Genesis Land Development Corp.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012 and 2011

March 20, 2013

Genesis Land Development Corp.

Consolidated Financial Statements
December 31, 2012 and 2011

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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 ("IFRS") appropriate in the circumstances. The financial information in the Management's Discussion and Analysis has been reviewed by management to ensure consistency with 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 is composed of three independent directors, and 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 IFRS to provide an independent auditors' opinion.

/s/ Bruce Rudichuk
President & Chief Executive Officer

/s/ Mark Scott
Executive Vice President &
Chief Financial Officer

March 20, 2013

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 consolidated balance sheets as at December 31, 2012 and 2011, and the consolidated statements of comprehensive (loss) income, changes in equity and cash flows for the years then ended and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the 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 the audit to obtain reasonable assurance about whether the consolidated financial statements are free from 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 evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have 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, 2012 and 2011, and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

MNP LLP

Chartered Accountants

Calgary, Alberta
March 20, 2013

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MNP

Genesis Land Development Corp.
CONSOLIDATED BALANCE SHEETS
(In thousands of Canadian dollars)

	Note	December 31, 2012	December 31, 2011
Assets			
Real estate held for development and sale	*3*	271,845	299,916
Amounts receivable	*5*	85,230	43,451
Other operating assets	*6*	16,237	20,942
Deferred tax assets	*7*	-	2,859
Cash and cash equivalents		10,005	10,850
Total assets		383,317	378,018
Liabilities			
Loans and credit faciliites	*11*	102,242	88,231
Customer deposits		4,352	7,582
Accounts payable and accrued liabilities		21,309	16,415
Income taxes payable		4,617	12,970
Deferred tax liabilities	*7*	60	-
Land development service costs		24,428	16,201
Total liabilities		157,008	141,399
Commitments and contingencies	*14*		
Equity			
Share capital	*12*	55,844	55,122
Contributed surplus		5,109	4,950
Retained earnings		128,637	119,776
Shareholders' equity		189,590	179,848
Non-controlling interest	*4*	36,719	56,771
Total equity		226,309	236,619
Total liabilities and equity		383,317	378,018

Related party transactions (notes 16 and 18)
Subsequent events (note 19)

See accompanying notes to the consolidated financial statements

On behalf of the Board:

/s/ Bruce Rudichuk
President & Chief Executive Officer

/s/ Mark Scott
Executive Vice President &
Chief Financial Officer

Genesis Land Development Corp.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
For the years ended December 31, 2012 and 2011
(In thousands of Canadian dollars except per share amounts)

	Note	2012	2011
Revenues			
Residential lot sales		51,933	40,739
Development land sales		49,389	22,523
Residential home sales		39,448	32,054
Other revenue		812	444
		141,582	95,760
Cost of sales			
Residential lots		24,412	24,019
Development lands		38,694	15,503
Residential homes		31,159	23,972
Impairment of real estate held for development and sale		33,146	2,474
		127,411	65,968
Gross margin		14,171	29,792
General and administrative	*8*	10,064	11,301
Selling and marketing		3,948	1,178
Other expenses	*9*	1,039	1,335
Gain on sale of land to joint venture	*16*	-	(2,201)
		15,051	11,613
Operating earnings from continuing operations		(880)	18,179
Finance income		(862)	(631)
Finance expense	*10*	2,643	5,169
(Loss) earnings before income taxes		(2,661)	13,641
Income taxes	*7*	4,086	4,264
Net (loss) earnings being comprehensive (loss) income		(6,747)	9,377
Atrributable to non-controlling interest	*4*	(15,608)	(1,683)
Attributable to equity shareholders		8,861	11,060
Net earnings per share - basic and diluted	*12*	0.20	0.25

See accompanying notes to the consolidated financial statements

Genesis Land Development Corp.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2012 and 2011
(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 December 31, 2010	44,379,448	54,798	4,575	108,716	168,089	58,922	227,011
Share-based payment transactions	104,839	324	375	-	699	-	699
Distributions to unit holders of limited partnerships	-	-	-	-	-	(468)	(468)
Net (loss) earnings being comprehensive (loss) 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
Share-based payment transactions	281,441	722	159	-	881	-	881
Distributions to unit holders of limited partnerships	-	-	-	-	-	(4,444)	(4,444)
Net (loss) earnings being comprehensive (loss) income	-	-	-	8,861	8,861	(15,608)	(6,747)
At December 31, 2012	44,765,728	55,844	5,109	128,637	189,590	36,719	226,309

See accompanying notes to the consolidated financial statements

Genesis Land Development Corp.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2012 and 2011
(In thousands of Canadian dollars)

