



**Consolidated Interim Financial Statements**  
**For the three and nine months ended September 30, 2011 and 2010**  
(Unaudited)

# Genesis Land Development Corp.

## Consolidated Interim Financial Statements September 30, 2011 and 2010

### Contents

Consolidated Balance Sheets	2
Consolidated Statements of Comprehensive Income	3
Consolidated Statements of Changes in Equity	4
Consolidated Statements of Cash Flows	5
Notes to the Consolidated Interim Financial Statements	6-29

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

	Note	September 30, 2011 (Unaudited)	December 31, 2010 <sup>(1)</sup> (Unaudited)	January 1, 2010 <sup>(1)</sup>
<b>Assets</b>				
Real estate held for development and sale	4	298,761	304,634	302,598
Property and equipment	6	478	544	568
Amounts receivable	7	35,517	27,021	15,384
Other operating assets	8	18,946	15,812	17,000
Deferred income taxes	9	3,477	-	2,213
Cash and cash equivalents		3,698	2,455	4,578
<b>Total assets</b>		<b>360,877</b>	<b>350,466</b>	<b>342,341</b>
<b>Liabilities</b>				
Financings	13	74,127	81,320	115,210
Customer deposits		7,474	8,388	4,985
Accounts payable and accrued liabilities		17,296	13,025	8,351
Income taxes payable		12,767	6,988	11,139
Deferred income taxes	9	-	3,387	-
Land development service costs		13,177	10,347	8,300
<b>Total liabilities</b>		<b>124,841</b>	<b>123,455</b>	<b>147,985</b>
Commitments and contingencies	16			
<b>Equity</b>				
Share capital	14	55,122	54,798	54,097
Contributed surplus		4,894	4,575	3,973
Retained earnings		117,719	108,716	75,202
Shareholders' equity		177,735	168,089	133,272
Non-controlling interest	5	58,301	58,922	61,084
<b>Total equity</b>		<b>236,036</b>	<b>227,011</b>	<b>194,356</b>
<b>Total liabilities and equity</b>		<b>360,877</b>	<b>350,466</b>	<b>342,341</b>

Related party transactions (note 20)

See accompanying notes to the consolidated interim financial statements

<sup>(1)</sup> Refer to Note 3 for the effects of adoption of IFRS.



Jeff Blair  
Interim Chief Executive Officer



Simon Fletcher  
Chief Financial Officer

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

	Note	Three months ended		Nine months ended	
		September 30,		September 30,	
		2011	2010 <sup>(1)</sup>	2011	2010 <sup>(1)</sup>
<b>Revenues</b>					
Residential lot sales		4,581	1,527	25,601	10,615
Development land sales		5,890	-	18,048	39,712
Residential home sales		11,119	16,021	26,052	50,860
Other revenue		134	75	391	593
		<u>21,724</u>	<u>17,623</u>	<u>70,092</u>	<u>101,780</u>
<b>Cost of sales</b>					
Residential lots		3,498	(323)	16,497	3,759
Development lands		2,039	963	9,646	14,763
Residential homes		7,873	11,580	19,096	38,039
		<u>13,410</u>	<u>12,220</u>	<u>45,239</u>	<u>56,561</u>
<b>Gross margin</b>					
		8,314	5,403	24,853	45,219
General and administrative	10	4,082	2,982	10,338	9,043
Other expense	11	605	416	1,024	709
		<u>4,687</u>	<u>3,398</u>	<u>11,362</u>	<u>9,752</u>
<b>Operating earnings from continuing operations</b>					
		3,627	2,005	13,491	35,467
Finance income		(168)	(171)	(464)	(512)
Finance expense	12	1,336	1,593	4,184	6,706
Gain on de-recognition of SPE	5(b)	-	-	-	(613)
Gain on contribution of land to joint venture	18	-	-	(2,201)	-
Loss (gain) on disposal of property and equipment		(3)	3	(3)	10
		<u>2,462</u>	<u>580</u>	<u>11,975</u>	<u>29,876</u>
<b>Earnings before income taxes</b>					
		2,462	580	11,975	29,876
<b>Income taxes</b>	9	558	599	3,307	8,783
		<u>1,904</u>	<u>(19)</u>	<u>8,668</u>	<u>21,093</u>
<b>Net earnings being Comprehensive Income for the period</b>					
<b>Attributable to:</b>					
Equity holders of the parent		1,877	917	9,003	23,060
Non-controlling interest	5	27	(936)	(335)	(1,967)
		<u>1,904</u>	<u>(19)</u>	<u>8,668</u>	<u>21,093</u>
<b>Net earnings being Comprehensive Income for the period</b>					
		1,904	(19)	8,668	21,093
<b>Net earnings per share attributable to common shareholders – basic and diluted</b>					
	14	0.04	0.02	0.20	0.52

See accompanying notes to the consolidated interim financial statements

<sup>(1)</sup> Refer to Note 3 for the effects of adoption of IFRS.

