



**Consolidated Financial Statements**  
**For the three and six months ended June 30, 2010 and 2009**  
(Unaudited)

# **Genesis Land Development Corp.**

## **Notice to Reader**

The accompanying unaudited consolidated interim financial statements of Genesis Land Development Corp. for the three and six months ended June 30, 2010 and 2009 have been prepared by management and approved by the Board of Directors of the Corporation. Comparative information in these financial statements for the three and six months ended June 30, 2009 has not been reviewed by the Corporation's auditors.

Dated August 8, 2010

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

As at	June 30, 2010	December 31, 2009
	(Unaudited)	
<b>Assets</b>		
Real estate held for development and sale (note 3)	288,711	302,598
Amounts receivable (note 5)	38,907	15,384
Other operating assets (note 6)	14,956	17,568
Future income taxes	-	2,213
Cash and cash equivalents	3,000	4,578
<b>Total assets</b>	<b>345,574</b>	<b>342,341</b>
<b>Liabilities and non-controlling interest</b>		
Financings (note 7)	85,745	115,210
Customer deposits	12,332	4,985
Accounts payable and accrued liabilities	10,699	8,350
Income taxes payable	12,389	11,139
Future income taxes	907	-
Land development service costs	8,950	8,301
Non-controlling interest (note 4)	55,892	61,084
<b>Total liabilities and non-controlling interest</b>	<b>186,914</b>	<b>209,069</b>
Commitments and contingencies (note 10)		
<b>Shareholders' equity</b>		
Share capital (note 8)	54,535	54,097
Contributed surplus	4,284	4,120
Retained earnings	99,841	75,055
<b>Total shareholders' equity</b>	<b>158,660</b>	<b>133,272</b>
<b>Total liabilities, non-controlling interest and shareholders' equity</b>	<b>345,574</b>	<b>342,341</b>

See accompanying notes to the consolidated financial statements

**Genesis Land Development Corp.**  
**Consolidated Statements of Earnings, Comprehensive Income and Retained Earnings**  
**Three and six months ended June 30, 2010 and 2009**

(Unaudited)

(In thousands of dollars except per share amounts)

	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
<b>Revenues</b>				
Residential lot sales	5,883	10,973	9,088	16,455
Development land sales	39,062	-	39,712	-
Residential home sales	21,097	20,034	34,839	30,855
Interest and other income	398	112	859	412
	66,440	31,119	84,498	47,722
<b>Expenses</b>				
Cost of sales:				
Residential lots	1,940	5,281	3,428	7,434
Development land	13,360	-	13,800	-
Residential homes	14,873	15,882	26,119	23,541
Write-down of real estate held for development and sale and other (note 3)	911	2,348	994	2,594
General and administrative	3,497	3,834	6,059	6,187
Bad debt expense (recovery) (note 11)	296	(194)	6	(377)
Interest	259	519	370	866
Stock-based compensation (note 9)	127	(398)	290	(343)
Amortization	46	54	85	107
Gain on de-recognition of VIE (note 4(b))	-	-	(613)	-
Loss on disposal of property and equipment	14	-	7	-
	35,323	27,326	50,545	40,009
<b>Earnings before income taxes and non-controlling interest</b>	31,117	3,793	33,953	7,713
<b>Provision for income taxes</b>				
Current	2,239	878	6,234	3,129
Future	6,248	1,396	3,120	355
	8,487	2,274	9,354	3,484
<b>Earnings before non-controlling interest</b>	22,630	1,519	24,599	4,229
Non-controlling interest (note 4)	(172)	(2,868)	(187)	(2,520)
<b>Net earnings, being comprehensive income</b>	22,802	4,387	24,786	6,749
<b>Retained earnings, beginning of period</b>	77,039	70,661	75,055	68,299
<b>Retained earnings, end of period</b>	99,841	75,048	99,841	75,048
<b>Net earnings per share – basic (note 8)</b>	0.52	0.10	0.56	0.15
<b>Net earnings per share – diluted (note 8)</b>	0.51	0.10	0.56	0.15

See accompanying notes to the consolidated financial statements

**Genesis Land Development Corp.**  
**Consolidated Statements of Cash Flows**  
**Three and six months ended June 30, 2010 and 2009**  
(Unaudited)  
(In thousands of dollars)