	Note	2012	2011
Operating activities			
Cash receipts from residential lot and development land sales		61,933	52,235
Cash receipts from residential home sales		40,545	32,009
Other cash receipts		6,856	667
Cash paid to suppliers for land development		(51,360)	(35,676)
Cash paid to suppliers for residential home construction		(37,909)	(17,626)
Cash paid to other suppliers and employees		(13,079)	(14,056)
Interest received		862	631
Income taxes paid		(9,520)	(4,528)
		(1,672)	13,656
Investing activities			
Acquisition of property and equipment		(449)	(68)
Change in restricted cash		(3,724)	(4,324)
Proceeds on disposal of property and equipment		36	4
		(4,137)	(4,388)
Financing activities			
Advances from loans and credit facilities	*11*	102,303	91,023
Repayments of loans and credit facilities		(87,396)	(83,613)
Interest and loans and credit facilities fees paid		(6,043)	(8,056)
Distributions to unit holders of limited partnerships		(4,444)	(468)
Issue of share capital		544	241
		4,964	(873)
Change in cash and cash equivalents		(845)	8,395
Cash and cash equivalents, beginning of year		10,850	2,455
Cash and cash equivalents, end of year		10,005	10,850

See accompanying notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Corporation are 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").

(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.

(c) Basis of consolidation

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

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

Non-controlling interests represent the portion of profit or loss and net assets not held by the Corporation and are presented separately from shareholders' equity in the statement of comprehensive (loss) income and within equity in the consolidated balance sheet. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Interest 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. Genesis 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 Genesis 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.

Regarding transactions with the joint venture, profits and losses resulting from the transactions are recognized in the Corporation's consolidated financial statements only to the extent of interests in the joint venture that are not related to Genesis.

(e) Revenue recognition

(i) Residential lot and development land sales

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

(ii) Residential home sales

Revenue is recognized when title to 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 a straight-line basis over the term of the rental agreement. Rental income is incidental to ownership of real estate and does not result in classification of real estate as investment property. All real estate is classified as inventory. Deposits forfeited are recognized as income.

(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").

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 (loss) income when the carrying value exceeds its NRV.

NRV is the estimated selling price in the ordinary course of the business 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. This generally entails a time period of 12 months or more. 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.

(h) Property and equipment

Property and equipment is stated at cost, net of any accumulated depreciation and accumulated impairment losses. Depreciation is provided on all operating property and equipment based on the straight-line method over the estimated useful lives of the property and equipment. The useful lives of the properties are as follows:

- Vehicles and other equipment 5 years
- Office equipment and furniture 7 years
- Computer equipment 3 years
- Leasehold improvements 5 years

An item of property and equipment is no longer 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 (loss) income.

All minor repair and maintenance costs are recognized in the statement of comprehensive (loss) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 tax

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

(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 (loss) income.

(m) Leases

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Share-based payments

The Corporation provides equity-settled share-based payments in the form of a share option plan to its employees, officers and directors. The costs of the share-based payments are calculated 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. 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 (loss) income. The financial assets classified as FVTPL are cash and cash equivalents, and deposits and restricted cash.

Financial instruments classified as loans and receivables 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 (loss) income. Financial assets classified as loans and receivables are amounts receivable.

Financial assets are no longer 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 that 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 loans and credit facilities.

Financial liabilities are no longer 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.

(q) Impairment of non-financial assets

The Corporation assesses at each balance sheet date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for the asset is required, Genesis 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 amount of 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 amount is 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Significant accounting judgments and estimates

The preparation of consolidated financial statements requires management to make judgments and estimates 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.

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

Judgments

(i) Revenue Recognition

Revenue recognition for development lands requires judgment to determine when the risks and rewards of ownership have been transferred. The Corporation reviews each contract and evaluates all the factors to determine the appropriate transfer date.

(ii) Consolidation

The Corporation applies judgment in determining control over certain limited partnerships where Genesis holds less than 50% equity ownership. The judgment is based on a review of all contractual agreements to determine if the Corporation has control over financial and operating policies of these limited partnerships.

(iii) 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 due 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.

(iv) Net realizable value

NRV for land parcels and housing projects held for development and sale is estimated with reference to market prices and conditions existing at the balance sheet date. This is determined by the Corporation having considered suitable external advice from independent real estate appraisers and in light of recent market transactions of similar and adjacent lands and housing projects in the same geographic area.

(v) Legal contingencies

The Corporation applies judgment as to the outcome of legal proceedings to determine a need for a provision and disclosure in the consolidated financial statements. Among the factors considered in making such judgments are the nature of litigation, claim or assessment, the legal process and potential level of damages, the progress of the case, the opinions or views of legal advisers and any decision of the Corporation’s management as to how it will respond to the litigation, claim or assessment.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

(i) 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.