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

	Common shares - Issued		Contributed surplus	Retained Earnings	Total shareholders' equity	Non-controlling Interest	Total Equity
	Number of shares	Amount					
<b>At January 1, 2010<sup>(1)</sup></b>	44,111,757	54,097	3,973	75,202	133,272	61,084	194,356
Share-based payment transactions	-	-	575	-	575	-	575
Proceeds from shares issued on exercise of options	235,940	434	-	-	434	-	434
Transferred from contributed surplus on exercise of options	-	186	(186)	-	-	-	-
De-recognition of SPE	-	-	-	-	-	(2,120)	(2,120)
Distributions to unit holders of limited partnerships	-	-	-	-	-	(2,886)	(2,886)
Net earnings being comprehensive income for the period	-	-	-	23,060	23,060	(1,967)	21,093
<b>At September 30, 2010<sup>(1)</sup></b>	<b>44,347,697</b>	<b>54,717</b>	<b>4,362</b>	<b>98,262</b>	<b>157,341</b>	<b>54,111</b>	<b>211,452</b>
Share-based payment transactions	-	-	238	-	238	-	238
Proceeds from shares issued on exercise of options	31,751	56	-	-	56	-	56
Transferred from contributed surplus on exercise of options	-	25	(25)	-	-	-	-
Distributions to unit holders of limited partnerships	-	-	-	-	-	-	-
Net earnings being comprehensive income for the period	-	-	-	10,454	10,454	4,811	15,265
<b>At December 31, 2010<sup>(1)</sup></b>	<b>44,379,448</b>	<b>54,798</b>	<b>4,575</b>	<b>108,716</b>	<b>168,089</b>	<b>58,922</b>	<b>227,011</b>
Share-based payment transactions	-	-	402	-	402	-	402
Proceeds from shares issued on exercise of options	104,839	241	-	-	241	-	241
Transferred from contributed surplus on exercise of options	-	83	(83)	-	-	-	-
Distributions to unit holders of limited partnerships	-	-	-	-	-	(286)	(286)
Net earnings being comprehensive income for the period	-	-	-	9,003	9,003	(335)	8,668
<b>At September 30, 2011</b>	<b>44,484,287</b>	<b>55,122</b>	<b>4,894</b>	<b>117,719</b>	<b>177,735</b>	<b>58,301</b>	<b>236,036</b>

See accompanying notes to the consolidated interim financial statements

<sup>(1)</sup> Refer to Note 3 for the effects of adoption of IFRS.

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

	Note	Three months ended		Nine months ended	
		September 30,		September 30,	
		2011	2010 <sup>(1)</sup>	2011	2010 <sup>(1)</sup>
<b>Operating activities</b>					
Cash receipts from residential lot and development land sales		15,435	31,167	35,802	63,497
Cash receipts from residential home sales		11,163	15,296	26,064	49,974
Other cash receipts		-	170	450	1,136
Cash paid to suppliers for land development		(2,561)	(14,578)	(15,399)	(16,847)
Cash paid to suppliers for residential home construction		(6,636)	(3,325)	(14,495)	(20,126)
Cash paid to other suppliers and employees		(3,812)	(2,964)	(10,290)	(10,362)
Cash generated from operations		13,589	25,766	22,132	67,272
Interest received		168	171	464	512
Income taxes paid		(2,949)	(1,879)	(4,392)	(6,863)
		<u>10,808</u>	<u>24,058</u>	<u>18,204</u>	<u>60,921</u>
<b>Investing activities</b>					
Acquisition of property and equipment	6	(36)	(8)	(55)	(183)
Increase (decrease) in restricted cash		(4,662)	314	(4,283)	(777)
Proceeds on disposal of property and equipment		4	-	4	45
		<u>(4,694)</u>	<u>306</u>	<u>(4,334)</u>	<u>(915)</u>
<b>Financing activities</b>					
Advances from financings	13	31,945	31,979	64,266	84,418
Repayments of financings		(42,841)	(54,105)	(71,194)	(136,058)
Interest and financing fees paid		(1,995)	(3,117)	(5,654)	(6,742)
Decrease in non-controlling interest		-	-	-	(1,507)
Distributions to unit holders of limited partnerships		-	-	(286)	(2,886)
Issue of share capital		21	122	241	434
		<u>(12,870)</u>	<u>(25,121)</u>	<u>(12,627)</u>	<u>(62,341)</u>
<b>Net change in cash and cash equivalents</b>		<b>(6,756)</b>	<b>(757)</b>	<b>1,243</b>	<b>(2,335)</b>
<b>Cash and cash equivalents, beginning of period</b>		<b>10,454</b>	<b>3,000</b>	<b>2,455</b>	<b>4,578</b>
<b>Cash and cash equivalents, end of period</b>		<b>3,698</b>	<b>2,243</b>	<b>3,698</b>	<b>2,243</b>

See accompanying notes to the consolidated interim financial statements

<sup>(1)</sup> Refer to Note 3 for the effects of adoption of IFRS.