	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
<b>Funds provided from (used for):</b>				
<b>Operating activities</b>				
Net earnings	22,802	4,387	24,786	6,749
Items not involving cash:				
Stock-based compensation	127	(398)	290	(343)
Amortization	46	54	85	107
Write-down of real estate held for development and sale and other	911	2,348	994	2,594
Gain on de-recognition of VIE	-	-	(613)	-
Loss on disposal of property and equipment	14	-	7	-
Future income taxes	6,248	1,396	3,120	355
Non-controlling interest	(172)	(2,868)	(187)	(2,520)
	29,976	4,919	28,482	6,942
Decrease (increase) in non-cash working capital (note 14)	(3,968)	(2,040)	4,706	(2,037)
	26,008	2,879	33,188	4,905
<b>Financing activities</b>				
Advances from financings	34,486	16,517	52,489	27,678
Repayments of financings	(58,944)	(19,770)	(81,953)	(32,568)
Increase (decrease) in non-controlling interest	-	1,577	(1,507)	2,163
Non-controlling interest capital repayments	(2,886)	-	(2,886)	(1,316)
Issue of share capital	290	-	312	(61)
	(27,054)	(1,676)	(33,545)	(4,104)
<b>Investing activities</b>				
Acquisition of property and equipment	(153)	(2)	(176)	(3)
Change in restricted cash	298	423	(1,091)	408
Proceeds on disposal of property and equipment	40	-	46	-
	185	421	(1,221)	405
<b>Net change in cash and cash equivalents</b>	(861)	1,624	(1,578)	1,206
<b>Cash and cash equivalents, beginning of period</b>	3,861	4,085	4,578	4,503
<b>Cash and cash equivalents, end of period</b>	3,000	5,709	3,000	5,709

See accompanying notes to the consolidated financial statements

**Genesis Land Development Corp.**  
**Notes to the Consolidated Financial Statements**  
**For the three and six months ended June 30, 2010 and 2009**

(Unaudited)

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

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**1. BASIS OF PRESENTATION AND FUTURE OPERATIONS**

These interim consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles as indicated in note 2 of the audited consolidated financial statements for the year ended December 31, 2009.

These interim consolidated financial statements do not contain all of the disclosures required under Canadian generally accepted accounting principles for annual financial statements and should be read in conjunction with the December 31, 2009 audited consolidated financial statements as filed in the Corporation's annual report on Sedar.

These interim consolidated financial statements include the accounts of the Corporation, its wholly-owned subsidiaries, as well as the consolidated assets, liabilities, revenues, expenses and cash flows of limited partnership entities which the Corporation controls; comparative periods also include accounts of a variable interest entity ("VIE"). Investment in a joint venture is accounted for using the proportionate consolidation method. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

At June 30, 2010, Genesis has obligations due within the next 12 months of \$106,939 (see note 11(a)(ii) - liquidity risk). 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.

**2. CHANGES TO FUTURE ACCOUNTING POLICIES**

Section 1582 "*Business Combinations*" applies to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. The new CICA Handbook Section 1582 will replace Section 1581 "*Business Combinations*", establishing standards for the accounting for a business combination that will more closely resemble those under International Financial Reporting Standards ("IFRS"). Earlier adoption of this section is permitted. The section is not expected to have a material impact on Genesis' consolidated financial statements.

Effective for interim and annual financial statements for fiscal years beginning on or after January 1, 2011, the new CICA Handbook Sections 1601 "*Consolidated Financial Statements*" and 1602 "*Non-Controlling Interests*" will replace Section 1600 "*Consolidated Financial Statements*". These sections establish standards for the preparation of consolidated financial statements and accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. Earlier adoption of these sections is permitted as of January 1, 2010. Management has not fully determined the impact of adopting these standards.

**Genesis Land Development Corp.**  
**Notes to the Consolidated Financial Statements**  
**For the three and six months ended June 30, 2010 and 2009**

(Unaudited)

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

**2. CHANGES TO FUTURE ACCOUNTING POLICIES (continued)**

Canadian publicly traded companies will be required to prepare their financial statements in accordance with IFRS as issued by the International Accounting Standards Board, for the financial years beginning on or after January 1, 2011. Effective January 1, 2011, Genesis will adopt IFRS as the basis for preparing its consolidated financial statements. Financial results for the quarter ended March 31, 2011 shall be prepared on an IFRS basis, with comparative data on an IFRS basis, including an opening balance sheet, as at January 1, 2010. Management has not fully determined the financial impact of adopting IFRS on its financial statements; however, it should be noted that the current financial statements may be significantly different if presented in accordance with IFRS.