(ii) Impairment of real estate held for future development

The Corporation estimates the net realizable value on an annual basis to assess impairment. The estimate is based on valuation conducted by independent real estate appraisers and in light of recent market transactions of similar and adjacent lands and housing projects in the same geographic area.

(iii) Share-based payments

The Corporation uses an option pricing model to determine the fair value of share-based payments. Inputs to the model are subject to various estimates about volatility, interest rates, dividend yields, forfeiture rates and expected life of the units issued. Fair value inputs are subject to market factors as well as internal estimates. The Corporation considers historic trends together with any new information to determine the best estimate of fair value at the date of grant.

(iv) Valuation of amounts receivables

Amounts receivable are reviewed on a regular basis to estimate recoverability of balances. Any amounts becoming overdue and any known issues about the financial condition of builders are taken into account when estimating recoverability.

(u) Change in accounting estimates

The Corporation changed its depreciation method for property and equipment from the declining balance method to the straight-line basis ranging from three to seven years useful life, depending on asset category. The change was 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.

(v) Changes to future accounting policies

(i) IFRS 9, "Financial Instruments"

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, 2015. It applies to classification and measurement of financial assets as defined in IAS 39. It uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. The Corporation is currently evaluating the impact of IFRS 9 on its financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) IFRS 10, "Consolidated Financial Statements"

IFRS 10, "Consolidated Financial Statements", issued by IASB on May 12, 2011, will replace Standing Interpretations Committee 12, "Consolidation – Special Purpose Entities" and the consolidation requirements of IAS 27, "Consolidated and Separate Financial Statements". The standard is effective for annual periods beginning on or after January 1, 2013. The new standard eliminates the current risk and rewards approach and establishes control as the single basis for determining the consolidation of an entity. The Corporation does not expect any significant effect on the consolidated financial statements as a result of adopting this standard.

(iii) 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, requiring joint operations to be proportionately consolidated and joint ventures to be equity accounted. Under IAS 31, joint ventures could be proportionately accounted. The Corporation will apply IFRS 11 beginning on January 1, 2013 with retrospective application from the date of earliest period presented which will be January 1, 2012. The Corporation has analyzed its joint arrangement to determine appropriate accounting treatment under the new IFRS. The extent of the impact of adoption of IFRS 11 has not yet been determined.

(iv) 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 standard requires 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 has substantially completed analysis of IFRS 12 and expects to include additional disclosures in the annual consolidated financial statements for the year ended December 31, 2013.

(v) 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.

(vi) IFRS 32, "Financial Instruments: Presentation"

IFRS 32, "Financial Instruments: Presentation", was amended May 2012 to address inconsistencies when applying offsetting requirements. It is effective for annual periods beginning on or after January 1, 2013.

3. REAL ESTATE HELD FOR DEVELOPMENT AND SALE

	Land Under Development	Land Held for Future Development	Housing Projects	Total
Gross book value				
As at January 1, 2011	158,266	145,725	11,015	315,006
Acquisitions and transfers	5,243	(3,551)	15,410	17,102
Development	29,220	5,121	13,967	48,308
Sold	(39,483)	-	(30,263)	(69,746)
As at December 31, 2011	153,246	147,295	10,129	310,670
Acquisitions and transfers	1,938	(1,938)	19,331	19,331
Development	39,137	1,616	34,151	74,904
Sold	(55,739)	-	(33,407)	(89,146)
As at December 31, 2012	138,582	146,973	30,204	315,759
Provision for write-down				
As at January 1, 2011	2,117	6,239	2,016	10,372
Write-downs (recoveries) for the year	1,941	457	-	2,398
Adjustment from existing provision to carrying value of asset	-	-	(2,016)	(2,016)
As at December 31, 2011	4,058	6,696	-	10,754
Write-downs (recoveries) for the year	1,087	32,073	-	33,160
As at December 31, 2012	5,145	38,769	-	43,914
Net book value				
As at December 31, 2011	149,188	140,599	10,129	299,916
As at December 31, 2012	133,437	108,204	30,204	271,845

During the year ended December 31, 2012, interest of $4,464 (2011 - $2,937) and other carrying costs of $5 (2011 - $448) were capitalized.

As at December 31, 2012, land held for future development of $52,411 (December 31, 2011 - $67,952) and land under development of $8,212 (December 31, 2011 - $10,584) were held in the limited partnerships controlled by Genesis (see note 4(a)).