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

(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 consolidated interim financial statements of the Corporation for the three and nine months ended September 30, 2011 were authorized for issue in accordance with a resolution of the directors on November 2, 2011.

The Corporation is listed for trading on the Toronto Stock Exchange under the symbol “GDC”. The registered office of the Corporation is located at Centennial Place, East Tower, 1900, 520 – 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.

**2. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies of the Corporation are the same as those applied in the Corporation’s consolidated interim financial statements for the three and six months ended June 30, 2011. These policies have been consistently applied to each of the periods presented, unless otherwise indicated.

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

These consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2010, prepared in accordance with Canadian GAAP, and the consolidated interim financial statements for the three and six months ended June 30, 2011 prepared in accordance with IFRS.

**3. FIRST TIME ADOPTION OF IFRS**

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

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

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

**3. FIRST TIME ADOPTION OF IFRS (continued)**

(a) Exemptions elected

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

(i) Share-based payments

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

(ii) Capitalization of borrowing costs

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

(b) Mandatory exemptions

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

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

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

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

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

**3. FIRST TIME ADOPTION OF IFRS (continued)**

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

	Note	Share capital	Contributed Surplus	Retained Earnings	Total share-holders' equity	Non-controlling Interest	Total Equity
At September 30, 2010 under Canadian GAAP		54,717	4,642	100,835	160,194	-	160,194
Reclassification of non-controlling interest to equity	(i)	-	-	-	-	54,734	54,734
Share-based payments	(ii)	-	(280)	280	-	-	-
Borrowing costs	(iii)	-	-	(3,301)	(3,301)	(1,248)	(4,549)
Inventory	(iv)	-	-	448	448	625	1,073
At September 30, 2010 under IFRS		54,717	4,362	98,262	157,341	54,111	211,452

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

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

**3. FIRST TIME ADOPTION OF IFRS (continued)**

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

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

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

Note	Three months ended September 30, 2010	Nine months ended September 30, 2010	Year ended December 31, 2010
Net earnings being comprehensive income under Canadian GAAP	994	25,780	36,404
Share-based payments	(ii) 45	133	191
Borrowing costs	(iii) (570)	(3,301)	(3,722)
Inventory	(iv) 448	448	641
Net earnings being comprehensive income under IFRS	917	23,060	33,514

(i) Reclassification of non-controlling interest to equity

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

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

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

**3. FIRST TIME ADOPTION OF IFRS (continued)**

(ii) Share-based payments

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

(iii) Borrowing costs

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

(iv) Inventory

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

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

**4. REAL ESTATE HELD FOR DEVELOPMENT AND SALE**

	<b>Gross</b>	<b>Provision for write-down</b>	<b>Net</b>
Land held for future development	152,181	(5,086)	147,095
Land under development	145,746	(2,117)	143,629
Housing projects under construction	8,037	-	8,037
Balance - September 30, 2011	<u>305,964</u>	<u>(7,203)</u>	<u>298,761</u>
Land held for future development	145,725	(6,239)	139,486
Land under development	158,266	(2,117)	156,149
Housing projects under construction	11,015	(2,016)	8,999
Balance - December 31, 2010	<u>315,006</u>	<u>(10,372)</u>	<u>304,634</u>
Land held for future development	168,676	(12,119)	156,557
Land under development	129,066	(762)	128,304
Housing projects under construction	19,413	(1,676)	17,737
Balance - January 1, 2010	<u>317,155</u>	<u>(14,557)</u>	<u>302,598</u>

During the three and nine months ended September 30, 2011, interest of \$736 and \$2,112 (2010 - \$981 and \$2,384) and other carrying costs of \$Nil and \$452 (2010 - \$122 and \$356), respectively, were capitalized.

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

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

**4. REAL ESTATE HELD FOR DEVELOPMENT AND SALE (continued)**

As at September 30, 2011, land held for future development of \$68,947 (December 31, 2010 - \$67,859; January 1, 2010 - \$62,799) and land under development of \$10,584 (December 31, 2010 - \$15,285; January 1, 2010 - \$15,796) are held in the limited partnerships controlled by Genesis (see note 5(a)).

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

	Three months ended		Nine months ended	
	September 30		September 30	
	2011	2010	2011	2010
Land held for future development	(1,153)	80	(1,153)	80
Land under development	-	140	-	420
Housing projects under development	-	-	-	340
Miscellaneous write-offs directly against carrying value	-	278	24	361
Write-down (recovery) of real estate held for development and sale and other	(1,153)	498	(1,129)	1,201
Less: Miscellaneous write-offs directly against carrying value	-	(278)	(24)	(361)
Adjustment from existing provision to carrying value of asset	(2,016)	-	(2,016)	-
Change in provision for write-down	(3,169)	220	(3,169)	840

**5. NON-CONTROLLING INTEREST**

**(a) Limited Partnerships**

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

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

Details of each of the limited partnerships are as follows:

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

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

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

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

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**5. NON-CONTROLLING INTEREST (continued)**

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

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

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

Genesis is entitled to management fees of 5% to 10% of land costs to LP 6/7 payable to Genesis as lands and lots are sold. Genesis also owns 11.75% of LP 6/7's units and participates proportionately in the profits of the partnership.