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

	Gross	Provision for write-down	Net
Land held for future development	180,832	(12,119)	168,713
Land under development	116,910	(762)	116,148
Housing projects under development	19,413	(1,676)	17,737
Balance - December 31, 2009	317,155	(14,557)	302,598

  

	Gross	Provision for write-down	Net
Land held for future development	155,841	(12,119)	143,722
Land under development	135,895	(1,042)	134,853
Housing projects under development	12,152	(2,016)	10,136
Balance - June 30, 2010	303,888	(15,177)	288,711

During the three and six months ended June 30, 2010, interest of \$501 and \$1,051 (2009 - \$765 and \$1,991) and other carrying costs of \$212 and \$234 (2009 - \$1,360 and \$2,255), respectively, were capitalized to land held for future development.

As at June 30, 2010, land held for future development of \$63,698 (December 31, 2009 - \$62,799) and land under development of \$15,284 (December 31, 2009 - \$15,796) are held in limited partnerships controlled by Genesis (see note 4(a)).

**Genesis Land Development Corp.**  
**Notes to the Consolidated Financial Statements**  
**For the three and six months ended June 30, 2010 and 2009**

(Unaudited)

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

The Corporation recognized the following write-downs relating to impairment of carrying value of certain real estate held for development and sale during the three and six months ended June 30, 2010:

	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
Land held for future development	-	672	-	839
Land under development	280	-	280	-
Housing projects under development	340	1,676	340	1,676
	620	2,348	620	2,515
Miscellaneous write-offs directly against carrying value	291	-	374	79
	911	2,348	994	2,594

**4. NON-CONTROLLING INTEREST**

**(a) Limited Partnerships**

As at June 30, 2010 and December 31, 2009, the Corporation recognized a non-controlling interest liability comprised as follows:

	LP 4/5	LP 6/7	LP 8/9	LPLP 2007	VIE	TOTAL LP
Balance - December 31, 2009	(8,034)	(16,716)	(6,696)	(27,518)	(2,120)	(61,084)
De-recognition of VIE	-	-	-	-	2,120	2,120
Net earnings allocation on sale of real estate held for development and sale	-	(800)	-	(37)	-	(837)
Cash paid out	-	2,886	-	-	-	2,886
Net general and administrative expenses (recoveries)	24	503	29	467	-	1,023
Balance - June 30, 2010	(8,010)	(14,127)	(6,667)	(27,088)	-	(55,892)

**Genesis Land Development Corp.**  
**Notes to the Consolidated Financial Statements**  
**For the three and six months ended June 30, 2010 and 2009**

(Unaudited)

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

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

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

	Gross	Provision for write-down	Net
Limited Partnership 4&5	7,765	-	7,765
Limited Partnership 6&7	18,234	(2,438)	15,796
Limited Partnership 8&9	6,722	-	6,722
Limited Partnership Land Pool 2007	57,007	(8,695)	48,312
Balance - December 31, 2009	89,728	(11,133)	78,595

  

	Gross	Provision for write-down	Net
Limited Partnership 4&5	7,758	-	7,758
Limited Partnership 6&7	17,722	(2,438)	15,284
Limited Partnership 8&9	6,732	-	6,732
Limited Partnership Land Pool 2007	57,903	(8,695)	49,208
Balance - June 30, 2010	90,115	(11,133)	78,982

**(b) Variable Interest Entity**

On January 28, 2010, Genesis entered into an agreement whereby a previous sale of 107 single-family lots and a multi-family site (originally occurring on September 29, 2008 and subsequently amended on January 20, 2009, as previously disclosed) was amended to cancel the sale of the single-family lots while retaining the sale of the multi-family site. As part of the amended transaction, Genesis also agreed to take over the remaining loan balance (\$4,000 at December 31, 2009) that was obtained to finance the initial deposit under the terms of the original sale transaction. Repayment of the remaining loan balance was completed on March 26, 2010 (see note 7).

At December 31, 2009, the entity was assessed a VIE to Genesis by virtue of subordinated financial support provided by the Corporation. 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 at March 31, 2010 by removing the assets and liabilities of the entity from the accompanying consolidated financial statements.

Prior to March 31, 2010, the entity incurred losses of \$945 and the Corporation has absorbed such losses by consolidating the accounts of the entity. The Corporation

**Genesis Land Development Corp.**  
**Notes to the Consolidated Financial Statements**  
**For the three and six months ended June 30, 2010 and 2009**

(Unaudited)

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

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 financial statements.