The expense related to impairment of real estate held for development and sale is as follows:

	2012	2011
Provision for write-down	33,160	2,398
(Recovery) write-down directly against carrying value of assets	(14)	76
	33,146	2,474

3. REAL ESTATE HELD FOR DEVELOPMENT AND SALE (continued)

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, 2012 and 2011, which were included in cost of sales:

	2012			2011		
	Land	LP	**Total**	Land	LP	**Total**
Land held for future development	16,419	15,654	**32,073**	620	(163)	**457**
Land under development	1,849	(762)	**1,087**	1,941	-	**1,941**
Write-down (recovery) of real estate held for development and sale and other	18,268	14,892	**33,160**	2,561	(163)	**2,398**
Adjustment from existing provision to carrying value of asset	-	-	**-**	(2,016)	-	**(2,016)**
Change in provision for write-down	18,268	14,892	**33,160**	545	(163)	**382**

4. NON-CONTROLLING INTEREST – LIMITED PARTNERSHIPS

As shown in note 20, Genesis owns less than 50% of various entities and consequently, does not control more than half of the voting power of those shares. However, based on contractual arrangement between the Corporation and these entities, Genesis has the power to direct the activities of their projects and hence, has control over financial and operating policies of these entities. Therefore, these entities may be controlled, at the option of Genesis and are consolidated in these financial statements.

The Corporation is the general partner in limited partnership arrangements described below. 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.

4. NON-CONTROLLING INTEREST (continued)

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 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 a 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.

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 the entity used to acquire the Delacour Lands. As a result, Genesis completed the transaction with its own funds and assumed the loan obligations of LPLP 2007.

Genesis has no ownership interest in LPLP 2007. However, as manager of LPLP 2007 properties, Genesis is entitled to a management fee of 50% of the proceeds from the sale of any land parcels owned by LPLP 2007, provided that the limited partners receive sale proceeds equal to 150% of the acquisition cost of that land parcel.

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

	Gross	Provision for Write-Down	Net
		2012	
Limited Partnership 4&5	7,822	-	7,822
Limited Partnership 6&7	8,212	-	8,212
Limited Partnership 8&9	6,696	(2,166)	4,530
Limited Partnership Land Pool 2007	57,161	(17,102)	40,059
Balance - December 31, 2012	79,891	(19,268)	60,623
		2011	
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

During the year, the Corporation recognized write-downs of $14,892 (2011 – recovery of $163) relating to impairment of the carrying value of certain real estate held for development and sale held under limited partnership and is included in cost of sales.

4. NON-CONTROLLING INTEREST (continued)

The limited partnerships earnings and distributions were as follows:

	Limited Partnership				
	4&5	6&7	8&9	LPLP2007[1]	Total
Balance, January 1, 2011	8,021	14,190	6,657	30,054	58,922
Net (loss) earnings	(314)	645	(47)	(1,967)	(1,683)
Distributions	-	(140)	(328)	-	(468)
Balance, December 31, 2011	7,707	14,695	6,282	28,087	56,771
Net (loss) earnings	43	1,788	(2,175)	(15,264)	(15,608)
Distributions	-	(4,444)	-	-	(4,444)
Balance, December 31, 2012	7,750	12,039	4,107	12,823	36,719

[1] *LPLP2007 refers to Limited Partnership Land Pool 2007*

5. AMOUNTS RECEIVABLE

	2012	2011
Agreements receivable	73,659	32,805
Mortgages receivable	11,025	9,863
Other receivables	2,189	783
	86,873	43,451
Allowance for doubtful accounts	(1,643)	-
	85,230	43,451

Agreements receivables are secured by the underlying real estate assets and have various terms of repayment. Purchasers generally have between six and 24 months to pay the balance owing for the purchased lots. Agreements receivable as at December 31, 2012, include a receivable from one customer amounting to $27,714 (2011 – Nil) which was realized subsequent to the year end on January 10, 2013. Mortgages receivables are interest bearing.

6. OTHER OPERATING ASSETS

	2012	2011
Deposits	4,989	11,830
Prepayments	1,155	2,773
Restricted cash	9,615	5,891
Property and equipment	478	448
	16,237	20,942

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. The Corporation has further provided letters of credit as security to guarantee the completion of construction projects (see note 14 (d) for further details). Restricted cash is held in trust accounts.

7. INCOME TAXES

(a) Income tax was recognized in the statement of comprehensive (loss) income as follows:

	2012	2011
Current income tax	1,167	10,510
Deferred tax relating to origination and reversal of temporary differences	2,919	(6,246)
	4,086	4,264

(b) Income tax expense differed from that which would be expected from applying the combined statutory Canadian federal and provincial income tax rates of 25% (2011 – 26.5%) to income before income taxes. The difference resulted from the following:

	2012	2011
(Loss) earnings before income taxes	(2,661)	13,641
Statutory tax rate	25.0%	26.5%
Expected income tax expense	**(665)**	**3,615**
Change in future income taxes resulting from tax rate reduction	-	69
Share-based payment transactions	84	122
Other non-deductible expenses	765	12
Non-controlling interest	3,902	446
Tax expense for the year	4,086	4,264