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

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

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

**Limited partnerships 2007 (LPLP 2007):**

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

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

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

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

**5. NON-CONTROLLING INTEREST (continued)**

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

	<b>Gross</b>	<b>Provision for write-down</b>	<b>Net</b>
Limited Partnership 4&5	7,709	-	7,709
Limited Partnership 6&7	11,346	(762)	10,584
Limited Partnership 8&9	6,717	-	6,717
Limited Partnership Land Pool 2007	57,145	(2,624)	54,521
Balance - September 30, 2011	<u>82,917</u>	<u>(3,386)</u>	<u>79,531</u>
Limited Partnership 4&5	7,766	-	7,766
Limited Partnership 6&7	16,047	(762)	15,285
Limited Partnership 8&9	6,733	-	6,733
Limited Partnership Land Pool 2007	57,137	(3,777)	53,360
Balance - December 31, 2010	<u>87,683</u>	<u>(4,539)</u>	<u>83,144</u>
Limited Partnership 4&5	7,765	-	7,765
Limited Partnership 6&7	16,558	(762)	15,796
Limited Partnership 8&9	6,722	-	6,722
Limited Partnership Land Pool 2007	57,007	(8,695)	48,312
Balance - January 1, 2010	<u>88,052</u>	<u>(9,457)</u>	<u>78,595</u>

**(b) Special Purpose Entity ("SPE")**

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

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

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

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

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

**5. NON-CONTROLLING INTEREST (continued)**

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

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

**6. PROPERTY AND EQUIPMENT**

	Vehicles and other equipment	Office equipment and furniture	Computer equipment	Leasehold improvements	Total
<b>Cost</b>					
As at January 1, 2010	589	462	797	129	1,977
Additions	46	25	134	-	205
Disposals	(143)	(15)	(20)	-	(178)
<b>As at December 31, 2010</b>	<b>492</b>	<b>472</b>	<b>911</b>	<b>129</b>	<b>2,004</b>
Additions	-	-	55	-	55
Disposals	(9)	-	-	-	(9)
<b>As at September 30, 2011</b>	<b>483</b>	<b>472</b>	<b>966</b>	<b>129</b>	<b>2,050</b>
<b>Accumulated depreciation</b>					
As at January 1, 2010	427	261	635	86	1,409
Depreciation	47	51	63	12	173
Disposals	(114)	(7)	(1)	-	(122)
<b>As at December 31, 2010</b>	<b>360</b>	<b>305</b>	<b>697</b>	<b>98</b>	<b>1,460</b>
Depreciation	29	30	54	7	120
Disposals	(8)	-	-	-	(8)
<b>As at September 30, 2011</b>	<b>381</b>	<b>335</b>	<b>751</b>	<b>105</b>	<b>1,572</b>
<b>Net book value</b>					
January 1, 2010	162	201	162	43	568
December 31, 2010	132	167	214	31	544
September 30, 2011	102	137	215	24	478

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

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

**7. AMOUNTS RECEIVABLE**

	<b>September 30, 2011</b>	<b>December 31, 2010</b>	<b>January 1, 2010</b>
Agreements receivable	27,658	23,540	27,521
Mortgages receivable	7,341	3,131	-
Other receivables	518	350	754
	<u>35,517</u>	<u>27,021</u>	<u>28,275</u>
Allowance for doubtful accounts	-	-	(12,891)
	<u>35,517</u>	<u>27,021</u>	<u>15,384</u>

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

**8. OTHER OPERATING ASSETS**

	<b>September 30, 2011</b>	<b>December 31, 2010</b>	<b>January 1, 2010</b>
Deposits	10,638	11,307	12,611
Prepayments	2,458	2,938	3,534
Restricted cash	5,850	1,567	855
	<u>18,946</u>	<u>15,812</u>	<u>17,000</u>

Deposits include amounts paid to development authorities as security to guarantee the completion of construction projects under development and deposits on future land acquisitions. The deposits are refundable upon completion of the related projects and earn interest at rates approximating those earned on guaranteed investment certificates.