**5. AMOUNTS RECEIVABLE**

	June 30, 2010	December 31, 2009
Agreements receivable	10,555	27,521
Mortgages receivable	28,352	-
Other receivables	306	754
	39,213	28,275
Allowance for doubtful accounts	(306)	(12,891)
	38,907	15,384

During the three months ended June 30, 2010, the Corporation completed sales of two land parcels for \$35,000 and \$6,263, respectively. Proceeds of \$13,131 were received on closing, \$10,000 of which was applied to the Corporation's land debt; vendor take back mortgages ("VTBs") due September 30, 2010 and April 30, 2011 were extended to purchasers for the balance of the funds. The VTBs carry interest ranging between prime + 1.5% and prime + 3% per annum payable at the due date.

**6. OTHER OPERATING ASSETS**

	June 30, 2010	December 31, 2009
Property and equipment, net	606	568
Deposits	12,404	16,145
Restricted cash	1,946	855
	14,956	17,568

**Genesis Land Development Corp.**  
**Notes to the Consolidated Financial Statements**  
**For the three and six months ended June 30, 2010 and 2009**

(Unaudited)

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

**7. FINANCINGS**

	June 30, 2010	December 31, 2009
<b>Secured by land held for future development</b>		
I. Land loans, maturing from January 1, 2011 to June 1, 2011, bearing interest at rates between the greater of prime plus 3.5% and 9.9% per annum, secured by land held for development and sale with a carrying value of \$79,584.	19,715	21,420
II. Other mortgages payable, bearing interest at rates between 7% and 14% per annum, payable on demand.	705	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 plus 2% to the greater of a combined rate of 8% preferred coupon and 12% regular, secured by land held for development and sale with a carrying value of \$83,545, due between October 1, 2010 and November 30, 2012.	65,278	81,127
IV. Other mortgage payable, bearing interest at the greater of 10.25% or prime plus 3.25% per annum, secured by land with a carrying value of \$Nil due October 1, 2010 (see note 4(b)).	-	4,000
<b>Secured by housing projects under development</b>		
V. Project loan, payable on collection of closing proceeds, bearing interest at prime plus 2.5% per annum, secured by property with a carrying value of \$2,516, due September 30, 2010.	1,617	10,253
	87,315	117,639
Deferred financing fees	(1,570)	(2,429)
	85,745	115,210

The Corporation has various covenants in place with its lenders with respect to certain contracted credit facilities. Such covenants include among other credit usage restrictions, cancellation, prepayment, confidentiality and cross default clauses, as well as sales coverage requirements, conditions precedent for funding, and other general understandings such as but not limited to maintaining contracted lot prices, restrictions on encumbrances, liens and charges, material changes to project plans, and changes in the Corporation's ownership structure. As at June 30, 2010, the Corporation is not in violation of any covenants with its lenders.

**Genesis Land Development Corp.**  
**Notes to the Consolidated Financial Statements**  
**For the three and six months ended June 30, 2010 and 2009**

(Unaudited)

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**7. FINANCINGS (continued)**

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

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July 1, 2010 to June 30, 2011	70,794
July 1, 2011 to June 30, 2012	-
July 1, 2012 to June 30, 2013	16,521
Subsequent	-
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	87,315

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**Loans secured by land held for future development**

On April 26, 2010, the Corporation entered into a renewal agreement with a lender holding a land loan in the amount of \$7,000 by increasing the loan amount to \$8,500 and extending the due date to June 1, 2011 with the renewed loan having no required principal repayments (previously \$500 per month) until the due date bearing interest at the greater of 9% or prime + 5% per annum while substantially retaining all other terms of the original agreement.

**Loans secured by land under development and agreements receivable**

On January 8, 2010, the Corporation entered into a renewal agreement with a lender holding a land project loan in the amount of \$Nil by increasing loan availability by \$5,075 and extending the due date to November 1, 2010 while substantially retaining all other terms of the original agreement.

On February 1, 2010, the Corporation entered into a renewal agreement with a lender holding a land project loan in the amount of \$374 by increasing loan availability by \$3,700 and extending the due date to March 1, 2011 while substantially retaining all other terms of the original agreement.

On March 8, 2010, the Corporation entered into a mortgage loan agreement in the maximum amount of \$10,000 to provide working capital financing secured by existing real estate under development. The loan bears interest of 7.5% per annum through February 28, 2011 and 15% per annum thereafter with interest due monthly and principal due March 31, 2011. On March 26, 2010, proceeds from the initial advance of \$8,000 were used to repay the Corporation's existing loan in the amount of \$4,000 secured by the lands of the VIE (see notes 4(b) and 7(IV)).

