



**Condensed Consolidated Interim Financial Statements**  
**For the three and six months ended June 30, 2012 and 2011**  
(Unaudited)

# **Genesis Land Development Corp.**

**Condensed Consolidated Interim Financial Statements**  
**For the three and six months ended June 30, 2012 and 2011**  
(Unaudited)

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

	<b>Note</b>	<b>June 30, 2012</b>	<b>December 31, 2011</b>
		(Unaudited)	
<b>Assets</b>			
Real estate held for development and sale	3	290,528	299,916
Amounts receivable	4	55,961	43,451
Other operating assets		15,292	20,942
Deferred income taxes		-	2,859
Cash and cash equivalents		7,522	10,850
<b>Total assets</b>		<b>369,303</b>	<b>378,018</b>
<b>Liabilities</b>			
Financings		77,980	88,231
Customer deposits		7,895	7,582
Accounts payable and accrued liabilities		8,084	16,415
Income taxes payable		8,888	12,970
Deferred income taxes		984	-
Land development service costs		18,728	16,201
<b>Total liabilities</b>		<b>122,559</b>	<b>141,399</b>
Commitments and contingencies	7		
<b>Equity</b>			
Share capital	5	55,612	55,122
Contributed surplus		4,980	4,950
Retained earnings		130,807	119,776
Shareholders' equity		191,399	179,848
Non-controlling interest		55,345	56,771
<b>Total equity</b>		<b>246,744</b>	<b>236,619</b>
<b>Total liabilities and equity</b>		<b>369,303</b>	<b>378,018</b>

Related party transactions (note 10)

See accompanying notes to the condensed consolidated interim financial statements

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

	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>Revenues</b>				
Residential lot sales	16,751	5,929	31,271	21,020
Development land sales	-	4,514	3,600	12,158
Residential home sales	14,323	9,925	18,181	14,933
Other revenue	442	128	602	257
	<u>31,516</u>	<u>20,496</u>	<u>53,654</u>	<u>48,368</u>
<b>Cost of sales</b>				
Residential lots	9,288	2,528	14,410	12,999
Development lands	12	2,977	2,761	7,607
Residential homes	11,325	7,254	14,161	11,223
	<u>20,625</u>	<u>12,759</u>	<u>31,332</u>	<u>31,829</u>
<b>Gross margin</b>	10,891	7,737	22,322	16,539
General and administrative	4,031	3,660	6,852	6,256
Other expense	370	208	801	419
Gain on sale of land to joint venture	-	(2,201)	-	(2,201)
	<u>4,401</u>	<u>1,667</u>	<u>7,653</u>	<u>4,474</u>
<b>Operating earnings from continuing operations</b>	6,490	6,070	14,669	12,065
Finance income	200	142	425	296
Finance expense	(450)	(1,575)	(1,014)	(2,848)
<b>Earnings before income taxes</b>	6,240	4,637	14,080	9,513
<b>Income taxes</b>	1,447	1,438	3,775	2,748
<b>Net earnings being Comprehensive Income</b>	<u>4,793</u>	<u>3,199</u>	<u>10,305</u>	<u>6,765</u>
<b>Attributable to:</b>				
Equity holders of the parent	4,839	3,604	11,031	7,127
Non-controlling interest	(46)	(405)	(726)	(362)
<b>Net earnings being Comprehensive Income</b>	<u>4,793</u>	<u>3,199</u>	<u>10,305</u>	<u>6,765</u>
<b>Net earnings per share attributable to common shareholders - basic and diluted</b>	<u>0.11</u>	<u>0.08</u>	<u>0.25</u>	<u>0.16</u>

See accompanying notes to the condensed consolidated interim financial statements

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

(Unaudited)

(In thousands of Canadian dollars except number of shares)