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

**9. INCOME TAXES**

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

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
<b>Current tax:</b>				
Current income tax	2,468	895	10,171	5,959
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	(1,910)	(296)	(6,864)	2,824
	<u>558</u>	<u>599</u>	<u>3,307</u>	<u>8,783</u>

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

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

**9. INCOME TAXES (continued)**

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

The difference results from the following:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2011	2010	2011	2010
Profit from continuing operations	2,462	580	11,975	29,876
Statutory tax rate	26.50%	28%	26.50%	28%
<b>Expected income tax expense</b>	<b>652</b>	<b>162</b>	<b>3,173</b>	<b>8,365</b>
Change in future income taxes resulting from tax rate reduction	71	(462)	149	(365)
Share-based payment transactions	25	104	107	161
Other non-deductible expenses	(183)	533	(211)	71
Non-controlling interest	(7)	262	89	551
<b>Tax expense for the period</b>	<b>558</b>	<b>599</b>	<b>3,307</b>	<b>8,783</b>

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

	September 30, 2011	December 31, 2010	January 1, 2010
Deferred tax assets	6,582	6,746	4,555
Deferred tax liabilities	(3,105)	(10,133)	(2,342)
	<b>3,477</b>	<b>(3,387)</b>	<b>2,213</b>

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

	September 30, 2011	December 31, 2010	January 1, 2010
Real estate held for development and sale	2,680	3,038	3,551
Non-capital loss carry-forwards*	173	114	103
Reserves from land sales	298	(6,659)	(1,480)
Unamortized financing costs	341	127	50
Other temporary differences	(15)	(7)	(11)
	<b>3,477</b>	<b>(3,387)</b>	<b>2,213</b>

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

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

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

**9. INCOME TAXES (continued)**

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2011	2010	2011	2010
Real estate held for development and sale	(22)	(273)	(358)	(496)
Non-capital loss carry-forwards*	(119)	7	59	4
Reserves from land sales	1,826	520	6,957	(2,404)
Unamortized financing costs	229	44	214	63
Other temporary differences	(4)	(3)	(8)	8
	<u>1,910</u>	<u>295</u>	<u>6,864</u>	<u>(2,825)</u>

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

**10. GENERAL AND ADMINISTRATIVE**

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2011	2010	2011	2010
Corporate administration	1,584	697	3,315	2,432
Compensation and benefits	1,047	1,196	3,599	3,391
Professional services	1,260	975	2,496	2,407
Advertising and marketing	191	114	928	813
	<u>4,082</u>	<u>2,982</u>	<u>10,338</u>	<u>9,043</u>

**11. OTHER EXPENSE**

Other expense of the Corporation is comprised of the following:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2011	2010	2011	2010
Share-based payments	91	373	402	575
Depreciation	43	43	120	128
Bad debt expense	471	-	502	6
	<u>605</u>	<u>416</u>	<u>1,024</u>	<u>709</u>

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

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

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**12. FINANCE EXPENSE**

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

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Interest expense	1,649	1,588	5,133	6,594
Financing fees accretion	423	986	1,163	2,496
Interest and financing fees capitalized	(736)	(981)	(2,112)	(2,384)
	<b>1,336</b>	<b>1,593</b>	<b>4,184</b>	<b>6,706</b>

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

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

**13. FINANCINGS**

	<b>September 30, 2011</b>	<b>December 31, 2010</b>	<b>January 1, 2010</b>
<b>Secured by land held for future development</b>			
I. Land loan, maturing March 1, 2014, bearing interest at the greater of prime + 4.2% or 7.2% per annum, secured by land held for development and sale with a carrying value of \$33,425.	7,897	18,244	21,420
II. Other mortgages payable, bearing interest at 7% per annum, payable on demand.	681	659	839
<b>Secured by land under development and agreements receivable</b>			
III. Land project loans, payable on collection of agreements receivable, bearing interest at rates ranging from prime + 2% to the greater of 8% or prime + 5%, secured by land held for development and sale with a carrying value of \$135,868, due between November 1, 2011 and March 1, 2014.	67,378	63,618	81,127
IV. Other mortgage payable, bearing interest at the greater of 10.25% or prime + 3.25% per annum. The loan has been fully repaid.	-	-	4,000
<b>Secured by housing projects under development</b>			
V. Demand operating line of credit up to \$3,000 subject to certain levels of assets with a sublimit of \$600, bearing interest at prime + 1.5% per annum, secured by a general security agreement over assets of the home building division.	-	442	-
VI. Project loan, payable on collection of closing proceeds, bearing interest at prime + 2.5% per annum due September 30, 2010. The loan has been fully repaid.	-	-	10,253
	<u>75,956</u>	<u>82,963</u>	<u>117,639</u>
Deferred financing fees	(1,829)	(1,643)	(2,429)
	<u>74,127</u>	<u>81,320</u>	<u>115,210</u>

During the three and nine months ended September 30, 2011, the Corporation received advances of \$31,945 and \$64,266 and (2010 - \$31,979 and \$84,418) relating to various new and renewed loan facilities secured by real estate held for development and sale; and agreements receivable, bearing interest ranging from the greater of 7% or prime + 2% to the greater of 8% or prime + 5% per annum with due dates ranging from March 1, 2012 to March 1, 2014.

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

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

**13. FINANCINGS (continued)**

The weighted average interest rate of loan agreements, based on September 30, 2011 balances, was 7.12% (December 31, 2010 - 8.21%).