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

	2012	2011
Deferred tax assets	6,420	5,716
Deferred tax liabilities	(6,480)	(2,857)
	(60)	2,859

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

	2012	2011
Real estate held for development and sale	2,845	2,575
Non-capital loss carry-forwards*	497	152
Reserves from land sales	(4,532)	(111)
Unamortized financing costs	1,090	263
Other temporary differences	40	(20)
	(60)	2,859

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

7. INCOME TAXES (continued)

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

	2012	2011
Real estate held for development and sale	270	(463)
Non-capital loss carry-forwards*	345	38
Reserves from land sales	(4,421)	6,548
Unamortized loan and credit facilities costs	827	136
Other temporary differences	60	(13)
	(2,919)	6,246

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

(f) The movement in income tax payable for the year was as follows:

	2012	2011
Balance as at January 1	12,970	6,988
Provision	1,167	10,510
Payments	(9,520)	(4,528)
Balance as at December 31	4,617	12,970

8. GENERAL AND ADMINISTRATIVE

The general and administrative expense of the Corporation consisted of the following:

	2012	2011
Corporate administration	2,054	1,806
Compensation and benefits	4,982	5,173
Professional services	3,028	4,322
	10,064	11,301

9. OTHER EXPENSES

Other expenses of the Corporation consisted of the following:

	2012	2011
Share-based payments	337	459
Depreciation	413	163
Bad debt expense	314	716
Other recoveries	(25)	(3)
	1,039	1,335

10. FINANCE EXPENSE

The finance expense of the Corporation consisted of the following:

	2012	2011
Interest expense	5,669	6,549
Loans and credit facilities fees accretion	1,438	1,557
Interest and loans and credit facilities fees capitalized	(4,464)	(2,937)
	2,643	5,169

11. LOANS AND CREDIT FACILITIES

	2012	2011
Secured by land held for future development		
I. Land loan, bearing interest at the greater of 7.2% or prime + 4.2% per annum, secured by land held for development and sale with a carrying value of $18,963, maturing March 1, 2014.	7,850	7,850
II. Other mortgages payable, bearing interest at 7% per annum, payable on demand.	-	688
Secured by land under development and agreements receivable		
III. Land project loans, payable on collection of agreements receivable, bearing interest at rates ranging from prime + 1.25% to the greater of 10.5% or prime + 7.5%, secured by land held for development and sale with a carrying value of $142,743, due between February 2, 2013 and December 1, 2015.	87,936	80,197
Secured by housing projects under development		
IV. Demand operating line of credit up to $3,000, bearing interest at prime + 1.5% per annum, secured by a general security agreement over assets of the home building division.	2,281	1,254
V Project loans, payable on collection of closing proceeds, bearing interest ranging from prime + 1.25% to the greater of 5.25% or prime + 2% per annum, secured by home building projects with a carrying value of $11,128, due between June 13, 2013 to October 30, 2013.	6,487	-
	104,554	89,989
Deferred loans and credit facilities fees	(2,312)	(1,758)
	102,242	88,231

During the year ended December 31, 2012, the Corporation received advances of $102,303 (2011 - $91,023) 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 + 1.25% to the greater of 10.5% or prime + 7.5% per annum, with due dates ranging from June 13, 2013 to December 1, 2015.

The weighted average interest rate of loan agreements was 6.25% (December 31, 2011 - 6.57%), based on December 31, 2012 balances.

11. LOANS AND CREDIT FACILITIES (continued)

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

January 1, 2013 to December 31, 2013	24,109
January 1, 2014 to December 31, 2014	47,887
January 1, 2015 to December 31, 2015	32,558
	104,554

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

As at December 31, 2012 and 2011, the Corporation was in compliance with all covenants.

12. 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 years ended December 31, 2012 and 2011:

	2012	**2011**
Basic	44,664,086	44,462,869
Effect of dilutive securities - stock options	110,537	301,914
Diluted	44,774,623	44,764,783

In calculating diluted earnings per share for the year ended December 31, 2012, the Corporation excluded 760,500 options (2011 – 1,142,000) as their exercise prices were greater than the average market price of the Corporation's shares during those periods.

13. STOCK OPTIONS

The Corporation has established a stock option plan for certain employees, officers, and directors of the Corporation to purchase common shares. Vesting provisions and exercise prices are set at the time of issuance by the Board of Directors. Options vest over a number of years on various anniversary dates from the date of the original grant.

The options must be issued at not less than the fair market value of the common shares at the date of grant and are issued with terms generally not exceeding five years from the date of grant.

