8 and is responsible for securing financing for the project development.

5. NON-CONTROLLING INTEREST (continued)

Limited Partnership Land Pool 2007 (LPLP 2007):

On June 29, 2007, LPLP 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 has no ownership interest in LPLP 2007 and 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.

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	6,696	-	6,696
Limited Partnership Land Pool 2007	57,161	(3,614)	53,547
Balance - December 31, 2011	82,912	(4,376)	78,536
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.

5. NON-CONTROLLING INTEREST (continued)

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 financial statements and any assets and liabilities of the entity that were eliminated in consolidation are restored at fair value.

Prior to March 26, 2010, the Corporation has absorbed SPEs losses by consolidating the accounts of the entity. This resulted in a net gain on de-recognition of $613 recorded as a separate line item in the consolidated 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	-	-	68	-	68
Disposals	(10)	-	-	-	(10)
As at December 31, 2011	**482**	**472**	**979**	**129**	**2,062**
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	39	41	74	9	163
Disposals	(9)	-	-	-	(9)
As at December 31, 2011	**390**	**346**	**771**	**107**	**1,614**
Net book value					
January 1, 2010	162	201	162	43	568
December 31, 2010	132	167	214	31	544
December 31, 2011	92	126	208	22	448

7. AMOUNTS RECEIVABLE

	December 31, 2011	December 31, 2010	January 1, 2010
Agreements receivable	32,805	23,540	27,521
Mortgages receivable	9,863	3,131	-
Other receivables	783	350	754
	43,451	27,021	28,275
Allowance for doubtful accounts	-	-	(12,891)
	43,451	27,021	15,384

Agreements receivable are secured by the underlying real estate assets and have various terms of repayment. Purchasers generally have between 6 and 24 months to pay the balance owing for the purchased lots.

8. OTHER OPERATING ASSETS

	December 31, 2011	December 31, 2010	January 1, 2010
Deposits	11,830	11,307	12,611
Prepayments	2,773	2,938	3,534
Restricted cash	5,891	1,567	855
	20,494	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 projects and earn interest at rates approximating those earned on guaranteed investment certificates.

Restricted cash is held in trust accounts and included in the customer deposits liability. It 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:

	2011	2010
Current tax:		
Current income tax	10,510	7,245
Deferred tax:		
Relating to origination and reversal of temporary differences	(6,246)	5,600
	4,264	12,845

9. INCOME TAXES (continued)

(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.

The difference results from the following:

	2011	2010
Earnings before income taxes	13,641	49,203
Statutory tax rate	26.50%	28%
Expected income tax expense	**3,615**	**13,777**
Change in future income taxes resulting from tax rate reduction	69	(569)
Share-based payment transactions	122	228
Other non-deductible expenses	12	205
Non-controlling interest	446	(796)
Tax expense for the period	4,264	12,845

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

	December 31, 2011	December 31, 2010	January 1, 2010
Deferred tax assets	5,716	6,746	4,555
Deferred tax liabilities	(2,857)	(10,133)	(2,342)
	2,859	(3,387)	2,213

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

	December 31, 2011	December 31, 2010	January 1, 2010
Real estate held for development and sale	2,575	3,038	3,551
Non-capital loss carry-forwards*	152	114	103
Reserves from land sales	(111)	(6,659)	(1,480)
Unamortized financing costs	263	127	50
Other temporary differences	(20)	(7)	(11)
	2,859	(3,387)	2,213

*Non-capital loss carry-forward amounts begin to expire in 2028.

9. INCOME TAXES (continued)

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

	2011	2010
Real estate held for development and sale	(463)	(513)
Non-capital loss carry-forwards*	38	11
Reserves from land sales	6,548	(5,179)
Unamortized financing costs	136	77
Other temporary differences	(13)	4
	6,246	(5,600)

*Non-capital loss carry-forward amounts begin to expire in 2028.