On April 14, 2010, the Corporation entered into a land project loan agreement in the amount of \$23,000 to provide project development financing secured by existing real estate under development. The loan bears interest at prime + 2% per annum with

**Genesis Land Development Corp.**  
**Notes to the Consolidated Financial Statements**  
**For the three and six months ended June 30, 2010 and 2009**

(Unaudited)

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

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**7. FINANCINGS (continued)**

interest due monthly and principal due within twenty four months of the first day of the month following the first advance of funds.

On May 13, 2010, the Corporation entered into a non-revolving bridge loan agreement in the amount of \$18,000 to provide for more favorable financing terms on one of its existing real estate development projects. The loan bears interest at the greater of prime + 4.25% or 6.5% per annum with interest due monthly and principal due October 1, 2010.

On May 25, 2010, the Corporation entered into a land project loan agreement in the amount of \$24,000 to provide project development financing secured by existing real estate under development. The loan bears interest at the greater of prime + 2% or 6.75% per annum with interest due monthly and principal due no later than July 1, 2012.

**Secured by housing projects under development**

On May 21, 2010, the Corporation entered into a renewal agreement with a lender holding a housing project loan in the amount of \$3,105 by extending the due date to September 30, 2010 while substantially retaining all other terms of the original agreement.

**8. SHARE CAPITAL**

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	Number	Stated Value
<b>Common shares</b>		
Balance - December 31, 2009	44,111,757	54,097
Issued for cash from options exercised	195,002	312
Transferred from contributed surplus on exercise of options	-	126
Balance - June 30, 2010	44,306,759	54,535

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**Genesis Land Development Corp.**  
**Notes to the Consolidated Financial Statements**  
**For the three and six months ended June 30, 2010 and 2009**

(Unaudited)

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

**8. SHARE CAPITAL (continued)**

**Weighted average number of shares**

The following table sets forth the weighted average number of shares outstanding for net earnings per share purposes for the three and six months ended June 30, 2010 and 2009:

	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
Number of shares - basic	44,180,116	44,157,644	44,147,828	44,134,573
Number of shares - diluted	44,386,109	44,165,034	44,317,967	44,142,162

**9. STOCK OPTIONS**

Details of outstanding stock options are as follows:

	Six months ended June 30, 2010		Year ended December 31, 2009	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding - beginning of period	1,962,750	\$ 3.51	1,976,000	\$ 5.54
Options granted	-	-	1,196,250	\$ 1.85
Options exercised	(195,002)	\$ 1.60	-	-
Options forfeited	(91,250)	\$ 3.56	(1,209,500)	\$ 5.18
Outstanding - end of period	1,676,498	\$ 3.73	1,962,750	\$ 3.51
Exercisable - end of period	795,595	\$ 3.91	774,563	\$ 3.79

Range of Exercise Prices (\$)	Outstanding		Exercisable		Weighted Average Remaining Contractual Life in Years
	Number at June 30, 2010	Weighted Average Exercise Price	Number at June 30, 2010	Weighted Average Exercise Price	
0.90 - 4.00	1,104,998	\$ 2.09	461,095	\$ 2.23	4.05
4.01 - 8.00	426,500	\$ 6.16	292,500	\$ 5.83	1.82
8.01 - 10.48	145,000	\$ 9.05	42,000	\$ 8.85	2.23
	1,676,498	\$ 3.73	795,595	\$ 3.91	3.33

**Genesis Land Development Corp.**  
**Notes to the Consolidated Financial Statements**  
**For the three and six months ended June 30, 2010 and 2009**

(Unaudited)

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**10. COMMITMENTS AND CONTINGENCIES**

Other than commitments and contingencies discussed in the notes to the audited consolidated financial statements at December 31, 2009, there were no other commitments and contingencies at June 30, 2010.

At June 30, 2010, letters of credit outstanding with municipalities totaled approximately \$16,144.

**11. FINANCIAL INSTRUMENTS**

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

(i) Credit Risk

As at June 30, 2010, the Corporation carried an allowance for doubtful accounts of approximately \$306 (December 31, 2009 - \$12,891).