13. STOCK OPTIONS (continued)

Details of outstanding stock options were as follows:

	Twelve months ended			
	December 31, 2012		December 31, 2011	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding - beginning of year	1,788,221	$ 3.60	2,262,934	$ 3.73
Options granted	400,000	$ 3.35	-	-
Options exercised	(281,441)	$ 1.93	(104,839)	$ 2.30
Options expired	(281,500)	$ 6.63	(116,000)	$ 5.48
Options forfeited	(393,558)	$ 3.57	(253,874)	$ 4.47
Outstanding - end of year	1,231,722	$ 3.21	1,788,221	$ 3.60
Exercisable - end of year	923,222	$ 3.17	1,333,793	$ 3.81

	Outstanding		Exercisable		
Range of Exercise Prices ($)	Number at December 31, 2012	Weighted Average Exercise Price	Number at December 31, 2012	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life in Years
0.01 - 3.00	286,222	$ 2.01	286,222	$ 2.01	1.91
3.01 - 4.00	885,500	$ 3.35	577,000	$ 3.35	3.31
4.01 - 9.00	60,000	$ 6.97	60,000	$ 6.97	0.11
	1,231,722	$ 3.21	923,222	$ 3.17	2.83

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

	2012	2011
Risk-free interest rate	1.12 - 1.16%	N/A
Estimated term period prior to exercise (years)	2.5	N/A
Volatility in the price of the Corporation's common shares	45.44 - 51.40%	N/A
Forfeiture rate	19.42 - 24.22%	N/A
Dividend yield rate	Nil	N/A

14. 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, has 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.

14. COMMITMENTS AND CONTINGENCIES (continued)

(b) Genesis has entered into a memorandum of understanding with the Northeast Community Society, whereby the Corporation will contribute $5,000 for the naming rights to "Genesis Centre for Community Wellness", a recreation complex in northeast Calgary ($500 each year, terminating October 31, 2021). The first installment was paid in 2012.

(c) On February 19, 2008, Genesis entered into an agreement with the City of Airdrie, whereby the Corporation will contribute $2,000 for the naming rights to "Genesis Place", a recreation complex in the city of Airdrie ($200 each year, terminating June 1, 2017). The first five installments totaling $1,000 were made through 2012.

(d) The Corporation has issued letters of credit pursuant to service agreements with municipalities to indemnify them in the event that Genesis does not perform its contractual obligations. As of December 31, 2012, the letters of credit amounted to $3,801 (December 31, 2011 – $4,739).

(e) On July 15, 2011, a joint venture (see note 16) obtained a credit facility in the amount of $17,000. The Corporation and a joint venture partner have provided guarantees for this facility. The current balance of the credit facility is $10,036 (2011 - $4,330).

(f) Pursuant to the terms of a participating mortgage that was repaid during 2002, the former mortgage holders have the right to a 20% participation in the profits from the development of approximately 39 acres of land under development. At December 31, 2012, a liability of approximately $3,051 (December 31, 2011 - $1,876) was recorded. The Corporation is selling lots in the last phase covered under this development. The payout to the participants would be made on completion of the sale of lots in the last phase, which is expected in 2014.

(g) The Corporation has office and other operating leases with the following annual payments: not later than one year - $706; later than one year but not later than five years - $2,694; and later than five years - $Nil.

(h) LPLP 2007 has a credit facility in the amount of $7,850 included in loans and credit facilities balance in the consolidated financial statements. The Corporation has provided a guarantee for this facility.

15. FINANCIAL INSTRUMENTS

(a) Risks associated with financial instruments

(i) Credit risk

As at December 31, 2012, the Corporation carried $1,643 (2011 - $Nil) as allowance for doubtful accounts.

Genesis 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. These lots are taken back into the Corporation's lot inventory. Lots that have been recovered subsequent to impairment are removed 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 impairment has been assessed.

15. FINANCIAL INSTRUMENTS (continued)

During the years ended December 31, 2012 and 2011, the Corporation recognized the following bad debt expense 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:

	2012	2011
Balance as at January 1	-	-
Allowance for lots deemed uncollectable	1,329	-
Bad debt expense	314	-
As at December 31	1,643	-

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 was as follows:

	2012	2011
Not past due	85,085	43,451
Past due 0 - 90 days but not impaired	145	-
Past due 91 - 120 days (impaired)	927	-
Past due 121 - 270 days (impaired)	716	-
	86,873	43,451
Allowance for doubtful accounts	(1,643)	-
	85,230	43,451

Individual balances due from customers as at December 31, 2012, which comprise greater than 10% of total amounts receivable, totaled $35,450 from two customers (December 31, 2011 - $9,856 from three customers).