10. GENERAL AND ADMINISTRATIVE

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

	2011	2010
Corporate administration	2,886	3,038
Compensation and benefits	5,173	5,001
Professional services	4,476	3,172
Advertising and marketing	1,064	1,056
	13,599	12,267

11. OTHER EXPENSE

Other expense of the Corporation is comprised of the following:

	2011	2010
Share-based payments	459	813
Depreciation	163	173
Bad debt expense	716	6
	1,338	992

12. FINANCE EXPENSE

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

	2011	2010
Interest expense	6,549	7,973
Financing fees accretion	1,557	2,995
Interest and financing fees capitalized	(2,937)	(3,337)
	5,169	7,631

13. FINANCINGS

	December 31, 2011	December 31, 2010	January 1, 2010
Secured by land held for future development			
I. Land loan, maturing March 1, 2014, 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 $33,441.	7,850	18,244	21,420
II. Other mortgages payable, bearing interest at 7% per annum, payable on demand.	688	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 + 1.5% to the greater of 7.2% or prime + 4.2%, secured by land held for development and sale with a carrying value of $151,120, due between February 1, 2012 and March 1, 2014.	80,197	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 $1,500, bearing interest at prime + 1.5% per annum, secured by a general security agreement over assets of the home building division.	1,254	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
	89,989	82,963	117,639
Deferred financing fees	(1,758)	(1,643)	(2,429)
	88,231	81,320	115,210

During the year ended December 31, 2011, the Corporation received advances of $91,023 (2010 - $127,298) 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 prime + 1.5% to the greater of 7.2% or prime + 4.2% per annum with due dates ranging from April 1, 2012 to March 1, 2014.

The weighted average interest rate of loan agreements, based on December 31, 2011 balances, was 6.57% (December 31, 2010 - 8.21%).

13. FINANCINGS (continued)

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

January 1, 2012 to December 31, 2012	16,807
January 1, 2013 to December 31, 2013	2,165
January 1, 2014 to December 31, 2014	71,017
Subsequent	-
	89,989

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 December 31, 2011, the Corporation is in compliance with all covenants.

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 common shares outstanding for the net earnings per share calculation purposes for the years ended December 31, 2011 and 2010:

	2011	2010
Basic	44,462,869	44,245,435
Effect of dilutive securities - stock options	301,914	413,981
Diluted	44,764,783	44,659,416

In calculating diluted earnings per share for the year ended December 31, 2011, the Corporation excluded 1,142,000 options (2010 – 891,500) as the exercise price was greater than the average market price of its shares during those periods.

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.

15. STOCK OPTIONS

Details of outstanding stock options are as follows:

	Twelve months ended			
	December 31, 2011		December 31, 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 granted	-	-	868,500	$ 3.46
Options exercised	(104,839)	$ 2.30	(267,691)	$ 1.83
Options expired	(116,000)	$ 5.48	-	-
Options forfeited	(253,874)	$ 4.47	(300,625)	$ 3.20
Outstanding - end of period	1,788,221	$ 3.60	2,262,934	$ 3.73
Exercisable - end of period	1,333,793	$ 3.81	1,070,815	$ 3.95

	Outstanding		Exercisable		Weighted Average Remaining Contractual Life in Years
Range of Exercise Prices ($)	Number at December 31, 2011	Weighted Average Exercise Price	Number at December 31, 2011	Weighted Average Exercise Price	
0.00 - 2.00	60,000	$ 1.13	50,000	$ 1.17	2.37
2.01 - 4.00	1,341,721	$ 2.80	903,793	$ 2.73	3.17
4.01 - 8.00	291,500	$ 6.06	285,000	$ 6.02	0.65
8.01 - 11.00	95,000	$ 8.86	95,000	$ 8.86	0.83
	1,788,221	$ 3.60	1,333,793	$ 3.81	2.61

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 financial statements. The amount of additional liability, if any, which exceeds the non-controlling interest, is currently indeterminate.

(b) In 2009, the Corporation was served with a statement of claim in the amount of $250 asserting that the Corporation did not take steps to 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 financial statements relating to this matter.