During the six months ended June 30, 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:

	Six months ended June 30			
	2010		2009	
	Bad debt expense (recovery)	Allowance for doubtful accounts	Bad debt expense (recovery)	Allowance for doubtful accounts
Beginning of period		(12,891)		(18,845)
Subsequent collections of previously allowed for lots	(468)	728	(1,012)	1,599
Allowance for lots deemed uncollectable	-	-	620	(1,067)
Reversal of partial allowance on collections in full	-	100	-	-
Reversal of full allowance due to forfeitures	-	11,757	-	4,550
Miscellaneous bad debt expense incurred	474	-	15	-
End of period	6	(306)	(377)	(13,763)

**Genesis Land Development Corp.**  
**Notes to the Consolidated Financial Statements**  
**For the three and six months ended June 30, 2010 and 2009**

(Unaudited)

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**11. FINANCIAL INSTRUMENTS (continued)**

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 as at June 30, 2010 and December 31, 2009 is as follows:

<b>Aging</b>	<b>June 30, 2010</b>	<b>December 31, 2009</b>
Not past due	38,056	15,484
Past due 0-90 days	740	-
Past due 91-120 days	111	5,774
Past due 121-270 days	-	1,681
Past due > 270 days	306	5,336
	39,213	28,275
Allowance for doubtful accounts	(306)	(12,891)
	38,907	15,384

There is a risk that the Corporation may not fully collect all of its amounts receivable. As of August 8, 2010, an additional \$324 of amounts receivable balances outstanding at June 30, 2010 became past due.

**Genesis Land Development Corp.**  
**Notes to the Consolidated Financial Statements**  
**For the three and six months ended June 30, 2010 and 2009**

(Unaudited)

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**11. FINANCIAL INSTRUMENTS (continued)**

(ii) Liquidity Risk

The following are the contractual maturities of financial liabilities and other commitments as at June 30, 2010:

	< 1 Year	> 1 Year	Total
<b>Financial Liabilities</b>			
Accounts payable and accrued liabilities	10,699	-	10,699
Income taxes payable	12,389	-	12,389
Customer deposits	12,332	-	12,332
Financings, excl. deferred financing fees (note 7)	70,794	16,521	87,315
	106,214	16,521	122,735
<b>Commitments</b>			
Lease obligations	525	696	1,221
Naming rights	200	1,200	1,400
	106,939	18,417	125,356

Land development service costs of \$8,950 (December 31, 2009 - \$8,300) at June 30, 2010 have not been included in the table stated above due to uncertainties of timing of the related payments.

(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 \$575 annually on floating rate loans, with approximately \$297 impacting pre-tax net earnings.

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

The fair value of cash and cash equivalents, amounts receivable, restricted cash, deposits and accounts payable and accrued liabilities approximate their carrying values due to the relatively short periods to maturity. The fair value of the Corporation's financings were estimated by comparing future cash flows of each financing at their interest rate compared to cash flows that would be incurred if the Corporation was to refinance these facilities at current market rates.

**Genesis Land Development Corp.**  
**Notes to the Consolidated Financial Statements**  
**For the three and six months ended June 30, 2010 and 2009**

(Unaudited)

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

**11. FINANCIAL INSTRUMENTS (continued)**

	June 30, 2010		December 31, 2009	
	Carrying value	Estimated Fair Value	Carrying value	Estimated Fair Value
<b>Held for trading</b>				
Cash and cash equivalents	3,000	3,000	4,578	4,578
Deposits	12,404	12,404	16,145	16,145
Restricted cash	1,946	1,946	855	855
<b>Loans and receivables</b>				
Amounts receivable	38,907	38,907	15,384	15,384
<b>Other liabilities</b>				
Accounts payable and accrued liabilities	10,699	10,699	8,350	8,350
Financings, excl. deferred financing fees	87,315	86,271	117,639	115,747

**(c) Capital management**

The Corporation is subject to externally imposed capital requirements. The Corporation failed to have the audit of the annual financial statements for one of the limited partnerships under its control performed on time in accordance with the requirements set forth in the related offering memorandum due to delay in completing the audit; the audit is in progress and close to completion. Nothing arising from this audit would have a material effect on these interim consolidated financial statements.

**12. SUBSEQUENT EVENTS**

On July 8, 2010, the Corporation received the second and final advance of \$2,000 relating to the mortgage loan agreement in the maximum amount of \$10,000 (see note 7) into which the Corporation entered on March 8, 2010.

On July 13, 2010, the Corporation entered into a renewal agreement with a lender holding a land project loan in the amount of \$2,086 by increasing loan availability by \$5,260 and extending the due date to July 1, 2011 while substantially retaining all other terms of the original agreement.