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

October 1, 2011 to September 30, 2012	22,191
October 1, 2012 to September 30, 2013	-
October 1, 2013 to September 30, 2014	53,765
Subsequent	-
	75,956

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

As at September 30, 2011, the Corporation is not in violation of any covenants with its lenders.

**14. SHARE CAPITAL**

**(a) Authorized:**

Unlimited number of common shares  
 Unlimited number of preferred shares

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

The following table sets forth the weighted average number of common shares outstanding for the net earnings per share calculation purposes for the three and nine months ended September 30, 2011 and 2010:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2011	2010	2011	2010
Basic	44,480,028	44,319,300	44,455,651	44,205,613
Effect of dilutive securities				
- stock options	267,636	431,320	318,493	423,261
Diluted	44,747,664	44,750,620	44,774,144	44,628,874

In calculating diluted earnings per share for the three and nine months ended September 30, 2011, the Corporation excluded 1,196,000 options (2010 – 1,151,500) as the exercise price was greater than the average market price of its shares during those periods.

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

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

**15. STOCK OPTIONS**

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

The options must be issued at not less than the fair market value of the common shares at the date of grant and are issued with terms generally not exceeding 5 years from the date of grant.

Details of outstanding stock options are as follows:

	Nine months ended			
	September 30, 2011		September 30, 2010	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding - beginning of period	2,262,934	\$ 3.73	1,962,750	\$ 3.51
Options granted	-	-	450,000	\$ 3.62
Options exercised	(104,839)	\$ 2.01	(235,940)	\$ 1.84
Options expired	(130,000)	\$ 8.48	-	-
Options forfeited	(185,874)	\$ 2.01	(120,625)	\$ 3.16
Outstanding - end of period	1,842,221	\$ 3.74	2,056,185	\$ 3.75
Exercisable - end of period	1,217,322	\$ 4.01	926,657	\$ 4.00

Range of Exercise Prices (\$)	Outstanding		Exercisable		Weighted Average Remaining Contractual Life in Years
	Number at September 30, 2011	Weighted Average Exercise Price	Number at September 30, 2011	Weighted Average Exercise Price	
0.90 - 4.00	1,401,721	\$ 2.73	820,322	\$ 2.65	3.39
4.01 - 8.00	318,500	\$ 6.17	295,000	\$ 6.04	0.88
8.01 - 10.48	122,000	\$ 8.94	102,000	\$ 9.05	1.03
	1,842,221	\$ 3.74	1,217,322	\$ 4.01	2.80

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

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

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**16. COMMITMENTS AND CONTINGENCIES**

Other than commitments and contingencies discussed below and in the notes to the consolidated interim financial statements for the three and six months ended June 30, 2011, there were no other material commitments and contingencies as at September 30, 2011.

- (a) The Corporation has been named as a co-defendant to a lawsuit that commenced on December 6, 2001. The lawsuit seeks damages of \$8,000 plus punitive damages of \$1,000. The statement of claim asserts that the share price that was used to convert certain debts of the Corporation into its common shares was overstated. The final amount required to be paid is subject to uncertainty. An accrual has been made for the potential liability.
- (b) The Corporation has appointed a financial advisor to assist in the strategic review process. If, during the term of this agreement, or the six months following the termination of the agreement, the process results in the sale of the Corporation or substantially all of its assets, the financial advisor would be entitled to a success fee.
- (c) On July 15, 2011, the joint venture (see note 18) obtained a credit facility in the amount of \$17,000. The Corporation and the JV partner have provided guarantee for this facility.
- (d) On September 8, 2011, the Corporation entered into an agreement to purchase lots from the joint venture (see note 18) for \$4,673 with a deposit of \$234. A further \$701 is due on closing and remaining amount of \$3,738 is due 12 months after the closing date.
- (e) The Corporation has office and other operating leases with the following annual payments: not later than one year - \$565; later than one year but not later than 5 years - \$108; later than five years - \$Nil.
- (f) At September 30, 2011, letters of credit outstanding with municipalities totaled approximately \$13,630.

**17. FINANCIAL INSTRUMENTS**

**(a) Risks associated with financial instruments**

- (i) Credit Risk

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

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

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

**17. FINANCIAL INSTRUMENTS (continued)**

During the nine months ended September 30, 2011 and 2010, the Corporation recognized the following bad debt expense (recovery) and change in allowance for doubtful accounts relating to amounts receivable on sold lots net of the return of the real estate held for development and sale:

	<b>Bad debt expense (recovery)</b>	<b>Allowance for doubtful accounts</b>
<b>As at January 1, 2010</b>	-	(12,891)
Subsequent collections of previously allowed for lots	(468)	728
Re-sale of previously allowed for lots	-	1,115
Reversal of partial allowance on collections in full	-	10,742
Miscellaneous bad debt expense incurred	474	-
<b>For the nine months ended September 30, 2010</b>	<b>6</b>	
<b>As at September 30, 2010</b>		(306)
Reversal of partial allowance on collections in full	-	306
<b>For the year ended December 31, 2010</b>	<b>6</b>	
<b>As at December 31, 2010</b>		-
Write-off of receivables deemed uncollectible	502	
<b>For the nine months ended September 30, 2011</b>	<b>502</b>	
<b>As at September 30, 2011</b>		-

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

<b>Aging</b>	<b>September 30, 2011</b>	<b>December 31, 2010</b>	<b>January 1, 2010</b>
Not past due	35,517	26,812	15,484
Past due 0-90 days but not impaired	-	209	-
Past due 91-120 days (impaired)	-	-	5,774
Past due 121-270 days (impaired)	-	-	1,681
Past due > 270 days (impaired)	-	-	5,336
	<b>35,517</b>	<b>27,021</b>	<b>28,275</b>
Allowance for doubtful accounts	-	-	(12,891)
	<b>35,517</b>	<b>27,021</b>	<b>15,384</b>

Individual balances due from customers as at September 30, 2011, which comprise greater than 10% of total trade receivables total to \$13,370 from 4 customers (December 31, 2010 - \$18,767 from 4 customers; January 1, 2010 - \$3,592 from 1 customer).

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

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

**17. FINANCIAL INSTRUMENTS (continued)**

(ii) Liquidity Risk

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

	<b>&lt; 1 Year</b>	<b>&gt; 1 Year</b>	<b>Total</b>
<b>Financial Liabilities</b>			
Accounts payable and accrued liabilities	17,296	-	17,296
Customer deposits	7,474	-	7,474
Financings, excl. deferred financing fees (note 13)	22,191	53,765	75,956
	<u>46,961</u>	<u>53,765</u>	<u>100,726</u>
<b>Commitments</b>			
Purchase of land and other	5,068	7,955	13,023
Lease obligations	565	108	673
Naming rights	200	1,000	1,200
	<u>52,794</u>	<u>62,828</u>	<u>115,622</u>

Land development service costs of \$13,177 (December 31, 2010 - \$10,347; January 1, 2010 - \$8,301) at September 30, 2011 have not been included in the table stated above due to uncertainties of timing of the related payments.

At September 30, 2011, Genesis has obligations due within the next 12 months of \$52,794. If Genesis is unable to generate sufficient sales, renew existing or secure additional financing, it will impact the Corporation's ability to meet its obligations as they become due. Based on Genesis' operating history, its relationship with its lenders and committed sales contracts, management believes that the Corporation has the ability to continue to renew or repay its financial obligations as they come due.

(iii) Market Risk

The Corporation is exposed to interest rate risk to the extent that certain agreements receivable and certain financings are at a floating rate of interest. The Corporation is also exposed to fair value risk to the extent that certain financings, mortgages receivable and loans receivable are at a fixed rate of interest. A 1% change in interest rates would result in a change in interest incurred of approximately \$753 annually on floating rate loans, with approximately \$753 impacting pre-tax net earnings.

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

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

**17. FINANCIAL INSTRUMENTS (continued)**

**(b) Fair value of financial instruments**

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

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

	September 30, 2011		December 31, 2010		January 1, 2010	
	Carrying value	Estimated Fair Value	Carrying value	Estimated Fair Value	Carrying value	Estimated Fair Value
<b>Held for trading</b>						
Cash and cash equivalents	3,698	3,698	2,455	2,455	4,578	4,578
Deposits	10,638	10,637	11,307	11,307	12,611	12,611
Restricted cash	5,850	5,850	1,567	1,567	855	855
<b>Loans and receivables</b>						
Amounts receivable	35,517	33,596	27,021	25,213	15,384	14,882
<b>Other financial liabilities</b>						
Accounts payable and accrued liabilities	17,296	17,296	13,025	13,025	8,351	8,351
Customer deposits	7,474	7,474	8,388	8,388	4,985	4,985
Financings, excl. deferred financing fees	75,956	72,623	82,963	82,692	117,639	115,747

Fair value measurements recognized in the balance sheet are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values. The three fair value hierarchy levels are as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All of the Corporation's financial instruments recorded at fair value are categorized under Level 1, as shown in the following table:

	September 30, 2011	December 31, 2010	January 1, 2010
	Level 1	Level 1	Level 1
Cash and cash equivalents	3,698	2,455	4,578
Deposits	10,638	11,307	12,611
Restricted cash	5,850	1,567	855

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

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

**17. FINANCIAL INSTRUMENTS (continued)**

**(c) Capital management**

The Corporation's policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business. The Corporation is not subject to externally imposed capital requirements.