(ii) Liquidity risk

The following were the contractual maturities of financial liabilities and other commitments as at December 31, 2012:

	< 1 Year	> 1 Year	Total
Financial Liabilities			
Accounts payable and accrued liabilities	21,309	-	21,309
Loans and credit facilities excl. deferred loan and credit facilities fees (note 11)	24,109	80,445	104,554
	45,418	80,445	125,863
Commitments			
Lease obligations	706	2,694	3,400
Naming rights	700	4,800	5,500
	46,824	87,939	134,763

15. FINANCIAL INSTRUMENTS (continued)

At December 31, 2012, Genesis had obligations due within the next 12 months of $46,824. 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 loans and credit facilities are at a floating rate of interest. The Corporation is also exposed to fair value risk to the extent that certain loans and credit facilities, 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 $974 annually on floating rate loans, with approximately $554 impacting pre-tax net earnings.

(b) Fair value of financial instruments

The fair values of cash and cash equivalents, restricted cash, accounts payable and accrued liabilities approximate their carrying values as they are expected to be settled within twelve months. The fair value of deposits approximates their carrying value as the terms of deposits are the comparable to the market terms for similar instruments.

The fair values of the Corporation's deposits, loans and credit facilities and amounts receivable were estimated based on current market rates for loans of the same risk and maturities.

	December 31, 2012		December 31, 2011	
	Carrying value	Estimated Fair Value	Carrying value	Estimated Fair Value
Fair value through profit and loss				
Cash and cash equivalents*	10,005	10,005	10,850	10,850
Deposits*	4,989	4,989	11,830	11,830
Restricted cash*	9,615	9,615	5,891	5,891
Loans and receivables				
Amounts receivable	85,230	85,026	43,451	41,500
Other financial liabilities				
Accounts payable and accrued liabilities	21,309	21,309	16,415	16,415
Loans and credit facilities, excl. deferred loans and credit facilities fees	104,554	103,455	89,989	86,943

* *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 is not based on observable market data (unobservable inputs).

(c) Capital management

The Corporation's policy is to maintain a sufficient 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.

15. FINANCIAL INSTRUMENTS (continued)

The Corporation manages its capital structure and makes adjustments to it in light of changes in regional economic conditions and the risk characteristics of the underlying real estate industry within that region.

The Corporation considered its capital structure at the following dates to specifically include:

	December 31, 2012	December 31, 2011
Loans and credit facilities	102,242	88,231
Shareholders' equity	189,590	179,848
	291,832	268,079

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 loans and credit facilities to ensure the Corporation is able to meet its financial obligations as they come due.

16. JOINT VENTURE

Genesis formed a joint venture on April 30, 2010, for the purpose of acquiring, developing and selling certain real estate. The amounts in the following table represent the Corporation's 50% proportionate share of the assets, liabilities, revenue, earnings and cash flow information of the JV at various periods, which was proportionately consolidated in the financial statements.

					CASH FLOW FROM (USED IN)		
	Assets	Liabilities	Revenue	Earnings	Operating Activities	Investing Activities	Financing Activities
As at and for the year ended December 31, 2012	30,563	12,321	14,062	1,819	1,147	-	(1,147)
As at and for the year ended December 31, 2011	29,232	8,827	11,575	1,403	(2,290)	-	2,280

The Corporation’s transactions with the JV are limited to the purchase of lots. The JV sold 21 lots in 2012 (2011 - 30 lots) to Genesis Builders Group Inc. (“GBG”), a wholly owned subsidiary of the Corporation, for $3,880 (2011 - $4,853). The Corporation's accounts payable and accrued liabilities as at December 31, 2012 included $3,370 (December 31, 2011 - $1,941), representing the proportionate amount owed to the JV for the lots purchased in 2011 and 2012.

Genesis deferred $13,167 when it contributed its share of land to the JV in 2010. As at December 31, 2012, the Corporation had realized $5,605 of that amount as a result of sales to third parties (2011 – $2,409). Approximately $3,196 (2011 – $2,409) had been recognized during the year ended December 31, 2012. The remaining amount of $7,562 will be realized on future sale and development of lots and lands by the JV.

17. 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 reported the following activities for the years ended December 31, 2012 and 2011:

Year ended December 31, 2012	Land development segment Genesis	LP	Total	Home building segment	Corporate and other segment	Intersegment elimination	Total
Revenues	109,992	4,461	114,453	39,497	-	(12,368)	141,582
Cost of sales	(70,016)	(3,504)	(73,520)	(34,910)	-	14,165	(94,265)
Write-down of real estate	(18,268)	(14,878)	(33,146)	-	-	-	(33,146)
Other expenses[1]	(7,257)	(1,766)	(9,023)	(6,012)	-	(1,797)	(16,832)
Earnings (loss) before income taxes and non-controlling interest	14,451	(15,687)	(1,236)	(1,425)	-	-	(2,661)
As at December 31, 2012:							
Segmented assets	278,499	65,707	344,206	38,093	10,005	(8,987)	383,317
Segmented liabilities	124,653	8,057	132,710	35,634	-	(11,336)	157,008
Year ended December 31, 2011							
Revenues	71,607	6,547	78,154	32,085	-	(14,479)	95,760
Cost of sales	(44,859)	(5,660)	(50,519)	(28,414)	-	15,439	(63,494)
(Write-down) recovery of real estate	(2,626)	179	(2,447)	(27)		-	(2,474)
Other expenses[1]	(9,909)	(1,559)	(11,468)	(3,723)	-	(960)	(16,151)
Earnings (loss) before income taxes and non-controlling interest	14,213	(493)	13,720	(79)	-	-	13,641
As at December 31, 2011:							
Segmented assets	272,151	83,787	355,938	17,435	10,851	(6,206)	378,018
Segmented liabilities	131,156	7,749	138,905	12,769	-	(10,275)	141,399

[1] *Other expense items include general and administrative, other expenses, finance income and expense, gain from joint venture, and gain or loss on disposal of property and equipment.*

18. RELATED PARTY TRANSACTIONS

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

	2012	2011
Short-term benefits	1,433	1,795
Share-based payments	190	289
	1,623	2,084

Payments to the former Chief Executive Officer under an advisory service agreement for the year ended December 31, 2012 were $29 (2011 - Nil). The agreement ended March 31, 2012.

A director of Genesis, appointed on July 12, 2012, is an officer of a lender. At December 31, 2012, the Corporation had loans totaling $28,448 (December 31, 2011 – 53,196) outstanding with this lender. During the year ended December 31, 2012, Genesis paid interest and fees to the lender of $3,504 (2011 – $4,523), respectively. During the year ended December 31, 2012, the Corporation obtained no new financing or re-financing on existing loans (2011 – $70,185) with the lender. All transactions are under normal commercial terms and conditions.

Genesis is the general partner in four limited partnership arrangements and a partner in a 50% real estate joint venture, which is discussed in detail in notes 4 and 16, respectively.

19. SUBSEQUENT EVENTS

On February 11, 2013, Genesis appointed a new senior executive team. Bruce Rudichuk joined Genesis as President and Chief Executive Officer and Mark Scott as Executive Vice President and Chief Financial Officer.

20. COMPARATIVE FIGURES

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

21. PRINCIPAL SUBSIDIARIES AND JOINT VENTURE

The financial statements include the financial statements of Genesis and its subsidiaries and entities controlled by the Corporation. All entities are incorporated in Canada and are listed in the following table:

	% equity interest as at	
Name	**December 31, 2012**	**December 31, 2011**
Land Development		
Genpol Inc.	100%	100%
Genpol LP	100%	100%
1504431 Alberta Ltd.	0.0002%	0.0002%
Genesis Sage Meadows Partnership	99.9998%	99.9998%
Polar Hedge Enhanced Income Trust	100%	100%
New View Consulting Ltd.	100%	100%
No. 114 Corporate Ventures Ltd.	100%	100%
Buena Vista Ranches Ltd.	100%	100%
LP 4/5 group		
Genesis Limited Partnership #4	0.001%	0.001%
Genesis Limited Partnership #5	0%	0%
GLP5 GP Inc.	0%	0%
GLP5 NE Calgary Development Inc.	0%	0%
Genesis Northeast Calgary Ltd.	100%	100%
LP 6/7 group		
Genesis Limited Partnership #6	11.75%	11.65%
Genesis Limited Partnership #7	0%	0%
GP GLP7 Inc.	0%	0%
GLP7 Subco Inc.	0%	0%
LP 8/9 group		
Genesis Limited Partnership #8	0.23%	0.23%
Genesis Limited Partnership #9	0%	0%
GP GLP8 Inc.	100%	100%
GP GLP9 Inc.	0%	0%
GLP9 Subco Inc.	0%	0%
LPLP 2007 group		
Limited Partnership Land Pool (2007)	0%	0%
GP LPLP 2007 Inc.	100%	100%
GP RRSP 2007 Inc.	0%	0%
LPLP 2007 Subco Inc.	0%	0%
GP RRSP 2007 #2 Inc.	0%	0%
LPLP 2007 Subco #2 Inc.	0%	0%
LP RRSP Limited Partnership #1	0%	0%
LP RRSP Limited Partnership #2	0%	0%
Joint Venture		
Kinwood Communities Inc.	50%	50%
Home Building		
Single-family		
Genesis Builders Group Inc.	100%	100%
Multi-family		
The Breeze Inc.	100%	100%
Generations Group of Companies Inc.	100%	100%
Life at Solana Inc.	100%	100%
Life at Waterstone Inc.	100%	100%
Montura Inc. (previously Life at Skye Inc.)	100%	100%