On July 28, 2010, the Corporation entered into a revolving operating loan agreement in the amount of up to \$3,000 to provide financing for its single-family home construction secured by existing real estate under construction. The loan bears interest at prime + 1.5% per annum due monthly.

**Genesis Land Development Corp.**  
**Notes to the Consolidated Financial Statements**  
**For the three and six months ended June 30, 2010 and 2009**

(Unaudited)

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

**12. SUBSEQUENT EVENTS (continued)**

On August 4, 2010, the Corporation entered into a renewal agreement with a lender holding a land project loan in the amount of \$2,656 by increasing loan availability by \$1,600 and amending the due date to December 1, 2010 while substantially retaining all other terms of the preceding agreement.

**13. JOINT VENTURE**

	Assets	Liabilities	Revenue	Earnings	CASH FLOW FROM (USED IN)		
					Operating Activities	Investing Activities	Financing Activities
As at and for the three and six months ended June 30, 2010	18,811	22	-	-	-	-	-

The above table includes the Corporation's proportionate share of the assets, liabilities, revenue, earnings and cash flow information of a joint venture (2009 - none) 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, 2009 - \$Nil) recognized on initial contribution into the joint venture is included in the customer deposits balance of \$12,332 at June 30, 2010.

**14. CHANGES IN NON-CASH WORKING CAPITAL**

	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
<b>Operating activities</b>				
Real estate held for development and sale	11,900	6,084	12,894	(1,693)
Amounts receivable	(25,729)	(4,068)	(23,523)	(551)
Other operating assets	1,091	(1,891)	3,741	503
Accounts payable and accrued liabilities	3,627	(2,495)	2,998	(3,344)
Customer deposits	5,352	(553)	7,346	(183)
Income taxes payable	(209)	883	1,250	3,231
	(3,968)	(2,040)	4,706	(2,037)

**15. 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

**Genesis Land Development Corp.**  
**Notes to the Consolidated Financial Statements**  
**For the three and six months ended June 30, 2010 and 2009**

(Unaudited)

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

**15. SEGMENTED INFORMATION (continued)**

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

The income producing business units of the Corporation report the following activities for the three and six months ended June 30, 2010 and 2009:

	Three months ended June 30, 2010			Three months ended June 30, 2009		
	Segment	Elimination	Consolidated	Segment	Elimination	Consolidated
<b>REVENUE</b>						
Residential Lot Sales	12,523	(6,640)	5,883	15,702	(4,729)	10,973
Development Land Sales	39,062	-	39,062	-	-	-
Residential Home Sales	21,261	(164)	21,097	21,437	(1,403)	20,034
Interest and other income	398	-	398	112	-	112
<b>CONSOLIDATED</b>	<b>73,244</b>	<b>(6,804)</b>	<b>66,440</b>	<b>37,251</b>	<b>(6,132)</b>	<b>31,119</b>
<b>COST OF SALES</b>						
Residential Lot Sales	4,588	(2,648)	1,940	9,194	(3,913)	5,281
Development Land Sales	13,360	-	13,360	-	-	-
Write-down of real estate held for development and sale and other	911	-	911	2,348	-	2,348
<b>TOTAL LAND</b>	<b>18,859</b>	<b>(2,648)</b>	<b>16,211</b>	<b>11,542</b>	<b>(3,913)</b>	<b>7,629</b>
Residential Home Sales	18,864	(3,991)	14,873	20,295	(4,413)	15,882
<b>CONSOLIDATED</b>	<b>37,723</b>	<b>(6,639)</b>	<b>31,084</b>	<b>31,837</b>	<b>(8,326)</b>	<b>23,511</b>
<b>REVENUES LESS COST OF SALES</b>						
Residential Lot Sales	7,935	(3,992)	3,943	6,508	(816)	5,692
Development Land Sales	25,702	-	25,702	-	-	-
Write-down of real estate held for development and sale and other	(911)	-	(911)	(2,348)	-	(2,348)
<b>TOTAL LAND</b>	<b>32,726</b>	<b>(3,992)</b>	<b>28,734</b>	<b>4,160</b>	<b>(816)</b>	<b>3,344</b>
Residential Home Sales	2,397	3,827	6,224	1,142	3,010	4,152
	35,123	(165)	34,958	5,302	2,194	7,496
Interest Income	398	-	398	112	-	112
<b>CONSOLIDATED</b>	<b>35,521</b>	<b>(165)</b>	<b>35,356</b>	<b>5,414</b>	<b>2,194</b>	<b>7,608</b>
<b>OTHER EXPENSES*</b>			<b>4,239</b>			<b>3,815</b>
Earnings before Tax and Non-Controlling Interest			31,117			3,793
Income Taxes			8,487			2,274
Earnings before Non-Controlling Interest			22,630			1,519
Non-Controlling Interest			(172)			(2,868)
<b>NET EARNINGS</b>			<b>22,802</b>			<b>4,387</b>