(c) The Corporation had been named as a co-defendant to a lawsuit that commenced on December 6, 2001. The claim was settled on December 16, 2011 and has been accounted for by the Corporation. Pursuant to a confidentiality agreement, the Corporation is not permitted to disclose the amount of the settlement.

16. COMMITMENTS AND CONTINGENCIES (continued)

(d) At December 31, 2011, the Corporation has certain obligations and commitments pursuant to service agreements with municipalities totaling $22,235 (December 31, 2010 - $17,251; January 1, 2010 – $14,161) of which $16,201 (December 31, 2010 - $10,347; January 1, 2010 – $8,300) have been accrued in the consolidated 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 December 31, 2011, the letters of credit amounted to $13,738 (December 31, 2010 - $15,343; January 1, 2010 – $17,259).

(e) The Corporation has a commitment pursuant to an agreement to pay $8,433 for the purchase of 68 completed residential lots for its home building division due in two equal installments on July 31, 2012 and November 15, 2012.

(f) The Corporation announced the termination of the strategic review process on February 21, 2012. While the process did not yield a transaction, the financial advisor engaged for the strategic review process is entitled to a success fee if a qualifying transaction arises within six months of the termination of the process.

(g) 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 December 31, 2011, a liability of approximately $1,876 (December 31, 2010 - $1,772; January 1, 2010 – $1,697) has been recorded.

(h) Genesis has entered into a memorandum of understanding with the Northeast Community Society, whereby Genesis will contribute $5,000 ($500 each year, terminating October 31, 2021) for the naming rights to “Genesis Centre for Community Wellness”, a recreation complex in north east Calgary.

(i) 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 “Genesis Place”, a recreation complex in the city of Airdrie. The first four installments totaling $800 were made through 2011.

(j) On July 15, 2011, the joint venture (see note 18) obtained a credit facility in the amount of $17,000. The Corporation and a JV partner have provided guarantees for this facility.

(k) The Corporation has office and other operating leases with the following annual payments: not later than one year - $402; later than one year but not later than 5 years - $98; later than five years - $Nil.

17. FINANCIAL INSTRUMENTS

(a) Risks associated with financial instruments

(i) Credit risk

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

17. FINANCIAL INSTRUMENTS (continued)

The Corporation recognizes bad debt expense or recovery relating to amounts receivable on sold lots net of the return of the real estate held for development and sale, whereby lots for which related amounts receivable were written off or allowed for are taken back into the Corporation's lot inventory. Lots that have been recovered subsequent to impairment are relieved from the Corporation's lot inventory. The difference between an impaired amount receivable and the related bad debt expense or recovery is the cost of a lot for which an impairment has been assessed.

During the years ended December 31, 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
Reversal of full allowance due to forfeitures	-	306
Miscellaneous bad debt expense incurred	474	-
For the year ended December 31, 2010	6	
As at December 31, 2010		-
Write-off of receivables deemed uncollectible	716	
For the year ended December 31, 2011	716	
As at December 31, 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	December 31, 2011	December 31, 2010	January 1, 2010
Not past due	43,451	26,812	15,484
Past due 0-90 days but not impaired	-	209	-
Past due 91-120 days (impaired)	-	-	5,774
Past due 121-270 days (impaired)	-	-	1,681
Past due > 270 days (impaired)	-	-	5,336
	43,451	27,021	28,275
Allowance for doubtful accounts	-	-	(12,891)
	43,451	27,021	15,384

17. FINANCIAL INSTRUMENTS (continued)

Individual balances due from customers as at December 31, 2011, which comprise greater than 10% of total trade receivables total to $9,856 from 3 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 December 31, 2011:

	< 1 Year	> 1 Year	Total
Financial Liabilities			
Accounts payable and accrued liabilities	16,415	-	16,415
Financings, excl. deferred financing fees (note 13)	16,807	73,182	89,989
	33,222	73,182	106,404
Commitments			
Purchase of land and other	8,433	-	8,433
Lease obligations	402	98	500
Naming rights	1,200	5,000	6,200
	43,257	78,280	121,537

Land development service costs of $16,201 (December 31, 2010 - $10,347; January 1, 2010 - $8,301) at December 31, 2011 have not been included in the table stated above due to uncertainties of timing of the related payments.