	<u>Common shares - Issued</u>		Contributed surplus	Retained Earnings	Total shareholders' equity	Non-controlling Interest	Total Equity
	<u>Number of shares</u>	<u>Amount</u>					
<b>At December 31, 2010</b>	44,379,448	54,798	4,575	108,716	168,089	58,922	227,011
Share-based transactions	94,551	294	237	-	531	-	531
Cash paid out	-	-	-	-	-	(286)	(286)
Net earnings being comprehensive income for the period	-	-	-	7,127	7,127	(362)	6,765
<b>At June 30, 2011</b>	<u>44,473,999</u>	<u>55,092</u>	<u>4,812</u>	<u>115,843</u>	<u>175,747</u>	<u>58,274</u>	<u>234,021</u>
<b>At December 31, 2011</b>	44,484,287	55,122	4,950	119,776	179,848	56,771	236,619
Share-based transactions	190,628	490	30	-	520	-	520
Cash paid out	-	-	-	-	-	(700)	(700)
Net earnings being comprehensive income for the period	-	-	-	11,031	11,031	(726)	10,305
<b>At June 30, 2012</b>	<u>44,674,915</u>	<u>55,612</u>	<u>4,980</u>	<u>130,807</u>	<u>191,399</u>	<u>55,345</u>	<u>246,744</u>

See accompanying notes to the condensed consolidated interim financial statements

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

	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<b>Operating activities</b>				
Cash receipts from residential lot and development land sales	10,356	10,852	25,187	20,367
Cash receipts from residential home sales	14,204	9,878	18,314	14,901
Other cash receipts	211	239	1,872	450
Cash paid to suppliers for land development	(3,512)	(6,824)	(13,933)	(12,838)
Cash paid to suppliers for residential home construction	(4,771)	(4,456)	(9,478)	(7,859)
Cash paid to other suppliers and employees	(4,546)	(3,793)	(8,097)	(6,478)
	11,942	5,896	13,865	8,543
Interest received	200	182	425	296
Income taxes paid	(4,014)	(1,443)	(4,014)	(1,443)
	8,128	4,635	10,276	7,396
<b>Investing activities</b>				
Acquisition of property and equipment	(101)	-	(101)	(20)
Increase (decrease) in restricted cash	480	(126)	(379)	380
	379	(126)	(480)	360
<b>Financing activities</b>				
Advances from financings	9,500	18,363	15,955	32,321
Repayments of financings	(13,546)	(18,777)	(26,633)	(28,353)
Interest and financing fees paid	(1,078)	(1,742)	(2,118)	(3,660)
Distributions to unit holders of limited partnerships	(700)	-	(700)	-
Non-controlling interest capital repayments	-	(286)	-	(286)
Issue of share capital	30	23	372	221
	(5,794)	(2,419)	(13,124)	243
<b>Change in cash and cash equivalents</b>	2,713	2,090	(3,328)	7,999
<b>Cash and cash equivalents, beginning of period</b>	4,809	8,364	10,850	2,455
<b>Cash and cash equivalents, end of period</b>	7,522	10,454	7,522	10,454

See accompanying notes to the condensed consolidated interim financial statements

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

(Unaudited)

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

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**1. DESCRIPTION OF BUSINESS**

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

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

The unaudited condensed consolidated interim financial statements of the Corporation for the three and six months ended June 30, 2012 were authorized for issue in accordance with a resolution of the directors on August 9, 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 – 3<sup>rd</sup> 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. The Corporation’s head office moved to 7315 - 8<sup>th</sup> Street N.E., Calgary, Alberta T2E 8A2 effective July 27, 2012.

**2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES**

The significant accounting policies of the Corporation are the same as those applied in the Corporation’s annual audited consolidated financial statements for the years ended December 31, 2011 and 2010. These policies have been consistently applied to each of the periods presented, unless otherwise indicated.

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

The unaudited condensed consolidated interim financial statements have been prepared under historical cost convention except for the financial assets classified as fair value through profit or loss that have been measured at fair value.

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

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

**Genesis Land Development Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
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**3. REAL ESTATE HELD FOR DEVELOPMENT AND SALE**

	<b>Gross</b>	<b>Provision for write-down</b>	<b>Net</b>
Land held for future development	145,124	(6,727)	138,397
Land under development	145,633	(4,439)	141,194
Housing projects under construction	10,937	-	10,937
Balance - June 30, 2012	<u>301,694</u>	<u>(11,166)</u>	<u>290,528</u>
Land held for future development	147,295	(6,696)	140,599
Land under development	153,246	(4,058)	149,188
Housing projects under construction	10,129	-	10,129
Balance - December 31, 2011	<u>310,670</u>	<u>(10,754)</u>	<u>299,916</u>

During the three and six months ended June 30, 2012, interest of \$1,171 and \$2,279 (2011 - \$617 and \$1,376) and other carrying costs of \$20 and \$34 (2011 - \$390 and \$452), respectively, were capitalized.