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

	September 30, 2011	December 31, 2010	January 1, 2010
Financings	74,127	81,320	115,210
Shareholders' equity	177,735	168,089	133,272
	<u>251,862</u>	<u>249,409</u>	<u>248,482</u>

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

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

**18. JOINT VENTURE**

	Assets	Liabilities	Revenue	Earnings (Losses)	CASH FLOW FROM (USED IN)		
					Operating Activities	Investing Activities	Financing Activities
As at and for the nine months ended September 30, 2011	20,986	2,317	414	(334)	183	-	115
As at December 31, 2010	18,914	27					

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

**19. SEGMENTED INFORMATION**

The Corporation operates in two reportable segments, land development and home building, which represent separately managed strategic business units with distinct marketing strategies.

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

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

**19. SEGMENTED INFORMATION (continued)**

The Corporation evaluates segment performance based on profit or loss from operations before income taxes. Inter-segment sales are accounted for as if the sale were to third parties at current market prices. Internal lot sales from the land division to the home building division or a limited partnership have been eliminated and are not included in consolidated results, until the home is sold to a third party purchaser.

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

	Land development segment	Home building segment	Corporate and other segment	Intersegment elimination	Total
Three months ended September 30, 2011					
Revenues	15,023	11,118	-	(4,417)	21,724
Cost of sales	(8,792)	(9,682)	-	3,911	(14,563)
Recovery of real estate	1,153	-	-	-	1,153
Other expenses <sup>(1)</sup>	(5,376)	(982)	-	506	(5,852)
Earnings before income taxes and non-controlling interest	2,008	454	-	-	2,462
Segmented assets (as at September 30, 2011)	348,520	13,753	3,699	(5,095)	360,877
Three months ended September 30, 2010					
Revenues	4,677	16,044	-	(3,098)	17,623
Cost of sales	(3,589)	(14,818)	-	6,685	(11,722)
Write-down of real estate	(498)	-	-	-	(498)
Other expenses <sup>(1)</sup>	(268)	(968)	-	(3,587)	(4,823)
Earnings before income taxes and non-controlling interest	322	258	-	-	580
Segmented assets (as at December 31, 2010)	338,493	15,064	2,455	(5,546)	350,466

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

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

**19. SEGMENTED INFORMATION (continued)**

Nine months ended September 30, 2011	Land development segment	Home building segment	Corporate and other segment	Intersegment elimination	Total
Revenues	54,105	26,082	-	(10,095)	70,092
Cost of sales	(34,897)	(22,752)	-	11,281	(46,368)
Recovery of real estate	1,129	-	-	-	1,129
Other expenses <sup>(1)</sup>	(8,146)	(3,546)	-	(1,186)	(12,878)
Earnings (loss) before income taxes and non- controlling interest	12,191	(216)	-	-	11,975
Segmented assets (as at September 30, 2011)	348,520	13,753	3,699	(5,095)	360,877
Nine months ended September 30, 2010					
Revenues	67,142	49,916	-	(15,278)	101,780
Cost of sales	(25,278)	(45,604)	-	15,522	(55,360)
Write-down of real estate	(861)	(340)	-	-	(1,201)
Other expenses <sup>(1)</sup>	(12,034)	(3,065)	-	(244)	(15,343)
Earnings before income taxes and non-controlling interest	28,969	907	-	-	29,876
Segmented assets (as at December 31, 2010)	338,493	15,064	2,455	(5,546)	350,466
Segmented assets (as at January 1, 2010)	318,311	27,067	4,578	(7,615)	342,341

<sup>(1)</sup> Other expense items include general and administrative, other expense, finance income and expense, gain on de-recognition of SPE, gain on contribution of land to joint venture, and gain or loss on disposal of property and equipment.

**20. RELATED PARTY TRANSACTIONS**

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

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Short-term benefits	445	327	1,402	1,105
Share-based payments	60	376	254	487
	505	703	1,656	1,592

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

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**20. RELATED PARTY TRANSACTIONS (continued)**

On August 29, 2011, the Corporation's then Chief Executive Officer ("former CEO") resigned as an officer and director of Genesis. During the three months ended September 30, 2011, the former CEO entered into a contract with the Corporation for the purchase of a single-family home for \$1,114 representing terms offered to employees and measured at the exchange amount.

The Corporation engaged a former officer ("Former CFO") of the Corporation as a Senior Financial Advisor. The amount of payments made to the Former CFO for the three and nine months ended September 30, 2011 were \$36 and \$116 (2010 - \$29 and \$134). In 2009, the Former CFO entered into a contract to purchase a single-family home for \$970 representing terms offered to employees and measured at the exchange amount. The transaction closed on March 16, 2011. At September 30, 2011, amounts receivable from the Former CFO was \$36 (December 31, 2010 - \$21). The Corporation also engaged an entity under the control of the Former CFO's spouse to provide interior design services and supply of materials for its home building division.

**21. PRINCIPAL SUBSIDIARIES AND JOINT VENTURE**

These consolidated interim financial statements include the financial statements of Genesis Land Development Corp., its subsidiaries and a joint venture, all of which are incorporated in Canada.