**Genesis Land Development Corp.**  
**Notes to the Consolidated Financial Statements**  
**For the three and six months ended June 30, 2010 and 2009**

(Unaudited)

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

**15. SEGMENTED INFORMATION (continued)**

	Six months ended June 30, 2010			Six months ended June 30, 2009		
	Segment	Elimination	Consolidated	Segment	Elimination	Consolidated
<b>REVENUE</b>						
Residential Lot Sales	18,823	(9,735)	9,088	23,478	(7,022)	16,456
Development Land Sales	39,712	-	39,712	-	-	-
Residential Home Sales	34,978	(139)	34,839	32,258	(1,403)	30,855
Interest and other income	859	-	859	412	-	412
<b>CONSOLIDATED</b>	<b>94,372</b>	<b>(9,874)</b>	<b>84,498</b>	<b>56,148</b>	<b>(8,425)</b>	<b>47,723</b>
<b>COST OF SALES</b>						
Residential Lot Sales	7,801	(4,373)	3,428	12,425	(4,991)	7,434
Development Land Sales	13,853	(53)	13,800	-	-	-
Write-down of real estate held for development and sale and other	994	-	994	2,594	-	2,594
<b>TOTAL LAND</b>	<b>22,648</b>	<b>(4,426)</b>	<b>18,222</b>	<b>15,019</b>	<b>(4,991)</b>	<b>10,028</b>
Residential Home Sales	31,462	(5,343)	26,119	28,896	(5,355)	23,541
<b>CONSOLIDATED</b>	<b>54,110</b>	<b>(9,769)</b>	<b>44,341</b>	<b>43,915</b>	<b>(10,346)</b>	<b>33,569</b>
<b>REVENUES LESS COST OF SALES</b>						
Residential Lot Sales	11,022	(5,362)	5,660	11,053	(2,031)	9,022
Development Land Sales	25,859	53	25,912	-	-	-
Write-down of real estate held for development and sale and other	(994)	-	(994)	(2,594)	-	(2,594)
<b>TOTAL LAND</b>	<b>35,887</b>	<b>(5,309)</b>	<b>30,578</b>	<b>8,459</b>	<b>(2,031)</b>	<b>6,428</b>
Residential Home Sales	3,516	5,204	8,720	3,362	3,952	7,314
	39,403	(105)	39,298	11,821	1,921	13,742
Interest Income	859	-	859	412	-	412
<b>CONSOLIDATED</b>	<b>40,262</b>	<b>(105)</b>	<b>40,157</b>	<b>12,233</b>	<b>1,921</b>	<b>14,154</b>
<b>OTHER EXPENSES*</b>			6,204			6,441
Earnings before Tax and Non-Controlling Interest			33,953			7,713
Income Taxes			9,354			3,484
Earnings before Non-Controlling Interest			24,599			4,229
Non-Controlling Interest			(187)			(2,520)
<b>NET EARNINGS</b>			<b>24,786</b>			<b>6,749</b>

\*Other expense items include general and administrative, bad debt expense (recovery), interest, stock-based compensation, amortization, gain on de-recognition of VIE and gain (loss) on disposal of property and equipment.

**Genesis Land Development Corp.**  
**Notes to the Consolidated Financial Statements**  
**For the three and six months ended June 30, 2010 and 2009**

(Unaudited)

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

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**15. SEGMENTED INFORMATION (continued)**

<b>ASSETS</b>	<b>June 30, 2010</b>	<b>December 31, 2009</b>
Land Development	325,069	311,773
Home Building	17,505	25,990
Corporate	3,000	4,578
<b>CONSOLIDATED</b>	<b>345,574</b>	<b>342,341</b>

**16. RELATED PARTY TRANSACTIONS**

On February 26, 2010, the Corporation entered into a renewal agreement for a land loan with one of the Corporation's directors by increasing the loan amount to \$5,410 to include the amount of interest reserve with the new loan effective May 1, 2010 bearing interest of 9.9% per annum through December 1, 2010 and interest of 14.5% per annum thereafter, and extending the due date to January 1, 2011 while substantially retaining all other terms of the original agreement.

**17. COMPARATIVE FIGURES**

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