As at June 30, 2012, land held for future development of \$67,949 (December 31, 2011 - \$67,952) and land under development of \$10,584 (December 31, 2011 - \$10,584) are held in the limited partnerships controlled by Genesis.

During the three and six months ended June 30, 2012, the Corporation recognized write-downs of Nil and \$412 (2011 – recoveries of \$14 and write-offs of \$23) relating to impairment of carrying value of certain real estate held for development and sale of which no amounts (2011 – Nil) related to lands held under limited partnerships.

**4. AMOUNTS RECEIVABLE**

During the three months ended June 30, 2012, the Corporation recognized bad debt expense of \$314 (2011 – Nil) in the statement of comprehensive income relating to 11 lots sold to a builder as the builder filed for creditor protection under CCAA. The Corporation also booked an allowance for doubtful accounts of \$1,643 and an increase of \$1,002 in land under development due to recovery of the lots, pursuant to the default clause of the lot purchase agreement.

**5. SHARE CAPITAL**

**(a) Authorized:**

Unlimited number of common shares

Unlimited number of preferred shares

**(b) Weighted average number of shares**

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

	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Basic	44,666,692	44,468,099	44,596,420	44,443,261
Effect of dilutive securities - stock options	164,156	581,211	157,735	512,894
Diluted	<u>44,830,848</u>	<u>45,049,310</u>	<u>44,754,155</u>	<u>44,956,155</u>

In calculating diluted earnings per share for the three and six months ended June 30, 2012, the Corporation excluded 1,115,500 options (2011 – 454,500) as the exercise price was greater than the average market price of its shares during those periods.



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**6. 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:

	<b>Six months ended</b>			
	<b>June 30, 2012</b>		<b>June 30, 2011</b>	
	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>
Outstanding - beginning of period	1,788,221	\$ 3.60	2,262,934	\$ 3.73
Options granted	100,000	\$ 3.21	-	-
Options exercised	(190,628)	\$ 1.95	(94,551)	\$ 2.33
Options expired	(66,500)	\$ 4.40	(116,000)	\$ 5.48
Options forfeited	(120,623)	\$ 3.37	(90,249)	\$ 4.17
Outstanding - end of period	1,510,470	\$ 3.76	1,962,134	\$ 3.68
Exercisable - end of period	1,182,573	\$ 3.93	1,090,610	\$ 3.94

<b>Range of Exercise Prices (\$)</b>	<b>Outstanding</b>		<b>Exercisable</b>		<b>Weighted Average Remaining Contractual Life in Years</b>
	<b>Number at June 30, 2012</b>	<b>Weighted Average Exercise Price</b>	<b>Number at June 30, 2012</b>	<b>Weighted Average Exercise Price</b>	
0.00 - 2.00	50,000	\$ 1.17	50,000	\$ 1.17	1.90
2.01 - 3.00	344,970	\$ 2.01	293,573	\$ 2.01	2.42
3.01 - 4.00	825,500	\$ 3.39	549,000	\$ 3.40	3.08
4.01 - 11.00	290,000	\$ 7.34	290,000	\$ 7.34	0.39
	1,510,470	\$ 3.76	1,182,573	\$ 3.93	2.38

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

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

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**Notes to the Condensed Consolidated Interim Financial Statements**  
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**7. COMMITMENTS AND CONTINGENCIES**

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

The Corporation entered into a contract to lease new premises for new office space. The lease commences July 1, 2012 and ends on June 30, 2017. The five year lease commitment for rent and operating costs amounts to \$1,939 and \$1,293, respectively. The lease also includes a tenant improvement allowance of \$291.

**8. 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, 2012	30,399	9,693	5,002	284	(2,834)	-	2,834
As at December 31, 2011	29,232	8,827	-	-	-	-	-
For the six months ended June 30, 2011	-	-	414	(333)	273	-	115

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

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 as at June 30, 2012 include \$1,941 (December 31, 2011 - \$1,941) representing the proportionate amount owed to the JV for the lots purchased.

The Corporation deferred \$13,167 when it contributed its share of land to the JV. As at June 30, 2012, the Corporation has realized \$3,746 of that amount as a result of sales to third parties. \$322 and \$1,337 (2011 – Nil) has been recognized during the three and six months ended June 30, 2012. The remaining amount of \$9,421 will be realized on the future sale and development of lots and lands by the JV.