At December 31, 2011, Genesis has obligations due within the next 12 months of $43,257. 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 $893 annually on floating rate loans, with approximately $796 impacting pre-tax net earnings.

17. FINANCIAL INSTRUMENTS (continued)

(b) Fair value of financial instruments

The fair value of cash and cash equivalents, 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 amounts receivable were estimated based on current market rates for loans of the same risk and maturities.

	December 31, 2011		December 31, 2010		January 1, 2010	
	Carrying value	Estimated Fair Value	Carrying value	Estimated Fair Value	Carrying value	Estimated Fair Value
Fair value through profit and loss						
Cash and cash equivalents*	10,850	10,850	2,455	2,455	4,578	4,578
Deposits*	11,830	11,830	11,307	11,307	12,611	12,611
Restricted cash*	5,891	5,891	1,567	1,567	855	855
Loans and receivables						
Amounts receivable	43,451	41,500	27,021	25,213	15,384	14,882
Other financial liabilities						
Accounts payable and accrued liabilities	16,415	16,415	13,025	13,025	8,351	8,351
Financings, excl. deferred financing fees	89,989	86,943	82,963	82,692	117,639	115,747

* All of the Corporation's financial instruments recorded at fair value are categorized under Level 1 as defined below.

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).

(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.

17. FINANCIAL INSTRUMENTS (continued)

The Corporation considers its capital structure to specifically include:

	December 31, 2011	December 31, 2010	January 1, 2010
Financings	88,231	81,320	115,210
Shareholders' equity	179,848	168,089	133,272
	268,079	249,409	248,482

In order to maintain or adjust its capital structure, the Corporation may adjust its gross margins to accelerate sales or adjust 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. JOINT VENTURE

					CASH FLOW FROM (USED IN)		
	Assets	Liabilities	Revenue	Earnings (Losses)	Operating Activities	Investing Activities	Financing Activities
As at and for the twelve months ended December 31, 2011	29,232	8,827	11,575	1,403	(2,290)	-	2,280
As at December 31, 2010	18,914	27	-	-	-	-	-

The amounts in the above table include the Corporation's proportionate share of the assets, liabilities, revenue, earnings and cash flow information of a joint venture (“JV”) that is proportionately consolidated in these financial statements. 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) has been recognized in the statement of comprehensive income as a result of collecting in full a vendor take-back mortgage on April 30, 2011, pertaining to parcel of land sold to the JV partner.

Additionally, during 2011, the Corporation recognized a gain in the amount of $2,409, for the lots sold by the JV representing proportionate recognition of gain that was deferred on land contribution to the JV in exchange for a 50% ownership interest.

The JV sold 30 lots in December 2011 to Genesis Builders Group Inc. (“GBG”), a wholly owned subsidiary of the Corporation, for $4,853. The Corporation's accounts payable and accrued liabilities include $1,941 representing the proportionate amount owed to the JV for the lots purchased.

19. 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 years ended December 31, 2011 and 2010:

Year ended December 31, 2011	Land development segment			Home building	Corporate and other	Intersegment	
	Genesis	LP	Total	segment	segment	elimination	Total
Revenues	71,607	6,547	78,154	32,085	-	(14,479)	95,760
Cost of sales	(46,431)	(5,660)	(52,091)	(28,131)	-	15,439	(64,783)
(Write-down) Recovery of real estate	(2,626)	179	(2,447)	(27)	-	-	(2,474)
Other expenses[1]	(8,337)	(1,559)	(9,896)	(4,006)	-	(960)	(14,862)
Earnings (loss) before income taxes and non-controlling interest	14,213	(493)	13,720	(79)	-	-	13,641
Segmented assets (as at December 31, 2011)	272,151	83,787	355,938	17,435	10,851	(6,206)	378,018
Segmented liabilities (as at December 31, 2011)	131,156	7,749	138,905	12,769	-	(10,275)	141,399
Year ended December 31, 2010							
Revenues	95,128	2,355	97,483	57,646	-	(17,746)	137,383
Cost of sales	(37,649)	(3,748)	(41,397)	(52,423)	-	21,695	(72,125)
(Write-down) Recovery of real estate	182	3,872	4,054	(340)	-	-	3,714
Other expenses[1]	(10,011)	(1,513)	(11,524)	(4,296)	-	(3,949)	(19,769)
Earnings before income taxes and non-controlling interest	47,650	966	48,616	587	-	-	49,203
Segmented assets (as at December 31, 2010)	259,702	78,791	338,493	15,064	2,455	(5,546)	350,466
Segmented assets (as at January 1, 2010)	229,264	89,047	318,311	27,067	4,578	(7,615)	342,341
Segmented liabilities (as at December 31, 2010)	116,981	10,718	127,699	11,237	-	(15,481)	123,455
Segmented liabilities (as at January 1, 2010)	136,390	8,970	145,360	21,647	-	(19,022)	147,985

[1] Other expense Items include general and administrative, other expense, finance income and expense, gain on de-recognition of SPE, gain from joint venture, and gain or loss on disposal of property and equipment.

20. RELATED PARTY TRANSACTIONS

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

	2011	2010
Short-term benefits	1,795	1,643
Share-based payments	289	694
	2,084	2,337

On August 29, 2011, the Corporation's then Chief Executive Officer ("former CEO") resigned as an officer and director of Genesis pursuant to a settlement agreement with Alberta Securities Commission. On November 30, 2011, the Corporation entered into an Advisory Services Agreement with the former CEO to provide support and advisory services on an as-needed basis during the strategic alternatives evaluation process. The terms and scope of the agreement extend to March 31, 2012. The amount of payments made to the former CEO for the year ended December 31, 2011 were $67 (2010 - $Nil). On December 7, 2011, the former CEO completed the purchase of a single-family home for $1,114 representing terms offered to employees and measured at the exchange amount.

The Corporation engaged a former officer ("former CFO") of the Corporation as a Senior Financial Advisor, the term for which expired December 31, 2011. The amount of payments made to the former CFO for the year ended December 31, 2011 were $148 (2010 - $178). On March 26, 2011, the former CFO also completed the purchase of a single-family home for $947 representing terms offered to employees and measured at the exchange amount. At December 31, 2011, amounts receivable from the former CFO were $Nil (December 31, 2010 - $21). The Corporation also engaged an entity under the control of the former CFO's spouse to provide interior design services and supply of materials for its home building division.

During the year ended December 31, 2011, the Corporation's Corporate Controller entered into a contract with the Corporation for the purchase of a single-family home for $693 representing terms offered to employees. At December 31, 2011, the home was still under construction.

21. SUBSEQUENT EVENTS

On February 21, 2012, the Corporation announced the conclusion of strategic review process that was commenced on June 20, 2011. A Special Committee of independent members of Genesis' Board of Directors conducted a thorough review of the strategic alternatives available to the Corporation including consideration of corporate transactions. The process did not result in a transaction adequately reflecting value. The Special Committee determined that it is in the best interest of Genesis' shareholders to terminate the process.

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:

	% equity interest as at		
Name	**December 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%
LP 4/5 group			
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%
LP 6/7 group			
Genesis Limited Partnership #6	11.75%	11.65%	11.65%
Genesis Limited Partnership #7	0%	0%	0%
GP GLP7 Inc.	0%	0%	0%
GLP7 Subco Inc.	0%	0%	0%
LP 8/9 group			
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%
LPLP 2007 group			
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%
Joint Venture			
Kinwood Communities Inc.	50%	50%	N/A
Home Building			
Single-family			
Genesis Builders Group Inc.	100%	100%	100%
Multi-family			
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%