**9. SEGMENTED INFORMATION**

The Corporation operates in two reportable segments, land development and home building, which represent separately managed strategic business units with distinct marketing strategies. The Corporation evaluates segment performance based on profit or loss from operations before income taxes. Inter-segment sales are accounted for as if the sale were to third parties at current market prices. Internal lot sales from the land division to the home building division or a limited partnership have been eliminated and are not included in consolidated results, until the home is sold to a third party purchaser.

**Genesis Land Development Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
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**9. SEGMENTED INFORMATION (continued)**

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

Three months ended June 30, 2012	Land development segment			Home building segment	Corporate and other segment	Intersegment elimination	Total
	Genesis	LP	Total				
Revenues	20,090	45	20,135	14,324	-	(2,943)	31,516
Cost of sales	(12,371)	(32)	(12,403)	(12,500)	-	4,278	(20,625)
Other expenses <sup>(1)</sup>	(1,356)	(384)	(1,740)	(1,576)	-	(1,335)	(4,651)
Earnings (loss) before income taxes and non- controlling interest	6,363	(371)	5,992	248	-	-	6,240
Segmented assets (as at June 30, 2012)	266,296	83,447	349,743	19,280	7,522	(7,242)	369,303
Segmented liabilities (as at June 30, 2012)	105,553	7,839	113,392	17,301	-	(8,134)	122,559
Three months ended June 30, 2011							
Revenues	14,673	41	14,714	9,950	-	(4,168)	20,496
Cost of sales	(9,663)	(454)	(10,117)	(8,511)	-	5,856	(12,772)
Recovery of real estate	-	13	13	-	-	-	13
Other expenses <sup>(1)</sup>	447	(391)	56	(1,468)	-	(1,688)	(3,100)
Earnings before income taxes and non-controlling interest	5,457	(791)	4,666	(29)	-	-	4,637
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

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

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

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**9. SEGMENTED INFORMATION (continued)**

Six months ended June 30, 2012	Land development segment			Home building segment	Corporate and other segment	Intersegment elimination	Total
	Genesis	LP	Total				
Revenues	39,581	83	39,664	18,228	-	(4,238)	53,654
Cost of sales	(20,596)	(46)	(20,642)	(15,867)	-	5,576	(30,933)
(Write-down) recovery of real estate	(413)	14	(399)	-	-	-	(399)
Other expenses <sup>(1)</sup>	(3,219)	(750)	(3,969)	(2,935)	-	(1,338)	(8,242)
Earnings (loss) before income taxes and non- controlling interest	15,353	(699)	14,654	(574)	-	-	14,080
Segmented assets (as at June 30, 2012)	266,296	83,447	349,743	19,280	7,522	(7,242)	369,303
Segmented liabilities (as at June 30, 2012)	105,553	7,839	113,392	17,301	-	(8,134)	122,559
Six months ended June 30, 2011							
Revenues	32,593	6,489	39,082	14,963	-	(5,677)	48,368
Cost of sales	(20,435)	(5,670)	(26,105)	(13,069)	-	7,369	(31,805)
(Write-down) Recovery of real estate	(65)	41	(24)	-	-	-	(24)
Other expenses <sup>(1)</sup>	(1,943)	(827)	(2,770)	(2,564)	-	(1,692)	(7,026)
Earnings before income taxes and non-controlling interest	10,150	33	10,183	(670)	-	-	9,513
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

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

**10. 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, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Short-term benefits	330	561	715	957
Share-based payments	38	95	122	194
	368	656	837	1,151

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

**Genesis Land Development Corp.**  
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**10. RELATED PARTY TRANSACTIONS (continued)**

A director of Genesis, appointed on July 12, 2012, is an officer of a lender. At June 30, 2012, the Corporation had loans totaling \$49,604 (December 31, 2011 – 53,196). During the three and six months ended June 30, 2012 the Corporation paid interest and fees to the lender of \$916 and \$1,863 (2011 – \$1,524 and \$2,709), respectively. During the three and six months ended June 30, 2012, the Corporation obtained no new financing or re-financing on existing loans (2011 – \$16,000 and \$16,000) with the lender. All transactions are under normal commercial terms and conditions.

A 2011 related party house purchase contract terminated in 2012.

**11. COMPARATIVE FIGURES**

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